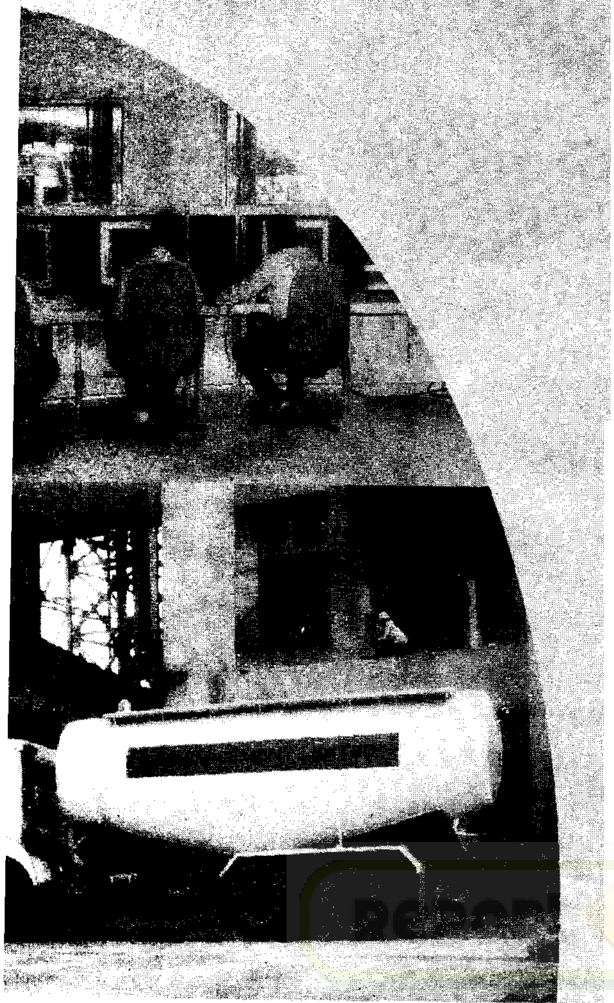
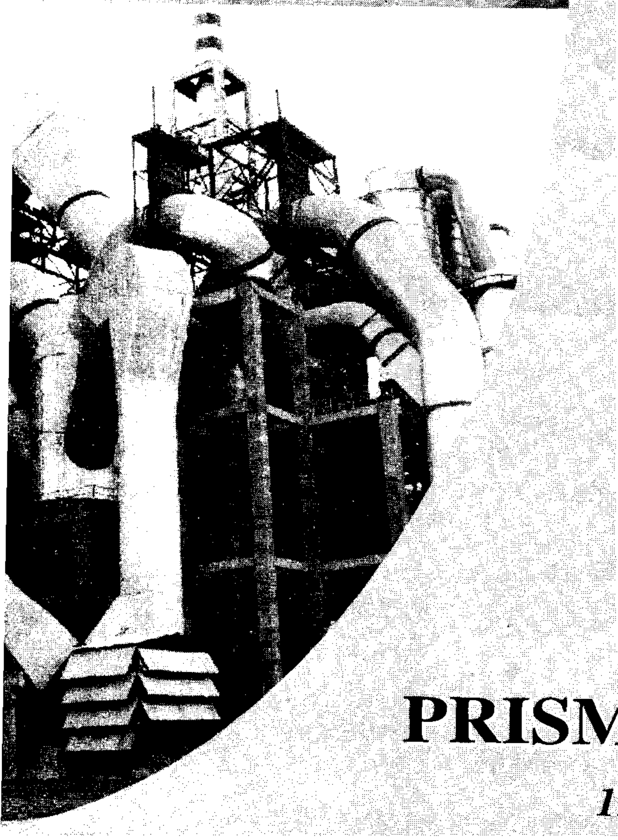


PRISM CEMENT



PRISM CEMENT LIMITED

12th Annual Report 2003-2004

BOARD OF DIRECTORS

Mr. Rajan B. Raheja
Chairman

Mr. Manoj Chhabra
Managing Director

Mr. Aziz H. Parpia

Mr. Rajesh G. Kapadia

Mr. Satish B. Raheja

Mr. Vijay Aggarwal
Alternate to Mr. Satish Raheja

Mr. Christian Venderby

Mr. Sridhar Sampath

Mr. S. Khasnobis
Nominee of ICICI Bank Ltd.

