

OCL INDIA LIMITED

1998-99

ANNUAL REPORT



**OCL INDIA LIMITED****Incorporated in India - Members' Liability Limited**

DIRECTORS	Shri Pradip Kumar Khaitan	<i>(Chairman)</i>
	Shri V.D. Jhunjhunwala	
	Shri S.S. Bhartia	
	Shri N.C. Gupta	<i>(Nominee of GIC)</i>
	Shri R.C. Pandey	<i>(Nominee of IFCI)</i>
	Shri D.N. Davar	
	Dr. S.R. Jain	
	Shri H.V. Lodha	
	Shri M.L. Chand	<i>(Whole-time Director)</i>

PRESIDENTS	Shri M.H. Dalmia
	Shri A.H. Dalmia

BANKERS	State Bank of India
	United Bank of India
	Punjab National Bank
	UCO Bank

REFRACTORY, CEMENT WORKS & REGD. OFFICE	Rajgangpur-770 017 (Orissa)
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DELHI OFFICE	B-47 Connaught Place New Delhi-110 001
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AUDITORS	V. Sankar Aiyar & Co. Chartered Accountants
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DIRECTORS' REPORT

For the year ended 31.3.1999.

The Directors present their Forty Ninth Annual Report of the Company for the year ended 31st March, 1999, together with the Statement of Accounts for that year.

WORKING RESULTS

1.1 Working results for the year are as under :

	1998-99	1997-98
	'000 Rs.	'000 Rs.
Operating Profit	41,79,40	43,05,29
Less : Interest	24,68,69	29,03,57
Depreciation	12,87,60	12,33,77
Profit before taxation	4,23,11	1,67,95
Less : Provision for taxation	40,00	2,00
Profit after taxation	3,83,11	1,65,95
Add : Transfer from investment	—	2,21,00
Allowance Reserve (Utilised)	—	—
Brought forward from previous year.	15,82,35	14,84,35
	19,65,46	18,71,30
Transfer to Debenture Redemption Reserve	13,33	33,33
General Reserve	50,00	50,00
Transfer to Reserve for bad & doubtful debts	1,00,00	—
Interim dividend	1,79,40	—
Proposed dividend	—	1,61,92
Tax on dividend	17,94	43,70
Surplus carried to Balance Sheet	16,04,79	15,82,35
	19,65,46	18,71,30

1.2 The Directors have treated the interim dividend @ 25% on Equity shares paid in February 1999 as final dividend.

CEMENT DIVISION

2.1 Production from the expanded cement grinding capacity has been stabilized. The project has fulfilled all the expectations and even surpassed them. The power consumption per tonne of cement came down primarily because of regular use of the Vertical Roller Mill for cement grinding. The proportion of slag in PSC has also increased. Both these have contributed significantly and improved profitability of the Division.

2.2 Clinker production, Cement production & Cement sales during the year under report are given below along with comparative figures for previous year :-

	1998-99	1997-98
	Tonnes in '000s	Tonnes in '000s
Clinker Production	460	617
Cement Production	696	896
Cement Sales (including self consumption)	695	899

The value of Cement and Clinker Sales for the years 1998-99 and 1997-98 (inclusive of excise duty) are Rs. 147.48 crores and Rs. 159.63 crores respectively.

2.3 During the year your Company exported Cement to Bangladesh valued at about Rs. 9.22 crores as against the previous year export of Rs. 12.99 crores.



- 2.4 The growth in demand in the Eastern region has been the lowest in the Country. There is a substantial over capacity in this region. Both these factors combined exerted a pressure on prices. However, your Company decided to cut back production in tune with market requirements. This resulted in comparatively better price realisation. The net result has been that the value of cement and clinker sales in 1998-99 is lower than the previous year. However, fall in value is only 8% even though there has been over 20% fall in the volume.
- 2.5 The outlook for the future appears to be positive particularly due to the policy announced by the Government in the Union budget for 1999-2000 giving thrust on housing & infrastructure sectors. However, because of prevailing political and economic scenario in the Country and less likelihood of any major industrial growth in the near future, the next year's outlook would be of cautious optimism.

