

***narmada cement* COMPANY LIMITED**

22nd Annual Report 1999-2000

narmada cement

COMPANY LIMITED

A subsidiary of LARSEN & TOUBRO LIMITED

BOARD OF DIRECTORSA.M. Naik *Chairman*

S.S. Marathe

M. Karnani

J.P. Nayak

Y.M. Deosthalee

MANAGER (Under the Companies Act, 1956)

V.M. Muralidharan

**FINANCIAL CONTROLLER CUM
COMPANY SECRETARY**

V.B. Aras

AUDITORS

Haribhakti & Co.

REGISTRARS AND SHARE TRANSFER AGENTS

I.I.T. Corporate Services Limited
Off. M. Vasanji Road,
Opp. Vazir Glass, Near J.B. Nagar,
Andheri (East), Mumbai 400 059.

WORKS

Jafrabad, Gujarat 365 540.
Magdalla, Gujarat 395 007.
Ratnagiri, Maharashtra 415 639.

REGISTERED OFFICE

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

CONTENTS

	Pages
Notice	3-4
Directors' Report	5-7
Auditors' Report	8-9
Balance Sheet	10
Profit and Loss Account	11
Schedules Forming part of Accounts	12-17
Notes Forming part of Accounts	18-21
Cashflow Statement	22

NOTICE

NOTICE IS HEREBY GIVEN THAT THE TWENTY SECOND ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF NARMADA CEMENT COMPANY LIMITED WILL BE HELD ON THURSDAY, 13TH JULY, 2000, AT 4.00 P. M. AT M. C. GHIA HALL AT BHOGILAL HARGOVINDAS BUILDING, 2ND FLOOR, 18/20, KAIKHUSHRU DUBASH MARG (BEHIND PRINCE OF WALES MUSEUM), MUMBAI 400 001 TO TRANSACT THE FOLLOWING BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 2000, the Profit and Loss Account for the year ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. A. M. Naik, who retires by rotation, and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. M. Karnani, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint M/s. Haribhakti & Co., Chartered Accountants, retiring Auditors as 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 as may be fixed by the Directors.

SPECIAL BUSINESS :

5. To consider, and if thought fit, to pass with or without modification, the following resolution as an **ORDINARY RESOLUTION**:

"RESOLVED THAT in supersession of the resolution passed by the Shareholders at the Annual General Meeting held on 3rd September, 1990, and pursuant to the provisions of Section 293(1)(d) and any other applicable provisions, if any, of the Companies Act, 1956, and the Articles of Association of the Company, consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing, from time to time, any sum or sums of money at its discretion on such terms and conditions as the Board of Directors may deem fit, notwithstanding that the moneys to be borrowed together with the moneys already borrowed by the Company (apart from temporary loans obtained or to be obtained from the Company's bankers in the ordinary course of business), may exceed the aggregate of the paid-up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose, provided that the maximum amount of moneys so borrowed by the Board and outstanding at any one time shall not exceed the sum of Rs.250 Crores (Rupees Two Hundred Fifty Crores only)."

6. To consider the erosion of the Company's net worth under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985.

By Order of the Board of Directors
for **NARMADA CEMENT COMPANY LIMITED**

V. B. ARAS
Financial Controller cum Company Secretary

Place : Mumbai
Dated : 20th May 2000.

Registered Office :
2-C, Phoenix Mills Compound,
462, Senapati Bapat Marg,
Lower Parel, Mumbai 400 013.

NOTES :

1. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of business under Item Nos.5 & 6 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 Thursday, 6th July, 2000 to Thursday, 13th July, 2000, (both days inclusive), for the purpose of holding the Annual General Meeting.

EXPLANATORY STATEMENT :

As required by Section 173 (2) of the Companies Act, 1956, the following Explanatory Statement sets out material facts relating to the business under Item Nos.5 & 6 of the accompanying Notice dated 20th May, 2000.

Item No.5

The Company's present borrowing limit is Rs.125 Crores which was approved by the Shareholders at the Company's Annual General Meeting held on 3rd September, 1990. The Company's aggregate borrowings are at present Rs. 76.28 Crores.

