

narmada

24th Annual Report

2001-2002



narmada cement
COMPANY LIMITED

narmada cement

COMPANY LIMITED

A subsidiary of LARSEN & TOUBRO LIMITED

An ISO 9002 Company

BOARD OF DIRECTORS

A. M. Naik *Chairman*

J. P. Nayak

Y. M. Deosthalee

C. R. V. Subramaniam

MANAGER (Under the Companies Act, 1956)

V. M. Muralidharan

COMPANY SECRETARY

V. B. Aras

AUDITORS

M/s. Haribhakti & Co.

REGISTRARS AND SHARE TRANSFER AGENTS

M/s. IIT Corporate Services Limited

Protoprima Chambers, 2nd Floor
Suren Road, Near Cinemagic
Andheri East, Mumbai 400 093

WORKS

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

REGISTERED OFFICE

Metropolitan
4th Floor, West Wing
Plot No. C-26 / 27
Bandra Kurla Complex
Bandra East, Mumbai 400 051

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narmada cement COMPANY LIMITED**NOTICE**

NOTICE IS HEREBY GIVEN THAT the Twenty Fourth Annual General Meeting of NARMADA CEMENT COMPANY LIMITED will be held at Homi J.H. Taleyarkhan Memorial Hall, 141, Shahid Bhagat Singh Road (Town Hall Compound), Mumbai 400 001 on Monday, 30th September, 2002 at 4.00 p.m. to transact the following business:

1. To consider and adopt the Audited Balance Sheet as at 31st March 2002, 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. Y. M. Deosthalee, who retires by rotation, and is eligible 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 2001-02 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 authorized 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
Company Secretary

Place : Mumbai
Dated : 12th June, 2002

Registered Office:
Metropolitan, 4th Floor, West Wing
Plot No. C-26 / 27, Bandra Kurla Complex
Bandra East, Mumbai 400 051

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, 17th August, 2002 to Thursday, 29th August, 2002 (both days inclusive), for the purpose of holding the Annual General Meeting.

INFORMATION REQUIRED TO BE FURNISHED UNDER THE LISTING AGREEMENT

As required under the Listing Agreement, the particulars of Directors who are proposed to be appointed / reappointed are given below:

1. Name: Mr. Yeshwant Moreswar Deosthalee
Age: 55 years
Qualifications: B.Com., LL.B, ACA
Expertise: Vast experience in finance, personnel and HR functions.
Director of the Company since April 1999.

Other Directorships:

Name of the Company	Position held	Committee Membership	
		Type	Status
1. Larsen & Toubro Limited	Director		
2. L&T Finance Limited	Director	Audit	Member
3. Larsen & Toubro Infotech Limited	Director	Audit	Member
4. L&T Infocity Limited	Director		
5. L&T Capital Company Limited	Director		
6. L&T Trade.com Limited	Director		
7. L&T Cement Limited	Director		
8. L&T-Komatsu Limited	Director	Audit	Member
9. L&T-John Deere Private Limited	Director		
10. The Dhamra Port Company Private Limited	Director		
11. L&T Holdings Limited	Director	Audit	Member
12. International Seaports Pte. Limited	Director		
13. Larsen & Toubro Ceylinco (Private) Limited	Director		

narmada cement COMPANY LIMITED**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 12th June 2002. .

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 2001-02 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
31st March, 1998	5894.91	Not applicable
31st March, 1999	5894.91	Not applicable
31st March, 2000	5894.91	Not applicable
31st March, 2001	7955.41	Not applicable
31st March, 2002	7955.41	7718.51

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 2001-02 included as 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
Company Secretary

Place : Mumbai
Dated : 12th June, 2002

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COMPANY'S CONTRIBUTION TO PUBLIC EXCHEQUER DURING THE PAST FIVE YEARS

Rs. lakhs

	1997-1998	1998-1999	1999-2000	2000-2001	2001-2002
1. Excise Duty	2797.71	2640.71	3840.24	4078.63	4165.75
2. Sales Tax	1688.63	1479.90	1707.94	2274.51	2052.86
3. Royalty on Limestone, Marl & Clay	359.33	260.05	375.41	462.08	802.74
4. Electricity Duty	552.21	464.18	708.98	796.68	802.60
5. Advance Tax paid and Income Tax Deducted at Source on Salaries, Interest, Payments to Contractors and Commission	149.00	135.91	231.80	240.70	311.90
	5546.88	4980.75	6864.37	7852.60	8135.85

DIRECTORS' REPORT**To the Members:**

The Directors have pleasure in presenting their Twenty Fourth Annual Report and Audited Accounts for the year ended 31st March 2002.

