

UltraTech



ANNUAL REPORT
2004-2005

UltraTech Cement Limited





IN HOMAGE TO OUR LEGENDARY LEADERS




GHANSHYAMDAS BIRLA

ADITYA VIKRAM BIRLA

“WE LIVE BY THEIR VALUES”





OUR VISION

To be a premium global conglomerate
with a clear focus on each business.

OUR MISSION

To deliver superior value to our customers,
shareholders, employees and society at large.

OUR VALUES

Integrity
Commitment
Passion
Seamlessness
Speed

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<i>(Formerly UltraTech CemCo Limited)</i>	
REGISTERED OFFICE: B Wing, Ahura Centre, 2 Floor, Mahakali Caves Road, Andheri (East), Mumbai 400 093	

UltraTech Cement Limited

BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla, Chairman

Mrs. Rajashree Birla

Mr. R. C. Bhargava

Mr. Y. M. Deosthalee

Mr. A. R. Gandhi

Mr. Y. P. Gupta

Dr. S. Misra

Mr. V. T. Moorthy

Mr. J. P. Nayak

Mr. S. Rajgopal

Mr. D. D. Rathi

Manager & CEO

Mr. S. Misra

Chief Financial Officer

Mr. K. C. Birla

Company Secretary

Mr. S. K. Chatterjee

Executives

Mr. O. P. Puranmalka Chief Marketing Officer

Mr. V. M. Muralidharan Chief Manufacturing Officer

Mr. D. Razdan EVP International Business

Mr. V. Shukla Chief People Officer

Cement Works

Mr. A. K. Jain Unit Head, Awarpur (Maharashtra)

Mr. K. Y. P. Kulkarni Unit Head, Rajula (Gujarat)

Mr. J. Kumar Unit Head, Hirni (Chattisgarh)

Mr. C. S. Reddy Unit Head, Tadipatri (Andhra Pradesh)

Auditors

S. B. Billimoria & Co., Mumbai

G. P. Kapadia & Co., Mumbai

Solicitors

Amarchand & Mangaldas & Suresh A. Shroff & Co.,

Advocates & Solicitors, Mumbai

THE CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Shareholders,

India has become the centripetal force of globalisation. The country is attracting capital and companies at an accelerated pace. In the process, it is rewriting the economics of scores of industries. Consolidation is becoming the order of the day. We welcome this trend sparked by globalisation.

With the resurgence of the industrial sector, propelled by buoyant exports and the brightening of the domestic investment climate, both business optimism and consumer confidence rose. The macro economic performance of our country, in fact, turned out to be stronger than anticipated.

These developments at the macro level bode well for your Company, which upon becoming a part of the Aditya Birla Group, reflected the Group's commitment to build a leadership position in Cement.

The transition from the 'L&T Cement' brand to 'UltraTech Cement – the Engineers Choice' was smooth. I am pleased to inform you that "UltraTech" is well accepted in all markets across India.

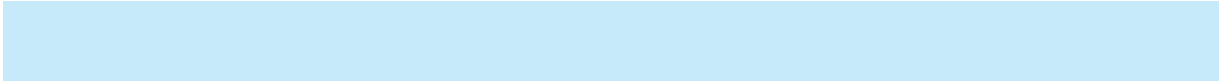
Your Company enhanced its capacity utilisation across its plants. Cement is an energy intensive industry with coal and power being the major cost contributors. Use of alternative fuels is being actioned, while over Rs.600 crores has been committed for the installation of captive power plants. Your Company initiated measures for realising synergy gains with Grasim. With prudent financial management the debt is being restructured so as to optimise on interest costs.

Your Company had revenues of Rs. 2,681 crores as against Rs. 2,251 crores in the previous year. After providing for interest at Rs.107 crores and Depreciation at Rs.222 crores, the Profit Before Tax and provision for diminution in value of investments stood at Rs. 43 crores.

Going forward, your Company will focus on asset sweating, enhancing efficiencies, a tight rein on costs, especially of power, fuel, energy and logistics and continue to realise synergies with Grasim. The Government's renewed impetus to infrastructure development, buoyant housing sector and rapid industrial growth that is becoming more evident, are indeed encouraging.

Having said that, I do believe that it will take UltraTech sometime to provide a competitive return on the aggressive price offered to its shareholders.

*"The transition from the
'L&T Cement' brand to
'UltraTech Cement –
the Engineers Choice' was smooth.
I am pleased to inform you that
"UltraTech" is well accepted in all
markets across India."*



I would like to take this opportunity to place on record, your Board and my personal appreciation of the dedication and uncompromising commitment of an overwhelming majority of your Company's employees. They will enable us to build a culture of meritocracy.

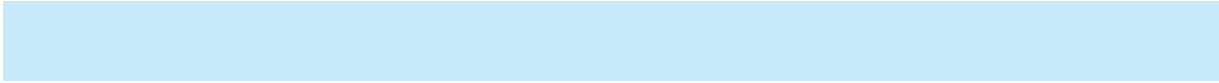
The Aditya Birla Group : In Perspective

I am pleased to share that much of the consolidation that we had embarked upon is now behind us. Going forward, our accent is on accelerated growth as we stand at an inflection point. In each of our major businesses, scaling up of capacities and services will be necessary. Our road-map includes exploring further acquisitions and leveraging upon both greenfield and brownfield opportunities. Our plans are well under way.

To take Hindalco's strategic stake in Indal to its logical conclusion, all of the businesses of that Company have been merged into Hindalco, with the exception of its foil business at Kollur.

With the completion of the brownfield expansion in the Copper business, its capacity stands doubled from 250,000 tpa to 500,000 tpa. When fully ramped-up, it will elevate Hindalco into the league of the Top-10 Copper producers in the world. It also positions Birla Copper as the world's single largest Copper Smelter in one location.

As a step up to fortify our Pulp operations in the Viscose Staple Fibre business, we have signed a Framework Agreement with the Province of New Brunswick for the acquisition of St. Anne Nackawick Pulp Mill, in partnership again with Tembec. To become self-sufficient in pulp, we are exploring the



setting up of greenfield pulp plants globally. This strategy is consistent with our game - plan of reinforcing our competitive edge in the Cellulosic man-made fibre sector through setting up fully integrated operations virtually from the “Forest to the Fabric” stage.

Our Carbon Black Plant in Egypt has become the largest producer in the world. In China, at the Liaoning Carbon Black Plant, we are scaling up the capacity significantly. Today, we are the fourth largest Carbon Black player in the world, and we hope to rise in the rank.

In essence, our vision as a Group is to be a premium global conglomerate with a clear focus on each business. Our focus is both top-line and bottom-line growth and not growth for the mere sake of growth.

“Our vision as a Group is to be a premium global conglomerate with a clear focus on each business. Our focus is both top-line and bottom-line growth and not growth for the mere sake of growth.”

Focus on People

Being essentially a meritocracy and a people’s organisation, our attention in the people area remains unwavering. We are enhancing the quality and the pace of the institutionalisation of our systems and processes. These now embrace the entire life cycle of the employees’ engagement with the organisation. Several new initiatives have been taken towards the well-being of our employees, particularly in the area of healthcare, education of their children and other critical aspects that can have a significant bearing on his or her performance.

Our focus on managerial capabilities is getting much sharper. We are proactively addressing the need to build a robust leadership pipeline. International firms have been enlisted by us to assess the talent and the potential in our Group to meet our future growth aspirations. I have also impressed upon our management teams that it is our collective responsibility to spot talent, track it and help spawn leaders.

Let me reiterate, our aspiration is to hone capabilities not for an Indian manager who is posted overseas, but for a world-class manager who simply happens to be an Indian.

Finally, I believe few organisations can take pride in the quality of competence, passion and commitment that we find here. We have the organisational will, discipline and people power to achieve our stretched ambition.

Best regards,

23 April 2005

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Yours sincerely,



Kumar Mangalam Birla

MANAGEMENT DISCUSSION & ANALYSIS

With Grasim Industries Limited acquiring management control on 6 July 2004, your Company is now a part of the Aditya Birla Group.

The brand transition from L&T Cement to “UltraTech Cement - the Engineers Choice” in markets across the country has been smooth and well received. The equity shares of your Company were admitted for trading on the Stock Exchange, Mumbai and National Stock Exchange with effect from 24 August 2004. Measures have been initiated for realising synergy gains with Grasim.

BUSINESS & FINANCIAL PERFORMANCE REVIEW

	FY 05	FY 04	% change
Installed capacity (Mn.TPA):			
Clinker	13.03	13.03	—
Cement	15.50	15.50	—
Production (Mn.Ton):			
Clinker	12.36	12.12	2.0
Cement	12.11	11.79	2.7
— clinker capacity utilisation	95%	93%	
— effective capacity utilisation@	91%	90%	
Sales Volume(Mn.Ton):	15.17	14.87	2.0
Domestic — Cement	11.66	11.21	4.0
— Clinker	0.03	0.16	
Exports — Cement	0.87	0.72	
— Clinker	2.61	2.78	
Average Realisation (Rs./MT):	1767	1514	16.7
Domestic — Cement	1822	1632	11.6
Exports — Cement	1920	1543	24.4
— Clinker	1297	1014	27.9

@Effective capacity utilisation = Cement production + Clinker Sold

Financial Highlights

(In Rs. Crores)

	FY05	FY 04	% Change
Net Turnover	2681.05	2251.13	19.1
Domestic	2166.69	1858.47	
Exports	514.36	392.66	
Other income	22.25	59.59	(62.7)
Total Expenditure	2331.40	1931.99	20.7
Operating Profit (PBIDT)	371.90	378.73	(1.8)
% Operating Margin	13.9%	16.8%	
Interest	106.88	115.01	7.1
Gross Profit (PBDT)	265.02	263.72	0.5
Depreciation	221.78	214.52	3.4
Profit Before Tax and Diminution	43.24	49.20	(12.1)
Diminution in Value of Investment (EI)	76.84	—	
Profit Before Tax /(Loss)	(33.60)	49.20	
Current Tax	31.55	19.65	
Deferred Tax	(68.00)	(9.28)	
Net Profit after Total Tax and EI	2.85	38.83	(92.7)

Capacity Utilisation

Your Company enhanced its capacity utilisation across all its plants. Capacity utilisation (Cement production and Clinker sales) was 91% as against 90% in the previous year. Capacity utilisation in the IInd half of FY05 was 93%, as against 88% in Ist half. Consequently, production grew by 2.7% from 11.79 mn tonnes to 12.11 mn tonnes.

Sales Volume

The domestic cement sales volume grew by 4% to 11.66 mn tonnes as against industry average of 7%. The volumes suffered due to production constraints at Gujarat Cement Works. Export volumes remained flat at 3.5 mn tonnes. Hence aggregate sales volumes grew by 2 % to 15.17 mn tonnes. The domestic market share has been maintained at 9.81%.

Sales Realisation

Domestic Cement realisation improved by 12% from Rs 1632 pmt to Rs 1822 pmt. Export price has seen substantial increase, Cement realisation improved by 24% to Rs 1920 pmt from 1543 pmt and Clinker realisation improved by 28% to Rs 1297 pmt from 1014 pmt.



Net Turnover

Net turnover has increased by 19 % from Rs.2251 crores to Rs.2681 crores, mainly on account of increase in domestic export realisation.

Other Income

Other income was lower at Rs.22.25 crores compared to Rs.59.59 crores in the previous year mainly on account of exchange gain and higher interest income from its subsidiary company in the previous year.

Operating Profit (PBDIT) & Margin

Operating profit down by 1.8 % to Rs.371.90 crores mainly on account of substantial increase in power and fuel cost. The company has also incurred additional sum of Rs 25 crores towards brand transition and has written off deferred revenue expenditure of Rs 12.60 crores which was hitherto amortised over five years.

The operating margins were lower at 14% against 17% in FY04 due to substantial increase in power, fuel and logistics cost. The consistent rise in prices of naphtha, resulted in substantial increase in generation cost of power at Gujarat plant which has 38% Capital Employed of your company and which contributes around 40% to its revenue. Fuel costs were also affected with domestic coal prices rising by 16% and imported coal price up by over 60%.

Interest

Interest and finance charges were lower by 7% at Rs.106.88 crores compared to Rs.115.01 crores in the previous year. This was on account of rationalisation of high cost debts and better working capital management.

Depreciation

Depreciation at Rs.221.78 crores in the current year was higher compared to Rs.214.52 crores in the previous year on account of depreciation of Rs.18.34 crores relating to earlier years.

Diminution in Value of Investment

Based on an independent valuation report and to comply with the requirement of Accounting Standard 13, a provision of Rs.76.84 crores has been made towards what is considered a permanent diminution in the value of investment during the year in your Company's subsidiary viz. Narmada Cement Company Ltd.

Income Tax

The provision for current tax has increased by 61% from Rs 19.65 crores in FY04 to Rs 31.55 crore in FY05 due to lower income tax depreciation. There is increase in deferred tax credit from Rs 9.28 crores in FY04 to Rs 68.00 crores in FY05 on account of reduction in income tax rates in Finance Bill 2005.

Net Profit

Net profit during the year was Rs.2.85 crores as compared to Rs.38.83 crores in the previous year.

Cash Flow Analysis

(In Rs. Crores)

	FY 05
Source of Cash	
Cash from Operations	371.67
Non-operating Cashflows	3.7
Total	375.37
Use of Cash	
Net Increase in Investments	22.03
Net Capital Expenditure	68.85
Decrease in debts	120.12
Increase in Working Capital	34.25
Dividends	7.02
Interest	108.16
Share Capital Extinguishment	0.51
Increase in Cash and Cash equivalent	14.43
Total	375.37

Sources of Cash

Cash from Operations

Cash from operations was higher at Rs 371.67 crores in FY05 as against Rs 314.89 crores in FY04.

Non-operating Cash Flow

Non operating Cash flow includes interest from subsidiary and other investments.

Use of Cash

Net Increase in Investments

Your Company has acquired 4 crores shares in UltraTech Ceylinco Private Limited from Larsen & Toubro Limited for value of Rs23.03 crores

Net Capital Expenditure

The capital expenditure of Rs 68.85 crores was on account of Modernisation / Replacement of existing assets.

Decrease In Debts

The total debts decreased by Rs 120.12 crores in FY05. The company raised Rs 500.44 crores long term debts and repaid Rs 612.00 crores. There was further reduction in short term borrowings by Rs 57.75 crores. Sales tax

deferment loan increased by Rs 49.19 crores. The company enjoys AA+/Stable and P1+ for its long term and short term debts from CRISIL.

Increase in Working Capital

Increase in working capital of Rs 34.25 crores was mainly on account of increase in inventory by Rs 60.54 crores and loans and advances Rs 26.43 crores compensated by decrease in current liabilities by Rs 52.72 crores.

Dividend

Your Company has paid Rs 7.02 crores as dividend to its shareholders including corporate tax on dividend of Rs 0.80 crores. For the Current year, the Board has recommended a dividend of Rs 0.75 per share, entailing a outflow of Rs 10.64 crores including corporate tax on dividend of Rs 1.31 crores. This accounts for 13.4% of net profit after total taxes but before exceptional items for the year.

Capital Expenditure Plan

Your Company plans to spend around Rs.200 crores on modernisation of its various production facilities as well as to increase share of blended cement. Further, plans are on for setting up a thermal power plant for captive use at its Gujarat Works with a capital expenditure of around Rs. 620 crores.

Consolidated Financial Performance

(In Rs Crores)

	FY05	FY 04	% Change
Net Turnover	2775.91	2291.99	21.1
Operating Profit (PBIDT)	378.96	367.40	3.1
Interest	109.33	118.46	7.7
Gross Profit (PBDT)	269.62	248.94	8.3
Depreciation	249.29	247.45	
Profit Before Tax and Diminution	20.34	1.49	
Diminution in Value of Investment (EI)	76.84	—	
Profit / (Loss) Before Tax	(56.50)	1.49	
Current Tax	32.50	19.65	
Deferred Tax	(36.89)	(35.47)	
Profit / (Loss) before Minority interest	(52.11)	17.31	
Minority Interest	1.28	0.12	
Net Profit/ (Loss) after Minority Interest	(53.39)	17.19	

FY'05 includes figures for Narmada Cement Company Limited, Dakshin Cements Limited and UltraTech Ceylinco Pvt Limited (FY'04 does not include UltraTech Ceylinco Limited)

The consolidated turnover increased by 21.1% to Rs 2775.91 crores from 2291.99 crores in the previous year , because of improved Domestic and Exports realisation.

The interest cost was lower by 7.7% to Rs 109.33 crores. Net profit before tax increased to Rs 20.34 crores in FY05 from Rs 1.49 crores in FY04.

Net loss after providing for tax, minority interest and diminution in value of investments was Rs 53.39 crores as against profit of Rs 17.19 crores in the previous year.



BUSINESS OUTLOOK

The outlook remains challenging for your Company. Oversupply in its core markets of west / south will only be partly mitigated by increase demand growth of 8% p.a. as new capacities come on stream. Moreover, the export boom to the Middle East is subject to commissioning of 30 mn tones per annum new capacity in that region over next 18 months.

Cement is an energy intensive industry, with coal and power being major cost contributors. The looming coal shortage will aggravate the situation further. Industry is facing not only the availability of quality coal but also the rising prices.

Your Company's plant situated at Gujarat operates on imported coal where the cost has jumped by 60% and all other plants operate on indigenous coal where the cost has increased by 16%. Efforts are on for improving costs and efficiencies. To reduce the fuel cost, your Company is considering the use of alternative fuels. The rising cost of power is being addressed with plans for installation of captive power plants. These initiatives are expected to bring down power costs over a period of time and also ensure a more assured supply.

RISK MANAGEMENT

Your Company is exposed to risks from market fluctuations of foreign exchange and interest rate.

Foreign Exchange Risk

Your Company's policy is to hedge its long-term foreign exchange risk as well as short-term exposures within the defined parameters. Currently, your company has long term foreign exchange liability of Rs.79.50 crores. The short term exposures are covered from time to time. Your Company's aggregate exports stood at Rs.514.36 Crores and imports at Rs.259.83 crores in FY05. As exports exceed imports, your Company has suitably hedged the differential exposure.

Interest Rate Risk

Your Company is open to interest rate fluctuations on its Rupee denominated borrowings. It uses a judicious mix of fixed and floating rate debts within the stipulated parameters.

INTERNAL CONTROL SYSTEM

Your Company has appropriate internal control systems relating to its areas of operations. Extensive internal audits supplement the internal control systems with emphasis on efficiency of operations, financial reporting and compliance with applicable rules and regulations.

CONCLUSION

There is scope for improvement and potential for further growth. There are constraints too. But improving on efficiencies, restructuring of the product and market mix, gaining synergy benefits with Grasim and the positive outlook for the Cement sector should see your Company deliver enhanced value for all its stakeholders.

CAUTIONARY STATEMENT

Statement in this "Management Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statements, on the basis of any subsequent development, information or events or otherwise.

REPORT ON CORPORATE GOVERNANCE

Governance Philosophy

The Aditya Birla Group is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are a product of self desire and reflect the culture of trusteeship that is deeply ingrained in our value system and reflected in the strategic thought process. At a macro level, our governance philosophy rests on five basic tenets viz., Board accountability to the Company and Shareholders; Strategic guidance and effective monitoring by the Board; Protection of minority interests and rights; Equitable treatment of all shareholders as well as Superior transparency and timely disclosure.

In line with this philosophy, **UltraTech Cement Limited** (formerly *UltraTech CemCo Limited*) has adopted best governance and disclosure practices and will further strengthen the same in years to come.

Compliance with Corporate Governance Codes

Your Company is compliant with the provisions of Clause 49 of the Listing Agreement and is committed to ensure compliance with amendments that may be proposed. Your Company's compliance with the requirements are presented below:

I. BOARD OF DIRECTORS

- *Composition of the Board*

Name of Director	Executive/Non Executive/ Independent	No. of Outside Directorship(s) Held		No. of Outside Committee Positions Held	
		Public	Private	Member	Chairman
Mr. Kumar Mangalam Birla ¹	Non Executive	12	10	1	-
Mrs. Rajashree Birla ¹	Non Executive	6	10	-	-
Mr. R.C. Bhargava ²	Independent	11	2	6	5
Mr. Y.M. Deosthalee	Non Executive	7	3	3	2
Mr. A.R. Gandhi ²	Independent	8	-	3	2
Mr. Y.P. Gupta ⁴	Independent	6	-	4	2
Dr. S. Misra ^{2*}	Non Executive	4	1	3	-
Mr. V.T. Moorthy ⁵	Non Executive	1	-	-	-
Mr. J.P. Nayak	Non Executive	7	3	2	4
Mr. S. Rajgopal ¹	UTI Nominee, Independent	1	1	-	1
Mr. D.D. Rathi ^{3*}	Non Executive	7	2	1	-
Mr. A.M. Naik [@]	Non Executive	-	-	-	-
Mr. A. Ramakrishna [@]	Non Executive	-	-	-	-
Mr. K. Venkataramanan [@]	Non Executive	-	-	-	-
Mr. S.S. Marathe [#]	Non Executive	-	-	-	-
Mr. K.S.K. Khare [#]	Non Executive	-	-	-	-

Independent director means a director defined as such under Clause 49 of the Listing Agreement.

Nominee Director appointed by institutions have been deemed to be independent directors, as per regulatory clarifications.

1. Mr.Kumar Mangalam Birla, Mrs. Rajashree Birla and Mr. S.Rajgopal were appointed Directors w.e.f. 14 May 2004

2. Mr.R.C.Bhargava, Mr.A.R.Gandhi and Dr.S.Misra were appointed Directors w.e.f 6 July 2004

3. Mr.D.D.Rathi resigned from the Board on 14 May 2004. He was reappointed Director w.e.f 6 July 2004

4. Mr.Y.P.Gupta was appointed Director w.e.f 4 August 2004

5. Mr.V.T.Moorthy was appointed Director w.e.f 25 January 2005

@ Mr.A.M.Naik, Mr.A.Ramakrishna and Mr.K.Venkataramanan resigned as Director w.e.f 14 May 2004.

Mr.S.S.Marathe and Mr.K.S.K.Khare were appointed Directors w.e.f 14 May 2004 and they resigned w.e.f 4 August 2004.

* Employee of another company of Aditya Birla Group

Mr. Saurabh Misra was appointed as the Manager and Chief Executive Officer (CEO) of the Company with effect from 6 July 2004. He has attended all the Board Meetings held after his appointment.

- ***Details of Board Meetings and Attendance***

The Board met 9 times during the year under review and agenda papers were circulated well in advance of each meeting of the Board of Directors. The Company placed before the Board, the working of all units and statements containing the status of the various matters pursuant to Corporate Governance practices, as required by Clause 49 of the Stock Exchange Listing Agreement.

<i>Date of Board Meeting</i>	<i>City</i>	<i>No. of Directors Present</i>
28 April 2004	Mumbai	4
14 May 2004	Mumbai	4
31 May 2004	Mumbai	5
4 June 2004	Mumbai	7
6 July 2004	Mumbai	7
4 August 2004	Mumbai	7
6 September 2004	Mumbai	4
26 October 2004	Mumbai	7
25 January 2005	Mumbai	9

• **Details of Remuneration to Board of Directors**

Name of Director	Relationship with Other Directors	Sitting Fees paid # (Rs.)	No. of Board Meetings		Attended Last AGM [@]
			Held	Attended	
Mr. Kumar Mangalam Birla	Son of Mrs. Rajashree Birla	120,000	9	6	Yes
Mrs. Rajashree Birla	Mother of Mr. Kumar Mangalam Birla	100,000	9	5	Yes
Mr. R.C. Bhargava	-	60,000	9	3	No
Mr. Y.M. Deosthalee	-	100,000	9	7	Yes
Mr. A.R. Gandhi	-	-	9	NIL	Yes
Mr. Y.P. Gupta	-	20,000	9	1	No
Dr. S. Misra	-	80,000	9	4	Yes
Mr. V.T. Moorthy	-	20,000	9	1	No
Mr. J.P. Nayak	-	140,000	9	9	Yes
Mr. S. Rajgopal	-	140,000	9	7	Yes
Mr. D.D. Rathi [#]	-	60,000	9	5	Yes
Mr. S.S. Marathe	-	40,000	9	2	No
Mr. K.S.K. Khare	-	40,000	9	2	No
Mr. A.M.Naik [#]	-	NIL	9	NIL	No
Mr. A.Ramakrishna [#]	-	NIL	9	NIL	No
Mr. K. Venkataraman [#]	-	NIL	9	2	No

[@] Annual General Meeting (AGM) held at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai-400 020 on 11 October 2004

[#] Sitting fees @ Rs.20, 000/-per meeting is paid for attending Board and Committee meetings. No sitting fees were paid for Board meetings held on 28April 2004 and 14 May 2004.

Notes:

1. No Director is related to any other Director, except for Mr.Kumar Mangalam Birla and Mrs.Rajashree Birla, who are Son and Mother respectively.
2. Mr.Kumar Mangalam Birla, Mrs. Rajashree Birla and Mr. S.Rajgopal were appointed Directors w.e.f.14 May 2004
3. Mr.R.C.Bhargava, Mr.A.R.Gandhi and Dr.S.Misra were appointed Directors w.e.f 6 July 2004
4. Mr.D.D.Rathi resigned from the Board on 14 May 2004. He was reappointed Director w.e.f 6 July 2004
5. Mr.Y.P.Gupta was appointed Director w.e.f 4 August 2004
6. Mr.V.T.Moorthy was appointed Director w.e.f 25 January 2005
7. Mr.A.M.Naik, Mr.A.Ramakrishna and Mr.K.Venkataramanan resigned w.e.f 14 May 2004.
8. Mr.S.S.Marathe and Mr.K.S.K.Khare were appointed Directors w.e.f 14 May 2004 and they resigned w.e.f. 4 August 2004.

II. BOARD COMMITTEES

- **Audit Committee**

An Audit Committee at the Board level with the powers and role that are in accordance with Clause 49 II (C) and (D) of the Listing Agreement was constituted on 31 May 2004. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process. Initially, Mr.S.Rajgopal, Mr.Kumar Mangalam Birla, Mrs. Rajashree Birla, Mr.K.S.K.Khare, Mr.S.S.Marathe, Mr.J.P.Nayak and Mr.Y.M.Deosthalee were members of the Audit Committee. A meeting of the Audit Committee was held on 4 June 2004. Details of the sitting fee paid are as under

Name of Director	Sitting Fees Paid (Rs.)	No. of Audit Committee Meetings	
		Held	Attended
Mr. S.Rajgopal	20,000	1	1
Mr. Kumar Mangalam Birla	20,000	1	1
Mrs. Rajashree Birla	20,000	1	1
Mr. J. P. Nayak	20,000	1	1
Mr. Y.M. Deosthalee	20,000	1	1
Mr. S. S. Marathe	20,000	1	1
Mr. K.S. K. Khare	20,000	1	1

Subsequent to Grasim Industries Limited, the holding Company, acquiring management control of your Company w.e.f 6 July 2004, the Audit Committee was re-constituted on 4 August 2004.

The Audit Committee now comprises of three Independent Directors as under:-

Mr. R.C. Bhargava, Mr.A.R.Gandhi and Mr. S. Rajgopal. Mr.R.C.Bhargava is the Chairman of the Committee.

After the re-constitution, the Audit Committee met 3 times to deliberate on various matters. Meetings of the Committee were held on 26 October 2004, 7 December 2004 and 18 February 2005.

