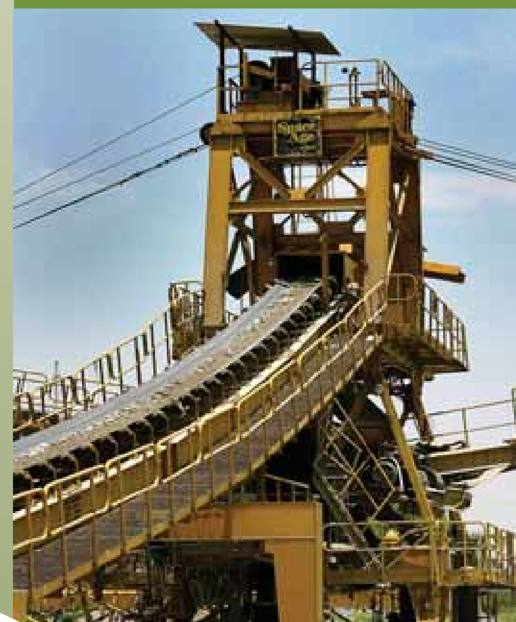
OCL INDIA LIMITED



Focussed and Committed

Annual Report 2011-12

OCL INDIA LIMITED

Incorporated in India – Members' Liability Limited

PRESIDENTS

Shri M. H. Dalmia

Shri R. H. Dalmia

DIRECTORS

Shri Pradip Kumar Khaitan – Chairman

Shri Gaurav Dalmia – Managing Director

Shri D. N. Davar

Dr. S. R. Jain

Dr. Ramesh C. Vaish

Shri Puneet Yadu Dalmia

Shri V. P. Sood

Shri D. D. Atal – Whole Time Director & CEO

BANKERS/FINANCIAL INSTITUTIONS

United Bank of India

State Bank of India

Punjab National Bank

UCO Bank

AXIS Bank Ltd.

International Finance Corporation

Export-Import Bank of India

AUDITORS

V. Sankar Aiyar & Co.
Chartered Accountants

CEMENT AND REFRACTORY WORKS & REGD. OFFICE

Rajgangpur-770 017 (Odisha)

KAPILAS CEMENT WORKS

Cuttack-753 004 (Odisha)

DELHI OFFICE

17th, Floor, Narain Manzil,
23 Barakhamba Road,
New Delhi-110 001

Contents

The Directors of your Company are pleased to present their Sixty Second Annual Report together with the audited accounts of the Company for the year ended March 31, 2012.

1. WORKING RESULTS

	2011-12 (Rs./Lakhs)	2010-11 (Rs./Lakhs)
Net Sales	**1,45,856.25**	1,47,724.58
Operating Profit	**24,049.28**	33,840.37
Less: Interest	**7,493.50**	6,383.22
Depreciation	**12,758.07**	12,275.23
Profit before Taxation	**3,797.71**	15,181.92
Provision for Taxation		
Current tax	**500.00**	4,300.00
Deferred tax	**611.35**	-565.41
MAT Credit available for set off	**-494.65**	0.00
Profit after taxation	**3,181.01**	11,447.33
Add: Brought forward from previous year	**19,186.17**	11,857.75
	22,367.18	23,305.08
Transfer to General Reserve	**1,200.00**	1,200.00
Transfer to Debenture Redemption Reserve	**273.65**	273.67
Proposed Dividend	**1,138.01**	2,276.01
Tax on Dividend	**184.61**	369.23
Surplus carried to Balance Sheet	**19,570.91**	19,186.17
	22,367.18	23,305.08

2. DIVIDEND

The Directors recommend payment of dividend for the Financial Year ended March 31, 2012 of Rs. 2/- per paid up equity share of Rs. 2/- (i.e., 100%).

3. APPROPRIATIONS

It is proposed to transfer Rs. 1,200 Lakhs to the General Reserve while Rs. 19,570.91 Lakhs are proposed to be retained in the Profit and Loss Account and carried to the Balance Sheet.

4. OPERATIONS

The operational results of the current year in relation to the corresponding operations of the previous year have registered a decrease of 1% in net sales and 29% and 75% in the operating profits and profit before tax, respectively. The said decline being due to higher input costs, particularly the non availability of clinker, on account of temporary suspension of mining of limestone at Lanjiberna and Dolomite mines of the Company.

For a detailed analysis of the performance of the Company for 2011-12 reference is invited to the chapter on Management Discussion and Analysis of this report.

5. EXPANSION AND FUTURE PLANS

Your Company has commissioned the first unit of 27 MW Coal based Captive Power Plant in the month of September 2011 and the second unit of 27 MW Coal based Captive Power Plant in the month of April 2012 leading the Company towards self sufficiency in power.