REFRACTORY DIVISION

- 3.1 Total sales for the year 1998-99 was Rs. 115.54 crores compared to Rs. 136.06 crores for 1997-98. The lower sales had been due to the continuing slow down in the economy particularly the steel industry which is the main consumer of refractories. Strict inventory controls, deferment of new projects and major repairs by the steel industry affected the sales of the Company. In some cases despatches had to be regulated by the Company due to payment delays from the customers. The market conditions are expected to change for better and your Company hopes improvement in off-take and overall performance.
- 3.2 On export market, your Company has been able to achieve sales of Rs. 10.81 crores. Even in the face of stiff competition, orders could be secured for exports to USA, Turkey and also some repeat orders from existing customers. The Company has been awarded Special Export Award for 1997-98, consecutively for 4th year, by CAPEXIL (Export Promotion Council of Govt. of India) for good performance in export. The export turn-over is expected to improve.
- 3.3 Your Company has the distinction of being the first refractory manufacturer to have ISO 9001 certification for the widest range of refractories in the Country. During the year under review, a Surveillance Audit was conducted by TUV and based thereon, further extension of validity of the ISO certificate has been granted to the Company.
- 3.4 Concast products which are manufactured with technical know-how from TYK Corporation, Japan are well accepted in the market and once there is pick-up in the performance of the steel sector, the Company expects to improve its market share.
- 3.5 Despite stiff competition, your Company has been able to improve market share in products like castables, precast seating blocks etc. manufactured in technical collaboration with TYK Corporation, Japan. On the strength of the quality of these products, your Company expects to improve the market share in future.
- 3.6 Your Company has been making continuous efforts for up-gradation of and addition to its existing product range. The Company has set up facilities for manufacture of purging elements. This is a new high tech product being introduced as an import substitute in the Country. The technical know-how for this product has been taken from M/s. PLIBRICO, Germany who are the leading manufacturers of this product in the world. The trial production has already started. The Company expects to secure good market share in the coming years.

Y2K COMPLIANCE

4. Pursuant to the amendment in the listing agreement with the stock exchanges requiring to give the status on Y2K preparedness level, your Directors report that the issue is being handled by your Company. Most of the computer equipments are fully Y2K compliant. Process control equipments, internally developed application softwares and packaged softwares are expected to be Y2K compliant by August, 1999. Steps have been initiated to evaluate Y2K compliance by Company's vendors and customers. The contingency plan, to minimise the risk of disruption, if any, due to non compliance by critical material and service providers, is expected to be ready by November, 1999. The cost involved is estimated to be negligible.



SUBSIDIARIES

5. Copies of Accounts and the Directors' Reports, relating to the year ended 31.03.1999 of subsidiaries, Utkal Investments Limited, First Capital India Limited, Konark Minerals Limited, Kashmissa Industries Limited, Hari Fertilizers Limited and Telecom Services India Limited are annexed to your Company's accounts.

AUDITORS REPORT

6. The accounting policy 1 (Schedule 14) referred to in the Auditors Report is self-explanatory and therefore do not call for any further comments.

LABOUR MANAGEMENT RELATIONS

7. Relations between the Management and Employees were cordial during the year under review.

DIRECTORS

8. The Industrial Finance Corporation of India Limited withdrew the nomination of Shri B.M. Agarwal w.e.f. 8th June, 1998. Shri R.C. Pandey was co-opted as a director in place of Shri B.M. Agarwal with effect from 27th July, 1998. Shri S.N. Das Mahapatra, Whole-time Director, had retired on his tenure coming to an end on 28th February, 1999. He had also resigned from directorship effective from that date. Your directors place on record their appreciation of the services rendered by the outgoing Directors.

DEPOSITS

9. The Directors report that as on 31st March, 1999, there were 91 deposits aggregating to Rs. 8,02,000/- which remained unclaimed beyond due dates, out of which deposits aggregating to Rs. 2,45,000/- have since been renewed/repaid.

PARTICULARS OF EMPLOYEES

10. The particulars of the employees as required u/s 217(2A) of the Companies Act, 1956 are set out in the Annexure - I which forms part of this report.

CONSERVATION OF ENERGY ETC.

11. Information required under Section 217(1)(e) of the Companies Act, 1956 read with the relevant Rules, with regard to conservation of energy, technology absorption and foreign exchange earnings and outgo are given in Annexure - II which forms part of this report.

Place : New Delhi
Date : 31st May, 1999

BY ORDER OF THE BOARD
P. K. KHAITAN
CHAIRMAN



ANNEXURE-II TO THE DIRECTORS' REPORT

STATEMENT CONTAINING PARTICULARS PURSUANT TO COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT DATED 31ST MAY, 1999.

