

narmada

Annual Report 2002-2003

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narmada cement
COMPANY LIMITED

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COMPANY LIMITED

A subsidiary of LARSEN & TOUBRO LIMITED

BOARD OF DIRECTORS

J. P. Nayak *Chairman*

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 Fifth 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 Tuesday, 23rd December, 2003 at 2.00 p.m. to transact the following business:

1. To consider and adopt the Audited Balance Sheet as at 30th September 2003, the Profit and Loss Account for the period ended on that date and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. C. R. V. Subramaniam, 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 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 15 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 Company has become a sick industrial company as at the end of the financial year ended 30th September 2003 as its accumulated losses have exceeded its net worth as on that date and the Board of Directors and/or any delegatee of the Board be and is hereby authorized to make a reference to the Board for Industrial and Financial Reconstruction (BIFR) for determination of the measures which shall be adopted with respect to the Company and to take all necessary actions as required under Section 15 and any other applicable provisions of SICA".

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

V. B. ARAS
Company Secretary

Place : Mumbai

Dated : 20th November, 2003

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 Tuesday, 2nd December 2003 to Friday, 12th December 2003 (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 the Director who is proposed to be appointed / reappointed is given below:

Name:	Mr. C. R. V. Subramaniam
Age:	64 years
Qualifications:	B.E. (Mech.), Advanced Management Course from IIM, Ahmedabad.
Expertise:	Sr. Vice-President - Cement Division of L&T. Specialised in Plant Operations, Project Management, Marketing and General Management. He was member of the Cement Manufacturers Association and Member of the Governing Council of the National Council of Building Materials.
Other Directorships:	Dakshin Cements Ltd. Larsen and Toubro Ceylinc (Private) Ltd.

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 20th November 2003.

Item No. 4

Under the provisions of Section 15 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 its accumulated losses are equal to or exceed its entire net worth at the end of the financial year under review.

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

Accumulated losses as at 30.09.2003	Rs. 11524.44 lakhs
Net worth as at 30.09.2003	Rs. 9517.01 lakhs

The subject matter of erosion of the Company's entire net worth as mentioned above is being placed for the consideration of the shareholders.

The causes leading to the erosion of the entire net worth of the Company have been explained in the Directors' Report to the Members for the Financial Year 2002-03 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 : 20th November, 2003

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

The Directors herewith present their Twenty Fifth Annual Report and Audited Accounts for the 18 months period ended 30th September 2003.

FINANCIAL RESULTS

	2002 - 03 18 months (Rs. crores)	2001-02 12 months (Rs. crores)
Profit / (Loss) before depreciation and taxes	(59.41)	(7.88)
Depreciation on fixed assets	10.15	9.08
Loss for the year	(69.56)	(16.96)
Provision for taxes	-	0.14
Add: Deferred tax credits (net)	30.21	1.30
Add: Balance brought forward from the previous year	(75.89)	(60.09)
Balance to be carried forward	(115.24)	(75.89)

YEAR IN RETROSPECT / PERFORMANCE OF THE COMPANY**Sales and production**

Sales and other income for the 18 months period ended 30th September 2003 were Rs. 193.10 crores as against Rs. 258.51 crores for the previous year.

During the 18 months period ended September 2003, the Company produced 15.61 lakh metric tonnes of clinker as against 12.43 lakh metric tonnes during 2001-02. Cement and clinker dispatches were at 16.38 metric tonnes as against 12.78 lakh metric tonnes in 2001-02.

Review of operations

On an ongoing basis, the Company continued to initiate measures to reduce the manufacturing costs and improve the efficiency of its plants.

During the period, the Company introduced Voluntary Retirement Scheme for its employees. With this and the normal staff separations, the overall staff strength reduced to 385 as at end September 2003 from 675 at the beginning of the financial year.

Market scenario

Despite the subdued industrial growth and poor monsoons, the cement industry saw an encouraging growth in demand of around 9 per cent during the year. However, there continued to be demand-supply overhang due to excess supply in the market. The prices of cement were volatile and depressed in certain markets for most part of the year.