Name of Director	Sitting Fees Paid (Rs.)	No. of Audit Committee Meetings	
		Held	Attended
Mr. R.C.Bhargava	60,000	3	3
Mr. A.R.Gandhi	-	3	-
Mr. S. Rajgopal	60,000	3	3

Mr. D.D. Rathi, Director of your Company and Whole Time Director & Chief Financial Officer of Grasim Industries Limited and Mr. K.C. Birla, Chief Financial Officer of your Company are the permanent invitees. The Statutory and Internal Auditors of your Company are also invited to the Audit Committee Meetings. Mr. S.K. Chatterjee, Company Secretary acts as the Secretary of the Committee.

- **Share Transfers and Shareholders / Investors Grievance Committee**

A Shareholders' Grievance Committee was constituted on 31 May 2004 comprising of Mr.S.Rajgopal, Mr.Kumar Mangalam Birla, Mrs. Rajashree Birla, Mr.K.S.K. Khare, Mr.S.S. Marathe, Mr.J.P. Nayak and Mr.Y.M. Deosthalee.

Subsequent to Grasim Industries Limited, the holding Company acquiring management control w.e.f 6 July 2004, the Committee was re-constituted on 4 August 2004 and rechristened the Share Transfers and Shareholders / Investors Grievance Committee. The Committee comprises of Mr. R.C. Bhargava, Dr. S. Misra and Mr. D. D. Rathi.

The Committee looks into issues relating to share/debentureholders, including transfer/transmission of Shares/Debentures, issue of duplicate share/debentures certificates , non-receipt of dividend, Annual Reports etc.. The Committee meets to review status of investor grievances, ratify share/debenture transfers, approve transmission of shares / debentures and issue duplicate share/debentures certificates from time to time. Besides, Officers of the Company have been authorised to approve issue of share / debenture certificates, approve transfer / transmission of shares / debentures, consolidation, sub-division, split of share/debenture certificates, etc.

During the year the Committee met on 26 October 2004 and 25 January 2005.

Name of Director	Sitting Fees Paid (Rs.)	Number of Meetings	
		Held	Attended
Mr. R.C. Bhargava	40,000	2	2
Dr. S. Misra	40,000	2	2
Mr. D.D. Rathi	40,000	2	2

Mr. S.K. Chatterjee, Company Secretary, acts as the Secretary of the Committee.

- **Finance Committee**

A Finance Committee at the Board level was constituted on 4 August 2004 comprising of Mr. R.C. Bhargava, Mr. D.D. Rathi and Dr. S. Misra.

The Committee is authorised to exercise all powers and discharge all functions primarily relating to the following:

- borrow monies/or avail financial facilities for the business of the Company
- borrow or avail working capital facilities
- avail non-fund based facilities/limits
- authorise Officers of the Company to undertake and enter into all types of foreign currency contracts for hedging its underlying import and export exposure

- open/close bank accounts, locker(s), safe deposit vaults
- execute various documents, deeds, agreements, promissory notes etc.
- authorise the Officers of the Company to sign and execute papers relating to Excise, Sales Tax, Income Tax, Customs, FEMA, Reserve Bank of India and other judicial or quasi judicial authorities

The Committee met once during the year on 8 November 2004.

Details of the Finance Committee Meetings attended

Name of Director	Sitting Fees Paid (Rs.)	No. of Finance Committee Meetings	
		Held	Attended
Mr. R.C. Bhargava	20,000	1	1
Mr. D.D. Rathi	20,000	1	1
Dr. S. Misra	20,000	1	1

Mr. K.C. Birla, Chief Financial Officer is a permanent invitee to the meeting of the Finance Committee. Mr. S.K. Chatterjee, Company Secretary acts as the Secretary of the Committee.

III. OTHER DISCLOSURES

- Details of related party transactions

There are no material transactions with related parties that require separate disclosure. A comprehensive list of related party transactions as required by the Accounting Standard (AS) 18 issued by the Institute of Chartered Accountants of India, forms part of the Note No. 15 of Part B of Schedule 22 to the Accounts in the Annual Report.

- Pecuniary relationship or transactions of the Non-Executive Directors

There is no material transaction with any Non-Executive as well as Independent Directors of the Company that requires a separate disclosure.

- Details of information on appointment of new directors

A brief resume, nature of expertise in specific functional areas, names of companies in which the person already holds directorship and membership of committees of the Board and his shareholding in the Company forms part of the Notice of the Annual General Meeting, annexed to this Annual Report.

- Details of non-compliance, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

Means of communication.

- Half-yearly report sent to each household of shareholders Yes
- Quarterly results
 - Which newspapers normally published in Business Standard (All Editions), Financial Express; Loksatta (Mumbai)
 - Any website, where displayed company website under construction
www.ultratechcement.com
www.adityabirla.com
 - Whether it also displays official news releases Yes
 - Presentations made to investors/analysts No
 - Are they available on the company website No
 - Are they available on the websites of the stock exchanges No
- Whether MD&A and Corporate Governance Report forms Part of the Annual Report Yes
- **General Body Meetings**
 - Current AGM : Date, time and venue : 24 August 2005 at 2.00 pm
: at Birla Matushri Sabhagar, 19, New Marine Lines, Mumbai 400 020.
 - Location and time, where last three AGMs held

Year	Type	Location	Date	Time
2002	AGM	L&T House, Ballard Estate, Mumbai-400 001	30 July 2002	11 AM
2003	AGM	L&T House, Ballard Estate, Mumbai-400 001	30 May 2003	11 AM
2004	AGM	Birla Matushri Sabhagar, 19 New Marine Lines, Mumbai-400 020	11 October 2004	2 PM

- Postal Ballot
 - Whether special resolutions were put through postal ballot last year No
 - Details of voting pattern N.A
 - Person who conducted the postal ballot exercise N.A
 - Are proposed to be conducted through postal ballot N.A
 - Procedure for postal ballot N.A

NON-MANDATORY RECOMMENDATIONS

- **Chairman's Office:** A non-executive Chairman should be entitled to maintain a Chairman's office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties.

The corporate office of the Company supports the Chairman in discharging his responsibilities, as the Chairman does not have a separate office in the Company.

- **Shareholder Rights:** The half-yearly declaration of financial performance including summary of the significant events in last six-months, should be sent to each household of shareholders.

Your Company follows the practice of sending the "Performance Update" consisting of financial and operational performance to the shareholders after announcement of half yearly results.

- **Postal Ballot:** For shareholders who are unable to attend the meetings, there should be a requirement which will enable them to vote by postal ballot for key decisions.

Your Company has not carried any resolutions through a postal ballot in the past and will adhere to all applicable laws in spirit in such an event even in the future.

AUDITORS' CERTIFICATE

To the Members of ULTRATECH CEMENT LIMITED

We have examined the compliance of conditions of corporate governance by **ULTRATECH CEMENT LIMITED** (formerly known as UltraTech CemCo Limited) for the year ended on 31st March, 2005 as stipulated in clause 49 of the Listing Agreement of the said Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the Management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the abovementioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that to the best of our information and according to the explanations given to us, no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For S.B.BILLIMORIA & CO.
Chartered Accounts

Nalin M. Shah.
Partner
(Membership No.15860)

MUMBAI, 10th June, 2005

For G.P.Kapadia & Co.
Chartered Accounts

Atul B. Desai
Partner
(Membership No.30850)

SOCIAL REPORT

Your Company is engaged in community work, concentrating largely in the rural areas close to its plants. Your Company's social projects are carried out under the umbrella of the "Aditya Birla Centre for Community Initiatives and Rural Development", under the leadership of Mrs. Rajashree Birla, your Director. The Centre is the apex body which provides the strategic direction for the Aditya Birla Group's community work, ensuring performance management and measurement of the impact of its initiatives as well.

In working with the communities, we gauge what are their real needs. What we discovered is that people's first need is to have potable water, second - agriculture and ways of sustainable livelihood, third - health care facilities, fourth - education and fifth - infrastructural facilities. So these are our areas of focus. Within it we have prioritised education and water projects.

For the year 2004-05 we have made significant progress. A summary is provided below.

Health care

- Medical camps held in villages around the plants for health check-ups and treatment benefiting over 35,000 villagers
- In collaboration with the Indian Red Cross Society, blood donation camps organised at various plants.
- Oral health care and polio vaccination camps organised

Education

- Balsanskar Kendras, Adult Education Centres and Woman Literacy Programs conducted for providing education to the host communities

Sustainable Livelihood

- Farm-based programmes, farmer training, nursery raising, setting up of vermin-compost units, seed multiplication, intercropping and immunisation at animal husbandry camps benefited the farmers

Women Self-Help Groups

- Sewing and Embroidery Training Centers, income generation activities such as leaf plate, phenol acid, wax candle and spice making were organised and women trained, which provided the means of livelihood to women in the host communities

Infrastructure

- Infrastructure development through the construction and repair of approach roads, check dams, setting up troughs and drinking water structures, bore wells, houses, school rooms, washing ghats, health centres and facilities for the under-served communities, including construction of low cost sanitation blocks

Your Company treats its social projects with the same seriousness as its business projects. Your Company has a one year plan and a three year rolling plan, with milestones, timelines and measurement mechanisms. At the plant level the head of the plant is responsible for the Corporate Social Responsibility (CSR) activities. He and his team constantly apprise the Centre and the Business Director of the progress made.

In a sense, CSR at your Company is very much on the radar of the top Management. Our Board and all of our employees are fully committed to the CSR programme.

In our own small way, we are endeavouring to build a better, sustainable way of life for the weaker sections of the society.

ENVIRONMENT REPORT

Your Company has a well-drawn out environmental management strategy in place. Environment concerns are textured into all manufacturing processes and business decisions. We subscribe to the United Nations Global Compact.

All of your Company's plants in Andhra Pradesh, Chhattisgarh, Gujarat and Maharashtra are ISO 9002 QMS and ISO 14000 EMS certified. The plants at Andhra Pradesh, Gujarat and Maharashtra are OHSAS 18001 certified as well.

Periodic audit of your Company's plants is an in-built process for ensuring on-going conformity with environment standards. So, we track our performance against detailed environmental metrics, engaging professional environmental Audit Consultants. Det Norske Veritas, the State Pollution Control Board's certified auditors and Environmental Systems Auditors conduct an in-depth environmental audit at our plants. Their Audit Reports reconfirm the fact that we are environment sensitive.

Your Company has state-of-the-art automated industrial effluent treatment plants across its manufacturing units. The treated effluent, including treated sewage generated by the plants, is recycled for use in gardening and for irrigation.

Energy conservation and recycling waste productively continues to be a priority at your Company's plants as well. A few examples are given below:

- Desilting of the mines water generated from strata seepage and re-cycling it for industrial cooling, spraying in the mines and plant for dust suppression.
- To prevent dust particles from being emitted in the environment, highly efficient pollution control equipment like the reverse airbag house, the pulse jetbag house and Electrostatic Precipitators (ESP) have been installed at different sections of some of your Company's plants. The dust collected is then fully recycled into the system.
- The air-deck blasting technique enabled energy conservation in the mines.

Apart from these measures, educating and sensitising our employees, contractors and customers on the importance of sustainable development is a continuous process.

Faced with drought and severe water shortage at many of the places where our plants are located, your Company has begun rainwater harvesting projects. A desalination plant in coastal Gujarat is used for meeting the requirements of your Company's plants in Gujarat and the colony. This helps in conserving the ground water. These form not only a part of our Environment Management Systems, but also evolve out of our commitment to qualitatively better the lives of the communities in proximity to our plants.

Our Board and all of our colleagues across our plants are fully committed to sustainable development. The green cover in and around our plants, with thousands of trees swaying, is a reflection of our passionate respect for the environment.

SHAREHOLDER INFORMATION

1. Annual General Meeting
 - Date and Time : 24 August 2005
 - Venue : Birla Matushri Sabhagar
19, New Marine Lines
Mumbai 400 020
2. Financial Calendar
 - Financial reporting and Limited Review for the quarter ending 30 June 2005 : End July 2005
 - Financial reporting and Limited Review for the half year ending 30 September 2005 : End October 2005
 - Financial reporting and Limited Review for the quarter ending 31 December 2005 : End January 2006
 - Financial reporting for the year ending 31 March 2006 : End April 2006
 - Annual General Meeting for the year ending 31 March 2006 : Early August 2006
3. Dates of Book Closure : 13 August 2005 to
24 August 2005
(both days inclusive)
4. Dividend Payment Date : On or after 24 August 2005
5. Registered Office : 'B' Wing, Ahura Centre
2nd Floor, Mahakali
Caves Road, Andheri
(East), Mumbai 400 093
Tel: (022) 5691 7800
Fax: (022) 5691 7900
E-mail: sharesutcl@adityabirla.com
Website:www.ultratechcement.com
(under construction)
www.adityabirla.com

6 (a) Listing Details

Equity Shares	Non Convertible Debentures
The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street, Mumbai 400 001 The National Stock Exchange of India Limited "Exchange Plaza", Bandra – Kurla Complex Bandra (E), Mumbai 400 051	The National Stock Exchange of India Limited "Exchange Plaza", Bandra – Kurla Complex Bandra (E), Mumbai 400 051

Note: Listing fees has been paid to the Indian Stock Exchanges for the year 2005-06
The GDRs are not listed on any Stock Exchange

- 6 (b) Overseas Depository for GDRs : Citibank N.A.
Depository Receipt Services
111, Wall Street,
New York; NY-10043 USA
Tel: +12126577808
Fax: +12126575398

6 (c) Domestic Custodian of GDRs

: Citibank N.A.
Custody Services
Ramnord House
77, Annie Besant Road,
Worli, Mumbai 400 025
Tel: (022) 2497 8066
Fax: (022) 2497 8060

7. Stock Code

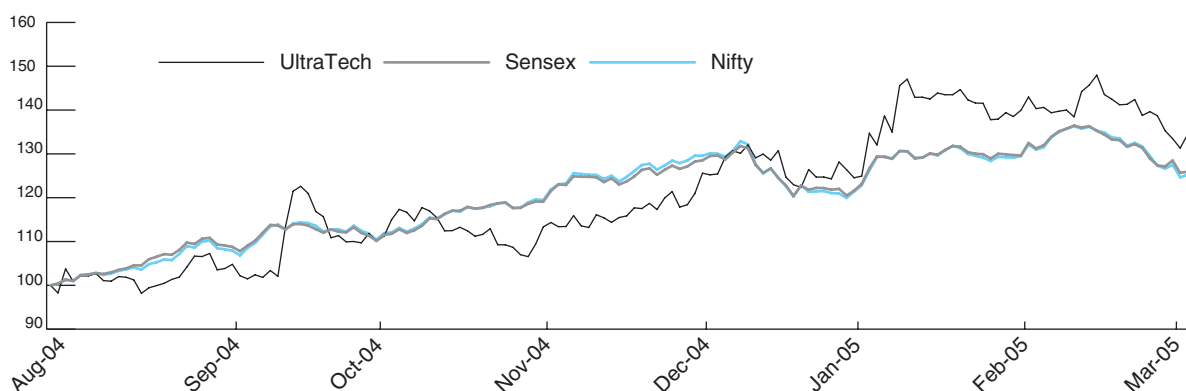
	Reuters	Bloomberg
The Stock Exchange, Mumbai	ULTC.BO	UTCEM IN
National Stock Exchange	ULTC.NS	NUTCEM IN

8. Stock Price Data

	The Stock Exchange, Mumbai				National Stock Exchange			
	High	Low (In Rs.)	Close	Avg. Vol. (In Nos)	High	Low (In Rs.)	Close	Avg. Vol. (In Nos)
Aug'04	338.70	248.90	265.95	6,480,030	340.00	249.20	270.70	2,222,115
Sept'04	283.00	254.00	266.60	1,931,594	283.00	254.35	279.25	166,824
Oct'04	353.00	264.00	303.75	3,453,510	354.00	263.00	320.40	317,745
Nov'04	310.00	276.00	295.20	1,038,040	310.00	276.00	306.90	136,947
Dec'04	351.00	294.00	340.30	1,782,638	351.80	293.25	340.45	162,368
Jan'05	360.00	310.50	343.75	2,858,867	361.00	300.15	351.50	220,927
Feb'05	391.00	337.50	372.25	2,341,282	391.90	334.30	382.75	146,791
Mar'05	392.90	338.10	357.75	1,785,020	393.00	338.00	387.65	97,074

The equity shares of the Company were admitted for dealing on The Stock Exchange, Mumbai and The National Stock Exchange of India Limited w.e.f 24 August 2004.

9. Stock Performance



10. Stock performance over the past few years

(In Percentage)	Since Listing*
UltraTech	36.2
BSE Sensex	28.1
NSE Nifty	27.9
* Listing w.e.f 24 August 2004	

11. Registrar and Transfer Agent
(Share transfer and communication regarding share certificates, dividends and change of address)

Sharepro Services (India) Private Limited
Satam Estate, 3rd Floor,
Above Bank of Baroda, Chakala
Andheri (East), Mumbai 400 099
Tel: 022: 2821 5168 / 2834 8218
Fax: 022: 2837 5646
Email: sharepro@vsnl.com

12. Share transfer and investor services

Share transfers in the physical form are registered and returned within a period of 15 days from the date of receipt, if the documents are clear in all respects. Officers of the Company are jointly authorised to approve transfers upto 5,000 shares in physical form under one transfer deed. One Director together with one Officer are authorised to approve transfers exceeding 5,000 shares under one transfer deed.

Sharepro Services, the Registrar & Transfer Agent attend to investor grievances in consultation with the Secretarial Department of the Company.

The Share Transfers and Shareholders / Investors Grievance Committee looks into various issues relating to share transfers and investor grievances and meet from time to time to review the same.

Requests for share transfers, sub-division, consolidation and issue of duplicate share certificates and any investor grievances can be addressed to the Registered Office of the Company or the Office of the Registrar & Transfer Agent.

Transfer Period (in days)	No. of transfers	No. of shares	%
1-15	25,602	860,561	96.19
16-20	594	17,294	2.23
21-30	419	13,043	1.58
Total	26,615	890,898	100.00

- Number of pending share transfers : 113 transfers for 3,871 shares
as at 31 March 2005 pending as registered notices to sellers have been issued.

13. Investor Services :
- Complaints received during the year

Nature of complaints	2004-05	
	Received	Cleared
Relating to Transfers, Transmissions, etc., Dividend, etc., Change of address, Demat – Remat and others	30	30
Received from SEBI, Stock Exchanges and other statutory authorities	1	1
Total	31	31

14. Distribution of share holding as on 31 March 2005

No. of equity shares held	No. of shareholders	% of shareholders	No. of shares held	% share holding
1-100	283,334	89.03	9,101,068	7.32
101-200	21,008	6.60	3,116,206	2.51
201-500	9,727	3.06	3,064,914	2.46
501 - 1000	2,606	0.82	1,846,556	1.48
1001 – 5000	1,339	0.42	2,397,253	1.93
5001 – 10000	80	0.03	546,816	0.44
Over 10001	122	0.04	104,325,808	83.86
Total	318,216	100.00	124,398,621	100.00

15. Categories of Shareholding as on 31 March 2005

Category	No. of shareholders	% share holders	No. of shares held	% share holding
Promoters & Persons acting in concert	2	0.00	63,542,320	51.08
UTI and Mutual Funds	69	0.02	4,757,670	3.83
Banks and Financial Institutions	148	0.05	9,871,096	7.94
FII's	158	0.05	9,154,348	7.36
GDRs	2	0.00	1,111,658	0.89
Corporates	2,495	0.79	16,151,940	12.98
NRI/OCBs	3,609	1.13	611,758	0.49
Indian Public	311,733	97.96	19,197,831	15.43
Total	318,216	100.00	124,398,621	100.00

16. Dematerialisation of shares and liquidity

The Company's equity shares are available for trading in the dematerialised mode only. Over 94% of outstanding equity (including 0.89% of equity in the form of Global Depository Receipts) have been dematerialised upto 31 March 2005.

The International Security Identification Number (ISIN) for your Company's shares is INE481G01011.

17. Details on use of public funds obtained in the last three years

Not applicable.

18. Outstanding GDR/ Warrants and Convertible Bonds, conversion date and likely impact on equity

1,111,658 GDRs and were outstanding as on 31 March 2005. Each GDR represents one underlying equity share.

There are no warrants/convertible bonds outstanding as at the year-end.

19. Plant Locations

Awarpur

Cement Works

P.O. Awarpur Cement Project

Taluka: Korpana,

Dist. Chandrapur

Maharashtra 442 917

Tel: 07173-266323 / 233

Fax:07173-266339

Email:jainak@adityabirla.com

Andhra Pradesh

Cement Works

Bhogasamudram Tadipatri,

Anantapur District,

Andhra Pradesh 515 415

Tel: 08558-288847/50

Fax: 08558-288821/31

Email:csreddy@adityabirla.com

Gujarat

Cement Works

Kovaya -365541,

Taluka - Rajula,

Dist - Amreli,

Gujarat

Tel: 02794-283081/2/3

Fax:02794-2830368

Email:kypk@adityabirla.com

Hirmi

Cement Works

Post Hirmi

Taluk Simga, Dist. Raipur,

Chhatisgarh

Pin 493 195

Tel: 07726-281217

Fax:07726-281268

Email:jkumar@adityabirla.com

Arakkonam

Cement Works

Chitteri Village,

District Vellore,

Arakkonam 631 003,

Tamil Nadu

Tel: 04177-233589

Fax:04177-233585

Email:ramanaraomv@adityabirla.com

Jharsuguda

Cement Works

Near Dhutra Railway Station,

P.O. Arda 768 202

Dist.Jharsuguda, Orissa

Tel: 06645-283104/5

Fax:06645-283110

Email:rbsingh@adityabirla.com

West Bengal Cement Works

Near EPIP Plot, Muchipara,

Post: Rajbandh, Durgapur 713 212

Tel: 0343-253-3030/3361/4324

Fax: 0343-2533358

Email:rbsingh@adityabirla.com

20. Investor Correspondence

Registered Office:

'B' Wing, Ahura Centre

2nd Floor, Mahakali Caves Road,

Andheri (East), Mumbai 400 093

Email: sharesutcl@adityabirla.com

Registrar & Transfer Agent:

Sharepro Services (India) Private Limited

Satam Estate, 3rd Floor,

Above Bank of Baroda, Chakala

Andheri (East), Mumbai 400 099

Tel: 022: 2821 5168 / 2834 8218

Fax: 022: 2837 5646

Email: sharepro@vsnl.com

OTHER USEFUL INFORMATION FOR SHAREHOLDERS

1. Dividend

Dividend warrants in respect of the year ended 31 March 2004 have been despatched to the shareholders at the addresses registered with the Company. Those shareholders who have not yet received the dividend warrants may please write to the Company or its Registrar & Transfer Agent for further information in this behalf. Shareholders who have not encashed the warrants are requested to do so by getting them revalidated from the Registered Office of the Company or the Registrar & Transfer Agent.

2. Share Transfers / Dematerialisation

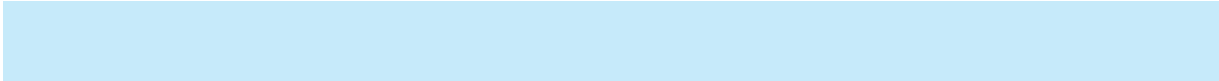
Share transfers in the physical form are presently registered and returned to the shareholders within 15 days of receipt of valid documents. In case no response is received from the Company within 35 days of lodgement of transfer request, the lodger should immediately write to the Company with full details so that necessary action can be taken to safeguard the interests of the concerned against any possible loss/interception during postal transit. The Company's Equity Shares are available for trading in the dematerialized mode only. The equity shares have been admitted with The National Security Depository Ltd., and Central Depository Services (I) Ltd., bearing ISIN No.INE481G01011. Dematerialisation requests duly complete in all respects are normally processed within 7 days from the date of their receipt at the Registered Office of the Company or the Office of the Registrar & Transfer Agent.

3. Electronic Clearing Services

The Company will provide 'Electronic Clearing Service' (ECS) mode of payment of dividend to shareholders. Shareholders are requested to provide details of their bank account for availing this facility in the form attached. Further, ECS facility is also available to the beneficial owners of shares in demat form. Those desirous of availing the facility may provide their mandate to the Company in writing, in the form attached to the AGM Notice.

4. Others

1. Members/Beneficial Owners are requested to quote their Folio No./DP & Client ID Nos., as the case may be in all correspondence with the Company.
2. Beneficial Owners of shares in demat form are advised that in terms of the regulations of NSDL & CDSL, their Bank Account details, as furnished to the Depository Participants (DP), will be printed on their dividend warrants. The Company will not directly entertain requests for change of such bank details printed on their dividend warrants. Such changes should be intimated through the respective DP.
3. Members holding shares in physical form are requested to notify to the Company, change in their address/Pin Code number and Bank Account details promptly. Beneficial Owners of shares in demat form are requested to send their instructions regarding change of address, bank details, nomination, power of attorney, etc. directly to their DP as the same are maintained by the DPs.
4. To prevent fraudulent encashment of dividend warrants, members are requested to provide their Bank Account Details (if not provided earlier) to the Company (if shares held in physical form) or to DP (if shares held in demat form), as the case may be, for printing of the same on their dividend warrants.
5. Non-resident members are requested to immediately notify :-
 - change in their residential status on return to India for permanent settlement;
 - particulars of NRE Account, if not furnished earlier.

- 
6. In case of loss/misplacement of shares, investors should immediately lodge a FIR/Complaint with the police and inform the Company along with original or certified copy of FIR/acknowledged copy of complaint.
 7. For expeditious transfer of shares, shareholders should fill in complete and correct particulars in the transfer deed. Wherever applicable, registration number of Power of Attorney should also be quoted in the transfer deed at the appropriate place.
 8. Members are requested to keep record of their specimen signature before lodgement of shares with the Company to obviate possibility of difference in signature at a later date.
 9. Member(s) of the Company who have multiple accounts in identical name(s) or hold more than one share certificate in the same name under different Ledger Folio(s) are requested to apply for consolidation of such Folio(s) and send the relevant share certificates to the Company.
 10. Section 109A of the Companies Act, 1956 extends nomination facility to individuals holding shares in physical form in companies. Members, in particular those holding shares in single name, may avail of the above facility by furnishing the particulars of their nominations in the prescribed Nomination Form.

Members are requested to quote their E-mail Ids, Telephone/Fax numbers for prompt reply to their communication. Members are requested to give their valuable suggestions for improvement of our investor services.

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 5th Annual Report and Audited Accounts of your Company for the year ended 31 March 2005

FINANCIAL RESULTS

	(Rs. in Crores)	
	2004-05	2003-04
Gross Turnover	3,132.0	2,693.2
Gross Profit	265.0	263.7
Less: Depreciation	221.8	214.5
Profit before Tax & Diminution	43.2	49.2
Provision for diminution	76.8	—
Profit / (Loss) before tax	(33.6)	49.2
Tax expenses	(36.5)	10.4
Profit after tax	2.9	38.8
Add:		
Balance brought forward from Previous Year	17.9	—
Surplus available for Appropriation	20.8	38.8
Appropriation:		
Debenture Redemption Reserve	—	6.9
General Reserve	—	7.0
Proposed Dividend	9.3	6.2
Corporate Tax on Dividend	1.4	0.8
Balance Transferred to Balance Sheet	10.1	17.9
	20.8	38.8

Your Company had revenues of Rs. 2,681.1 crores as against Rs. 2,251.1 crores in the previous year. After providing for Interest at Rs.106.9 crores (Rs.115.0 crores) and Depreciation at Rs.221.8 crores (Rs. 214.5 crores), the Profit Before Tax and provision for diminution in value of investments Rs.76.8 crores (Nil) stood at Rs. 43.2 crores (Rs. 49.2 crores). Profit after tax stood at Rs. 2.9 crores (Rs.38.8 crores).

