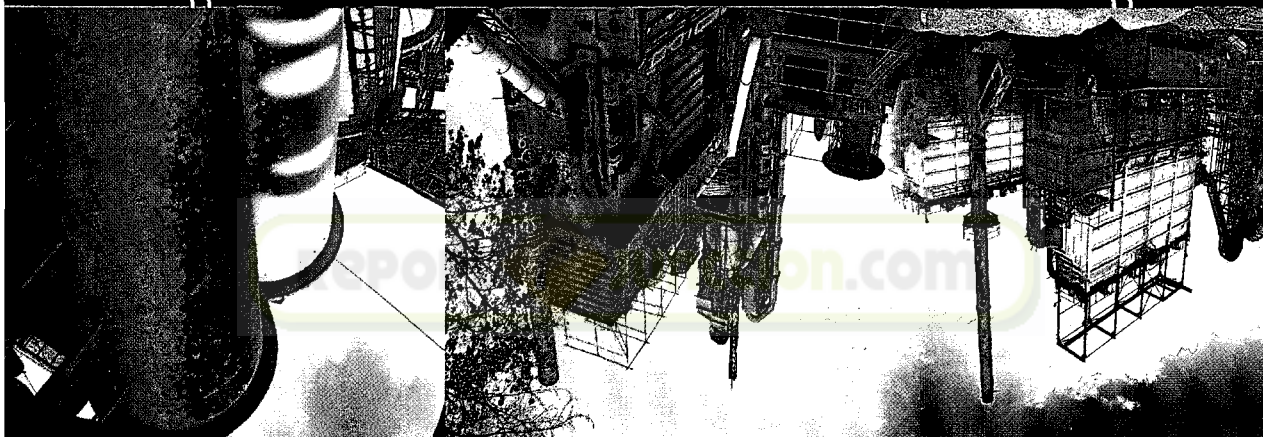


OCL India Limited



ANNUAL
REPORT
2006-07



OCL INDIA LIMITED

Incorporated in India - Members' Liability Limited

DIRECTORS Shri Pradip Kumar 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-110 001

AUDITORS V. Sankar Aiyar & Co.
Chartered Accountants



DIRECTORS' REPORT

FOR THE YEAR ENDED 31.03.2007

The Directors present fifty seventh Annual Report of the Company for the Financial Year ended the 31st March 2007, together with the audited statement of accounts for that year.

1.0 WORKING RESULTS:

	2006-07 Rs. In Lakh	2005-06 Rs. In Lakh
Operating Profit	175,59.28	95,96.39
Less: Interest	25,06.43	13,34.95
Depreciation	32,95.53	27,04.36
Profit before Taxation	117,57.32	55,57.08
Provision for Taxation		
Current tax	25,00.00	4,75.00
Deferred tax	14,60.39	13,10.32
Fringe Benefit Tax	45.00	60.00
MAT Credit available for Setoff	—	(67.50)
Profit after taxation	77,51.93	37,79.26
Add: Brought forward from previous year	41,54.87	35,61.00
	119,06.80	73,40.26
Transfer to General Reserve	60,00.00	25,00.00
Transfer to Debenture Redemption Reserve	4,06.25	2,50.00
Interim Dividend	8,90.95	—
Tax on Interim Dividend	1,24.96	—
Proposed Dividend	—	3,81.84
Tax on dividend	—	53.55
Surplus carried to Balance Sheet	44,84.64	41,54.87
	119,06.80	73,40.26

DIVIDEND

- 1.1 The Board of Directors approved payment of Interim Dividend @ 100% on equity shares of Rs.2/- each and the same was paid on the 28th March 2007 to the members as on record date, i. e., the 24th March 2007. In view of major Cement expansion programme under implementation, the Directors have recommended to treat the interim dividend as final dividend for the year 2006-07.

CEMENT DIVISION:

- 2.0 Cement production and sales during the year under report are given below along with comparative figures for previous year.

	2006-07 (Tonnes in Lakhs)	2005-06 (Tonnes in Lakhs)
Cement production	18.75	15.83
Cement Sales (including self consumption)	18.84	15.75

The value of cement and clinker sales for the year 2006-07 and 2005-06 (inclusive of excise duty) are Rs. 561.20 crores and Rs.383.48 crores, respectively.