Due to lower cement prices, the operations became unremunerative. In order to curtail the losses, the Company

temporarily discontinued cement grinding operations at its Jafrabad and Magdalla plants. However in order to keep the plants running, the Company started selling clinker.

Demand for cement would depend upon various initiatives announced in the latest Union Budget of the Govt. of India which will boost investments in housing and infrastructure sectors. However, prices will continue to be under pressure due to over-supply in the market.

CAPITAL EXPENDITURE

As at 30th September 2003, the gross fixed assets stood at Rs. 200.51 crores and the net fixed assets at Rs. 91.54 crores. The additions during the period amounted to Rs. 11.13 crores.

EXTENSION OF ACCOUNTING YEAR

The Company extended its financial year by 6 more months to end on 30th September 2003 for the purpose of restructuring pursuant to approval received from the Registrar of Companies. Consequently the information given in the report will cover 18 months period - April 2002 to September 2003.

DELISTING OF SHARES FROM THE STOCK EXCHANGES

The Company had made applications for delisting of its equity shares from the Stock Exchanges at Mumbai, Ahmedabad, Delhi and Pune. Necessary permissions have been obtained from all the exchanges for delisting the shares with effect from 20th October 2003 and hence the Company's shares stand de-listed from the said exchanges as of that date.

The Acquiring Company (Larsen & Toubro Limited) has agreed to provide an exit option to the existing shareholders at Rs. 34 per share to be kept open for a period of one year from the date of delisting.

REPORT TO BIFR

Depressed market conditions, instability in cement prices and higher input costs affected the performance of the Company adversely during the 18 months period ended 30th September 2003. With the result, the Company incurred a loss of Rs. 39.36 crores during the 18 months period and the accumulated losses up to end September 2003 increased to Rs. 115.24 crores (as per provisions of SICA).

Since the accumulated losses as at end September 2003 have exceeded its entire net worth, the Company is declared a sick industrial Company within the meaning of Clause (o) of Sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Board of Directors will be making reference 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.

narmada cement COMPANY LIMITED**DIVIDEND**

Due to the financial situation mentioned above, the question of declaration of dividend for the period under review does not arise.

TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

The Company has transferred a sum of Rs. 7,10,473/- being the amount due & payable and remaining unpaid for a period of 7 years in respect of unpaid dividend and unclaimed deposits, as provided in Section 205C of the Companies Act, 1956.

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.

FINAL EXIT OPTION TO THE SHAREHOLDERS OF THE COMPANY

Larsen & Toubro Limited (L&T), the holding Company has provided a final exit option to the shareholders of the Company to acquire 22,02,817 shares at Rs.34/- each, pursuant to SEBI Letter No. FITTC/TO/RC/7198/203 dated 10th April, 2003.

L&T has despatched the circular letters on 20th August 2003 to all the shareholders requesting them to avail of the exit option prior to de-listing of Company's shares. The Company's shares were delisted effective from 20th October, 2003 from Mumbai, Pune, Ahmedabad and Delhi Stock Exchanges. As per the directives of SEBI, the exit option is to be kept open during the period of one year from the date of de-listing. Accordingly, the said exit option will remain open upto 19th October, 2004.

As on date L&T had acquired 3,98,246 shares pursuant to its Circular Letter dated 20th August, 2003 sent to the shareholders.

AUDITORS' REPORT

The Auditors Report to the Shareholders does not contain any qualifications.

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 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. A. M. Naik ceased to be a Director of the Company with effect from 1st February 2003. The Board has placed on record its appreciation for the guidance, expertise and valuable services rendered by Mr. Naik 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. C. R. V. Subramaniam 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 October 2003 to September 2004.

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.

PARTICULAR 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: 20th November, 2003

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 18 MONTHS ENDED 30th SEPTEMBER 2003.

A) CONSERVATION OF ENERGY**a) Energy conservation measures taken:**

- Reduction in limestone pile LSF to improve clinker quality.
- Rationalization of Aeration System of raw mill silo.
- Installation of Slip Power Recovery System in raw mill circuit.
- Alternate fuels such as Pet Coke and Indonesian Coal to reduce cost.
- Optimization of kiln operations.
- Optimization of coal mill operations.
- Ceramic coating for water pumps internals.