Consequent to the acquisition of the Cement Business of Larsen & Toubro Limited, your Company also acquired investments of Rs.237.4 crores in Narmada Cement Company Limited (NCCL) along with advances in the form of Inter-Corporate Deposits amounting to Rs.179.8 crores. NCCL, a subsidiary of your Company, is a sick industrial company under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. Based on an independent valuation, your Company made a provision of Rs.76.8 crores towards what is considered a permanent diminution in the value of the investments made in NCCL.

DIVIDEND

Your Board has recommended a dividend of Rs.0.75 per share and seeks your approval for the same. The total outgo of the dividend to be paid to the shareholders will be Rs.10.6 crores (inclusive of corporate tax) as against Rs. 7.0 crores paid last year.

REVIEW OF OPERATIONS

During the year, your Company's domestic cement realisation improved by 10 per cent despite weak pricing environment in key markets in the West and South during the third quarter of FY05. Clinker exports realisation recorded an increase of 26 per cent. The capacity utilisation at your Company's plants was 90 per cent.

The operating cost at your Company's plants were adversely affected due to the rise in power costs by 13 per cent and fuel by 25 per cent. Your Company's Gujarat Plant in particular, which contributes to around 40 per cent of your Company's revenues, was severely affected on account of the substantial increase in naphtha and imported coal prices which are its key inputs. The plants at other locations were also adversely affected as domestic coal prices shot up by 16 per cent.

CORPORATE DEVELOPMENTS

Based on the approval of the Members at the Annual General Meeting held on 11 October 2004, the name of your Company was changed from UltraTech CemCo Limited to UltraTech Cement Limited with effect from 14 October 2004.

The transition from the 'L&T Cement' brand to 'UltraTech Cement – the Engineers Choice' was completed smoothly. The new brand is well accepted in all markets.

RESEARCH AND DEVELOPMENT

Your Company is strengthening its activities in material, product and process development in both cement and concrete. Work is also in progress on the commercialisation of various alternative fuels.

HUMAN RESOURCES

Your Company is in the process of synchronising the systems and practices relating to people dimensions to align the same with the Aditya Birla Group. This would aid in chalking out career paths for employees in different job bands based on their performance and competency level.

At Gyanadoya, the Aditya Birla Institute of Management Learning, which has created a benchmark, your Company's managers learning processes are fast forwarded through their exposure to some of the best minds in the world. In 72 programmes conducted during the year, Professors from Kellogg Business School, IIM-Bangalore, IIM-Calcutta, MDI-Gurgaon, management and leadership experts from HAY Consultants, Singapore, and Whitehead Mann, U.K., formed a part of the distinguished faculty that your Company's managers were privileged to learn from. These training programmes in a sense, our window to the world infuse in the managers new knowledge and new attitudes.

The e-learning portal is increasingly becoming a tool for self-learning at different levels in your Company.

CORPORATE GOVERNANCE

Your Company subscribes to the provisions of Clause 49 of the Listing Agreement with the stock exchanges and re-affirms its commitment to the standards of Corporate Governance. This Annual Report carries a section on Corporate Governance. Your Company's Statutory Auditors' Certificate dated 10 June 2005 in terms of Clause 49 of the Stock Exchange Listing Agreement is annexed to and forms part of the Directors' Report.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956 the Accounts along with the Report of the Board of Directors and Auditors' Report of your Company's subsidiaries, viz. NCCL, Dakshin Cements Limited (DCL) and UltraTech Ceylinco (P) Limited (UTCPL) are annexed to this Report.

The duly audited Consolidated Financial Statements as required under the provisions of Clause 32 of the Listing Agreement and Accounting Standard 21 (AS 21) relating to Consolidated Financial Statements has been prepared after considering the financial statements of your Company's subsidiaries viz. NCCL, DCL and UTCPL.

FINANCE

Your Company enjoys a AA+/ Stable rating by CRISIL. It is in dialogue with banks and financial institutions for accessing funds for its modernisation and expansion programme. Your Company has met its obligations towards debt repayments falling during the year.

During the year under review, your Company raised Rs. 500 crores by way of privately placed debentures and loans. These were used for repayment of high cost borrowings and general corporate purposes and have resulted in lowering the interest costs.

Your Company has not invited or renewed deposits from the public / shareholders in accordance with Section 58A of the Companies Act, 1956.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

The particulars of employees, required under Section 217(2A) of the Companies Act, 1956, are given as an Annexure to this Report.

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo, stipulated under Section 217(1)(e) of the Companies Act, 1956 is set out in a separate statement, forming part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors wish to inform you that the Audited Accounts for the year under review are in full conformity with the requirements of the Companies Act, 1956 and the Accounting Standards. The financial statements reflect fairly the form and substance of transactions carried out during the year under review and reasonably present your Company's financial condition and results of operations.

Your Directors confirm that:

- (i) in the presentation of the Annual Accounts, applicable accounting standards have been followed;
- (ii) the accounting policies have been consistently applied and reasonable, prudent judgement and estimates are made so as to give a true and fair view of the state of affairs of your Company as at 31 March 2005 and of the profit for the financial year ended 31 March 2005;
- (iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of your Company and for preventing and detecting frauds and other irregularities;
- (iv) the Annual Accounts of your Company have been prepared on a going concern basis.

DIRECTORS

Since the last Annual General Meeting held on 11 October 2004, the Board of your Company was re-constituted with the induction of Mr.V.T.Moorthy with effect from 25 January 2005. Mr.Moorthy has a long association with the Aditya Birla Group and his induction into the Board will be of immense benefit to your Company. Mr.Moorthy will continue to hold office upto the date of the Annual General Meeting. A Notice proposing his appointment as Director pursuant to section 257 of the Companies Act, 1956 has been received from a Member.

Mr.Y.M.Deosthalee, Mr.Kumar Mangalam Birla and Mrs. Rajashree Birla retire from office by rotation and being eligible, offer themselves for reappointment.

A brief resume, expertise and details of other directorships of these Directors are attached alongwith the Notice of the ensuing Annual General Meeting.

AUDITORS

M/s S.B.Billimoria & Co. Chartered Accountants, Mumbai and M/s. G.P.Kapadia & Co. Chartered Accountants, Mumbai were appointed Joint Statutory Auditors of your Company from the conclusion of the previous Annual General Meeting until the conclusion of the ensuing Annual General Meeting. M/s S.B.Billimoria & Co. and M/s. G.P.Kapadia & Co. being eligible, offer themselves for reappointment.

A resolution seeking your approval for their reappointment is included in the Notice convening the Annual General Meeting.

COST AUDITOR

In pursuance of Section 233B of the Companies Act, 1956, your Directors have appointed M/s N.I.Mehta & Co., Cost Accountants, Mumbai as the Cost Auditors to conduct the Cost Audit of your Company for the financial year ending 31 March 2006, subject to the approval of the Central Government.

APPRECIATION

Your Directors place on record their appreciation of the assistance and guidance provided by the various Ministries, the Central and State Governments and all Regulatory Bodies. Your Directors also thank the financial institutions and banks for their support as well.

Your Directors thank you — our esteemed Shareholders for your continued support.

Your Directors place on record their appreciation of the dedication and commitment of your Company's employees and look forward to their support in the future as well.

For and on behalf of the Board



Kumar Mangalam Birla
Chairman

Mumbai
23 April 2005

ANNEXURE TO THE DIRECTORS' REPORT

Information under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rule, 1988 and forming part of the Directors' Report for the year ending 31 March 2005

A. CONSERVATION OF ENERGY

a) Energy Conservation Measures taken:

Your Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices such as

- Installation of Lechier Spill Back Nozzle system
- Installation of high efficiency fans for Cement Mill ESPs
- Fuzzy Logic Control Systems for Kilns and the Cement Mills
- Installation of Harmonic Filters for Power Factor improvement
- SPRS Systems for Smoke Gas Fans
- Installation of additional variable Speed Drives and Energy Meters

b) Additional investments and proposals being implemented for reduction of consumption of energy:

- Belt Bucket Elevator for raw material
- Voltage regulators for DG
- Flat belts in Cement Mills area
- Installation of Dry Fly Ash handling system at various plants to increase the percentage of Fly Ash utilisation
- Increase the blended cement production from 51% to 53% lowering energy consumption per tonne of cement

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

- The proposals stated above shall result in reduction in power consumption and corresponding reduction in the cost of production

d) Total energy consumption and energy consumption per unit of production as per FORM – A

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATIONS

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

- Participation in national and international conferences
- Imparting training to personnel by foreign technicians in various manufacturing techniques by foreign and Indian experts and technology suppliers

2. Benefits derived as a result of the above efforts:

- Improvement in existing processes and reducing consumption of scarce raw materials and funds
- Cost reduction
- Market leadership

3. Information regarding technology imported during the last 5 years: Nil

FORM – B

Form for disclosure of particulars with respect to absorption.

A. RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company:

Evaluation of use of:-

- Classified Fly Ash for manufacture of PPC cement
- Nonferrous sludge as additive
- Fused slag
- Increased used Fly Ash content in PPC without effecting quality

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

- The above initiatives have resulted in product improvement.

3. Future plan of action:

- Commercialisation of alternative fuels
- Optimisation of chemistry of raw mix

4. Expenditure on R&D:

	2004-05	(Rs. crore) 2003 – 04
a) Capital expenditure	0.49	3.68
b) Recurring expenditure	2.77	0.98
c) Total expenditure	3.26	4.66
d) Total R&D expenditure as % of turnover	0.10	0.20

C) FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on foreign exchange earnings and outgo is contained in Schedule 23(5) and (6) of the Accounts

(A) POWER & FUEL CONSUMPTION

FORM A

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

	Unit	Current Year	Previous Year
A. POWER AND FUEL CONSUMPTION			
1. Electricity:			
(a) Purchased			
Unit	'000 kwh	287330	377679
Total Amount	Rs. crore	122.61	145.47
Rate / unit	Rs.	4.27	3.85
(b) Own generation*			
i) Through Diesel Generator			
Unit	'000 kwh	296945	177861
Units (kWh) per ltr. of fuel oil	kWh / ltr.	4.17	4.18
Cost / Unit	Rs.	2.81	2.66
ii) Through Steam Turbine/Generator			
Unit	'000 kWh	318523	312452
Units (kWh) per Kg of coal	kWh / kg	0.89	1.04
Cost / Unit	Rs.	1.17	1.15
iii) Through Steam Turbine/Generator			
Unit	'000 kwh	306873	257385
Units (kWh) per kg. of Naphtha	kWh / kg	4.41	2.62
Cost / unit	Rs.	4.50	3.80
2. Coal:			
i) Used in kilns:			
Quantity	Tonnes	1912353	1806654
Total Cost	Rs. Crore	395.03	298.13
Average rate	Rs. / Tonnes	2066	1650
ii) Used in Captive power plants:			
Quantity	Tonnes	357065	299596
Total Cost	Rs. Crore	37.17	36.07
Average rate	Rs. / Tonnes	1041	1204
3. Furnace Oil (Including Naphtha):			
Quantity K. ltrs		173194	147291
Total Cost	Rs. Crore	225.16	153.42
Average rate	Rs. / K ltr	13000	10416
4. Light Diesel Oil (LDO):			
Quantity K. ltrs		1004	1235
Total Cost	Rs. Crore	1.87	1.85
Average rate	Rs. / K ltr	18679	14997
3. High Speed Diesel Oil (HSD):			
Quantity K. ltrs		293	239
Total Cost	Rs. Crore	0.67	0.48
Average rate	Rs. / K ltr	22700	19986
B. CONSUMPTION PER UNIT OF PRODUCTION:			
Product : Cement	Tonne		
Electricity#	KWh	87	84
Furnace Oil	Ltr.	0.26	0.23
Coal	Tonne	0.13	0.13

* Excludes Auxiliary and Wheeling

Excludes non production power consumption

AUDITORS' REPORT

TO THE MEMBERS OF ULTRATECH CEMENT LIMITED

1. We have audited the attached Balance Sheet of ULTRATECH CEMENT LIMITED,(formely, UltraTech CemCo Limited) as at 31st March, 2005, the Profit and Loss Account and the Cash Flow Statement for the year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (CARO) issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, we give in the Annexure a statement on the matters specified in in praragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above :
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
 - c) The Balance Sheet, Profit and Loss Account and the Cash Flow Statment dealt with by this report are in agreement with the books of account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in compliance with the Accounting Standards referred to in Section 211(3c) of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2005;
 - ii) in the case of the Profit and Loss Account, of the profit for the year ended on that date and
 - iii) in the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.
5. On the basis of the written representations from the directors as on 31st March, 2005, taken on record by the Board of Directors, we report that none of the directors is disqualified as at 31st March, 2005 from being appointed as a director under Section 274(1)(g) of the Companies Act, 1956.

For S. B. BILLIMORIA & CO.
Chartered Accountants

NALIN M. SHAH
Partner
(Membership No.15860)
Place : Mumbai
Dated: 23rd April, 2005

For G.P. KAPADIA & CO.
Chartered Accountants

ATUL B. DESAI
Partner
(Membership No.30850)

ANNEXURE TO THE AUDITORS' REPORT

(Referred to in paragraph 3 of our report of even date)

- (i) The nature of the Company's business/activities during the year is such that clauses (i)(c), (x), (xii), (xiii), (xiv), (xvii) and (xx) of CARO are not applicable to the Company.
- (ii) In respect of its fixed assets:
 - (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - (b) Some of the fixed assets were physically verified during the year by the Management in accordance with a programme of verification, which in our opinion provides for physical verification of all the fixed assets at reasonable intervals. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
- (iii) In respect of its inventories:
 - (a) As explained to us, inventories were physically verified during the year by the Management at reasonable intervals.
 - (b) In our opinion and according to the information and explanations given to us, the procedures of physical verification of inventories followed by the Management were reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) In our opinion and according to the information and explanations given to us, the Company has maintained proper records of its inventories and no material discrepancies were noticed on physical verification.
- (iv) According to the information and explanations given to us, the Company has not taken or granted secured or unsecured loans from/to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (v) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchases of inventory and fixed assets and for the sale of goods and services and we have not observed any continuing failure to correct major weaknesses in such internal controls.
- (vi) In respect of contracts or arrangements to be entered in the register maintained in pursuance of Section 301 of the Companies Act, 1956, to the best of our knowledge and belief and according to the information and explanations given to us, there were no contracts or arrangement referred to Section 301 that needed to be entered into there against maintained under the said section.
- (vii) According to the information and explanations given to us, the Company has not accepted deposits in terms of provisions of Sections 58A and 58AA or any other relevant provisions of the Companies Act, 1956.

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- (viii) In our opinion, the Company has generally adequate internal audit system commensurate with the size and the nature of its business.
- (ix) We have broadly reviewed the books of account and records maintained by the Company relating to the manufacture of cement, pursuant to the order made by the Central Government for the Maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that *prima facie* the prescribed accounts and records have been made and maintained. We have, however, not made a detailed examination of the records with a view to determining whether they are accurate or complete.
- (x) In respect of Statutory dues:
- (a) According to the information and explanations given to us, the Company has generally been regular in depositing undisputed statutory dues, including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-Tax, Sales-Tax Wealth Tax, Service Tax, Custom Duty, Excise Duty, Cess and any other material statutory dues with the appropriate authorities during the year.
- (b) According to the information and explanations given to us, details of disputed Sales Tax, Income Tax, Customs Duty, Wealth Tax, Service Tax, Excise Duty and Cess which have not been deposited as on 31st March, 2005 on account of any dispute are given below:

Name of Statute	Nature of the dues	Amount (Rs. in Crs.)	Period to which the amount relates assessment years	Forum where dispute is pending
Sales Tax Act	Sales Tax	1.70	1998-04	Assessing officers
		1.34	1989-03	Appellate Authorities
		12.30	1985-89	Tribunal (s)
		5.71	1999-02	High Court
		21.85	2000-03	Supreme Court
Customs Act	Custom Duty	0.42	2000-01	Appellate Authorities
Central Excise Act	Excise Duty	0.10	1994-95	Supreme Court
		14.40	1998-02	Tribunal (s)
		5.60	1996-04	Appellate Authorities

- (xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in the repayment of dues to financial institutions, banks and debenture holders.
- (xii) In our opinion and according to the information and explanations given to us, the terms and conditions of the guarantees given by the Company for loans taken by others from a bank, are not *prima facie* prejudicial to the interests of the Company.
- (xiii) To the best of our knowledge and belief and according to the information and explanations given to us, in our opinion, term loans availed by the Company, *prima facie*, applied by the Company during the year for the purposes for which the loans were obtained, other than temporary deployment pending application.
- (xiv) According to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, funds raised on short term basis have, *prima facie*, not been used during the year for long term investment.

ANNEXURE TO THE AUDITORS' REPORT (Contd.)

- (xv) According to the information and explanations given to us and the records examined by us, securities/ charges have been created in respect of the debentures issued. However, documentation for substitution of properties is in final stage of registration, as indicated in Note 7 (a) of Schedule 22.
- (xvi) To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

For S. B. BILLIMORIA & CO.
Chartered Accountants

NALIN M. SHAH
Partner
(Membership No.15860)
Place : Mumbai
Dated: 23rd April, 2005

For G.P. KAPADIA & CO.
Chartered Accountants

ATUL B. DESAI
Partner
(Membership No.30850)

BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedules		Rs. In Crores Previous Year
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1	124.40	124.40
Share Capital to be Extinguished		—	0.51
Reserves and Surplus	2	942.73	950.54
			1,067.13
Loan Funds			
Secured Loans	3	1,253.35	1,245.01
Unsecured Loans	4	278.03	390.63
			1,531.38
Deferred Tax Liabilities			581.71
TOTAL			3,180.22
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	5	4,304.29	4,275.84
Less : Depreciation		1,755.39	1,547.94
Net Block		2,548.90	2,727.90
Capital Work-in-Progress		48.18	24.06
			2,597.08
Investments	6		184.79
Current Assets, Loans and Advances			
Inventories	7	283.71	223.17
Sundry Debtors	8	171.95	177.57
Cash and Bank Balances	9	56.26	41.83
Loans and Advances	10	325.73	297.01
		837.65	739.58
Less:			
Current Liabilities & Provisions			
Current Liabilities	11	415.43	364.43
Provisions	12	23.87	19.92
		439.30	384.35
Net Current Assets			398.35
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		—
TOTAL			3,180.22
Accounting Policies and Notes on Accounts	22 & 23		

As per separate report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
Chartered Accountants

S. MISRA
Manager & CEO

NALIN M. SHAH
Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

KUMAR MANGALAM BIRLA
Chairman

RAJASHREE BIRLA
R. C. BHARGAVA
Y. M. DEOSTHALEE
S. MISRA
V. T. MOORTHY
J. P. NAYAK
S. RAJGOPAL
D. D. RATHI
Directors

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedules		Rs. In Crores Previous Year
INCOME			
Gross Sales		3,132.07	2,693.15
Less : Excise Duty		451.02	442.02
Net Sales		<u>2,681.05</u>	<u>2,251.13</u>
Interest & Dividend Income	14	3.70	17.54
Other Income	15	18.55	42.05
Increase / (Decrease) in Stocks	16	20.90	(6.99)
		<u>2,724.20</u>	<u>2,303.73</u>
EXPENDITURE			
Raw Material Consumed	17	190.59	163.78
Manufacturing Expenses	18	1,123.16	921.14
Purchase of Finished Products		193.93	105.08
Payments to and Provisions for Employees	19	72.96	66.67
Selling, Distribution, Administration and Other Expenses	20	771.66	668.33
Interest	21	106.88	115.01
Depreciation (Note A of Schedule 5)		221.78	214.52
		<u>2,680.96</u>	<u>2,254.53</u>
Profit Before Tax and Diminution		43.24	49.20
Provision for Diminution in Value of Investment		76.84	—
Profit/(Loss) Before Tax Expenses		(33.60)	49.20
Provision for Current Tax (including Provision for Wealth Tax Rs. 0.02 Crores (Previous Year Rs. 10,000))		31.55	19.65
Deferred Tax		(68.00)	(9.28)
Profit After Tax		2.85	38.83
Balance Brought Forward from Previous Year		17.92	—
Profit Available for Appropriation		20.77	38.83
Appropriations			
Proposed Dividend		9.33	6.22
Corporate Dividend Tax		1.33	0.80
Debenture Redemption Reserve		—	6.89
General Reserve		—	7.00
Balance Carried to Balance Sheet		10.11	17.92
		<u>20.77</u>	<u>38.83</u>
Basic and Diluted Earnings Per Equity Share (in Rs.)		0.23	3.12
Face Value Per Equity Share (in Rs.)		10.00	10.00
Number of Equity Shares (in Nos.)		124,398,621	124,398,621

Accounting Policies and Notes on Accounts 22 & 23

As per separate report attached

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
Chartered Accountants

S. MISRA
Manager & CEO

NALIN M. SHAH
Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

KUMAR MANGALAM BIRLA
Chairman

RAJASHREE BIRLA
R. C. BHARGAVA
Y. M. DEOSTHALEE

S. MISRA
V. T. MOORTHY
J. P. NAYAK
S. RAJGOPAL
D. D. RATHI
Directors

SCHEDULES

		Rs. In Crores	
		Previous Year	
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
130,000,000	Equity shares of Rs. 10 each	130.00	130.00
		<u>130.00</u>	<u>130.00</u>
Issued, Subscribed and Paid up		124.40	124.40
124,398,621	Equity shares of Rs. 10 each fully paid-up		
	Of the above, 99,521,437 equity shares of Rs. 10 each issued as fully paid up for acquiring the Cement business pursuant to Scheme of Arrangement without payment being received in cash. (58,464,717 shares are held by Grasim Industries Limited (Holding Company) and 5,077,603 shares are held by Samruddhi Swastik Trading & Investment Limited, (Subsidiary Company of Grasim Industries Limited), Previous Year Nil.)		
		<u>124.40</u>	<u>124.40</u>

SCHEDULE 2

				Rs. In Crores
RESERVES & SURPLUS				
	Balance as at 31st March, 04	Additions during the year	Deduction/ Adjustments during the year	Balance as at 31st March, 05
Capital Reserve	24.87	—	—	24.87
Cash Subsidy Reserve	0.10	—	—	0.10
Debenture Redemption Reserve	129.43	—	—	129.43
General Reserve	778.22	—	—	778.22
Surplus as per Profit & Loss Account	17.92	2.85	10.66	10.11
	<u>950.54</u>	<u>2.85</u>	<u>10.66</u>	<u>942.73</u>
Previous Year	<u>918.73</u>	<u>31.81</u>	<u>—</u>	<u>950.54</u>

SCHEDULE 3

SECURED LOANS

Non-Convertible Debentures	999.75	892.31
Other Loans:		
Loans from Financial Institutions	5.82	29.11
Foreign Currency Loan	79.50	81.54
Loans from Banks:		
Cash Credits / Working Capital Borrowings from Banks Secured by Hypothecation of Stocks and Book Debts of the Company	68.28	8.16
Other Loans	100.00	233.89
	<u>1,253.35</u>	<u>1,245.01</u>

SCHEDULES

		Rs. In Crores Previous Year
SCHEDULE 4		
UNSECURED LOANS		
Short Term Loans & Advances		
From Banks	76.06	33.25
Lease Finance	—	1.18
From Others	—	154.39
	<u>76.06</u>	<u>188.82</u>
Other Loans & Advances		
From Banks	—	43.72
Sales Tax Deferment Loan	201.97	152.54
Lease Finance	—	5.31
From Others	—	0.24
	<u>201.97</u>	<u>201.81</u>
	<u>278.03</u>	<u>390.63</u>

SCHEDULE 5

Rs. In Crores										
PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 31.3.04	Additions	Deductions/ Adjustments	As at 31.3.05	As at 31.3.04	For the year	Deductions/ Adjustments	Upto 31.3.05	As at 31.3.05	As at 31.3.04
FREEHOLD LAND	66.88	0.09	—	66.97	—	—	—	—	66.97	66.88
LEASEHOLD LAND	16.32	—	—	16.32	3.29	0.60	—	3.89	12.43	13.03
BUILDINGS	445.39	3.20	0.53	448.06	111.73	8.58	0.26	120.05	328.01	333.66
RAILWAY SIDINGS	157.84	3.42	1.91	159.35	45.77	7.49	0.86	52.40	106.95	112.07
PLANT & MACHINERY	3,442.95	31.57	13.08	3,461.44	1,289.76	194.48	9.28	1,474.96	1,986.48	2,153.19
FURNITURE & FIXTURES	61.78	5.17	0.51	66.44	31.87	6.52	0.39	38.00	28.44	29.91
JETTY	76.63	—	—	76.63	61.11	—	—	61.11	15.52	15.52
VEHICLES	8.04	1.72	0.69	9.07	4.41	0.82	0.25	4.98	4.09	3.63
	<u>4,275.84</u>	<u>45.17</u>	<u>16.72</u>	<u>4,304.29</u>	<u>1,547.94</u>	<u>218.49</u>	<u>11.04</u>	<u>1,755.39</u>	<u>2,548.90</u>	<u>2,727.90</u>
Previous year	4,261.80	18.65	4.61	4,275.84	1,337.49	213.86	3.41	1,547.94		
ADD: CAPITAL WORK-IN-PROGRESS									48.18	24.06
									<u>2,597.08</u>	<u>2,751.96</u>

Notes :

	Rs. In Crores Previous Year
A) Depreciation for the year	218.49
Add: Obsolescence	3.78
Less: Depreciation Write-back	(0.49)
Depreciation as per Profit & Loss Account	<u>221.78</u>

- B) 1. Leasehold Land includes Mining Rights.
2. Cost of leasehold land includes Rs. 6.09 Crores (Previous year Rs 6.09 Crores) for which the lease agreement has not been executed.
3. Cost of plant and machinery includes Rs. 29.89 Crores (Previous year Rs. 29.89 Crores) relating to railway wagons given on operating lease to the Railways under "Own Your Wagon Scheme"
4. Fixed Assets include assets of Rs. 121.44 Crores (Previous Year Rs. 121.44 Crores) not owned by the Company.
5. Assets amounting to Rs. 26.72 Crores (Previous Year Rs. 26.72 Crores) are held on Co-ownership with other company.
6. The title deeds of some of the immovable properties transferred pursuant to the Scheme of Arrangement are yet to be transferred in the name of company.
7. Capital work-in-progress includes advance against Capital Orders, Machinery under installation/in transit; construction materials purchases and other assets under erection.

