



OCL INDIA LIMITED

*Annual Report*

2003-2004





## **OCL INDIA LIMITED**

**Incorporated in India - Members' Liability Limited**

<b>DIRECTORS</b>	Shri Pradip Kumar Khaitan Shri V.D. Jhunjhunwala Shri S.S. Bhartia Shri D.N. Davar Dr. S.R. Jain Shri H.V. Lodha Shri V.P. Sood	(Chairman)      (Whole time Director)
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**PRESIDENT & CEO** Shri M.H. Dalmia

**BANKERS** State Bank of India  
United Bank of India  
Punjab National Bank  
UCO Bank  
UTI Bank Ltd.

**REFRACTORY, CEMENT  
AND SPONGE IRON  
WORKS & REGD. OFFICE** Rajgangpur-770 017  
(Orissa)

**DELHI OFFICE** B-47, Connaught Place,  
New Delhi-110 001

**AUDITORS** V. Sankar Aiyar & Co.  
Chartered Accountants



## DIRECTORS' REPORT

FOR THE YEAR ENDED 31.03.2004

The Directors present their Fifty Fourth Annual Report of the Company for the year ended 31<sup>st</sup> March, 2004, together with the statement of accounts for that year.

### 1.0 WORKING RESULTS:

	<u>2003-04</u> <u>'000 Rs.</u>	<u>2002-03</u> <u>'000 Rs.</u>
Operating Profit	61,38,14	45,94,24
Less : Interest	6,71,04	7,71,71
Depreciation	19,68,53	14,10,58
Profit before taxation	34,98,57	24,11,95
Provision for Taxation		
Current tax	6,50,00	2,22,00
Deferred tax	5,88,00	3,57,18
Profit after taxation	22,60,57	18,32,77
Add: Brought forward from previous year	30,43,52	18,28,02
Excess provision for dividend written back	—	1
	<u>53,04,09</u>	<u>36,60,80</u>
Transfer to General Reserve	8,00,00	4,50,00
Proposed Dividend	5,93,61	1,48,28
Tax on dividend	76,06	19,00
Surplus carried to Balance Sheet	<u>38,34,42</u>	<u>30,43,52</u>
	<u>53,04,09</u>	<u>36,60,80</u>

- 1.1 The Directors recommend payment of dividend for the year ended 31<sup>st</sup> March, 2004 at the rate of 100% on fully paid up equity shares keeping in view the golden jubilee celebrations of the company.

### GOLDEN JUBILEE CELEBRATIONS

- 2.0 Your company completed 50 years of its existence and 11<sup>th</sup> December, 2003 was chosen as the day for celebrating Golden Jubilee year and this celebration also marked the birth centenary year of Shri Jaidayal Dalmia, Founder Chairman of the Company.

### CEMENT DIVISION :

- 3.0 The cement production and sales have registered 3% and 4.5% growth respectively over previous year. This could be achieved due to optimum utilisation of cement grinding mills and increase of demand in West Bengal /Jharkhand.
- 3.1 Cement production and sales during the year under report are given below along with comparative figures for previous year.

	<u>2003-04</u> <u>(Tonnes in '000s)</u>	<u>2002-03</u> <u>(Tonnes in '000s)</u>
Cement production	1189	1155
Cement Sales(including self consumption)	1193	1142

The value of cement and clinker sales for the year 2003-04 and 2002-03 (inclusive of excise duty) are Rs.264.97 and Rs.251.33 crores respectively.

- 3.2 The outlook for cement appears to be optimistic in view of the higher cumulative average growth rate (CAGR) in eastern market, inspite of lower growth in the year 2003-04. Development of infrastructure, roads reconstruction activities and continuance of incentives to housing sector, will act as catalyst for further increase in demand for cement.



- 3.3 Although availability of Railway wagons has considerably increased, the cement division has experienced transport bottleneck during the year. The company has been exploring alternative means to ease the situation.
- 3.4 The company has taken up implementation of a modernization cum expansion programme to upgrade the Clinkerisation stream at the Rajgangpur works to reap the benefits of higher clinker productivity and better fuel efficiency. Steps are also being taken for securing necessary clearance from the concerned pollution control and environment impact assessment Authorities. Upon commissioning of the modernized and expanded plant the installed capacity of clinkerisation will increase to 12,00,000 MT per annum from the existing 7,00,000 MT per annum and the cement grinding capacity would increase to 16,00,000 MT per annum from existing 12,75,000 MT per annum.

