



PRISM CEMENT LIMITED

ANNUAL REPORT 2008-09



PRISM CEMENT LIMITED

Board of Directors

Mr. Rajesh G. Kapadia

Chairman

Mr. Rajan B. Raheja

Mr. Aziz H. Parpia

Mr. Satish B. Raheja

Mr. Vijay Aggarwal

Alternate to Mr. Satish Raheja

Mr. Akshay R. Raheja

Mr. Manoj Chhabra

Managing Director

Company Secretary

Mrs. Aneeta S. Kulkarni

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.

Registrar & Transfer Agents

Karvy Computershare Private Ltd.,
(Unit : Prism Cement Limited),
Plot No.17 to 24, Near Image Hospital,
Vittalrao Nagar, Madhapur, Hyderabad - 500 081

Bankers

State Bank of India
Vijaya Bank
Axis Bank Limited

Auditors

N. M. Raiji & Co., Mumbai

Internal Auditors

Natvarlal Vepari & Co., Mumbai

Cost Auditors

N. I. Mehta & Co., Mumbai

Solicitors

Wadia Ghandy & Co., Mumbai

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NOTICE

NOTICE IS HEREBY GIVEN that the Seventeenth Annual General Meeting of the Company will be held on Tuesday, May 12, 2009, at 11.30 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 nine month period ended March 31, 2009 and the Balance Sheet as at that date and the report of the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Mr. Rajesh G. Kapadia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Akshay R. Raheja, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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 :

1. 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.
2. The Register of Members and Transfer Books of the Company will remain closed from Tuesday, May 5, 2009 to Tuesday, May 12, 2009 (both days inclusive). If the final dividend as recommended by the Board of Directors is approved at the meeting, payment of such dividend will be made on or after May 14, 2009 as under :
 - i. To all beneficial owners in respect of shares held in electronic form as per the data as may be made available by the National Securities Depository Limited and the Central Depository Services (I) Limited as of the close of business hours on May 4, 2009.

- ii. To all shareholders in respect of shares held in physical form after giving effect to valid transfers in respect of transfer requests lodged with the Company on or before the close of business hours on May 4, 2009.

3. Shareholders holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of the dividend. The Company or its Registrars cannot act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the shareholders.
4. In order to avail the facility of Electronic Clearing System (ECS) for receiving direct credit of dividend to his / their respective account with the Bank(s), the members holding shares in physical form are requested to provide their Bank Account details to the Company's Registrar & Transfer Agent - Karvy Computershare Private Ltd. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend.
5. 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, Plot No. 17 - 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad - 500 081. Members holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DPs).
6. 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.
7. The Company's equity shares are listed on The Bombay Stock Exchange Limited and the National Stock Exchange of India Limited. The listing fees for the year 2009-2010 have been paid to the aforesaid Stock Exchanges.
8. Pursuant to Section 205C of the Companies Act, 1956, the Company has transferred unclaimed interest on non-convertible debentures in respect of 14th and 15th Interest Accounts and the Unclaimed Redemption - 2nd instalment of non-convertible debentures to the Investor Education & Protection Fund.

By Order of the Board of Directors

Place : Mumbai

Aneeta S. Kulkarni

Date : April 14, 2009

Company Secretary

Registered Office :

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

DIRECTORS' REPORT

To the Shareholders,

The Directors present the Seventeenth Annual Report together with the audited Accounts of the Company for the nine months ended March 31, 2009.

OPERATING RESULTS

The Board of Directors has decided to adopt a twelve month financial period from 1st April to 31st March each year as against 1st July to 30th June in the earlier years. Consequently, the operating results have been drawn up for the nine month period from 1st July 2008 to 31st March 2009.