SCHEDULES

		Rs. In Crores Previous Year
SCHEDULE 6		
INVESTMENTS - At Cost		
LONG TERM		
Government and Trust Securities -Unquoted (Rs. 10,000, Previous Year Rs.27,500) Pledged as Security Deposit	—	—
Shares in Subsidiary Companies- Unquoted		
Fully paid-up Equity Shares of Rs. 10 each		
50,000 Dakshin Cements Limited	1.21	1.21
69,803,293 Narmada Cement Company Limited (Previous Year 69,650,818) (152,475 shares purchased during the year under exit offer, Previous year 479,635)	237.39	236.88
Fully paid-up Equity Shares of Sri Lankan Rupee 10 each 40,000,000 UltraTech Ceylinco (Pvt) Ltd. (Previous Year Nil)	23.03	
	<u>261.63</u>	
	<u>261.63</u>	<u>238.09</u>
Less: Provision for Diminution in Value of Investment	<u>76.84</u>	<u>—</u>
	<u>184.79</u>	<u>238.09</u>

Note: No. of Units of Various Mutual Funds - Debt Schemes purchased and redeemed during the year 217,082,232

SCHEDULE 7

INVENTORIES

Stores & Spare parts, Packing Material and Fuels	165.41	130.58
Raw Materials	9.36	7.21
Finished Goods	49.59	41.31
Process Stock	59.35	44.07
	<u>283.71</u>	<u>223.17</u>

SCHEDULE 8

SUNDRY DEBTORS

Exceeding six months:		
Good and Secured	1.86	0.64
Good and Unsecured	1.50	9.70
Doubtful and Unsecured	—	17.17
	<u>3.36</u>	<u>27.51</u>
Less: Provision for Doubtful Debts	<u>—</u>	<u>17.17</u>
	3.36	10.34
Others:		
Good and Secured	48.74	71.41
Good and Unsecured	119.85	95.82
	<u>168.59</u>	<u>167.23</u>
	<u>171.95</u>	<u>177.57</u>

SCHEDULES

		Rs. In Crores Previous Year
SCHEDULE 9		
CASH AND BANK BALANCES		
Cash Balance on Hand	0.15	0.11
Bank Balance with Scheduled Banks: In Current Accounts	56.11	41.72
	<u>56.26</u>	<u>41.83</u>
SCHEDULE 10		
LOANS & ADVANCES		
Secured & Considered Good		
— Loan against Mortgage of House Property	3.07	2.64
Unsecured		
Considered Good:		
Subsidiary Companies	179.81	186.51
Deposits and Balances with Government and Other Authorities (including accrued interest)	26.16	12.40
Advances Recoverable in Cash or in Kind or for Value to be Received (Due from Officers of the Company Rs.0.50 Crore, Previous Year Rs.Nil, Maximum outstanding during the Year Rs. 0.50 Crore, Previous Year Rs. Nil)	113.26	94.66
Advance Income Tax (Net of Provision)	3.43	0.80
Considered Doubtful:		
Advances Recoverable in Cash or in Kind from:		
— Subsidiary	2.81	—
— Others	—	0.09
	<u>325.47</u>	<u>297.10</u>
Less: Provision for Doubtful Loans and Advances	2.81	0.09
	<u>322.66</u>	<u>297.01</u>
	<u>325.73</u>	<u>297.01</u>
SCHEDULE 11		
CURRENT LIABILITIES		
Sundry Creditors		
Small Scale Industries	0.60	2.42
(To the extent identified with available information)		
Others	224.07	180.68
	<u>224.67</u>	<u>183.10</u>
Security and Other Deposits	31.57	25.62
Advances from Customers	25.16	20.45
Amount transferable to Investor Education and Protection Fund, when due		
— Unpaid Dividend	0.10	—
Other Liabilities	96.77	96.82
Interest Accrued but not due on Loans	37.16	38.44
	<u>415.43</u>	<u>364.43</u>

SCHEDULES

		Rs. In Crores Previous Year
SCHEDULE 12		
PROVISIONS		
Provision for Contingency	3.56	3.56
Retirement Benefits	9.67	9.34
Proposed Dividend	9.33	6.22
Corporate Dividend Tax	1.31	0.80
	<u>23.87</u>	<u>19.92</u>
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Mining Development Expenses	—	10.26
Voluntary Retirement-cum-Pension Schemes / Voluntary Retirement Scheme	—	5.26
	<u>—</u>	<u>15.52</u>
SCHEDULE 14		
INTEREST & DIVIDEND INCOME		
Interest (Gross) on Others (Tax Deducted at Source Rs.0.62 Crore, Previous Year Rs. 3.48 Crore)	3.60	17.54
Dividend from Short Term Investments	0.10	—
	<u>3.70</u>	<u>17.54</u>
SCHEDULE 15		
OTHER INCOME		
Lease Rent	4.60	4.63
Insurance Claim	—	0.07
Exchange Rate Difference (Net)	—	20.47
Unclaimed Credit Balances Written Back	0.20	3.28
Excess Provisions Written Back (Net)	0.35	2.51
Miscellaneous Income/ Receipts	13.40	11.09
	<u>18.55</u>	<u>42.05</u>
SCHEDULE 16		
INCREASE / (DECREASE) IN STOCKS		
Closing Stock		
Finished Goods	49.59	41.31
Process Stock	59.35	44.07
	<u>108.94</u>	<u>85.38</u>
Opening stock		
Finished Goods	41.31	45.55
Process Stock	44.07	48.10
	<u>85.38</u>	<u>93.65</u>
Add: Increase / (Decrease) in Excise Duty on Stocks	<u>(2.66)</u>	<u>1.28</u>
Increase / (Decrease) in Stocks	<u>20.90</u>	<u>(6.99)</u>

SCHEDULES

		Rs. In Crores
		Previous Year
SCHEDULE 17		
RAW MATERIALS CONSUMED		
Opening Stock	7.21	3.78
Purchase and Incidental Expenses	192.74	167.21
	<u>199.95</u>	<u>170.99</u>
Less: Closing Stock	9.36	7.21
	<u>190.59</u>	<u>163.78</u>
SCHEDULE 18		
MANUFACTURING EXPENSES		
Consumption of Stores, Spare Parts and Components, Packing Materials	245.51	212.22
Power & Fuel Consumed	783.13	630.59
Hire Charges of Plant & Machinery and others (Net)	18.17	17.37
Repairs to Plant & Machinery	56.27	43.74
Repairs to Buildings	2.28	2.19
Repairs to Others	17.80	15.03
	<u>1,123.16</u>	<u>921.14</u>
SCHEDULE 19		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus, etc.	54.09	47.07
Contribution to and Provisions for Provident and Other Funds	6.12	8.16
Welfare Expenses	12.75	11.44
	<u>72.96</u>	<u>66.67</u>
SCHEDULE 20		
SELLING, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES		
Commission Paid to Distributors and Selling Agents	8.40	8.72
Discount on Sales	94.95	68.06
Freight, Handling and Other Expenses	479.98	434.45
Advertisements & Publicity	67.65	20.23
Insurance	7.95	7.68
Rent (including Lease Rent)	11.26	6.79
Rates and Taxes	15.41	38.63
Stationery, Printing, Communication Expenses	7.39	4.83
Travelling and Conveyance	15.23	14.46
Legal and Professional Charges	13.46	9.72
Bad Debts and Advances Written Off (Previous Year Rs. 13,223)	4.65	—
Provision for Doubtful Debts and Advances	2.81	1.79
Directors' Fee	0.14	—
Power (other than related to Manufacturing Activity)	0.60	0.57
Exchange Rate Difference (Net)	0.23	—
Loss on Sale of Fixed Assets (Net)	0.17	0.03
Miscellaneous Expenses	41.38	52.37
	<u>771.66</u>	<u>668.33</u>
SCHEDULE 21		
INTEREST		
On Debentures and Fixed Loans	95.78	93.92
On Other Loans	11.10	21.09
	<u>106.88</u>	<u>115.01</u>

SCHEDULES

SCHEDULE 22

ACCOUNTING POLICY AND NOTES ON ACCOUNTS

A Significant Accounting Policies:

1. Basis of Accounting:

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with the applicable mandatory Accounting Standards.

2. Fixed Assets:

Fixed assets are stated at cost (including other expenses related to acquisition and installation).

3. Foreign Currency Transactions:

Foreign currency transactions are accounted for at the rates prevailing on the dates of the transactions/ converted at contracted rate. Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered are restated at year end rate. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange difference is dealt with in the profit and loss account. Premium in respect of forward contracts is recognised over the life of contracts.

4. Treatment of expenditure during construction period:

Expenditure during construction period is included under Capital Work in Progress and the same is allocated to the respective Fixed Assets on the completion of its construction.

5. Investments:

Current investments are carried at lower of cost or fair value. Long term investments are stated at cost after deducting provisions made for permanent diminution in the value.

6. Inventories:

Inventories are valued at lower of cost and net realisable value.

The cost is computed on weighted average basis.

Finished goods and process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Obsolete, defective and unserviceable stocks are duly provided for.

7. Leases:

a) In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to profit & loss account.

b) Lease transactions entered into on or after April 1, 2001:

i) Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

ii) Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.

iii) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

(Also refer to policy on Depreciation & Amortisation, infra)

8. Depreciation & Amortisation:

Depreciation is charged in the Accounts on the following basis:

i) Depreciation on original cost is provided on straight-line basis at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in following.

a) Motor Cars @ 14.14 % per annum

b) Motor Car given to employees as per Company Scheme @ 17 % per annum.

c) Personal Computers & Laptops given to employees as per Company Scheme @ 31 % per annum.

ii) Assets acquired up to September 30, 1987, are depreciated at the rates prevailing at the time of acquisition.

SCHEDULES

SCHEDULE 22 (Contd.)

- iii) The value of leasehold land and mining lease is amortised over the period of the lease.
 - iv) Contribution to power lines are amortised over a period of five years.
 - v) Expenditure incurred on Jetty is amortised over the period of the relevant agreement such that the cumulative amortisation is not less than the cumulative rebate availed by the Company.
 - vi) Specialised softwares are amortised over a period of three years.
 - vii) In respect of the amounts capitalised during the year on account of foreign exchange fluctuation depreciation is provided prospectively over the residual life of the assets.
 - viii) Depreciation on additions/deductions is calculated pro rata from/to the month of additions/deductions.
- 9. Retirement Benefits:**
Provisions for/contributions to retirement benefits schemes are made as follows:
- a) Provident fund on actual liability basis.
 - b) Superannuation/Pension schemes on the basis of actual liability/actuarial valuation.
 - c) Gratuity based on actuarial valuation.
 - d) Leave encashment benefit on actuarial valuation basis.
- 10. Interest:**
The difference between the face value and the issue price of 'Discounted Value Non Convertible Debentures', being in the nature of interest, is charged to the profit and loss account, on a compound interest basis determined with reference to the yield inherent in the discount.
- 11. Borrowing Costs:**
Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.
- 12. Provision for Current & Deferred Tax:**
Provision for Current Tax is made on the basis of taxable income for the current accounting period and in accordance with the provisions as per Income Tax Act, 1961.
Deferred Tax resulting from "timing difference" between book and taxable profit for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.
- 13. Sales**
- a) Sales are accounted on despatch of products and sales value includes excise duty.
 - b) Export sales are accounted on the basis of date of bill of lading.

B NOTES ON ACCOUNTS

Rs. In Crores
Previous
Year

1.1 Contingent Liabilities not provided for in respect of:		
Claims not acknowledged as debts:		
(a) Sales-tax liability that may arise in respect of matters in appeals.	31.47	30.89
(b) Excise duty liability that may arise in respect of matters in appeals which are pending for disposal.	19.02	8.11
(c) Demand of Royalty on Limestone/ Marl for which the company has gone in appeal.	13.53	12.87
(d) Others - Including claims in respect of which the Company is contingently liable.	9.54	12.13
1.2 Put option Agreement given to ICICI Bank Ltd towards Financial facilities extended by ICICI Bank to NCCL for Rs.30 crores, outstanding as on 31 st March 05 is Rs 8.38 Crores.		

SCHEDULES

SCHEDULE 22 (Contd.)

- 2 The Ministry of Textiles, vide its orders dated 30th June 1997 and 1st July, 1999 has deleted cement from the list of commodities to be packed in Jute bags under the Jute Packaging (Compulsory Use in Packing Commodities) Act 1987. In view of this, the company does not expect any liability for non-despatch of cement in Jute bags in respect of earlier years.
3. Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances) Rs.57.18 crores (Previous year Rs. 19.58 crore)
4. Hitherto, the Company was amortizing miscellaneous expenditure to the extent not written off or adjusted (deferred revenue expenses) over a period of 5 years. During the year , outstanding amount as on April 1, 2004 (Rs.15.52 crores) and expenditure during the year (Rs.3.96 crores) has been charged to Profit & Loss Account to align the accounting policy in this regard with the holding company (Grasim Industries Limited). The additional charge on this account is Rs.12.60 crores.
5. Depreciation include Rs 18.34 crores related to earlier years.
6. The company has made provision for contingency towards probable sales tax liability which may arise on transactions between the effective date of the scheme of arrangement on which the cement business of erstwhile Larsen & Toubro Limited vested with the company i.e 01.04.2003 and 14.05.2004. The company has made provision of Rs 3.56 crores in the previous year. The matter is pending before appropriate authority for disposal.

7	a) Secured Non-Convertible Debentures		Rs. In Crores
			Previous Year
	i) Fixed Rate Non Convertible Debentures (NCDs)		
	1. 6.60% NCDs (Redeemed at Par on May 26, 2004,from the deemed date of allotment)	—	50.00
	2. 13.35% NCDs (Redeemed at Par by exercise of call option on June 25, 2004)	—	100.00
	3. 12.00% NCDs (Redeemable at par on December 22, 2006)	50.00	50.00
	4. 12.60% NCDs (Redeemable at par on December 22, 2006)	26.00	31.00
	5. 8.25% NCDs (Redeemable at par on September 2, 2012)	65.00	65.00
	6. 8.40% NCDs (Redeemable at par on July 22, 2007)	50.00	50.00
	7. 8.30% NCDs (Redeemable at par on September 2, 2012)	25.00	25.00
	8. 12.65% NCDs (Redeemed at Par by exercise of call option on October 29, 2004)	—	75.00
	9. 8.09% NCDs (Redeemable at par on July 25, 2007)	45.00	45.00
	10. 10.80% NCDs (Redeemable at par on May 10, 2005)	50.00	50.00
	11. 6.00 % NCDs (Redeemable at par on March 12, 2009)	225.00	225.00
	12. 11.75 % NCDs (Redeemable at par on January 11, 2006)	22.00	50.00
	13. Step up interest NCDs (Redeemable at par on September 16, 2012)	25.00	25.00
	14. 6.65% NCDs (Redeemable at par on April 30, 2013)	5.00	5.00
	15. 5.78 % NCDs (Redeemable at par on May 11, 2009)	150.00	—
	16. 6.25% NCDs (Redeemable at par on June 25, 2009)	150.00	—

SCHEDULES

SCHEDULE 22 (Contd.)

Rs. In Crores
Previous
Year

ii) Floating Rate Debentures		
1. MIBOR Linked NCDs (Redeemed at Par on April 14, 2004)	—	35.00
2. MIBOR Linked NCDs (Redeemable at par on August 1, 2007)	100.00	—
iii) Discounted Value Debentures		
1. Issued as zero coupon at YTM of 6.80% (Carrying amount Rs 11.75 cores, previous year Rs 11.31 crores , Redeemable at par on April 30, 2013)	20.00	20.00

The Company retains the options to purchase the debentures in the secondary market, and cancel, hold or reissue the same at such price and on such terms as the Company may deem fit or as permitted under the Company Law.

The Non-Convertible Debentures are secured by way of first charge, having Paripassu Rights, on the Company's immovable / movable properties (save and except book debts and inventory). However, documentation in respect of these debentures listed from item no. 1 to 15 in Fixed Rate Non-convertible Debentures and Discounted Value Debentures for substitution of properties which forms part of the security for these Debentures has been finalized and is in the final stage of registration.

- b) The other loans are secured by a first mortgage and charged with company's immovable properties at certain locations and/ or by hypothecation of movables at those locations (save and except book debts) both present and future, having *pari passu* rights, subject to prior charges, on specific assets in favour of the Company's Bankers:
- Rs.79.50 crores from HDFC Ltd
 - Rs. 5.82 crores from IDBI.
 - Rs.50.00 crores from Citibank.
 - Rs.50.00 crores from IDBI Bank Ltd.
8. Sundry creditors include overdue amounts (mainly unclaimed) of Rs. 0.05 crore (Previous year Rs. 1.05 crore) (including interest of Rs.49,753 , (Previous Year Nil) payable to Small Scale and Ancillary industrial units. Total outstanding dues of small scale industrial undertakings have been determined to the extent such parties have been identified on the basis of information available with the Company.

List of Small Scale Industrial Undertakings to whom the Company owes money for more than 30 days as at March 31, 2005:

1 Kaveri Ultra Polymer Ltd.	6 Al - Aqmar Trading Co.
2 Ravasco Transmission & Packing Pvt. Ltd.	7 Nascent Ventures Pvt. Ltd.
3 Surya Deep Alloy Steel Casting	8 Gemscab Industries Ltd.
4 Masturlal Pvt. Ltd.	9 Spare-Age India Pvt. Ltd.
5 Recmann Hoists & Cranes Pvt Ltd.	

9. Disclosure as per clause 32 of the listing agreement – loans in the nature of Inter Corporate deposits (ICD) and trade credit given to subsidiaries :

Name of Company	Amount Outstanding Rs. In Crores	Maximum Balance Outstanding during the year Rs. In Crores
Narmada Cement Company Limited	182.54	188.91
Dakshin Cements Limited	0.08	0.08

There is no repayment schedule and interest on these ICDs is deferred.

10. The company is in the process of setting up its own Gratuity fund. The balance in Gratuity Trust Fund relating to employees transferred from L&T Limited is yet to be transferred to company's own Gratuity fund.

SCHEDULES

SCHEDULE 22 (Contd.)

11. The company has following outstanding exposure (excluding put option agreement as mentioned in point no B 1.2 of schedule 22) in Narmada Cement Company Limited (NCCL), a subsidiary company

Investment in Equity shares	Rs 237.39 crores
Inter Corporate Deposits & Trade Credit	Rs 182.54 crores

NCCL is a sick industrial company within the meaning of sec. 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. Based on an independent valuation report, the Company has made a provision of Rs. 76.84 crores towards what is considered a permanent diminution in the value the investment during the year.

12. Auditors remuneration (excluding service tax) and expenses charged to the accounts:

	Rs. In Crores	
		Previous Year
a) Statutory Auditors:		
Audit fees	0.20	0.10
Tax audit fees	0.03	0.03
Certification fees	0.08	0.03
Expenses reimbursed	0.05	0.04
b) Cost Auditors:		
Audit fees	0.02	0.02
Expenses reimbursed (Rs.82,031, previous year Rs 3,441)	—	—

13. Manager & Chief Executive Officer's remuneration:

	* Rs. In Crores
Salary	1.13
Contribution to Provident Fund & Other Funds	0.11
Perquisites	0.10

* Excluding Contribution to Gratuity Fund as separate figures cannot be quantified.

14. Segment Reporting

The Company has one business segment 'cement' as its primary segment. The Company's operations are solely situated in India.

	Rs. In Crores	
Revenue	2004-2005	2003-2004
Sales:		
Domestic	2617.71	2300.49
Export	514.36	392.66
Total	3132.07	2693.15

15. Disclosure of related parties / related party transactions:

- a) List of related parties over which control exists

Name of the Related Party	Nature of Relationship
Grasim Industries Ltd.(Grasim)	Holding Company
Sun God Trading & Investment Ltd.	Fellow Subsidiary
Samruddhi Swastik Trading & Investment Ltd.	Fellow Subsidiary
Shree Digvijay Cement Co. Ltd.(SDCC)	Fellow Subsidiary
Narmada Cement Company Ltd. (NCCL)	Subsidiary
UltraTech Ceylinco (Pvt.) Ltd. (UCPL)	Subsidiary
Dakshin Cements Ltd. (DCL)	Wholly owned subsidiary

SCHEDULES

SCHEDULE 22 (Contd.)

- b) Names of the related parties with whom transactions were carried out during the year and description of relationship:

Holding Company

Grasim Industries Ltd.

Subsidiaries

Narmada Cement Company Ltd.

UltraTech Ceylinco (Pvt.) Ltd.

Dakshin Cements Ltd.

Key Management Personnel (KMP)

Mr S. Misra, Manager & CEO of the company

- c) Disclosure of related party transactions:

		Rs. In Crores					
Sl. No.	Nature of Transaction	Grasim	NCCL	DCL	UCPL	KMP	Total
1	Sale of Goods	2.76	—	—	53.77	—	56.53
2	Purchase of goods	6.31	184.92	—	—	—	191.23
3	Purchase / lease/Rent of fixed assets	0.19	—	—	—	—	0.19
4	Rendering of Services	0.02	—	—	2.24	—	2.26
5	Receiving of Services	1.24	—	—	—	1.34	2.58
6	Interest & other income received/ receivable	—	2.81	—	—	—	2.81
	Less : provided for	—	(2.81)	—	—	—	(2.81)
7	Letter of Comfort given to bank	—	30.00	—	—	—	30.00
Outstanding balances as at 31st March:							
	Debtors	0.23	—	—	7.67	—	7.90
	Loans & Advances	0.18	182.54	0.08	—	0.50	183.30
	Creditors	1.44	—	—	—	—	1.44

Previous year figures are not comparable due to change in management, hence same has not been given.

16. Leases

Operating Leases:

- i) The Company has taken various plant and machinery under cancellable operating leases. These lease agreement are generally renewed on expiry.
- ii) (a) The Company has taken on non-cancellable operating leases certain assets, the future minimum lease payments in respect of which, as at March 31, 2005 are as follows:

	Rs. In Crores	
		Previous Year
Minimum Lease Payments Payable		
i. not later than 1 year	1.70	2.26
ii. later than 1 year and not later than 5 years	2.88	3.97
iii. later than 5 years	—	0.06
Total Minimum Lease Payable	4.58	6.29

- (b) The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional / restrictive covenants in the lease agreements.

- iii) The rental expense in respect of operating leases was Rs. 3.00 crore (Previous Year Rs. 2.97 crore).
- iv) Contingent rent recognised in the Profit and Loss Account: Rs. 34,305 (Previous Year Rs. 29,981.)

SCHEDULES

SCHEDULE 22 (Contd.)

17. Deferred Tax Assets and Liabilities as on March 31, 2005 are as under:

Particulars	Rs. In Crores		
	Deferred Tax Assets/Liabilities as at 01.04.2004	Current Year Charge/(Credit)	Deferred Tax Assets/Liabilities as at 31.03.2005
Deferred Tax Assets:-			
Provision for doubtful debts	6.17	(6.17)	—
Others	5.23	7.90	13.13
	11.40	1.73	13.13
Deferred Tax Liabilities:-			
Accumulated Depreciation	650.83	(63.66)	587.17
Miscellaneous expenditure (to the extent not written-off or adjusted)	3.68	(3.68)	—
Others	6.60	1.07	7.67
	661.11	(66.27)	594.84
Net Deferred Tax Liability	649.71	(68.00)	581.71

Deferred tax asset is recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be adjusted.

18. All the amounts in rupees have been rounded off to crores with lacs in decimals as approved under Section 211 (1) of the Companies Act, 1956. Figures of Rs.50,000 or less have been shown at actuals in brackets.
19. Additional information required under Part II of Schedule VI to the Companies Act, 1956 (as certified by the Executives of the respective Divisions) is as per Schedule 23.
20. Previous year's figures have been regrouped and rearranged wherever necessary to conform to this year's classification.

SCHEDULES

SCHEDULE 23

ADDITIONAL INFORMATION UNDER PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

1. CAPACITIES & PRODUCTION

Product	Unit	Installed capacity*		Actual production	
		2004-05	2003-04	2004-05	2003-04
Cement	Lakh tonnes	155.00	155.00	121.14	117.89

Licensed capacity not indicated due to abolition of industrial licenses as per Notification No. 477 (E) dated July 25, 1991 issued under The Industries (Development and Regulation) Act, 1951.

* As Certified by the Management and accepted by the Auditors.

2. TURNOVER

Product	Unit	2004-2005		2003-2004	
		Quantity	Value Rs. Crore	Quantity	Value Rs. Crore
Cement	Lakh tonnes	151.71	3132.07	148.67	2693.15

Includes 26.48 lakh tonnes value of Rs 357.25 crores (previous year 29.37 lakh tonnes value of Rs 299.52 crores) of clinker, and trading cement of 4.78 lakh tonnes value of Rs 127.34 crores (previous year 1.25 lakh tonnes of Rs 33.46 crores). Quantitative figures for turnover are after exclusion of captive consumption, samples, etc.

3. INVENTORY

Product	Unit	As at 31.03.2005		As at 31.03.2004	
		Quantity	Value Rs. Crores	Quantity	Value Rs. Crores
Cement	Lakh tonnes	2.65	47.67	1.98	35.49
Trading Goods : Clinker	Lakh tonnes	0.14	1.92	0.58	5.82

4. RAW MATERIAL, STORES, SPARE PARTS

a) Raw Material Consumed:

Product	Unit	2004-2005		2003-2004	
		Quantity	Value Rs. Crores	Quantity	Value Rs. Crores
Limestone	Lakh tonnes	177.78	68.80	173.04	64.97
Slag	Lakh tonnes	3.95	12.12	4.55	14.83
Gypsum	Lakh tonnes	4.52	40.59	3.75	26.36
Others			69.08		57.62
Total*			190.59		163.78

* Including Royalty & Cess on limestone

SCHEDULES

SCHEDULE 23 (Contd.)

b) Purchase of Finished Goods:

Class of goods	Unit	2004-2005		2003-2004	
		Quantity	Value Rs. Crores	Quantity	Value Rs. Crores
Cement	Lakh tonnes	4.78	108.12	1.25	28.43
Clinker	Lakh tonnes	6.68	85.74	8.16	76.65

c) Value of imports (on CIF basis):

	Rs. In Crores	
	2004-2005	2003-2004
Fuel, stores and spares	258.93	137.64
Capital goods	0.90	0.69

d) Value of imported and indigenous raw materials, spare parts and stores consumed:

	2004-2005		2003-2004	
	Value Rs. Crore	%	Value Rs. Crore	%
Raw materials				
Imported	—	—	—	—
Indigenous	190.59	100	163.78	100
Total	190.59	100	163.78	100
Stores & spares				
Imported	30.30	22	34.04	29
Indigenous	108.17	78	83.45	71
Total	138.47	100	117.49	100

5. EXPENDITURE IN FOREIGN CURRENCY:

	Rs. In Crores	
	2004-2005	2003-2004
Freight/ Despatch Fees (Net)	51.54	33.58
Commission	0.26	0.25
Advertising	4.86	4.14
Service Fees	1.23	1.22
Interest	5.80	11.42
Other Matters	1.63	0.63

SCHEDULES

SCHEDULE 23 (Contd.)

6. EARNING IN FOREIGN EXCHANGE:

	Rs. In Crores	
	2004-2005	2003-2004
Export of Goods {Including Rs. 494.01 crore (Rs. 359.01 crore) on FOB basis}	514.64	382.20
Professional Fees	1.97	1.80
Other Receipts	16.62	10.54

7. DIVIDEND REMITTED IN FOREIGN CURRENCY TO NON-RESIDENT SHAREHOLDERS:

	For 2004-05		
	No of Shareholders	Shares Held	* Gross Amount of Dividend (Rs. In Lac)
Equity	4015	92,57,969	46.29

* Includes Rs. 33.18 Lacs (Previous Year, Nil) pertaining to Dividend Warrants of Non-Resident shareholders sent to their Bankers/Mandates in India.

Signatures to Schedules '1' to '23'

As per separate report attached

KUMAR MANGALAM BIRLA
Chairman

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
Chartered Accountants

S. MISRA
Manager & CEO

RAJASHREE BIRLA
R. C. BHARGAVA
Y. M. DEOSTHALEE

NALIN M. SHAH
Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

S. MISRA
V. T. MOORTHY
J. P. NAYAK

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

S. RAJGOPAL
D. D. RATHI
Directors

ADDITIONAL INFORMATION UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACT, 1956

I Registration Details

Registration No.

