

Sustaining biz...

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With growth around the corner, we are working with our continued contribution to the economic, social and environmental values. We are taking steps in the direction of sustainable business practices. By building on our innate strength of operational excellence, product innovation, cost prudence and expanding capacities; we are preparing ourselves for the future and continuing our growth by establishing logical organizational and governance structures. A sustainable today and a sustainable tomorrow is the motto that is helping us develop products and processes to meet the needs of today while remaining attentive to new developments on the horizon.



Corporate Information

PRESIDENTS

Mr. M. H. Dalmia
Mr. R. H. Dalmia

DIRECTORS

Mr. Pradip Kumar Khaitan – *Chairman*
Mr. Gaurav Dalmia – *Executive Vice Chairman & Managing Director*
Mr. D. N. Davar
Dr. S. R. Jain
Dr. Ramesh C. Vaish
Mr. Puneet Yadu Dalmia
Mr. V. P. Sood
Mr. D. D. Atal – *Whole Time Director & CEO*

BANKERS / FINANCIAL INSTITUTIONS

State Bank of India
United Bank of India
Punjab National Bank
UCO Bank
AXIS Bank Ltd.
International Finance Corporation
Export-Import Bank of India
Yes Bank Ltd.
HSBC Bank

AUDITORS

V. Sankar Aiyar & Co.
Chartered Accountants

CEMENT AND REFRACTORY WORKS & REGISTERED OFFICE

Rajgangpur-770 017 (Odisha)

KAPILAS CEMENT WORKS

Cuttack-753 004 (Odisha)

BENGAL CEMENT WORKS

Ashok Nagar, Medinipur-721 101 (West Bengal)

DELHI OFFICE

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

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Directors' Report

For the Year Ended March 31, 2014

The Directors of your Company are pleased to present their Sixty Forth Annual Report together with the audited accounts of the Company for the year ended March 31, 2014.

Working Results

	(₹ Lakhs)	
	2013-14	2012-13
Net Sales	1,84,854.19	1,80,883.30
Operating Profit	32,756.46	44,191.51
Less: Interest	6807.38	7,704.09
Depreciation	12,640.72	13,843.39
Profit before Taxation	13,308.36	22,644.03
Provision for Taxation		
Current tax	3,039.95	5,900.00
Tax for previous Year	0.00	200.00
Deferred tax	688.80	905.44
MAT Credit available for set off	-208.02	-
Profit after taxation	9,787.63	15,638.59
Add: Brought forward from previous year	20434.01	19,570.91
	30,221.63	35,209.50
Transfer to General Reserve	12,000.00	12,000.00
Transfer to Debenture Redemption Reserve	-	123.67
Proposed Dividend	2,276.01	853.50
Tax on Dividend	386.81	145.05
Interim Dividend	-	1,422.50
Tax on Interim Dividend	-	230.77
Surplus carried to Balance Sheet	15,558.81	20,434.01
	30,221.63	35,209.50

Dividend

The Directors recommend payment of dividend for the Financial Year ended March 31, 2014 of ₹4/- per paid up equity share of ₹2/- each.

Appropriations

It is proposed to transfer ₹120 Crore to the General Reserve while ₹155.58 Crore are proposed to be retained in the Profit and Loss Account and carried to the Balance Sheet.

Operations

The operational results of the current year vis a vis the previous year have registered an increase of 2.19% in net sales and decrease of 26% and 28.8% in the operating profits and profit before depreciation and tax, respectively.

For a detailed analysis of the performance of the Company for 2013-14 reference is invited to the chapter on Management Discussion and Analysis of this report.

Expansion and Future Plans

Your Company has pleasure in informing you that 1.35 MnTPA cement manufacturing unit in West Bengal has successfully commissioned in the month of March, 2014.

Your Company has also Commissioned 2.5 MW Solar Power Plant at its Kapilas Cement Manufacturing Works for use of green energy and to trade in power market to harness Solar certificate in the month of March, 2014.

Your Company is also in the process of setting up 4.2 MW Waste Heat Recovery Power Plant at Rajgangpur, attached to Line-II clinkerisation plant, to generate power from waste heat of the cement unit. There is a delay in placing the order because the company could not get approval from the authorities for considering the power generation from this Co-generation plant as a substitute of cogeneration obligation of our 2x27 MW Captive Thermal Power Plants, without which there will not be economic viability as the Company already has 100% self sufficient Captive Power. Efforts are going on to get it recognized as cogeneration obligation.