	<u>2008-09</u> (Nine months) <u>Rs. Crores</u>	<u>2007-08</u> (Twelve months) <u>Rs. Crores</u>
Sales	721.41	1019.75
Less : Excise duty	94.17	143.30
Net Sales	627.24	876.45
Other income	9.93	15.92
	637.17	892.37
Expenditure	457.34	539.88
Profit before finance charges, depreciation and tax	179.83	352.49
Finance charges	3.54	3.83
Profit before depreciation and tax	176.29	348.66
Depreciation	24.31	31.93
Profit before tax	151.98	316.73
Provision for current tax	(61.24)	(80.41)
Provision for fringe benefit tax	(0.51)	(0.40)
Deferred tax	6.00	5.71
Profit after tax	96.23	241.63
Add : Surplus brought forward	319.52	112.97
Less : Transitional adjustment for AS-15	—	0.18
Profit available for appropriations	415.75	354.42
Appropriation :		
Transfer to General Reserve	5.00	—
Proposed Dividend	14.92	—
Interim Dividend	29.83	29.83
Dividend distribution tax	7.60	5.07
Surplus carried to Balance Sheet	358.40	319.52

DIVIDEND

During the period under review, the Company has paid an Interim Dividend of Re. 1/- per equity share of Rs. 10/- each aggregating to an amount of Rs. 34.90 crores (including dividend distribution tax of Rs 5.07 crores). In addition, the Board of Directors has recommended a final dividend of Re. 0.50 per share. The aggregate

dividend for the period ended March 31, 2009 would amount to Rs. 1.50 per share as against Re. 1/- per share paid for the previous year ended June 30, 2008.

This would result in a total dividend outflow of Rs. 52.35 crores (including dividend distribution tax of Rs. 7.60 crores) for the nine month period as against Rs. 34.90 crores (including dividend distribution tax of Rs. 5.07 crores) in the previous year.

OPERATIONS

During the period under review, the Company produced 17.44 lakh tonnes of clinker and 18.61 lakh tonnes of cement. The sale of cement and clinker was 22.88 lakh tonnes during the same period. For the nine month period ended March 31, 2009 the profit before tax was Rs. 151.98 crores and net profit was Rs. 96.23 crores.

EXPANSIONS

The Company has plans to augment its cement capacity in the coming years. The Company is in the process of setting up another cement plant adjoining the present plant location at Satna with a proposed cement capacity of 3.6 MTPA. Orders for its core plant and machinery have already been placed. Civil and other allied work has already commenced. The Company endeavours to commence commercial production in the last quarter of 2010.

The Company also has plans to set up a cement plant in the Kurnool District of Andhra Pradesh with a cement capacity of 4.8 MTPA. The environmental clearance has already been obtained and about 85% of land under the mining lease has been acquired. The mines development work has already commenced. The Company is awaiting certain clearances from the State Government after which further activity shall take place.

The Company has been allotted a Coal Block in the Chhindwara District of Madhya Pradesh. The Mining Plan has been approved by the Central Government and the Company is awaiting clearance from the Ministry of Environment & Forests.

FINANCE

The Company continues to be debt-free. The Company's major investments are in Mutual Fund Liquid schemes. The aggregate amount of investments in the schemes as on March 31, 2009 stood at Rs. 55.80 crores. During the period under review, the Company has invested Rs. 145.78 crores in Raheja QBE General Insurance Company Limited, taking the total investment to Rs. 153.18 crores (including Rs. 5.18 crores as share application money), which represents 74% of its share in the subsidiary.

DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rajesh G. Kapadia and Mr. Akshay R. Raheja retire by rotation at the forthcoming Annual General Meeting



PRISM CEMENT LIMITED

and being eligible, have offered themselves for re-appointment.

As required, the requisite details of Directors seeking re-appointment are included in this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, relating to Directors' Responsibility Statement, the Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, confirm that:

1. in preparation of the Annual Accounts for the nine month period ended March 31, 2009, 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 March 31, 2009 and of the profit of the Company for the nine month period 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 nine month period ended March 31, 2009 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 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.

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 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. Raiji 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 (1B) of the Companies Act, 1956.

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 nine months ended March 31, 2009 are being audited by Cost Auditors, M/s. N. I. Mehta & Co.

SUBSIDIARY

During the period under review, the subsidiary M/s. Raheja QBE General Insurance Company Limited (RQBE) was granted the Certificate of Registration for carrying out general insurance business by the Insurance Regulatory and Development Authority (IRDA) in December 2008. RQBE is planning to launch its products in the current financial year.

As required under section 212 of the Companies Act, 1956 the audited accounts alongwith the report of the Board of Directors relating to the subsidiary company Raheja QBE General Insurance Company Limited and the Auditors' Report thereon are attached.