- 2.1 The Cement production and sales have registered a growth of around 20% over previous year against industry growth of 10% on all India basis and 6% in the Eastern Region on account of expanded market base in West Bengal, Bihar and Jharkhand States.
- 2.2 In line with market trend, there was switch over to part of production to blended cement, which helped improve cement production and sales volumes considerably. Your Company is targeting production of 100% Portland Slag Cement in next year.



- 2.3 During the year the Cement plant could produce 18 Lakh Tonnes due to commissioning of CVRM III in the previous year. Your Company is targeting for production of 20 Lakh tonnes from the existing facilities.
- 2.4 During the year freight charges increased significantly due to restriction imposed by the local administration on carrying capacity of trucks which also affected the availability of trucks. Logistic cost has been controlled by use of proper rail road mix, and further efforts have also been made to organise dispatches of cement by rail in those areas which are economical over road transport.

Expansion:

- 2.5 The Company has signed a Memorandum of Understanding (MoU) with Government of Orissa on 10.11.2006 for enhancing the installed capacity of clinkerisation at Rajgangpur works by installation of new rotary Kiln, standalone Cement Grinding project at Kapilas Road near Cuttack and Thermal Captive Power Plant of 60 MW capacity. The total investment in the said three projects is estimated at Rs.1,000 Crores.
- 2.6 The stand alone Grinding Unit project for cement grinding at Kapilas Road near Cuttack, the implementation is progressing as per schedule and is expected to be fully operational by 2007-08. The clinkerisation line is expected to be commissioned in 2008-09.
- 2.7 After successful completion of expansion projects, the overall cement installed capacity will stand increased to 3.8 million tonne from the existing capacity of 1.8 million tonne within the next 2-3 years.

REFRACTORY DIVISION:

- 3.0 During the year 2006-07, your Company has achieved total domestic sales of Rs. 189.92 crores as compared to Rs. 195.70 crores of the previous year. The shortfall in total turnover is mainly due to deferment of orders for silica refractories on account of delay in projects for Repair/Rebuilding of Coke ovens. But the Company could achieve a growth in turn-over in special products like Concast, Slidegate and Castables.
- 3.1 The trend in steel industry continues to be good and it is expected that the steel industry would continue to grow in the next 10 to 12 years. Steel Authority of India Limited, the major producer of steel in India is taking up massive expansion and revamping its all coke oven batteries and blast furnaces; besides this, its new projects are also in the pipe line. As per National Steel Policy, steel production and consumption in India would touch 110 million tonne by the year 2020 and your Company is taking steps to meet the demand for refractories consequent to the expansion of steel production.
- 3.2 During the year your Company has completed capacity expansion of its Concast products and Slide Gate Refractories, raising its present production capacity of 1000 tonnes to 2000 tonnes per annum.
- 3.3 Your Company has focused on non-ferrous industries like copper, aluminium, petro chemicals & fertilizers besides the Steel industry. The Company's products supplied to Aluminium industry have gained more acceptance due to high quality performance. Your Company proposes to enter into management of Anode Baking Furnaces on exclusive basis. That will open international markets in this area also.
- 3.4 Your Company has successfully supplied silica coke oven bricks in time for rebuilding of three batteries in SAIL plants.
- 3.5 On export front, during year 2006-07, your Company has achieved a total sale of Rs. 22.60 crores (5,744 MT) against Rs.20.26 crores (5,490 MT) in the previous year. The turn over is higher by around 12 % over last year and the quantity is also higher by 5%, inspite of stiff competition from China and aggressive marketing by European manufacturers who enjoy product preference from their traditional customers, besides other Indian manufacturers.

SPONGE IRON WORKS:

- 4.0 During the year, the plant produced 98,332 MT of sponge iron against 1,05,065 MT in the previous year and sold/ captively consumed 93,009 MT against 1,04,421 MT of previous year. The increase in cost of both iron ore and coal coupled with declining prices of sponge iron in the first three quarters of the financial year resulted in a significant drop in profit.

