

PRISM CEMENT LIMITED



A N N U A L R E P O R T

2004-2005



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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PRISM CEMENT LIMITED

NOTICE

NOTICE IS HEREBY GIVEN that the Thirteenth Annual General Meeting of the Company will be held on September 15, 2005, 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, 2005 and the Balance Sheet as at that date and the report of the Auditors' thereon.
2. To appoint a Director in place of Mr. Rajesh 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. Rajji & 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 an Ordinary Resolution :
 "RESOLVED that pursuant to the provisions of Clause 49 of the Listing Agreement with the Stock Exchanges and any other applicable laws, regulations, rules as may be applicable, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to fix up an amount by way of sitting fees or incidentals payable to Non-executive Director(s) for attending the meetings of the Board of Directors or Committees thereof, subject to the ceiling as may be prescribed by the Companies Act, 1956 or Rules framed thereunder, as amended from time to time."

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 Friday, September 9, 2005, to Thursday, September 15, 2005 (both days inclusive).
- d. Members are requested to send all communication relating to shares and debentures 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).
- 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 2005-2006 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 6th and 7th Interest Accounts during the year to the Investor Education & Protection Fund.

Explanatory Statement

Item No. 5

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 26, 2005.

The Securities and Exchange Board of India has revised Clause No. 49 ("the Clause") of the Listing Agreement with the Stock Exchanges relating to Corporate Governance requirements to be fulfilled by the Listed companies. Companies have to ensure compliance with the Clause by December 31, 2005. One of the requirements stipulated under the Clause is that all fees / compensation payable to Non-executive Directors shall be fixed by the Board of Directors and shall require previous approval of members in General Meeting. In terms of the Clause, approval of the members is sought for payment of sitting fees and incidentals to the Non-executive Directors of the Company.

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

All the Directors except Mr. M. Chhabra, Managing Director, may be deemed to be interested in the resolution.

By Order of the Board of Directors
for PRISM CEMENT LIMITED

Aneeta S. Kulkarni
Company Secretary

Place : Mumbai
Date : July 26, 2005

13th Annual Report 2004-2005

DIRECTORS' REPORT

To the Shareholders,

The Directors present the Thirteenth Annual Report together with the audited Accounts of the Company for the year ended June 30, 2005.

OPERATING RESULTS

The financial performance of the Company for the year ended June 30, 2005 is given below :

	2004-05	2003-04
	<u>Rs. Lakhs</u>	<u>Rs. Lakhs</u>
Sales	52,943	46,384
Less : Excise duty	8,955	8,315
Net Sales	43,988	38,069
Other income	589	360
	44,577	38,429
Expenditure	34,028	30,234
Operating Profit	10,549	8,195
Interest & other charges	2,084	2,525
Lease Rentals	1,001	1,634
Gross Profit/(Loss)	7,464	4,036
Depreciation	3,006	2,881
Amortisation	430	388
Profit/(Loss) before tax	4,028	767
Provision for Taxation	(121)	(1)
Provision for Fringe Benefit Tax	(25)	-
Deferred Tax	(1,300)	(1,360)
Net Profit / (Loss)	2,582	(594)

During the year ended June 30, 2005, the Company produced 20.41 lakh tonnes of clinker and 19.68 lakh tonnes of cement as against 20.76 lakh tonnes of clinker and 19.93 lakh tonnes of cement produced during the year ended June 30, 2004. The sale of cement and clinker was 23.98 lakh tonnes during the year under review as compared to 22.79 lakh tonnes during the previous year, registering a growth of 5.2%.

Arising out of this increased business volume, there was a 16% rise in income leading to operating profit of Rs. 10,549 lakhs. After providing for taxes, the year ended with a net profit of Rs. 2,582 lakhs as against a net loss of Rs. 594 lakhs for the previous year.

FINANCE

Effective fund planning and strategic sourcing enabled the Company to keep the interest and finance costs lower than the level of previous year. Finance charges reduced from Rs. 4,159 lakhs in 2003-04 to Rs. 3,085 lakhs in the year under review, a reduction of 25.8%. The Company is current on its loan and interest obligations.

