

DIRECTORS REPORT
(Management Discussion and Analysis)



R. P. Gupta, M.D.

Dear Members,

It gives me immense pleasure to present the **28th Annual Report**. I extend my thanks to all associates, shareholders & employees in particular. Your company could complete successful 28 years with their support and commitment. With this, I am pleased to present annual report along with audited accounts and Auditor's report thereon for the financial year ended **31st March, 2014** as under :-

Financial/Operational Performance

(Rs. in Lakhs)

Particulars	31/03/2014	31/03/2013
Turnover	7211.46	6674.67
Operating Income	962.14	1047.31
Other Income	38.78	40.32
PBIDT	1000.92	1087.63
Less: Interest	339.70	341.04
Cash Profit (PBDT)	661.22	746.59
Less: Depreciation & Amortization	288.04	354.40
Profit before Taxation (PBT)	373.18	392.19

This was indeed a tough year due to sluggish demand and rising input cost. Despite this, we could register 8% growth in turnover but the operating margin declined to 13.9% as against 16.3% in previous year. However, the performance in Q-4 was far better that indicates part revival of economy in 2014-15. Despite all constraints, the profit before tax could be maintained almost at the same level with marginal dip of Rs.19.0 lakh.

Economic Scenario & Outlook

Growth of Indian economy has been sluggish after 2011. In the current year it has grown below 5% that was lowest in the decade. However, there are enough indications for revival of economy in the second half of 2014-15. But it will depend upon the regulatory easements, infrastructure spending and pro-growth policies which are still awaited. The major challenge before the Govt. is for controlling inflation and reducing the price of basic inputs like energy, mineral & transportation cost besides interest rates. Increasing land availability and sanction of more number of mineral leases will be crucial for bringing back the country on high growth track. The market expectations are positive.

Cement Industry Outlook & Opportunities

Demand growth has been sluggish in the previous two years mainly due to economy slow down and poor infrastructure spending. High interest rate has also affected growth of housing sector. But demand of house cannot be deferred for a long period. Govt. announcement for constructing cement roads at a rate of 20-25 Km/day is indeed encouraging. Despite slow down in economy, the silver lining was healthy demand growth in Rural area which was un-common in earlier years. Combining all these factors, there are fair chances of demand picking up in the second half of 2014-15 and gaining momentum in 2015-16.

Future Strategies

Long term benefits shall be derived only after completing Phase-1 expansion upto 1.0 MTPA. Your company has already acquired land, obtained environment approval and has incurred sizeable capex. But the project implementation was delayed beyond expectation due to delay in financial closure and other approvals. The cost of project has escalated due to these delays. Therefore it needs re-working and fresh approval from the lender.

However, your company has incurred sizeable capex for this project from its own resources. Therefore an interim business plan is being worked out for expanding the capacity upto 1.98 lakh TPA. This plan is envisaging augmentation of cement grinding capacity through balancing equipment. Company is having surplus capacity in the kiln which is lying idle at present. However, your company will not lose focus on the expansion plan of 1.0 MTPA for which parallel working will continue.

Risks and Concerns

Continuous hike in power rate and supply deficit of coal are the major areas of concern. Indian coal quality has deteriorated. Imported coal price is going up due to rupee weakening. Therefore company is undertaking its interim business plan and expansion plan along with modernization. This will reduce power & fuel consumption and provide competitive edge over others.

Logistic cost is on increasing trend due to general increase in petroleum & energy price. Vicinity of market & location in cement deficit region will mitigate such hike in logistic cost. Supply over hang is continuing on all India basis. It is likely to continue till CY 2014. But its impact is diluted due to plant location in eastern zone. This is supply deficit zone.

Awards & Recommendations

Your Managing Director wrote a book "Turn Around India" covering the topic on Indian economy revival. This book was launched in April 2013 by Sri Narendra Modi, currently Hon'ble Prime Minister of India. Several compliments have been received from VIPs including Hon'ble President of India in this regard. The compliments were received from Ministers, Bureaucrats of central & state govt., Dy. Governor-RBI, Bank Chairmans, leading corporates and Rating agencies.

Human Resource

Company is maintaining cordial and healthy relations with its employees. Employees at all levels are extending their full support. Company has strong faith in potential of human resources. It believes in the creative abilities of the people, who work for company. It believes in participatory management. Considering high inflation, your company has revised the pay structure of all the staff & officers which will be effective from April 2014.