1 1 - 1 2 8 4 2 0

State Code 1 1

Balance Sheet Date

3 1 - 0 3 - 0 5

II Capital raised during the year (Amount in Rs.Thousands)

Public Issue

Nil

Right Issue

Nil

Bonus Issue

Nil

Private Placement

Nil

III Position of Mobilisation and Development of Funds (Amount in Rs.Thousands)

Total Liabilities

3 6 1 9 5 1 8 9

Total Assets

3 6 1 9 5 1 8 9

Source of Funds

Paid-Up-Capital

1 2 4 3 9 8 6

Reserve & Surplus

9 4 2 7 3 4 6

Secured Loans

1 2 5 3 3 4 7 7

Unsecured Loans

2 7 8 0 2 6 5

Application of Funds

Net Fixed Assets

2 5 9 7 0 8 4 7

Investments

1 8 4 7 8 7 6

Net Current Assets

3 9 8 3 4 9 2

Miscellaneous Expenditure

Nil

IV Performance of Company (Amount in Rs. Thousands)

Turnover

3 1 3 2 0 7 3 6

Total Expenditure

3 1 6 5 6 7 1 0

+/- Profit / (Loss) Before Tax

(-) 3 3 5 9 7 4

+/- Profit/(Loss) After Tax

+ 2 8 4 8 2

Earning per share (Rs.)

0 . 2 3

Dividend rate %

7 . 5 0

V Generic Names of Principal product of the Company

Item Code

2 5 2 3 2 9 . 0 1

Product Description

P O R T L A N D C E M E N T

KUMAR MANGALAM BIRLA
Chairman

S. MISRA
Manager & CEO

RAJASHREE BIRLA
R. C. BHARGAVA
Y. M. DEOSTHALEE

K. C. BIRLA
Executive President & CFO

S. MISRA
V. T. MOORTHY
J. P. NAYAK

S. K. CHATTERJEE
Company Secretary

S. RAJGOPAL
D. D. RATHI
Directors

Mumbai, 23rd April, 2005

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005

	Rs. In Crores	
	31-Mar-05	31-Mar-04
A Cash Flow from Operating Activities:		
Profit Before Tax	43.24	49.20
Adjustments for:		
Depreciation	221.78	214.52
Miscellaneous Expenditure Written Off	15.52	—
Provision for Doubtful Debts and Advances	2.81	—
Bad Debts Written Off	4.65	—
Credit Balances Written Back	(0.55)	—
Interest & Dividend Income	(3.70)	(17.54)
Interest Expense	106.88	115.01
Unrealised Foreign Exchange (gain)/loss	15.86	(25.70)
Loss on Sale of Fixed Assets	0.17	0.03
Operating Profit Before Working Capital Changes	406.66	335.51
Adjustments for:		
(Increase)/decrease in Inventories	(60.54)	25.27
(Increase)/decrease in Sundry Debtors	0.97	12.14
(Increase)/decrease in Loans and Advances	(27.40)	(96.97)
(Increase)/decrease in Miscellaneous Expenditure Writtrn Off	—	0.62
Increase/(decrease) in Liabilities and Provisions	52.72	43.78
Cash Generated from Operations	372.41	320.35
Direct Taxes Paid	(34.99)	(20.63)
Net Cash from Operating Activities	337.42	299.72
B Cash Flow from Investing Activities:		
Purchase of Fixed Assets	(69.30)	(48.28)
Sale of Fixed Assets	0.45	0.47
Long Term Investments Purchased	(23.54)	(1.64)
Loans/Deposits with Subsidiaries	1.51	(128.29)
Interest Received	3.70	14.73
Net Cash Used in Investing Activities	(87.18)	(163.00)
C Cash Flow from Financing Activities:		
Proceeds from Issue of Share Capital	(0.51)	22.39
Repayment of Long Term Borrowings	(612.00)	(140.51)
Proceeds from Long Term Borrowing	549.63	—
Proceeds from Short Term Borrowing	(57.75)	86.70
Interest Paid	(108.16)	(63.52)
Dividend Paid	(6.22)	—
Corporate Dividend Tax	(0.80)	—
Net Cash Used in Financing Activities	(235.81)	(94.94)
Net (Decrease)/Increase in Cash and Cash Equivalents (A + B + C)	14.43	41.71
Add: Cash Received on Demerger	—	0.09
Cash and Cash Equivalents at the Beginning of the Year	41.83	0.03
Cash and Cash Equivalents at the End of the Year	56.26	41.83

Notes:

1. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard — 3 issued by the Institute of Chartered Accountants of India.
2. Purchase of fixed assets includes movements of capital work in progress between the beginning and the end of the year.
3. Previous year figure regrouped/ recasted where ever necessary

As per separate report attached

KUMAR MANGALAM BIRLA
Chairman

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
Chartered Accountants

S. MISRA
Manager & CEO

RAJASHREE BIRLA
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Y. M. DEOSTHALEE

NALIN M. SHAH
Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

S. MISRA
V. T. MOORTHY
J. P. NAYAK

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

S. RAJGOPAL
D. D. RATHI
Directors

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

Name of the subsidiary company	Narmada Cement Company Limited	Dakshin Cements Limited	UltraTech Ceylenco Private Limited
1. Financial year of the subsidiary company ended on	September 30, 2004	March 31, 2005	December 31, 2004
2. Holding Company's Interest Equity shares of Rs.10 each:			
a) Number of shares fully paid	6,97,52,898	50,000	40,000,000
b) Extent of holding	97.70%	100%	80%
	Rs. Crore	Rs. Crore	Rs. Crore
3. Net aggregate amount of Profit/(Loss) of the subsidiary, so far as they concern members of UltraTech Cement Limited:			
i) for the financial year of the subsidiary			
a) Dealt with in the accounts of the holding company	—	—	—
b) Not dealt with in the accounts of the holding company	(56.80)	—	4.87#
ii) for the previous financial years of the subsidiary since it became the holding company's subsidiary			
a) Dealt with in the accounts of the holding company	—	—	—
b) Not dealt with in the accounts of the holding Co.	5.03	—	—
4. As the financial year of the subsidiary companies coincide with the financial year of the holding company, Section 212(5) of the Companies Act, 1956, is not applicable.	*	N A	*
*Changes in the interest of the holding company between the end of the subsidiary's financial year and 31 March 2005:			
Number of shares acquired	50,393 @ 34 per share		
Material changes between the end of the subsidiary's financial year and 31 March 2005	—	—	—
a) Fixed assets (net additions)	—	—	—
b) Investments (Net) –	—	—	—
c) Moneys lent by the subsidiary	—	—	—
d) Moneys borrowed by the subsidiary company other than for meeting current liabilities #converted Re.1=SLR 2.27	—	—	—

KUMAR MANGALAM BIRLA
Chairman

S. MISRA
Manager & CEO

K. C. BIRLA
Executive President & CFO

S. K. CHATTERJEE
Company Secretary

RAJASHREE BIRLA
R. C. BHARGAVA
Y. M. DEOSTHALEE
S. MISRA
V. T. MOORTHY
J. P. NAYAK
S. RAJGOPAL
D. D. RATHI
Directors

Mumbai, 23rd April, 2005

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF ULTRATECH CEMENT LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF ULTRATECH CEMENT LIMITED AND ITS SUBSIDIARIES.

1. We have examined the attached Consolidated Balance Sheet of ULTRATECH CEMENT LIMITED (formerly, UltraTech CemCo Limited) ("the Company") and its subsidiary ("the Group") as at 31st March 2005, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement of the Group for year ended on that date, both annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. The accounts include total assets of Rs.74.16 crores, and total revenue of Rs.150.63 crores relating to two subsidiary companies, which have been consolidated on the basis of their unaudited accounts.
4. We report that the consolidated financial statements have been prepared by the Company, in accordance with the requirements of Accounting Standard 21(Consolidated Financial Statements), issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of the Company and the separate unaudited accounts of two subsidiaries and the audited accounts of one subsidiary, which have been included in the consolidated financial statements.
5. Based on our audit and subject to the unaudited amounts relating to the two subsidiary companies referred to in para 3 above being consolidated:
 - a. the Consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of the Group as at 31st March, 2005; and
 - b. the Consolidated Profit and loss Account gives a true and fair view of the consolidated results of operations of the Group for the year ended on that date and
 - c. the Consolidated Cash Flow Statement gives a true and fair view of the consolidated cash flows of the Group for the year ended on that date.

For S. B. BILLIMORIA & CO.
Chartered Accountants

Nalin M. Shah
Partner
(Membership No. 15860)

Mumbai, 23rd April, 2005

For G. P. KAPADIA & CO.
Chartered Accountants

Atul B. Besai
Partner
(Membership No. 30850)

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2005

	Schedules			Rs. In Crores Previous Year
SOURCES OF FUNDS				
Shareholders' Funds				
Share Capital	1	124.40		124.41
Share Capital to be Extinguished		—		0.51
Reserves and Surplus	2	<u>849.28</u>		<u>928.94</u>
			973.68	<u>1,053.86</u>
Loan Funds				
Secured Loans	3	1,259.94		1,257.15
Unsecured Loans	4	<u>278.03</u>		<u>309.07</u>
			1,537.97	1,566.22
Minority Interest				
Deferred Tax Liabilities			4.08	—
			581.71	<u>602.99</u>
TOTAL			<u>3,097.44</u>	<u>3,223.07</u>
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	5	4,530.13		4,473.06
Less : Depreciation		<u>1,879.36</u>		<u>1,660.20</u>
Net Block		2,650.77		2,812.86
Capital Work-in-Progress		<u>49.65</u>		<u>27.71</u>
			2,700.42	2,840.57
Goodwill on Consolidation				
			152.98	235.95
Investments				
	6		—	—
Current Assets, Loans and Advances				
Inventories	7	333.48		268.95
Sundry Debtors	8	174.52		181.59
Cash and Bank Balances	9	60.16		44.83
Loans and Advances	10	<u>152.53</u>		<u>86.10</u>
				<u>720.69</u>
Less:				
Current Liabilities & Provisions				
Current Liabilities	11	452.02		446.69
Provisions	12	<u>24.65</u>		<u>20.47</u>
				<u>476.67</u>
Net Current Assets			244.02	114.31
Miscellaneous Expenditure (to the extent not written off or adjusted)	13		0.02	32.24
TOTAL			<u>3,097.44</u>	<u>3,223.07</u>
Accounting Policies and Notes on Accounts	22			

As per separate report attached

KUMAR MANGALAM BIRLA
Chairman

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
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Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

S. MISRA
V. T. MOORTHY

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

J. P. NAYAK
S. RAJGOPAL
D. D. RATHI
Directors

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2005

	Schedules		Rs. In Crores Previous Year
INCOME			
Gross Sales		3,259.10	2,750.27
Less : Excise Duty		483.19	458.28
Net Sales		2,775.91	2,291.99
Interest & Dividend Income	14	1.38	0.89
Other Income	15	19.74	43.06
Increase / (Decrease) in Stocks	16	21.23	0.31
		2,818.26	2,336.25
EXPENDITURE			
Raw Materials Consumed	17	239.14	172.33
Manufacturing Expenses	18	1,293.52	1,011.28
Payments to and Provisions for Employees	19	94.65	77.84
Selling, Distribution, Administration and Other Expenses	20	812.00	707.40
Interest	21	109.33	118.46
Depreciation & Amortisation (Note A of Schedule 5)		248.52	247.45
		2,797.16	2,334.76
Profit Before Tax		21.10	1.49
Less: Profit of UltraTech Ceylinco till date of Acquisition		0.76	—
Impairment of Goodwill		76.84	—
Profit/(Loss) Before Tax Expenses		(56.50)	1.49
Provision for Current Tax (including Provision for Wealth Tax Rs.0.02 Crores (Previous Year Rs. 10,000))		32.50	19.65
Deferred Tax		(36.89)	(35.47)
Profit After Tax		(52.11)	17.31
Minority Interest		1.28	0.12
Profit After Minority Interest		(53.39)	17.19
Balance Brought Forward from Previous Year		(3.72)	—
Profit Available for Appropriation		(57.11)	17.19
Appropriations			
Proposed Dividend		9.33	6.22
Corporate Dividend Tax		1.33	0.80
Debenture Redemption Reserve		—	6.89
General Reserve		—	7.00
Balance Carried to Balance Sheet		(67.77)	(3.72)
		(57.11)	17.19
Basic and Diluted Earnings Per Equity Share (in Rs.)		(4.29)	1.38
Face Value Per Equity Share (in Rs.)		10.00	10.00
Number of Equity Shares (in Nos.)		124,398,621	124,398,621
Accounting Policies and Notes on Accounts	22		

As per separate report attached

KUMAR MANGALAM BIRLA
Chairman

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
Chartered Accountants

S. MISRA
Manager & CEO

RAJASHREE BIRLA
R. C. BHARGAVA

NALIN M. SHAH
Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

Y. M. DEOSTHALEE
S. MISRA

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

V. T. MOORTHY
J. P. NAYAK
S. RAJGOPAL
D. D. RATHI
Directors

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE 1	Rs. In Crores Previous Year
SHARE CAPITAL	
Issued, Subscribed and Paid up	
124,398,621 Equity shares of Rs. 10 each fully paid-up	124.40 124.40
Forfeited Equity Shares	— 0.01
	<u>124.40</u> <u>124.41</u>

SCHEDULE 2

RESERVES & SURPLUS	Rs. In Crores			
	Balance as at 31st March, 04	Additions during the year	Deduction/ Adjustments during the year	Balance as at 31st March, 05
Capital Reserve	25.02	—	—	25.02
Cash Subsidy Reserve	0.10	—	—	0.10
Debenture Redemption Reserve	129.43	—	—	129.43
General Reserve	778.11	—	(15.61)*	762.50
Surplus as per Profit & Loss Account	(3.72)	(64.05)	—	(67.77)
	<u>928.94</u>	<u>(64.05)</u>	<u>(15.61)</u>	<u>849.28</u>
Previous Year	<u>918.88</u>	<u>10.06</u>	<u>—</u>	<u>928.94</u>

* Reversal of Deferred Tax Assets (See Note 12)

SCHEDULE 3

SECURED LOANS

Non-Convertible Debentures	999.75	892.31
Other Loans:		
Loans from Financial Institutions	5.82	29.11
Foreign Currency Loan	79.50	81.54
Loans from Banks:		
Cash Credits / Working Capital Borrowings from Banks Secured by Hypothecation of Stocks and Book Debts of the Company	74.87	20.30
Other Loans	100.00	233.89
	<u>1,259.94</u>	<u>1,257.15</u>

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	Rs. In Crores	
	Previous Year	
SCHEDULE 4		
UNSECURED LOANS		
Short Term Loans & Advances		
From Banks	76.06	33.25
Lease Finance	—	1.18
From Others	—	72.83
	76.06	107.26
Other Loans & Advances		
From Banks	—	43.72
Sales Tax Deferment Loan	201.97	152.54
Lease Finance	—	5.31
From Others	—	0.24
	201.97	201.81
	278.03	309.07

SCHEDULE 5

Rs. In Crores										
FIXED ASSETS										
PARTICULARS	GROSS BLOCK			DEPRECIATION				NET BLOCK		
	As at 31.3.04	Additions	Deductions/ Adjustments	As at 31.3.05	As at 31.3.04	For the year	Deductions/ Adjustments	Upto 31.3.05	As at 31.3.05	As at 31.3.04
FREEHOLD LAND	68.64	0.09	—	68.73	—	—	—	—	68.73	68.64
LEASEHOLD LAND	18.27	1.71	—	19.98	3.73	1.06	—	4.79	15.19	14.54
BUILDINGS	444.60	4.85	0.53	448.92	99.31	9.27	0.26	108.32	340.60	345.29
RAILWAY SIDINGS	157.84	3.42	1.91	159.35	45.77	7.49	0.86	52.40	106.95	112.07
PLANT & MACHINERY	3,637.82	56.28	13.03	3,681.07	1,412.11	204.35	9.24	1,607.22	2,073.85	2,225.71
FURNITURE & FIXTURES	60.67	5.61	0.51	65.77	33.24	7.13	0.39	39.98	25.79	27.43
JETTY	76.63	—	—	76.63	61.11	—	—	61.11	15.52	15.52
VEHICLES	8.59	1.87	0.78	9.68	4.93	0.93	0.32	5.54	4.14	3.66
	4,473.06	73.83	16.76	4,530.13	1,660.20	230.23	11.07	1,879.36	2,650.77	2,812.86
Previous Year	4,456.45	21.30	4.69	4,473.06	1,443.12	220.54	3.46	1,660.20		
ADD: CAPITAL WORK-IN-PROGRESS									49.65	27.71
									2,700.42	2,840.57

Notes :

	Rs. In Crores	
	Previous Year	
A) Depreciation for the year	230.23	220.54
Add: Obsolesence	3.78	0.66
Less: Depreciation Write-back	(0.49)	—
Less: Opening Depreciation of UltraTech Ceylinco (Pvt) Limited included in current year	(3.99)	—
Add: Amortisation of Goodwill	18.99	26.24
Depreciation as per Profit & Loss Account	248.52	247.45
B) Additions during the year also include assets of UltraTech Ceylinco (Pvt) Limited as at 31 March, 2004, since it became a subsidiary during the year.		

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

SCHEDULE 6 INVESTMENTS- At Cost	Rs. In Crores Previous Year	
LONG TERM		
Government and Trust Securities -Unquoted (Rs. 10,000, Previous Year Rs.27,500)	—	—
Pledged as Security Deposit	—	—
	—	—

SCHEDULE 7 INVENTORIES		
Stores & Spare parts, Packing Material and Fuels	190.43	160.04
Raw Materials	13.04	8.71
Finished Goods	61.63	37.65
Process Stock	68.38	62.55
	333.48	268.95

SCHEDULE 8 SUNDRY DEBTORS		
Exceeding six months:		
Good and Secured	3.62	0.95
Good and Unsecured	1.75	9.70
Doubtful and Unsecured	1.53	17.17
	6.90	27.82
Less: Provision for Doubtful Debts	1.47	17.17
	5.43	10.65
Others:		
Good and Secured	69.50	75.12
Good and Unsecured	99.59	95.82
	169.09	170.94
	174.52	181.59

SCHEDULE 9 CASH AND BANK BALANCES		
Cash Balance on Hand	0.26	0.12
Bank Balance with Scheduled Banks:		
In Current Accounts	59.01	44.61
In Fixed Deposits Accounts including Accrued Interest	0.89	0.10
	60.16	44.83
	60.16	44.83

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

		Rs. In Crores Previous Year
SCHEDULE 10		
LOANS & ADVANCES		
Secured & Considered Good		
— Loan against Mortgage of House Property	3.07	2.64
Unsecured		
Considered Good:		
Inter Corporate Deposit	—	7.64
Deposits and Balances with Government and Other Authorities (including accrued interest)	29.68	13.16
Advances Recoverable in Cash or in Kind or for Value to be Received	116.00	62.33
Advance Income Tax (Net of Provision)	3.78	0.33
Considered Doubtful:		
Advances Recoverable in Cash or in Kind	0.22	0.31
	149.68	83.77
Less: Provision for Doubtful Loans and Advances	0.22	0.31
	149.46	83.46
	152.53	86.10
 SCHEDULE 11		
CURRENT LIABILITIES		
Sundry Creditors		
Small Scale Industries (To the extent identified with available information)	0.99	2.42
Others	248.67	383.91
	249.66	386.33
Security and Other Deposits	32.81	—
Advances from Customers	25.38	20.45
Amount transferable to Investor Education and Protection Fund, when due		
— Unpaid Dividend	0.10	0.07
Other Liabilities	106.91	1.40
Interest Accrued but not due on Loans	37.16	38.44
	452.02	446.69
	452.02	446.69
 SCHEDULE 12		
PROVISIONS		
Provision for Contingency	3.56	3.56
Retirement Benefits	10.45	9.89
Proposed Dividend	9.33	6.22
Corporate Dividend Tax	1.31	0.80
	24.65	20.47
	24.65	20.47

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	Rs. In Crores Previous Year	
SCHEDULE 13		
MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)		
Mining Development Expenses	—	10.80
Voluntary Retirement-cum-Pension Schemes / Voluntary Retirement Scheme	—	17.19
Deferred Revenue Expenditure	0.02	4.25
	0.02	32.24
	0.02	32.24
 SCHEDULE 14		
INTEREST & DIVIDEND INCOME		
Interest (Gross) on Others (Tax Deducted at Source Rs.0.62 Crore, Previous Year Rs. 3.48 Crore)	1.28	0.89
Dividend from Short Term Investments	0.10	—
	1.38	0.89
	1.38	0.89
 SCHEDULE 15		
OTHER INCOME		
Lease Rent	4.60	4.63
Insurance Claim	0.11	—
Exchange Rate Difference (Net)	—	20.47
Unclaimed Credit Balances Written Back	0.20	3.29
Excess Provisions Written Back (Net)	0.35	2.59
Miscellaneous Income/ Receipts	14.48	12.08
	19.74	43.06
	19.74	43.06
 SCHEDULE 16		
INCREASE / (DECREASE) IN STOCKS		
Closing Stock		
Finished Goods	61.62	43.46
Process Stock	68.38	56.74
	130.00	100.20
Opening stock		
Finished Goods *	48.32	38.66
Process Stock	56.74	62.51
	105.06	101.17
Add: Increase / (Decrease) in Excise Duty on Stocks	(3.71)	1.28
Increase / (Decrease) in Stocks	21.23	0.31
	21.23	0.31

* Opening Stock includes Rs. 4.86 crores of UltraTech Ceylinco (Pvt) Limited, Since it became Subsidiary during the year.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

	Rs. In Crores Previous Year	
SCHEDULE 17		
RAW MATERIALS CONSUMED		
Opening Stock	8.93	4.54
Purchase and Incidental Expenses	243.25	176.72
	252.18	181.26
Less: Closing Stock	13.04	8.93
	239.14	172.33
SCHEDULE 18		
MANUFACTURING EXPENSES		
Consumption of Stores, Spare Parts and Components, Packing Materials	285.69	227.80
Power & Fuel Consumed	899.43	696.70
Hire Charges of Plant & Machinery and Others (Net)	24.50	21.74
Repairs to Plant & Machinery	62.28	46.31
Repairs to Buildings	2.76	2.39
Repairs to Others	18.86	16.34
	1,293.52	1,011.28
SCHEDULE 19		
PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus, etc.	61.41	55.99
Contribution to and Provisions for Provident and Other Funds	6.79	8.93
Welfare Expenses	14.57	12.92
Voluntary Retirement Scheme	11.88	—
	94.65	77.84
SCHEDULE 20		
SELLING, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES		
Commission Paid to Distributors and Selling Agents	8.69	8.92
Discount on Sales	94.96	68.64
Freight, Handling and Other Expenses	501.63	450.28
Advertisements & Publicity	68.12	20.24
Insurance	9.05	8.62
Rent (including Lease Rent)	11.42	6.95
Rates and Taxes	16.31	50.98
Stationery, Printing, Communication Expenses	7.84	5.07
Travelling and Conveyance	15.89	15.66
Legal and Professional Charges	14.03	11.02
Bad Debts and Advances Written Off	4.65	0.34
Provision for Doubtful Debts and Advances	0.50	1.79
Capital Work in Progress Written Off	3.10	—
Directors' Fee	0.14	—
Power (other than related to Manufacturing Activity)	0.60	0.87
Exchange Rate Difference (Net)	0.53	—
Loss on Sale of Fixed Assets (Net)	0.18	0.05
Transportation of Finished Product	9.01	0.04
Miscellaneous Expenses	45.35	57.93
	812.00	707.40

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

Rs. In Crores
Previous
Year

SCHEDULE 21

INTEREST

On Debentures and Fixed Loans	95.78	93.92
On Other Loans	13.55	24.54
	109.33	118.46

SCHEDULE 22

ACCOUNTING POLICY AND NOTES ON ACCOUNTS

A Significant Accounting Policies:

1. Basis of Accounting:

The financial statements are prepared under the historical cost convention on an accrual basis and in accordance with the applicable mandatory Accounting Standards.

2. Fixed Assets:

Fixed assets are stated at cost (including other expenses related to acquisition and installation).

3. Foreign Currency Transactions:

Foreign currency transactions are accounted for at the rates prevailing on the dates of the transactions/ converted at contracted rate. Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered are restated at year end rate. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange difference is dealt with in the profit and loss account. Premium in respect of forward contracts is recognised over the life of contracts.

4. Treatment of expenditure during construction period:

Expenditure during construction period is included under Capital Work in Progress and the same is allocated to the respective Fixed Assets on the completion of its construction.

5. Inventories:

Inventories are valued at lower of cost and net realisable value.

The cost is computed on weighted average basis.

Finished goods and process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Obsolete, defective and unserviceable stocks are duly provided for.

6. Leases:

a) In respect of lease transactions entered into prior to April 1, 2001, lease rentals of assets acquired are charged to profit & loss account.

b) Lease transactions entered into on or after April 1, 2001:

i) Assets acquired under leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of the fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period.

ii) Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.

iii) Assets leased out under operating leases are capitalised. Rental income is recognised on accrual basis over the lease term.

(Also refer to policy on Depreciation & Amortisation, infra)

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

7. Depreciation & Amortisation:

Depreciation is charged in the Accounts on the following basis:

- i) Depreciation on original cost is provided on straight-line basis at the rates prescribed in Schedule XIV to the Companies Act, 1956 except in following.
 - a) Motor Cars @ 14.14 % per annum
 - b) Motor Car given to employees as per Company Scheme @ 17 % per annum.
 - c) Personal Computers & Laptops given to employees as per Company Scheme @ 31 % per annum.
- ii) Assets acquired up to September 30, 1987, are depreciated at the rates prevailing at the time of acquisition.
- iii) The value of leasehold land and mining lease is amortised over the period of the lease.
- iv) Contribution to power lines are amortised over a period of five years.
- v) Expenditure incurred on Jetty is amortised over the period of the relevant agreement such that the cumulative amortisation is not less than the cumulative rebate availed by the Company.
- vi) Specialised softwares are amortised over a period of three years.
- vii) In respect of the amounts capitalised during the year on account of foreign exchange fluctuation depreciation is provided prospectively over the residual life of the assets.
- viii) Depreciation on additions/deductions is calculated pro rata from/to the month of additions/deductions.

8. Retirement Benefits:

Provisions for/contributions to retirement benefits schemes are made as follows:

- a) Provident fund on actual liability basis.
- b) Superannuation/Pension schemes on the basis of actual liability/actuarial valuation.
- c) Gratuity based on actuarial valuation.
- d) Leave encashment benefit on actuarial valuation basis.

9. Interest:

The difference between the face value and the issue price of 'Discounted Value Non Convertible Debentures', being in the nature of interest, is charged to the profit and loss account, on a compound interest basis determined with reference to the yield inherent in the discount.

10. Borrowing Costs:

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use. A qualifying asset is an asset that necessarily requires a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

11. Provision for Current & Deferred Tax:

Provision for Current Tax is made on the basis of taxable income for the current accounting period and in accordance with the provisions as per Income Tax Act, 1961.

Deferred Tax resulting from "timing difference" between book and taxable profit for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as on the balance sheet date. The deferred tax asset is recognised and carried forward only to the extent that there is a reasonable certainty that the assets will be realized in future.

12. Sales

- a) Sales are accounted on despatch of products and sales value includes excise duty.
- b) Export sales are accounted on the basis of date of bill of lading.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Principles of consolidation

- (a) The Consolidated Financial Statements (CFS) comprises the financial statements of UltraTech Cement Limited and its subsidiaries as at 31.03.2005, which are as under:

Name of the Company	Country of Incorporation	% Shareholding & Voting Power
Narmada Cement Company Limited (NCCL)	India	97.80
Dakshin Cements Limited	India	100.00
UltraTech Ceylinco (Private) Limited	Srilanka	80.00

- (b) The financial statements of the parent company and its subsidiaries have been consolidated on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses, after eliminating intra-group balances and the unrealised profits/ losses on intra-group transactions, and are presented to the extent possible, in the same manner as the Company's separate financial statements.