Your Company is in the process of setting up a Cement manufacturing unit in West Bengal and land acquisition of 153.84 acres for the project has been completed and the environment clearance and consent to establish has been obtained from the Ministry of Environment and Forests and State Pollution Control Board, West Bengal respectively. Also, approvals for water, power and rail connectivity at the proposed site are at advance stages of consideration. Orders for major plant and machinery have been finalized.

Your Company has also obtained environment clearance for production of 2.7 MnTPA cement at its Kapilas Cement Manufacturing Works, which currently has the installed capacity of 1.35 MnTPA.

Your Company is identifying the opportunities for manufacturing special refractories with the use of Japanese Technology for supplying the same to the Indian Steel Industry.

6. PROGRESS UPON CAPTIVE COAL BLOCK

Radhikapur (West) Coal Mining Private Limited, the joint venture company incorporated for development of coal block at Radhikapur, District - Angul, Odisha is taking all necessary steps to bring the coal mines into operation at the earliest. The process of obtaining required statutory clearances is in progress. The land acquisition process is also progressing and the Company has already deposited the required advance money with the Orissa Industrial Infrastructure Development Corporation (IDCO) for the same.

7. DIRECTORS

Shri P. K. Khaitan and Shri V. P. Sood, Directors of the Company, would retire by rotation at the forthcoming Annual General Meeting in accordance with the provisions of the Companies Act, 1956 and Company's Articles of Association and being eligible, offer themselves for re-appointment.

8. LISTING OF THE COMPANY'S SHARES

The Company's equity shares continue to be listed on the Bombay Stock Exchange Limited and the National Stock Exchange of India Limited.

9. DIRECTORS RESPONSIBILITY STATEMENT

In terms of provisions of Section 217 (2AA) of the Companies Act, 1956, your Directors confirm that:

a) In the preparation of the Annual Accounts, the applicable accounting standards have been followed, along with proper explanation relating to material departures, wherever applicable;

b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give true and fair view of the state of affairs of the Company as on March 31, 2012 and of the Profit of the Company for the year ended on that date;

c) The Directors 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; and

d) The Directors have prepared the annual accounts of the Company on a going concern basis.

10. SUBSIDIARIES

There is no subsidiary of the Company.

11. MANAGEMENT RELATIONS WITH EMPLOYEES AND LABOUR

Relations of the Management with Employees and Labour remained cordial during the year under review and the industrial peace and harmony was maintained in the organization.

12. DEPOSITS

As on March 31, 2012 there were 24 deposits aggregating Rs. 17.53 Lacs which remained unclaimed beyond due dates, out of which deposits aggregating Rs. 4.90 Lacs have since been renewed/repaid.

13. PARTICULARS OF EMPLOYEES

The particulars of the employees as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are set out in Annexure-I to the Directors Report.

However, having regard to the provisions of Section 219(1) (b) (iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company and others entitled thereto. Any member interested in obtaining such particulars may write to the Company at its registered office.

14. RESUME OF HEALTH, ENVIRONMENT AND SAFETY PERFORMANCE

Your Company is conscious of the importance of environmentally clean and safe operations to ensure safety of all concerned, compliance of statutory and industrial requirements for environment protection and conservation of natural resources to the extent possible.

Your Company is pleased to state that its Cement Division has been awarded "Pollution Control Excellence Award" under the "Category Industry" by the State Pollution Control Board, Odisha.

Your Company has, during the current year, planted about 25,000 additional trees at plant, mines and colony at Rajgangpur and about 6,600 additional trees in and around factory premises at Kapilas Cement Manufacturing Works. Kapilas Cement Manufacturing Works has also sponsored tree plantation each at Sapan Pur Pahad, Chintamanipur Village School and Jagatpur Mahima Ashram which are located outside the plant.

Your Company has commissioned a Sewage Water Treatment Plant of capacity 1800 Cubic Meter per day to treat a part of Sewage water discharged through drains from Rajgangpur Municipality and the Company's own industrial township area at Rajgangpur. Your Company is using treated water of 1200 Cubic Meter per Day for gardening purposes.

To create environment awareness among school children, your Company has initiated "Environment Awareness Campaign" at various schools of Rajgangpur and Kapilas Cement Manufacturing Works. Various competitions were organized and about 1200 children from 4 schools of surrounding areas participated in the campaign. A painting competition among school boys on the subject of "Energy Conservation" was organized by Kapilas Cement Manufacturing Works. More such demands from other schools are pouring in and we shall continue this initiative.

15. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO, ETC.

Information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors), Rules, 1988 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.

16. CORPORATE GOVERNANCE

As per Clause No. 49 of the Listing Agreement, report on Corporate Governance is given in Annexure-III, which forms part of this Report.

17. UNCLAIMED SUSPENSE ACCOUNT

As per clause 5A of the Listing Agreement, the details regarding unclaimed shares are given in Annexure - IV, which forms part of this Report.

18. CORPORATE SOCIAL RESPONSIBILITY

Care for communities in the Company's immediate surroundings and environment is deeply ingrained in the Company's business philosophy. Community development initiatives of the Company focus on areas like Health, Education, Drinking Water, Community Development, Livelihood Training, Games & Sports, Plantation, etc.

During the Financial Year 2011-12, your Company has been involved in various CSR activities including (i) providing health care services to villagers free of cost at its dispensary and through mobile health units; (ii) improving infrastructure facilities in schools; (iii) sinking and repairing tube wells for drinking water; (iv) providing building to orphanage centre; (v) imparting livelihood training to women and unemployed youths; (vi) organizing village level tournaments in hockey and football, providing games materials to different youth clubs and repairing play grounds etc.; and (vii) planting trees on a sizeable scale to protect environment.

19. AUDITORS AND AUDITORS REPORT

M/s V. Sankar Aiyar & Co., Chartered Accountants, Statutory Auditors of the Company, holds office until the conclusion of the forthcoming Annual General Meeting and is eligible for re-appointment.

The Company has received certificate from M/s V. Sankar Aiyar & Co., Chartered Accountants, Delhi, to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) of the Companies Act, 1956 and that they are not disqualified for such re-appointment within the meaning of Section 226 of the said Act.

The notes to accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

20. COST AUDIT

The Company has received certificate from M/s R. J. Goal & Co., Cost Accountants, having office at 31, Community Center, Ashok Vihar, Phase - I, New Delhi - 110 052 and having firm registration no. 00026, to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224(1B) read with Section 233B(2) of the Companies Act, 1956 and that they are not subject to disqualifications specified in Section 226 of the said Act. The Cost Auditors have further certified that they are independent firm of Cost Accountants and are at arms length relationship with the Company.

The due date for filing of Cost Audit Report by the Cost Auditor was September 30, 2011 and the same was filed on August 16, 2011.

21. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation of the support provided by your Company's Bankers and Financial Institutions.

Your Directors acknowledge the dedication and commitments of the employees at all levels and also take this opportunity to thank all the valued customers who have appreciated the Company's products and have patronized them.

Your Directors convey their grateful thanks to the Government Authorities (Central & States), shareholders, distributors and dealers for their continued assistance, co-operation and patronage.

For & on Behalf of the Board

Place: New Delhi
Date: May 14, 2012

(P. K. Khaitan)
Chairman

1. Economic Scenario and Outlook

The year 2011-12 witnessed a gloomy scenario worldwide. However, the positive growth in India is still continuing albeit at a slow pace. During financial year 2011-12, the Indian economy saw reasonable growth due to a rebound in rural income with increase in agricultural production and a good service sector growth.

India's GDP growth has slowed down over the period due to various external and internal factors, including the adverse impact of crude oil prices, continuing inflationary pressures, high interest rates and a perception of slow down in economic decision making among investors leading to a decline in investment flows. An uncertain external environment, the sharp depreciation of the Rupee against the US Dollar in the last quarter and the decline in various indices of economic performance have also been cause of concern for policy makers and industries.

However, Government's efforts towards enhanced expenditure on infrastructure have helped in maintaining a positive demand for cement. There is enough liquidity in the system. Borrowing by consumers and businesses indicate firmness of business confidence and economy. The GDP growth projection for 2012-2013 is around 7.5%.

2. Financial Highlights

Net Sales of the Company during Financial Year 2011-12 were down from Rs. 1,47,724 Lakhs in FY 2010-11 to Rs.1,45,856 Lakhs and EBITDA of the Company fell from Rs. Rs.33,840 Lakhs in FY 2010-11 to Rs. 24,049 Lakhs in FY 2011-12, depicting a fall of 29% mainly due to temporary suspension of mining of limestone at Lanjiberna and Dolomite mines of the Company pending renewal of forest clearance under Forest (Conservation) Act, 1980 and pressure on margin due to surplus supply scenario caused due to commissioning of new plants in neighbouring states of Chhatisgarh and Jharkhand as well as supply pressure from Southern India plants.