Internal Control Systems

Company has an internal management audit team commensurate with the size of company. It carries out desired level of audit of various activities of company. This is with an aim to ensure that the laid down system and procedures are followed. Audit reports are presented to Audit committee of the board, which meets at periodical intervals. ERP system is now fully operative. It has contributed in improving efficiency.

Environmental & Social Obligation

Environment clearance from ministry of environment & forest (MoEF) has been already obtained for it's proposed expansion upto 1.05 MTPA capacity. MoEF clearance has been also obtained for expanding the capacity of mines.

Your company opened a Tailoring centre at Guleipada Village. Provided Sewing machines & furnitures and trained 30 ladies for self employment. We constructed a Toilet room at Kandeimunda High School and two nos. of Bathing Ghat at Goleipada Pond. We also provided drinking water arrangement at Tehsil office, Kutra. The road from Panchora to Goleipada village was repaired.

We organized one Eye camp and eye operation of 23 persons was organized. A free health check up camp was organized at Telighana UP School. Besides this, Hockey tournament, celebration of Independence & Republic day was done at Kandeimunda village. Several other cultural & social programmes were undertaken surrounding plant area. All such activities have created a social harmony.

Dividend

In view of on going expansion and requirement of funds, we do not recommend any dividend for the year. Equity shares of the company continue to be listed on Bombay stock exchange and Calcutta stock exchange. We sincerely express our thanks to all shareholders for imposing their faith in the company despite delay in implementation of the expansion plan.

Finance

We are thankful to Punjab National Bank for sanctioning Rs.70 crore term loan in the capacity of lead bank for the proposed expansion project. IDBI Bank has also sanctioned a term loan of Rs.45 crore but the same has not accepted due to variation in terms from the Lead Bank. However, none of the loan is availed due to deferment of expansion plan. A fresh proposal will be re-submitted considering the project cost escalation.

CARE rating have also assigned "CARE BBB" for long term bank facilities & "CARE A3" for short term bank facilities amounting to Rs.186.5 crore. This includes existing and proposed loan.

Fixed Deposits

Company has accepted deposits from public including share holders and employees within the meaning of section 58A of the Companies Act, 1956 and rules made there under and have duly complied with the provisions of the Companies (Acceptance of Deposits) Rules 1975.

Directors' Responsibility Statement

In terms of provisions of section 217(2AA) of the Companies Act, 1956, we confirm that :-

- ❖ Applicable accounting standards have been followed along-with explanations relating to material departures, wherever applicable.
- ❖ Directors have selected consistent & appropriate accounting policies in general. They made judgments and estimates as per reasonable and prudent practice. This will give a true and fair view of the state of affairs of company.

- ❖ Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this act for safeguarding the assets of company. This is for preventing and detecting fraud and other irregularities.
- ❖ Directors have prepared the annual accounts on a going concern basis.

Directors

Mr. K. P. Jhunjhunwala, O. P. Goyal, & Mr. B. K. Mangaraj directors of your company retire from the board by rotation and being eligible for re-appointment.

Auditors/Cost Auditors

M/s. Tibrewal Chand & Co., chartered accountants, retire as auditors of the company at the conclusion of the ensuing Annual General Meeting. They have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

In pursuance of section 233-B of the Companies Act, 1956, your directors had appointed M/s. Chatterjee & Co, Kolkata as the cost auditors to conduct cost audit of cement for the year 2013-14 with the approval of the Central Government.

Particulars of Employees

Particulars of employees as required u/s 217 (2A) of the Companies Act, 1956 are not given. None of the employees were in receipt of remuneration exceeding the limits specified therein.

Foreign Exchange Earnings and Outgo

There have been no foreign Exchange earnings during the year. However, company has purchased imported coal & gypsum from the domestic market.

Conservation of Energy, Technology Absorption

A statement containing necessary information, as required under the Companies (disclosure of particulars in report of board of directors) Rules, 1988 is annexed hereto in Annexure-"A".

Corporate Governance

Pursuant to Clause-49 of the listing agreement, report on Corporate Governance and the compliance certificate thereon from the auditors of the company is attached to this report.

Acknowledgements

Your directors place on record their appreciation of the assistance and support extended by government authorities, PNB, IDBI, NBFCs, consultants, shareholders, employees, suppliers & contractors of the company.