COMPANY SECRETARY
Mrs. Aneeta S. Kulkarni

REGISTRAR & TRANSFER AGENTS

Karvy Computershare Private Ltd.,
46, Avenue 4, Street No. 1,
Banjara Hills, Hyderabad - 500 034.

BANKERS

State Bank of India
Vijaya Bank
Bank of Baroda

AUDITORS

N. M. Raiji & Co., Mumbai

INTERNAL AUDITORS

Borkar & Muzumdar, Mumbai

COST AUDITORS

N. I. Mehta & Co., Mumbai

SOLICITORS

Wadia Ghandy & Co., Mumbai

CORPORATE OFFICE

'Rahejas', Main Avenue, V. P. Road,
Santacruz (W), Mumbai - 400 054.

REGISTERED OFFICE

305, Laxmi Niwas Apartments,
Ameerpet, Hyderabad - 500 016.

PLANT

Village Mankahari, Tehsil Rampur Baghelan,
Dist: Satna - 485 111, M. P.

MARKETING OFFICE

16/1/6A, Tagore Town, J. N. Road,
Allahabad - 211 002, U. P.

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NOTICE

NOTICE IS HEREBY GIVEN that the Twelfth Annual General Meeting of the Company will be held on Tuesday, December 14, 2004, at 11.00 a.m. at Taj Mahal Hotel, 4-1-999, Abids Road, Hyderabad - 500 001, to transact the following business:

Ordinary Business :

1. To receive and adopt the Directors' Report and the audited Profit and Loss Account for the year ended June 30, 2004 and the Balance Sheet as at that date and the report of the Auditors thereon.

2. To appoint a Director in place of Mr. Rajan B. Raheja, who retires by rotation and is eligible for re-appointment.

3. To appoint a Director in place of Mr. Aziz H. Parpia who retires by rotation and is eligible for re-appointment.

4. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

   "RESOLVED THAT the retiring Auditors, Messrs. N. M. Raiji & Co., who being eligible, have offered themselves for re-appointment, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting at a remuneration to be mutually agreed between the Board of Directors of the Company and the Auditors, in addition to reimbursement of out-of-pocket expenses in connection with the audit of the Company."

NOTES :

a. A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself and the Proxy need not be a member. Proxies, in order to be valid, must be received by the Company at the Registered Office not less than 48 hours before the Meeting.

b. The Register of Members and Transfer Books of the Company will remain closed from Tuesday, December 7, 2004, to Tuesday, December 14, 2004 (both days inclusive).

c. Members are requested to send all communication relating to shares and debentures to the Company's Registrar & Transfer Agents - Karvy Computershare Private Ltd., Unit: Prism Cement Limited, 46, Avenue 4, Street No. 1, Banjara Hills, Hyderabad - 500 034. Members holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DPs).

d. Nomination facility for shares is available for Members. The prescribed format, in this regard, can be obtained from the Company's Registrar and Transfer Agents.

e. The Company's equity shares are listed on the Stock Exchange, Mumbai and the National Stock Exchange. The listing fees for the year 2004-2005 have been paid to the aforesaid Stock Exchanges.

f. In terms of Government of India Notification No. GSR 750 (E) dated October 1, 2001, the Company has transferred unclaimed interest on non-convertible debentures in respect of 3rd, 4th and 5th Interest Accounts during the year to the Investor Education & Protection Fund.

By Order of the Board of Directors
for PRISM CEMENT LIMITED

Aneeta S. Kulkarni
Company Secretary

Place : Mumbai
Date : September 16, 2004

DIRECTORS' REPORT

To the Shareholders,

The Directors present the Twelfth Annual Report together with the audited Accounts of the Company for the year ended June 30, 2004.