The Company is likely to have plans / programmes to expand its production capacity for clinker and cement manufacturing in the near future and to increase its infrastructural facilities for its operations. Moreover, the Company may update its

computer hardware and software structure and also go in for developing more sophisticated packages like ERP etc. for its operations. For these and general operational purposes, the Company may require to increase its borrowings and to approach Banks / Financial Institutions / Other Bodies for obtaining loans etc. in order to partly and / or fully finance such expenditure.

Section 293(1)(d) of the Companies Act, 1956, provides that the Board of Directors of a Company cannot, except with the consent of the Company in General Meeting, borrow moneys (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) in excess of the aggregate of the paid up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

Sanction of the shareholders under Section 293(1)(d) of the Companies Act, 1956, is being therefore requested to enable the Directors to borrow moneys as and when necessary to the extent of Rs.250 Crores in supersession of the earlier resolution passed by the shareholders on 3rd September, 1990.

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

Item No. 6

Under the provisions of Section 23 of the Sick Industrial Companies(Special Provisions) Act, 1985 (SICA), the Company is required to make a reference to The Board for Industrial and Financial Reconstruction, if the accumulated losses of a Company exceed 50 per cent of the peak net worth during the immediately preceding four financial years. The accumulated losses of the Company as at the end of the Financial Year 1999-2000 have eroded over 50 per cent of the peak net worth during the immediately preceding four financial years i.e., as at the end of the Financial Year ended 31st March, 1997.

The position of net worth and accumulated loss of the Company computed in accordance with the provisions of SICA is as under:

As at	Net Worth Rs.Lakhs	Accumulated loss Rs. Lakhs
31 st March, 1996	6367.97	Not Applicable
31 st March, 1997	6730.17	Not Applicable
31 st March, 1998	6146.35	Not Applicable
31 st March, 1999	5094.91	Not Applicable
31 st March, 2000	5094.91	4489.83

In arriving at the figures of net worth and accumulated loss as stated above, an amount of Rs. 1334.76 lakhs which was credited to the Profit & Loss Account in the Financial Year 1994-95 as a write-back of depreciation provision relating to earlier years, in view of changes made in the Schedule XIV of The Companies Act, 1956, by Notification No. GSR 756(E) dated 16-12-1993, has not been considered as provided under the provisions of SICA.

The subject matter of erosion of the Company's net worth as mentioned above is being placed for the consideration of the shareholders and for deciding appropriate measures as deemed necessary to remedy the situation, in the following manner:

- Calling up the uncalled share capital on 41,40,000 equity shares having a face value of Rs.10 each which are presently paid up to the extent of Rs.2.50 per share.
- Conversion of 17,50,000 Fully Convertible Debentures having a face value of Rs.100 each into fully paid up equity shares of the Company at par.

The partly paid up equity shares and fully convertible debentures are held by the Holding Company, Larsen & Toubro Limited.

- Any other measure considered appropriate.

The causes leading to the erosion of net worth of the Company have been explained in the Directors' Report to the Members for the Financial Year 1999-2000 included as a part of the Annual Report which is forwarded to you accompanying this notice.

None of the Directors is concerned or interested in the said item placed for consideration of the shareholders.

By Order of the Board of Directors
for **NARMADA CEMENT COMPANY LIMITED**

V. B. ARAS
Financial Controller cum Company Secretary

Place : Mumbai
Dated : 20th May 2000.

DIRECTORS' REPORT**To the Members:**

The Directors have pleasure in presenting their Twenty Second Annual Report and Audited Accounts for the year ended 31st March 2000.

FINANCIAL RESULTS

	1999-2000 (Rs. Crores)	1998-1999 (Rs. Crores)
Profit / (Loss) before depreciation and taxes	(13.31)	(23.66)
Depreciation on fixed assets	9.46	8.98
Loss for the year	(22.77)	(32.64)
Add: Balance brought forward from the Previous year	(16.78)	15.86
Balance to be carried forward	(39.55)	(16.78)

SALES AND PRODUCTION

Sales and other income for the financial year under review were Rs. 219.10 crores as against Rs. 151.75 crores for the previous financial year registering an increase of 44.4 %.