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

- Installation of Slip Power Recovery System.

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

- 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 2002 - 03 18 months	Previous Year 2001 - 02 12 months
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A) Power and Fuel Consumption**1. Electricity:****(a) Purchased:**

Unit (Lakh kWh)	557	775
Amount (Rs. lakhs)	2780	4035
Rate / Unit (Rs.)	4.99	5.20

(b) Own Generation:

Unit (Lakh kWh)	578	413
Unit per litre of fuel oil	4.12	3.90
Cost / Unit (Rs)	3.67	2.47

2. Imported coal used in kiln:

Calorific value range (kcal/kg)	5600-6250	5600-5950
Quantity (MT)	218585	166134
Total cost (Rs. lakhs)	4393	4209
Average rate (Rs. / MT)	2010	2533

3. Others (Pet coke / Lignite)

Quantity (MT)	5137	4993
Total cost (Rs. lakhs)	106	79
Average rate (Rs. MT)	2061	1592

4. LDO / SKO (for Kiln):

Quantity (KL)	1072	739
Average rate (Rs. / Litre)	13.10	13.24

B) Consumption per unit of production**Electricity:**

Units per MT of cement	99.2	97.9
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LDO / SKO:

Litres per MT of cement	0.66	0.57
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Coal:

K. Cal / Kg. Of cement	810	750
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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 mill design.

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

- Improvement in kiln productivity.

3. Future plan of action:

- Modifications to equipments with little investment or by adding new equipment.

4. Expenditure on R&D:

(Rs. in lakhs)

	Current Year 2002 - 03 18 months	Previous Year 2001 - 02 12 months
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a) Capital expenditure	-	-
b) Recurring expenditure	1	1
c) Total expenditure	1	1
d) Total R&D expenditure as % of turnover	-	-

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

- Use of Pet coke and Indonesian coal as an alternative fuel in kiln firing.
- In-house conversion of part of Kiln Control systems to PLC systems.

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

- Savings in fuel costs.
- Improved safety as a result of introduction of PLC based systems.

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 therefore and future plans of action.	NA

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(Rs. in lakhs)

	Current Year 2002 - 03 18 months	Previous Year 2001 - 02 12 months
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Foreign exchange earned	Nil	Nil
Foreign exchange used	421	1211

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

The Company is a subsidiary of Larsen & Toubro Limited and has adopted the good corporate governance practices followed by Larsen & Toubro Limited. These practices have enabled the Company to achieve significant improvement in its operations. The Company will endeavor to improve on these aspects on an ongoing basis.

b) Board of Directors

The Board of Directors comprise of 3 Non-executive Directors, headed by a Non-executive Chairman.

During the 18 months period ended September 2003, 9 meetings of the Board of Directors were held on - 12.06.2002, 31.07.2002, 30.10.2002, 30.01.2003, 27.03.2003, 22.04.2003, 30.04.2003, 19.06.2003 and 31.07.2003.

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. J. P. Nayak	NED	9	YES
Mr. Y. M. Deosthalee	NED	9	YES
Mr. C.R.V. Subramaniam	NED	5	YES
Mr. A. M. Naik *	NED	4	YES

	No. of other Directorships	Committee Membership	
		Member	Chairman
Mr. J. P. Nayak	13	3	5
Mr. Y. M. Deosthalee	7	2	3
Mr. C.R.V. Subramaniam	2	-	-
Mr. A. M. Naik *	6	2	1

* 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 Auditor 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. The Audit committee comprises 3 Non-executive Directors. The committee met 6 times during the 18 months period and the attendance of the Members at the meetings was as follows:

Name of Member	Status	Number of Meetings attended
Mr. J. P. Nayak	Chairman	6
Mr. Y. M. Deosthalee	Member	6
Mr. C. R. V. Subramaniam	Member	4

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 was constituted on 27th October 2001. The committee comprises 3 Non-executive Directors. During the 18 months period, the Committee met 6 times and the attendance of the members was as follows:

Name of Member	Status	Number of Meetings attended
Mr. Y. M. Deosthalee	Chairman	6
Mr. J. P. Nayak	Member	6
Mr. C. R. V. Subramaniam	Member	4

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