Your Company has signed an MoU with the Government of Orissa to set up facilities for the 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. As per MoU, the Company has already commissioned project for 14 MW captive power generation plant, run partly on co-generation basis and partly on thermal power generation route and plant for steel billets with a capacity of 85,000 MT per annum on 13-05-2006. During the year power generation and production of billets has been 71.40 MU and 53,479 MT respectively.



ALLOTMENT OF CAPTIVE COAL BLOCK

- 5.0 During the year, your Company has been allotted Captive Coal Block at Radhikapur West, Block in Mahanadi Coal Fields Ltd. area having an extractable reserves of 210 million tones of coal jointly with other allocatees. The proportionate allocation of coal to the Company is 30.92 million tones which will be utilized for Cement, Sponge iron units and Power generation. The Company expects that this will have a favourable impact on the cost of production.

RIGHT ISSUE:

- 6.0 During the year the Company issued 63,63,960 equity shares of Rs.2/- each in the ratio of 1:6 on rights basis to the existing shareholders at a premium of Rs.118/- per share. The issue was over subscribed by 1.1 times and the shares were allotted on 17.11.2006. With this rights issue, the paid up capital has increased to Rs.890.95 lakhs. The new shares are listed on both NSE and BSE.

PROJECTED & ACTUAL FIGURES OF UTILISATION OF RIGHTS ISSUE FUNDS:

- 7.0 As per Clause No. 43 of listing agreement, the projected and actual figures of utilization of funds raised through rights issue are given below.

Heads of expenditure	As per Letter of offer (Rs. In lacs)	Actuals till 31.03.2007) (Rs. In lacs)
Capital expenditure	2130.84	4605.13
Issue expenses	42.40	31.87

The Company has spent more amount as against amount projected as per LOF for speedy and earlier completion of specified project.

DEMERGER:

- 8.0 Your Company has approved a Scheme of Arrangement envisaging (i) demerger of the Company's Steel and Real estate undertakings by transferring them into OCL Iron and Steel Ltd and Konark Minerals Ltd. respectively, its wholly owned subsidiaries, with effect from January 1, 2007; and (ii) merger of Dalmia Cement (Meghalaya) Ltd., a wholly owned subsidiary of Dalmia Cement (Bharat) Ltd., with the Company with effect from July 1, 2007.

The proposed consideration for demerger, is 3 shares having a face value of Re. 1/- each of OCL Iron and Steel Ltd. and Konark Minerals Ltd., respectively for every 1 share of face value of Rs. 2/- of the Company. The proposed consideration for merger is 61 shares having a face value of Re. 2/- each of the Company for every 100 equity shares of face value of Rs. 2/- of Dalmia Cement (Meghalaya) Ltd.

The scheme is subject to approval of shareholders, creditors and Hon'ble High Courts of Orissa and Guhati.

LISTING OF THE COMPANY'S SHARES:

- 9.0 The Company's equity shares continue to be listed at Bombay 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:

- 10.0 The Directors confirm that:
- Applicable Accounting Standards had been followed in the preparation of accounts under report;
 - 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;
 - 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;
 - Accounts are prepared on a going concern basis.

SUBSIDIARIES:

- 11.0 Copies of Annual Accounts and the Directors' Reports, for the Financial Year ended March 31, 2007 of subsidiaries, i.e., OCL Iron and Steel Limited, Konark Minerals Limited & Kashmissa Industries Limited are annexed. Since no business is carried on by Kashmissa Industries Limited, the Board at its meeting held on 18.10.2006 had decided to take steps for having the name of the Company struck off from the records of the Registrar of Companies.



LABOUR MANAGEMENT RELATIONS:

12.0 Relations between the Management and Employees had been cordial through out the year under review.

DEPOSITS:

3.0 As on 31.03.2007, there were 51 deposits aggregating Rs.13.64 Lacs which remained unclaimed beyond due dates, out of which deposits aggregating Rs. 5.11 Lacs have since been renewed / repaid.

PARTICULARS OF EMPLOYEES:

14.0 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.:

15.0 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:

16.0 As per Clause No. 49 of the listing agreement Report on Corporate Governance is given in Annexure-III, which forms part of this Report.

