

Annual Report 2006-07



MANGALAM CEMENT LIMITED



B K BIRLA GROUP OF COMPANIES

The Group logo - As represented by the 21st Century Atlas

Atlas, The Titan - Collective strength

Atlas, bearer of the heavens is synonymous with vast, all encompassing strength and is used to symbolise the Group's own collective strength. It reflects the combined qualities of astute and dynamic management while emphasising the Group's tenacity, consistency, reliability and overall leadership.

The Sun - Enlightenment and Growth

The Sun, as a source of infinite energy and inspiration, is used here in conjunction with the Atlas head to represent the vitality and powerful presence of the Group - both in its industrial prowess and its financial, technological and intellectual skills.

The Earth Segments - Diversified Activities

Each of the latitudes around the Titan represent various sections - industrial, agricultural, financial and other activities of the Group. As with the infinite variety of the world, so is the strength of the Group, made up of its diverse activities.

The Globe - Global Vision

The Group's global presence and vision is reflected in the entirety of the Earth's Sphere.

The Base - Solid Foundations

The strength of the entire edifice depends upon the strength of the foundation embedded in the bedrock, represented here by the Group Name.

The Symmetry - The Resilience, Versatility and Stability

Seen in its entirety, each of the elements - Atlas, the Sun, the Earth divisions, the Globe and the Base, together sum up a well-conceptualised and balanced conglomerate.

Strong Foundation • Sustained Growth • Proven Leadership

31st ANNUAL REPORT 2006-2007

BOARD OF DIRECTORS

| | |
|----------------------|------------------------------------|
| Shri O.P. Gupta | Chairman |
| Shri K.K. Mudgil | |
| Shri T.S. Vishwanath | |
| Shri N.G. Khaitan | |
| Smt. Aruna Makhan | Special Director Appointed by BIFR |
| Shri K.C. Jain | Managing Director |

PRESIDENT (FINANCE & ADMINISTRATION) & COMPANY SECRETARY

Shri R.C. Gupta

REGISTERED OFFICE & FACTORIES

P.O. Aditya Nagar - 326520
Morak
Distt. Kota (Rajasthan)

HEAD OFFICE

9/1, R.N. Mukherjee Road
Kolkata - 700 001.

AUDITORS

Messrs Jain Pramod Jain & Co.
Chartered Accountants

BANKERS

State Bank of India
State Bank of Bikaner & Jaipur
The Bank of Rajasthan Ltd.
HDFC Bank Ltd.
UTI Bank Ltd.

REGISTRAR & SHARE TRANSFER AGENT

M/s. MAS Services Ltd.
AB-4, Safdarjung Enclave.
New Delhi-110 029.
Tel. No. - 26104142



MANGALAM CEMENT LIMITED

NOTICE

NOTICE is hereby given that the 31st Annual General Meeting of the Members of Mangalam Cement Ltd will be held on Saturday, the 14th July, 2007 at 11.30 A.M. at the Club Hall of Mangalam Cement Ltd, Basant Vihar, Adityanagar 326520, Morak, Dist. Kota (Rajasthan) to transact, with or without modification(s), the following business:

1. To receive, consider and adopt the Audited Accounts for the year ended 31st March, 2007 and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Equity Shares for the year ended 31st March, 2007 subject to approval of Board for Industrial and Financial Reconstruction and State Bank of India, if required.
3. To appoint a Director in place of Shri N.G.Khaitan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint auditors and to fix their remuneration and in that connection to pass with or without modification(s), the following Resolution to be moved as an Ordinary Resolution.

"RESOLVED THAT M/s. Jain Pramod Jain & Co., Chartered Accountants, New Delhi, be and are hereby appointed as Auditors of the Company from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company, be and is hereby authorised to fix their remuneration and terms of payment as per the recommendations of its Audit Committee."

Special Business.

5. To consider and if thought fit to pass, with or without modification(s) the following resolution to be moved as a Special Resolution:

"RESOLVED THAT pursuant to Section 78, 100 and other applicable provisions, if any, of the Companies Act, 1956 and subject to the confirmation by the Hon'ble Rajasthan High Court as provided under Section 100 of the Companies Act, 1956, the Company be and is hereby authorized to utilize the credit balance in the Securities Premium Account of the Company for the purpose of meeting the 'deferred tax liability' provided and/or to be provided by the Company in terms of Accounting Standard-22 issued by the Institute of Chartered Accountants of India i.e. Accounting for Taxes on Income.

