

26 th ANNUAL REPORT 2006-2007



Inspired by Goals. Motivated by Success.

BOARD OF DIRECTORS

Shri K. Jayabharath Reddy - Chairman
 Shri R. Anand
 Shri Vinodrai V. Goradia
 Shri GDLSN Raju
 Shri M. Bhaskara Rao (IREDA Nominee)
 Shri M. Kanna Reddy
 Shri K. Madhu
 Shri S. Mallikarjuna Rao
 Shri P.N. Raju - Executive Director
 Shri S.S. Raju - Executive Director
 Shri K. Ravi - Managing Director

COMPANY SECRETARY

Shri T. Arunkumar

AUDITORS

M/s. Prayaga & Company
 Chartered Accountants
 304, Vijayasri Apts., S.R. Nagar,
 Hyderabad - 500 038.

BANKERS

UTI Bank Ltd.
 State Bank of Hyderabad
 Oriental Bank of Commerce

CEMENT

UNIT - I

Simhapuri
 Mattampally Mandal
 Nalgonda Dist - 508 204
 Andhra Pradesh

UNIT - II

Grinding Unit
 Kadimpothavaram Village
 Kondapalli
 Krishna District - 521228
 Andhra Pradesh

BOARDS

UNIT - I

Simhapuri
 Mattampally Mandal
 Nalgonda Dist - 508 204
 Andhra Pradesh

UNIT - II

Bhothanwali Village
 Paonta Sahib
 Sirmour District
 Himachal Pradesh - 173 025

ENERGY

UNIT - I

Pothireddypadu Head Regulator
 Chabolu Village,
 Pothulapadu Post,
 Nandikotkur TQ. - 518 402
 Kurnool District
 Andhra Pradesh

UNIT - II

RBHLC Zero Mile Point
 Tungabhadra Dam,
 Tungabhadra Board
 Amaravathi village
 Hospet - 583 225
 Karnataka

Prefab Unit

Plot No. 34/A,
 IDA, Jeedimetla
 Hyderabad - 500 055
 Andhra Pradesh

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Regd. & Admn. Office

7th, Floor, Raghava Ratna Towers,
 Chirag Ali Lane,
 Hyderabad - 500 001.
 Tel : 23203637, 23202548, 23204243
 Fax : 91 (040) - 23202496, 23203417
 E-mail : ncl@nclind.com
 Website : www.nclind.com

NOTICE

Notice is hereby given that the 26th Annual General Meeting of NCL Industries Limited will be held on Wednesday, the 26th September 2007 at 10 AM at Bharatiya Vidya Bhavan, King Koti Road, Hyderabad – 500 029 to transact the following business.

1. To receive, consider and adopt the Balance Sheet as at 31st March 2007 and the Profit and Loss Account for the year ended on that date together with the Reports of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Mr. Vinodrai V.Goradia, who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr. K.Madhu, who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr. R.Anand, who retires by rotation and is eligible for reappointment.
6. To appoint Auditors and fix their remuneration.

By order of the Board
For **NCL INDUSTRIES LIMITED**

Place : Hyderabad
Date : 30.07.2007

T. ARUN KUMAR
Company Secretary

NOTES:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself to attend and vote in a poll and the proxy need not be a member. Proxies in order to be effective should be duly stamped, completed and signed and must be received by the company not less than 48 hours before the Annual General Meeting.
2. The Register of Members and Share Transfer Registers will remain closed from 19th September, 2007 to 26th September, 2007 (both days inclusive) on account of the Annual General Meeting and Dividend payment.
3. The Dividend as recommended by the Board, if sanctioned at the Meeting, will be paid to those members whose names appear on the Register of Members as on 26th September 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 19th September 2007, as per details to be furnished by the depositories for the purpose.

4. The members holding shares in physical mode are requested to provide their Bank Account Number, Name and Address of the Bank / Branch to the Registrar of the Company to enable the company to incorporate the name in the dividend warrant, in order to prevent against fraudulent encashment of dividend.
5. Members holding shares in electronic form are requested to inform the changes, if any, in their address or bank particulars etc., to the Depository Participant with whom the demat account is maintained.
6. Individual shareholders can avail the facility of nomination. Shareholders holding shares in physical form may write to the Registrar for assistance. Shareholders holding in electronic form may approach their DP with whom they maintain their account.
7. A brief resume, of Directors appointed/proposed to be appointed are annexed to this Notice, in compliance of Clause 49 of the Listing Agreement.
8. Details of Directors appointed/ proposed to be appointed/reappointed pursuant to Clause 49 (IV) (G) of the Listing Agreement.

