

narmada

23rd Annual Report

2000-2001

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For NARMADA CEMENT COMPANY LTD.



V. B. ARAS
FINANCIAL CONTROLLER
CUM COMPANY SECRETARY

narmada cement
COMPANY LIMITED

narmada cement
COMPANY LIMITED

A subsidiary of LARSEN & TOUBRO LIMITED

BOARD OF DIRECTORS

A.M. Naik *Chairman*

M. Karnani

J.P. Nayak

Y.M. Deosthalee

An ISO 9002 Company

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.

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narmada cement COMPANY LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN THAT THE TWENTY THIRD ANNUAL GENERAL MEETING OF NARMADA CEMENT COMPANY LIMITED WILL BE HELD ON THURSDAY, 30TH AUGUST, 2001 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 consider and adopt the Audited Balance Sheet as at 31st March, 2001, 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. J. P. Nayak, who retires by rotation, and being eligible, offers himself for reappointment.
3. 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 :

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

"RESOLVED THAT pursuant to the provisions of Section 23 and any other applicable provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and any Rules and Regulations framed thereunder, it is hereby considered and noted that the accumulated losses of the Company as at the end of the financial year 2000-2001 have resulted in the erosion of over 50 per cent of the peak net worth during the immediately preceding four financial years and the Board of Directors be and is hereby authorised to take necessary actions

as required under Section 23 and any other applicable provisions of SICA and to take all necessary steps, measures and actions as may be deemed appropriate by it to remedy the situation."

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

V. B. ARAS
Financial Controller cum
Company Secretary

Place : Mumbai
Dated : 21st May, 2001

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 (2) of the Companies Act, 1956, in respect of business under Item No.4 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 Transfer Books of the Company will remain closed from Saturday, 18th August, 2001 to Thursday, 30th August, 2001, (both days inclusive), for the purpose of holding 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 No.4 of the accompanying Notice dated 21st May, 2001.

Item No.4

Under the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA), the Company is required to make a report to the Board for Industrial and Financial Reconstruction, if its accumulated losses 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 2000-2001 have eroded over 50 per cent of the peak net worth during the immediately preceding four financial years.

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, 1997	5894.91	Not Applicable
31 st March, 1998	5894.91	Not Applicable
31 st March, 1999	5894.91	Not Applicable
31 st March, 2000	5894.91	Not Applicable
31 st March, 2001	7955.41	6008.80

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.

The causes leading to the erosion of the net worth of the Company have been explained in the Directors' Report to the Members for the Financial Year 2000-2001 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 Ordinary Resolution 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 : 21st May, 2001

narmada cement COMPANY LIMITED**DIRECTORS' REPORT****To the Members:**

The Directors have pleasure in presenting their Twenty Third Annual Report and Audited Accounts for the year ended 31st March 2001.

FINANCIAL RESULTS

	2000-2001 (Rs. Crores)	1999-2000 (Rs. Crores)
Profit / (Loss) before depreciation and taxes	(10.96)	(13.31)
Depreciation on fixed assets	9.58	9.46
Loss for the year	(20.54)	(22.77)
Add: Balance brought forward from the previous year	(39.55)	(16.78)
Balance to be carried forward	(60.09)	(39.55)

SALES AND PRODUCTION

Sales and other income for the financial year under review were Rs. 247.25 crores as against Rs. 219.10 crores for the previous year and registered an increase of 12.8 per cent.

The clinker production at the Company's Jafrabad Works increased by 6.3 per cent to 12.00 lakh metric tonnes from 11.29 lakh metric tonnes in 1999-2000. Cement and clinker despatches increased to 12.60 lakh metric tonnes from 11.09 lakh metric tonnes in the previous year showing an increase of 13.6 per cent.

REVIEW OF OPERATIONS

Various improvement measures and sustained efforts to contain costs helped in improving the overall efficiency of the plants despite an unabated rise in the input costs. The Company also entered into a power wheeling arrangement for transmitting power from L&T's Kovayya Plant to the Company's Jafrabad and Magdalla Plants, which considerably reduced the power cost to the Company.

During the year under review, the kiln capability was further established through various modifications, de-bottlenecking and optimization processes. These measures helped in increasing the clinker production to 4400 TPD from 1.6.2000.

The introduction of Voluntary Retirement / Employee Separation Schemes partly resulted in reducing the manpower strength to 786 as at end March 2001 from 824 at the beginning of the financial year.

MARKET SCENARIO

The cement industry continued to suffer due to depressed prices caused by supply demand mismatch. The year under review was particularly difficult due to drought in several states resulting in negative cement demand growth of 2 per cent. Gujarat State was far more affected not only due to drought but also because of the unfortunate earthquake resulting in 16 per cent negative growth in demand on top of 9 per cent negative growth in the previous year.

It is expected that because of the several fiscal incentives announced in the Union Budget for the housing sector, the

cement demand would pick-up. Demand in Gujarat State is expected to be buoyant particularly due to the reconstruction activities in the earthquake-affected areas.

CAPITAL EXPENDITURE

As at 31st March 2001, the gross fixed assets stood at Rs.191.52 crores and the net fixed assets at Rs.98.50 crores. Additions during the year amounted to Rs.3.86 crores.