RESOLVED FURTHER THAT for the purpose of giving effect to the aforesaid Resolution, the Board of Directors of the Company or any of its Committee, be and is hereby authorized to do and perform all acts, deeds, matters and things and take all such actions as may be considered necessary and desirable to give effect to the same."

By Order of the Board,

Registered Office:
P.O.Adityanagar 326520,
Morak, Dist.Kota (Rajasthan)

R.C.GUPTA
Company Secretary

Dated, the 28th day of April, 2007

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND SUCH PROXY NEED NOT BE A MEMBER. PROXIES IN THE FORM ANNEXED HERETO MUST BE LODGED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Register of members and Share Transfer Books of the Company shall remain closed from Saturday, the 7th July, 2007 to Saturday, the 14th July, 2007, both the days inclusive on account of Annual General Meeting and dividend payment.

3. The payment of dividend, if declared at the said meeting, will be made to those shareholders whose names shall appear on the company's Register of Members on 14th July, 2007 or to their nominees. In respect of shareholding in dematerialized form, dividend will be paid to the beneficial owners as at the end of business on 7th July, 2007 as per details to be furnished by the Depositories for the purpose. Dividend Warrants will be dispatched on or after 22nd July, 2007.
4. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, for Special Business mentioned in the above Notice is annexed hereto.
5. a. Pursuant to Section 205 A of the Companies Act, 1956, all unclaimed/unpaid dividends upto the financial year ended 31st March 1995, have been transferred to the General Revenue Account of the Central Government. Those shareholders who have so far not claimed or collected their dividend for the said period may claim their dividend directly from the Registrar of Companies, Rajasthan, Jaipur, by submitting an application in the prescribed form.
- b. (i) Pursuant to Section 205A of the Companies Act, 1956, read together with 205C of the Act, as amended, Dividend for the financial years ended 31st March, 1996 and 31st March 1997, which remained unpaid or unclaimed for 7 years, has been transferred to the Investor Education and Protection Fund constituted by the Central Government.
- (ii) It may be noted that as per amended Companies Act, once the unclaimed dividend is transferred to the Government as above, no claim shall lie in respect of such amount.
6. Dividend in respect of shares held in dematerialized form shall be credited to the beneficial owner's bank account directly through Electronic Clearing Services (ECS) subject to availability of bank account details and 9 digits code number. In case the said details have not been provided to the concerned Depository Participant or there is any change, the same may please be intimated to the concerned Depository Participant immediately.
 Shareholders holding shares in physical form and desirous of availing ECS facility, should provide the bank details and 9 digits code number in ECS Mandate Proforma. Shareholders who have already given their Bank details to avail the ECS facility should furnish the same only if there is any change.
 The ECS Mandate Proforma can be obtained from the Company's Share Transfer Agents, M/s.MAS Services Ltd at the address mentioned hereinbelow in Note 7.
7. In terms of provisions of Section 109A of the Companies Act, 1956, nomination facility is available to individual shareholders. The shareholder who are holding shares in physical form and are desirous of availing this facility may kindly write to the Company's Share Transfer Agents, M/s.MAS Services Ltd, AB-4, Safdarjung Enclave, New Delhi 110029 for nomination form quoting their folio number. Shareholders holding shares in dematerialized form, should write to their Depository Participant for the purpose.
8. Members who are holding shares in identical order of names in more than one folio, are requested to write to the Company's Share Transfer Agents at the address mentioned hereinabove in Note 7 to consolidate their holding in one folio.
9. Members who are holding shares in physical form are requested to notify change in address, if any, to the Company's Share Transfer Agents at the address mentioned hereinabove in Note 7 quoting their folio number. Shareholders holding shares in dematerialized form, should intimate change of their address, if any, to the Depository Participant.

10. Re-appointment of Director

As per Clause 49 of the Listing Agreement with the Stock Exchanges, the Company is required to provide a brief resume, expertise and names of the companies in which the proposed Directors hold Directorship and Membership of the Committees of the Board and accordingly, the said information is given herein below in respect of Shri N.G.Khaitan.

Shri N.G.Khaitan aged 57 years is practicing as Attorney and Advocate in the Hon'ble High Court of Kolkata and Hon'ble Supreme Court of India, He is Director in this Company since December, 2000. He is also Director in the following Companies:



MANGALAM CEMENT LIMITED

Public Limited Companies.

