

PRISM CEMENT LIMITED

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ANNUAL REPORT 2005-2006





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. K. Swaminathan
Nominee of ICICI Bank Ltd.

COMPANY SECRETARY

Mrs. Aneeta S. Kulkarni

REGISTRAR & TRANSFER AGENT

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 Fourteenth Annual General Meeting of the Company will be held on Tuesday, September 26, 2006, 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, 2006 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."

Special Business :

5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution :

"RESOLVED THAT in partial modification of the Special Resolution passed at the Eleventh Annual General Meeting of the Company held on December 16, 2003 and subject to the provisions of Section 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 (the Act) or any re-enactments thereof, read with Schedule XIII to the Act, and of the Articles of Association of the Company, and subject to the requisite approval of the Central Government and all other approvals/consents/sanctions/permissions as may be necessary, the consent of the Company be and is hereby accorded to the revision in the remuneration payable to the Managing Director, Mr. M. Chhabra, with effect from August 25, 2006 for the remaining part of his tenure i.e. upto August 24, 2008, as set out in the draft Supplemental Agreement ("Agreement") to be entered into between the Company and Mr. Chhabra, submitted to this meeting and initialled by the Chairman for the purpose of identification."

"RESOLVED FURTHER THAT the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include Remuneration Committee of the Board) shall, in accordance with the statutory limits/approvals as may be applicable, be at full liberty to revise/alter/modify/amend/change the terms and conditions of the Agreement from time to time as may be agreed to by the Board and Mr. Chhabra."

"RESOLVED FURTHER THAT all other terms and conditions of the Agreement dated January 20, 2004 entered into between the Company and Mr. Chhabra shall remain unchanged."

NOTES :

- a. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business mentioned under Item No. 5 above, is annexed hereto.
- b. 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.
- c. The Register of Members and Transfer Books of the Company will remain closed from Tuesday, September 19, 2006, to Tuesday, September 26, 2006 (both days inclusive).
- d. Members are requested to send all communication relating to shares to the Company's Registrar & Transfer Agent - 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).

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- e. Nomination facility for shares is available for Members. The prescribed format, in this regard, can be obtained from the Company's Registrar and Transfer Agent.
- f. The Company's equity shares are listed on the Stock Exchange, Mumbai and the National Stock Exchange. The listing fees for the year 2006-2007 have been paid to the aforesaid Stock Exchanges.
- g. 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 8th and 9th Interest Accounts during the year to the Investor Education & Protection Fund.

By Order of the Board of Directors
for PRISM CEMENT LIMITED

Place : Mumbai
Date : July 25, 2006

Aneeta S. Kulkarni
Company Secretary

EXPLANATORY STATEMENT

As required by Section 173 (2) of the Companies Act, 1956, the following Explanatory Statement sets out the material facts relating to Item No. 5 mentioned in the accompanying Notice dated July 25, 2006.

Item No. 5

Shareholders at the Eleventh Annual General Meeting of the Company had approved the appointment of Mr. M. Chhabra as Managing Director of the Company for a period of 5 years w.e.f. August 25, 2003. The shareholders had also approved remuneration payable to Mr. Chhabra in accordance with the provisions of Schedule XIII to the Companies Act, 1956 ("the Act") in the range of Rs. 2,00,000 - Rs. 4,00,000 per month, to be decided from time to time by the Remuneration Committee/Board of Directors.

Mr. Chhabra as Managing Director has been steering the fortunes of the Company. He has been associated with the Company since the initial stages of project implementation as part of the senior management team and was appointed as Executive Director - Finance & Commercial effective August 1999. The past few years were difficult for the cement industry. Mr. Chhabra is instrumental in bringing about a change in the overall approach to marketing and production. This, coupled with initiatives on cost savings and efficient fund management, has enabled the Company to turnaround, carve out a niche for its products in the premium brand market and achieve sustainable higher returns.

In recognition of the significant contributions and initiatives taken by Mr. Chhabra and in accordance with the authority conferred by the shareholders at the Eleventh Annual General Meeting, the Remuneration Committee and the Board of Directors at their respective meetings held on July 25, 2006, subject to the approval of the shareholders at the ensuing Annual General Meeting and the Central Government, have revised the remuneration payable to Mr. Chhabra for the period August 25, 2006 to August 24, 2008 to the extent as set out in the draft Supplemental Agreement and as stated hereunder:

Remuneration :

Section I : Payable when the Company has adequate profits

Remuneration, by way of salary, dearness allowance, perquisites and other allowances payable monthly, and commission, which together shall not, in any financial year, exceed five per cent of its net profits for one such managerial person, and if there is more than one such managerial person, ten per cent for all of them together, as may be decided from time to time by the Remuneration Committee/the Board of Directors.

