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Annual
Report
2005-06

OC India Limited



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**OCL INDIA LIMITED**

Incorporated in India - Members' Liability Limited

DIRECTORS Shri Pradip (Pinto) Khaitan (Chairman)
Shri V.D. Jhunjhunwala
Shri Y.H. Dalmia
Shri D.N. Davar
Dr. Ramesh C. Vaish
Dr. S.R. Jain
Shri H.V. Lodha
Shri V.P. Sood (Whole time Director & CEO)

PRESIDENT 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-770017
(Orissa)

DELHI OFFICE Narain Manzil
11th Floor,
23, Barakhamba Road
New Delhi-110001

AUDITORS V. Sankar Aiyar & Co.
Chartered Accountants

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31.03.2006

The Directors present their Fifty Sixth Annual Report of the Company for the Financial Year ended 31st March 2006, together with the statement of accounts for that year.

1.0 WORKING RESULTS:

	<u>2005-06</u> <u>'00,000 Rs.</u>	<u>2004-05</u> <u>'00,000 Rs.</u>
Operating Profit	95,96.39	71,68.57
Less: Interest	13,34.95	12,95.76
Depreciation	27,04.36	22,13.96
Profit before Taxation	55,57.08	36,58.85
Provision for Taxation		
Current tax	4,75.00	3,00.00
Deferred tax	13,10.32	7,43.00
Provision relating to earlier years written back	—	(2,00.69)
Fringe Benefit Tax	60.00	—
MAT Credit available for Setoff	(67.50)	—
Profit after taxation	37,79.26	28,16.54
Add: Brought forward from previous year	35,61.00	38,34.42
	<u>73,40.26</u>	<u>66,50.96</u>
Transfer to General Reserve	25,00.00	25,00.00
Transfer to Debenture Redemption Reserve	2,50.00	2,50.00
Provision for Education cess on Div. Tax for earlier year	—	1.52
Proposed Dividend	3,81.84	2,96.81
Tax on dividend	53.55	41.63
Surplus carried to Balance Sheet	41,54.87	35,61.00
	<u>73,40.26</u>	<u>66,50.96</u>

- 1.1 The Directors recommend payment of dividend for the Financial Year ended 31st March 2006 at the rate of 50% on fully paid up equity shares.

CEMENT DIVISION:

- 2.0 The cement production and sales have registered 17% growth over previous year. This could be achieved due to overall growth in demand of Cement in our region.
- 2.1 Cement production and sales during the year under report are given below along with comparative figures for previous year.

	<u>2005-06</u> <u>(Tonnes in '000s)</u>	<u>2004-05</u> <u>(Tonnes in '000s)</u>
Cement production	1583	1351
Cement Sales (including self consumption)	1575	1348

The value of cement and clinker sales for the year 2005-06 and 2004-05 (inclusive of excise duty) are Rs. 383.48 crore and Rs.301.12 crores, respectively.

- 2.2 The outlook for cement continues to be bright in view of the higher cumulative average growth rate (CAGR) in eastern market, thrust given to development of infrastructure, roads, reconstruction activities and continuance of incentives to housing sector. The Union Budget - 2006 has further given emphasis on building of infrastructure.
- 2.3 During the Financial Year 2005-06, availability of trucks for road transport was more or less same as that of last year due to high industrial growth in the Eastern Zone. Cement division had to fall back more on railway transport. Your Company has been able to get a minimum guaranteed clearance of 1,00,418 tonnes per month from Railways under "Own Your Own Wagon Scheme".



- 2.4 Modernization cum expansion programme to upgrade the Clinkerisation stream as envisaged has been completed, and the capacity for manufacture of clinker has increased to 1.2 million tonne per annum from the 0.7 million tonne per annum. The cement grinding capacity has increased to 1.80 million tonne per annum from 1.45 million tonne per annum with the commissioning of CVRM -III during the Year 2005-06. The Company is also proposing to put up a stand alone Grinding Unit for cement grinding at Kapilas Road near Cuttack to take the advantage of being nearer to Cement consuming centers and source of raw material, i.e., granulated blast furnace slag from existing as well as up coming steel plants in the vicinity of the proposed site. Further, looking into the growth of cement industry in near future, the clinkerisation capacity is also proposed to be enhanced by adding one line with the capacity of 1.70 million tonne per annum. After successful commissioning of both the proposals, the overall cement installed capacity will stand increased to 3.8 million tonne from 1.8 million tonne in the next 2-3 years.