#### REFRACTORY DIVISION:

- 4.0 During the year 2003-2004, your company has achieved total sales of Rs.135.86 Crores as compared to Rs.102.77 Crores in the last year. While this turnover in value is 32% higher over the last year the percentage of increase in quantity is 44%. The company could achieve the higher sales value mainly due to the shift in the marketing focus on sale of the products that gave relatively higher realisation. The improved position of the Steel Sector boosted volumes of sale during the year 2003-2004. However the prices continued to remain stagnant due to intense competition coupled with increasing imports, low consumption of Refractories per ton of steel produced. The present upturn in steel market is likely to continue and all major steel plants, particularly the SAIL plants, are expected to implement their long overdue furnace revamping projects like rebuilding /major repair of coke oven batteries, etc.
- 4.1 Your company continues to enjoy good reputation in the market for its product quality and services. During the year, the company's products like magnesia carbon bricks for converters, ladle refractories and rinsing lances have achieved record campaign lives/ heats. The company, through its R&D efforts, continues with its focus on progressive up gradation of its products to provide value to the customers.
- 4.2 On export front, your company has recorded increased sales, both in value & quantity, in the year 2003-04. Total exports achieved during the year is of Rs.13.97 Crores (3,825 MT) as against Rs. 6.86 Crores (2427 MT) of the previous year. Export of Rs 13.97 Cr in 2003-04 includes Rs 1.94 Crores (755 MT) to Japan. The increase in sales was achieved despite stiff competition from China as well as from Indian refractory manufacturers and aggressive marketing by European manufacturers who enjoy product preference from their traditional customers. Initial orders received from some glass units in the South East Asian and Gulf countries and from secondary steel making units in Bangladesh & Kuwait have successfully been executed. Your company has also started getting trial orders from Turkey & UK, for its Continuous Casting products.
- 4.3 Your company has successfully made an entry in copper and aluminum sectors and could procure orders worth approximately Rs.13 cores which will be executed in next financial year. Your company however is steadily gaining in customer confidence and product acceptance on the strength of its product quality. Besides broadening its customer base in the copper industry in overseas market, your company is engaged in expanding its non-ferrous market to cover glass & secondary steel making sector also.
- 4.4 Your company continues to make steady progress in increasing its market share for its high-tech products like Continuous Casting refractories, Purging element etc. Among the high-tech products, the Company has, during the year, achieved the highest sales of Continuous Casting and Slide gate refractories.
- 4.5 Your company holds ISO 9001 (2000 version) certificate from RWTUV, Germany for its full range of Refractories.

#### SPONGE IRON WORKS:

- 5.0 During the year the plant produced 68,832 MT of sponge iron and sold 68,502 MT valuing Rs.53 crores which includes an export to Nepal of 189 MT having F O B value of Rs.13.56 lakhs. In view of the increased demand for sponge iron, the company has initiated steps to increase the installed capacity of the Sponge Iron Works from the existing 90,000 MT per annum to 1,20,000 MT per annum with the installation of the 4<sup>th</sup> identical 100 TPD kiln. Plans are also under way to implement a captive power generation project to initially manufacture 20 MW of power, partly on co-generation basis and partly on thermal power generation route. Similarly, subject to getting necessary approvals from the concerned authorities, the company would initiate steps to upgrade the existing facilities at the sponge iron works to manufacture 0.25 MTPA of steel billets.

#### REAL ESTATE OPERATIONS

- 6.0 The company has entered into real estate activities/ operations during the year under review and to start with has invested in three real estate projects.



Two such projects are for setting up a self contained mini township projects. The land acquisition in these projects is progressing satisfactorily. The third project is for construction of an ultra modern centrally air conditioned shopping mall. The construction activities on the project have commenced recently.

#### **DIRECTORS RESPONSIBILITY STATEMENT:**

7.0 The Directors confirm that:

- a) applicable accounting standards had been followed in preparation of accounts under report.
- b) reasonable and prudent accounting policies had been selected and applied which gives a true and fair view of the state of affairs of the company and of the Profit & Loss Account of the company for the year under report.
- c) proper and sufficient care had been taken for maintaining of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company.
- d) accounts are prepared on a going concern basis.

#### **BUY BACK OF SHARES:**

8.0 The Company bought back 11,83,708 fully paid up shares of Rs.10/- each at Rs.80/- per share through tender offer as per the provisions of the Companies Act, 1956 and Securities Exchange Board of India (Buy back of securities) Regulations, 1998. The extinguishment of bought back shares and consequent reduction of Rs.118.37 lakhs in the share capital was effected during the year.

