PRISM CEMENT LIMITED

PRISM
CEMENT

BOARD OF DIRECTORS

Mr. Rajan B. Raheja
Chairman

Mr. Sharad N. Shah
Managing Director

Mr. Manoj Chhabra
Executive Director
(Finance & Commercial)

Mr. Aziz H. Parpia

Mr. Rajesh G. Kapadia

Mr. Satish B. Raheja

Mr. Jesper Horsholt

Mr. Vijay Aggarwal
Alternate to Mr. Satish B. Raheja

Mr. Sridhar Sampath

Mr. S. Khasnobis
Nominee of ICICI Bank Ltd.

COMPANY SECRETARY
Mrs. Aneeta S. Kulkarni

REGISTRARS & TRANSFER AGENTS
Karvy Consultants 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 SITE
Village Mankahari/Bamhori,
Satna - 485 111, M.P.

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

NOTICE

NOTICE IS HEREBY GIVEN that the Tenth Annual General Meeting of the Company will be held on Tuesday, December 17, 2002, 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, 2002 and the Balance Sheet as at that date and the report of the Auditors thereon.

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

3. To appoint a Director in place of Mr. Sridhar Sampath, 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, the following resolution as a Special Resolution :

   "RESOLVED THAT subject to the provisions of the Companies Act, 1956, (including any statutory modification(s) or re-enactment(s) thereof for the time being in force), the Securities Contracts (Regulation) Act, 1956, SEBI regulations, circulars or guidelines and the Rules framed thereunder, Listing Agreements, and all other applicable laws, rules, regulations and guidelines and subject to such approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as 'the Board', which term shall be deemed to include any Committee thereof for the time being exercising the powers conferred on the Board by the Resolution), the consent of the Company be and is hereby accorded to the Board to delist the equity shares and debentures of the Company from any or all of the Stock Exchanges at Ahmedabad, Delhi and Hyderabad."

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, December 10, 2002 to Tuesday, December 17, 2002 (both days inclusive).

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

e. Nomination facility for shares is available for Members. The prescribed format, in this regard, can be obtained from the Company's Registrars and Transfer Agents at the address as stated in Note d. above.

f. The Company's equity shares and non-convertible debentures are listed on the Stock Exchanges at Ahmedabad, Delhi, Hyderabad and Mumbai. The listing fees for the year 2002-2003 have been paid to all 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 Application Money in respect of Public Issue of Shares and Debentures made in January 1995, 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 30, 2002

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 September 30, 2002.

At present, the Company's securities are listed at the Stock Exchanges at Ahmedabad, Delhi, Hyderabad (Regional) and Mumbai.

The Company's securities are also traded on the National Stock Exchange of India Limited, Mumbai.

With extensive networking of The Stock Exchange, Mumbai (BSE) and The National Stock Exchange of India Limited, Mumbai (NSE) and extension of BSE/NSE terminals to other cities as well, investors have access to online dealings in the Company's securities across the country. Bulk of the trading in the Company's equity shares takes place on the BSE and the NSE.

The Company's equity shares are one of the scrips which the Securities and Exchange Board of India (SEBI) has specified for settlement only in the dematerialised form by all investors, since May 31, 1999.

The details of average daily trading volumes on the various stock exchanges for the year ended June 30, 2002 are set out hereunder :

	Number of Shares
BSE	40,470
DSE	500
ASE	No trades reported
HSE	No trades reported

The proposed resolution will enable the Company to delist its securities from all or any of the Stock Exchanges at Ahmedabad, Delhi and Hyderabad at an appropriate time in the future.

The proposed delisting of the Company's securities from any or all of the Stock Exchanges at Ahmedabad, Delhi and Hyderabad as and when takes place, will not adversely affect the investors. The delisting will take effect after all approvals, permissions and sanctions, as may be applicable, are received. The exact date on which delisting will take effect will be suitably notified at an appropriate time.

The Directors recommend the Special Resolution at Item No. 5 for approval of the members.

None of the Directors are in any way concerned or interested in the resolution.