CONSOLIDATED FINANCIAL STATEMENTS

The audited Consolidated Financial Statements have been prepared in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

For the nine months ended March 31, 2009, the consolidated net profit of the Company and its subsidiary company amounted to Rs. 92.05 crores as compared to Rs. 96.23 crores for the Company on a stand alone basis.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its sincere appreciation of the excellent contribution made by all the employees towards the overall performance of the Company. The Directors also thank the shareholders, various Central and State Government departments/agencies, banks and other business associates for their valuable service and support during the period under review.

For and on behalf of the Board of Directors

RAJESH G. KAPADIA

Chairman

Place : Mumbai

Date : April 14, 2009

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 2008-09 for improving the productivity and reducing the specific power consumption and specific heat consumption :

- ❖ Use of membrane bags.
- ❖ Installation of new X-ray analyzer for improved control of raw mix.
- ❖ Modification in the fine coal bin extraction system.
- ❖ Re-routing of the water distribution circuit.
- ❖ Water spray system in cooler.
- ❖ Energy efficient CFL lamps.

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

Proposed modifications and capacity enhancement

- ❖ Up-gradation of packing plant PLC.
- ❖ Fly-ash silo commissioning.
- ❖ Rationalisation of compressed air system.

(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.

(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)	1607.73	2051.72
Total Amount (Rs. Crores)	64.14	81.37
Rate/Unit (Rs.)	3.99	3.97

b) Own Generation

i) Through Diesel Generator		
Net Units (Lakhs - KWH)	22.67	11.39
Unit per Ltr. of Diesel/		
Furnace Oil (KWH)	3.47	3.13
Cost/Unit (Rs./KWH)	7.70	13.18
ii) Through Steam		
Turbine/Generator	NIL	NIL

2. Coal (used in Kiln)

Quantity (Tonnes)	305863	380291
Total Cost (Rs. Crores)	98.89	107.65
Average Rate (Rs.)	3233.24	2830.61

3. Furnace Oil

Quantity (K.Ltrs.)	618	296
Total Cost (Rs. Crores)	0.87	0.65
Average Rate (Rs./K.Ltr.)	14056.93	22026.00

4. High Speed Diesel

Quantity (K.Ltrs.)	289	428
Total Cost (Rs. Crores)	1.04	1.36
Average Rate (Rs./K.Ltr.)	35917.79	31865.56

5. Others/ Internal Generation

	NIL	NIL
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(B) CONSUMPTION PER UNIT OF PRODUCTION

Electricity (KWH/ T of Cement)	70.63	68.08
HSD/ FO (Ltr./ T of Clinker)	0.13	0.15
Coal (Percentage of Clinker)	17.53	16.63

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

- ❖ Optimisation of raw mix with suitability of admixtures.

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

- ❖ Stable kiln operation/ increased clinker production.
- ❖ Improved cement mill operation.
- ❖ Reduced energy consumption.

3. Future plan of action

- ❖ Studies to be done to upgrade of production.
- ❖ Modification of packing plant has been started.

4. Expenditure on R&D

2008-2009 (9 months)	2007-2008 (12 months)
Rs. Crores	Rs. Crores

Capital	Nil	Nil
Recurring	0.08	0.10
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

- ❖ Installation and commissioning of IGBT based SPRS system in ILC and SLC fans.
- ❖ Up-gradation of PLC in coal mill.
- ❖ Use of new improved cooler grate plates.

2. Benefits derived as results of the above efforts

- ❖ Saving in the consumption of thermal.
- ❖ Increased availability of coal mill equipments.
- ❖ Improved cooling efficiency and increased plate life.

C. FOREIGN EXCHANGE EARNING 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

	<u>2008-2009</u> <u>(9 months)</u> <u>Rs. Crores</u>	<u>2007-2008</u> <u>(12 months)</u> <u>Rs. Crores</u>
CIF value of imports	18.32	19.61
Expenditure in foreign currency	1.15	0.56
Earning in foreign currency	3.86	4.89



MANAGEMENT DISCUSSION & ANALYSIS

Business Environment

The global financial turmoil, which affected the developed economies during 2008-09, has had its ripple effect on the Indian economy as well. Indian GDP growth slipped to 7% in the year 2008-09 as against 9% growth in the previous year. The slowdown of the economy has affected housing, construction and infrastructure sector. However, despite this, the cement industry witnessed a demand of about 8% year-on-year during 2008-09. This was only marginally lower than 10% recorded in the last 2 to 3 years.

