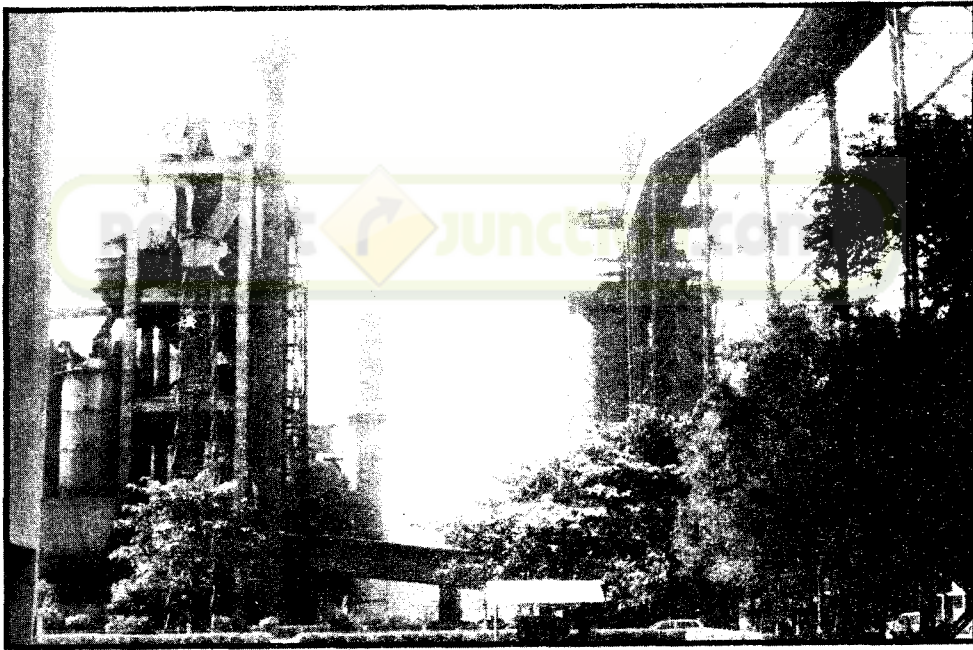


# PRISM CEMENT LIMITED



11th Annual Report 2002-2003

**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. Christian Venderby**

**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. Rajji & 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.

<b>Contents</b>	<b>Page No.</b>
Notice	2
Directors' Report	5
Management Discussion & Analysis	8
Report on Corporate Governance	11
Auditors' Report	16
Balance Sheet	18
Profit & Loss Account	19
Schedules	20
Cash Flow Statement	28

## NOTICE

NOTICE IS HEREBY GIVEN that the Eleventh Annual General Meeting of the Company will be held on Tuesday, December 16, 2003, 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, 2003 and the Balance Sheet as at that date and the report of the Auditors thereon.
2. To appoint a Director in place of Mr. R. G. Kapadia, who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr. Satish B. Raheja 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 Sections 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 all guidelines for managerial remuneration issued by the Central Government from time to time, and the Articles of Association of the Company, and subject to such other approvals/consents/sanctions/permissions as may be necessary, the consent of the Company be and is hereby accorded to the appointment of

Mr. M. Chhabra as Managing Director, for a period of five years with effect from August 25, 2003, upon terms and conditions as set out in the Agreement to be entered into by the Company with him, submitted to this Meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically approved with liberty to the Board of Directors of the Company ("the Board") and the Remuneration Committee ("the Committee") to alter and vary the terms and conditions of the said Agreement from time to time and in such manner as may be agreed to by the Board/Committee and Mr. Chhabra, but so as not to exceed the limits specified in Schedule XIII to the Act or any amendment thereto or re-enactments thereof, with effect from such dates as may be decided by them."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to do all such acts, deeds and things as may be considered necessary to give effect to the aforesaid resolution."

6. 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."

# 11th Annual Report 2002-2003

## NOTES :

- a. The Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of the Special Business mentioned under Item Nos. 5 & 6 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 9, 2003, to Tuesday, December 16, 2003 (both days inclusive).
- d. Members are requested to send all communication 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, New Delhi, Hyderabad and Mumbai. The Company's equity shares are also listed on the National Stock Exchange. The listing fees for the year 2003-2004 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 interest on non-convertible debentures in respect of 1<sup>st</sup> and 2<sup>nd</sup> 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 25, 2003

## 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 Nos. 5 and 6 mentioned in the accompanying Notice dated September 25, 2003.

### Item No. 5

The Board of Directors of the Company at its meeting held on July 28, 2003, appointed Mr. M. Chhabra as Managing Director of the Company for a period of 5 years effective from August 25, 2003.