REFRACTORY DIVISION:

- 3.0 During the Financial Year 2005-2006, your Company has achieved total sales of Rs. 215.95 crores as compared to Rs.164.74 crores in the Financial Year 2004-05. The turnover is higher by 31% over last year and quantity is higher by 15%.
- 3.1 Your Company is continuing its focus on different value added products, i.e., Concast, Precast, Castable, Slide Gate and Basic Direct Bonded bricks for Copper Industries.
- 3.2 Steel industry in India is looking up. Existing plants are taking up expansion plans and some new plants are also coming up. As per forecast, steel production and consumption in India would touch 60 million tonnes by the year 2010. The trend in steel industry continues to be good and it is expected that the steel industry would continue to grow in the next 2 to 3 years. Your Company is taking steps to meet the demand of refractories and it has taken up the expansion of Concast products from its present production capacity of 1000 tonnes to 2000 tonnes per annum and it is expected that the expansion plan would be completed by November 2006. Your Company has also taken up expansion of slide gate product from 1000 tonnes to 2000 tonnes and it will be in place by July 2006. Your company has also set up manufacturing facility for High Alumina Cement with a capacity of 10 TPD. This will be in operation during June 2006.
- 3.3 Apart from steel industries, your Company has focused on non-ferrous industry like Copper, Aluminium, Petrochemical & Fertilizer, etc., sector and is taking steps to maintain its position in it.
- 3.4 On export front, your Company has recorded 23% increase in value of sales. In the year 2005-06, total exports achieved was of Rs. 20.26 Crores (5,490 MT) as against Rs.16.49 Crores (5,229 MT) of the previous year. In spite of stiff competition from China and aggressive marketing by European manufacturers who enjoy product preference from their traditional customers, your Company could achieve these increased export sales. Your Company has made good entry in Italy, Iran, Turkey, Bangladesh, Nigeria with both CC and slide gate products and these products are receiving good response due to its quality. Your Company has also got its first trial order from Chile, the largest manufacturer of copper in the world.
- 3.5 Your Company holds ISO 9001 (2000 version) certificate from RWTUV, Germany for its full range of Refractories.

SPONGE IRON WORKS:

- 4.0 During the year the plant produced 1,05,065 MT of sponge iron and sold 1,04,421 MT valuing Rs. 100 crores. Your Company has signed an MOU with the Government of Orissa to set up facilities for manufacture of 2,50,000 MT per annum of finished value added steel in the district of Sundargarh (Orissa) with an estimated investment of Rs.204 Crores. In line with MOU, the Company has already initiated actions to implement a captive power generation project to initially produce 14 MW of power, partly on co-generation basis and partly on thermal power generation route and also manufacture 85,000 MT per annum of steel billets. The new projects will come into operation within next few months.

5.0 SUBDIVISION OF SHARE CAPITAL:

During the year your Company sub-divided the existing ordinary shares of Rs. 10/- each into 5 ordinary shares having face value of Rs.2/- each to increase the liquidity in shares trading on the stock exchanges and to make the shares of the Company affordable to small investors.

During the year the warrant holders were given an option to exercise their rights to subscribe for equity shares as per the terms and conditions of right issue. As a result of sub-division, 85,03,290 shares of Rs.2/- each were allotted to warrant holders on exercise of rights attached to the detachable warrants issued to them. Accordingly, the number of ordinary shares increased from 2,96,80,470 to 3,81,83,760. The Company has submitted its draft letter of offer to SEBI for approval in connection with rights issue approved by the shareholders at the Annual General Meeting held on 25th June 2005.



LISTING AND DE-LISTING OF THE COMPANY'S SHARES

The Company's equity shares continue to be listed at Mumbai Stock Exchange and National Stock Exchange. However the company's application for de-listing of its securities with Bhubaneswar Stock Exchange filed on 09.07.2004 as per Regulations of SEBI (Voluntary) de-listing of securities is still pending.