2. The reported financial year for NCCL is 12 months ending 30th September 2004 and for UltraTech Ceylinco Private Ltd. is 31st December 2004. However the unaudited financial statements of NCCL & UltraTech Ceylinco (Private) Limited for the year ended 31st March 2005 have been considered for the consolidated purpose.

NCCL accounts are with limited review by auditors of NCCL.

3. UltraTech Ceylinco (Private) Limited became subsidiary company during the current financial year.

4. Goodwill:

Goodwill represents the difference between the Group's share in the net worth of a subsidiary, and the cost of acquisition at each point of time of making the investment in the subsidiary. For this purpose, the Group's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

Goodwill arising out of an acquisition of equity stake in a subsidiary is amortised in equal amounts over a period of 10 years from the date of first acquisition. In the event of cessation of operations of a subsidiary, the unamortised goodwill is written off fully.

During the year Rs. 18.99 Crore was amortised from goodwill.

5. Reserve shown in the consolidated balance sheet represents the Group's share in the respective reserves of the Group companies. Retained earnings comprise general reserve and profit and loss account.

Rs. In Crores
Previous
Year

6. Contingent Liabilities not provided for in respect of:

Claims not acknowledged as debts:

(a) Sales-tax liability that may arise in respect of matters in appeals.	32.75	32.18
(b) Excise duty liability that may arise in respect of matters in appeals which are pending for disposal.	20.29	15.35
(c) Demand of Royalty on Limestone for which the company has gone in appeal.	13.53	12.87
(d) Others - Including claims in respect of which the Company is contingently liable.	11.83	12.53

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

7. Estimated amount of contracts remaining to be executed on capital account and not provided (net of advances): Rs. 59.52 crore (Previous year Rs. 19.80 crore)
8. The Ministry of Textiles, vide its orders dated 30th June 1997 and 1st July, 1999 has deleted cement from the list of commodities to be packed in Jute bags under the Jute Packaging (Compulsory Use in Packing Commodities) Act 1987. In view of this, the company does not expect any liability for non-dispatch of cement in Jute bags in respect of earlier years.

9. Segment reporting

The Group has only one business segment 'cement' as primary segment and its operations are solely situated in India.

The secondary segment is geographical, which is as under:

	2004-05	2003-2004
Revenue		Rs. In crores
Sales:		
Domestic	2744.74	2357.61
Export	514.36	392.66
Total	3259.10	2750.27

10. Disclosure of related parties / related party transactions:

- a) Names of the related parties with whom transactions were carried out during the year and description of relationship:

Name of the Related Party	Nature of Relationship
Grasim Industries Limited (Grasim)	Holding Company
Sun God Trading & Investment Ltd.	Fellow Subsidiary
Samruddhi Swastik Trading & Investment Ltd.	Fellow Subsidiary
Shree Digvijay Cement Co. Ltd.(SDCC)	Fellow Subsidiary

Others

Key Management Personnel (KMP) and their relatives

Mr. S. Misra, Manager & CEO of the company

Mr. V. M. Muralidharan, Manager of NCCL

- b) Disclosure of related party transactions:

Rs. In Crore

Sl. No.	Nature of Transaction	Grasim	KMP	Total
1	Purchase of goods & services	11.27		11.27
2	Sale of goods/power/contract revenue	2.76		2.76
3	Purchase / lease of fixed assets	0.19		0.19
4	Rendering of services	0.02		0.02
5	Receiving of services	1.24	1.34	2.58
	Outstanding balances as at 31st March:			
1	Debtors	0.23		0.23
2	Creditors	1.44		1.44
3	Loans and advances	0.18	0.50	0.68

Previous year figures are not comparable due to change in management; hence same has not been given.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

11. Leases

Operating Leases:

- i) The Company has taken various plant and machinery under cancellable operating leases. These lease agreement are generally renewed on expiry.
- ii) (a) The Company has taken on non-cancellable operating leases certain assets, the future minimum lease payments in respect of which, as at March 31, 2005 are as follows:

	Rs. In crores Previous Year	
Minimum Lease Payments Payable		
i. not later than 1 year	1.77	2.31
ii. later than 1 year and not later than 5 years	3.04	4.12
iii. later than 5 years	—	0.06
Total Minimum Lease Payments	4.81	6.49

- (b) The lease agreements provide for an option to the Company to renew the lease period at the end of the non-cancellable period. There are no exceptional / restrictive covenants in the lease agreements.

(iii) The rental expense in respect of operating leases was Rs. 3.07 crore (Previous year Rs. 3.00 crore).

(iv) Contingent rent recognised in the Profit and Loss Account: Rs. 34,305 (Previous year Rs. 29,981).

12. Deferred Tax Assets and Liabilities as on March 31, 2005 are as under:

	Rs. In Crores			
Particulars	Deferred Tax Assets/ Liabilities as at 01.04.2004	Current Year Charge/ (Credit)	Deferred Tax Assets Credited to Reserve	Deferred Assets Liabilities as at 31.03.05
Deferred Tax Assets:-				
Provision for doubtful debts	6.17	(6.17)	—	—
Carried forward business loss	43.00	—	(21.29)	—
Unabsorbed depreciation	26.53	—	(17.40)	—
Others	9.97	7.90	(0.98)	13.13
	85.67	1.73	(39.67)	13.13
Deferred Tax Liabilities:-				
Accumulated Depreciation	670.99	(32.55)	(19.16)	587.94
Miscellaneous expenditure (to the extent not written-off or adjusted)	3.68	(3.68)	—	—
Others	13.99	1.07	(4.89)	6.90
	688.66	(35.16)	(24.05)	594.84
Net Deferred Tax Liability	602.99	(36.89)	15.62	581.71

There is a deferred Tax asset of Rs. 53.03 crores in the case of NCCL. However, the asset has not been considered in the books of accounts of NCCL in view of virtual certainty about sufficient future taxable income available to offset unabsorbed loss.

Deferred tax asset is recognised and carried forward only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax asset can be adjusted.

SCHEDULES FORMING PART OF CONSOLIDATED FINANCIAL STATEMENTS

13. The Company has made provision for contingency towards probable sales tax liability which may arise on transactions between the effective date of the scheme of arrangement on which the cement business of erstwhile Larsen & Toubro Limited vested with the company i.e 01.04.2003 and 14.05.2004. The company has made provision of Rs. 3.56 crores in the previous year. The matter is pending before the appropriate authority for disposal.
14. Depreciation include Rs. 18.34 crores related to earlier years.
15. Figures pertaining to the subsidiary companies have been reclassified wherever necessary to bring them in line with the Company's financial statements.
16. Previous year's figures have been regrouped & rearranged wherever necessary to conform to this year's classification.

As per separate report attached

KUMAR MANGALAM BIRLA
Chairman

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
Chartered Accountants

S. MISRA
Manager & CEO

RAJASHREE BIRLA
R. C. BHARGAVA
Y. M. DEOSTHALEE

NALIN M. SHAH
Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

S. MISRA
V. T. MOORTHY
J. P. NAYAK

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

S. RAJGOPAL
D. D. RATHI
Directors

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2005.

	Rs. In Crores 31-Mar-05
A Cash Flow from Operating Activities:	
Profit Before Tax	21.10
Adjustments for:	
Depreciation	248.52
CWIP Written Off	3.10
Miscellaneous Expenditure Written Off	32.23
Provision for Doubtful Debts and Advances	0.27
Bad Debts Written Off	4.65
Credit Balances Written Back	(0.55)
Interest & Dividend Income	(1.34)
Interest Expense	109.30
Unrealised Foreign Exchange (gain)/loss	15.89
Loss on Sale of Fixed Assets	0.18
Operating Profit Before Working Capital Changes	433.35
Adjustments for:	
(Increase)/decrease in Inventories	(59.45)
(Increase)/decrease in Sundry Debtors	2.55
(Increase)/decrease in Loans and Advances	(32.15)
(Increase)/decrease in Miscellaneous Expenditure not Written Off	(0.03)
Increase/(decrease) in Liabilities and Provisions	38.28
Cash Generated from Operations	382.55
Direct Taxes Paid	(36.12)
Net Cash from Operating Activities	346.43
B Cash Flow from Investing Activities:	
Purchase of Fixed Assets	(70.33)
Sale of Fixed Assets	0.47
Long Term Investments Purchased	(23.54)
Loans/Deposits with Subsidiaries	1.51
Interest Received	1.37
Net Cash Used in Investing Activities	(90.52)
C Cash Flow from Financing Activities:	
Proceeds from Issue of Share Capital	(0.51)
Repayment of Long Term Borrowings	(617.55)
Proceeds from Long Term Borrowing	549.63
Proceeds from Short Term Borrowing (Net)	(57.80)
Interest Paid	(110.63)
Dividend Paid	(6.22)
Corporate Dividend Tax	(0.80)
Net Cash Used in Financing Activities	(243.88)
Net (Decrease)/Increase in Cash and Cash Equivalents (A + B + C)	12.03
Cash and Cash Equivalents at the Beginning of the Year	
(Including Rs. 3.30 Crores for UltraTech Ceylinco (Pvt) Ltd.)	48.13
Cash and Cash Equivalents at the end of the Year	60.16

Notes:

1. Cash flow statement has been prepared under the indirect method as set out in Accounting Standard - 3 issued by the Institute of Chartered Accountants of India.
2. Purchase of fixed assets includes movements of capital work in progress between the beginning and the end of the year.
3. Previous year was first year of consolidation, hence previous year figures are not presented.

As per separate report attached

KUMAR MANGALAM BIRLA
Chairman

For S. B. BILLIMORIA & CO.
Chartered Accountants

For G. P. KAPADIA & CO.
Chartered Accountants

S. MISRA
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NALIN M. SHAH
Partner

ATUL B. DESAI
Partner

K. C. BIRLA
Executive President & CFO

S. MISRA
V. T. MOORTHY

Mumbai, 23rd April, 2005

S. K. CHATTERJEE
Company Secretary

J. P. NAYAK
S. RAJGOPAL
D. D. RATHI
Directors

NARMADA CEMENT COMPANY LIMITED

DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Annual Report and Audited Accounts for the year ended 30th September 2004.

	2003 – 04 12 months (Rs. crore)	2002 – 03 18 months (Rs. crore)
Gross Turnover	206.66	188.91
Profit / (Loss) before depreciation and taxes	(19.96)	(59.41)
Depreciation on fixed assets	6.67	10.15
Loss for the year	(26.63)	(69.56)
Provision for Deferred taxes (net)	(31.51)	30.21
Add: Balance brought forward from the previous year	(115.24)	(75.89)
Balance to be carried forward	(173.38)	(115.24)

Your Directors do not recommend any dividend for the financial year under review.

YEAR IN RETROSPECT/PERFORMANCE OF THE COMPANY

Sales and production

Sales and other income for the financial year under review were Rs. 207.90 crore as against Rs. 191.30 crore for the previous 18 month period.

Clinker production at the Company's Jafrabad Works was 13.45 lakh metric tonnes as against 15.61 lakh metric tonnes during the previous 18 month period ended September 2003. Cement and clinker dispatches during the year were at 13.18 lakh metric tonnes as against 16.38 lakh metric tonnes during the 18 month period of the previous year.

Review of operations

The Company continued its ongoing efforts to contain the manufacturing costs through various cost cutting initiatives. Besides this, the better plant maintenance practices enabled the Company to improve its plant run factor considerably.

Market scenario

The cement industry saw an encouraging growth in demand of around 6-7 per cent during the period. However, there continued to be demand-supply mismatch situation due to excess supply in the market. The prices of cement were volatile and depressed in certain markets for most part of the year.

Demand for cement would be driven by Governments' thrust on investments in housing and infrastructure projects, such as, roads, ports, airports, water management systems, etc.

CAPITAL EXPENDITURE

As at 30th September 2004, the gross fixed assets stood at Rs. 197.28 crore and the net fixed assets at Rs. 81.63 crore. The additions during the year amounted to Rs. 0.89 crore.

REFERENCE TO BIFR

Since the accumulated losses as at end September 2003 eroded the entire net worth of the Company, a reference was made to the Board for Industrial and Financial Reconstruction (BIFR) as per the provisions of Section 15 (1) of the Sick Industrial Companies (Special Provisions) Act, 1985. The same has been acknowledged by BIFR and the case has been registered. BIFR is yet to appoint an Operating Agency to proceed further on the matter.

TRANSFER TO INVESTOR EDUCATION & PROTECTION FUND

The Company has transferred a sum of Rs. 7,14,262/- being the amount due and payable and remaining unpaid for a period of 7 years in respect of unpaid dividend, as provided in Section 205C of the Companies Act, 1956.

DEPOSITS

The Company has not invited / renewed deposits from the public / shareholders in accordance with section 58A of the Companies Act, 1956. No deposits due to be paid have remained unpaid.

FINAL EXIT OPTION TO THE SHAREHOLDERS OF THE COMPANY

The final exit option offered by UltraTech Cement Limited (formerly, the merged Cement Business of Larsen & Toubro Limited) to the shareholders of the Company to acquire 22,02,817 shares at Rs. 34/- each, pursuant to SEBI letter No. FITTC/TO/RC/7198/203 dated 10th April, 2003 closed on 19th October, 2004.

AUDITORS' REPORT

The Auditors' Report to the Shareholders does not contain any qualifications.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors confirm that:

- (i) in preparation of the Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures, if any;
- (ii) they have selected the accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year under review and for the profit and loss of the Company for that period;
- (iii) they 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;
- (iv) they have prepared the Annual Accounts on a going concern basis.

INDUSTRIAL RELATIONS

Industrial relations continued to be cordial during the year.

DIRECTORS

The Board of Directors at the meeting held on 6th September, 2004 accepted the resignations of Shri J. P. Nayak, Shri Y. M. Deosthalee and Shri C. R. V. Subramaniam. The Directors record their appreciation of the valuable services rendered by Shri J. P. Nayak, Shri Y. M. Deosthalee and Shri C. R. V. Subramaniam.

At the same meeting, the Board of Directors appointed Shri V. M. Muralidharan, Shri K. C. Birla and Shri Sanjeev Bafna as Additional Directors who will hold office till the date of the forthcoming Annual General Meeting of the Company. Notices proposing the appointments of Shri V. M. Muralidharan, Shri K. C. Birla and Shri Sanjeev Bafna have been received by your Company. Your approval for their appointment is being sought at the ensuing Annual General Meeting.

COST AUDIT

The Central Government vide its Order No. 52/295/CAB-88 (CLB) had directed that a Cost Audit be carried out every financial year in respect of clinker and cement. The Company will make an application to the Central Government for appointment of Shri V. V. Deodhar, Cost Accountant as Cost Auditors of the Company for the financial year October 2004 to September 2005.

AUDITORS

M/s. Haribhakti & Co., Chartered Accountants, who are the Auditors of the Company, hold office until the conclusion of the forthcoming Annual General Meeting and are recommended for re-appointment.

DISCLOSURE OF PARTICULARS

Information as per the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 relating to conservation of energy, technology absorption, foreign exchange earnings and outgo is given in Annexure 'A' forming part of this report.

PARTICULAR OF EMPLOYEES

There were no employees covered under the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) rules, 1975.

ACKNOWLEDGEMENT

The Directors wish to place on record their appreciation for the co-operation and assistance received by the Company from concerned Ministries of Government of India, various Departments of Government of Gujarat and Maharashtra, Banks and Financial Institutions. The Directors also wish to thank all the employees of the Company for their active participation and co-operation.

The Directors wish to record their special thanks to the esteemed shareholders for reposing their confidence in the Company.

For and on behalf of the Board,

V. M. Muralidharan
K. C. Birla
Sanjeev Bafna } Directors

Place: Mumbai

Dated: 30th November, 2004

NARMADA CEMENT COMPANY LIMITED

ANNEXURE 'A' TO THE DIRECTORS' REPORT

INFORMATION AS PER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 30th SEPTEMBER 2004.

A) CONSERVATION OF ENERGY

- a) Energy conservation measures taken:
- Use of Indonesian coal as an alternative fuel.
 - Reduction in limestone pile LSF to improve clinker quality.
 - Optimization of cement mill operations.
 - Optimization of raw mill operations.
 - Optimization of cooler operations.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy:
- Not applicable
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
- Reduction in specific power consumption.
 - Reduction in heat consumption.
- d) Total energy consumption and energy consumption per unit of production as per FORM – A.

FORM – A (RULE 2)

	Current Year 2003 – 04 12 months	Previous Year 2002 – 03 18 months
A) Power and Fuel Consumption		
1. Electricity:		
(a) Purchased:		
Unit (Lakh kWh)	504	557
Amount (Rs. lakhs)	2811	2780
Rate / Unit (Rs.)	5.58	4.99
(b) Own Generation:		
Unit (Lakh kWh)	543	578
Unit per litre of fuel oil	3.68	4.12
Cost / Unit (Rs)	3.61	3.67
2. Imported coal used in kiln:		
Calorific value range (kcal / kg)	5600-6200	5600-6250
Quantity (MT)	188486	218585
Total cost (Rs. lakhs)	4644	4393
Average rate (Rs. / MT)	2464	2010
3. Others (Pet coke / Lignite)		
Quantity (MT)	713	5137
Total cost (Rs. lakhs)	15	106
Average rate (Rs. / MT)	2093	2061
4. LDO / SKO (for Kiln):		
Quantity (KL)	323.00	1072
Average rate (Rs. / Litre)	17.89	13.10
B) Consumption per unit of production		
Electricity:		
Units per MT of cement	91.89	99.20
LDO / SKO:		
Litres per MT of cement	0.23	0.66
Coal:		
K. Cal / Kg. of cement	804	810

FORM – B (RULE 2)

Form for disclosure of particulars with respect to absorption.

A. RESEARCH AND DEVELOPMENT (R&D)

1. Specific areas in which R&D carried out by the Company:
 - Optimization of raw mill design.
2. Benefits derived as a result of the above R&D:
 - Improvement in kiln productivity.
3. Future plan of action:
 - Modifications to equipments with little investments.
4. Expenditure on R&D:

	Current Year 2003 - 04 12 months	Previous Year 2002 - 03 18 months
a) Capital expenditure	—	—
b) Recurring expenditure	—	1
c) Total expenditure	—	1
d) Total R&D expenditure as % of turnover	—	—

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATIONS

1. Efforts in brief, made towards technology absorption, adaptation and innovation:
 - Indonesian coal used in Kiln firing.
 - Use of Alumina Bricks in burning zone replacing the high cost imported Mach Rome refractory.
2. Benefits derived as a result of the above efforts:
 - Savings in fuel costs.
 - Savings in refractory costs.
3. Information regarding technology imported during the last 5 years:

	No
a) Technology imported	NA
b) Year of import	NA
c) Has technology been fully absorbed	NA
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action.	NA

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

	Current Year 2003 - 04 12 months	Previous Year 2002 - 03 18 months
Foreign exchange earned	Nil	Nil
Foreign exchange used	248	421

NARMADA CEMENT COMPANY LIMITED

AUDITORS' REPORT

TO THE MEMBERS OF NARMADA CEMENT COMPANY LIMITED

We have audited the attached Balance Sheet of **Narmada Cement Company Limited**, as at 30th September 2004 and also the Profit & Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

- I. As required by the Companies (Auditors' Report) Order, 2003 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act 1956, and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us, we annex hereto a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable to the Company.
- II. Further to our comments in the Annexure referred to in paragraph I above, we report that:
 - (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 to the extent they are applicable to the Company.
 - (e) On the basis of the written representation received from the directors of the Company as on 30th September 2004, and taken on record by the Board of Directors of the Company, we report that none of the directors is disqualified as on 30th September 2004 from being appointed as directors in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - (f) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956 in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - (i) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2004;
 - (ii) In the case of the Profit and Loss Account, of the loss of the Company for the year ended on that date; and
 - (iii) In the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date

For **HARIBHAKTI & CO,**
Chartered Accountants

CHETAN DESAI
Partner

Membership No.: 17000

Place: Mumbai

Date: 30th November 2004

ANNEXURE TO THE AUDITOR'S REPORT

The annexure referred to in Paragraph I of the Auditor's Report to the members of **Narmada Cement Company Limited** (the Company) for the year ended 30th September 2004. We report that:

Fixed Assets:

1. The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
2. We have been informed that fixed assets have been physically verified by the Management according to the regular programme of periodical verification in phased manner. The discrepancies noticed on such physical verification were not material.
3. The Company has not disposed off substantial part of its fixed assets during the year.

Inventory:

4. We are informed that the inventory has been physically verified by the management during the year at reasonable intervals.
5. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to size of the Company and the nature of its business.
6. The Company is maintaining proper records of inventory. We are informed that the discrepancies noticed on verification between the physical stocks and the book records were not material.

Internal Controls:

7. There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and

fixed assets, and for the sale of goods. During the course of our audit we have not observed any continued failure to correct major weaknesses in internal control.

Fixed Deposits:

8. According to the information and explanations provided to us, the Company has not accepted any deposit from the "public" attracting the provisions of Sections 58A and 58AA of the Companies Act 1956 or the rules framed thereunder.

Internal Audit:

9. In our opinion, the Company has an adequate internal audit system commensurate with the size of the Company and the nature of its business.

Cost Records:

10. We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956. We are of the opinion that prima-facie, the prescribed accounts and records have been maintained. However, we have not made a detailed examination of these records with a view to determine whether they are accurate or complete.

Statutory Dues:

11. According to the books and records of the Company as produced and examined by us and according to the information and explanations provided to us, the Company is generally regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Excise Duty, Custom Duty, Cess and any other statutory dues with the appropriate authorities.
12. According to the information and explanations provided to us, no undisputed amounts payable in respect of Provident Fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Custom Duty, Excise Duty, cess and any other statutory dues were outstanding as at 30th September 2004 for a period of more than six months from the date they became payable.
13. As at 30th September 2004, according to the information and explanations provided to us, there are no dues of sales tax, income tax, custom duty, wealth tax, excise duty or cess which have not been deposited on account of any dispute except as follows:

Name of Statute	Nature of Dues	Amount (Rs. Lakhs)	Forum where dispute is pending
Sales Tax Laws	Sales Tax	128.49	Appellate Authority – Tribunal level
Central Excise Act, 1944	Excise Duty	119.49	Appellate Authority – Upto Commissioners/ Revisional Authorities level
		7.86	Appellate Authority – Tribunal level
Customs Act, 1962	Customs Duty	0.87	Appellate Authority – Upto Commissioners/ Revisional Authorities level
		10.04	Appellate Authority – Tribunal level

Potentially Sick Company:

14. The accumulated losses of the Company at the year-end exceeds 50 percent of its networth. The Company has incurred cash losses during the year covered by our audit and in the immediately preceding financial year.

Repayment of Dues:

15. The Company has not defaulted in repayment of dues to bank.

Guarantees Given:

16. According to the information and explanations provided to us, the Company has not given any guarantee for loan taken by others from banks or financial institutions.

Sources and Application of Funds:

17. On the basis of review of utilization of funds, which is based on an overall examination of the balance sheet of the Company and related information as made available to us and as represented to us by the management, funds raised on long-term basis of Rs. 3763.57 lakhs have been used for short-term investment.

Preferential Allotment of Shares:

18. The Company has not issued any shares during the period covered by this report.

Fraud:

19. Based upon the audit procedures performed and the information and explanations provided to us by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

Other Clauses:

20. Following clauses of Paragraph 4 of Companies (Auditors Report) Order, 2003 are not applicable to the Company and hence the same are not reported upon:- Clause (iii), Clause (v), Clause (xii), Clause (xiii), Clause (xiv), Clause (xvi), Clause (xix) and Clause (xx).

For **HARIBHAKTI & CO.,**
Chartered Accountants

CHETAN DESAI
Partner

Place: Mumbai

Date: 30th November 2004

Membership No.: 17000

NARMADA CEMENT COMPANY LIMITED

BALANCE SHEET AS AT 30TH SEPTEMBER, 2004

SOURCES OF FUNDS:	Schedules	As at 30-09-2004		As at 30-09-2003	
		Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
SHAREHOLDERS' FUNDS:					
Share Capital	A	7138.64		7138.64	
Reserves and surplus	B	15.23		15.23	
			7153.87		7153.87
LOAN FUNDS:					
Secured loans	C	1013.33		1454.49	
Unsecured loans	D	12798.24		11715.49	
			13811.57		13169.98
TOTAL			20965.44		20323.85
APPLICATION OF FUNDS:					
FIXED ASSETS: E					
Gross block		19727.76		19638.75	
Less: Depreciation		11564.38		10897.04	
Net block		8163.38		8741.71	
Capital work-in-progress		11.72		411.87	
			8175.10		9153.58
Deferred Tax Assets (Refer note no. 12)			-		4712.39
CURRENT ASSETS, LOANS AND ADVANCES: F					
Inventories		4670.78		4671.97	
Sundry debtors		864.74		612.34	
Cash and bank balances		261.58		206.76	
Other current assets		0.13		0.14	
Loans and advances		684.37		484.74	
		6481.60		5975.95	
Less: CURRENT LIABILITIES AND PROVISIONS: G					
Liabilities		10151.74		10566.71	
Provisions		61.17		48.61	
		10212.91		10615.32	
Net current assets			(3731.31)		(4639.37)
MISCELLANEOUS EXPENDITURE H (to the extent not written off or adjusted)					
					1951.18
PROFIT & LOSS ACCOUNT I			16521.65		9146.07
TOTAL			20965.44		20323.85
Notes forming part of accounts	P				

As per our attached report of even date.

For **HARIBHAKTI & CO.**
Chartered Accountants

CHETAN DESAI
Partner
Mumbai
Dated : 30th November, 2004

V. M. MURALIDHARAN
K. C. BIRLA
SANJEEV BAFNA }
Directors

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30TH SEPTEMBER, 2004

SCHEDULES	2003-04		18 months period ended 30.09.2003	
	Rs lakhs	Rs lakhs	Rs lakhs	Rs lakhs
INCOME				
Gross Sales				
a) Cement	13614.43		7057.85	
b) Clinker	7051.12		11833.40	
Total sales	20665.55		18891.25	
Less :- Excise duty	2704.49		1624.50	
Net sales		17961.06		17266.75
Other income	J	124.38		238.93
Increase/(Decrease) in Stocks	K	991.71		(974.08)
		19077.15		16531.60
EXPENDITURE				
Manufacturing and operating expenses	L	14027.45		14286.83
Clinker transportation and handling expenses		1388.59		1017.46
Staff expenses	M	2236.25		1717.29
Sales, administration and other expenses	N	2110.77		1819.33
Interest and other finance charges (net)	O	1306.32		3480.99
Miscellaneous expenditure written off		3.61		4.62
		21072.99		22326.52
Profit / (Loss) before depreciation and obsolescence		(1995.84)		(5794.92)
Depreciation and obsolescence		667.34		1014.94
Profit / (Loss) before Tax		(2663.18)		(6809.86)
Loss on extinguishment of debts		-		146.88
Add : Deferred Tax		(3150.80)		3020.90
Profit / (Loss) after Tax		(5813.98)		(3935.84)
Add: Balance brought forward from previous year		(11524.44)		(7588.60)
Balance carried to Balance Sheet		(17338.42)		(11524.44)
Notes forming part of accounts	P			
Basic and Diluted Earning Per Share - Rs.		(8.15)		(3.68)

As per our attached report of even date.

