

Wings of Courage

Orient Cement Limited
Annual Report 2016-17



Corporate Information

BOARD OF DIRECTORS

- Mr. Chandrakant Birla**
(Chairman)
- Mr. Desh Deepak Khetrpal**
(Managing Director & CEO)
- Mrs. Amita Birla**
- Mr. Rajeev Jhawar**
- Mr. Vinod Kumar Dhall**
- Mr. Rabindranath Jhunjhunwala**
- Mr. Janat Shah**
- Mr. Swapan Dasgupta**
- Mr. I.Y.R. Krishna Rao**
(Appointed as an Additional Director in the category of Independent Director w.e.f. 5th May, 2017)

KEY MANAGERIAL PERSONS

- Mr. Desh Deepak Khetrpal**
(Managing Director & CEO)
- Mr. Sushil Gupta**
(Chief Financial Officer)
- Ms. Deepanjali Gulati**
(Company Secretary)

STATUTORY AUDITORS

M/s. S.R. Batliboi & Co., LLP
Chartered Accountants,
22, Camac Street, Block C,
3rd Floor, Kolkata - 700016

REGISTERED OFFICE

Unit-VIII, Plot No. 7, Bhoinagar,
Bhubaneswar - 751 012 (Odisha)

MANUFACTURING PLANTS

Devapur
P.O. Devapur Cement Works
Dist. Adilabad - 504 218 (Telangana)

Jalgaon
Nashirabad, Dist. Jalgaon (MS)

Chittapur
Village Itaga, Malkhaid Road,
Taluka Chittapur, Dist. Kalburagi,
Karnataka - 585 292

REGISTRAR & TRANSFER AGENT

MCS Share Transfer Agent Limited,
F-65, Okhla Industrial Area,
Phase-I, New Delhi - 110 020

BANKERS

State Bank of India
HDFC Bank Limited
Indian Bank
ICICI Bank Limited
EXIM Bank of India
Punjab National Bank

6th ANNUAL GENERAL MEETING

Date : 23rd day of September, 2017
Day : Saturday, Time : 2:00 P.M.
Place : Unit-VIII, Plot No. 7, Bhoinagar,
Bhubaneswar - 751 012 (Odisha)

BOOK CLOSURE FOR AGM

Monday, 18th day of September, 2017 to
Saturday, 23rd day of September, 2017
(Both days inclusive)

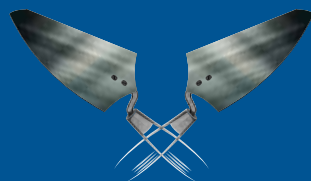
CORPORATE IDENTIFICATION NO.

L26940OR2011PLC013933

WEBSITE

www.orientcement.com

Contents		
Corporate Overview	Passion Over the Years	Financial Highlights
005	006	008
Passion at Work	Chairman's Overview	Managing Director's Overview
014	028	030
How We Do Business	Transforming Realities	Our Board of Directors
032	034	036
Notice	Directors' Report	Management Discussion & Analysis
037	057	089
Corporate Governance Report	Business Responsibility Report	Financial Statements
096	123	132



The sum is always greater than the parts. The combined efforts of a more than 4000-strong* workforce at Orient Cement, making it a force to reckon with, are a fine testament to this. Every member of the Orient Cement family is also a true spokesperson of the company who speaks the language of ambition, commitment and passion. This Annual Report for the year 2016-17 captures the efforts of these employees that have helped the Company stride ahead, even in the face of adverse challenges. It is an ode to the spirit of Orient Cement and its family.

*Includes indirect (contract workmen) employees



VISION

Grow to be a relevant national player, driven by execution excellence and be the 'employer of choice' and 'neighbour of choice'.

VALUES

- Foresight amidst pessimism
- Persistence during adversity
- Focus within choices
- Empowerment coupled with controls

Orient Cement Limited.



One of India's most exciting cement companies.

Pursuing growth ambitions along with cost leadership.

Graduating from a regional presence into a pan-India personality.

Background

Formed in 2012 following the demerger from Orient Paper & Industries Ltd., Orient Cement has emerged as one of the fastest growing and leading cement manufacturers in India.