Economy in the rural and small towns, the main markets of interest for the Company has remained relatively insulated from the slow down. Rural income, infact, has been on the rise driven largely by continuous growth in agriculture during the past few years and the growth of the service sector. This coupled with easy availability of finance has resulted in a healthy demand for cement.

The lower growth in the year 2008-09, however, impacted the cement prices which remained under pressure and were lower than the previous year. Also the prices of raw materials, coal and freight rose significantly. As a result of which the profitability of the cement industry has been affected.

Looking forward, the per capita consumption of cement in India continues to be low. India is still way behind the global average and this process of catching up with the international average will drive the future growth of the cement industry. The governments, at the Centre and at the State, have undertaken several road and housing projects in the area of our interest besides announcements of several power projects, specially in U.P. and M.P. We also expect further step up in the expenditure on various rural social schemes and enhanced allocation for rural sector after the elections. This should sustain the demand for cement.

Review of Operations and Future Outlook

The Board of Directors has decided to adopt a twelve month financial period from 1st April to 31st March each year as against 1st July to 30th June in the earlier years. Consequently, the operating results have been drawn up for the nine month period from 1st July 2008 to 31st March 2009 and hence the figures are not strictly comparable.

The Company ended the nine months with a turnover of Rs. 721.41 crores. The net profit for the nine month period ended March 31, 2009 was Rs. 96.23 crores. The Company has weathered the slowdown challenges and has

successfully faced them in the market through various risk mitigation measures of containing costs, widening the customer base, reaching out to new consumers, strengthening the supply chain and logistics, opening up new depots and positioning its marketing strategies appropriately. The Company has further exercised credit control and the debtors stand at zero as on March 31, 2009.

Prism has always enjoyed a position of pride with respect to its products and processes and has positioned itself as a company with a high degree of quality consciousness. The Company has been accredited the ISO/IEC 17025:2005 Certificate of Accreditation for Quality Control Laboratories by the National Accreditation Board for Testing and Calibration Laboratories, Department of Science & Technology, India. Regular customer and dealer meets in all segments are organised and a structured feedback mechanism is in place to strengthen Prism's creditability as a supplier of choice. This has resulted in creating desired rapport with and loyalty from customers and dealers.

Expansions

The Company has plans to augment its cement capacity in the coming years. The Company is in the process of setting up another cement plant adjoining the present plant location at Satna with a proposed cement capacity of 3.6 MTPA. Orders for its core plant and machinery have already been placed. Civil and other allied work has already commenced. The Company endeavours to commence commercial production in the last quarter of 2010.

The Company also has plans to set up a cement plant in the Kurnool District of Andhra Pradesh with a cement capacity of 4.8 MTPA. The environmental clearance has already been obtained and about 85% of land under the mining lease has been acquired. The mines development work has already commenced. The Company is awaiting certain clearances from the State Government after which further activity shall take place.

The Company has been allotted a Coal Block in the Chhindwara District of Madhya Pradesh. The Mining Plan has been approved by the Central Government and the Company is awaiting clearance from the Ministry of Environment & Forests.

Internal Control Systems

The Company has an adequate system of internal control commensurate with the size of the Company and the

nature of its business operations to ensure efficacy of operations and compliance with applicable legislation. The system, comprising authority levels and powers, supervision, checks and balances, policies and procedures, is reviewed and updated on an on-going basis. The Company continuously upgrades its internal control systems by measures such as strengthening of IT infrastructure. The Company has appointed Internal Auditors who carry out internal audit across locations of the Company and the results of the audit findings are reviewed by the Audit Committee.

Human Resources

Prism draws its strength from its people whose commitment and contribution has been the cornerstone of the company's growth over the years. The commitment and untiring efforts of employees at all levels have contributed immensely to the results achieved on various fronts and achieving the Company's corporate objectives.