DIRECTORS RESPONSIBILITY STATEMENT:

6.0 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.

SUBSIDIARIES/JOINT VENTURE COMPANY:

7.0 Hari Fertilizers Limited has ceased to be a wholly owned subsidiary of the Company with effect from September 30, 2005 and a new wholly owned subsidiary company with the name 'OCL Iron and Steel Limited' has been incorporated on 20th February 2006, for carrying on the business of manufacture of all kinds of Iron and Steel. Copies of annual accounts and the Directors' Reports, for the Financial Year ended March 31, 2006 of subsidiaries, i.e., OCL Iron and Steel Limited, Konark Minerals Limited, & Kashmissa Industries Limited are annexed.

LABOUR MANAGEMENT RELATIONS:

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

DEPOSITS:

9.0 The Directors report that, as on 31.03.2006, there were 37 deposits aggregating to Rs. 14.49 Lacs which remained unclaimed beyond due dates, out of which deposits aggregating to Rs. 1.10 Lacs have since been renewed/repaid.

PARTICULARS OF EMPLOYEES:

10.0 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.:

11.0 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:

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

AUDITOR'S REPORT:

13.0 The Auditor's Report to the Shareholders does not contain any qualification.

AUDITORS:

14.0 M/s V. Sankar Aiyar & Co., Chartered Accountants, the existing auditors retire at the Annual General Meeting of your Company and are eligible for re-appointment. As required u/s 224 of the Companies Act, 1956 the Company has obtained from them a certificate to the effect that their re-appointment, if made, would be in conformity with the limits prescribed in said section.

BY ORDER OF THE BOARD
(PRADIP (PINTO) KHAITAN)
CHAIRMAN

PLACE: NEWDELHI
DATE: 15.05.2006



ANNEXURE - I TO THE DIRECTORS' REPORT

Statement Pursuant to Section 217(2A) of the Companies Act, 1956 and
the Companies (Particulars of Employees) Rules, 1975

Name and Age (Yrs)	Designation and nature of duties	Remuneration Recd. Rs.	Qualification and Experience Yrs.	Date of commencement of Employment	Last Employment held and Designation
Dalmia M.H. (64)	President	77,26,007	B.CH.E (45)	01.01.1970	Dalmia Agencies (P) Ltd. - Director
Dalmia R.H. (56)	President	64,51,644	B.TECH (32)	01.10.1980	Hari Yantra Udyog - President
Dalmia Gaurav (40)	Joint President	28,80,705	B.Sc (Elect), MBA (18)	23.07.1990	Orissa Cement Ltd. - Asst. Exec. Director

Notes: -

- In addition to the above remuneration, the employees are also entitled to Gratuity and benefits of personal accident insurance in accordance with the Company's Rules.
- Dalmia M.H. and Dalmia R.H. are brothers of Dalmia Y.H., Director of the Company.
- All the above stated three employees are employed on non-contractual basis.
- The nature of duties of all the above stated three employees is general management and administration.
- All the above stated three employees are in receipt of remuneration which, in the aggregate, is in excess of that drawn by the whole time director of the Company, Sood V.P., and the shareholding of Dalmia M.H. and Dalmia R.H. along with their respective spouses, as of March 31, 2006, in the Company is more than 2%, i.e., 9.69% and 6.2%, respectively.



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 15th MAY, 2006.

I. CONSERVATION OF ENERGY

CEMENT:

a) Energy Conservation measures taken

- i) Replacement of LRR with GRR for better speed control, resulting smoother operation and energy saving.
- ii) Further Installation of capacitor to improve power factor thus reducing power demand from grid.
- iii) Installation of magnetic amplifier type energy saver in Clinkerisation and cement grinding sections.
- iv) Modifications in coal based Hot Air Generator to get better air to fuel ratio for optimum combustion and energy saving.
- v) Installation of AC drives for energy saving in 6 fans of CVRM section.
- vi) Modification of louver rings and static flaps of CVRM-2 classifier. It has resulted in reduced air recirculation inside mill, thus reducing load on mill drive.