Manufacturing facilities

The Company has three cement manufacturing plants in Devapur (Telangana), Chittapur (Karnataka) and Jalgaon (Maharashtra). The Company operates an aggregate cement manufacturing capacity of 8 MTPA with a clinker manufacturing capacity of close to 6 MTPA.

Acquisition

Orient Cement recently announced an intention to acquire a 74% stake in Bhilai Jaypee Cement Limited having an integrated capacity of 2.2 MTPA and a separate grinding unit in Nigrie with a capacity of 2.0 MTPA. This is expected to enhance the Company's cement manufacturing capacity to 12.2 MTPA along with an entry into the central and eastern markets of India.

Certifications

The company is a responsible cement manufacturer accredited with ISO 9001:2008, ISO 14001:2004 and OHSAS

18001:2007 standards. The company regularly modernises its manufacturing infrastructure and equipment with the objective of enhancing operating efficiencies, maintaining product quality and conserving energy and emissions. As a result of its efforts, the Company won the Total Plant Maintenance (TPM) Excellence award from JIPM, Japan, the second company in India to earn this distinction.

Markets

The Company sells its cement predominantly in the states of Maharashtra, Telangana, Karnataka, Andhra Pradesh, and Madhya Pradesh. It also sells cement in the states of Chattisgarh, Gujarat, Goa and Tamil Nadu.

Brands

The company produces two cement varieties (Ordinary Portland and Pozzolana Portland Cement) marketed under the Birla A1 Premium flagship brand. The company's brand is synonymous with excellent quality, high product resilience and robust load-bearing capability.

1995

- Won a National Award for Energy Efficiency

1996

- Won the Raasi Cement Silver Rolling trophy
- Won a National Award for Energy Efficiency in the Indian cement industry

1997

- Won the International Greenland Society national award
- Awarded a certificate of Merit by the National Productivity Council of India

2001

- Won an award for TPM excellence – First Category.
- Won a National Award for Energy Efficiency
- Won a National Award for energy efficiency in the Indian cement industry.

2003

- Won an Award for Excellence in Consistent TPM commitment – First Category.
- Won an Award for Total Productive Maintenance.
- Won a World Environment Day Award for cleaner production technologies.

2005

- Awarded a Certificate from the Andhra Pradesh Pollution Control Board for clean emissions.

2006

- Won an Award for Reclamation & Rehabilitation at the Mines Environment & Mineral Conservation Week.

2007

- Won the Mayday Best Management Award
- Won the Greentech Safety Award (Silver) for safety management
- Won the 1st prize in A2 group at the MEMC Week, Silver Jubilee Year.

2008

- Won the first prize in Overall Performance – Large Mechanised Mines
- Won the first prize in Water Quality Management – Large Mechanised Mines
- Won the second prize in Logistics & Transportation from Mines Safety & Productivity Council, Hyderabad
- Certified for ISO 14001:2004 from Det Norske Veritas, for Manufacture of Cement
- Certified for OHSAS 18001:2007 from Det Norske Veritas, for Manufacture of Cement
- Won the Gold Award for Best Organisation, Indira Gandhi Memorial National Award.

2009

- Won second prize in Mine Working, Mines Safety Week by Mancheril Cement Company
- Awarded NABL Certificate Mechanical Testing, ISO/IEC 17025:2005
- Awarded NABL Certificate Quality Control Laboratory & Chemical Testing, ISO/IEC 17025:2005

2010

- Won second prize in Water Quality Management – Large Mechanised Mines
- Certified for ISO 9001:2008 from Det Norske Veritas for cement manufacture and supply.

2011

- Won first prize in Management of Subgrade Materials – Large Mechanised Mines.

2012

- Won the Golden Peacock Occupational Health & Safety Award, Andhra Pradesh

2013

- Won the Golden Peacock Occupational Health and Safety Award
- Won the Greentech Safety Silver Award for Safety & Health Management in the cement sector.

2015

- Won the Greentech Environment Gold award.
- Won the Product of the Year Award, Home Magazine.
- Won the Best Managed Companies Award, Asiamoney.
- India's Top Challengers Award, Construction World
- Won the Top 100 A&D Brand, Economic Times Architecture & Design Summit.