(Rs./ Lakhs)

Financial Highlights	2011-12	2010-11	Growth	% Mix 2011-12	% Mix 2010-11
Net Sales					
Cement	**1,14,587**	1,18,182	-3%	**79%**	80%
Refractory	**31,269**	29,542	6%	**21%**	20%
EBITDA					
Cement	**21,347**	31,646	-33%	**89%**	93%
Refractory	**2,702**	2,194	23%	**11%**	7%

The net sales of cement business fell by 3% to Rs. 1,14,587 Lakhs in FY 2011-12. However, net sales from the refractory business of the Company increased to Rs.31,269 Lakhs in FY 2011-12, up by 6%.

In the earnings before interest, tax and depreciation, substantial fall was witnessed in cement business in FY 2011-12 as compared to previous year. However, refractory EBIDTA has increased by 20% during current year.

3. Cement Business

a) Industry Structure and Developments

The financial year 2011-12 could not sustain the growth rate and profitability achieved in the previous year. Due to slow down effect of economy, capacity addition and ramping up of production, the Eastern region saw demand supply mismatch and a declining trend. The cement consumption on all India basis came down to 6%. Whereas, regional growth varied abnormally showing a negative growth of -3% in South, 16% in North, 8% in Central and 2.5% in East. However, by the end of the year there was slight improvement in the sentiments, which resulted in improvement in price.

New capacity built-ups in North East, which has been natural market for east; the surplus capacities in other bordering states, which will continue to push volumes in the east; and stabilization of new plants either already commissioned or in process of commissioning in the Eastern region, are expected to cause a continued surplus scenario in the next Financial Year too. The demand growth during 2012-13 is expected to be around 6% in the East as against previous year growth of 2.5%.

b) Operations/Performance

The year 2011-12 was full of challenges. There was over supply situation in the market with low demand. This impacted the price adversely. However, 3rd and 4th quarter saw improvement in price. Continuous inflow of material from newly established plants at Chhattisgarh, Jharkhand and Andhra players disturbed the market conditions.

Nevertheless, by focusing all strength on maximizing volume and better cost management, your Company was successful in minimizing the impact of higher input costs and lower cement prices.

To mitigate the increase in energy costs and threat on availability of power, your Company has commissioned the first unit of 27 MW Coal based Captive Power Plant (CPP) at Rajgangpur, Odisha in the month of September 2011 and the second unit of 27 MW Coal based Captive Power Plant in the month of April 2012 leading the Company towards self sufficiency in power. This will ensure uninterrupted power supply to its plant at relatively lower cost. Further, your Company has taken steps to source at economical rates the coal of various types including washery midlings (rejects), high grade Meghalaya coal and imported coal from Korea, to maintain the energy cost at a reasonable level. Your Company also sourced clinker from other cement plants across the Country as well as imported the clinker from China and Vietnam.

c) Opportunities and threats

The Company is hopeful that various stimulus packages announced by the Government for rural upliftment, e.g., NREGA as well as various other schemes being implemented like Pradhan Mantri Gram Sadak Yojna, Indira Awas Yojna, and Bharat Nirman, etc. and the announcement of infrastructure development plan for improvement of roads, power plants and low cost housing project will have positive impact on the industry.

Your Company is going to get full advantage by having its manufacturing facilities in the vicinity of market. Further, to mitigate the major wagon shortage for raw material movement as well as for cement/clinker dispatches as experienced by the industry, your Company has made arrangement for dedicated vehicles in Kapilas Cement Manufacturing Works and has safeguarded itself from the shortfall of road supply in the event of peak season demand for lorries. Similar arrangement is also being worked for Rajgangpur plant.

Further, with the commissioning of Cross Country Belt Conveyor (CCBC) for transportation of Limestone from LQ to new Kiln, the cost of transportation of limestone will come down substantially and demand of limestone for both the Kilns will be fully met.

During 2012-13, with the operation of 2X27 MW Captive Power plant in Rajgangpur, your Company will not only be saving on ever rising energy cost but will also be self sufficient in power requirement. It will also generate Fly Ash which will be gainfully utilized in making Portland Pozzolana Cement by replacing costly slag as well as be a step forward in achieving the Go Green Mission of the Company.

Increase in coal prices are likely to have a cascading effect on the cost of power, clinker and other processed input materials which are expected to rise adding to the cost pressures. Also, the changes in the regulatory environment, e.g., proposed Mines and Minerals (Development and Regulation) Bill, if enacted, will further add to the cost pressures as royalty burden will increase.

However, your Company is taking steps to take on the challenges and strengthen its brand image in neighboring states as well as in Odisha where the Company is already a brand leader.