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

- i) Installation of waste gas fan for using waste hot gases from kiln for drying of slag.
- ii) Installation of capacitor to improve power factor thus reducing power demand from grid.
- iii) Implementation of fully automatic Energy Management Software with related hardware.
- iv) Implementation of section wise daily energy monitoring format.
- v) Fully automatic & mechanized system to fire waste wood chips etc at kiln inlet.
- vi) Replacement of 480-kW/3.3 kV motor of CVRM-1 booster fan with 360 kW spare DC motor.
- vii) Trial to use Energy conservation navigator at offices/colony houses.
- viii) Cooler extension for better heat recuperation from cooler, which can further be utilized in CVRM grinding.

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) Saving of electrical as well as thermal energy usage.
- ii) Utilisation of waste heat for drying moisture of raw materials such as slag thus saving on drying cost.
- iii) Creating intensive awareness on need of energy conservation.

REFRACTORY:

(a) Energy Conservation measures taken:

- i) Improvement of Load factor from 55% to 66% by staggering the load.
- ii) Use of Transparent Sheet in side Cladding will eliminate use of lights in day time.
- iii) Highly energy efficient lighting with metal halide lamps have been provided in High Alumina Cement Plant and Slide gate expansion areas.
- iv) Installation of Power capacitor in new units for maintaining Power factor.
- v) Installation of AC drive in Mould shop vertical surface grinding machines to get better accuracy and conserve energy.
- vi) Furnace oil was completely replaced by producer gas for clay calcinations at shaft kiln and for drying of precast blocks.

b) Additional investment and proposals

One of the Tunnel Kiln is undergoing conversion to replace oil 100% by producer gas for firing upto a temp. of 1520°C.

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

Saving in energy usage.



FORM-A

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

	2005-2006		2004-2005	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
A) POWER AND FUEL CONSUMPTION				
1. Electricity				
a) Purchased				
Units (in lacs)	1392.64	186.69	1079.12	132.53
Total Amount (Rs. in lacs)	3985.67	610.50	3337.73	413.93
Rate/ Unit (Rs.)	2.86	3.27	3.09	3.12
b) Own generation				
i) Through Power Generators				
Unit (in lacs)	16.26	1.87	99.52	11.33
Units per Ltr. Of fuel	3.14	3.14	3.54	3.54
Cost/Unit (Rs.)	27.22	27.22	4.91	4.91
ii) Through Steam turbine/Generators				
Unit (in lacs)	—	—	—	—
Units per ltr. Of fuel oil /gas	—	—	—	—
Cost /Unit (Rs.)	—	—	—	—
2. Coal				
Tonnes (in lacs)	1.79	0.35	1.39	0.32
Total Cost (Rs. in lacs)	2587.02	597.10	1778.57	287.84
Average rate (Rs./MT)	1445.26	1727.45	1281.47	893.37
3. Furnace Oil				
Quantity (K.ltr)	1121.07	2765.90	3976.20	3501.87
Total amount (Rs. in lacs)	140.30	363.72	447.73	390.20
Average rate (Rs./K.ltr.)	12514.42	26204.88	11260.33	11142.62
4. Others / Internal Generation				
a) Light Diesel Oil for PG Sets				
Quantity (K.Ltr.)	86.167	9.936	1.795	.2045
Total Cost (Rs.in lacs)	17.49	2.02	0.27	.0310
Rate/Unit (Rs./K.Ltr.)	20,301.78	20,301.78	15,168.23	15,168.23
b) Light Diesel Oil for Kiln				
Quantity (K.ltr)	—	—	—	—
Total cost (Rs.in lacs)	—	—	—	—
Rate/Unit (Rs./MT)	—	—	—	—
c) Light Diesel Oil for CVRM				
Quantity (K.ltr)	7.000	—	—	—
Total cost (Rs.in lacs)	1.54	—	—	—
Rate/Unit (Rs./MT)	22,062.28	—	—	—
d) HSD Oil for CVRM				
Quantity (K.Ltrs)	—	—	—	—
Total Cost (Rs. in lacs)	—	—	—	—
Rate per Unit (Rs./K/Ltr)	—	—	—	—