Section II : Payable when the Company has no profits or inadequate profits

Salary, dearness allowance, perquisites and other allowances in the range of Rs. 4,00,000 - Rs. 7,00,000 per month, as may be decided from time to time by the Remuneration Committee/the Board of Directors.

The following perquisites shall not be included in the computation of the ceiling on perquisites included under "Remuneration":

- i. Contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income-tax Act, 1961.
- ii. Gratuity payable as per the rules of the Company, so as not to exceed half month's salary for each completed year of service.
- iii. Encashment of leave: as per the Company's Rules, at the end of the tenure.

All other terms and conditions of the Agreement dated January 20, 2004 entered into between the Company and Mr. Chhabra shall remain unchanged.

This may be treated as an abstract of the terms of variation in the remuneration payable to the Managing Director required to be sent to every member pursuant to Section 302 of the Companies Act, 1956.

The draft Supplemental Agreement to be entered into with the Managing Director is available for inspection at the Company's Registered Office at Hyderabad and at the Corporate Office at Mumbai, on all working days between 11.00 a.m. and 1.00 p.m., except Saturdays, up to the date of the Annual General Meeting.

The Directors are of the view that the Company would continue to be immensely benefitted by the experience and guidance of Mr. Chhabra, and therefore recommend adoption of the Resolution at Item No. 5.

Except for Mr. M. Chhabra, Managing Director, none of the other Directors is concerned or interested in any way in the Resolution.

The information as required by Schedule XIII to the Companies Act, 1956, is given hereunder :

I. General information :

- | | |
|---|-----------------------|
| (1) Nature of Industry | Manufacture of Cement |
| (2) Date of commencement of commercial production | August 1, 1997 |
| (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus | Not Applicable |
| (4) Details of Financial performance of the Company during last three years | |

Rs. Lakhs

| Financial Parameters | Year ended 30th June | | |
|---|----------------------|----------|---------|
| | 2004 | 2005 | 2006 |
| Turnover | 46,839 | 53,532 | 68,045 |
| Net Profit/(Loss) (as per Profit & Loss Account) | (594) | 2,582 | 6,208 |
| Net Profit/(Loss) (as per computed under Section 349 read with Section 198) | (16,641) | (12,558) | (3,412) |

- (5) Export performance and net foreign exchange earnings Exports to Nepal – Rs. 123.59 Lakhs for the year ended 30.6.2006

- (6) Foreign investments or collaborators, if any None

II. Information about the appointee :

- (1) Background Details

Mr. M. Chhabra is a Chartered Accountant and has over 30 years of varied experience in the Industry. He was appointed as Executive Director - Finance & Commercial of the Company, for a period of 5 years with effect from August 1, 1999 and as Managing Director with effect from August 25, 2003. He joined the Company in the initial stages of project implementation and has held various positions in the Company at senior management level. Before joining the Company, he held senior positions at the corporate level in Larsen & Toubro Limited, where he worked for over 16 years.

- (2) Past Remuneration :

(Rs. Lakhs)

| Year Ended | Salary | Perquisites | Commission | Others* | Total |
|------------|--------|-------------|------------|---------|---------|
| 30.6.2004 | 28.34 | 0.07 | Nil | 8.53 | 36.94 * |
| 30.6.2005 | 40.16 | 0.07 | Nil | 12.08 | 52.31 |
| 30.6.2006 | 47.05 | 0.07 | Nil | 14.15 | 61.27 |

* Comprises of provident fund and retirement benefits.

includes remuneration received in the capacity of Executive Director for the period 1.7.2003 - 24.8.2003.

- (3) Recognition or awards

The Company has won various awards in the field of energy efficiency, safety, etc. and has achieved following milestones under the able guidance and efforts made by the Managing Director:

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1. The Company is an ISO 9000 - 2001 Company.
2. The Company was ranked 3rd best for Leadership in adopting the state-of-the-art technology and energy efficiency for the year 2004-05, in the Cement Industrial Green Rating Project undertaken by the Centre for Science and Environment, Delhi.
3. The Company has won the 1st prize for "Safety Education" and "Mining Machineries" at the Annual Safety Week awarded by the Directorate General of Mines Safety, Jabalpur Region and 1st prize for "Noise, Vibration & Aesthetic Beauty" at the Mines Environment & Mineral Conservation Week Celebration by the Indian Bureau of Mines, Jabalpur Region.

(4) Job profile and his suitability

To oversee the company's affairs and management, to implement the investment plans and make strategy for excelling the performance and growth of the Company under the supervision of the Board of Directors. Considering Mr. Chhabra's background, he is eminently suitable to hold the position of Managing Director in the Company.