CORPORATE SOCIAL RESPONSIBILITY:

17.0 Your Company in its 56 years of service to the nation has always given priority to community development. In its endeavor to improve the social and economic condition of poor and helpless tribals, it has undertaken a number of developmental activities in peripheral areas of Rajgangpur and Lanjiberna. The activities are mainly focused in areas like health, education and drinking water. During the year your Company has spent Rs. 24.22 lakhs on activities in focused areas. The Company is also operating a mobile health care unit for the senior citizens in Jagatsinghpur District of Orissa through "Help Age India" a charitable organization.

As a responsible corporate citizen, your Company pledges to continue its efforts in this direction more vigorously in future.

AUDITOR'S REPORT:

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

AUDITORS:

20.0 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, 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 the said Section.

BY ORDER OF THE BOARD
(Pradip Kumar Khaitan)
CHAIRMAN

PLACE: NEWDELHI
DATE: 17/05/2007



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. (65)	President	1,14,96,247	B.C.H.E (46)	01.01.1970	Dalmia Agencies (P) Ltd. – Director
Dalmia R.H. (57)	President	96,10,663	B.TECH (33)	01.10.1980	Hari Yantra Udyog – President
Dalmia Gaurav (41)	Joint President	41,84,661	B.Sc (Elect), MBA (19)	23.07.1990	Orissa Cement Ltd.- Asst. Exec. Director
Malhotra Rakesh (48)	Executive Director (Finance)	43,07,290	FCA (27)	29.03.2000	Ansal Properties & Industries Limited – Senior Vice President – Finance
Sood Ved Prakash (67)	Whole Time Director	24,01,851	B.A. MASW (43)	8.06.1963	OCL India Limited - Executive Director
Shroff R. P. (73)	Senior Executive Director (Accounts and Taxation)	27,26,723	FCA (47)	03.05.2003	OCL India Limited – Executive Director (Accounts & Taxation)

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.
- Mr. M. H. Dalmia and Mr. R. H. Dalmia are brothers of Mr. Y. H. Dalmia, Director of the Company.
- Mr. M. H. Dalmia, Mr. R. H. Dalmia, Mr. Gaurav Dalmia and Mr. Rakesh Malhotra are employed on non-contractual basis, whereas Mr. R. P. Shroff and Mr. Ved Prakash Sood are employed on contractual basis.
- The nature of duties of Mr. M. H. Dalmia, Mr. R. H. Dalmia and Mr. Gaurav Dalmia comprise general management and administration. Mr. R. P. Shroff is Head of the Accounts and Taxation Department and Mr. Rakesh Malhotra is Head of the Finance Department of the Company. Mr. Ved Prakash Sood is looking after the day to day affairs of the Company.
- The shareholding of Mr. M. H. Dalmia and Mr. R. H. Dalmia alongwith their respective spouses, as of March 31, 2007, in the Company is more than 2%, i.e., 9.7% and 4.06% 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

I. CONSERVATION OF ENERGY

CEMENT:

- a) **Energy Conservation measures taken**
 - i) Increasing raw mill VRM output by reducing the size of crushed limestone.
 - ii) Controlling Maximum Demand of GRID power by proper planning of machine running.
- 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) Implementation of fully automatic Energy Management Software with related hardware.
 - iii) Implementation of section wise daily energy monitoring format.
 - iv) Installation of new fan for cooler ESP to reduce power consumption.
 - v) Installation of variable speed drive for cooler fans.
- 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) Conversion of one tunnel kiln from oil to gas firing system.
 - ii) Conversion of Rotary kiln of HAC plant from oil firing to gas firing system.
 - iii) Use of energy efficient metal halide lamps and new generation tube lights.
 - iv) Installation of Power capacitor in new units for maintaining Power factor from 92 to 97%.
 - v) Use of AC drives for energy efficient operation of fans.
- b) **Additional investment and proposals**
 - i) One more Tunnel kiln will be converted from oil to gas firing system.
 - ii) Tunnel kiln cars will be converted into low mass cars.
 - iii) One more shaft kiln will be converted from oil to gas firing system.
- 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)

