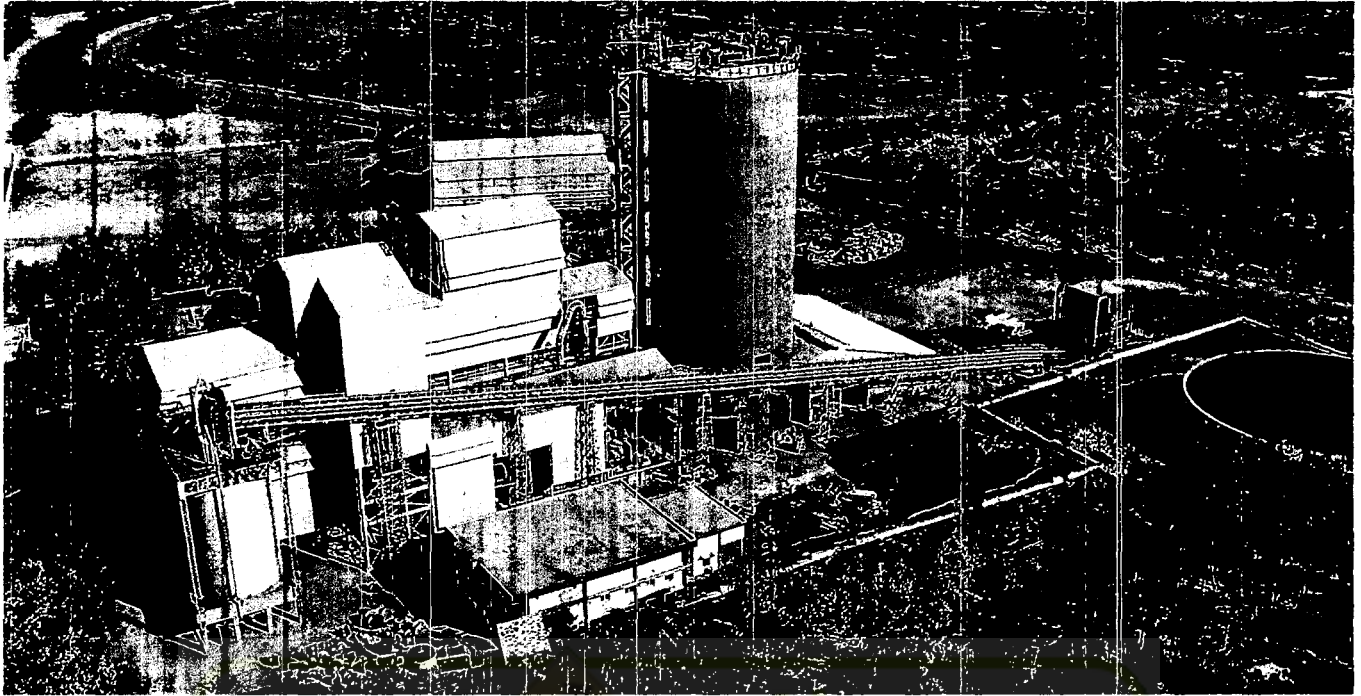


20th ANNUAL REPORT

1997-98

narmada cement
COMPANY LIMITED



New Cement Grinding Plant – at Jafrabad

narmada cement
CEMENTING OUR BONDS WITH QUALITY

narmada cement
COMPANY LIMITED

BOARD OF DIRECTORS

V. D. Chowgule *Chairman*

Vijay V. Chowgule

D. L. Chowgule

S. S. Marathe

Pravinchandra V. Gandhi

S. Y. Rege

K. V. Talcherkar

Ashok Chawla

Vipul Mittra (upto 1/05/98)

Sudhir Mankad

Ashok V. Chowgule *Managing Director*

MD	/		BKC	✓
CS	/		DPY	NA
RO	/		DIV	NA
TRA	/		AC	/
AGM	/	/	SHI	/
YE	/	/		/

SOLICITORS

Messrs Crawford Bayley & Co.
Solicitors & Advocates, Mumbai.

BANKERS

ICICI Banking Corporation Limited
Dresdner Bank A G
The United Western Bank Limited

AUDITORS

Messrs Haribhakti & Co.
Chartered Accountants, Mumbai.

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NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTIETH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NARMADA CEMENT COMPANY LIMITED WILL BE HELD ON FRIDAY, 7TH AUGUST, 1998, AT 4.00 P.M. AT TEJPAL AUDITORIUM, AUGUST KRANTI MAIDAN, GOWALIA TANK, MUMBAI 400 007, TO TRANSACT THE FOLLOWING BUSINESS.