By Order of the Board of Directors
for PRISM CEMENT LIMITED
Aneeta S. Kulkarni
Company Secretary

Place : Mumbai
Date : September 30, 2002

Registered Office :

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

DIRECTORS' REPORT

To the Shareholders,

The Directors present the Tenth Annual Report together with the audited Accounts of the Company for the year ended June 30, 2002.

OPERATING RESULTS

During the year ended June 30, 2002, the Company produced 20,11,888 tonnes of cement thereby achieving a capacity utilisation of 100.6 % as against 89.9 % achieved during the 15-month period ended June 30, 2001. The sale of cement and clinker at 21,03,893 tonnes during the year under review is higher by 13.0 % as compared to the previous period on an annualized basis.

The financial performance of the Company for the year ended June 30, 2002 is given below :

	12 months ended 30.6.2002 Rs. Lakhs	15 months ended 30.6.2001 Rs. Lakhs
Sales & other income	**42,628**	48,243
Expenditure	**34,372**	37,620
Operating Profit	**8,256**	10,623
Finance Charges	**6,028**	8,169
Gross Profit	**2,228**	2,454
Depreciation	**3,001**	3,553
Amortisation	**592**	570
Provision for Taxation	**1**	1
	(1,366)	(1,670)
Deferred tax credit	**478**	-
Net Profit / (Loss)	**(888)**	(1,670)

During the year under review, the prices of cement remained quite subdued. For most part of the year, the prices were lower as compared to the previous period. Due to this, inspite of an increase in sales by 13 %, the sales realizations were lower than in the previous period.

However, due to repayment of loans and reduction in interest rates achieved during the year, the finance charges at Rs. 6,028 lakhs have come down by Rs. 507 lakhs, when compared with the annualized amount of the previous period. Depreciation and amortisation charges were higher as compared to the previous period.

Due to a combination of the above factors, the Company incurred a net loss of Rs. 888 lakhs as against a net loss of Rs. 1,670 lakhs for the previous period of 15 months.

FINANCE

During the year, the Company repaid the second instalment of Debentures of Rs. 1,402 lakhs and there has been a net reduction of other loans by Rs. 2,139 lakhs. Thus, the Company reduced its borrowings by Rs. 3,541 lakhs resulting in lowering of interest cost.

DIRECTORS

Mr. Peter G. Christiansen resigned from the Board on January 31, 2002. The Board wishes to place on record its appreciation of the contribution made by Mr. Christiansen during his tenure as Director. Mr. Jesper Horsholt was appointed as Director on the Board on January 31, 2002 in the casual vacancy caused by the resignation of Mr. Christiansen.

In accordance with requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Jesper Horsholt and Mr. Sridhar Sampath 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 Report on Corporate Governance.

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 period 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, 2002, 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, 2002 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, 2002 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, 2002 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 30, 2002

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 2001 - 2002 for improving the productivity and reducing the specific power consumption and specific heat consumption

- Optimisation of dam ring height in Raw Mill.
- Installation & operation of reject bucket elevator in Coal Mill.
- Installation of variable speed drive for Cement Mill ESP Fans.
- Optimisation and regular monitoring of key process parameter on daily basis.

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

Proposed modifications and capacity enhancement:

- Tipping of preheater and bag house fans for increase of volumetric flow rate.
- Installation of Deep Pan Conveyor of higher capacity.
- Regrading of Cement Mill grinding media.
- Installation of variable speed drive for 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 fuel, power and increase in production, ultimately resulting in savings in the 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