Director appointed by Board to fill Casual Vacancy**Mr. S Mallikarjuna Rao**

Mr. S.Mallikarjuna Rao (aged about 61 years) appointed by the board in the meeting held on 29.06.2007 in the casual vacancy caused by the resignation of Mr. S.GOKUL. Mr. S.Mallikarjuna Rao is a B.Tech from IIT Chennai & M.Tech from IIS Bangalore. He retired as Dy.Chief Executive from NFC Hyderabad. He developed Slurry Extraction unit during his tenure in NFC and was awarded Homi Bhabha Prize and also given national award for excellence in design by Indian Institute of Chemical Engineers. He holds 20 equity shares in the company

Directors retiring by rotation, and proposed to be reappointed at the ensuing AGM**Mr. Vinodrai V.Goradia**

Mr. Vinodrai V.Goradia (aged about 70 years) has been a director of the Company since 1982 except a brief spell between 20.08.1987 to 27.09.1990 and is one of the original promoters. He is proprietor of Shyamji Bhanji & Co, based in Mumbai, which is engaged in Chemical business. Mr.Goradia brings with him rich commercial experience. He holds 271922 Equity Shares in the Company.

**Mr. K. Madhu**

Mr.K.Madhu (Aged about 51 years) is at present the Managing Director of NCL Alltek & Seccolor Limited, a company dealing in Coating Products & Building materials. He is also a Director in NCL Homes Limited, Nagarjuna Cements Limited, Scorpio Systems Limited, Khandaleru Power Co. Limited and Kakatiya Chemicals (P) Limited. He is a graduate in Commerce & Law. He is a successful industrialist with over 25 years of business experience.

Mr. K.Madhu has been an non executive independent director of the company since 1991. He served as Joint Managing Director of the Company from 25.07.1991 to 21.11.1992. Currently he is also a member of the Audit Committee, Investor Grievance Committee, Remuneration Committee & Share Allotment Committee of the Company. He holds 963762 Equity Shares in the company .

Mr. R.Anand

Mr.R.Anand (Aged about 74 years) is an industrialist based in Mumbai having varied experience in different industries. Apart from being a non-executive director in the company since 1982, he is a Director in Nova Silk Limited, Eastern Engineering Company (Bom) (P) Limited, Luwa India (P) Limited, Sanmarco Texmac (P) Limited, Maxwell Industires Limited and Indo Count Industries Limited. He is also the member of Council of Management of Indo Italian Chamber of Commerce and the Member of Management Committee of Indian Textiles Accessories & Machinery Manufacturers Association (ITAMMA).

He holds 540 Equity Shares in the company .

By order of the Board
For **NCL INDUSTRIES LIMITED**

Place : Hyderabad
Date : 30.07.2007

T. ARUN KUMAR
Company Secretary





DIRECTORS' REPORT

Your Directors have pleasure in presenting their Report for the financial year ended March 31, 2007.

FINANCIAL RESULTS

The Audited Balance Sheet of your Company as at March 31, 2007, the Profit & Loss Account for the year ended on that date and the report of the Auditors thereon are being circulated with this report. The salient features of the financial Results are as follows:

	(Rs. in lakhs)	
	2006-2007	2005-2006
SALES TURNOVER & OTHER INCOME		
Cement Division	10024.53	6721.20
Boards Division	3638.61	2823.95
Prefab Division	4008.82	2838.35
Energy Division	1002.23	1175.51
Trading Turnover	879.20	324.86
Other income	35.86	49.53
TOTAL	19,589.25	13,933.40
Gross Profit (PBIDT)	4398.30	2699.85
Less: Interest	918.76	1143.72
Depreciation	679.29	645.88
Profit/(Loss)	2800.25	910.25
Previous Year Adjustments	153.98	(1.25)
Profit before Tax	2954.23	909.00
Less: Provision for Income Tax	482.10	258.99
Profit after Tax	2472.13	650.01
Deferred Tax	(292.56)	18.15
Net Profit	2764.69	631.86
Profit B/f	488.98	258.84
Profit available for Appropriation	3253.67	890.70
Less: Appropriations		
(A) General Reserve	300.00	50.00
(B) Dividend & Dividend Tax	739.50	351.72
(C) Balance carried forward	2214.17	488.98

The figures of the year 2005-06 reflect the consolidated performance after the merger of NCL Energy Ltd. with the company with effect from April 1, 2005, as sanctioned by the Hon'ble High Court of Andhra Pradesh.

Your Directors are pleased to report an all round growth in terms of turnover and profitability during the year under review. The significant improvement in the performance was primarily due to increase in the selling price of cement. In addition, there has been a significant improvement in the performance of the Boards Division, and the Prefab Division.