The Company continues to focus on both recruitment and retention, giving priority to meritocracy and ensuring that performance is first recognized and then rewarded in an appropriate manner. Training and development programmes are continuously designed and implemented to address the growing needs of the market.

Corporate Social Responsibility

The Company continues to take up various programmes like laying of roads, building schools / community development centre, providing water connections, etc., for the upliftment of the surrounding areas. During the summer season, the Company deploys water tankers in and around the surrounding areas and towns to provide water to locals who face hardship due to acute water shortage. In addition to the above, the Company extends free medical out-patient facilities to the near-by population and also organizes medical camps periodically for their benefit.

The Company takes special care to understand in detail the key needs of its customer groups and how these can be addressed. The Company has set up a Technical Services Cell manned by civil engineers with the objectives of providing on-site services to individual house builders, educating them about correct

construction practices, economic use of cement and various other aspects of building material and construction.

Safety, Health & Environment

The Company continues to focus on the health, safety and environment of its factory and establishments. It's Health and Safety Policy, which addresses the regulatory requirements and preventive measures ensure the desired safety standards on a sustainable basis. During the year, the Company was awarded the runner up position for NATIONAL SAFETY AWARD - 2006 for the Lowest Average Frequency Rate and the Second Prize for the National Energy Conservation Award for the year 2008.

Safeguarding the health and safety of the employees, as well as promoting a broader culture of health and safety in local communities in which the Company operates, is one of its main responsibilities. The Company conducts ongoing safety awareness programmes, which, together with safety audits and continual safety training, comprise the systems and processes implemented in this area. Putting safety at work first, caring for the employees and the workmen are some of initiatives of the Company for striving for a healthy work environment free of incidents, injuries and accidents.

The Company's limestone mines at Satna were awarded the 1st prize for Overall Performance, Top Soil Management and Air Quality Management amongst others, by the Chief Controller of Mines, Indian Bureau of Mines, Nagpur, at the Mines Environment and Mineral Conservation Week - 2008-09, Jabalpur Division.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include input availability and prices, demand and pricing of finished goods in the Company's principal markets, changes in government regulations, tax laws, economic developments within the country and other incidental factors.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance

The Company believes in maintaining a transparent corporate structure driven solely by business needs, to enable it to serve the interests of its stakeholders including shareholders, customers, Government and society at large. The Board of Directors and the Management are committed to the enhancement of shareholder value through sound business decisions, prudent financial management and high standards of ethics throughout the organization. This is done by ensuring transparency and professionalism in all decisions and transactions, ensuring that systems are put in place and reviewed regularly to ensure compliance with all applicable laws, regulations and guidelines.

1. Board of Directors

- i. The total strength of the Board is six Directors comprising one executive Director and five non-executive Directors, of which two are independent. The Chairman of the Board is an independent Director. Mr. Rajan

Raheja, Mr. Satish Raheja and Mr. Akshay Raheja are related to each other.

- ii. During the period ended March 31, 2009, four Board Meetings were held on the following dates: (i) July 3, 2008 (ii) October 7, 2008 (iii) January 6, 2009 and (iv) March 26, 2009.
- iii. None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees across all the public companies in which he is a Director.
- iv. The following table gives details of Directorship, Category, attendance at Board Meetings and at the last Annual General Meeting and number of memberships of Board/Committees of various other public companies (excluding Directorships in Indian private companies, foreign companies, companies u/s 25 of the Companies Act, 1956 and memberships of Managing Committees of various Chambers/Bodies):

Name	Category of Directorship	Particulars of Attendance		Number of other Directorship and Committee Membership		
		Board Meeting	Last AGM	Other Directorship	Committee	
					Mem-ber	Chair-man
Mr. Rajesh G. Kapadia (Chairman)*	Independent Non-executive	3	Yes	10	2	4
Mr. Rajan B. Raheja	Non-independent Non-executive	4	No	8	4	–
Mr. Aziz H. Parpia	Independent Non-executive	4	No	5	2	1
Mr. Satish B. Raheja	Non-independent Non-executive	–	No	3	1	–
Mr. Vijay Aggarwal (Alternate to Mr. Satish B. Raheja)	Non-independent Non-executive	4	No	5	4	–
Mr. Akshay R. Raheja	Non-independent Non-executive	4	No	3	1	–
Mr. Manoj Chhabra (Managing Director)	Non-independent Executive	4	Yes	1	1	–

*Appointed w.e.f. March 26, 2009

- v. None of the Independent Directors have any material pecuniary relationship or transactions with the Company.
- vi. Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements has been placed before the Board for their consideration.