During the year, the Company's Jafrabad Works achieved a peak clinker production of 11.29 lakh MT as against 8.23 lakh MT in the previous year. The cement production at the Company's grinding units also recorded a growth of 41.4% to 10.74 lakh MT from 7.59 lakh MT in the previous year.

The combined cement and clinker despatches rose by 36.6% to 11.09 lakh MT from 8.12 lakh MT in the previous year.

The Company exported 20,943 MT (previous year 64,718 MT) of clinker during the financial year.

REVIEW OF OPERATIONS

Consequent to the Memorandum of Understanding entered into between the promoters, Chowgule Group and Larsen & Toubro Limited, the promoters' entire shareholding was acquired by Larsen & Toubro Limited on 24th April, 1999. Since then the Company has become a subsidiary of Larsen & Toubro Limited. Larsen & Toubro Limited has made three Public Offers for acquiring the balance shares and till date it has acquired 95.54% of the total voting capital of the Company. Since then, various steps have been initiated to improve the efficiency of the operations of the Company. During the year, the clinker production has been increased to 4300 TPD with necessary balancing equipments due to which the plant could achieve a record clinker production of 1.13 million tonnes.

The captive power set has been revamped during the year and 36% (previous year 23%) of the power requirement of the plant at Jafrabad was drawn from these sets. Efforts are continuing to improve the efficiency of these captive generating sets. This has resulted in savings in power costs.

Restructuring of various activities in areas like inventories, logistics, marketing and procurement has resulted in reduction in cost during the year.

Due to improved quality and focused approach in marketing, the Company's product is positioned as a premium brand,

which helped to improve the selling price. Further, the credit collection period has been reduced considerably.

With the introduction of Voluntary Retirement Scheme, the manpower strength has been reduced by 105 to 824 as at end March 2000.

MARKET SCENARIO

In spite of a double-digit growth in cement consumption, the Indian Cement Industry had to pass through a difficult period mainly due to excess supply in the market. Among the states where the Company's cement were marketed, Maharashtra showed a growth of 17% while Gujarat and Goa showed negative growth of around 9% and 5% respectively in cement consumption.

FINANCE

During the year, the Company raised funds by issue of Secured Redeemable Non-convertible Debentures on private placement basis aggregating Rs. 25 crores at an interest rate of 11.6% per annum. The Company also repaid / substituted most of its high interest bearing loans thereby reducing the effective cost of borrowing.

CAPITAL EXPENDITURE

As at 31st March 2000, the gross fixed assets stood at Rs. 187.49 crores and the net fixed assets at Rs. 102.30 crores. Additions during the year amounted to Rs. 5.31 crores.

DEVELOPMENTS

During the year, the Clinkerisation plant at Jafrabad was overhauled, its foundation strengthened and the Kiln feeding system upgraded to operate at a higher capacity. This coupled with the re-engineering process enabled the Company to optimize its production.

REFERENCE TO THE BOARD FOR INDUSTRIAL AND FINANCIAL RECONSTRUCTION (BIFR)

The Company's accumulated loss at the end of the year under review has eroded over 50 per cent of its peak net worth during the immediately preceding four financial years (i.e. as at 31.3.1997), as computed under the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). The Board of Directors will be reporting the fact of the erosion of such net worth to the BIFR and are also placing the matter for the consideration of the shareholders at the ensuing Annual General Meeting of the Company, as required under the provisions of SICA.

The Indian Cement Industry has been passing through a very difficult period due to mismatch in demand and supply situation, resulting in very low market price realisation. This is particularly applicable to Gujarat based cement units where the capacity is almost twice that of the consumption. Further, the export prices of cement as well as clinker have been extremely unattractive due to severe competition from South East Asian countries. Because of these reasons the Company has been incurring losses.

In order to finance the deficit, the Company had to resort to additional borrowing and incur additional interest cost. All

these have resulted in eroding the net worth of the Company. The matter of erosion of the Company's net worth as mentioned above is being placed for the consideration of the shareholders at the forthcoming Annual General Meeting and for deciding appropriate measures as deemed necessary to remedy the situation, in the following manner:

- (a) Calling up the uncalled share capital on 41,40,000 equity shares having a face value of Rs.10 each which are presently paid up to the extent of Rs.2.50 per share.
- (b) Conversion of 17,50,000 Fully Convertible Debentures having a face value of Rs.100 each into fully paid up equity shares of the Company at par.