(5) Remuneration proposed

It is proposed to revise the remuneration payable to the Managing Director in case the Company has no profits or inadequate profits as set out in detail in the earlier part of the Explanatory Statement.

(6) Comparative remuneration profile with respect to industry, size of the Company, profile of the position and person

Taking into consideration the size of the Company, the profile of Mr. Chhabra, the responsibilities shouldered and the significant contributions made by him, the proposed remuneration is reasonable.

(7) Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel, if any

Mr. Chhabra has no pecuniary relationship, directly or indirectly, with the Company or relationship with the managerial personnel except for the remuneration paid/payable to him.

III. Other Information :**(1) Reasons for loss or inadequate profits**

The Company has not incurred loss since the year ended 30.6.2005. However, the Company is carrying unabsorbed losses of Rs. 4490 lakhs of earlier years which can be attributed to the recession then prevalent in the cement industry.

(2) Steps taken or proposed to be taken for improvement and expected increase in productivity and profits in measurable terms

Mr. Chhabra has made significant contribution towards improvement of production and marketing of the Company's products. The Company has achieved record levels of production and sales during his tenure. The Company has undertaken several important measures for reduction of cost in the areas of repayment of high cost debt, reduction in finance charges, power and freight. Through his untiring efforts and directions, the Company has moved from a loss making unit to a profit making Company. The Company's products are placed in the premium brand and have made their presence widely in the markets of interest.

The Company's profitability has improved considerably in the past two years and is likely to improve further in the years to come.

IV. Disclosures :

The details of remuneration of Directors are provided under Para 3 of the Report on Corporate Governance attached to the Annual Report.

By Order of the Board of Directors

Aneeta S. Kulkarni
Company Secretary

Place : Mumbai
Date : July 25, 2006

Registered Office :

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

DIRECTORS' REPORT

To the Shareholders,

The Directors present the Fourteenth Annual Report together with the audited Accounts of the Company for the year ended June 30, 2006.

OPERATING RESULTS

The financial performance of the Company for the year ended June 30, 2006 is given below :

| | <u>2005-06</u> <u>Rs. Lakhs</u> | <u>2004-05</u> <u>Rs. Lakhs</u> |
|---|------------------------------------|------------------------------------|
| Sales | 67,818 | 52,943 |
| Less : Excise duty | 10,654 | 8,955 |
| Net Sales | 57,164 | 43,988 |
| Other income | 227 | 212 |
| | <u>57,391</u> | <u>44,200</u> |
| Expenditure | 42,093 | 34,028 |
| Operating Profit | 15,298 | 10,172 |
| Exchange gain/(loss) on restatement of foreign currency loans | (396) | 377 |
| Profit before finance charges & depreciation/amortisation | 14,902 | 10,549 |
| Finance charges | 2,535 | 3,085 |
| Profit before depreciation/ amortisation | 12,367 | 7,464 |
| Depreciation | 3,073 | 3,006 |
| Amortisation | 229 | 430 |
| Profit before tax | 9,065 | 4,028 |
| Provision for taxation | (906) | (121) |
| Provision for fringe benefit tax | (33) | (25) |
| Deferred tax | (1,918) | (1,300) |
| Net Profit | <u>6,208</u> | <u>2,582</u> |

OPERATIONS

Production of clinker and cement registered a growth of 8% and 10% respectively for the year under review. The Company produced 22.02 lakh tonnes of clinker and 21.60 lakh tonnes of cement during the year ended June 30, 2006, as against 20.41 lakh tonnes of clinker and 19.68 lakh tonnes of cement produced during the year ended June 30, 2005.

As a result of the above, there was a 50% rise in

operating profit from Rs. 10,172 lakhs in the previous year to Rs. 15,298 lakhs in the year under review. After providing for taxes, the Company earned a net profit of Rs. 6,208 lakhs during the year as against Rs. 2,582 lakhs for the previous year.

FINANCE

Growth in volumes, higher cement prices, optimising realisations and a consistent check on costs enabled the Company to improve its margins and consequently reduce its debt. The Company repaid high-cost debt of about Rs. 12,916 lakhs during the year under review. Despite firming up of interest rates, efficient management of funds resulted in the reduction of finance charges from Rs. 3,085 lakhs for the year ended 30.6.2005 to Rs. 2,535 lakhs during the year ended 30.6.2006.

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 requisite details of Directors seeking reappointment are included in the Report on Corporate Governance.

Mr. M. Chhabra holds office as Managing Director of the Company for a period of five years with effect from August 25, 2003. Subject to the requisite approvals, the remuneration payable to Mr. Chhabra is proposed to be revised and is recommended for approval by the members.