2. Audit Committee

The Audit Committee of the Company is constituted pursuant to the provisions of the Companies Act, 1956 and the Listing Agreements with the Stock Exchanges. As on March 31, 2009, the Audit Committee comprises of three non-executive Directors Mr. R. G. Kapadia, Chairman of the Committee, Mr. A. H. Parpia and Mr. A. R. Raheja. Two of the members are independent.

The terms of reference of the Audit Committee are in conformity with the statutory guidelines, which inter alia include:

- Overview of the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services;
- Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements;
- Reviewing the adequacy of the Audit and compliance functions, including their policies, procedures, techniques and other regulatory requirements;
- Any other terms of reference as may be included from time to time.

The Audit Committee has met four times during the period ended March 31, 2009 on July 3, 2008, September 23, 2008, October 7, 2008 and January 6, 2009 and the details of attendance by the Committee Members are as follows:

Name of Director	No. of Audit Committee Meetings attended
Mr. R. G. Kapadia	4
Mr. A. H. Parpia	4
Mr. A. R. Raheja	4

For Audit Committee meetings, the Internal and Statutory Auditors are invited and are generally attended by the Managing Director and Sr. President - Corporate Affairs of the Company. The Company Secretary acts as Secretary of the Audit Committee.

3. Remuneration Committee

The Remuneration Committee comprises of 3 non-executive members of the Board viz. Mr. Rajan B. Raheja - Chairman, Mr. A. H. Parpia and Mr. R. G. Kapadia. The Committee decides on the Company's policy on the remuneration package for its Executive Director.

One meeting of the Remuneration Committee was held on July 3, 2008, which was attended by all the members.

The non-executive Directors are only paid sitting fees for attending the Board and Audit Committee meetings. For the period ended March 31, 2009, the non-executive Directors were paid in aggregate, an amount of Rs. 4,70,000/- as sitting fees.

A. Details of Remuneration paid to Directors for period ended March 31, 2009

- Mr. M. Chhabra was appointed as the Managing Director of the Company on July 28, 2003 for a period of 5 years and re-appointed by the Board at its meeting held on July 3, 2008 for a further period of 3 years. The appointment is on contractual basis and is subject to termination by six months' notice by any of the parties. The elements of the remuneration package of Managing Director comprises of salary and perquisites as approved by the shareholders at the annual general meeting. The Company does not pay any bonus, severance fee and no stock option is granted to the Managing Director. During the nine month period ended March 31, 2009, the total managerial remuneration paid to the Managing Director amounted to Rs. 1.42 crores. Details of remuneration paid to the Managing Director are furnished in Note No. 12 of Notes to Accounts.
- Details of shares of the Company held by the Directors as on March 31, 2009 are as under :

Name	No. of shares
Mr. Rajesh G. Kapadia	99
Mr. Rajan B. Raheja	5,12,82,099
Mr. Aziz H. Parpia	1,06,799
Mr. Satish B. Raheja	500
Mr. Akshay R. Raheja	55,50,000
Mr. Manoj Chhabra	600

B. Details of the Directors seeking re-appointment at the Seventeenth Annual General Meeting to be held on May 12, 2009 are furnished below :

Mr. Rajesh G. Kapadia, senior Chartered Accountant, aged 52 years, has been associated with the Company as Director since 1992 and has a wide range of experience in accounts, taxation and company matters. Mr. Kapadia is also a Director on the Board of Asianet Satellite Communication Limited, Bhoruka Power Corporation Limited, Diagold Design Limited, Exide Industries Limited, Goldiam International Limited, H & R Johnson (India) Limited, ING Vysya Life Insurance Company Limited, Innovassynth Technologies (India) Limited, Nilkamal Limited, Raheja QBE General Insurance Company Limited and The