The refining of steel adds value and the present trend of refining by special refractory component is growing in steel industries. Keeping in view the present scenario your company has expanded the capacity of precast - special product manufacturing facility at Rajgangpur. The technology for manufacture of other refining system is being explored and your company expects installation of manufacturing facility for similar refining refractory/metallic equipments in near future.

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 along with Rungta Mines Limited and Ocean Ispat Private Limited, the other Joint Venture partners, has received environment clearance and recommendation to Government of India for Forest Clearance has also been sent by Odisha State Government. The land acquisition process is yet to start by Odisha Industrial Infrastructure Development Corporation for which joint venture company has already deposited the necessary advance money. Meanwhile, due to slow process of statutory clearances, Inter Ministerial Group has reviewed the progress of coal block and decided to recommend de-allocation order. Company has received de-allocation order. Your company as well as joint venture company has filed a writ petition in Hon'ble High Court of Delhi and got stay against de-allocation. The fate of the coal block will be decided on merit basis along with other similar cases.

Directors

Shri Pradip Kumar Khaitan, Director of the Company, shall retire by rotation at the forthcoming Annual General Meeting in accordance with the provisions of the Companies Act, 2013 and Company's Articles of Association and being eligible, offer himself for re-appointment.

Shri D. N. Davar, Dr. Sheo Raj Jain, Dr. R. C. Vaish and Shri V. P. Sood, the existing Independent Directors, shall be so appointed at the Annual General Meeting in terms of Section with 149 of the Companies Act, 2013 for a term of five years with effect from April 01, 2014.

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.

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, 2014 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.

Subsidiaries

The Annual Reports of OCL Global Limited, OCL China Limited and Odisha Cement Limited ("Subsidiary Companies") for the Financial Year ended March 31, 2014 are not being attached with this Annual Report of the Company in terms of Ministry of Corporate Affairs' General circular number 2/2011 dated February 08, 2011 read with Section 212 of the Companies Act, 1956. The annual accounts and the related information of the Subsidiary Companies shall however be available to the shareholders of the Company and shareholders of Subsidiary Companies, seeking such information at any point of time. The annual accounts of the Subsidiary Companies shall also be open for inspection by any shareholder(s) at the Registered Office of the Company and of the Subsidiary Companies concerned.

Consolidated Financial Statements

In compliance with the Accounting Standard 21 on Consolidated Financial Statements, this Annual Report also includes Consolidated Financial Statements for the Financial Year 2013-14.

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.

Fixed Deposits

As on March 31, 2014 there were 14 fixed deposits aggregating ₹12.01 Lacs which remained unclaimed beyond due dates, out of which deposits aggregating ₹1.58 Lacs have since been repaid.

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.

RESUME OF HEALTH, ENVIRONMENT AND SAFETY PERFORMANCE

Your Company has already implemented EHS system in its both Refractory and Cement Division and is strictly complying its requirement.

Your Company has planted about 16000 additional trees during 2013-14 making a total plantation of 489771 trees in and around its plant, colony and mines.

To create environment awareness among employees "World Environment Day" was celebrated on the 5th June, 2013. Similarly "National Safety Day" was also celebrated on the 4th March, 2014 to refresh Safety awareness among the employees in the plant.

Cement Division of your Company has received the Certificate of Appreciation Award in the Large Business Organisation category in the Environment Excellence Award 2013 from Indian Chamber of Commerce (ICC).

Refractory Division of your Company had unique achievement with calendar year 2012 and also 2013 being ACCIDENT FREE YEAR. The Division has surpassed its previous record of 8,95,227 man days accident free and as on December 31, 2013 it has achieved 17,24,933 man days being accident free. As awareness to the Rajgangpur colony residents and employees, the Division took out a rally during early hours on January 01, 2014 through colony, Cement Works and Refractory Works. All the workers of Refractory Division were felicitated on the occasion by the Whole Time Director.

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.

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.

Unclaimed Suspense Account

In terms of clause 5A of the Listing Agreement, the Company has opened the demat account in the name and style of "OCL India Limited - Unclaimed Suspense Account".

Corporate Social Responsibility

Corporate Social Responsibility has become a way of life in your Company. With a view to promote socio economic condition of people of the community surrounding its plant and mines, your Company has implemented many new initiatives on Health, Education, Drinking Water, Livelihood Training, Women Empowerment, etc. at all locations during 2013-14.