Mr. M. Chhabra is a Chartered Accountant and has over 27 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. 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 in the corporate level in Larsen & Toubro Limited, where he worked for over 16 years.

The remuneration as approved by the Board of Directors and the Remuneration Committee, subject to the approval of the members of the Company, is as under :

### Remuneration

#### Section I:-

#### Payable when the Company has adequate profits

Remuneration, by way of salary, dearness allowance, perquisites and other allowances payable monthly, to be decided by the Remuneration Committee/ Board of Directors, 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.

#### Section II:-

#### Payable when the Company has no profits or inadequate profits

1. Salary, dearness allowance, perquisites and other allowances in the range of Rs. 2,00,000 - Rs. 4,00,000 per month, to be decided by the Remuneration Committee and the Board of Directors from time to time.





# PRISM CEMENT LIMITED

2. 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.

The appointment may be terminated at any time by either party giving to the other party six months notice of such termination and neither party will have any claim against the other for damages or compensation by reason of such termination. In any event, the appointee will not be entitled to any compensation in cases mentioned in Section 318(3) of the Companies Act, 1956 ('the Act').

The remuneration payable to Mr. Chhabra is within the limits prescribed under Schedule XIII to the Act. In view of his seniority, knowledge and experience in the industry, the terms are considered to be fair, just and reasonable.

The abstract of the appointment and remuneration of Mr. Chhabra, in terms of Section 302 of the Act was sent by the Company to all its shareholders and other persons entitled to receive the same on August 11, 2003.

The 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, upto the date of the Annual General Meeting.

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

Mr. M. Chhabra, Managing Director, is deemed to be concerned or interested in the said Resolution. None of the other Directors is concerned or interested in the Resolution.

## Item No. 6

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

The Shareholders had approved the delisting of the Company's securities from all or any of the Stock Exchanges at Ahmedabad, New Delhi and Hyderabad ("said Exchanges") by a Special Resolution passed at the Annual General Meeting held on December 17, 2002. In response to the Company's application for voluntary delisting made to the said Stock Exchanges, they have sought a fresh resolution to be passed by the members of the Company for delisting pursuant to the SEBI (Delisting of Securities) Guidelines - 2003, which came into force from February 17, 2003. Approval of the members is therefore once again being sought by a Special Resolution to enable voluntary delisting of the Company's securities from the said Exchanges.

During the year ended June 30, 2003 there were no transactions reported on any of the said Exchanges. 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 various cities, the delisting from the said Exchanges will not adversely affect the investors.

The proposed resolution will enable the Company to delist its securities from all or any of the Stock Exchanges at Ahmedabad, New Delhi and Hyderabad. The Company's shares will continue to remain listed at The Stock Exchange, Mumbai and the National Stock Exchange.

The Directors recommend the Special Resolution at Item No. 6 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 25, 2003

## Registered Office :

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

## DIRECTORS' REPORT

To the Shareholders,

The Directors present the Eleventh Annual Report together with the audited Accounts of the Company for the year ended June 30, 2003.

### OPERATING RESULTS

During the year ended June 30, 2003, the Company produced 19.28 lakh tonnes of cement as against 20.12 lakh tonnes of cement produced during the year ended June 30, 2002. The sale of cement and clinker was 19.99 lakh tonnes during the year under review as compared to 21.04 lakhs tonnes during the previous year. The production and sale of cement was lower during the year under review in comparison to the previous year, due to extended shutdown to carry out debottlenecking and major upgradation in the plant.

The financial performance of the Company for the year ended June 30, 2003 is given below :

	2002-03 Rs. Lakhs	2001-02 Rs. Lakhs
Sales & other income	39,859	42,628
Expenditure	34,510	34,371
Operating Profit	5,349	8,257
Interest & other charges	3,698	4235
Lease Rentals	1,875	1794
Profit/(Loss) before Depreciation/Amortisation	(224)	2,228
Depreciation	3,039	3,001
Amortisation	427	592
Profit/(Loss) before taxation	(3,690)	(1365)
Add: Provision for Taxation	1	1
Less: Deferred tax credit	569	478
Net Profit / (Loss)	(3,122)	(888)

During the year under review, the prices of cement remained sluggish and in fact, for most part of the year, the prices were lower as compared to the previous year, affecting realizations and thus profitability. Substantial savings in finance charges,

reduction in energy consumption and other cost reduction measures could only partially reduce the impact of the poor realisations. The Company therefore, incurred a net loss of Rs. 3,122 lakhs as against a net loss of Rs. 888 lakhs for the previous year.