I. CONSERVATION OF ENERGY

Cement

a) Energy Conservation measures taken :

- i) Regular Energy Audit by experienced Engineers.
- ii) Monitoring of maximum demand regularly to control maximum KVA drawn from grid supply.
- iii) Use of exhaust of P G Set for Waste-heat Boiler to produce steam for heating LSHS to be used for P G Set and production of producer gas in refractories.
- iv) Use of DC motors for variable speed application through thyristor control panel instead of dampers for cement mills, vent fan, booster fan for CVRM.
- v) Use of high efficiency O-Sepa separator for cement mills 1, 2, 3 and 4.
- vi) Use of krammer for variable speed application of PH Fan, ESP Fan and Bag filter fan.
- vii) Use of Waste heat from clinker cooler for drying the slag.
- viii) Use of Precoal ESP for coal mill. This will help in proper working of the kiln even with low grade coal.
- ix) Elimination of both the Crushers at the Factory.
- x) Re-engineering of Quarry has practically eliminated running of electric compressors.
- xi) Use of Roller Mill for grinding of Cement where specific power consumption is low.
- xii) Replacement of existing PH fan with high efficiency fan.
- xiii) Reduction of idle running of equipments.
- xiv) Re-engineering of the plant has eliminated some screw conveyors.

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

- i) Use of soft starters.
- ii) Use of energy efficient lightings.
- iii) Use of Kiln Feed Bucket Elevator in place of Air Lift Pump.
- iv) Use of elevator in place of air lift for Raw meal transport.

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

- By measures taken at (a) we have been able to achieve at present average specific energy consumption of 68.50 KWH per tonne of clinker from earlier average of 71.57 KWH per tonne of clinker and total lower consumption upto cement despatch stage has been reduced to 105.5 KWH/T of Cement despatch against earlier 106.76 KWH/T of Cement despatch.
- By measures (b), we expect a reduction of consumption of about 15 KWH per tonne in cement production.

Refractory

a) Energy Conservation measures taken :

ELECTRICAL ENERGY

- i) Regular In-house energy audit being carried out by experienced engineers with implementation of corrective steps.
- ii) Continuation of practice of installation of capacitors along with all new Units and monitoring of power factors on regular basis with an attempt to maintain the same between 0.98 - 1.0.
- iii) Selection of energy efficient equipments and drives to minimise the energy consumption.
- iv) Reduction of wastage of Electricity by stopping equipments and switching off lights during Tea breaks and shift changes.
- v) Managing compressed air consumption efficiently to reduce no. of compressors running at any time.

**THERMAL ENERGY**

- a) i) Use of Furnace Oil sludge generated from P.G. Sets with fuel oil in B.T. Kilns.
 ii) Use of fuel additive for better combustion at B.T. Kilns.
 iii) Reduction of specific coal consumption per M.T. of silica output through reengineering and standardisation process.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
- i) increase of payload by proper designing of seggars for Con-Cast refractories at B.T. Kilns.
- c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :
- i) The specific fuel consumption per MT of burnt output has come down from 113 liters to 103 liters for normal firing of Basic Bricks.
- ii) The specific coal consumption per MT of Silica output has come down from 0.49 to 0.47 per MT.

F O R M - A
(PARTICULARS OF TOTAL ENERGY CONSUMPTION AND ENERGY
CONSUMPTION PER UNIT OF PRODUCTION)