DIRECTORS

Mr. Sridhar Sampath resigned from the Board on November 29, 2004 and Mr. Christian Venderby resigned on December 3, 2004. The Board wishes to place on record its appreciation of the valuable contributions made by them during their tenure as Directors.

Mr. K. Swaminathan joined the Board of Directors on May 12, 2005 as a nominee of ICICI Bank Ltd. in place of Mr. S. Khasnabis. The Board wishes to welcome Mr. Swaminathan and place on record its appreciation of the contribution made by Mr. Khasnabis during his tenure as a Director of the Company.

Mr. Vijay Aggarwal was re-appointed as Alternate Director to Mr. Satish B. Raheja on September 14, 2004.

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

CORPORATE GOVERNANCE

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

DISCLOSURE OF PARTICULARS

Information as per Section 217 (2A) of the Companies



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

As required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo is given in Annexure 'A' forming part of this Report.

PERSONNEL

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

DIRECTORS' RESPONSIBILITY STATEMENT

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

1. in preparation of the accounts for the year ended June 30, 2005, the applicable Accounting Standards have been followed along with 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, 2005 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, 2005 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, 2005 are being audited by Cost Auditors, M/s. N. I. Mehta & Co.

ACKNOWLEDGEMENTS

The Directors wish to place on record their appreciation of the continued 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 : July 26, 2005

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 2004-2005 for improving the productivity and reducing the specific power consumption and specific heat consumption.

- Kiln feed blower speed optimised to meet process requirement.
- Upgradation of Kiln Drive System.
- Installation of modified HT breakers.

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

Proposed modifications and capacity enhancement

- Installation of 'Energy Management System' for effective monitoring and controlling of power consumption.
- Upgradation of Roller Press drive.
- Installation of V/F drive at cooler 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, eventually 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

	2004-2005	2003-2004
(A) POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
Units (lakh - KWH)	3.30	3.26
Total Amount (Rs. Lakhs)	16.54	16.13
Rate / Unit (Rs.)	5.01	4.95
b) Own Generation		
i) Through Diesel Generator		
Net Units (Lakhs - KWH)	1877.36	1941.43
Unit per Ltr. of Diesel/		
Furnace Oil (KWH)	4.09	4.15
Cost/Unit (Rs./KWH)	4.33	3.83
ii) Through Steam		
Turbine / Generator	Nil	Nil
2. Coal (A to D grade used in Kiln)		
Quantity (Tonnes)	332354	318328
Total Cost (Rs. Lakhs)	6666.13	5849.95
Average Rate (Rs.)	2005.73	1837.71
3. Furnace Oil		
Quantity (K.Ltrs.)	47627	48737
Total Cost (Rs. Lakhs)	5888.43	5644.09
Average Rate (Rs. / K.Ltrs.)	12363.62	11580.61
4. High Speed Diesel		
Quantity (K.Ltrs.)	827	498
Total Cost (Rs. Lakhs)	183.87	87.10
Average Rate (Rs. / K.Ltrs.)	22239.69	17490.88
5. Others / Internal Generation	Nil	Nil
(B) CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (KWH / T. of Cement)	78.60	83.78
HSD / FO (Ltr. / T. of Cement)	0.23	0.19
Coal (Percentage of Clinker)	16.29	15.34

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

- Increased use of phospho gypsum in place of Mineral Gypsum.
- Use of Neutral Gypsum.
- Health Audit of all major equipments by Original Equipment Manufacturer.

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

- Reduced Gypsum consumption.
- Reduced energy consumption.
- Improved reliability of equipments.
- Cost savings.

3. Future plan of action

- Exercise to reduce the energy consumption.
- Installation of membrane filter bags in bag house.
- Upgradation of Roller Press gearbox with new planetary gearbox.
- Further improvement in brick lining pattern.

4. Expenditure on R & D

	2004-2005	2003-2004
	Rs. Lakhs	Rs. Lakhs
Capital	Nil	Nil
Recurring	4.75	4.65
Total R & D expenditure as percentage of turnover	0.01	0.01

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption, adaptation and innovation

- Absorbing and adapting latest technology in maintenance system.
- Indigenous development of imported spares.
- Technical interaction with expert technologists from world renowned cement machinery manufacturers.
- Continuous update of machinery product and services.