Your Company has engaged one reputed NGO "SEWAK" for implementing a program on "Mother and Child Health Care" in 12 revenue villages surrounding its factory and mines area. Your Company has established four Remedial Coaching Centres in villages for providing quality education to students and strengthening their foundation. It has introduced bus service for school going children of remote villages and facilitated them to attend their classes regularly without any hassle. It has engaged a Hyderabad based NGO "NIRMAN" for providing career counseling to students and guiding unemployed youths in finding suitable employment. Your Company has organized training programs on tailoring, dress designing, artificial jewellery making, phenyl making, driving, mason, welding, security guard etc and has made 300 unemployed youths employable. Your Company has adopted 132 women self help groups and has taken up initiative for building their capacity. A number of training programs on income generation activities were also organized for making them self sufficient. Your Company has donated ₹51 lakhs (including the employees' contribution) to Chief Minister's Relief Fund for relief and rehabilitation of people affected by Phailin in Odisha.

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 from M/s V. Sankar Aiyar & Co., Chartered Accountants, New Delhi consent to act as auditors of the Company, if reappointed at the ensuing Annual General Meeting

and certificate in terms of section 139 and 141 of the Companies Act, 2013 (the Act) and the Companies (Audit and Auditors) Rules, 2014, to the effect that their re-appointment, if made, would be within the prescribed limits and they are eligible for appointment and are not disqualified for re-appointment.

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

Cost Audit

The Company has received from M/s R. J. Goel & Co., Cost Accountants, having office at 31, Community Center, Ashok Vihar, Phase – I, New Delhi – 110 052 and having firm registration no. 00026, consent to act as cost auditors, if so appointed by the Board of Directors, and certificate to the effect that their re-appointment, if made, would be within the prescribed limits under Section 141(3) (g) of the Companies Act, 2013 and that they are not subject to disqualifications specified in Section 141(3) 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 in XBRL format was September 30, 2013 and the same was filed on September 19, 2013

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 13, 2014

Gaurav Dalmia
Executive Vice Chairman
Managing Director

D. D. Atal
Whole Time
Director &
Chief Executive
Officer

& Management Discussion & Analysis

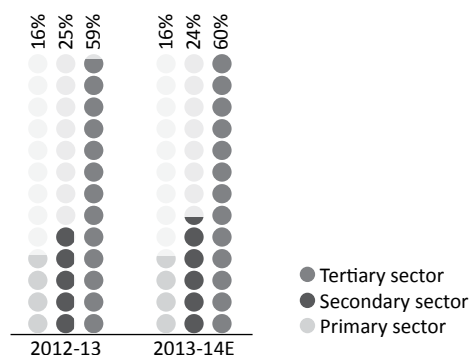
Global Economy

The year 2013 spelt slow and steady recovery world over. With the global slowdown now showing signs of desertion, the dismal slowdown as per the estimates is going to be over soon. While North America showed positive signs of revival with a 1.9% growth, emerging economies displayed a better performance with a 4.7% growth over FY12. IMF projects global growth at 3.7% in FY 2014, rising to 3.9 % in FY 15. Countries like the United States of America and Japan are expected to grow at 2.2% and 1.7 % respectively, owing to a strong pick up in the second half of 2013. Emerging markets and developing economies are expected to see an increase in growth to 5.1% in FY 14 and to 5.4% in FY15.

Indian Economy

Being one among the emerging economies, India also experienced a moderate growth during FY13 with a growth rate of 4.4%. However, going forward it is expected to improve given the factors like upheaval in demand, infrastructure growth, fiscal and monetary streamlining of policies and structural reforms. CSO predicts it to be around 4.9% for FY14. Agriculture sector is expected to contribute 3.8% to this growth. The Secondary sector is expected to grow by 0.8% as against a 1.2% last year. Services sector, as has been the trend in the last decade, is again seen as the catalyst to pull the growth through 6.9%.

Contribution of Economic Sectors



(Source: Central Statistical Office)

The Secondary sector, comprising of manufacturing, electricity and construction sectors is expected to grow in a manner wherein the electricity gas and water supply sector is expected to go up by 6% over last year. The construction sector is seen growing by 1.7% only against the 1.1% growth last year. This is in tandem with the present slowdown situation at hand. On the other hand, a lot of investment projects are seeing the light of the day due to acceleration in project approvals. However, the growth in investment projects is still not very imminent and has shown a declining trend as seen in the exhibit below.

Global Cement Industry overview

Cement, being an integral component of every infrastructure today, is in high demand due to focus on infrastructure development, urbanization and increased housing needs. With the upsurge in construction of commercial and residential buildings, there is a shift in demand in favor of the cement manufacturers all over the globe.