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998, and the Profit and Loss Account for the year ended on that date and the Report of the Directors.
2. To appoint a Director in place of Shri V. D. Chowgule, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri S. Y. Rege, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri Ashok Chawla, who retires by rotation, and being eligible, offers himself for reappointment.
5. To consider, and if thought fit, to pass with or without modifications, the following resolution as a SPECIAL RESOLUTION:

"RESOLVED THAT pursuant to Sections 224 and 224A and other applicable provisions, if any, of the Companies Act, 1956, M/s. Haribhakti & Co., Chartered Accountants, be and are hereby appointed as the Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company on a remuneration including reimbursement of travel and other incidental and out of pocket expenses actually incurred by them for the purposes of audit of the company's accounts as may be fixed by the Directors."

By Order of the Board,

ASHOK V. CHOWGULE
Managing Director

Registered Office:

2-C, Phoenix Mill Compound,
462, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.

Place : Mumbai.

Dated : 22nd May 1998.

NOTES:

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item No.5 set out above is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT ONE OR MORE PROXIES TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER OF THE COMPANY.
3. A proxy to be valid should be lodged at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
4. Register of Members and Share Transfer Books of the Company will remain closed from Tuesday, 28th July, 1998 to Friday, 7th August, 1998 (both days inclusive), for the purpose of holding Annual General Meeting.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 OF THE COMPANIES ACT, 1956.**Item No.5**

Section 224A of the Companies Act, 1956, provides for the appointment/reappointment at each Annual General Meeting of an Auditor of a Company by a special resolution if the Company is one in which not less than 25% of the subscribed share capital is held singly or in combination by a public financial institution or a Government company or Central/State Government, etc.

The combined shareholding in the Company of the aforesaid Government and Institutions exceeds 25 per cent of the subscribed share capital of the Company and hence the reappointment of M/s. Haribhakti & Co. is required to be made by a Special Resolution. As required under Section 224 of the Act, certificates have been received from them to the effect that their appointment, if made, will be in accordance with the limit specified in Section 224(1B) of the Act.

None of the Directors is concerned or interested in the above resolution.

By Order of the Board,

ASHOK V. CHOWGULE
Managing Director

Place : Mumbai.

Dated : 22nd May 1998.

narmada cement
 COMPANY LIMITED

DIRECTORS' REPORT

To the Members:

Your Directors have pleasure in presenting their Twentieth Annual Report, together with the audited accounts for the year ended on 31st March, 1998.

FINANCIAL RESULTS

	Current Year (Rs. in Crores)	Previous Year (Rs. in Crores)
Total Sales	196.09	187.74
Other Income	1.96	2.67
Total Income	198.05	190.41
Gross Profit	3.99	22.47
Interest	3.17	1.29
Depreciation	6.66	5.93
	<u>9.83</u>	<u>7.22</u>
Profit/(loss) before tax	(5.84)	15.25
Provision for Taxation	NIL	(3.25)
Profit/(loss) after Tax	(5.84)	12.00
Balance brought forward from previous year.	21.70	21.24
	<u>15.86</u>	<u>33.24</u>
Appropriations:		
Transfer to General Reserve	NIL	3.00
Investment Allowance Reserve	NIL	0.17
Proposed Dividend and Corporate Dividend tax attached thereto:		
Proposed Dividend)	NIL	7.61
Corporate Dividend tax)	NIL	0.76
Balance carried forward	15.86	21.70
	<u>15.86</u>	<u>33.24</u>

OPERATIONS
Production

During the year the production was as follows:
(Figures in MT)

	1997-98	1996-97
Clinker	10,58,910	10,17,990
Cement:		
Jafrabad	20,447	0
Magdalla	4,35,320	3,97,065
Ratnagiri	3,28,815	3,25,800
	<u>7,84,582</u>	<u>7,22,865</u>

DEVELOPMENTS

During the year under review :

- (a) At Jafrabad the cement grinding unit was installed and commissioned with a grinding capacity of 60 TPH or 4 Lacs tonnes per annum. The first despatch of cement was made on 11th February, 1998.

- (b) At Jafrabad the clinkerisation capacity was increased from 1 Million tonnes per annum to 1.2 Million tonnes per annum effective November 1997.
- (c) At Magdalla, cement grinding mill was totally renovated by replacing girth gear, gear box and pinion. As a result, plant is now capable of working at 100 per cent rated grinding capacity.
- (d) At Ratnagiri, close circuiting system was incorporated in the production process thereby enhancing the cement grinding capacity of the plant from 3.3 Lacs tonnes to 4 Lacs tonnes per annum.
- (e) At Ratnagiri setting up of facilities for production of slag cement is in advance stage of completion and the project is expected to be completed by October, 1998.