2. Benefits derived as a result of the above efforts

- Improvement in the existing process and productivity.
- Cost reduction.
- Knowledge of updated technology.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

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

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

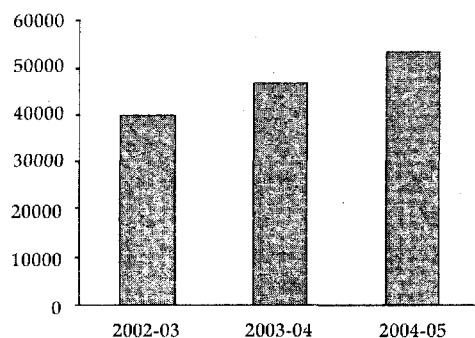
(g) Total foreign exchange used and earned

	2004-2005	2003-2004
	Rs. Lakhs	Rs. Lakhs
CIF value of imports	1842.80	732.37
Expenditure in foreign currency	1338.88	1007.14
Earning in foreign currency	148.66	197.45

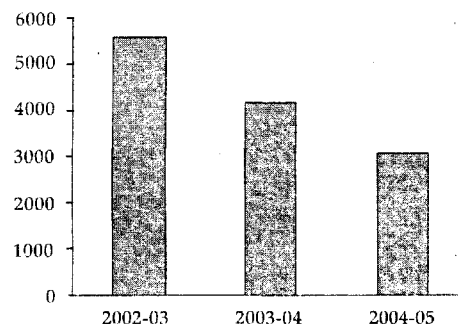
MANAGEMENT DISCUSSION & ANALYSIS

Performance Highlights : 2004-05

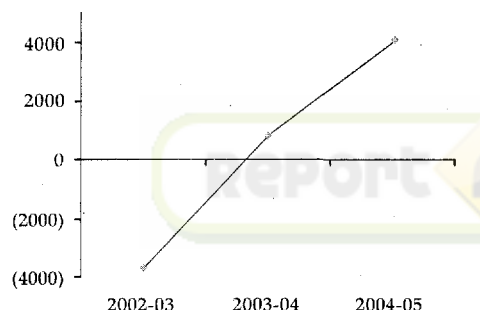
Gross Turnover (Rs. Lakhs)



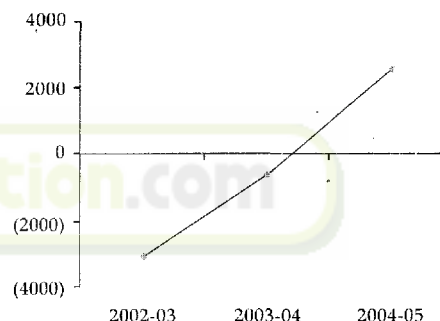
Finance Charges (Rs. Lakhs)



Profit Before Tax (Rs. Lakhs)



Profit After Tax (Rs. Lakhs)



Business Environment

The Indian economy continued with its healthy trend during 2004-05, despite an erratic monsoon and inflationary pressures primarily owing to a steep rise in international oil prices. Both Industrial production and Services sector recorded higher growth rate of around 6.9%.

Against this background of general economic scenario, the cement industry showed unmistakable signs of an improvement during the year. Cement production registered an increase of 6.86% - from 117.50 Mn. T. for the year 2003-04 to 125.56 Mn. T. for the year 2004-05.

The prospects for the cement industry appear to be good in view of the favourable fiscal policies of the Government, which particularly makes housing affordable and attractive for the public at large. The continued emphasis by the Government on infrastructure development and the low interest regime for housing finance would continue to give the required impetus to the cement industry. The budgetary initiatives include increasing the outlay for National Highway Development Programme and

special focus on highway development, especially highways not forming part of the golden quadrilateral. The Bharat Nirman Project will focus on six components of rural infrastructure including irrigation, roads, water supply, housing, rural electrification and rural telecom connectivity. These initiatives augur well for the cement industry.