2016

- Won Gold Award (Cement) at SEEM National Energy Management Awards
- Won Energy Efficient Unit (Devapur) at CII National Energy Management Awards
- Announced intention to acquired 74% stake in Bhilai Jaypee Cement Limited as well as the separate Nigrie grinding unit from the Jaypee group.

2017

- Became a member of the Cement Sustainability Initiative, under the aegis of the World Business Council for Sustainable Development (WBCSD)
- Won Best Management Award from Telangana Government

Passion over the years

How we have performed in the last few years

Revenue (₹ cr)	
29% growth over the last year	
FY14	1638
FY15	1757
FY16	1684
FY17	2167
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<div><div><div>Definition</div><div>Sales growth without deducting excise duties.</div></div><div><div>Why we measure</div><div>This measure reflects our ability to understand market trends and service customer requirements with our products, through responsive manufacturing and competent supply chain management.</div></div><div><div>Performance</div><div>Our aggregate sales increased 29 per cent to Rs 2167 cr in FY 17, which compared favourably with the 1% per cent de-growth of the country's cement sector.</div></div><div><div>Value impact</div><div>Creates a robust growth engine on which to build profits</div></div></div>	

EBIDTA (₹ cr)	
Stable when compared with the previous year	
FY14	224
FY15	313
FY16	193
FY17	190
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<div><div><div>Definition</div><div>Earning before the deduction of fixed expenses (interest, depreciation, extraordinary items and tax).</div></div><div><div>Why we measure</div><div>It is an index that showcases the company's ability to optimize business operating costs despite inflationary pressures, which can be easily compared with the retrospective average and sectoral peers.</div></div><div><div>Performance</div><div>The company's EBITDA grew until FY15 and then declined as it was impacted</div></div><div><div></div><div>by adverse movement of prices in the specific regions that it operates as well costs related to the optimization of new capacity. The company is engaged in a number of initiatives to enhance EBITDA from this point onwards.</div></div><div><div>Value impact</div><div>Measure of the cash produced by the operating business, before interest or depreciation, that is internally available to fund further capital expenditure and investments in the business going forward, before requiring external funding.</div></div></div>	

ROCE (%)	
Declined	
FY14	19.61
FY15	31.21
FY16	7.60
FY17	3.09
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<div><div><div>Definition</div><div>It is a financial ratio that measures a company's profitability and the efficiency with which its capital is employed in the business.</div></div><div><div>Why we measure</div><div>ROCE is a useful metric for comparing profitability across companies based on the amount of capital they use - especially in capital-intensive sectors.</div></div><div><div>Performance</div><div>The company reported a 451 bps decline in ROCE in FY 17 as it increased its investments in new capacity while bearing the brunt of twin effects lower cement prices in its operating regions as well as the costs of stabilization linked to new capacity, expected to improve going forward.</div></div><div><div>Value impact</div><div>Enhanced ROCE can potentially drive valuations and perception.</div></div></div>	

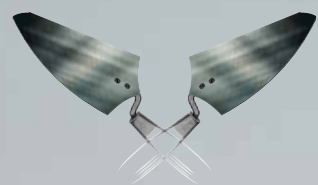
Gearing (x)	
Increased moderately	
FY14	0.34
FY15	1.09
FY16	1.19
FY17	1.31
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<div><div><div>Definition</div><div>This is derived through the ratio of debt to net worth (less revaluation reserves).</div></div><div><div>Why we measure</div><div>This is one of the defining measures of a company's financial health, indicating the ability of the company to remunerate shareholders over debt providers (the lower the gearing the better). In turn, it indicates the ability of the company to sustain growth in profits, margins and shareholder value.</div></div><div><div>Performance</div><div>The company increased borrowings to continue to invest in projects related to its recent capacity creation; correspondingly, gearing weakened marginally from 1.19 in FY16 to 1.31 in FY17.</div></div><div><div>Value impact</div><div>Enhanced shareholder value by keeping the equity side constant.</div></div></div>	