OPERATING RESULTS

During the year ended June 30, 2004, the Company produced 20.76 lakh tonnes of clinker and 19.93 lakh tonnes of cement as against 18.19 lakh tonnes of clinker and 19.28 lakh tonnes of cement produced during the year ended June 30, 2003. The sale of cement and clinker was 22.79 lakh tonnes during the year under review as compared to 19.99 lakh tonnes during the previous year, registering a growth of 14%.

The financial performance of the Company for the year ended June 30, 2004 is given below :

	2003-04 Rs. Lakhs	2002-03 Rs. Lakhs
Sales	46,384	39,625
Less : Excise duty	8,315	7,131
Net Sales	38,069	32,494
Other income	455	158
	38,524	32,652
Expenditure	30,329	27,303
Operating Profit	8,195	5,349
Interest & other charges	2,525	3,698
Lease Rentals	1,634	1,875
Profit/(Loss) before Depreciation/Amortisation	4,036	(224)
Depreciation	2,881	3,039
Amortisation	388	427
Profit/(Loss) for the year before tax	767	(3,690)
Provision for current tax	(1)	(1)
Deferred tax	(1,360)	569
Net Profit/(Loss)	(594)	(3,122)

Effective cost reduction measures, savings in finance charges, higher productivity and sales and better realisations have resulted in the Company earning a profit before tax of Rs. 767 lakhs as against a loss before tax of Rs. 3,690 lakhs in the previous year. However, after providing for current tax and reversal of deferred tax asset, there has been a net loss of Rs. 594 lakhs for the year under review as against a net loss of Rs. 3,122 lakhs for the previous year.

FINANCE

During the year, the Company repaid the final instalment of Debentures of Rs. 1,402 lakhs. Interest and finance charges at Rs. 4,159 lakhs during the year under review were lower by 25.4% from Rs. 5,573 lakhs in the previous year. Better negotiation of interest rates and working capital management enabled the Company to reduce its finance charges.

DIRECTORS

In accordance with requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rajan B. Raheja and Mr. Aziz H. Parpia retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. As required, the details concerning the Directors are included in the Corporate Governance Report.

CORPORATE GOVERNANCE

As per Clause 49 of the Listing Agreement with the Stock Exchanges, a separate section on Corporate Governance together with a certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this Report.

DISCLOSURE OF PARTICULARS

Information as per Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are given in the statement which forms part of this Report. However, as per provisions of Section 219 (1) (b) (iv) of the Companies Act, 1956, the Annual Report and Accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder interested in obtaining a copy of the statement may write to the Company's Registered Office at Hyderabad or to its Corporate Office at Mumbai.

As 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, information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure 'A' forming part of this Report.

PERSONNEL

The Board wishes to place on record its appreciation of sincere and dedicated work of all the employees. Industrial relations continued to remain cordial throughout the year under review.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, relating to Directors' Responsibility Statement, the Directors confirm that:

1. in preparation of the accounts for the year ended June 30, 2004, the applicable Accounting Standards have been followed alongwith proper explanation relating to material departures;
2. the Directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on June 30, 2004 and of the profit or loss of the Company for the year ended on that date;
3. 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;
4. the Directors have prepared the accounts for the year ended June 30, 2004 on a going concern basis.

AUDITORS

The Auditors, M/s. N. M. Raiji and Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and are recommended for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224 (1) of the Companies Act, 1956.

COST AUDIT

As per the requirement of the Central Government and pursuant to Section 233 B of the Companies Act, 1956, the Company's Cost Records in respect of cement for the year ended June 30, 2004 are being audited by Cost Auditors, M/s. N. I. Mehta & Co.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the assistance, support and co-operation extended by various Central and State Government departments/agencies, financial institutions and banks. Lastly, the Directors wish to sincerely thank all the shareholders for their continued support.