1. Chase Bright Steel Ltd.
2. Gobind Sugar Mills Ltd.
3. Hindustan Sanitaryware & Industries Ltd.
4. JK Lakshmi Cement Ltd.
5. Kesoram Textile Mills Ltd.
6. Mangalam Timber Products Ltd.
7. Naga Dhunseri Group Ltd.
8. Polar Pharma India Ltd.
9. Reliance Chemotex Inds.Ltd,
10. Rasoi Ltd.

Private Limited Companies.

1. Rowdon Business (P) Ltd.
2. Xenix Services (P) Ltd.
3. CD Equi Search (Pvt.) Ltd.
4. CD Equifinance Pvt. Ltd.

He is also Chairman/Member in the following Committees of Directors:

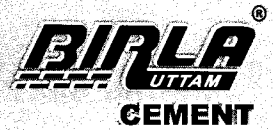
| S. No. | Name of the Company | Particulars of Committees | As Chairman/Member |
|--------|------------------------------------|--|----------------------------|
| 1 | Mangalam Timber Products Ltd | Audit Committee Share Transfer Committee | Chairman Member |
| 2 | Kesoram Textiles Mills Ltd. | Audit Committee Share Transfer Committee | Chairman Chairman |
| 3 | JK Lakshmi Cement Ltd. | Audit Committee Shareholder/Investor – Grievance Committee | Member Member |
| 4 | Hindustan Sanitaryware & Inds Ltd. | Audit Committee Shareholder/Investor – Grievance Committee Remuneration Committee | Member Member Member |
| 5 | Gobind Sugar Mills Ltd. | Investors' Grievance Committee | Member |
| 6 | Reliance Chemotex Inds Ltd. | Audit Committee | Member |
| 7 | Mangalam Cement Ltd. | Audit Committee | Member |

He is also member of Bharat Chamber of Commerce and FICCI, New Delhi.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

Item No.5

The Institute of Chartered Accountants of India has prescribed new Accounting Standard – 22 (AS-22) on treatment of 'Accounting for Taxes on Income'. Under AS-22 the difference between the taxable income and the accounting income resulting as deferred tax is to be charged and/or credited to Revenue Reserve in the Books of Accounts of the company with effect from 01.04.2001.



The deferred tax is the tax effect of timing differences. The timing differences are differences between taxable income and accounting income. The timing differences do not result in payment of deferred tax liability. The deferred tax liability under AS-22 is merely an accounting entry.

The Company has a credit balance of Rs.46.69 crores in the Securities Premium Account as on 31.03.2007. With the consent and approval of Shareholders and subject to the confirmation by the Hon'ble Rajasthan High Court under Section 100 of the Companies Act, 1956, the Company can utilize the credit balance in Securities Premium Account as aforesaid for any purpose other than those prescribed under Section 78 of the Companies Act, 1956.

The Resolution is intended to utilize the Securities Premium Account which is being carried over from year to year and the proposed reduction of Share Capital will be merely a book entry. The action will be in the interest of shareholders and all concerned and shall enhance the financial strength of the Company.

Since the application of the Securities Premium Account for the above purpose would amount to reduction of Share Capital under Section 78 read with Section 100 of the Act, it is necessary to obtain the approval of members of the Company in General Meeting by passing a Special Resolution for reduction of capital in that behalf under Section 100 of the Act and such reduction of share capital would have to be confirmed by the Hon'ble High Court of Rajasthan.

Copies of documents referred to above, are available for inspection by the members of the company at its Registered office between 10.00 AM and 12.30 PM on any working day of the Company.

The Board recommends the above Resolution for the approval of members.

None of the Directors is concerned or in any way interested in this Resolution except to the extent of their shareholding in the Company, if any.

Registered Office:
P.O.Adityanagar - 326520
Morak
Dist.Kota (Raj)

By Order of the Board

R.C.GUPTA
Company Secretary

Dated, 28th day of April, 2007.

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MANGALAM CEMENT LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST MARCH, 2007.