Net Profit (₹ cr)	
Declined	
FY14	101
FY15	195
FY16	62
FY17	-32
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<div><div><div>Definition</div><div>Profit reported during the year after deducting all expenses and provisions.</div></div><div><div>Why we measure</div><div>It highlights the strength in the business model in generating ultimate value for its shareholders.</div></div><div><div>Performance</div><div>The company's net profit grew until FY15 and then declined particularly as</div></div><div><div></div><div>it was impacted by the depreciation and interest cost linked to the new capacity expansion. The number is expected to improve as the newly commissioned capacities become fully operational.</div></div><div><div>Value impact</div><div>Direct correlation to value attributable to shareholders and available to support further investment in growth.</div></div></div>	

EBITDA margin (%)	
Declined	
FY14	13.67
FY15	17.80
FY16	11.47
FY17	8.79
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<div><div><div>Definition</div><div>EBITDA margin is a profitability ratio used to measure a company's pricing strategy and operating efficiency. Higher the operating margin, better for the company.</div></div><div><div>Why we measure</div><div>The EBITDA margin gives an idea of how much a company earns (before accounting for interest and taxes) on each rupee of sales.</div></div><div><div>Performance</div><div>The company reported a 268 bps decline in EBITDA margin in FY 17 in line with the absolute EBITDA movement due to reasons outlined above.</div></div><div><div>Value impact</div><div>Demonstrates the efficiency of a company's core operations relative to revenue generated in the market.</div></div></div>	

Debt cost (%)	
Declined	
FY14	11.52
FY15	9.90
FY16	10.02
FY17	10.09
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<div><div><div>Definition</div><div>This is derived through the calculation of the average cost of the consolidated debt on the company's books.</div></div><div><div>Why we measure</div><div>This indicates our ability in convincing bankers and other debt providers of the robustness of our business model, translating into a progressively lower debt cost (potentially leading to higher margins).</div></div><div><div>Performance</div><div>The company's debt cost declined from 11.52 per cent in FY14 to around 10 per cent in the last couple of years and has been relatively stable.</div></div><div><div>Value impact</div><div>Strengthened ability to service debt, enhanced credit rating for successive declines in debt cost.</div></div></div>	

Interest cover (x)	
Declined	
FY14	10.17
FY15	4.71
FY16	1.68
FY17	1.49
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<div><div><div>Definition</div><div>This is derived through the division of EBITDA by interest outflow.</div></div><div><div>Why we measure</div><div>Interest cover indicates the company's comfort in servicing interest, the highest the better.</div></div><div><div>Performance</div><div>The company's interest cover has been stable this year; reduced levels on account of</div></div><div><div></div><div>the enhanced borrowing and lower EBITDA for reasons outlined earlier.</div></div><div><div>Value impact</div><div>Higher number indicates strengthened ability to service debt reflecting either improved cash flows or reduced interest costs or both.</div></div></div>	



Orient Cement. Where the currency is passion



Most companies are driven by a few individuals with the largest financial ownership.

Orient Cement is driven by a large number of individuals with extensive emotional ownership.

For most companies, a day at work is just an occupation to earn a living.

At Orient Cement, every workday is an opportunity to discover oneself.

For most people, a day at work is spent in addressing the routine.

At Orient Cement, every workday is an opportunity to transform one's workspace, company and life - for the better.

In most companies, change is slow, gradual and incremental.

At Orient Cement, we have empowered our people to make the biggest change in the shortest time.

A 32 year old company with a start-up mindset.

Growing conviction that the good can be easily made better.

A growing obsession with finding and eliminating waste.

Where the most disruptive word is 'Why?'

A belief that God lies in the small details.

An excitement of bringing youthfulness to one of the oldest industrial sectors.

Where 'culture' is not some fossilised way of working but a passion-driven way of making change happen.

Where sales managers discuss 'Big Data' and their cutting-edge technologies

Where people speak up at meetings.

Where authority and responsibility are provided irrespective of age.

Where hierarchy has been replaced by meritocracy.

Where 'kuch naya sochay' is probably the most frequently-used line.

Where employees have begun to refer to factories as 'campuses'.

Where the average age is declining.