For and on behalf of the Board of Directors

RAJAN B. RAHEJA
Chairman

Place : Mumbai
Date : September 16, 2004

ANNEXURE 'A' TO THE DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

Following modifications were carried out during the year 2003 - 2004 for improving the productivity and reducing the specific power consumption and specific heat consumption

- Modification of Kiln bricks lining pattern to increase lining life.
- Modification of ILC Pfister blower to reduce the blower speed.
- Reduction of plant compressor run hour by optimising the air utilisation without affecting process.
- Installation of Mill by-pass fly-ash feeding system in Cement Mill II.
- Modification in raw coal conveying belt to reduce the stoppage hours.
- Increasing the reclaimer belt speed to increase the carrying capacity.
- Installation of higher capacity gearbox in kiln feed elevator.
- Frequent monitoring and arresting of system false air to reduce the fan load.
- Optimisation of key process parameters.

(b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy

Proposed modifications and capacity enhancement

- Increase of additional fly-ash bulker fleet to increase the fly-ash consumption.
- Installation of dense phase conveying system for fly-ash conveying.

(c) Impact of measures for reduction of energy consumption and consequent impact on the cost of production of goods

- The above measures have resulted / will result in savings in the consumption of fuel, power and increase in production, ultimately resulting in lower cost of production.

(d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the Schedule:

FORM A
(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy.

	2003-2004	2002-2003
(A) POWER AND FUEL CONSUMPTION		
1. *Electricity*		
a) Purchased		
Units (lakh - KWH)	**3.26**	3.82
Total Amount (Rs. in lakhs)	**16.13**	18.67
Rate / Unit (Rs.)	**4.95**	4.89
b) Own Generation		
i) Through Diesel Generators		
Net units (lakh - KWH)	**1941.43**	1702.25
Units Per Ltr. of Furnace / Diesel Oil (KWH)	**4.15**	4.11
Cost / Unit (Rs. / KWH)	**3.83**	3.92
ii) Through Steam Turbine / Generator	**Nil**	Nil
2. *Coal (A to D grade used in Kiln)*		
Quantity (Tonnes)	**318328**	284786
Total Cost (Rs. lakhs)	**5849.95**	4844.89
Average Rate (Rs.)	**1837.71**	1701.24
3. *Furnace Oil*		
Quantity (K. Ltrs.)	**48737**	43208
Total Cost (Rs. lakhs)	**5644.09**	5191.16
Average Rate (Rs. / K. Ltr.)	**11580.61**	12014.24
4. *High Speed Diesel*		
Quantity (K. Ltrs.)	**498**	897
Total Cost (Rs. lakhs)	**87.10**	162.57
Average Rate (Rs. / K. Ltr.)	**17490.88**	18114.76
5. *Others / Internal Generation*	**Nil**	Nil

(B) CONSUMPTION PER UNIT OF PRODUCTION

Electricity (KWH / T of Cement)	**83.78**	79.54
HSD / FO (Ltr. / T of Clinker)	**0.19**	0.42
Coal (Percentage of Clinker)	**15.34**	15.65

B. TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption as per Form B:

FORM B
(See Rule 2)

Form for disclosure of particulars with respect to absorption.

RESEARCH AND DEVELOPMENT (R & D)

1. ***Specific areas in which R&D carried out by the Company***
   - Use of Phospho Gypsum in place of Mineral Gypsum.
2. **Benefits derived as a result of the above R&D**
   - Reduced Gypsum consumption.
   - Cost savings.
3. **Future plan of action**
   - Exercise to reduce the energy consumption.
   - Installation of membrane filter bags in bag house.
   - Installation of new fly-ash feeding system in cement mills.
   - Upgradation of Roller Press gearbox with new planetary gearbox.
   - Further improvement in brick lining pattern.
   - Further upgradation in plant automation by WIN NT based DCS system.
   - Detailed studies to carry out the plant capacity enhancement.
4. **Expenditure on R&D**

	2003-04 Rs. Lakhs	2002-03 Rs. Lakhs
Capital	**Nil**	Nil
Recurring	**4.65**	4.25
Total R&D expenditure as percentage of turnover	**0.01**	0.01