MARKETING

Cement despatches during the year were as under:

	1997-98	(Figures in MT) 1996-97
Jafrabad	16,053	NIL
Magdalla	434,145	405,187
Ratnagiri	326,313	329,206
Total:	<u>776,511</u>	<u>734,393</u>
Clinker Exports/Local Sales	334,702	234,256
Total:	<u>1,111,213</u>	<u>968,649</u>

EXPORT OF CLINKER

The Company has exported 324,834 MT of clinker (previous year 225,981 MT). The exports enable the Company to import coal and some spares without attracting customs duty.

OVERALL RESULTS

The operations of the Company have resulted in a loss before tax of Rs.5.84 Crores (previous year profit of Rs.15.25 Crores). After making no provision for Income Tax (Previous Year Rs.3.25 Crores) the net loss after tax for the year is Rs.5.84 Crores (Previous Year Profit of Rs.12 Crores).

There was substantial increase in cost of power, fuel, royalty etc. The domestic prices of cement and export price of clinker were significantly lower as compared to earlier year. Increased volume of production and sales therefore did not result in better performance. During 1997-98, average price realisation of cement reduced by Rs.80/MT in view of supply/demand imbalance. Average export realisation on clinker also reduced by Rs.30/MT even after approximately 10% depreciation in the value of Indian Rupee. Increase in power cost more than compensated for reduction in usage of power and the increase in other operating costs could not be recovered thus adversely affecting the financial results.

For reducing cost of power, the Company proposes to go in for captive generation of power by installation of own Diesel Generating sets. The Company has already acquired 2 Nos. 1250 KVA DG Sets and has installed 1st 4 MW D.G. Set. Another Diesel Engine of similar capacity will be installed very shortly. The generation of captive power from own DG Sets is expected to give considerable reduction in cost of power in future.

DIVIDEND

Due to loss during the year, your Directors regret their inability to recommend any dividend.

FULLY CONVERTIBLE DEBENTURES

The Company had issued 17,50,000 fully convertible debentures of Rs.100/- each to be converted into equity shares at par on such date as may be decided by the Board of Directors but not earlier than two years from 28/3/95.

The Board of Directors would consider converting the fully convertible debentures at an appropriate time in future on the same terms and conditions.

PUBLIC DEPOSITS

The Company has not invited/renewed deposits from the public/shareholders in accordance with Section 58A of the Companies Act, 1956. No deposits due to be paid have remained unpaid. However, in respect of unclaimed deposits of Rs.0.14 lakhs the Company has sent necessary reminders to the depositors.

AUDITORS' REPORT

The reference is made by the Auditors in their Report to Note No.4 of Schedule 14 of the annual accounts which in the opinion of the Directors is self explanatory.

DIRECTORS

Mr. Sudhir Mankad was nominated by Govt. of Gujarat as a Director with effect from 1st May, 1998 in place of Mr. Vipul Mittra, who was nominee of Govt. of Gujarat upto that date.

The Board has placed on record its appreciation of the valuable services rendered by Mr. Vipul Mittra.

In accordance with provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. V.D. Chowgule, Mr.S. Y. Raje and Mr. Ashok Chawla retire by rotation and are eligible for re-election.

COST AUDIT

The Central Govt. vide its Order No.52/295/CAB-88(CLB) had directed that a Cost Audit be carried out every financial year in respect of clinker and cement. The Company will make an application to the Central Govt. for appointment of Mr. V. V. Deodhar, Cost Accountant, as Cost Auditors of the Company for the financial year April'98 to March'99.

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants, who are the Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting. They have given their consent to continue as the Auditors if re-appointed. As required under Section 224A of the Companies Act, 1956, a Special Resolution for reappointment of the Auditors is recommended for adoption.

PARTICULARS OF EMPLOYEES

Details of the employees drawing salary as per Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 is annexed herewith.

PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO:

The statement pursuant to Section 217(1) (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, forms part of the report and is annexed hereto.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the co-operation and assistance received by the Company from concerned Ministries of Government of India and various departments of Government of Gujarat and Maharashtra, ICICI Banking Corporation Ltd., Dresdner Bank AG, Mumbai, The United Western Bank Ltd., ICICI Ltd. and other Banks and Financial Institutions. The Directors also wish to thank all the employees of the Company at all levels for their active participation and co-operation.

The Board also thanks the shareholders for their valued co-operation and support.

For and on behalf of the Board,

V. D. CHOWGULE
CHAIRMAN

Place : Mumbai.
Dated : 22nd May, 1998.