For **HARIBHAKTI & CO.**
Chartered Accountants

CHETAN DESAI
Partner
Mumbai
Dated : 30th November, 2004

V. M. MURALIDHARAN
K. C. BIRLA
SANJEEV BAFNA }
Directors

NARMADA CEMENT COMPANY LIMITED

SCHEDULES FORMING PART OF ACCOUNTS

SCHEDULE 'A'

	As at 30-09-2004	(Rs Lakhs) As at 30-09-2003
Authorised Share Capital		
7,50,00,000 (7,50,00,000) Equity shares of Rs.10/-each.	7500.00	7500.00
5,00,000 (5,00,000) - Redeemable cumulative preference shares of Rs.100/- each.	500.00	500.00
	<u>8000.00</u>	<u>8000.00</u>
Issued and Subscribed		
7,13,98,700 (7,13,98,700) Equity shares of Rs.10/- each fully paid-up	7139.87	7139.87
	<u>7139.87</u>	<u>7139.87</u>
Paid-up		
7,13,73,950 (7,13,73,950) Equity shares of Rs.10/- each fully paid-up	7137.40	7137.40
Forfeited Equity shares	1.24	1.24
	<u>7138.64</u>	<u>7138.64</u>

NOTE:

Aggregate shares held by UltraTech Cement Limited (Holding Company)
6,97,52,898 (6,94,02,697) Equity shares of Rs 10/- each fully paid.

SCHEDULE 'B'

	As at 30-09-2004	(Rs Lakhs) As at 30-09-2003
Reserves and Surplus		
Capital reserve	15.23	15.23
General reserve	2,378.37	1,151.40
Add/ (less) : Adjustments for Deferred Tax	(1561.60)	1,226.97
	<u>816.77</u>	<u>2,378.37</u>
Less: Profit & Loss Account (debit balance) deducted as per contra	816.77	—
	<u>—</u>	<u>15.23</u>
	<u>15.23</u>	<u>15.23</u>
SCHEDULE 'C'		
Secured Loans		
Cash credit from Bank	1,013.33	1,454.49
	<u>1,013.33</u>	<u>1,454.49</u>
SCHEDULE 'D'		
Unsecured Loans		
Inter corporate deposits [Due within one year Rs. 8427.99 lakhs(Rs. 10842.34 lakhs)]	12798.24	11715.49
	<u>12798.24</u>	<u>11715.49</u>

SCHEDULE 'E'

Fixed Assets	COST				DEPRECIATION				BOOK VALUE	
	As at 01-10-2003	Additions	Deductions/ Adjustments	As at 30-09-2004	Upto 30-09-2003	For the Year	Deductions/ Adjustments	Upto 30-09-2004	As at 30-09-2004	As at 30-09-2003
	Freehold Land	176.15	—	—	176.15	5.14	0.63	—	5.77	170.38
Leasehold Land	194.68	—	—	194.68	38.42	9.62	—	48.04	146.64	156.26
Buildings	1669.55	—	—	1669.55	408.45	41.47	—	449.92	1219.63	1261.10
Plant and Machinery	16780.32	74.18	—	16854.50	9834.76	550.02	—	10384.78	6469.72	6945.56
Mining Machinery	349.81	—	—	349.81	311.76	27.58	—	339.34	10.47	38.05
Office Equipments	294.56	1.03	—	295.59	150.39	27.00	—	177.39	118.20	144.17
Furniture and Fixtures	117.84	13.81	—	131.64	101.40	5.69	—	107.09	24.55	16.43
Vehicles	55.24	—	—	55.24	46.67	5.23	—	51.90	3.34	8.57
Leased Assets	0.60	—	—	0.60	0.05	0.10	—	0.15	0.45	0.55
Total	19638.75	89.02	—	19727.76	10897.04	667.34	—	11564.38	8163.38	8741.71
Previous Year	18761.32	1113.16	235.73	19638.75	10110.29	1014.94	228.19	10897.04		
Add : Capital work-in-progress									11.72	411.87
									8175.10	9153.58

NARMADA CEMENT COMPANY LIMITED

SCHEDULE 'F'		(Rs Lakhs)		SCHEDULE 'G'		(Rs Lakhs)	
		As at	As at	As at	As at		
		30-09-2004	30-09-2003	30-09-2004	30-09-2003		
Current Assets, Loans and Advances				Current Liabilities and Provisions			
(A) Inventories :				(A) Liabilities			
(As taken, valued and certified by the management)				Sundry creditors			
Stores and Spares	1710.96	2499.23		- Outstanding dues to SSI units	17.97	32.91	
Coal	343.26	331.28		- Others	8275.29	8838.58	
Packing Materials	45.85	27.81		Advances from customers	8293.26	8871.49	
Raw Materials	142.67	121.88		Deposits from Company's dealers	49.83	54.70	
Material-in-Transit	2.96	258.40		Other liabilities	78.05	87.98	
Process Stock	2193.81	1357.49		The following amount (as and when and to the extent required) shall be credited to The Investor Education & Protection Fund	1203.82	795.28	
Finished Goods	231.27	75.88		- Unclaimed amount on account of redemption of preference shares	0.37	0.37	
	4670.78	4671.97		- Unclaimed dividend	7.17	14.57	
(B) Sundry Debtors				Interest accrued but not due on loans			
Debts outstanding for more than six months (considered good)	21.86	76.62		Future pension payable under VRPS & other schemes	410.17	585.05	
Other Debts					109.07	157.27	
- Considered good	842.88	535.72			10151.74	10566.71	
- Considered doubtful	8.62	8.25		(B) Provisions for			
	873.36	620.59		Income tax	1.72	1.72	
Less : Provision for doubtful debts	8.62	8.25		Leave encashment	59.45	46.89	
	864.74	612.34			61.17	48.61	
(C) Cash and Bank Balances				Miscellaneous Expenditure			
Cash and Cheques on hand	1.90	1.63		(To the extent not written off or adjusted)			
Balances with Scheduled Banks				Issue expenses	—	3.61	
In Current Accounts	240.94	178.99		Mining development expenses VRS, VRPS & other schemes	—	67.15	
In Fixed Deposits	10.00	10.00		Others	—	1396.12	
In Unclaimed Dividend Accounts	7.17	14.57			—	484.30	
In Other Accounts	1.57	1.57			—	1951.18	
	261.58	206.76		SCHEDULE 'H'			
(D) Other current assets				SCHEDULE 'I'			
Accrued Interest on advances and bank deposits	0.13	0.14		Profit and Loss Account			
(E) Loans and Advances (Unsecured, Considered Good)				Profit and Loss Account (Debit Balance)			
i) Advance recoverable in cash or in kind or for the value to be received					17338.42	11524.44	
-Considered Good	203.40	149.77		Less :General Reserve deducted as per contra	816.77	2378.37	
-Considered Doubtful	22.00	22.00			16521.65	9146.07	
	225.40	171.77		SCHEDULE 'J'			
Less : Provision for doubtful loans and advances	22.00	22.00		2003-04		(Rs Lakhs)	
	203.40	149.77				For the 18 months period ended 30-09-2003	
ii) Advances and Deposits with Railways, Government Bodies and Others	464.36	316.01		Other Income	—	20.38	
iii) Loans and Advances to Employees	0.58	1.63		Profit on Sale of Fixed Assets	124.38	218.55	
iv) Advance Income-Tax and tax deducted at source	16.03	17.33		Other Income	124.38	238.93	
	684.37	484.74		SCHEDULE 'K'			
	6481.60	5975.95		Increase/(Decrease) in Stocks			
				Closing stock			
				Finished goods	231.27	75.88	
				Process stock	2193.81	1357.49	
					2425.08	1433.37	
				Less: Opening stock			
				Finished goods	75.88	467.43	
				Process stock	1357.49	1940.02	
					1433.37	2407.44	
					991.71	(974.08)	
					991.71	(974.08)	

NARMADA CEMENT COMPANY LIMITED

SCHEDULE 'L'

	2003-04	(Rs Lakhs) For the 18 months period ended 30-09-2003
Manufacturing and operating expenses		
Raw materials consumed	989.86	1030.83
Stores & spares consumed	1809.50	1624.40
Power & fuel	9397.01	9522.27
Other manufacturing expenses	568.77	328.63
Packing materials consumed	565.90	360.02
Repairs to —		
Building	39.77	60.64
Machinery	565.84	1167.23
Others	90.80	192.81
	<u>696.41</u>	<u>1420.68</u>
	<u>14027.45</u>	<u>14286.83</u>

SCHEDULE 'M'

	2003-04	(Rs Lakhs) For the 18 months period ended 30-09-2003
Staff Expenses		
Salaries, Wages and Allowances	625.35	803.29
Contribution to Employees' Provident Fund and other Funds	50.79	81.00
Staff and workmen welfare expenses	172.00	219.29
VRS, VRPS & other schemes written-off	1388.11	613.71
	<u>2236.25</u>	<u>1717.29</u>

SCHEDULE 'N'

	2003-04	(Rs Lakhs) For the 18 months period ended 30-09-2003
Sales, Administration and Other Expenses		
Insurance	104.03	132.32
Rent	9.41	12.32
Rates & Taxes	64.39	91.83
Commission, freight and selling expenses	317.74	441.28
Advertisement expenses	5.58	6.66
Settlement Charges	—	482.56
Other miscellaneous expenses	413.80	642.41
Provision for Doubtful Debts & Advances	8.62	—
Bad advances written off	—	9.87
Bad debts written off	34.19	0.08
Capital Work-In-Progress written off	309.90	—
Inventory obsolescence	843.11	—
	<u>2110.77</u>	<u>1819.33</u>

SCHEDULE 'O'

	2003-04	(Rs Lakhs) For the 18 months period ended 30-09-2003
Interest and Other Finance Charges (Net)		
Interest Expenses on:		
Debentures	—	156.27
Fixed Loans	142.86	147.75
Inter Corporate Deposit	823.29	1143.15
Others	316.54	1716.04
	<u>1282.69</u>	<u>3163.21</u>
Finance leases	10.45	262.90
Other finance expenses	16.40	59.29
	<u>26.85</u>	<u>322.19</u>
	<u>1309.54</u>	<u>3485.40</u>
Less: Interest Income on		
Deposits	—	0.10
Others	3.22	4.31
	<u>3.22</u>	<u>4.41</u>
	<u>1306.32</u>	<u>3480.99</u>

SCHEDULE 'P'

SIGNIFICANT ACCOUNTING POLICIES

- I. Basis of Accounting

The Company maintains its accounts on accrual basis following the historical cost convention, in compliance with the Accounting Standards specified to be mandatory by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.
 - II. Fixed Assets and Depreciation

Fixed assets are stated at original cost less accumulated depreciation. Depreciation in respect of all assets is provided on straight line basis at the rates prescribed in Schedule XIV to the Companies Act, 1956. Leasehold land / land under mining lease are amortized over the period of lease / expected mining deposits. No depreciation is charged on Freehold land not having mining deposit.
 - III. Inventories

Inventories are valued at lower of cost or estimated net realisable value. Cost of raw materials, coal, fuel, packing material, stores and spares is determined on weighted average basis. Material-in-process include related overheads and cost of finished goods includes related overheads and excise duty paid/payable on such goods.
 - IV. Revenue Recognition

Revenue is recognised only when there is no significant uncertainty as to measurability / collectibility of the amounts. Sales are accounted on dispatch of products and sales value includes excise duty.
 - V. Retirement Benefits

Provisions for / contributions to retirement benefit schemes are made as follows:

 - a) Provident fund on actual liability basis.
 - b) Gratuity based on actuarial valuation.
 - c) Superannuation on actual liability basis.
 - d) Leave encashment benefit on retirement on actuarial valuation basis.
 - VI. Foreign Currency Transactions

Foreign currency transactions are accounted for at the rates prevailing on the date of transaction. Foreign currency assets and liabilities outstanding at the close of the financial year are restated at the contracted and / or appropriate exchange rates at the close of the year. The gain or loss due to decrease / increase in Rupee liability on account of fluctuations in the rate of exchange is adjusted to the cost of assets if it relates to acquisition of fixed assets and is charged to Profit and Loss account in other cases.
 - VII. Leases

Assets acquired under leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Lease rentals are charged to the Profit & Loss Account on accrual basis.
 - VIII. Taxes on Income

Tax on income for the current period is determined on the basis of taxable income and tax credits computed in accordance with the provisions of the Income Tax Act, 1961, and based on expected outcome of assessments/appeals. Deferred tax is recognised on timing differences between the accounting income and the taxable income for the year, and quantified using the tax rates and laws enacted or substantively enacted as on the Balance Sheet date. Deferred tax assets are recognised and carried forward to the extent that there is a reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.
 - IX. Contingent Liabilities

Depending on facts of each case and after due evaluation of relevant legal aspects, claims against the Company not acknowledged as debts are provided or disclosed as contingent liabilities. In respect of statutory matters, contingent liabilities are provided or disclosed only for those demand(s) that are contested by the Company.
- Notes forming part of accounts
1. Cash Credit facility from the Bank is secured by way of a charge by hypothecation of stocks, stores, book debts, movable properties of the Company and by equitable / legal mortgage of immovable properties situated at Babarkot village in Jafrabad.
 2. During the year, the Company has charged the balance amount of Deferred Revenue Expenditure consisting of Mining Development Expenses and others to the profit & loss account. Consequent to this change, there is an additional charge of Rs. 398.50 lakhs to profit & loss account during 2003-04. Earlier the Company used to charge the deferred revenue expenditure over the period of benefit expected to accrue from it, if it exceeded three years period.
 3. The Company has charged the total unamortised balance of Voluntary Retirement Scheme (VRS) expenditure to profit & loss account during the year. Consequent to this change, there is an additional charge of Rs. 989.93 lakhs to profit & loss account during 2003-04. Hitherto, these expenses were deferred and charged over a period of 5 years.
 4. Future liability on account of pension payable under the Voluntary Retirement cum Pension Scheme / Employee Separation Scheme introduced earlier, amount to Rs.109.07 lakhs (Rs. 157.27 lakhs).

NARMADA CEMENT COMPANY LIMITED

5. During the current financial year, the Company reviewed the status on various Capital Work in Progress (CWIP). Based upon technical assessments, those assets which are not productive in nature and/or not supported by physical assets have been written off amounting to Rs. 309.90 lakhs.

6. Details of contingent liabilities not provided for in the books in respect of the following:

	Rs. lakhs	
	30.9.2004	30.9.2003
a. Counter guarantees given by the Company to Bankers against guarantees issued by them.	17.78	47.21
b. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (gross)	8.80	54.72
Amount net of advances.	8.80	54.72
c. Other claims against the Company not acknowledged as debts.	50.49	50.05
d. Disputed demands / matters in appeals in respect of notices received from Central Excise / Customs / Sales Tax authorities, and are pending for disposal.	266.75	853.46

7. The claim of a clinker transportation Company for demurrage and other claims amounting to Rs. 3760.52 lakhs have been disputed by the Company at the Divisional Bench and Arbitration levels. The Company has made provision for dues of Rs. 815.58 lakhs payable as per the terms of the agreement between the parties.

8. In respect of Small Scale Industries, the Company owes a sum of Rs. 17.97 lakhs (Rs. 32.91 lakhs) as at 30th September, 2004. Total outstanding dues of small scale industrial undertakings have been determined to the extent such parties have been identified on the basis of information available with the Company.

The names of the small scale industry to whom the Company owes monies for more than 30 days as at 30th September, 2004 are:

1. Harsh Systems Pvt. Ltd
2. Hyderabad Castings Limited
3. Alpha Industries
4. S K Engineers
5. Radhika Technologies Pvt. Limited

9. Related Party relationships / transactions warranting disclosures under AS-18 issued by the Institute of Chartered Accountants of India are as under:

- (i) Names and relationship of the transacting parties:

Holding Company

UltraTech Cement Limited (holds 97.73 per cent of the Equity Capital as at 30th September 2004).

Other related parties –

Subsidiary Companies of UltraTech Cement Limited

Dakshin Cements Limited, Larsen & Toubro Ceylinco (Private) Limited.

Holding Company of UltraTech Cement Limited

Grasim Industries Limited

- (ii) Nature and volume of transactions:
- | | Rs. lakhs |
|--|-----------|
| | 2003-04 |
| | 12 months |

UltraTech Cement Limited – Holding Company	
1 Sales	13558.11
2 Other income	19.67
3 Manufacturing & Operating Expenses	
3.1 Raw materials consumed	1.15
3.2 Stores & spares consumed	14.00
3.3 Power & fuel	5318.70
4 Sales, Administration & Other Expenses	116.27
5 Interest & other finance charges	1152.31
6 Share capital	6975.29
7 Unsecured loans	
7.1 Inter corporate deposits	12798.24
8 Purchases of Fixed assets	5.70
9 Current assets	
9.1 Sundry debtors	374.16
9.2 Inventories	335.31
10 Current liabilities & provisions	
10.1 Sundry creditors	6467.25
10.2 Interest accrued but not due on loans	410.17
Grasim Industries Limited (Holding Company of UltraTech Cement Limited)	
Sea Freight	350.21
No amounts have been written off or written back in the year in respect of debts due from or to the above parties.	

- (iii) Related party relations are identified by the Company and relied upon by the auditors.

- (iv) Consequent to the Mumbai High Court order dated 22nd April 2004 approving the Scheme of Arrangement for demerger of Cement business of Larsen & Toubro Limited into UltraTech CemCo Limited w.e.f. 01.04.2003, Narmada Cement Company Limited has become the subsidiary of UltraTech CemCo Limited. Subsequently, the name UltraTech CemCo Limited has been changed to UltraTech Cement Limited.

10. The Company has taken on operating lease certain assets costing Rs. 27.97 lakhs (Rs. 978.08 lakhs), the future lease obligation against which is Rs.26.91 lakhs (Rs. 22.77 lakhs) as at 30th September 2004; break up of which is as under –

	Rs. Lakhs	
	30.9.2004	30.9.2003
not later than one year	7.16	5.10
Later than one year but not later than five years	19.75	17.67
Later than five years	Nil	Nil

11. Basic and Diluted Earning per share having Face value of Rs. 10/- each is Rs. (8.15) (previous year annualised Rs. (3.68)). The calculation is based on Loss after Tax Rs. 5813.98 lakhs as divided by weighted average number of equity shares as at 30th September, 2004 of Rs. 713.74 lakhs.

12. Deferred Tax Assets/ liabilities

- i) Upto 2002-03 deferred tax the assets and liabilities were accounted for, however during the year 2003-04, to be in strict compliance with the amended provision of Accounting Standard-22 issued by the Institute of Chartered Accountants of India, the deferred tax as on 01.10.03 has been reversed and they have not been accounted for in the current year. Out of such reversal the amount of Rs. 1561.58 lakhs which was earlier adjusted against general reserve has been readjusted against the same and balance has been debited to profit & loss account.

- ii) The details of deferred tax assets and liabilities are as under:

	As at For the Year		As at
	30.09.2003	2003-04	
Deferred tax assets			
Carried forward business loss	4496.92	139.70	4636.62
Unabsorbed tax depreciation	2508.57	276.97	2785.54
Expenditure disallowed u/s 43B	96.28	(96.28)	—
Voluntary retirement schemes	(108.93)	383.60	274.67
Total	6992.84	703.99	7696.83
Deferred tax liability			
Difference between tax and book depreciation	1990.96	32.78	2023.74
Mining development expenses & Others	289.49	(289.49)	—
Total	2280.45	(256.71)	2023.74
Net Deferred Tax Assets	4712.39	960.70	5673.09

- iii) Working of Deferred Taxes is based on Assessment Orders where assessments are complete and on Return of Income in other cases.

13. Additional information pursuant to provisions of paragraph 3 and 4 of Part II of Schedule VI to the Companies Act, 1956:

	2003-04		2002-03	
	Quantity Lakh MT	Rs Lakhs	Quantity Lakh MT	Rs Lakhs
a. Sale of Goods				
Cement	6.13	13614.43	3.68	7057.85
Clinker	7.05	7051.12	12.70	11833.40
Total		20665.55		18891.25
b. Details of Raw Materials consumption				
Lime Stone	19.13	613.43	15.62	659.17
Gypsum	0.28	97.49	0.13	69.53
Pozzolona	0.25	52.50	0.04	9.98
Others		226.44		292.15
Total		989.86		1030.83

NARMADA CEMENT COMPANY LIMITED

c. Capacities and Production:

Unit	Figures in Lakh Tonnes					
	Licensed Capacity Per annum		* Installed Capacity Per annum		# Actual Production	
	2003-04	2002-03	2003-04	2002-03	2003-04 12 Months	2002-03 18 Months
Cement	10	10	15	15	13.27	16.18

* As certified by the Management and accepted by Auditors, this being a technical matter.

Includes 7.05 Lakh Tonnes (12.70 Lakhs Tonnes) of clinker produced and sold.

d. Inventories:

	Quantity in Lakh Tonnes & Rs. in lakhs							
	Opening Stock As At				Closing Stock As At			
	1.10.2003		1.4.2002		30.9.2004		30.9.2003	
	Qty	Rs	Qty	Rs	Qty	Rs	Qty	Rs
Cement	0.04	75.88	0.24	467.43	0.13	231.27	0.04	75.88

e. Auditors remuneration and expenses charged to the accounts:

	Rs. Lakhs	
	2003-04 12 months	2002-03 18 months
Audit fees	3.03	4.47
Tax audit fees	0.66	0.65
Other services	0.30	1.72
Expenses reimbursed	0.05	0.15
Total	4.04	6.99

f. Payments in Foreign Currency

	Rs. Lakhs	
	2003-04 12 months	2002-03 18 months
Technical Fees	—	5.80
Other Matters	—	0.11
Total	—	5.91

g. Value of Imports (C.I.F. basis)

	Rs. Lakhs	
	2003-04 12 months	2002-03 18 months
Components and Spare Parts	248.88	415.39
Fuel	4264.41	4675.70
Total	4513.29	5091.09

h. Value of Imported and Indigenous Raw Materials, Spare Parts and Stores Consumed:

	2003-04 12 months		2002-03 18 months	
	Value	%	Value	%
	Rs. Lakhs		Rs. Lakhs	
Raw Materials				
Imported	4498.51	81.96	4393.47	81.00
Indigenous	989.86	18.04	1030.83	19.00
Total	5488.37	100.00	5424.30	100.00
Stores & Spares				
Imported	248.88	13.75	415.39	25.57
Indigenous	1560.62	86.25	1209.01	74.43
Total	1809.50	100.00	1624.40	100.00

NARMADA CEMENT COMPANY LIMITED

14. Additional information pursuant to provisions of Part IV of Schedule VI to the Companies Act, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE:

I. Registration Details

Registration No	:	19626
State Code	:	11
Balance Sheet Date	:	30.09.2004

II. Capital Raised during the Year (Amount in Rs Thousands)

Public Issue	:	Nil
Rights Issue	:	Nil
Bonus Issue	:	Nil
Private Placement	:	Nil

III. Position of Mobilisation & Deployment of Funds (Amount in Rs Thousands)

Total Liabilities	:	2096544
Total Assets	:	2096544
Sources of Funds		
Paid up Capital	:	713864
Reserves & Surplus	:	1523
Secured Loans	:	101333
Unsecured Loans	:	1279824
Deferred Tax Liabilities	:	Nil
Application of Funds		
Net Fixed Assets	:	817510
Investments	:	Nil
Deferred Tax Assets	:	Nil
Net Current Assets	:	(373131)
Misc. Expenditure	:	Nil
Accumulated Losses	:	1652165

IV. Performance of the Company (Amount in Rs Thousands)

Turnover	:	2066555
Total Expenditure	:	2332873
Loss Before Tax	:	266318
Provision for Taxes	:	Nil
Provision for Deferred Taxes (net)	:	(315080)
Loss After Tax	:	581398
Earning Per Share	:	(8.15)
Dividend Rate (%)	:	Nil

V. Generic Name of Principal Product of the Company

Item Code	:	252329.01
Product Description	:	Other Grey Portland Cement

15. Figures for the previous year have been regrouped or rearranged wherever necessary. Figures of previous year are not comparable with that of the current year.

16. Figures in brackets are for the previous year.

V. M. MURALIDHARAN	}	Directors
K. C. BIRLA		
SANJEEV BAFNA		

Mumbai
Dated: 30th November, 2004

NARMADA CEMENT COMPANY LIMITED

CASHFLOW STATEMENT FOR THE YEAR ENDED 30TH SEPTEMBER, 2004

	Year ended 30-09-2004	18 months period ended 30-09-2003
	Rs in lakhs	Rs in lakhs
A. Cash flow from Operating Activities		
Net Profit/ (Loss) Before Tax	(2663.18)	(6809.86)
Adjustment for :		
Depreciation	667.34	1014.94
Capital Work-In-Progress written off	309.90	—
(Profit)/Loss on Sale of Assets (Net)	—	(20.38)
Interest (Net)	1306.32	3480.99
Loss on extinguishment of debts	—	(146.88)
Operating Profit Before Working Capital Changes	(379.62)	(2481.19)
Adjustment for :		
(Increase)/Decrease in Trade & Other Receivables	(452.00)	1805.19
(Increase)/Decrease in Inventories	1.19	552.62
(Increase)/Decrease in Miscellaneous Expenditure not written off	1951.18	(385.77)
Increase/(Decrease) in Trade Payables	(414.97)	971.24
Leave Encashment	12.55	10.27
Sub Total	1097.94	2953.55
Cash Generated from Operations	718.32	472.36
Wealth Tax / Income Tax	—	(0.34)
Net Cash from Operating Activities (A)	718.32	472.02
B. Cash flow from Investing Activities		
Net Purchase of Fixed Assets	1.24	(280.72)
Sale of Fixed Assets	—	27.94
Interest Received	3.22	4.41
Net Cash Used in Investing Activities (B)	4.46	(248.37)
C. Cashflow from Financing Activities		
Proceeds from long-term and other borrowings	641.59	2977.57
Interest	(1309.55)	(3485.40)
Net Cash Used in Financing Activities (C)	(667.96)	(507.83)
Net Increase /(Decrease) in Cash & Cash Equivalents (A+B+C)	54.82	(284.18)
Cash & Cash Equivalents at the beginning of the year	206.76	490.94
Cash & Cash Equivalents at the end of the year	261.58	206.76

As per our attached report of even date.

For HARIBHAKTI & CO.
Chartered Accountants

CHETAN DESAI
Partner

Mumbai
Dated : 30th November, 2004

V. M. MURALIDHARAN }
K. C. BIRLA } Directors
SANJEEV BAFNA }

DAKSHIN CEMENTS LIMITED

DAKSHIN CEMENTS LIMITED
(a subsidiary of UltraTech Cement Limited)

DIRECTOR'S REPORT

To The Members,
Dakshin Cements Limited

Your Directors have pleasure in presenting their Twelfth Annual Report of your Company together with Audited Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS

During the year under review, your Company did not carry on any business activities and accordingly no Profit and Loss Account has been prepared.

CAPITAL EXPENDITURE

During the year under review, your Company did not incur any capital expenditure.

FIXED DEPOSITS

Your Company has not accepted any fixed deposit during the period ending 31st March 2005.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act, 1956 your Directors confirm that:

- i) in the preparation of Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- ii) the Directors had selected such accounting policies and made judgments 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 at 31st March, 2005 and of the loss of the company for that period;
- iii) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the company and for preventing and detecting the fraud and other irregularities; and
- iv) the Directors had prepared the annual accounts on a going concern basis.

AUDITORS' REPORT

There are no adverse comments, observation or reservation in the Auditors Report on the Annual Accounts of the Company.

The Notes to the Accounts referred to in the Auditors' Report are self explanatory and therefore do not call for any further comments from the Directors.

PARTICULARS OF EMPLOYEES.

Section 217(2A) of Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 do not apply to your Company as none of its employees are covered under its provisions.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING & OUTGO

During the year under review, your Company did not carry any commercial / business activity and accordingly particulars under conservation of energy, technology absorption, foreign exchange earning and outgo have not been provided.