#### **SUBSIDIARIES:**

9.0 Copies of Accounts and the Directors' Reports, for the year ended 31.03.2004 of subsidiaries, Konark Minerals Limited, Kashmissa Industries Limited and Hari Fertilizers Limited are annexed.

#### **LABOUR MANAGEMENT RELATIONS:**

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

#### **DEPOSITS:**

11.0 The Directors report that, as on 31st March, 2004, there were 56 deposits aggregating to Rs.10.12 lakhs which remained unclaimed beyond due dates, out of which deposits aggregating to Rs.3.16 lakhs have since been renewed/repaid.

#### **PARTICULARS OF EMPLOYEES:**

12.0 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.:**

13.0 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.

#### **CORPORATE GOVERNANCE:**

14.0 As per Clause No.49 of the listing agreement report on corporate governance is given in Annexure-III which forms part of this Report.

PLACE : NEW DELHI  
DATE : 13.05.2004

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 13<sup>TH</sup> MAY, 2004.**

### I. CONSERVATION OF ENERGY

#### CEMENT:

##### a) Energy Conservation measures taken

- i) Regular Energy Audit by experienced Engineers and consultants.
- ii) Monitoring of maximum demand regularly to control maximum KVA drawn from grid supply.
- iii) New Roller Mill for grinding of Cement installed which is power efficient.

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

- i) Increase in clinker capacity with more efficient use of electrical and thermal energy.
- ii) Modifying existing Raw mill grinding circuit from 2 fan system to 3 fan system.
- iii) Replacing old classifier of raw mill VRM with high efficiency classifier.
- iv) Installation of energy efficient roller mill for cement grinding.
- v) Installation of waste gas fan for using waste hot gases from kiln for drying of slag.
- vi) Maximising Portland Pozzolana Cement - Flyash based (PPC) production.

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

- i) Reduction in cost of clinker production.
- ii) Reduction of cost of cement production.
- iii) Utilisation of waste heat for drying moisture of raw materials such as slag.

#### REFRACTORY:

##### (a) Energy Conservation measures taken:

##### ELECTRICAL ENERGY

- i) Regular in house energy audit being carried out by experienced engineers and implementation of corrective steps.
- ii) One 1250 KVAR power capacitor has been installed during the year to maintain power factor above 0.99 and Installation of power capacitor during addition of load is continued.
- iii) Optimising capacity of Impact Mill Circuit in Basic Plant to enhance the output rate.
- iv) Use of transparent sheet inside roofing to eliminate use of electric light during daytime in Bell Kiln area.
- v) Use of highly energy efficient metal halide lamps in Coal screening yard.

##### THERMAL ENERGY:

- i) Furnace oil is completely replaced by producer gas for drying Continuous Casting refractories in hot air generators.
- ii) Low thermal mass kiln cars were made in one of the Basic Tunnel Kiln.
- iii) 8 nos. of oil burners at shaft kiln were completely replaced by producer gas burners.
- iv) Basic Tunnel Kiln No. 2 was modified for 100% gas firing upto 1480 Degree C & 85-90% gas firing for 1500 Degree C or more for firebrick products.

##### b) Additional investment and proposals

- i) 100% gas firing at shaft kiln.
- ii) Replacement of furnace oil by producer gas for heating thermo oil at tar plant.

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

- i) Electrical energy consumption (KWH/MT) of refractories has been further reduced this year.
- ii) Fuel cost for manufacture of burnt qualities of Firebricks and Basic bricks reduced by Rs. 1100/t and Rs. 88/t respectively.