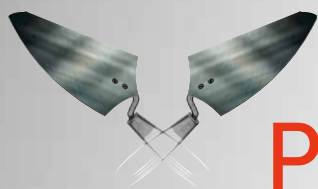
Where there are more women in the workforce than ever before.

Where no cost is sacred.

Where 'Does this represent the very best standard?' is being increasingly used in every meeting.



Orient Cement.
Large company body.
Small company soul.



Passion at work



'NO ONE'S ASKED ME FOR AN AUTOGRAPH BUT THEN YOU **NEVER KNOW WHAT MIGHT HAPPEN TOMORROW...**'



ATUL DIXIT
MECHANICAL TEAM, JALGAON

At Orient Cement, the more anyone says 'this can't be done', the more that proposition is questioned.

One day, the management dared me to a challenge: optimize grinding operations at Jalgaon.

The first reaction was a yawn. Because whatever one assumed should have been done in improving processes would have been done decades ago I thought.

But we learnt in college that when you can't understand something, just put every number on a sheet of paper. Stare at the numbers. Then you will see a pattern. And suddenly a solution will emerge.

That is what I did when examining various optimization opportunities. I got my first opportunity when I noticed that the plant transported fly ash through the pneumatic route to the cement mill. Pneumatic route? Hey, I had studied physics in school: wouldn't this be higher in cost that, say, low capacity blowers?

So I wrote a paper and presented this to the management: the numbers, logic, argument and cost.

I prepared for the verdict: 'Good try. But we don't think this will work.'

Instead, what I heard was: 'When can you show us the prototype?'

The long and short of this is that following implementation, the cost of fly ash conveyance declined. Moderated maintenance frequency. Accelerated fly ash unloading and vehicle turnaround time. And this model is ready for implementation across two more Orient Cement factories.

There is a certain high when you walk the shop floor at Orient Cement and colleagues whisper 'Achcha, yahi hai woh banda....'

No one's asked me for an autograph but then you never know what might happen tomorrow.

'THE MOVING MOMENT WAS WHEN MY COMPANY SENT ME A MESSAGE THAT IT WAS MISSING ME ON THE BATTLE-FRONT'



SAGAR TYAGI
TECHNICAL SERVICES TEAM, CHATTISGARH

My job: market our Orient Cement brand across eight depots in 16 districts across 600 sq. kms.

My routine: visit dealers and distributors to enhance brand awareness.

My destiny: an accident in August 2015 following which I was hospitalized, had metal rods inserted in my legs and was provided a walking stick.

My fear: my company would draw out the hisaab-kitaab and say ke bhai, we think you might be suited to a desk job in another company.

My moving moment: my company sending a message that they were missing me on the battle-front.

My response: I over-achieved all my targets after I rejoined. I made a video that explained the Pressure Sustaining Technology to an unskilled person, which won the first prize and Rs. 11,000 (this was used to buy blankets for the underprivileged).

My learning: any company that can provide a relatively new employee with eight months of paid leave is more than a company - it is a family.



'WHAT I HEARD WAS MUSIC TO MY EARS: 'KAB SHURU KAROGE?'



ROSHAN REDNAM
TECHNICAL SERVICES TEAM, COASTAL ANDHRA AND WARANGAL

At Orient Cement, my job is to engage with primary customers: masons, contractors, builders, engineers and architects.

For years, the usual mode of engagement was conducting a lecture-shecture and giving each attendee a gift.

At our company, this idea received a standard response: 'Boring!'

And that is how one came across the idea of conducting a cube casting competition. This would engage the workers into something intellectual. This engagement would be extended so it would provide them with an exposure to our product. And most importantly, it would expose them to us across days and days, which was a nice opportunity to build friendships and relationships.

But it is one thing to propose this; it is another to get it accepted.

When I went to the Orient Cement management, I prepared for the usual: 'Please think of something practical' or 'This doesn't work in our business.'

What I heard was music to my ears: 'Kab shuru karoge?'

And that is how a three-month competition started. Building a cube with recycled aggregates from demolished buildings.

The activity proved to be a resounding success. Testing was conducted by NIT.

The feedback: 'Orient Cement is the first company to have treated us like creative professionals.'