Dear Shareholders,

We have the pleasure in presenting the 31st Annual Report of the Company with audited statements of accounts for the year ended 31st March, 2007. The summarized Financial Results are given below:

1. FINANCIAL RESULTS

| | Current year ended 31 st March, 2007 (Oct.-06 to March-07) (Rs. In Lacs) | Previous year ended 30 th September, 2006 (Oct.-05 to Sept.-06) (Rs. In Lacs) |
|---|--|---|
| Gross Sales | 26126.61 | 49780.07 |
| Less: Excise Duty | 3327.19 | 6830.80 |
| Net Sales | <u>22799.42</u> | <u>42949.27</u> |
| Operating Profit before Interest and Financial Charges, Depreciation and Tax | 6959.30 | 10717.25 |
| Less: Interest and Financial Charges | <u>64.50</u> | <u>860.32</u> |
| Gross Profit before Depreciation and Tax | 6894.80 | 9856.93 |
| Less: Depreciation (net of transfer from Revaluation Reserve) | <u>608.26</u> | <u>1180.47</u> |
| Net Profit before Tax | 6286.54 | 8676.46 |
| Less : Provision for Tax | | |
| a. MAT | 698.00 | 848.00 |
| Deduct: MAT Credit entitlement | <u>-</u> 698.00 | <u>848.00</u> - |
| b. Deferred Tax | 769.00 | 1750.00 |
| c. Fringe Benefit Tax | 15.70 | 24.10 |
| d. Prior period adjustment: | | |
| (i) Reversal of MAT Credit entitlement | | |
| (ii) Deduct: Provision for taxation no longer required written back | 627.00 <u>16.03</u> 610.97 | - - - |
| Net Profit after tax | 4192.87 | 6902.36 |
| Profit/(Loss) brought forward from previous year | 3158.35 | (3744.01) |
| Profit available for appropriation | <u>7351.22</u> | <u>3158.35</u> |
| APPROPRIATIONS | | |
| a) Transfer to General Reserve | 500.00 | - |
| b) Proposed Dividend on Equity Shares | 564.94 | - |
| c) Corporate Dividend Tax | 96.01 | - |
| d) Balance carried forward to next year | 6190.27 | 3158.35 |
| TOTAL | <u>7351.22</u> | <u>3158.35</u> |

2. CHANGE OF ACCOUNTING YEAR

In order to synchronize the financial year of the company for the purpose of the Companies Act, with the previous year under the Income Tax Act, the Directors with the approval of the Hon'ble Board for Industrial and Financial Reconstruction (BIFR), have changed the financial year so that it ends in March instead of September as until last year. Accordingly, the year under report consists of 6 months i.e. October, 06 to March, 07.



3. DIVIDEND

We recommend a dividend of Rs.2.00 per Equity Share of Rs.10 each for the period ended 31st March 2007, subject to approval of Board for Industrial and Financial Reconstruction and State Bank of India, if required. Total dividend outgo will be Rs.564.94 lacs and the Company will pay tax of Rs.96.01 lacs on dividend.

4. DEFERRED TAX

The Company has a credit balance of Rs. 4669.29 Lacs in the Securities Premium account as on 31st March, 2007. With the consent and approval of the shareholders and subject to the confirmation by Hon'ble Rajasthan High Court, Under Section 100 of the Companies Act, 1956, the Company proposes to utilize the credit balance in Securities Premium account for the purpose of meeting the deferred tax liability Provided and/or to be provided. The proposed Resolution to be passed in the ensuing Annual General Meeting aims to enhance the efficiency of the Balance Sheet of the Company by using and applying the unutilized Securities Premium account which is being carried over from year to year and the proposed reduction in share capital will be merely a book entry.

5. OVERALL PERFORMANCE

Performance of the Company has been comprehensively covered in the Management Discussions and Analysis Report which forms part of Directors' Report.

6. MODERNISATION/EXPANSION

- (a) Work of installation of a new 17.5 MW Captive Thermal Power Plant has made substantial progress during the year under review and barring any unforeseen circumstances, it is likely to be commissioned in June, 2007. After commissioning of this plant, the Company will make significant savings in power cost. However, the Government of Rajasthan by notification dated 23rd March, 2007, has stipulated that the consumers who have their own captive power generation plant will have to purchase Renewable Energy (R.E.) to the extent of 4.88% of total energy drawn from the captive power plant during the year 2007-08 and in case of any shortfall in meeting the obligation, R.E. surcharge @ 3.59 per unit shall be payable. To meet the above obligation, the Company is planning to set up wind mills of the appropriate capacity at Jaisalmer.
- (b) Project of augmentation of cement grinding capacity at Unit-I has also made substantial progress during the year under review and it is expected to be commissioned by the 3rd Quarter of 2007. When commissioned, this will add cement grinding capacity by 0.5 million tones.
- (c) As informed last year, the Company has undertaken the project which would increase Clinkerisation capacity in Unit-I by 500 TPD and 250 TPD in Unit-II. All the major orders for plant and machinery have been placed. The project is expected to be completed by the 3rd quarter of 2007.
- (d) The Company is also exploring possibility of setting up a new plant at the existing site for which detailed survey for availability of sufficient quantity and quality of limestone, at the existing mines is being carried out. A decision will be taken after the report is received. The company is also exploring the Possibilities for setting up of grass field plant at new location in the state of Rajasthan.