	2006-2007		2005-2006	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
A) POWER AND FUEL CONSUMPTION				
1. Electricity				
a) Purchased				
Units (in lacs kwh)	1,590.86	177.68	1,392.64	186.69
Total Amount (Rs. in lacs)	4,481.38	581.51	3,985.67	610.50
Rate/ Unit (Rs.)	2.82	3.27	2.86	3.27
b) Own generation				
i) Through Power Generators				
Unit (in lacs kwh)	42.21	4.35	16.26	1.87
Units per Ltr. Of fuel (in Kwh)	3.50	3.50	3.14	3.14
Cost/Unit (Rs.)	7.08	7.08	27.22	27.22
ii) Through Steam turbine/Generators				
Unit (in lacs)	—	—	—	—
Units per ltr. Of fuel oil /gas	—	—	—	—
Cost /Unit (Rs.)	—	—	—	—
2. Coal				
Tonnes (in lacs)	1.90	0.35	1.79	0.35
Total Cost (Rs. in lacs)	3,010.15	628.35	2,587.02	597.10
Average rate (Rs./MT)	1,584.29	1,799.04	1,445.26	1,727.45
3. Furnace Oil				
Quantity (K.ltr)	2,466.06	2,346.23	1,121.07	2,765.90
Total amount (Rs. in lacs)	389.08	394.29	140.30	363.72
Average rate (Rs./K.ltr.)	15,777.75	16,863.16	12,514.42	13,152.02
4. Others / Internal Generation				
a) Light Diesel Oil for PG Sets				
Quantity (K.Ltr.)	—	—	86.167	9.936
Total Cost (Rs.in lacs)	—	—	17.49	2.02
Rate/Unit (Rs./kl Ltr.)	—	—	20,301.78	20,302.46
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./K.ltr)	—	—	22,062.28	—
d) HSD Oil for CVRM				
Quantity (K.Ltrs)	—	—	—	—
Total Cost (Rs. in lacs)	—	—	—	—
Rate per Unit (Rs./K/Ltr)	—	—	—	—



	2006-2007		2005-2006	
	CEMENT	REFRACTORY	CEMENT	REFRACTORY
e) High Speed Diesel Oil etc. for Payloaders & Tippers at Factory				
Quantity (K.Ltrs)	166.86	—	172.26	—
Total Cost(Rs. in lacs)	47.77	—	45.70	—
Rate per Unit (Rs./K/Ltr)	28,628.83	—	26,528.11	—
f) HSD Oil for Diesel Locos				
Quantity (K.ltr.)	70.430	—	61.420	—
Total cost (Rs.in lacs)	21.57	—	17.46	—
Rate/Unit(Rs./MT)	30,624.23	—	28,428.87	—
g) Dynamics F for Kilns				
Quantity (K.ltr.)	—	1.80	—	2.30
Total cost (Rs. in lacs)	—	4.64	—	6.14
Rate / Unit (Rs.)	—	2,57,872.78	—	2,67,013.91

SPONGEIRON

	<u>2006-07</u>	<u>2005-06</u>
POWER AND FUEL CONSUMPTION		
a) Electricity Purchased		
Units (in lacs)	94.64	88.47
Total Amount (Rs.in lacs)	320.93	293.57
Rate/ Unit (Rs.)	3.39	3.32
b) Own generation through Power Generators		
Unit (in lacs)	0.50	1.65
Units per Ltr. Of fuel	3.64	2.16
Cost/Unit (Rs.)	8.34	13.11

B. CONSUMPTION PER UNIT OF PRODUCTION (PER MT)

a) Cement		
• Electricity (KWH)	87	87
• Furnace Oil (Litres)	0.670	0.427
• Coal for Kiln and CVRM (grades C to F & Coke breeze)(Kgs.)	101.00	109.00
• Others - L.D. Oil (Litres.)	—	.004
For KHD Kiln and CVRM	—	—
HSD Oil for Pay loaders and tippers	0.089	0.109
HSD Oil for CVRM	—	—
b) Refractory		
• Electricity (KWH)	391	348
• Furnace Oil (K. Litres)		
For Oil Fired Bricks	0.015	0.138
For Mixed Fire Bricks	0.342	0.130
• Coal (MT)		
For Gas fired bricks	1.250	1.26
For Mixed fire bricks	1.514	0.877
• Dynamics F		
For oil fired bricks	0.00001	0.0001
c) Sponge Iron		
• Electricity (KWH)	93.23	81.83
• Fuel Oil (Ltrs)	0.32	0.66