Cement industry has different demand patterns in developed and emerging markets. Since, the developed world has already matured to a significant level of urbanization; the demand for cement and construction activities is limited there compared to the developing world. The way things are rapidly gaining pace in the developing countries even they are looking for major turnaround in their infrastructure and urbanization processes. Speaking of the geographic segmentation, China commands more than 50% of the global demand as well as production of cement. India is also amongst the top three producers of cement. It is also a major consumer along with China.

Cement is subject to complexities of high transportation cost due to its bulky nature. It also faces barriers of entry due to its cost and nature. Given these reasons, multiplied by a fall in domestic demand, big cement manufacturers have been on a buying spree in developing countries. This upsurge of entry of the big players has forced in excessive capacity into the emerging countries leading to fall in prices and increase in fierce competition across the developing countries.

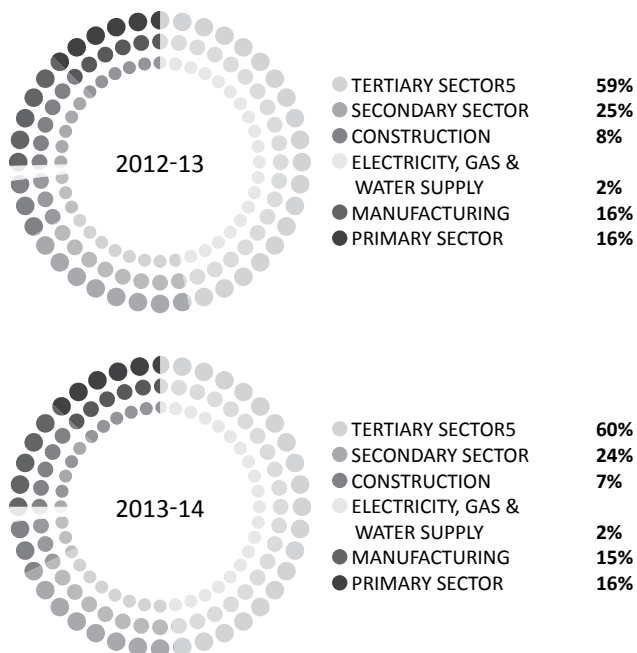
Being influenced directly by growth in the infrastructure sector, there is more to expect out of the cement industry in the wake of an increase in investment all across the globe.

Indian Cement Industry

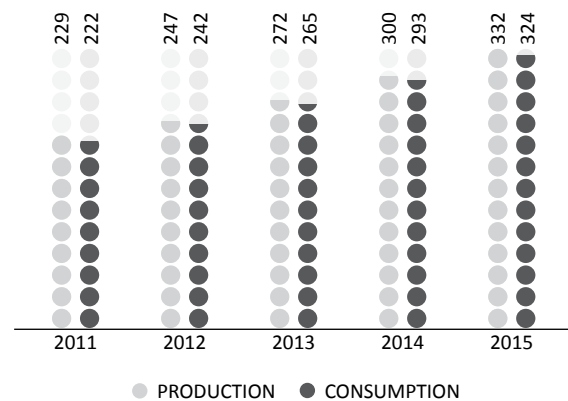
With an overall installed capacity of ~350 million tones, the Indian cement industry is globally competitive. It is comprised of 185 large and 365 small cement manufacturers, mainly. Apart from fulfilling domestic cement requirements, the industry also exports cement and clinker to around 30 countries across the globe. The domestic consumption in the year 2013 alone was ~260 million tonnes. The construction sector overall contributes close to 7% to the country's GDP every year.

With the growing urbanization and rise in middle class' income, there is an anticipated upsurge in cement demand over the coming years. The 12th Five year plan also envisages that the sector would need to raise its capacities to ~470 million tonnes by 2017 to fulfill the growing needs of the country. The Indian Government plans to increase investment into infrastructure to US\$ 1 trillion during the stated period.

CEMENT SECTOR CONTRIBUTION AT 7%



Cement Sector production trends have been encouraging at a CAGR of 9.7% with a production volume of 272 million tonnes over the period of 2006-2013. Cement consumption on the other hand is expectedly closing at 265 million tonnes during the year, growing at a CAGR of 8% during the same period. Given the present scenario, cement consumption in India is expected to rise by 10.7% over the 12th five- year plan. (Source: IBEF)



Eastern India Cement Sector

East India contributes to approximately 18% of India's cement demand and 14% of the total installed capacity. The cement demand in this part of the country has been growing at a CAGR of 7% compared to a 9% growth overall in the country from 2010-13. In FY 15 capacity addition of 6 Million Tonnes (nearly 9% of total current capacity) is further expected.