	2001-2002 12 months	2000-2001 15 months
1. *Electricity*		
a) Purchased	**Nil**	Nil
b) Own Generation		
i) Through Diesel Generators		
Net units (lakh – KwH)	**1770.50**	2079.89
Units Per Ltr. of Furnace Oil / Diesel (KwH)	**4.10**	4.16
Cost / Unit (Rs. / KwH)	**3.05**	3.01
ii) Through Steam Turbine / Generator	**Nil**	Nil
2. *Coal (A to D grade used in Kiln)*		
Quantity (Tonnes)	**293169**	344934
Total Cost (Rs. lakhs)	**4894.19**	5038.77
Average Rate (Rs.)	**1669.41**	1460.79
3. *Furnace Oil*		
Quantity (K. Ltrs.)	**45247**	52354
Total cost (Rs. lakhs)	**4542.08**	5365.43
Average Rate (Rs. / K. Ltr.)	**10038.52**	10248.37
4. *High Speed Diesel*		
Quantity (K. Ltrs.)	**627**	1145
Total cost (Rs. lakhs)	**94.24**	182.15
Average Rate (Rs. / K. Ltr.)	**15030.48**	15908.30
5. *Others / Internal Generation*	**Nil**	Nil

(B) CONSUMPTION PER UNIT OF PRODUCTION

Electricity (KwH / T of Cement)	**81.21**	85.84
HSD/FO (Ltr. / T of Clinker)	**0.33**	0.50
Coal (Percentage of Clinker)	**15.54**	16.31

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**
   - Coarser grinding of raw meal for increasing Raw Mill output.
2. **Benefits derived as a result of the above R&D**
   - Increased production of cement.
   - Savings in cost of production.
3. **Future plan of action**
   - To increase production capacity by balancing equipments.
   - Continuation of the present work in R&D for improvement in process in various areas.
4. **Expenditure on R&D**

	2001-02 Rs. Lakhs	2000-01 Rs. Lakhs
Capital	**Nil**	Nil
Recurring	**3.94**	4.31
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**
   - Indigenous development of imported spares.
   - Adapting new technology by regular interaction with expert technicians from world-renowned cement machinery manufacturers.
   - Analysing feedback from users to improve products & services.
2. **Benefits derived as result of the above efforts**
   - Improvement in the existing processes and productivity.
   - Cost reduction.
   - Reduction in power consumption per tonne of cement.
   - Reduction in coal consumption as percentage of production of clinker.

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**

	2001-2002 Rs. Lakhs	2000-2001 Rs. Lakhs
CIF value of Imports	**396.27**	711.28
Expenditure in foreign currency	**6.00**	1250.20
Earning in foreign currency	**145.36**	29.68

MANAGEMENT DISCUSSION & ANALYSIS

Performance : 2001 - 02

The production of cement for the year ended 30th June, 2002 at 20,11,888 tonnes was higher than the annualised production in the previous 15-month period, registering a growth of 11.9 %. Similarly, sale of cement and clinker at 21,03,893 tonnes was higher by 13.0 % over the previous period on an annualized basis.

The Company also achieved considerable improvement on major operational parameters. It was able to reduce power consumption from 85.84 units KwH/T of cement in 2000-01 to 81.21 units for the year under review. Similarly, consumption of coal as percentage of production of clinker came down from 16.31 % in 2000-01 to 15.54 % in 2001-02.

The Company's products continue to enjoy an eminent position in the market. This has been achieved due to the emphasis, since inception, on selling in retail through a large network of dealers rather than through wholesalers, which has proved beneficial to the Company.

Business Environment

The cement industry registered a healthy growth of 10 % during the fiscal year 2001-02 over the previous year. Demand of cement in the markets of our interest also grew by a similar percentage over the previous year. The increase in demand was mainly from the housing sector and road construction activities.

The disbursement of housing loans has registered unprecedented growth in the country due to substantial fiscal incentives offered in the last two Union Budgets, continuous reduction in interest rates and a huge amount of surplus funds available with the banking sector. With the entry of commercial banks, notably State Bank of India, in the housing sector in a big way by offering competitive rates, housing loans have become very attractive. With the extensive rural branch network of commercial banks, housing loans are now easily available in the rural parts of the country. This has resulted in a boost in demand for housing in the rural sector. Your Company's major presence is in rural markets and this boom in rural demand will be beneficial.