### FINANCE

During the year, the Company repaid the third instalment of Debentures. The Company was current in its payments towards debentures and term loan instalments to bankers and institutions which amounted to Rs. 5,953 lakhs. As part of its cost saving initiatives, the Company sought reduction in interest rates and alongwith the repayment of term loans and debentures, interest and other charges reduced by 8 % during the year under review as compared with the amount of the previous year.

### DIRECTORS

Mr. S. N. Shah retired as Managing Director on August 24, 2003. The Board wishes to place on record its appreciation of the valuable contributions made by Mr. Shah during his tenure with the Company and wishes him good luck.

The Board at its Meeting held on July 28, 2003, has appointed Mr. M. Chhabra as Managing Director of the Company for a period of five years with effect from August 25, 2003. In this connection, your attention is drawn to Item No. 5 of the accompanying Notice of the Annual General Meeting to be held on December 16, 2003.

Mr. Jesper Horsholt resigned from the Board during July 2003. The Board wishes to place on record its appreciation of the contribution made by Mr. Horsholt during his tenure as Director. Mr. Christian Venderby was appointed as Director on the Board on July 28, 2003 in the casual vacancy caused by the resignation of Mr. Horsholt.

In accordance with requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rajesh Kapadia and Mr. Satish Raheja retire by rotation at the forthcoming Annual General Meeting and being eligible have offered themselves for re-appointment. As required, the details



# PRISM CEMENT LIMITED

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 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, 2003, 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, 2003 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, 2003 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, 2003 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 25, 2003

**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 2002 - 2003 for improving the productivity and reducing the specific power consumption and specific heat consumption
- Modification of Raw Mills Fan inlet ducting to reduce the pressure drop.
  - Installation of variable speed drive for bag house reverse air fan.
  - Modification of Kiln Retainer ring and tip casting pattern.
  - Installation of hot air oven in Cement Mills.
  - Optimisation of Packers by increasing the speed.
  - Increased production of Blended Cement.
  - Use of Phospho Gypsum.
  - Optimisation and regular monitoring of key process parameters on daily basis.
- (b) **Additional investment and proposals, if any, being implemented for reduction of consumption of energy**  
 Proposed modifications and capacity enhancement
- Development of full-fledged facility for Fly-ash evaluation and application.
  - Regrading of Cement Mill grinding media.
- (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.

	2002-2003	2001-2002
<b>(A) POWER AND FUEL CONSUMPTION</b>		
1. <i>Electricity</i>		
a) Purchased	Nil	Nil
b) Own Generation		
i) Through Diesel Generators		
Net units (lakh - Kwh)	1698.79	1770.50
Units Per Ltr. of Furnace		
Oil / Diesel (Kwh)	4.12	4.10
Cost / Unit (Rs. / Kwh)	3.91	3.05
ii) Through Steam Turbine / Generator	Nil	Nil
2. <i>Coal (A to D grade used in Kiln)</i>		
Quantity (Tonnes)	284786	293169
Total Cost (Rs. lakhs)	4844.89	4894.19
Average Rate (Rs.)	1701.24	1669.41
3. <i>Furnace Oil</i>		
Quantity (K. Ltrs.)	43208	45247
Total cost (Rs. lakhs)	5191.16	4542.08
Average Rate (Rs. / K. Ltr.)	12014.24	10038.52
4. <i>High Speed Diesel</i>		
Quantity (K. Ltrs.)	791	627
Total cost (Rs. lakhs)	136.21	94.24
Average Rate (Rs. / K. Ltr.)	17212.81	15030.48
5. <i>Others / Internal Generation</i>	Nil	Nil

**(B) CONSUMPTION PER UNIT OF PRODUCTION**

Electricity (Kwh / T of Cement)	79.19	81.21
HSD/FO (Ltr. / T of Clinker)	0.42	0.33
Coal (Percentage of Clinker)	15.65	15.54

**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 )**

- Specific areas in which R&D carried out by the Company**
  - Increasing the grate cooler clinker bed height.
- Benefits derived as a result of the above R&D**
  - Increased heat recuperation.
  - Cost savings.
- Future plan of action**
  - Studies to increase capacity by equipment debottlenecking.
  - Continuation of identification of potential thrust areas for improvement in process.
  - Upgrading of Bag house for handling increased volume of gas.
  - Direct feeding of fly ash to Cement Mill separators for production of blended cement.
  - Higher capacity fly-ash storage silo.
  - Installation of bag diverters for greater flexibility in packing and despatch of different grades of cement.
  - Upgrading of plant automation system by Windows NT based DCS system.
  - Continuation of the present work in R&D for improvement in process in various areas.
- Expenditure on R&D**