Cement Grinding Unit project in West Bengal is gaining momentum with land acquisition, completion of registration and environment clearance formalities. Once this plant is commissioned, the Company will have better presence felt in West Bengal market which is the major market of East.

d) Risks and Concerns

The impact of economy slow down will remain on the industry. Further, rising petroleum prices due to Geo political situation may affect the economy world over and may impact the Country's logistic cost adversely.

The cement prices are expected to be under pressure due to full scale operation of the new capacity additions and the mismatch of demand and supply. However, your Company is hopeful that because of logistic advantage it will be in a position to comfortably improve the volume despite tuff marketing scenario and demand supply mismatch.

High inputs cost such as coal, slag and rail/road freight will increase the cost of production and it will be difficult to pass entire cost increase to the market.

Worsening Power availability in Odisha may affect volume at Kapilas Cement Manufacturing Works as it will continue to depend upon grid power.

e) Outlook

Your Company foresees a reasonably positive out look despite low demand growth scenario and low GDP growth, due to operational efficiency of its plants and logistic advantage of its presence in the market of Eastern region.

4. Refractory Business

a) Industry Structure and Developments

Refractory Industry in India is now getting consolidated. Major manufacturers in terms of volume are foreign owned companies. The turnover of such companies was 60% of total turnover of the Industry. This has brought or is likely to bring several new products and technology in the country for refractories used in steel making.

In addition to this, some foreign companies which don't have manufacturing base in India, have started pushing the products manufactured overseas at competitive prices.

These two shifts in industry scenario have led to manufacture and use of technically suitable and economically viable products. Your Company has therefore taken up R&D in product and processes in all the production lines to meet the challenge.

The industry continues to be plagued by severe dependence on import of raw materials especially from China. Due to uncertainties in prices of Chinese raw materials many countries have taken up raw material beneficiation, sintering and fusion in big way in their countries, e.g., Turkey, Russia etc. This is expected to put pressure on Chinese prices and also make those countries self sufficient and reduce import. Your Company is exploring the possibilities of taking up beneficiation and fusion of raw materials through R&D and joint ventures.

Though overall refractory industry capacity utilization is around 65%, your Company expects better prospects in coming years due to its focus in chosen product.

The refractory industry is moving along with a mixed bag of project and maintenance requirement. The raw material pricing and supply continues to worry. However, the positive trend in projects is taking concrete shape, refractory installation activity is picking up and new facility is nearing completion in some upcoming steel projects. Looking forward to a growth filled 2012-13.

b) Operations/Performance

In spite of increase in raw material costs, the performance of the division has been satisfactory.

Sales turnover has increased by 6%.Prestigious orders from domestic glass industry and export helped improve the bottom line compared to previous year.

Within the plant - automation, incentives and rationalization of work has helped in reducing the cost to make products competitive.

Exports have improved not only to our traditional market but also in new area of South East Asia and Scandinavia

c) Opportunities and threats

1) Many steel plants which were under construction have now been commissioned. This has led to increase in the requirement of consumable refractories. As the products of the Company are well accepted, good growth is expected in future.

2) Japanese and European steel plants are looking at India for supply of cost effective refractories. This has opened new markets and the highly acknowledged performance of Company's products will definitely bring good business.

3) Govt. steel plants will be rebuilding the coke oven batteries in a planned manner, silica refractories of your Company will find good market in these rebuilding programmes.

4) Absence of clear cut policy on iron ore mining has led to closure of steel plants, specially those based on sponge iron as feed material. If this situation continues, the expected growth in steel may not materialize at desired pace.

d) Risks and Concerns

1) Excluding silica refractories for which your Company has captive mines, the raw material to sales ratio is around 60%. With such high ratio, small increase in RM prices will change the bottom line severely in % terms. Majority of the raw materials are processed ones and procured from overseas suppliers. These are governed by local conditions and market dynamics, therefore uncertainty exists in prices.

   In order to reduce the impact your Company has entered in to long term price contacts with many raw material vendors and has been developing products with alternate raw materials.

2) Fuel is yet another area of concern. Coal prices are on upward trend. This will also affect the cost of production. Innovations in firing techniques are being done to reduce the fuel consumption to the maximum possible extent.

3) Competition from overseas suppliers will grow up because of growth in steel production in India. Your company is increasing its product basket and it has already acquired the technology of manufacture of refractories for petrochemical industry. Technology of manufacture of many other products is being identified for acquiring in future.

e) Outlook

1) Market outlook in future for refractory seems good. Per capita consumption of steel in India is being far below in comparison to the international standards. It is expected that the demand for increase of domestic steel production will be robust and this will have positive impact in refractory consumption.