Out of the profits, the Directors propose a transfer of

an amount of Rs.300 lacs to the General Reserves.

DIVIDEND

In view of the improved performance your Directors are pleased to recommend a dividend of 20% on the expanded equity capital of 31603935 - Equity Shares of Rs.10/- each. The dividend payout if approved (including the Dividend Tax) for the year 2006-07 would be Rs. 739.50 lakhs, registering a growth of 110.25 % over the Dividend payout for 2005-06, which amounted to Rs.351.72 lakhs.

AMALGAMATION WITH NCL ENERGY LTD

As noted earlier, as per the Scheme of Amalgamation sanctioned by the Hon'ble High Court of Andhra Pradesh, NCL Energy Ltd. merged with your company with effect from April 1, 2005.

LISTING WITH NSE

In order to broaden the opportunities for trading in the Shares, your Company has listed its shares in the National Stock Exchange Limited with effect from 3rd April 2007, in addition to Bombay Stock Exchange, in which the shares are already listed.

EXPANSION PROJECTS:

Your Directors are pleased to report successful implementation of three new projects i.e. Energy Efficiency and Conservation Project (Clinker Expansion), Setting up of a Cement Grinding Unit at Kondapalli and a new Cement Boards Plant at Himachal Pradesh. All these Projects have commenced regular operations. In fact the scope of the Project was expanded, and the Company has been able to establish the plant with a clinker production capacity of 1800 TPD, instead of 1500 TPD as originally envisaged. The additional cost involved was met out of internal accruals. The benefits of these expansion Projects will be reflected in the Financial Year 2007-08.

Your company is now embarking on a project to establish a project for manufacture of clinker at a capacity of 3000 TPD, and also enhance the grinding capacity by 4000 TPD by way of establishment of two grinding units of 2000 TPD each at Mattapally and Kondapalli. Your approval has already been obtained at the Extra Ordinary General Meeting for raising necessary finance for the expansion project.

Your Directors are optimistic that the performance of your company will further improve after implementation of the expansion projects.

CONTRIBUTION TO EXCHEQUER:

The Company's contribution to the Exchequer during



the year, in the form of various taxes and duties paid was Rs.3427 Lakhs (Rs.2781 Lakhs in previous year).

FIXED DEPOSITS:

As on 31st March 2007, Rs.748.99 Lakhs of Public Deposits are outstanding. The Company repaid all the matured deposits, which have been claimed. The company has an excellent record of servicing the depositors.

AUDITORS:

M/s Prayaga & Co., Chartered Accountants, the existing auditors of the Company retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

COST AUDITORS:

Mr. R.Srinivasa Rao, Cost Accountant, the existing Cost Auditor of the Company has been re-appointed to conduct the cost audit pertaining to the Cement Division of the company for the year 2007-2008.

DIRECTORS:

Shri S.Gokul resigned as Director with effect from the 29th June 2007 and Shri S. Mallikarjuna Rao has been appointed as Director in the casual vacancy caused by the resignation of Shri S.Gokul. Your Board records its appreciation to the valuable contributions made by Mr. S. Gokul during his tenure as a Director of the Company.

Shri Vinodrai V.Goradia, Shri K.Madhu & Shri R.Anand retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

As required by Clause 49 of the Listing Agreement, the information about Mr. S Mallikarjuna Rao who has been appointed as Director, and also Mr. Vinodrai Goradia, Mr. K Madhu and Mr. R Anand are given as Annexure to Notice convening the Annual General Meeting.

CORPORATE GOVERNANCE:

Your company has complied with all the terms and conditions of the Listing Agreement including the provisions of Corporate Governance during the year under review. Your Directors enclose in Annexure 'A', a separate report of compliance with Clause 49 norms as on date of this Report. Your Directors also enclose a Report from the auditors relating to compliance of conditions of corporate governance as on date of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT
The Management Discussion and Analysis Report is annexed as Annexure 'B' to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT:

Your company's internal auditors have conducted periodic audit to provide reasonable assurance that established policies and procedures have been followed.

In accordance with the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors of your Company confirm:

- I. That all applicable accounting standards have been followed in the preparation of annual accounts and that there are no material departures
- II. That the directors 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 as at 31st March, 2007 and of the profit of the Company for the year ended on that date.
- III. The directors have taken proper and sufficient care for the 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. That the Directors prepared the annual accounts on a going concern basis.

INDUSTRIAL RELATIONS:

The industrial relations continue to be harmonious at all levels in the organization during the year under review.