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

Since the Company's accumulated losses at the end of the financial year 1999-2000 resulted in erosion of over fifty per cent of its peak net worth during the immediately preceding four financial years, the Company reported the matter to BIFR under the provisions of Section 23 of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA). Thereafter, the Company initiated the following measures for its revival, which were communicated to BIFR along with the quarterly progress reports.

- Called-up the uncalled portion of Rs. 7.50 per equity share on 41,40,000 partly paid equity shares held by Larsen & Toubro Limited having a face value of Rs. 10 each, which were paid up to the extent of Rs. 2.50 per share. This measure increased the paid up equity capital and thereby the net worth of the Company by Rs. 3.11 crores.
 - Converted 17,50,000 fully convertible debentures held by Larsen & Toubro Limited having a face value of Rs. 100 each into 175,00,000 fully paid up equity shares of a face value of Rs. 10 each. This measure additionally increased the net worth of the Company by Rs. 17.50 crores.
- The above measures were approved at the meeting of the Board of Directors of the Company held on 28th September 2000 and have collectively resulted in increasing the net worth of the Company by Rs. 20.61 crores to Rs. 79.71 crores as at 31.03.2001.
- The Holding Company, Larsen & Toubro Limited also provided additional finance of Rs. 36.00 crores till end March 2001 by way of inter-corporate deposits to finance the operations.

Depressed market conditions and high input costs further affected the performance of the Company during the year though some recovery was seen during the last quarter of the year. With the result, the Company suffered a further loss of Rs.20.54 crores during 2000-01 and the accumulated losses up to end March 2001 amounted to Rs. 60.09 crores. Since the Company's accumulated loss at the end of March 2001 eroded over fifty per cent of its peak net worth during the immediately preceding four financial years, the Company continues to be "potentially sick company" within the meaning of SICA. The Board of Directors will be reporting the fact of the erosion of such net worth to the BIFR and will also be 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.

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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- (i) in preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected the 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 at the end of the financial year under review and for the profit or loss of the Company for that period;
- (iii) they 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) they have prepared the Annual Accounts on a going concern basis.

AUDIT COMMITTEE

The Audit Committee of the Board was formed in January 2001 to review reports of the Corporate Audit Services Department, meet Statutory Auditors periodically and discuss their findings, suggestions and other related matters and review the major accounting policies followed by the Company.

The Audit Committee of the Board comprises of 3 non-executive Directors as under:

Name of Member	Status
Mr. M. Karnani	Chairman
Mr. J.P. Nayak	Member
Mr. Y.M. Deosthalee	Member

Mr. V.B. Aras, the Company Secretary acts as the Secretary of the Audit Committee.

The first meeting of the Audit Committee was held on 21st May 2001.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year.

DIRECTORS

Mr. S.S. Marathe ceased to be a Director of the Company with effect from 30th March 2001. The Board has placed on record its appreciation for the guidance, expertise and valuable services rendered by Mr. Marathe during his association with the Company.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. J.P. Nayak retires from the Board of Directors by rotation and is eligible for re-appointment.

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 2001 to March 2002.

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 and are recommended for re-appointment.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure 'I' forming part of this report.

PARTICULARS OF EMPLOYEES

There were no employees covered under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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,

J.P. NAYAK
Y. M. DEOSTHALEE } Directors

Place : Mumbai.

Dated : 21st May, 2001

narmada cement COMPANY LIMITED**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 2001.

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

- Rationalization of Compressors
- Usage of mineralizes
- Reduction in false air infiltration
- Lowering of Calciner burners near Scroll Mixing Chamber
- Elimination of supplementary oil firing in the Kiln

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

- Bag house bags replacement with longer bags
- Modification to Ventury below Scroll Mixing Chamber in Preheater

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 reduction in power and heat consumption.

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

	Current Year 2000-2001	Previous Year 1999-2000
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A) Power and Fuel Consumption**1. Electricity:****(a) Purchased:**

Unit (Lakh kWh)	849	757
Amount (Rs. lakhs)	4418	3837
Rate/Unit (Rs.)	5.20	5.07

(b) Own Generation:

Unit (Lakh kWh)	298	405
Unit per ltr of fuel oil	3.78	3.85
Cost/Unit (Rs.)	3.01	2.43

2. Imported Coal used in kiln:

Calorific value range (kcal/kg)	5900-6000	5924-6002
Quantity (MT)	161597	156410
Total cost (Rs. lakhs)	3468	2789
Average rate (Rs./MT)	2147	1783

3. Others (Pet coke/ Lignite):

Quantity (MT)	2168	NA
Total cost (Rs. lakhs)	38	NA
Average rate (Rs./MT)	1749	NA

4. LDO / HSD (for Kiln) :

Quantity (KL)	596	959
Average rate (Rs. /Litre)	12.78	11.05

B) Consumption per unit of production

	Current Year 2000-2001	Previous Year 1999-2000
Electricity:		
Units per MT of cement	97.1	102.6
LDO/HSD:		
Litres per MT of cement	0.48	0.82
Coal:		
K. Cal / kg. of cement	787	806

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 2000-2001	Previous Year 1999-2000
a) Capital expenditure	—	—
b) Recurring expenditure	8	22
c) Total expenditure	8	22
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 the 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 EARNINGS AND OUTGO

(Rs. in Lakhs)

	Current Year 2000-2001	Previous Year 1999-2000
Foreign Exchange Earned	Nil	150.08
Foreign Exchange Used	3649.27	2552.14