FINANCIAL RESULTS

	2001 - 02 (Rs. Crores)	2000 - 01 (Rs. Crores)
Profit / (Loss) before depreciation and taxes	(7.88)	(10.96)
Depreciation on fixed assets	9.08	9.58
Loss for the year	(16.96)	(20.54)
Provision for taxes (incl. Rs. 0.14 crore for prior years)	0.14	0.00
Add: Provision for deferred taxes (net)	1.30	0.00
Add: Balance brought forward from the previous year	(60.09)	(39.55)
Balance to be carried forward	(75.89)	(60.09)

SALES AND PRODUCTION

Sales and other income for the financial year under review were Rs. 258.51 crores as against Rs. 247.25 crores for the previous year and registered an increase of 4.6 per cent.

The clinker production at the Company's Jafrabad Works increased by 3.5 per cent to 12.43 lakh metric tonnes from 12.00 lakh metric tonnes in 2000-01. Cement and clinker dispatches increased to 12.78 lakh metric tonnes from 12.60 lakh metric tonnes in the previous year.

REVIEW OF OPERATIONS

The Company initiated various improvement measures to improve the overall efficiency of its plants. The captive power sets were revamped and bulk of the power requirements were met through internal generation of power.

During the year, the Company introduced Voluntary Retirement Scheme for its employees. With this and the normal staff separations, the overall staff strength reduced to 675 as at end March 2002 from 786 at the beginning of the financial year.

MARKET SCENARIO

Despite the slow pace of industrial growth in the country, the cement industry saw an encouraging demand growth of around 10 per cent during the year. The year also saw further addition to cement capacities by 16 million tonnes besides 10 million tonnes added during 2000-01, which increased the overall capacity by around 14 per cent. This disproportionate increase in capacities had direct impact on the prices, which were at a stable level at the beginning of the year. However, there were constant downward pressures on the prices during the balance of the year.

Cement consumption in Gujarat showed a growth of 18 per cent as against the backdrop of a negative growth of 9 per cent and 15 per cent respectively in 1999-00 and 2000-01.

This was mainly due to good monsoons and earthquake rehabilitation measures initiated by the Government and other agencies.

Demand for cement would depend upon various proactive steps announced and initiated by the Government to give a fillip to the economy. The initiatives in the road sector would also go a long way in creating demand for the future.

CAPITAL EXPENDITURE

As at 31st March 2002, the gross fixed assets stood at Rs. 200.06 crores and the net fixed assets at Rs. 98.95 crores. The additions during the year amounted to Rs. 3.68 crores.

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

Since the Company's accumulated losses at the end of the financial year 2000-2001 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).

Imbalance in demand-supply situation, instability in the cement prices and higher input costs affected the performance of the Company during the year. With the result, the Company incurred a further loss of Rs. 17.10 crores during 2001-02 and the accumulated losses up to end March 2002 increased to Rs. 77.19 crores (as per provisions of SICA). Since the accumulated losses as at end March 2002 eroded over fifty per cent of its peak net worth during the immediately preceding four financial years, the Company continues to be a "potentially sick company" within the meaning of SICA. The Board of Directors will be reporting the fact of erosion of net worth to the Board for Industrial and Financial Reconstruction (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:

- in preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- 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

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fair view of the state of affairs of the Company at the end of the financial year under review and for the profit and 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.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year.