PARTICULARS OF EMPLOYEES

None of the employees has been in receipt of the remuneration envisaged by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

ADDITIONAL INFORMATION

The information required to be disclosed in terms of Sec.217(1)(e) of the Companies Act, 1956 relating to conservation of energy, technology absorption and foreign exchange etc., is furnished in Form A & B and forms part of this report.

ACKNOWLEDGEMENTS:

Your Directors wish to place on record their appreciation of the support and co-operation extended by IREDA, SBI, SBH, OBC, UTI Bank, Canbank Factors Limited.

Distributors, Dealers and Stockists are a vital part of the marketing efforts of the company. Your Directors wish to record the excellent contribution made by them.

Your Directors also wish to place on record their appreciation of the excellent enthusiastic support received from the team of dedicated employees in the activities of your Company.

For and on behalf of the Board

Place : Hyderabad
Date : 30.07.2007

K. JAYABHARATH REDDY
Chairman

**FORM - A****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

A. POWER AND FUEL CONSUMPTION		Current Year	Previous year
1 ELECTRICITY:			
a. Purchased			
Units - Lacs		385	349
Total Amount (Rs. In Lacs)		1313	1275
Rate/Unit (Rs)		3.34	3.65
b. Own Generation			
Through Diesel generator (units Kwh Lacs)		3.36	1.64
Total Amount (Rs. In Lacs)		26	17
Rate/Unit(Rs)		7.74	9.87
2 COAL			
Quantity (Tonnes)		69732	66656
Total Cost (Rs. Lacs)		1384	1278
Average Rate/Tonne(Rs)		1985	1918
3 FIRE WOOD			
Quantity (MT)		3366	26
Total Cost (Rs. In Lacs)		43	0.43
Average Rate per MT (Rs)		1268	1665
4 CONSUMPTION PER MT OF PRODUCTION:			
Electricity - Units			
Cement Division		93.38*	96.74*
Boards Division		134.60	132.93
Coal - MT (Cement Division)		0.19*	0.20*
Kcal/kg clinker		838	837

* Per MT of equivalent Ordinary Portland cement

FORM B

(See Rule 2)

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION, (R&D)

A	Research and Development (R&D)	Not applicable
B.	Technology Absorption, adoption and innovation	Not applicable

For and on behalf of the Board

Place : Hyderabad

K. JAYABHARATH REDDY

Date : 30.07.2007

CHAIRMAN

REPORT ON CORPORATE GOVERNANCE

Annexure A

**REPORT ON CORPORATE GOVERNANCE**

(in compliance with clause 49 of the listing agreement)

1) Company's philosophy on Corporate Governance

The company's philosophy on corporate Governance is to adhere to the norms of Corporate Governance enunciated by the Listing Agreement in letter and spirit.

2) Board of Directors:**a) Composition of the Board**

Your Board of Directors consists of 11 directors, 3 being executive directors and 8 non executive directors. Out of Eight non executive directors five are independent including the Chairman and the nominee of IREDA.

b) Number of Board Meetings held during the year along with dates of the meetings:

Thirteen Board meetings were held during the year 2006-2007. The dates on which the said meetings were held are as under:

- (1) 12.04.2006 (2) 16.05.2006 (3) 21.07.2006 (4) 07.08.2006 (5) 30.08.2006
 (6) 25.10.2006 (7) 18.11.2006 (8) 09.12.2006 (9) 24.12.2006 (10) 12.01.2007
 (11) 20.01.2007 (12) 12.03.2007 (13) 31.03.2007

c) Attendance of Directors at Board Meetings, AGM and committees where he is a Director / Member.

Name of the Director	Categories Of Director-ship*	No of Board Meeting attended	Attendance at last AGM	Director-ship in other companies	No. of Committees held in other Public Limited Companies	
					Chairman	Member
K.Jayabharath Reddy	Chairman, I & NED	11	Yes	11	5	3
R.Anand	I & NED	2	Yes	6	1	-
M.Kanna Reddy	I & NED	11	Yes	1	-	1
S.R. Goḱul	I & NED	8	Yes	-	-	-
VV Goradia	NED	3	No	Nil	-	-
K Madhu	NED	13	Yes	9	-	2
GDLSN Raju	NED	11	Yes	2	-	-
M. Bhaskara Rao	I & NED	11	Yes	1	1	1
P.N. Raju	ED	12	Yes	-	-	-
S.S.Raju	ED	6	Yes	1	-	-
K. Ravi	ED	13	Yes	7	-	7

* I & NED Independent and non executive Director
 NED Non-executive Director
 ED Executive Director

2) Audit Committee:

Pursuant to the provisions of Clause 49, the Audit committee was constituted by the Board of Directors during October 2000. The Managing Director and the Sr. Vice President (F&A) are permanent invitees to this Committee. The terms of reference of the Audit Committee is in accordance with the provisions of Clause 49 of the Listing Agreement.