	CURRENT PERIOD		PREVIOUS YEAR	
	1998-99		1997-98	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
A) POWER AND FUEL CONSUMPTION				
1. Electricity				
a) Purchased Units (in lacs)	99.95	24.47	211.42	40.11
Total Amount (Rs. in lacs)	388.22	98.69	726.66	139.15
Rate / Unit (Rs.)	3.88	4.03	3.44	3.47
b) Own generation				
i) Through power Generators				
Units (in lacs)	569.24	82.12	676.58	98.32
Units per Ltr of fuel	3.60	3.60	3.73	3.73
Cost/Unit (Rs.)	2.39	2.39	2.13	2.13
ii) Through Steam Turbine/Generator				
Units	—	—	—	—
Units per ltr of fuel oil/gas	—	—	—	—
Cost/Unit	—	—	—	—
2. Coal (grade C to F and Coke breeze used in Kiln & Precalciner, calcination of raw materials, Gas producer for firing of refractory bricks)(Tonnes - lacs)	1.05	0.11	1.45	0.20
Total cost (Rs. in lacs)	769.33	85.72	1181.77	187.32
Average rate (Rs. / MT)	735.70	757.79	814.40	959.55
3. Furnace Oil				
Quantity (K.ltr.)	15108.012	5203.117	12387.404	5100.265
Total amount (Rs. in lacs)	944.55	326.58	759.26	317.79
Average rate (Rs./K.Ltr.)	6252.01	6276.56	6129.31	6230.75
4. Others/Internal Generation				
a) Light Diesel Oil				
Quantity(K.ltr.)	136.29	345.911	62.193	371.638
Total Cost (Rs.in lacs)	11.95	31.33	5.23	31.08
Rate/Unit (Rs./K.Ltr.)	8768.86	9057.18	8410.49	8363.00
b) Low Speed High Sulphur Oil				
Quantity (MT)	816.695	390.486	6433.671	1749.800
Total Cost (Rs. in lacs)	56.86	27.39	471.65	128.04
Rate/Unit (Rs./MT)	6962.17	7015.06	7330.99	7317.67



	CURRENT PERIOD 1998-99		PREVIOUS YEAR 1997-98	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
c) HSD Oil				
Quantity (K.Ltrs)	68.995	—	87.830	—
Total Cost (Rs. in lacs)	6.48	—	7.63	—
Rate per Unit (Rs./K.Ltr.)	9398.86	—	8684.85	—

	CURRENT PERIOD 1998-99		PREVIOUS YEAR 1997-98	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
B. CONSUMPTION PER UNIT OF PRODUCTION (PER MT)				
a) Cement				
– Electricity (KWH)	91		98.00	
– Furnace Oil (Litres)	0.301		0.333	
– Coal (grades C to F & Coke breeze) (kgs.)	134.000		156.000	
– Others - L.D. Oil (Litres)	0.018		0.039	
– LSHS Oil (Litres)	—		0.418	
– HSD Oil	0.099		0.098	
b) Refractory				
– Electricity (KWH)	309.00		251.00	
– Furnace Oil (K.Ltr)	0.204		0.167	
– Steam coal & screened coke (MT)	1.393		0.873	
– Others - L D Oil (K. Ltr)	0.022		0.018	
– LSHS Oil (Tonnes)	0.018		0.044	

REASONS FOR VARIATION IN THE CONSUMPTION OF POWER & FUEL FROM STANDARDS OR PREVIOUS YEAR.

CEMENT FACTORY

- Monitoring of maximum demand regularly to control maximum KVA drawn from grid supply. Contract maximum demand from OSEB has been brought down from 16 MVA to 10 MVA.
- Regular energy audit by experienced engineers.
- Optimum utilisation of grinding capacity by maximizing running of the power efficient Vertical Roller Mill for Cement grinding and limiting use of old ball mills for grinding to the minimum required.
- Reduction of idle running of auxiliaries.
- Re-engineering of the plant lay-out.
- LSHS/Furnace Oil/LDO consumption was low because generator loading was improved and some modification work of the engine was also undertaken.
- Total energy drawn from Grid Co. and DG set was low in comparison with previous year because of lower production.
- During 1997-98, cost per unit was excluding modvat. However, during 1998-99 the cost per unit is including modvat. So there is a difference of Re. 0.14.

LOW NOX modification in DG Set No. 4

Less generation from DG sets during 1998-99 compared to 1997-98 due to which cost of spare parts per unit has increased by about Re 0.05.

- Purchased power i.e. Grid Co. power cost per unit is more because of less quantity of power was drawn from Grid Co. where there is a fixed charge based on contract maximum demand. Own generation being much cheaper, effort was on for maximizing generation from DG sets.



10. Average coal procurement cost has been brought down by procuring inferior grades of coal from a new coal field and superior grade coal fines from sponge iron plants.

REFRACTORY

Consumption of electricity in Refractory varies widely with the product mix. One product of refractory consumes different power per tonne compared to the other. However the rate of consumption of electricity in 1998-99 is higher considering equivalent factors compared to the previous year. The main reason for this is that level of operations of the plant was much lower compared to the previous years whereas common units like Workshop, Gas Producers and general factory lighting including Utilities had to be operated which has resulted in increased rate of consumption of electricity per absolute tonne of product made during the year. On the basis of equivalent tonnage, the increase is around 14% on account of the reason given above.