DIRECTORS

Mr. M. Karnani ceased to be a Director of the Company with effect from 1st October 2001. The Board has placed on record its appreciation for the guidance, expertise and valuable services rendered by Mr. Karnani during his association with the Company. Mr. C. R. V. Subramaniam was appointed as a Director to fill up the casual vacancy created by Mr. Karnani's retirement.

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Y. M. Deosthalee 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 2002 to March 2003.

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 'A' 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 : 12th June, 2002

narmada cement COMPANY LIMITED**Annexure 'A' 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 2002.****A) Conservation of Energy****a) Energy conservation measures taken:**

- Use of mixed fuels (Pet coke and Lignite to reduce cost).
- Improvement in power factor.
- Modification of cement mill diaphragm.
- Improvement in packer output.
- Replacement of Separator Fan Impellor with high efficiency Impellor.
- Installation of refrigerator type compressed air dryer.

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

- Slip power recovery system.
- Conversion of PPF bag filter to JP filter.

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

- Conservation of high grade lime stone
- 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 2001 - 02	Previous Year 2000 - 01
A) Power and Fuel Consumption		
1. Electricity:		
(a) Purchased:		
Unit (Lakh kWh)	775	849
Amount (Rs. lakhs)	4035	4418
Rate / Unit (Rs.)	5.20	5.20
(b) Own Generation:		
Unit (Lakh kWh)	413	298
Unit per litre of fuel oil	3.90	3.78
Cost / Unit (Rs)	2.47	3.01
2. Imported coal used in kiln:		
Calorific value range (kcal / kg)	5600-5950	5900-6000
Quantity (MT)	166134	161597
Total cost (Rs. lakhs)	4209	3468
Average rate (Rs. / MT)	2533	2147
3. Others (Pet coke / Lignite)		
Quantity (MT)	4993	2168
Total cost (Rs. lakhs)	79	38
Average rate (Rs. MT)	1592	1749
4. LDO / HSD (for Kiln):		
Quantity (KL)	739	596
Average rate (Rs. / Litre)	13.24	12.78

B) Consumption per unit of production

Electricity : Units per MT of cement	97.9	97.1
LDO / HSD : Litres per MT of cement	0.57	0.48
Coal : K. Cal / Kg. Of cement	750	787

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:**

- Optimization of raw mix design.

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

- Consistency and improvement in kiln productivity.

3. Future plan of action:

- Sweating of assets by modifications to equipments with little investment or by adding new equipment.

4. Expenditure on R&D:

	Current Year 2001 - 02	Previous Year 2000 - 01
(Rs. lakhs)		
a) Capital expenditure	-	-
b) Recurring expenditure	1	8
c) Total expenditure	1	8
d) Total R&D exp. as % of turnover	-	-

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

- Calciner burners brought down to improve combustion efficiency.
- Ventury below Scroll Mixing Chamber enlarged to reduce pressure drop.

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

- Increase in kiln output rate.
- Problem of incomplete combustion reduced.

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

	Current Year 2001 - 02	Previous Year 2000 - 01
(Rs. lakhs)		
Foreign exchange earned	Nil	Nil
Foreign exchange used	1211	3649

narmada cement COMPANY LIMITED**Annexure 'B' to the Directors' Report****CORPORATE GOVERNANCE****a) Company's philosophy**

Larsen & Toubro Limited took over the management and control of Narmada Cement Company Limited in April 1999 by acquiring the entire equity capital of the erstwhile promoters, viz., Chowgules. Since then the Company operates as a subsidiary of Larsen & Toubro Limited. The Company has adopted good corporate governance practices followed by Larsen & Toubro Limited. These practices have enabled the Company to achieve significant improvement in its operations. Company will endeavour to improve on these aspects on an ongoing basis.

b) Board of Directors

The Board of Directors comprise of 4 Non-executive Directors, headed by a Non-executive Chairman.

During the year, 4 meetings of the Board of Directors were held on - 21.05.2001, 30.07.2001, 27.10.2001 and 24.01.2002.