During the year under review, five meetings of the audit committee were held on the following dates:



12th April 2006, 21st July 2006, 25th October 2006, 4th November 2006 and 20th January 2007.

The constitution of the committee and attendance of each member at the audit committee meetings held during the year under review is given below

Name	Designation	Whole time/ Independent	Profession	Committee meetings attended
K.Jayabharath Reddy	Chairman	Independent	IAS (Retd.)	5
M. Bhaskara Rao	Member	Independent (IREDA Nominee)	Chartered Accountant	5
M.Kanna Reddy	Member	Independent	Chartered Accountant	5
K. Madhu	Member	Non Executive	Business	4

4) Remuneration Committee:

The Remuneration committee was set up by the Board of Directors during August 2001. This Committee considers and recommends the remuneration payable to Executive Directors. During the year under review, two meetings of the committee were held on the 12th April 2006 and 25th October 2006. The constitution of the committee along with the attendance details of the members is given hereunder.

Name	Designation	Whole-time/ Independent	Profession	Committee meeting attended
K.Jayabharath Reddy	Chairman	Independent	IAS(Retd)	2
M.Kanna Reddy	Member	Independent	Chartered Accountant	2
M. Bhaskara Rao	Member	Independent	Chartered Accountant	2

Remuneration Policy

The remuneration policy of the Company is to make the compensation payable to the executive directors commensurate with the performance of the company, while adhering to the ceilings prescribed under the Statute.

Remuneration paid to Executive Directors

During the period under review, the remuneration paid/payable to the executive directors including the Managing Director is as follows:

(Rs. In Lakhs)					
Name of the Director	Salary	Perquisites	Commission	Sitting Fee	Total
K. Ravi, M.D	11.85	5.62	30.18	-	47.65
P.N.Raju, E.D	6.98	2.79	-	-	9.77
S.S.Raju, E.D	5.24	2.51	-	-	7.75

- Perquisites include HRA, Contribution to PF etc.
- Commission payable to MD at 1% of Net profits of the company computed in accordance with Section 198 of the Companies Act, 1956 which was separately shown in Notes to Accounts.

Remuneration paid to non Executive Directors

The Non-Executive Directors were paid sitting fees for attending the meetings of the Board or the Committees thereof at the rate of Rs.2000/- per Board/Committee meeting except for Grievance Committee meeting for which an amount of Rs.500/- was paid per meeting. The sitting fees paid to the directors during the year under review was as follows:



Name of Director	Sitting Fees paid(Rs)
K.Jayabharath Reddy	36,000
R.Anand	4,000
M.Kanna Reddy	37,000
S.R. Gokul	16,000
VV Goradia	6,000
K Madhu	35,000
M. Bhaskara Rao	36,000
GDLSN Raju	23,000

With effect from June 29, 2007, the Sitting Fees payable to the Directors has been revised to Rs 4,000/- per meeting of the Board or Committee thereof attended by them.

Shareholdings of Non Executive Directors as on July 30, 2007:

Non-executive Directors	No.of Shares
K.Jayabharath Reddy	114834
R.Anand	540
M.Kanna Reddy	-
VV Goradia	271922
K Madhu	963762
M. Bhaskara Rao	-
GDLSN Raju	260437
S.Mallikarjuna Rao	20

5) Investors' Grievance Committee :

This committee comprises three members namely Mr. M.Kanna Reddy as its Chairman and Mr.K.Madhu and Mr.G.D.L.S.N.Raju as its members. The Committee is formed for the purpose of complying with the guidelines on Corporate Governance to monitor redressal of Complaints received from the shareholders. During the period under review, the Committee met two times on September 11, 2006 and January 20, 2007.

Compliance Officer

Mr B.Subrahmanyam, former Sr.Vice President and Company Secretary was the Compliance Officer till June 5, 2007.

Mr. T. Arun Kumar was appointed as Company Secretary and designated as Compliance Officer with effect from June 5, 2007.

i) Details of Investors letters / complaints received during the year ended 31st March 2007.

Sl No	Nature of letter / complaints	Received	Disposed of	Pending
1	Non-receipt of Dividend warrant(s)	8	8	NIL
2	Non - Receipt of Share certificates after transfer / duplicate.	4	4	NIL
3	Non - Receipt of Annual Report	-	-	NIL
4	Miscellaneous - others	3	3	NIL

ii) Number of Complaints pending with the Company:

All the complaints / letters received during the financial year were replied / resolved to the satisfaction of the shareholders.