	2002-03 Rs. Lakhs	2001-02 Rs. Lakhs
Capital	Nil	Nil
Recurring	4.25	3.94
Total R&D expenditure as percentage of turnover	0.01	0.01

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

- Efforts, in brief, made towards technology absorption, adaptation and innovation**
  - Indigenous development of imported spares.
  - Learning new technology by regular interaction with expert technicians from world-renowned cement machinery manufacturers.
  - Analysing feedback from users to improve products & services.
- Benefits derived as result of the above efforts**
  - Improvement in the existing processes 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**

	2002-2003 Rs. Lakhs	2001-2002 Rs. Lakhs
CIF value of Imports	839.99	396.28
Expenditure in foreign currency	509.03	626.31
Earning in foreign currency	121.62	145.36





## MANAGEMENT DISCUSSION & ANALYSIS

### Performance : 2002-03

The Company produced 18,19,460 tonnes of clinker and 19,27,715 tonnes of cement during the year ended 30<sup>th</sup> June, 2003. The capacity utilisation was 96 % which compares favourably with the capacity utilisation for the industry at 81 % for the fiscal year 2002-03. The sale of cement and clinker for the year under review was 19,99,294 tonnes, which was lower than the sale of cement and clinker of 21,03,893 tonnes for the previous year. The production and sale of clinker and cement was lower due to extended shutdown to carry out debottlenecking and major upgradation in the plant.

The Company achieved substantial saving in finance charges which reduced to Rs. 5,573 lakhs in the year under review from Rs. 6,029 lakhs in the previous year, a saving of about 8 %. Power consumption reduced from 81.21 Kwh/T of cement in 2001-02 to 79.19 Kwh/T of cement in 2002-03. However, the prices of petroleum products especially furnace oil increased substantially from Rs. 10,038 KL to Rs. 12,014 KL, resulting in overall power cost increase of 6 % during the year under review.

The cement realisations in the markets of our interest were lower by about 4 % as compared to the previous year due to continuous fall in prices. Due to the above factors and the depressed prices which remained under stiff competitive pressures, the Company reported a net loss of Rs. 3,122 lakhs for the year ended 30.6.2003 as against a net loss of Rs. 888 lakhs during the year ended 30.6.2002.

### Business Environment

During the fiscal 2002-03, the Central and State Governments reaffirmed their intention to the implementation of infrastructure projects especially those connected with concrete roads and bridges. Due to this, the cement industry showed a growth of 9 % during the fiscal year 2002-2003 with cement production of 111.35 mn.t. as against 102.40 mn.t. registered in the previous fiscal. The growth in road construction activities under the various projects announced by the Government namely the National Highway Development Programme, Golden Quadrilateral, Pradhan Mantri Gram Sadak Yojana, etc., is expected to gather further momentum during the current year.

The growth in housing construction, which accounts for around 60 % of the total cement consumption in the country, was another major reason that enabled the industry to sustain its growth. Various initiatives offered by the Government relating to interest rates on housing loans and income-tax exemptions have kept the momentum of growth for the housing sector on the upside. There was an increase in disbursements of about 30-35 % in housing finance which is a healthy indicator for the cement industry.

Though there has been a growth in cement consumption by about 9 % over the previous year, cement prices did not show any improvement and remained sluggish for most part of the year. In fact, the prices dropped during the year as compared to the previous 2-3 years. Cement demand in the markets of our interest also grew by around 9 %. With no new major capacity additions and the fillip given by the Government to housing and infrastructure, consumption in the cement industry is expected to get a boost and thereby reduce the gap between cement demand and capacity. The per capita consumption of cement has increased from 99 kgs. in the previous year to 102 kgs. during the year 2002-03. However, this is still short of the world per capita consumption of 260 kgs. which indicates that there is a lot of latent demand to be exploited. All this augurs well for the industry and the long term outlook is bright.

The thrust towards blended cement continues. With the continued efforts of the Cement Manufacturers Association in advocating to the Government to use blended cement in the road sector there has been an increase, all India, in the use of blended cement. In the markets of our interest, it has increased from approximately 65 % to 73 %.

The production efficiency of the cement industry is dependent on the proper support from the other core sectors namely coal, rail and power. By and large the wagon supply was satisfactory for both cement and coal movement except for Jabalpur, Bilaspur and Kota divisions of the Central Railway due to acute wagon shortage for cement movement. The cement industry has been the first in the country to enter into bilateral coal supply arrangements by signing Fuel Supply Agreements with the coal companies which, should enable continuous availability of coal