Cautionary Statement

Statements in the directors' report and the management discussion & analysis describing company's objectives, expectations or predictions, may be forward-looking statement within the meaning of applicable laws and regulations. Although we believe our expectation is based on reasonable assumption, actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include: global and domestic demand and supply conditions affecting selling prices, new capacity additions, availability of critical materials and their cost, changes in government policies and tax laws, economic development of the country, and such other factors which are material to the business operations of the company

For and on behalf of the Board

Sd/-

R. P. Gupta

Managing Director

Rourkela-769 004

Dated : 30/05/2014

Annexure - A To The Directors' Report

FORM - A [See Rule - 2]

Form for Disclosure of Particulars with respect to Conservation of Energy

A. Power and Fuel Consumption

Particulars	31/03/2014	31/03/2013
1. Electricity		
a) Purchased		
Units (in Thousand)	6801.03	9459.52
Total amount (in Thousand)	44200.44	55815.60
Rate/Unit (including DPS)	6.50	5.90
b) Own Generation		
i) Through Diesel Generator		
Units (in Thousand)	13.62	68.47
Cost/Unit (Rs.)	44.75	32.64
ii) Through Steam Turbines Generator		
Units	N.A	N.A
Unit per Ltr. for Fuel oil Gas		
Cost/Unit.		
2. Coal		
Quantity (in Mt)	10873.13	14820.26
Total Cost (Rs. in Thousand)	40534.79	45963.55
Average Rate (Rs. Per Mt)	3727.98	3101.40
3. Diesel Oil		
Quantity (in K. Ltr)	122.00	140.61
Total Cost (Rs. in Thousand)	6620.53	5862.68
Average Rate (Rs. Per Litre)	54.27	41.69
4. Other/Internal Generation		
Quantity (in Mt)		
Total Cost (Rs. in Thousand)	N.A	N.A
Average Rate (Rs.)		

Consumption per unit of production (Cement & Surplus clinker)

Particulars	Standards if any	Current Year	Previous Year
Power Units Per Tonne		107.0	108.3
Coal Cons. (%)		17.08%	16.85%

Reasons for variation in consumption of power & fuel from previous year :

- ❖ Power consumption has come down due to improved efficiency & benefit of capex.
- ❖ Coal consumption in quantitative terms is almost static. But the cost has gone up due to increase in cost of imported coal as reflected in value terms.

Annexure - A To The Directors' Report (contd..)

FORM - B [See Rule - 2]

Form for Disclosure of Particulars with respect to technology absorption
research and development (R&D) for the year ended 31/03/2014

A. Research & Development (R & D)	
❖ Specific areas in which R & D carried out by the Company	Use of low grade Limestone and General Improvement
❖ Benefits derived as a result of the above R & D	No specific Benefits
❖ Future Plan of action	Considering some major modifications in the plant in future expansion to reduce clinker consumption by 10% in terms of cement. To improve early strength of cement as per market demand
❖ Expenditure on R & D	No specific expenditure incurred on R & D
a) Capital	
b) Recurring	
c) Total	
d) Total R & D expenditure as a percentage of total turnover Technology absorption, adaptation and innovation	
B. Foreign Exchange Earnings Outgo	NIL
C. Technology Absorption, Adoption & Innovation	
The efforts towards technology absorption/adoption/innovation and corresponding benefits are summarized as under:-	
❖	Few balancing equipment were added for converting cement mill-1 to manufacture PPC cement in addition to PSC cement. Project is implemented in part.
❖	Raw mill & Coal mill capacity upgradation is almost completed.
❖	Raw mix blending system improvement is under progress.
❖	Pollution control equipment for crushing section were installed.
❖	Major repairs were undertaken on the existing Crusher (Primary).
❖	Liners and hammers of Secondary crusher were also replaced.
❖	Part replacement of Raw mill liner has been done.
❖	Cement mill-2 shell was repaired and hot liners were replaced.
❖	5 nos. of air slides were replaced with better efficiency.
❖	Road lighting arrangements were done afresh in plant & colony.
❖	Part development of mines was undertaken.
❖	Borehole work in the mines is continuing for assessment of Limestone deposit in the remaining area.
❖	Several concrete floors were built.
❖	New building for compressor room was built.
❖	Internal roads were constructed in part.
❖	Few colony quarters were renovated.
❖	Drainage system is partly improved.