The partly paid up equity shares and fully convertible debentures are held by the Holding Company, Larsen & Toubro Limited.

- (c) Any other measure considered appropriate.

DIVIDEND

Due to accumulated losses at the end of the year, the Directors have been unable to recommend any dividend for the year.

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 lakh, the Company has sent necessary reminders to the depositors.

AUDITORS' REPORT

The note to the Accounts no. 6 referred to in the Auditors' Report is self-explanatory and therefore does not call for any further comments.

INDUSTRIAL RELATIONS

Industrial Relations continued to be cordial during the year.

DIRECTORS

The Government of Gujarat has withdrawn the nominations of Mr. Sudhir Mankad and Dr. Kirit N. Shelat w.e.f. 03.01.2000. The Board has placed on record its appreciation for the guidance, expertise and valuable services rendered by the outgoing Directors during their period of association with the Company.

In accordance with the provisions of the Companies Act, 1956 and of the Articles of Association of the Company, Mr. A. M. Naik and Mr. M. Karnani retire by rotation and are eligible for re-election.

COST AUDIT

The Central Government 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 Government for appointment of Mr.V.V.Deodhar, Cost Accountant as Cost Auditors of the Company for the financial year April 2000 to March 2001.

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.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of Particulars in the report of Board of Directors) Rules 1988 is given in Annexure- I forming part of this report.

PARTICULARS OF EMPLOYEES

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is given in Annexure II forming part of this report.

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, various Departments of Government of Gujarat and Maharashtra, Banks and Financial Institutions. The Directors also wish to thank all the employees of the Company for their active participation and co-operation.

The Directors wish to record their special thanks to the esteemed shareholders for reposing their confidence in the Company.

For and on behalf of the Board,

M. KARNANI
Y. M. DEOSTHALEE

Directors

Place : Mumbai.

Dated : 20th May, 2000

Annexure 'I' to the Directors' Report

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2000.

A) Conservation of Energy**a) Energy conservation measures taken:**

- Periodical energy balance studies.
- Continued use of imported coal having high C.V. and low ash content.
- In-plant energy monitoring system.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

- Plant up-gradation and improvement in Kiln output rate

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

- The measures taken above have resulted in savings in power consumption in clinker and cement production.

d) Total energy consumption and energy consumption per unit of production as per Form - A.**FORM - A (RULE 2)**

	Current Year April 1999 to March 2000	Previous Year April 1998 to March 1999
A) Power and Fuel Consumption		
1. Electricity:		
(a) Purchased:		
Unit (Lakh kWh)	757	665
Amount (Rs. Lakhs)	3677	3165
Rate/Unit (Rs.)	4.86	4.76
(b) Own Generation:		
Unit (Lakh kWh)	405	193
Unit per ltr of diesel oil	3.85	3.90
Cost/Unit (Rs.)	2.43	2.16
2. Imported Coal used in kiln:		
Calorific value range (kcal/kg)	5924-6002	5837-5976
Quantity (MT)	156410	114963
Total cost (Rs. Lakhs)	2789	2160
Average rate (Rs./MT)	1783	1878
3. LDO/HSD (For Kiln)		
Quantity (KL)	959	901
Average rate (Rs./Litre)	11.05	10.51

B) Consumption per unit of production:

Electricity:		
Unit per MT of cement	102.6	104.1
LDO/HSD:		
Litres per MT of Cement	0.82	1.04
K. Cal / kg. of Cement	806	785

FORM - B (Rule 2)

Form for disclosure of particulars with respect to absorption.

A. RESEARCH AND DEVELOPMENT (R & D)**1. Specific areas in which R & D carried out by the company:**

- Kiln productivity and reliability

2. Benefits derived as a result of the above R & D:

- Improvement in Kiln productivity

3. Future plan of action:

- Improvement in plant production capacity, reduction in power consumption, plant reliability and safety.