## FORM-A

## (PARTICULARS OF TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION)

	2003-2004		2002-2003	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
<b>A) POWER AND FUEL CONSUMPTION</b>				
<b>1. Electricity</b>				
<b>a) Purchased</b>				
Units (in lacs)	1058.97	117.80	865.51	80.49
Total Amount (Rs. in lacs)	3,233.00	359.36	2,782.30	258.88
Rate/ Unit (Rs.)	3.05	3.05	3.21	3.22
<b>b) Own generation</b>				
<b>i) Through Power Generators</b>				
Unit (in lacs)	131.03	13.90	232.70	20.34
Units per Ltr. Of fuel	3.30	3.30	3.33	3.33
Cost/Unit (Rs.)	4.65	4.65	4.53	4.53
<b>ii) Through Steam turbine/Generators</b>				
Unit (in lacs)	—	—	—	—
Units per ltr. Of fuel oil /gas	—	—	—	—
Cost /Unit (Rs.)	—	—	—	—
<b>2. Coal</b>				
Tonnes (in lacs)	1.49	0.23	1.32	0.14
Total Cost (Rs. in lacs)	1,437.54	186.55	1,303.34	105.29
Average rate (Rs./MT)	967.69	821.72	983.13	763.96
<b>3. Furnace Oil</b>				
Quantity (K.ltr)	4,411.99	4,034.64	7,254.496	3,231.02
Total amount (Rs. in lacs)	481.25	446.97	737.41	323.09
Average rate (Rs./K.ltr.)	10,907.82	11,078.28	10,164.91	9,999.49
<b>4. Others / Internal Generation</b>				
<b>a) Light Diesel Oil for PG Sets</b>				
Quantity (K.Ltr.)	—	—	9.79	0.86
Total Cost (Rs.in lacs)	—	—	1.49	0.13
Rate/Unit (Rs./K.Ltr.)	—	—	15,163.52	15,163.52
<b>b) Light Diesel Oil for Kiln</b>				
Quantity (K.ltr)	1.4	—	35.00	1.09
Total cost (Rs.in lacs)	0.25	—	5.42	0.13
Rate/Unit (Rs./MT)	17,784.56	—	15,473.71	11,716.52
<b>c) Light Diesel Oil for CVRM</b>				
Quantity (K.ltr)	6.6	—	—	—
Total cost (Rs.in lacs)	1.07	—	—	—
Rate/Unit (Rs./MT)	16,193.64	—	—	—
<b>d) HSD Oil for CVRM</b>				
Quantity (K.Ltrs)	2.02	—	463.556	—
Total Cost(Rs. in lacs)	0.36	—	80.33	—
Rate per Unit (Rs./K/Ltr)	17,776.50	—	17,328.42	—



	2003-2004		2002-2003	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
e) <b>High Speed Diesel Oil etc. for Payloaders &amp; Tippers at Factory</b>				
Quantity (K.Ltrs)	148.560	—	119.846	—
Total Cost(Rs. in lacs)	28.49	—	21.12	—
Rate per Unit (Rs./K/Ltr)	19,180.46	—	17,625.15	—
f) <b>HSD Oil for Diesel Locos</b>				
Quantity (K.Ltr.)	41.660	—	33.94	—
Total cost (Rs.in lacs)	7.96	—	5.77	—
Rate/Unit (Rs./MT)	19,098.06	—	17,009.81	—
g) <b>Additives for Kilns</b>				
Quantity (K.Ltr.)	—	2.74	—	1.70
Total cost (Rs. in lacs)	—	6.97	—	4.31
Rate / Unit (Rs.)	—	2,54,493.80	—	2,53,427.65

**Sponge Iron****POWER AND FUEL CONSUMPTION****Electricity****a) Purchased**

Units (in lacs)	45.82	12.16
Total Amount (Rs.in lacs)	138.13	39.59
Rate/ Unit (Rs.)	3.01	3.26

**b) Own generation****Through Power Generators**

Unit (in lacs)	120.256	0.10
Units per Ltr. Of fuel	6.61	2.59
Cost/Unit (Rs.)	7.97	8.91

	2003-2004	2002-2003
<b>B. CONSUMPTION PER UNIT OF PRODUCTION (PER MT)</b>		
a) <b>Cement</b>		
● Electricity (KWH)	94	94
● Furnace Oil (Litres)	0.349	0.229
● Coal for Kiln and CVRM (grades C to F & Coke breeze)(Kgs.)	107.00	114.00
● Others - L.D. Oil (Litres.)		
For KHD Kiln and CVRM	0.007	0.030
HSD Oil for Pay loaders and tippers	0.125	0.104
HSD Oil for CVRM	0.002	0.400
b) <b>Refractory</b>		
● Electricity (KWH)	303	331
● Furnace Oil (K. Litres)		
For Oil Fired Bricks	0.199	0.195
For Mixed Fire Bricks	0.049	0.167
● Steam coal & screened coke (MT)		
For Gas fired bricks	1.612	1.344
For Mixed fire bricks	1.130	1.590
● Additive		
For oil fired bricks	0.0001	0.0002
c) <b>Sponge Iron</b>		
● Electricity (KWH)	66.41	56.50
● Fuel oil( Ltrs)	1.74	0.17





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

### CEMENT

1. Electricity cost per unit was less due to increase in the Contract demand with GRIDCO and consequent reduction in the penalty factor. Cost per unit of own generation is more due to less generation from DG sets.
2. Coal consumption was more due to use of lower grade coal and consequent reduction in per tonne consumption rate and also due to use of Coal in place of Furnace oil in Hot Air Gas plant.
3. Furnace oil was used in CVRM in place of HSD oil, which is less expensive.