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. **Efforts, in brief, made towards technology absorption, adaptation and innovation**
   - Absorbing and adapting latest technology in maintenance system like Hexadur tyre fixing of Roller Press Hexadur rollers.
   - Indigenous development of imported spares.
   - Technical visit of engineers to the best operating plants.
   - Technical interaction with expert technologists from world renowned cement machinery manufacturers.
   - Continuous update of machinery product and services.
2. **Benefits derived as result of the above efforts**
   - Improvement in the existing processes and productivity.
   - Cost reduction.
   - Improvement in knowledge of updated technology.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

(f) Activities relating to export, initiative taken to increase exports, development of new export markets for products and services and export plans

- The Company is continuously exploring avenues to increase exports to neighbouring countries.

(g) Total foreign exchange used and earned

	2003-2004 Rs. Lakhs	2002-2003 Rs. Lakhs
CIF value of Imports	**732.37**	839.99
Expenditure in foreign currency	**1007.14**	509.03
Earning in foreign currency	**197.45**	121.62

MANAGEMENT DISCUSSION & ANALYSIS

Performance : 2003-04

Cement realisations in the markets of our interest were sluggish for the first six months of the year under review. With the prices firming up during the second half of the year, due to better realisations, the Company's performance improved. The relocation of markets and realignment of marketing strategies together with enhancement of brand image have also yielded positive results. Coupled with higher production and sales, decrease in finance charges and other cost reduction measures, the Company reported a profit before tax of Rs. 767 lakhs as against a loss before tax of Rs. 3,690 lakhs in the previous year. However, after providing for current tax and reversal of deferred tax asset, there has been a net loss of Rs. 594 lakhs for the year under review as against a net loss of Rs. 3,122 lakhs for the previous year.

Business Environment

During the fiscal 2003-04, the industrial output grew by a robust 6.9% as against 5.7% in the previous year. An upturn was also evident in the cement industry following a surge in demand from the infrastructure sector and housing sector. However, this happened only in the last quarter of the fiscal year ended March 2004. The performance during the first nine months of the fiscal 2003-04 was below expectation due to the infrastructure bottlenecks in movement of basic raw material viz. coal and lower growth in cement demand. Due to this, the cement industry showed a relatively lower growth of 5.5% during the fiscal year 2003-2004 as against 8.7% clocked in the previous fiscal. Cement production for the year ended March 2004 was 117.44 mn.t as against 111.80 mn.t registered in the previous fiscal.

Many clusters, especially those in the States of Madhya Pradesh and Chattisgarh have been facing acute shortage of wagons for movement of clinker, coal and cement. The problem further aggravated due to the restrictions for loading of cargoes carried by transport contractors by road. This has resulted in non-availability of sufficient number of trucks for movement of goods despite freight rates having gone up. Despite constraints, the Satna cluster showed a growth of about 4% in the year under review.

Company's Future Outlook

The cement industry has been looking up since last year with sustained demand from the infrastructure sector for roads, ports and housing construction. Cement off-take depends primarily upon demand from the construction sector, which in turn is driven by various factors such as good monsoons, GDP growth and spending on infrastructure. With all indications of a GDP growth of 7-8% in the current year, the confirmation from the new Government to continue its spending on infrastructure and no major capacity additions, the industry is also expected to grow at 7-8% in 2004-05. Per capita consumption of cement in India is growing at a steady pace, but at 102 kgs per capita consumption it is yet far from the world per capita consumption of 260 kgs. This augurs well for the Company.

The commitment of the Government to accelerate the completion of irrigation and other rural infrastructure projects would drive cement demand. The National Highways Authority of India aims to complete National Highways Development Programme (NHDP) and the Golden Quadrilateral project in the next 2-3 years.

The Company is geared up to take on the increased orders and participate in all the projects tendered for in the markets of its interest. The expected consumption of cement for these projects would be in the range of 3-4 million tonnes. The Company has already received sizeable orders for the supply of cement for road as well as bridge projects and expects to procure substantial orders in respect of other projects being tendered.