4. Expenditure on R & D:

	(Rs. in Lakhs)	
	Current Year	Previous Year
a) Capital Expenditure	-	-
b) Recurring Expenditure	22	2
c) Total Expenditure	22	2
d) Total R & D Expenditure as percentage of turnover	-	-

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATIONS**1. Efforts in brief, made towards technology absorption, adaptation and innovation.**

- Training of personnel and exposure to improve manufacturing processes

2. Benefits derived as a result of the above efforts.

- Reduction in pile lime content
- Improvement in Kiln output rate
- Reduction in oil consumption
- Reduction in power consumption for clinker / cement production

3. Information regarding technology imported during last 5 years:

a) Technology imported	No
b) Year of import	NA
c) Has technology been fully absorbed	NA
d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action.	NA

C. FOREIGN EXCHANGE EARNING AND OUTGO

	(Rs. in Lakhs)	
	Current Year April 1999 to March 2000	Previous Year April 1998 to March 1999
Foreign Exchange Earned	150.08	583.94
Foreign Exchange Used	2552.14	2761.06

Annexure 'II' to the Directors' Report

Information pursuant to Section 217(2A) of the Companies Act, 1956

A. Employed for whole of the year and were in receipt of the remuneration aggregating to not less than Rs. 6 Lakhs per annum

Sr. No.	NAME	AGE YRS	QUALIFICATION	EXP. YRS.	DT-EMP	DESIGNATION NATURE OF DUTIES	GROSS REM. IN RS.	LAST EMPLOYMENT HELD
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)

NOTE: None of the employees are falling under this category

B. Employed for part of the year and were in receipt of the remuneration aggregating to not less than Rs. 50,000/- per month

Sr. No.	NAME	AGE YRS	QUALIFICATION	EXP. YRS.	DT-EMP	DESIGNATION NATURE OF DUTIES	GROSS REM. IN RS.	LAST EMPLOYMENT HELD
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Bapat S. G.	58	B.E. (Elect.)	36	01.07.1983	Dy. General Manager (Elect.)	427,519	Chowgule & Co. Ltd.
2	Chalishazhar D. H.	63	B. Com.	42	01.12.1983	General Manager	461,915	State Bank of India
3	Chowgule A. V.	52	B.Sc., M.B.A.	26	14.03.1981	Managing Director	97,067	Chowgule & Co. Ltd.
4	Dave K. K.	62	B.A. (SPL)	38	01.03.1990	General Manager (Administration)	243,333	Indian Air Force
5	Jagdale T. H.	59	B.A., L.L.B., D.L.W.	33	02.05.1995	General Manager (Personnel & Admn.)	563,598	MICO Ltd.
6	Khatawkar S. A.	39	B.Com.	17	04.02.1984	Dy. Manager (Sales)	97,285	Sharp & Tannan
7	Kulkarni R. G.	61	M. A.	40	07.02.1983	Vice-President (Mkt.)	629,498	Bajaj Electricals Ltd.
8	Manoji B. P.	69	B.E. (Mech.), B.E. (Elect.), MIE, Chartered Engineer	45	01.07.1983	Sr. Vice-President (Engg.)	1,357,658	Chowgule & Co. Ltd.
9	Nath A. V.	58	B.A., L.L.B.	39	12.04.1978	Dy. General Manager	223,392	Mekaster Pvt. Ltd.
10	Nayar S. P.	71	B.Sc., B.E. (Mech & Elect.)	44	05.11.1984	Director (Technical)	1,496,780	Mandovi Pallets Ltd.
11	Patel K. A.	60	B.E. (Mech.)	35	07.05.1983	General Manager (Engg.)	411,289	Chowgule & Co. Ltd.
12	Patwardhan M. P.	56	M.Com., F.I.C.W.A., C.A.I.I.B., M.B.I.M.	29	13.02.1986	Director (Finance)	249,859	Primalaks Group of Companies

Notes :

- Gross Remuneration shown above includes Salaries, Allowances, Medical Reimbursement, Company's Contribution to Provident Fund & Pension Fund, Superannuation, Gratuity and monetary value of perquisites.
- Perquisites for rent free accommodation has been calculated as per Rule 3(a) of the Income-Tax Rules, 1962 as amended.
- Nature of employment in all cases contractual.
- None of the employees listed above is a relative of any Director of the Company within the provisions of Section 6 of the Companies Act, 1956.