OCL India is one of the oldest and leading players in the region. The Company has enhanced its presence and expects to capitalize on its capacity addition in Medinipur in West Bengal. The market is expected to grow by 6.5% in the year 2014-15, while the Company is targeting a growth of 24% during the period.

Challenges faced by the cement industry: The cement industry thus is deemed to face certain challenges due to this demand and supply mismatch. A few renowned challenges can be identified as follows: -

Low capacity utilization – Almost 60% of demand comes from the housing sector and the rest comes from other industrial and infrastructural sectors. With both the residential and commercial construction being low, there is a lag of cement demand vis a vis its supply. This is mainly due to the influx of more and more cement manufacturers in the country adding to the supply side. This year, 24 MnT capacity was added to take the existing capacity to 370 million Tonnes (Source: IBEF). East India, however is yet to witness any spurt in capacity addition going forward.

Supply dependency - The performance of the cement industry depends on regular and consistent supply of Coal, Power and Railways. All these inputs are in the public sector, over which the industry has no control and are inadequate in supply due to impoverished arrangements.

Government support - Inconsistent supply of inputs and logistics support from the Government undermines the performance of the sector.

High taxation - The Cement industry at present is burdened with 60% tax rate, which is a strong bottleneck for the manufacturers to comprehend.

(Source: Cement Manufacturers' Association Annual Report 2012-2013)



The Road Ahead

The Cement Manufacturers' Association (CMA) predicts India's cement production capacity to reach 550 million TPA by 2020, which will involve adding a further 230 million TPA. There are factors favorable to this aspect of estimation which could be summarized as below:-

Structural advantages: Residential sector will provide a strong push to the cement demand. Given the rapid urbanization and increasing per capita income combined with Government housing schemes to support rural and urban sectors through housing schemes etc., are expected to provide the stimulus. With a stable government and adequate support to the upcoming projects, the demand is expected to go up significantly. In East India alone, there is a housing shortage of around 4.59 million houses in the urban areas, equivalent to around 25% of the country's urban housing shortage.

Low per capita consumption - The Indian Cement industry holds tremendous future growth potential. This is evident from the fact that the per capita consumption of cement is much less compared to the world average. India's low per capita consumption of cement, which is less than 200 kg, is also one of the main reasons for strong interest shown by the foreign players. Per capita cement consumption in East stands at 115 kg compared to all India consumption, which presents huge potential for the region.

High infrastructure spending - According to India's 12th Five-Year Plan (2012-17) document, the two segments most important to construction activity are infrastructure and housing. Since, infrastructure spending is expected to go up to 9% of gross domestic product (GDP) or USD 1 trillion for the Plan period (2012-17), this will translate into double-digit growth for the demand of cement.

For eastern India, total infrastructure outlay has been increased by 2.9 times in the Plan.

Dedicated freight corridor - A 3300 KM long dedicated freight corridor is going to be built by Dedicated Freight Corridor Corporation of India Limited between Eastern and Western regions as part of two such corridors proposed in East - West and North - South India.

Rise in middle class income - With the growth in Indian middle class Income, there is an upsurge foreseen in the construction and housing sectors, going forward. Also, with rapid urbanization as expected in the coming years to continue, there is more scope for the cement industry's growth, going forward. With the growth escalating to the regions, East India also is part of the growth horizon going forward.

Government impetus - With the various government programs, such as National Rural Employment Guarantee and low-cost housing in urban and rural area schemes like Jawaharlal Nehru National Urban Renewal Mission and Rajiv Gandhi Aawas Yojana in place, the housing demand is expected to get a boost.

Refractory industry overview

The global refractory market is forecast to grow at a CAGR of 0.7%, reaching 39.8 million tonnes by 2017, according to an independent study. Although growth has slowed in recent years, refractory demand and value is still very significant. In the present scenario, acquiring overseas interests, whether at raw material sources, processing plants, or clients to export to, could become vital for refractory companies especially in developed countries.



The principal applications of refractories are in iron and steel industries, cement, glass, non-ferrous metals, petro-chemicals and fertilizer industry, chemicals, ceramics and even thermal power stations and incinerators. Steel is the largest market for refractories, both historically and at present.

Indian refractories industry boasts of a capacity of nearly 2.4 million tonnes. It is catering to the steel industry in India, majorly