Company's Future Outlook

The outlook for demand for cement is encouraging. The Indian economy is expected to register a GDP growth of 6% - 7% per annum in the next year with a corresponding demand growth for cement.

The Company is continuously adapting to the changing consumer demands and preferences. This inherent strength of remaining flexible to the market situations and the continuing emphasis on blended cement in the cement market has seen the share of blended cement in the Company's total sales increase from 49% in 2003-04 to 56% in 2004-05. The share of blended cement in the Satna Cluster increased from 78% in 2003-04 to 80% in 2004-05.

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The Company was able to increase profitability due to better sales realisation from blended cement, concentration in cost control measures and reduction in interest, overhead costs and customer outstandings. Continuous efforts by the management for NCR maximisation have yielded results.

Various initiatives taken up during the previous year to improve plant efficiency and enhance production were completed in the year under review. The additional Cement Bulker Loading System and the additional Truck Loading System were commissioned and are operational. These facilities have enabled the Company to increase despatches by reduction of carrier retention time and combat the problem of rail wagon shortage which has severely hit the cement industry. The process of upgradation of equipment and efforts to improve plant efficiency shall continue during the current year also.

During the year under review, the Company continued its pursuit for participation in road and bridge projects in and around the markets of its interest. The projects in which the Company has participated include inter alia the Gaya-Aurangabad Road project, the Jharkhand Road Project and the Allahabad by-pass. Cement roads, besides being durable, are environment friendly and lower vehicle operating cost.

With no significant capacity additions, the demand-supply gap has narrowed down considerably and therefore the company can operate at higher level of capacity utilisation. The management has identified its thrust areas to further develop on the areas of its strength. In view of this, the Company's performance is expected to further improve in the coming year.

Internal Control Systems

The Company has an adequate system of internal control procedures. A well defined Management Information System (MIS) helps in various management decisions and improving control mechanism. The Company has an effective Budgetary Control System to ensure that all the capital and revenue expenditure are well within the approved budgets.

The internal control systems are supplemented by an extensive programme of audits by a reputed independent firm of chartered accountants. Management review meetings are also held at regular intervals. The audit observations are periodically reviewed by the Audit Committee of the Board.

Human Resources

The Company firmly believes in the immense potential of its human resources to bring about innovation and initiatives in developing the organisation and ensuring its success. To remain competitive, regular sharpening of individual skills and enhancing their competency

levels are necessary. The Company, therefore, continues to take special care in the development of human capital through up-gradation of their skill and provision of other motivational inputs. External and in-house training programmes are held regularly based on the training needs assessed.

Safety and Welfare Measures

Safety and welfare of the employees has always been at the helm of the management concerns. The Company believes that good safety performance is an integral part of efficient business management. The following programmes are pursued in this direction:

- Safety induction and on-site training to all workers
- Frequent emergency mock drills
- Accidents and near misses learning and sharing
- Safety quiz competitions and safety week celebrations to create increased awareness among employees and their families
- Safety meets, slogans and circulars

Several cultural and welfare programmes are organised by the management which are attended by the officers, staff and their families. These programmes are expected to create greater safety consciousness amongst the employees and others participants throughout the year and bring better productivity and social security.

Environment

The Company is committed to the protection of the environment. It has installed sophisticated pollution control equipment to meet international standards. Tree plantations is an on-going activity. The Company has developed exhausted mine pits into water reservoirs and made fruit garden and picnic spot around it. This has helped in improving overall surroundings.

The management's care and concern for the environment continue to be recognised and appreciated over the years. Continuous improvements are being carried out regularly on the environmental performance of the plant. The Company has been awarded ISO 9001-2000 certification and all efforts are made so that the plant environment is pleasant and safe to work in.

Cautionary Statement

Forward-looking statements are based on certain assumptions and expectations of future events. The Company cannot guarantee that these assumptions and expectations are accurate or will be realized by the Company. Actual results could differ materially from those expressed or implied. The Company assumes no responsibility to publicly amend, modify or revise any forward-looking statements, on the basis of any subsequent developments, information or events.