The second major driver of demand has been road construction. The Golden Quadrilateral Road Project is already under implementation. The Company has received a large order from a contractor for a part of the Delhi-Kolkata National Highway. In addition, the Government of India has also announced a few more projects, i.e. North-South and East-West Corridor, Port Connectivity Project, Pradhan Mantri Gram Sadak Yojana, etc. These projects are expected to be commissioned soon and will result in growth in demand for cement.

Pursuant to considerable efforts made by the Cement Manufacturers' Association (CMA), there is a noticeable shift in the minds of the concerned Government departments at the Centre and the major States in favour of concrete roads as compared to bitumen roads. The CMA has been able to establish through various presentations made to these departments, that it is beneficial and economical in the long run to build concrete roads. Although the initial cost of construction of concrete roads is higher, it results in substantial saving in the annual maintenance expenses and in expensive fuel used by the vehicles. Moreover, the lifecycle of the concrete roads is much more than that of bitumen roads.

During the year 2001-02, the availability of railway wagons continued to be satisfactory. The Railways were able to supply 15 lakh wagons to the cement industry, which works out to 94 % of the wagons indented. In the Satna cluster also, the availability of wagons was adequate. However, despite the satisfactory performance of the Railways, road transport has taken away a substantial share of cement transportation from the Railways due to economic reasons.

Due to inadequate rainfall in many parts of the country, the agricultural sector is likely to be affected and GDP growth may be less than 6 % during the current fiscal year. In view of substantial food grain stocks and foreign exchange reserves, inflation is expected to remain under control. Prices of cement, however, would be under pressure due to continued mismatch in supply and demand position. It is expected that the Government will step up its expenditure on infrastructure and developmental projects, which will be beneficial to the cement industry.

The installed capacity of large cement plants in India stood at 131.21 million tonnes as on 30th June, 2002 as compared to 115.81 million tonnes as on 30th June, 2001, registering a growth of 13.3 %. The installed capacity of cement at the beginning of the 8th Five Year Plan, i.e. in 1992-93 was 62.10 million tonnes with capacity utilisation of 85 %. However, in the last year of the 9th Five Year Plan, i.e. 2001-02, the installed capacity was 129.90 million tonnes registering a growth of 109.2 % over a 10-year period. The growth in demand is lagging behind resulting in an over supply position. Besides the growth in the installed capacity, there is a shift in favour of production of blended cement, especially in the Central and Eastern parts of the country because thermal power plants encourage the use of fly-ash in cement in view of the serious problems of disposal of fly-ash faced by them. This helps the power plants in mitigating the environmental problems in the surrounding areas. Due to this, production of blended cement in our Cluster has substantially gone up. In the year 2000-2001, the production of blended cement by the Satna cluster was 59 % of total cement production. This has gone up to 65 % in the year 2001-2002 and is likely to go up further in the next few years. This is beneficial to the cement companies, since they are able to reduce cost of production and simultaneously increase volume, which helps in reducing the fixed overheads per tonne of cement. In fact, your Company also has taken necessary actions to increase production of blended cement. In the year 1999-2000, your Company produced only 3 % blended cement, which was raised to 19 % in 2000 - 2001 and to 23 % during the year under review. In the year 2002-2003, the Company expects that blended cement will constitute more than 40 % of its total cement production. This will result in improving the profitability of your Company.

India continues to be the second largest producer of cement in the world after China. However, the country is substantially lagging behind in terms of per capita consumption of cement. While the world average is 263 Kgs. per capita, in our country it is only 99 Kgs. per capita. Within India, in the states of our interest viz. UP, MP and Bihar, the per capita consumption of cement continues to be quite low as compared to other developed states in the country. With the overall growth in GDP, the scope of increasing per capita cement consumption in these states is higher as compared to the other developed states. This augurs well for your Company.

Company's Future Outlook

Your Company has taken various actions to control cost of production and increase volume by carrying out debottlenecking in the plant and producing more of blended cement as mentioned earlier in the Report. The Company has very carefully and with the help of experts in the industry, identified major areas limiting the increase in production. Actions have already been implemented to overcome these limitations.

The Company's Deep Pan Conveyor System was one of the major limiting factors in increasing production. The Company has recently replaced the same by high