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 Annual Accounts for the year ended June 30, 2006, the applicable Accounting Standards have been followed and there has been no material departure;
2. they 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, 2006 and of the profit of the Company for the year ended on that date;

3. they have taken proper and sufficient care to the best of their knowledge 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. they have prepared the accounts for the year ended June 30, 2006 on a going concern basis.

PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars 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 Directors' Report is being sent to 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.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

AUDITORS

The Auditors, M/s. N. M. Rajji and Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and have given their consent 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, 2006 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 and co-operation extended by various Central and State Government departments/agencies, financial institutions and banks. The Directors wish to thank the shareholders for their continued support to the Company.

The Board wishes to place on record its appreciation of sincere and dedicated work of all the employees, which has largely contributed to the present growth of the Company.

For and on behalf of the Board of Directors

RAJAN B. RAHEJA
Chairman

Place : Mumbai

Date : July 25, 2006

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 2005 - 2006 for improving the productivity and reducing the specific power consumption and specific heat consumption.

- > Modifications in Fly Ash Feeding System.
- > Audit & modification of Compressor Air System to optimise the compressor air requirement.
- > Effective implementation of Preventive Maintenance System.
- > Commissioning of new Energy Management System (EMS).

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

Proposed modifications and capacity enhancement:

- > Upgradation of pyro-processing capacity.
- > Upgradation of packing plant.
- > New system for Fly Ash handling and feeding.
- > Installation of variable frequency drive at Primary Air fan.

(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 thermal and electrical energy and enhance the production, 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

(A) POWER AND FUEL CONSUMPTION

1. Electricity

a) Purchased

| | | |
|--------------------------|-------|-------|
| Units (Lakhs - kWh) | 3.07 | 3.30 |
| Total Amount (Rs. Lakhs) | 15.09 | 16.54 |
| Rate/Unit (Rs.) | 4.92 | 5.01 |

b) Own Generation

i) Through Diesel Generator

| | | |
|--------------------------|---------|---------|
| Net Units (Lakhs - kWh) | 2033.77 | 1877.36 |
| Unit per Ltr. of Diesel/ | | |
| Furnace Oil (kWh) | 4.09 | 4.09 |
| Cost/Unit (Rs./kWh) | 5.66 | 4.33 |

ii) Through Steam

| | | |
|-------------------|-----|-----|
| Turbine/Generator | NIL | NIL |
|-------------------|-----|-----|

2. Coal (used in Kiln)

| | | |
|------------------------|---------|---------|
| Quantity (Tonnes) | 363458 | 332354 |
| Total Cost (Rs. Lakhs) | 7987.32 | 6666.13 |
| Average Rate (Rs.) | 2197.59 | 2005.73 |

3. Furnace Oil

| | | |
|---------------------------|----------|----------|
| Quantity (K.Ltrs.) | 51870 | 47627 |
| Total Cost (Rs. Lakhs) | 9196.43 | 5888.43 |
| Average Rate (Rs./K.Ltr.) | 17729.83 | 12363.62 |

4. High Speed Diesel

| | | |
|---------------------------|----------|----------|
| Quantity (K.Ltrs.) | 537 | 827 |
| Total Cost (Rs. Lakhs) | 142.36 | 183.87 |
| Average Rate (Rs./K.Ltr.) | 26513.59 | 22239.69 |

5. Others/Internal Generation

| | | |
|--|-----|-----|
| | NIL | NIL |
|--|-----|-----|

(B) CONSUMPTION PER UNIT OF PRODUCTION

| | | |
|-------------------------------|-------|-------|
| Electricity (kWh/T of Cement) | 76.26 | 78.60 |
| HSD/FO (Ltr./T of Clinker) | 0.20 | 0.23 |
| Coal (Percentage of Clinker) | 16.51 | 16.29 |

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 Mineralizer in pyro-processing.

2. Benefits derived as a result of the above R & D

- > Reduced Gypsum consumption.
- > Reduced energy consumption.

3. Future plan of action

- > Exercise to reduce the energy consumption.
- > Production of Mineralized clinker.
- > Installation of membrane filter bags in bag house.

4. Expenditure on R & D

| | 2005-2006 Rs. Lakhs | 2004-2005 Rs. Lakhs |
|---|------------------------|------------------------|
| Capital | Nil | Nil |
| Recurring | 4.84 | 4.75 |
| 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 relevant technology.
- > Indigenous development of imported spares.

2. Benefits derived as a result of the above efforts

- > Improvement in the existing process and productivity.
- > Cost Reduction.

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

| | 2005-2006 Rs. Lakhs | 2004-2005 Rs. Lakhs |
|---------------------------------|------------------------|------------------------|
| CIF value of imports | 815.86 | 1842.80 |
| Expenditure in foreign currency | 1210.30 | 1338.88 |
| Earning in foreign currency | 123.59 | 148.66 |