II. TECHNOLOGY ABSORPTION

1. Research & Development (R&D)

a) Specific areas in which R&D carried out by the Company :

CEMENT

- i) Optimisation of dose of slag in Portland Slag Cement with optimum Blain value
- ii) Development of non-shrinking grout.
- iii) Development of Sulphate Resistant cement.

REFRACTORY

- i) Magnesite Carbon Bricks achieved a record life of 1345 heats in BOF of Durgapur Steel Plant.
- ii) Single piece Tap Hole Sleeves for BOF/EAF.
- iii) Mono block stoppers for batch casting has been developed to give an average life of more than 6 heats.
- iv) Development of Shroud for high Manganese Steel.
- v) Development of non sticking Mono block Stopper for FACOR.
- vi) Development of Spinel Castable based Well Block tried at TISCO LD II shop.
- vii) In situ casting of snorkel at VSP with our Excel Cast 90A was successfully done.
- viii) Directional Porous Plug in High Alumina quality developed in collaboration with M/s. PLIBRICO S.A. FRANCE.

b) Benefits derived as a result of the above R&D

CEMENT

- i) Use of alternative cheaper additive has become possible.
- ii) Use of higher percentage of slag in Portland slag cement has become possible.
- iii) Cement products viz. non-shrinking grout and silent demolition agent have been successfully developed.
- iv) Production cost reduced.

REFRACTORY

Regular orders for established products as mentioned in (a) are being received/are expected.

c) Future plan of action

CEMENT

— Efforts for further improvements will continue.

REFRACTORY

Development of –

- i) Random type Porous Plug of Magnesite Quality.
- ii) Semi Silica bricks for Coke Oven battery.
- iii) Fused Silica bricks for Glass Tank Furnace.
- iv) Introduction of flash firing of shrouds to prevent moisture pick-up.
- v) Development of self flow castables.
- vi) Development of Al_2O_3 bricks for Anode baking furnace.
- vii) Ceramic welding.



- d) Expenditure on R & D
- | | | |
|---|---|-------------|
| i) Capital | : | 12.43 lakhs |
| ii) Recurring | : | 51.47 lakhs |
| iii) Total | : | 63.90 lakhs |
| iv) Total R&D expenditure as a percentage of total turnover | : | 0.24% |

2. Technology absorption, adaptation and innovation.

- a) Efforts in brief made towards Technology Absorption, Adaptation and Innovation.
- | | |
|------|---|
| i) | Standardisation of Spinel Based Precast Seating Blocks. |
| ii) | Anti Clogging Sub-Entry Nozzle developed. |
| iii) | Standardisation of AMC Alumina Mag Carbon bricks. |
- b) Benefits Derived as a result of above results e.g. Product Improvement, Cost Reduction, Product Development and Import Substitution etc.
- | | |
|-----|---|
| i) | Possibility of getting repeat orders. |
| ii) | Regular orders received for Spinel Based Precast Seating Block. |
- c) In case of imported technology (Imported during last 5 years)
- | | |
|------|---|
| i) | Technology Imported:
Collaboration with Tokyo Yogyo Co.Ltd./ T.Y.K Corporation Japan.
Castables (Ultra Low Cement, Castables, Precast Products, Lances etc.).
Continuous Casting Refractories.
Alumina-Magnesia-Carbon and Alumina-Silicon-Carbide- Carbon Bricks.
Collaboration with M/s. PLIBRICO S.A. France
Alumina Porous Plugs. |
| ii) | Year of Import:
Castable Refractories during 1992.
Continuous Casting Refractories except Sub Entry Nozzle during 1994.
Al ₂ O ₃ -MgO-C/Al ₂ O ₃ -SiC-C bricks during 1995.
H.A. Porous Plugs during 1997. |
| iii) | Has Technology been fully Absorbed ?
Except H.A. Porous Plug all others are fully absorbed. |
| iv) | If not fully absorbed, areas where this has not taken place:
H.A. Porous Plug technology initial stage. |

III. FOREIGN EXCHANGE EARNINGS AND OUT-GO

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services; and export plans :

During the year 52153 MT of cement, valued at about Rs. 9.22 crores exported to Bangladesh. The increased International competition and non availability of wagons affected company's export performance during the year.

2. Total Foreign Exchange used and earned.

Used	:	1624.27 lakhs
Earned	:	2012.08 lakhs