7. FINANCES

- (a) During the year the company has availed Rs.34.70 Cr out of the term loan of Rs.52.50 Cr sanctioned by State Bank of India for Captive Power Plant.
- (b) Although, the company has been sanctioned Working Capital Limits of Rs.20 Cr, in view of comfortable fund position, it did not utilize Cash Credit Limits. However, non-fund based limits i.e. Letter of Credits and Bank Guarantees are being utilized.

8. REVIVAL PACKAGE

The company continued to be registered with Board for Industrial and Financial Reconstruction (BIFR).

Certain reliefs/concessions approved by the H'nable BIFR in the scheme dated. 18th January. 2005 are yet to be implemented by the Govt. of Rajasthan

9. INSURANCE

Adequate insurance cover has been taken for the properties of the Company including buildings, plant and machinery and stocks.

10. DIRECTORS

In accordance with Article 99 of the Articles of Association of the Company, Shri N.G.Khaitan retires by rotation and being eligible, offers himself for re-election.



MANGALAM CEMENT LIMITED

Resume of Shri N.G.Khaitan is given in the Notice of Annual General Meeting.

11. AUDITORS' REPORT

Auditors' Report to the Shareholders does not contain any qualification, reservation or adverse remark.

12. STATUTORY AUDITORS

M/s. Jain Pramod Jain & Co., Chartered Accountants, auditors of the Company will retire at the ensuing Annual General Meeting and are eligible for re-appointment and they have confirmed that their re-appointment, if made, shall be within the limits of Section 224 (1B) of the Companies Act, 1956. The Board recommends their re-appointment.

13. COST AUDIT

Pursuant to the directives of the Central Government under provisions of Section 233-B of the Companies Act, 1956, a Cost Auditor has been appointed to audit Cost Accounts of your Company for the year ended 31st March, 2007.

14. DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, your Directors declare that :

- (i) in preparation of Annual Accounts, applicable accounting standards have been followed and that no material departure has been made from the same;
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company for Financial Year ended 31st March, 2007 and of the profit of the company for that year;
- (iii) they have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) they have prepared the annual accounts on a going concern basis.

15. PARTICULARS OF EMPLOYEES

There is no employee during the year under review in respect of whom the particulars as required to be disclosed with reference to the Companies (Particulars of Employees) Rules, 1975 as amended.

16. PARTICULARS OF ENERGY CONSERVATION ETC.

Particulars as required to be disclosed as per Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in the statement attached hereto and form part of this Report.

17. CORPORATE GOVERNANCE

A separate report on Corporate Governance is enclosed as part of this Annual Report. Certificate from the Auditors of the Company regarding compliance with the Corporate Governance norms stipulated in Clause 49 of the Listing Agreement is annexed to the Report on Corporate Governance.

18. PUBLIC DEPOSITS

The Company has neither invited nor accepted any deposits from the public within the meaning of Section 58(A) of the Companies Act, 1956 during the year under review. As such no amount of principal or interest was outstanding on the date of the Balance Sheet.

19. CASH FLOW ANALYSIS

In conformity with the provisions of Clause 32 of the Listing Agreement(s), cash flow statement for the financial year ended 31st March, 2007 is annexed hereto.

20. ACKNOWLEDGEMENTS

Your Directors place on record, their deep appreciation of the devoted services rendered by the employees of the Company who have contributed towards an excellent performance of the Company. Their grateful thanks are due to the State Government of Rajasthan, investors, bankers and the District level authorities for their support extended to the Company from time to time. Shareholders' appreciation of the Management's efforts expressed at the General Meetings of the Company are a great fillip to strive for better performance.

Yours faithfully,

| | |
|--------------|-------------------|
| O. P. Gupta | Chairman |
| K. K. Mudgil | Director |
| K. C. Jain | Managing Director |

New Delhi

The 28th day of April, 2007.