	2005-2006		2004-2005	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
e) High Speed Diesel Oil etc. for Payloaders & Tippers at Factory				
Quantity (K.Ltrs)	172.26	—	159.605	—
Total Cost(Rs. in lacs)	45.70	—	36.08	—
Rate per Unit (Rs./K/Ltr)	26,528.11	—	22,603.72	—
f) HSD Oil for Diesel Locos				
Quantity (K.ltr.)	61.420	—	54.540	—
Total cost (Rs.in lacs)	17.46	—	12.28	—
Rate/Unit(Rs./MT)	28,428.87	—	22,516.17	—
g) Dynamics F for Kilns				
Quantity (K.ltr.)	—	2.30	—	3.14
Total cost (Rs. in lacs)	—	6.14	—	7.99
Rate / Unit (Rs.)	—	2,67,013.91	—	2,54,405.41

SPONGEIRON

2005-06 2004-05

POWERANDFUEL CONSUMPTION

Electricity

a) Purchased

Units (in lacs)	88.47	90.08
Total Amount (Rs.in lacs)	293.57	282.08
Rate/ Unit (Rs.)	3.32	3.13

b) Own generation

Through Power Generators

Unit (in lacs)	1.65	0.73
Units per Ltr. Of fuel	2.16	2.34
Cost/Unit (Rs.)	13.11	9.58

B. CONSUMPTION PER UNIT OF PRODUCTION (PER MT)

a) Cement

● Electricity (KWH)	85	91
● Furnace Oil (Litres)	0.427	0.925
● Coal for Kiln and CVRM (grades C to F & Coke breeze)(Kgs.)	109.00	118.00
● Others - L.D. Oil (Litres.)	.004	—
For KHD Kiln and CVRM	—	—
HSD Oil for Pay loaders and tippers	0.109	0.118
HSD Oil for CVRM	—	—

b) Refractory

● Electricity (KWH)	348	281
● Furnace Oil (K. Litres)		
For Oil Fired Bricks	0.138	0.136
For Mixed Fire Bricks	0.130	0.089
● Coal(MT)		
For Gas fired bricks	1.26	1.420
For Mixed fire bricks	0.877	1.006
● Dynamics F		
For oil fired bricks	0.0001	0.0001

c) Sponge Iron

● Electricity (KWH)	81.83	94.65
● Fuel Oil (Ltrs)	0.66	1.63



II. TECHNOLOGY ABSORPTION

1) Research & Development (R&D)

Specific areas in which R & D carried out by the Company.

Research & Development

CEMENT

1. Development of Masonry cement.
2. Development of Composite cement.
3. Use of Industrial Wastes (Cinder and Non-magnetic char) in the manufacture of clinker.

REFRACTORY

1. Creep resistance in Mgt bricks.
2. Improvement of slag band of SEN.
3. Tap hole sleeves for converter.
4. Alumina Zirconia Carbon Slide Plates.

BENEFITS DERIVED AS A RESULT OF THE ABOVE R&D:

CEMENT

- (i) Reduction of Carbon dioxide emission.
- (ii) Reduction of power consumption.
- (iii) Waste material Utilization.

REFRACTORY

1. Increase business in glass industries.
2. New overseas customers for CC products.
3. New market opened up in LD converter.
4. New market opened up for export.

Future plan of action

CEMENT

Enhancement of clinker/cement capacity through use of advanced technology for low energy consumption and use of waste derived fuel etc.

REFRACTORY

1. Spinel bricks for cement kiln.
2. Up-gradation of CC refractories.
3. Manufacturing of HA cement.

Expenditure on R&D

i) Capital	-	Rs. 132.31 Lakhs
ii) Recurring	-	Rs. 43.10 Lakhs
iii) Total	-	Rs. 175.41 Lakhs
iv) Total R&D expenditure as a Percentage of total turnover	-	0.25%

III. FOREIGN EXCHANGE EARNINGS AND OUT-GO

Total Foreign Exchange used and earned:

Used : Rs. 43,03.62 lakhs

Earned : Rs. 25,61.49 lakhs