The composition of the Board of Directors and their attendance at the Board Meetings during the year and at the last Annual General Meeting as also the number of other directorships / membership of committees are as follows:

Name of Director	Category of Directorship	No. of Board Meetings attended	Attendance at last AGM
Mr. A. M. Naik	NED	3	Yes
Mr. M. Karnani *	NED	2	Yes
Mr. J. P. Nayak	NED	4	Yes
Mr. Y. M. Deosthalee	NED	4	Yes
Mr. C. R. V. Subramaniam*	NED	2	NA
No. of other Directorships		Committee Membership	
		Member	Chairman
Mr. A. M. Naik	8	3	1
Mr. M. Karnani *	5	—	—
Mr. J. P. Nayak	13	9	1
Mr. Y. M. Deosthalee	13	6	1
Mr. C. R. V. Subramaniam*	1	2	—

* for part of the year

NED – Non-executive Director

c) Audit Committee**1. Terms of reference**

To oversee the Company's financial reporting process and disclosure of its financial information, to recommend the appointment of Statutory Auditors and fees payable to them, to review and discuss with the Auditors about adequacy of internal control systems, the scope of audit including the observations of the Auditors, major accounting policies, practices and entries, compliance with accounting standards, the Stock Exchanges' listing agreements, and legal requirements concerning financial statements and related party transactions, if any, to review the Company's financial and risk management policies and discuss with the internal auditors any significant findings for follow-up thereon, to review the quarterly, half yearly and annual financial statements before submission to the Board of Directors.

The committee also meets the operating management and reviews the operations, new initiatives and performance of the Company. The minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

2. Composition

The Audit committee of the Board was formed in January 2001 and comprises 3 Non-executive Directors. The

committee met thrice during the year and the attendance of the Members at the meetings was as follows:

Name of Member	Status attended	No. of Meetings
Mr. J. P. Nayak	Chairman	3
Mr. M. Karnani *	Member	1
Mr. Y. M. Deosthalee	Member	3
Mr. C. R. V. Subramaniam *	Member	2

* for part of the year.

Mr. J. P. Nayak is the Chairman of the Committee. All the members are independent Directors. The Company Secretary, Mr. V. B. Aras is the Secretary to the Committee.

d) Shareholders' / Investors' Grievance Committee**1. Terms of reference:**

To look into the shareholders' complaints, if any, and to redress the same expeditiously.

2. Composition:

The Shareholders' / Investors' Grievance Committee which was constituted on 27th October 2001, comprises 3 Non-executive Directors. During the year, the Committee met once and the attendance of the members was as follows:

Name of Member	Status	No. of Meetings attended
Mr. Y. M. Deosthalee	Chairman	1
Mr. J. P. Nayak	Member	1
Mr. C. R. V. Subramaniam	Member	1

Mr. Y. M. Deosthalee is the Chairman of the Committee. The Company Secretary, Mr. V. B. Aras is the Compliance Officer.

During the year, 14 letters / complaints were received from the shareholders, all the letters / complaints were replied / resolved to the satisfaction of the shareholders.

e) Share Transfer Committee

The Board of Directors has delegated the power to approve transfer of shares / debentures to the Share Transfer Committee comprising of Mr. J. P. Nayak, Mr. Y. M. Deosthalee and Mr. C. R. V. Subramaniam, all of whom are Non-executive Directors. The said Committee met 17 times during the year and approved the transfer of shares / debentures as also requests for issue of new share certificates on split / consolidation / replacement, etc.

As on 31.03.2002, 25 requests involving transfer of 2005 shares were under processing. These requests were less than 10 days old.

f) The Board has not set up 'Remuneration Committee' as the Company does not pay any remuneration to its Directors other than the sitting fees for attending the Meetings of the Board of Directors.

g) General Body Meeting

The last three Annual General Meetings were held as under :

Financial Year	Date	Time	Location
2000-01	30.08.2001	4.00 p.m.	M. C. Ghia Hall, Mumbai
1999-00	13.07.2000	4.00 p.m.	M. C. Ghia Hall, Mumbai
1998-99	23.09.1999	4.00 p.m.	Patkar Convocation Hall, Mumbai