### REFRACTORY

Variation is due to different levels of production and production mix.

## 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 Blaine value.
- ii) Development of Sulphate Resistant Portland Cement.
- iii) Development of Oil Well Cement.
- iv) Optimisation of Flyash dose in PPC in lab scale production.
- v) Optimisation of dose char (industrial waste of sponge iron ) in clinker manufacture.

### REFRACTORY

#### Established:

1. Magnesite Carbon in LF/VD and Converter
2. Quartz SEN for emergency change

#### Developed:

Basic Bricks for -

1. Copper Industry
2. Tundish Nozzle
3. LS for TISCO
4. DS Lance for TISCO
5. Insert technology for Slide Plate

## 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 feasible.
- iii) Portland Cement having Sulphate Resistance quality has successfully been developed and marketed.
- iv) Fly ash based PPC has been sold in the market to the tune of about 1.62 lakh tones this year.
- v) Oil well Cement has been developed.
- vi) Use of char (industrial waste of Sponge iron) as additive has become possible thus saving input cost and improvement in environment.

### REFRACTORY

1. Improved scope of getting order from Steel Industry for Converter and from Petrochemical Industry for various equipments.
2. Obtained order from Copper Industry, Aluminum Industry and increased sales quantity in CC products.

## c) Future plan of action :

### CEMENT:

Enhancement of clinker / cement capacity.

### REFRACTORY:

1. Improvement from MgC for LF/VD/Converter.
2. Improvement in properties of Basic bricks for Copper industry.
3. Standardisation of open firing of CC.
4. Establish products in Petrochemical Industry.

d) **Expenditure on R&D:-**

i) Capital	-	Rs. 1.25 Lakhs
ii) Recurring	-	Rs. 80.44 Lakhs
iii) Total	-	Rs. 81.69 Lakhs
iv) Total R&D expenditure as a Percentage of total turnover	-	0.18%

## 2. Technology absorption, adaptation and innovation

- a) Efforts in brief made towards Technology Absorption, Adaptation and innovation Collaboration with PLIBRICO S.A (France) for development & manufacture of high alumina directional purging plug systems.
- b) Benefits Derived as a result of above results e.g. Entry into new area of directional purging plug & obtaining Product improvement, Cost Reduction, Product Development and Import Substitution etc. orders.
- c) In case of imported technology (imported during last 5 years) N. A.

III **FOREIGN EXCHANGE EARNINGS AND OUT-GO**

Total Foreign Exchange used and earned:

Used	:	Rs.3,187.02 lakhs
Earned	:	Rs.1,361.56 lakhs

### **ANNEXURE-III TO DIRECTORS' REPORT** **CORPORATE GOVERNANCE**

I. **PHILOSOPHY ON CODE OF GOVERNANCE**

The company firmly believes in and continues to practice good corporate governance. Corporate governance seeks to raise the standards of corporate management, strengthens the board systems, significantly increase its effectiveness and ultimately serve the objective of maximizing the shareholders value. The philosophy of your company is in consonance with the accepted principles of good governance.

II. **BOARD OF DIRECTORS**

Composition of Board of Directors

Sl. No.	Name of the Director	Category of Director	No. of Board Meetings attended	No of other Director ships	Total No. of Committees #	
					Member ship	Chairman ship
1.	Shri Pradip Kumar Khaitan	Non-executive and Independent	5	14	4	2
2.	Shri V D Jhunjhunwala	Non-executive and Independent	5	1	2	—
3.	Shri S S Bhartia	Non-executive and Independent	1	13	—	—
4.	Shri D N Davar	Non-executive and Independent	3	13	—	1
5.	Dr. S R Jain	Non-executive and Independent	5	2	2	—
6.	Shri H V Lodha	Non-executive and Independent	4	11	5	4
7.	Shri M L Chand*	Executive and Non-Independent	—	1	—	—
8.	Shri V P Sood	Executive and Non-Independent	1	2	1	—

\* Ceased to be a Whole Time Director w.e.f. 01.03.2004 on expiry of his term of appointment.

Notes :

- a) Board meetings were held on 17.05.2003, 24.07.2003, 04.09.2003, 22.10.2003 and 22.01.2004.
- b) The Non Executive Chairman has not desired an office at the company's expense.
- c) # The number reported includes the chairmanship/membership in the committees of the company.