Even as raw material, freight and manufacturing costs have risen, the Company has undertaken several initiatives to cut costs.

Initiatives undertaken by the Company to improve the efficiency of the plant and enhance production capacity continued during the current year. The Company has set-up an additional Cement Bulker Loading System and an additional Truck Loading System. These facilities will increase cement despatches and combat the problem of rail wagon shortage.

The Company has remained focussed on its efforts to control distribution costs. The Company reduced its average lead from 355 Kms. during 2002 - 2003 to 342 Kms. during the year under review, resulting in substantial saving of primary and secondary freight. Improvements in raw material management and sound management of logistics have also led to substantial reduction in costs.

The Company's pursuit to achieve a low interest finance structure continued during the year under review. The Company repaid its final instalment of debentures and negotiated with banks and financial institutions for lower interest rates. Coupled with the conversion of Rupee loans into FCNR(B) loans, the Company has reduced its finance costs. Interest outflow declined from Rs. 3,698 lakhs in 2002-03 to Rs. 2,525 lakhs in the year under review.

Stringent measures taken by the Company resulted in reduction of customer outstandings from 21 days of sales during 2002-03 to 18 days of sales during 2003-04. The Company will continue to lower its customer outstandings during the current year.

Buoyed by higher demand expectations and no major capacity expansions likely over the next year, the Company expects a better performance in the coming year.

Internal Control Systems

The Company has an adequate system of internal controls to ensure that all assets are safeguarded. The management ensures that the controls are implemented through well-defined organisation structure, documented policy and guidelines and manuals towards achieving efficiency in operations and optimum utilisation of resources.

The internal control systems are supplemented by an extensive programme of internal audits by the Company's Management Audit Team and the independent Internal Audit Team. They cover on a continuous basis all areas of plant operations and marketing functions at all locations. Their scope also includes evaluation of all financial, operating and system controls. A qualified and independent Audit Committee of the Board reviews the internal audit reports and the performance as reported by the Internal Audit team. The external auditors express their views on the adequacy of internal control systems as well as financial disclosures. The Board is apprised on all business aspects regularly.

Human Resources

Human resource is one of the most important assets of an organisation. With a view to improve performance and to meet future challenges, efforts are made to develop the knowledge and skill base of all employees. On-the-job training, job rotation and need-based training programmes are an on-going process to improve employee efficiency.

During the year, under the Company's ongoing Employee Development Programme, which covers all Workmen and Staff, 6 programmes were organized covering over 138 employees.

Safety and Welfare Measures

Safety at work and observance of safety norms is the joint responsibility of the employees and the management of the Company. Identification of safety hazards and taking care to avoid accidents is an ongoing exercise. It is the endeavour of the Management to integrate safety with the day-to-day working and all efforts are made in the direction to provide an accident-free work environment to the workforce. Safety rules and regulations and various guidelines are communicated through 'safety meets', circulars and drills. During the 'Safety Week', on-site training programmes are conducted in various departments to make people aware about safety aspects. Employees, workers and their families participate in various competitions viz. safety posters, safety essays, safety slogans and safety quiz.

Various cultural and welfare programmes are organised at the plant which are attended by the officers, staff and their families. The children of the employees participate in various extra-curricular activities which ensures the wholesome development of their personalities.

Environment

The Company is conscious of its responsibility towards creating, maintaining and ensuring a safe and clean environment. Several measures have been implemented to ensure that the employees and workers are motivated, have knowledge and a keen desire to maintain equipment in good working condition so that the plant environment is pleasant and safe to work in. Steps have been taken for safe storage, handling and disposal of materials and for controlling pollution from effluents, dust and stack emissions. The Company continues to enjoy ISO 9001-2000 certification accredited to it in the previous year.

The Company has been awarded the 1st prize for "Air Quality Management" at the Mines Environment & the Mineral Conservation Week 2003-04 conducted by the Director General of Mines Safety, Jabalpur Region.

Cautionary Statement

Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized by the Company. Actual results could differ materially from those expressed or implied.

The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.