AUDITORS

M/s G.P. Kapadia & Co., the existing Auditors will retire at the ensuing Annual General Meeting of your Company. They being eligible to be reappointed have expressed their willingness to be reappointed as the Statutory Auditors of the Company for the financial year 2005-06. A resolution seeking your approval for the reappointment of said auditor has been included in the Notice convening the Annual General Meeting.

ACKNOWLEDGEMENT

The Board of Directors wish to place on record their appreciation for the support and co-operation extended by UltraTech Cement Limited, the Auditors and the Bankers of the Company.

For and behalf of the Board of Directors

K.C BIRLA
V M MURALIDHARAN Directors
M R PRASANNA

Place: Mumbai

Date:

DAKSHIN CEMENTS LIMITED

AUDITOR'S REPORT

We have audited the attached Balance Sheet of Dakshin Cements Limited as at 31st March, 2005. No Profit and Loss Account has been prepared as the Company has not carried out any activities. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In accordance with the provisions of Section 227 of the Companies Act, 1956, we report that:

1. As the Company has carried out no activities during the year, the requirement by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, is not applicable.
2. Further to our comments in paragraph 1 above, we report that :
 - (a) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
 - (b) in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - (c) the balance sheet dealt with by this report is in agreement with the books of account;

(d) in our opinion, the balance sheet dealt with by this report, complies with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956, to the extent applicable;

(e) on the basis of written representations received from the directors as on 31st March, 2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2005 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act, 1956; and

(i) in our opinion and to the best of our information and according to the explanations given to us, the said balance sheet read together with the significant accounting policies and other notes appearing in Schedule 5, gives the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of Company's affairs as at 31st March, 2005.

G. P Kapadia & Co
Chartered Accountants
by the hand of

ATUL B. DESAI
Partner
(Membership No 30850)

Mumbai, April 21, 2005

DAKSHIN CEMENTS LIMITED

BALANCE SHEET AS AT 31st March, 2005

	Schedules	As at 31st March 2005		As at 31st March,2004	
		Rupees	Rupees	Rupees	Rupees
I. SOURCES OF FUNDS:					
SHARE HOLDERS' FUNDS					
Share Capital	1		500,000		500,000
Loan Funds			—		—
			<u>500,000</u>		<u>500,000</u>
II. APPLICATION OF FUNDS:					
Fixed Assets	2				
Gross block			—		—
Less : Depreciation			—		—
Net block			—		—
Capital Work in progress			—		—
Incidental Expenditure pending allocation / capitalisation			1,197,776	1,197,776	1,082,300
Current Assets, Loans and Advances	3		202,546		202,546
Less : Current Liabilities and Provisions	4		937,716	(735,170)	822,240
Miscellaneous Expenditure (to the extent not written off or adjusted)			37,394		37,394
			<u>500,000</u>		<u>500,000</u>
Notes on Accounts	5				

As per our report attached.

For G.P. Kapadia & Co
Chartered Accountants
by the hand of

ATUL B. DESAI
Partner
Membership No 30850

K. C. BIRLA
Director

V. M. MURALIDHARAN
Director

M. R. PRASANNA
Director

Mumbai , April 21,2005

DAKSHIN CEMENTS LIMITED

Schedules forming part of the Balance Sheet

	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
Schedule - 1		
SHARE CAPITAL		
Authorised		
500,000 Equity shares of Rs 10 each	5,000,000	5,000,000
Issued and subscribed		
50,000 Equity shares of Rs 10 each fully paid (All the shares are held by UltraTech Cement Limited, the holding company)	500,000	500,000

Schedule - 2

FIXED ASSETS		
Gross block	—	—
Less : Depreciation	—	—
Net block	—	—
Capital work in progress	—	—
Incidental Expenditure pending allocation /capitalisation	1,197,776	1,082,300
	1,197,776	1,082,300

Schedule - 3

CURRENT ASSETS, LOANS AND ADVANCES		
Cash and Bank Balances		
Cash on Hand	241	241
Balance with Scheduled Bank on current account	200,305	200,305
	200,546	200,546
Loans and Advances		
unsecured, considered good Advances recoverable in cash or in kind or for value to be received	2,000	2,000
Total	202,546	202,546

Schedule - 4

CURRENT LIABILITIES AND PROVISIONS		
Liabilities		
Due to UltraTech Cement Limited (The Holding Company)	755,769	532,447
Due to Others	171,187	171,187
Other liabilities	10,760	118,606
Total	937,716	822,240

Schedule - 5

NOTES ON ACCOUNTS

1. Significant Accounting Policies :

The Company maintains its accounts on accrual basis following the historical cost convention in accordance with generally accepted accounting principles ("GAAP") and in compliance with the accounting standards referred to in Section 211 (3C) and other requirements of the Companies Act, 1956, to the extent applicable.

2. As the Company has not yet started commercial operation no Profit & Loss Account has been prepared. The statement showing the unallocated, pre-operative expenditure incurred up to 31st March 2005 is shown in Schedule - 2.

3. The pre-operative expenditure as under pending allocation will be allocated to appropriate fixed assets on commencement of the commercial production:

Incidental expenditure pending allocation / capitalisation

	As at 31st March, 2005 Rupees	As at 31st March, 2004 Rupees
Travelling and conveyance	134,629	134,629
Subscription	1,000	1,000
Survey expenses	90,750	90,750
Testing charges	8,000	8,000
Consultancy Charges	2,500	2,500
Auditors's remuneration	52,160	46,650
Printing & Stationery	3,764	3,764
Office expenses	2,745	2,745
Bank charges	325	325
Directors sitting fees	7,500	7,500
Filing fees	28,270	12,270
Royalty/dead rent	575,240	481,274
Legal fees	262,000	262,000
Interest	7,008	7,008
Miscellaneous expenses	21,885	21,885
Total	1,197,776	1,082,300

4. Contingent liabilities - Nil.

5. Previous year figures have been regrouped wherever necessary.

Signature to Schedule 1 to 5

As per our report attached.

For G.P. Kapadia & Co
Chartered Accountants
by the hand of

ATUL B. DESAI	K. C. Birla	V. M. Muralidharan	M. R. Prasanna
Partner	DIRECTOR	DIRECTOR	DIRECTOR
Membership No 30850			

Mumbai , April 21 ,2005

DAKSHIN CEMENTS LIMITED

Balance Sheet abstract and Company's General Business Profile

1 Registration Details

Registration No.

State Code

Balance Sheet Date

2 Capital raised during the year (Amount in Rs. Thousands)

Public Issue

N I L

Rights Issue

N I L

Bonus Issue

N I L

Private Placement

N I L

3 Position of Mobilisation and Development of funds (Amount in Rs. Thousands)

Total Liabilities

5 0 0

Total Assets

5 0 0

Sources of Funds :

Paid up Capital

5 0 0

Reserves & Surplus

N I L

Secured Loans

N I L

Unsecured Loans

N I L

Application of Funds :

Net Fixed Assets

1 1 9 8

Investments

N I L

Net Current Assets

(7 3 5)

Miscellaneous Expenditure

3 7

Accumulated Losses

N I L

4 Performance of the Company (Amount in Rs. Thousands)

Turnover (including other income)

N I L

Total Expenditure

N I L

+ - Profit / (Loss) before Tax

N I L

+ - Profit / (Loss) after Tax

N I L

Please Tick Appropriate box + for Profit, - for loss

Earnings per Share (Rs.)

N A

Dividend Rate (%)

N A

5 Generic Names of Three Principal Products/Services of the Company (as per monetary terms)

No Activities during the year

K. C. BIRLA
Director

V. M. MURALIDHARAN
Director

M. R. PRASANNA
Director

Mumbai, April 21, 2005

UltraTech Ceylinco (Pvt) Ltd

The Directors of UltraTech Ceylinco (Pvt) Ltd have pleasure in presenting to the members their report for the year ended 31st December 2004.

PRINCIPAL ACTIVITY

The principal activity of the Company is carrying on business of importers, exporters, distributors warehousemen, wholesalers, retailers and dealers of cement and to establish storage terminals and other facilities for the bagging and distribution of bulk cement.

UltraTech Cement Limited (Formerly known as UltraTech CemCo Ltd)

Vide Order dated 22nd April 2004 passed by the Hon'ble High Court at Bombay –India, the cement business of Larsen & Toubro Ltd-India (L&T) was demerged and vested in UltraTech Cement Ltd (formerly known as UltraTech CemCo Ltd). The scheme became effective from 14th May 2004.

A Share Purchase Agreement was entered into between L&T and UltraTech on 13 May 2004 for the purpose of transferring L&T's shareholding in the Company to UltraTech. Further, a Deed of Adherence was also executed between LARSEN & TOUBRO – CEYLINCO (PRIVATE) LIMITED, L&T, UltraTech and Ceylinco Insurance Company Limited on 23 June 2004, by which it was agreed that UltraTech would be entitled to all the rights and privileges hitherto availed by L&T in LARSEN & TOUBRO – CEYLINCO (PRIVATE) LIMITED and be bound by all the duties and obligations that L&T was bound to pursuant to the Joint Venture. L&T transferred its entire shareholding of Forty Million (40,000,000) Ordinary Shares of Rs.10/- each held in LARSEN AND TOUBRO – CEYLINCO (PRIVATE) LTD to UltraTech CemCo Ltd (now known as UltraTech Cement Ltd) pursuant to Art.1.9(a) of the said original Shareholders' Agreement dated 08th July 1998. The transfers were effective 23rd June 2004.

Subsequent to the change in shareholding and to reflect the change in partners, the name of the Company was changed from Larsen & Toubro Ceylinco (Pvt) Ltd to UltraTech Ceylinco (Pvt.) Ltd with effect from 11th March 2005.

MESSAGE FROM THE CEO

CEMENT OPERATIONS

During the year, the Company dispatched 0.376 Mn metric tons of cement as against 0.320 mn metric tons in the previous year, thereby registering a growth of 18% as against the market growth of 10%. This has resulted in market share being increased from 11% to 12%

The sales and the other income for the financial year under review were Rs.2.498 Mn as against Rs.1.872 Mn during the previous year. The profit after providing for taxation for the year was Rs.173 Mn as against the profit of Rs.144Mn during the previous year.

The performance for the year was much better than previous year, which was mainly due to increase in quantity sold, better price realization and continuous efforts in cost reduction activities.

PROFIT & LOSS ACCOUNT

	2004 SLR	2003 SLR
Turnover	2,497,995,777	2,829,050,505
Cost of Sales	(2,199,030,298)	(2,592,488,698)
Gross Profit	298,965,479	236,561,807
Other Operating Income	3,941,188	264,246
Administrative expenses	(37,377,999)	(35,311,154)
Distribution cost	(37,097,940)	(42,851,882)
Profit from Operations	228,430,728	158,663,017
Financing cost	(44,066,582)	(14,687,583)
Profit before Taxation	184,364,146	143,975,434
Income tax expense	(11,048,273)	—
Profit for the year	173,315,873	143,975,434
Earnings per share	3.47	3.14

DIRECTORATE

The names of the Directors of the Company as at date are given on page 02 under Corporate Information.

Mr K G Redkar has been appointed as an alternate director to Mr D Razdan on 01st April 2005

DIVIDEND

The Directors do recommend a first and final dividend of 20% to its ordinary shareholders of the Company registered as at 31st December 2004.

RETIREMENT OF DIRECTORS IN TERMS OF ARTICLE 90 (Table "A") OF THE ARTICLES OF ASSOCIATION

Mr. S Misra, Mr. M R Prasanna and Mr. K C Birla retire in terms of Article 109(a) of the Articles of Association of the Company and being eligible offer themselves for re-election.

DIRECTORS' INTERESTS IN CONTRACTS

The Directors of the Company have no direct and indirect interest in any contract or proposed contract of the Company, except those specified in Note 18 to the financial statement, which have been disclosed and declared at meetings of the Directors in accordance with section 203 of the Companies Act No.17 of 1982.

AUDITORS

The Accounts for the year under review have been audited by Messrs KPMG Ford Rhodes Thornton & Company Chartered Accountants, who retire and being eligible offer themselves for re-appointment for the year ending 31st December 2005.

The Directors recommend their re-appointment.

BY ORDER OF THE BOARD

Sgd.(Authorised Signatory)

INTERNATIONAL CONSULTANCY AND CORPORATE SERVICES (PVT) LTD
SECRETARIES FOR ULTRATECH CEYLINCO (PVT) LTD

28th April 2005.

Colombo

UltraTech Ceylinco (Pvt) Ltd

REPORT OF THE AUDITORS

TO THE MEMBERS OF ULTRATECH CYCLINCO (PVT) LTD (FORMERLY LARSEN AND TOUBRO CEYLINCO (PVT) LTD)

We have audited the Balance Sheet of UltraTech Ceylinco (Pvt) Ltd (Formerly Larsen and Toubro Ceylinco (Pvt) Ltd, as at 31st December, 2004 and the related Statements of Income, Changes in Equity and Cash flow for the year then ended, together with the Accounting Policies and Notes thereon.

Respective Responsibilities of Directors and Auditors

The Directors are responsible for preparing and presenting these financial statements in accordance with the Sri Lanka Accounting Standards. Our responsibility is to express an opinion on these financial statements, based on our audit.

Basis of Opinion

We conducted our audit in accordance with the Sri Lanka Auditing Standards, which require that we plan and perform the audit to obtain reasonable assurance about whether the said financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the said financial statements, assessing the accounting principles used and significant estimates made by the Directors, evaluating the overall presentation of the financial statements, and determining whether the said financial statements are prepared and presented in accordance with the Sri Lanka Accounting Standards. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper books of account for the year ended at 31st December, 2004 and to the best of our information and according to the explanations given to us, the said Balance Sheet and related Statements of Income, Changes in Equity and Cash Flow and the Accounting Policies and Notes thereto, which are in agreement with the said books and have been prepared and presented in accordance with the Sri Lanka Accounting Standards, provide the information required by the Companies Act No.17 of 1982 and give a true and fair view of the Company's state of affairs as at 31st December, 2004, and of its profit and cash flows for the year then ended.

Directors' Interests in contracts with the Company

According to the information made available to us, the Directors of the Company were not directly or indirectly interested in any contracts with the Company during the year ended 31st December, 2004, other than those disclosed in Note 18 to these financial statements.

For KPMG FORD, RHODES, THORTON & CO.
Chartered Accountants.

Colombo,
10th March 2005

UltraTech Ceylinco (Pvt) Ltd

Balance Sheet as at 31st December, 2004

ASSETS	Note	31-12-2004		31-12-2003	
		SLR	INR	SLR	INR
Non-current assets					
Leasehold land	7	31,229,484	13,059,626	32,342,876	15,178,035
Property, plant and equipment	8	509,864,608	213,216,496	535,429,729	251,269,290
		<u>541,094,092</u>	<u>226,276,122</u>	<u>567,772,605</u>	<u>266,447,325</u>
Current assets					
Inventories	9	99,439,959	41,584,058	127,723,326	59,938,676
Trade receivables	10	94,953,140	39,707,749	141,986,542	66,632,194
Other receivables	11	41,760,447	17,463,491	249,006,447	116,855,060
Prepayments and advances		4,642,337	1,941,345	6,415,606	3,010,749
Cash and cash equivalents	12	111,721,220	46,719,868	176,022,075	82,604,568
		<u>352,517,103</u>	<u>147,416,511</u>	<u>701,153,996</u>	<u>329,041,247</u>
TOTAL ASSETS		<u>893,611,195</u>	<u>373,692,633</u>	<u>1,268,926,601</u>	<u>595,488,572</u>
EQUITY AND LIABILITIES					
Equity					
Share capital	13	500,000,000	209,091,289	500,000,000	234,642,639
Accumulated losses		(93,958,077)	(39,291,560)	(167,273,950)	(78,499,202)
		<u>406,041,923</u>	<u>169,799,729</u>	<u>332,726,050</u>	<u>156,143,437</u>
Non-current liabilities					
Retirement benefit obligations	14	1,970,700	824,112	1,291,975	606,305
		<u>1,970,700</u>	<u>824,112</u>	<u>1,291,975</u>	<u>606,305</u>
Current liabilities					
Trade payable	15	418,829,981	175,147,401	636,437,681	298,670,834
Other payables	16	41,596,004	17,394,724	66,388,809	31,155,291
Accrued expenses		2,963,216	1,239,095	17,208,464	80,75,677
Bank overdraft		22,209,371	9,287,572	214,873,622	100,837,028
		<u>485,598,572</u>	<u>203,068,862</u>	<u>934,908,576</u>	<u>438,738,830</u>
TOTAL EQUITY AND LIABILITIES		<u>893,611,195</u>	<u>373,692,633</u>	<u>1,268,926,601</u>	<u>595,488,572</u>

The figures in INR is converted at the rate of:

2.3913=104.5/43.7

2.1309=96.70/45.38

The Directors are responsible for preparation and presentation of the Financial Statement.

The Accounting Policies and Notes annexed form an integral part of the Financial Statement

Signed for and on behalf of the Board,

D. J. L. B. Kotelawala

S. Misra

A. R. Gunawardena

K. C. Birla

D. Razdan

Directors

UltraTech Ceylinco (Pvt) Ltd

Income Statement for the year ended 31st December, 2004

	Note	2004		2003	
		SLR	INR	SLR	INR
Turnover	1	2,497,995,777	1,105,992,994	2,829,050,505	1,364,976,602
Cost of sales		(2,199,030,298)	(973,625,386)	(2,592,488,698)	(1,250,838,897)
Gross profit		298,965,479	132,367,608	236,561,807	114,137,705
Other operating income	2	3,941,188	1,744,969	264,246	127,495
Administrative expenses		(37,377,999)	(16,549,189)	(35,311,154)	(17,037,129)
Distribution cost		(37,097,940)	(16,425,193)	(42,851,882)	(20,675,423)
Profit from operations	3	228,430,728	101,138,195	158,663,017	76,552,648
Financing cost	4	(44,066,582)	(23,769,002)	(14,687,583)	(8,987,096)
Profit before taxation		184,364,146	77,369,193	143,975,434	67,565,551
Income tax expense	5	(11,048,273)	(4,891,647)	—	—
Profit for the year		173,315,873	72,477,546	143,975,434	67,565,551
Earnings per share	6	3.47		3.14	

The figure in INR is converted at the rate of $2.2586 = ((96.7 + 104.5) / 2) / ((45.38 + 43.7) / 2)$ $2.0726 = ((96.76 + 96.70) / 2) / ((47.96 + 45.38) / 2)$

The above income statement is to be read in conjunction with the Accounting policies and Notes to the Accounts.

Difference between Balance Sheet and Income Statement for the conversion of loss for the period in INR, is adjusted in finance expenses which include exchange difference for Rs. 4,258,428 (Previous Year Rs. 1,900,546).

Statement of Changes in Equity

	Share capital	Amount received in lieu of share capital	Retained losses	Total
	SLR	SLR	SLR	SLR
Balance as at 1-1-2003	250,000,000	200,000,000	(311,249,384)	138,750,616
Profit for the year	—	—	143,975,434	143,975,434
Received during the year	—	50,000,000	—	50,000,000
Rights Issue	250,000,000	(250,000,000)	—	—
Balance as at 31-12-2003	500,000,000	—	(167,273,950)	332,726,050
Profit for the year	—	—	173,315,873	173,315,873
Dividend paid	—	—	(100,000,000)	(100,000,000)
Balance as at 31-12-2004	500,000,000	—	(93,958,077)	406,041,923

UltraTech Ceylinco (Pvt) Ltd

Cash Flow Statement for the year ended 31st December, 2004

	31-12-2004		31-12-2003	
	SLR	INR	SLR	INR
<u>Cash flows from operating activities</u>				
Profit from operations	228,430,728	101,138,195	158,663,017	76,552,647
<u>Adjustments for :</u>				
Depreciation on property, plant and equipment	26,196,089	11,598,375	26,555,328	12,812,568
Amortisation of leasehold land	1,113,392	492,957	1,113,392	537,196
Provision for retiring gratuity	678,725	300,507	210,000	101,322
Exchange difference	—	(2199267)	—	512,860
Provision for bad and doubtful debts	6,115,476	2,707,640	10,244,304	4,942,731
(Gain)/loss on disposal of property, plant and equipment	(334,915)	(148,284)	53,012	25,578
Operating profit before working capital changes	262,199,495	113,890,123	196,839,053	95,484,902
(Increase)/decrease in inventories	28,283,367	12,522,521	(58,231,236)	(28,095,743)
(Increase)/decrease in trade and other receivables.	249,937,195	110,660,230	(203,979,380)	(98,417,148)
(Increase)/decrease in constructional WIP	—	—	885,272,430	427,131,347
Increase/(Decrease) in trade and other payables	(256,645,754)	(113,630,459)	286,710,154	138,333,568
Increase/ (Decrease) in AES advances	—	—	(819,264,769)	(395,283,590)
Cash generated from operations	283,774,303	123,442,415	287,346,253	139,153,336
-Interest paid	(53,694,177)	(23,773,211)	(15,646,354)	(7,549,143)
-Income Tax paid	(11,048,272)	(4,891,647)	—	—
-Dividends paid	(100,000,000)	(44,275,215)	—	—
Net cash flow from operating activities	119,031,854	50,502,342	271,699,898	131,604,193
<u>Cash flows from investing activities</u>				
Purchase and construction of property, plant and equipment	(1,140,075)	(504,771)	(1,429,419)	(689,674)
Interest received	9,627,595	4,262,638	958,771	462,593
Proceeds from sale of property, plant and equipment	844,022	373,693	2,077,584	1,002,405
Net cash flow from investing activities	9,331,542	4,131,560	1,606,936	775,324
<u>Cash flows from financing activities</u>				
Proceeds from redemption of debentures	—	—	(150,000,000)	(72,372,865)
Proceeds from issuance of share capital	—	—	50,000,000	24,124,288
Net cash flow from financing activities	—	—	(100,000,000)	(48,248,577)
Net Increase/(Decrease) in Cash & Cash Equivalents	128,363,396	54,633,902	173,306,834	84,130,940
Cash and Cash Equivalents at the beginning of the year	(38,851,547)	(17,201,606)	(212,158,382)	(102,363,400)
Cash and Cash Equivalents at the end of the year	89,511,849	37,432,296	(38,851,548)	(18,232,460)
		2004		2003
	SLR	Rs.	SLR	Rs.
Cash in hand	2,250,214	941,000	1,714,704	804,685
Cash at bank	109,471,006	45,778,868	174,307,371	81,799,883
Bank overdraft	(22,209,371)	(92,87,572)	(214,873,622)	(100,837,028)
	<u>89,511,849</u>	<u>37,432,296</u>	<u>(38,851,547)</u>	<u>(18,232,460)</u>

UltraTech Ceylinco (Pvt) Ltd

Notes to the Accounts for the year ended 31st December, 2004

	2004		2003	
	SLR	INR	SLR	INR
1 Turnover				
Turnover	2,497,995,777	1,105,992,994	2,829,050,505	1,364,976,602
2 Other operating income				
Income from storage and handling	3,580,268	1,585,171	255,066	123,066
Scrap sales	2,130	943	9,180	4,429
Gain on disposal of property, plant & equipment	334,915	148,284	—	—
Lab service income	23,875	10,571	—	—
	3,941,188	1,744,969	264,246	127,495
3 Profit from operations				
<i>Profit from operations is stated after charging all expenses including the following</i>				
Directors' emoluments	1,540,712	682,154	1,256,365	606,178
Auditors' remuneration	265,000	117,329	241,000	116,279
Depreciation and amortisation of leasehold land	27,309,481	12,091,331	27,668,720	13,349,764
Provision for bad and doubtful debts	6,115,476	2,707,640	10,244,304	4,942,731
Staff cost Note 2.1	23,592,012	10,445,414	21,851,564	10,543,069
2.1 Staff cost				
— Salaries and related costs	20,763,721	9,193,182	19,520,348	9,418,290
— Defined contribution plan cost-EPF and ETF	2,149,566	951,725	2,121,216	1,023,457
— Defined benefit plan cost-provision for retiring gratuity	678,725	300,507	210,000	101,322
	23,592,012	10,445,414	21,851,564	10,543,069
4 Financing cost				
Interest on debentures - DFCC Bank	—	—	13,720,508	6,619,950
Interest on overdraft	23,736	10,509	2,953,412	1,424,979
Interest on loans	13,911,111	6,159,174	1,167,596	563,348
Interest income	(9,627,595)	(4,262,638)	(958,771)	(462,593)
Exchange (Gain)/ Loss	39,759,330	21,861,957	(2,195,162)	(1,059,134)
	44,066,582	23,769,002	14,687,583	7,086,550
5 Income tax expense				
Income tax on profits	11,048,273	4,891,647	—	—
Transferred to/(from) deferred tax	—	—	—	—
	11,048,273	4,891,647	—	—

The Company is liable to income tax at the corporate rate of 32.5%.

Income tax on business income

Profit as per the accounts	184,364,146	81,627,622	143,975,434	69,466,098
Disallowable expenses	28,133,630	12,456,224	28,827,823	13,909,014
Allowable expenses	(3,299,709)	(1,460,953)	(3,178,569)	(1,533,614)
Total statutory income	209,198,067	92,622,893	169,624,688	81,841,498
Tax loss brought forward from previous years claimed	(73,219,323)	(32,418,013)	(169,624,688)	(81,841,498)
Assessable income	135,978,744	60,204,881	—	—
Allowable Investment tax allowance	(101,984,058)	(45,153,661)	—	—
Taxable income	33,994,686	15,051,220	—	—
Tax liability @ 32.5%	11,048,273	4,891,647	—	—
Income tax on profit	11,048,273	4,891,647	—	—

As per the provisions of Inland Revenue (Amendment) Act No.12 of 2004, with effect from the year of assessment 2004/2005, the brought forward tax loss (other than any capital loss) which could be claimed in arriving at the Assessable Income is restricted to 35% of the total statutory income for the year.

The tax loss of the Company brought forward from the year of assessment 2003/2004 was SLR.619,853,856(INR 274,441,626) and the Company claimed SLR.73,219,323 (INR 32,418,012) during the year of assessment 2004/2005. The tax loss carried forward for the year of assessment 2005/2006 is SLR.546,634,533.(INR 242,023,613)

Deferred taxation

The cumulative timing differences resulted in a deferred tax asset of SLR. 21,067,897.(INR 9,327,857) However, the deferred tax asset is not recognised in the Balance Sheet since the balance is not recoverable in the foreseeable future.

6 Earnings per share

The calculation of earnings per share is based on the net profit attributable to ordinary shareholders divided by the weighted average number of ordinary shares in issue during the year, as follows

	2004		2003	
	SLR	INR	SLR	INR
Profit for the year	173,315,873	72,477,547	143,975,434	67,565,532
Weighted average number of ordinary shares	50,000,000	—	45,833,333	—
Earnings per share	3.47	—	3.14	—

7 Leasehold land

Cost	38,946,767	16,286,859	38,946,767	18,277,144
Cumulative amortisation				
As at the beginning of the year	6,603,891	3,186,284	5,490,499	2,780,703
Charge for the year	1,113,392	465,601	1,113,392	537,196
		(424,652)		(218,790)
Balance at the end of the year	7,717,283	3,227,233	6,603,891	3,099,109
Written down value	31,229,484	13,059,626	32,342,876	15,178,035

Leasehold land is amortised over the lease period of 30 years.

8 Property, plant & equipment - Refer next page

9 Inventories

Naked cement	74,468,382	31,141,380	48,498,786	22,759,766
Bags	2,480,974	1,037,500	2,589,891	1,215,398
Stores and spares	11,143,741	4,660,118	11,611,490	5,449,101
Goods-in-transit	11,346,862	4,745,060	65,023,159	30,514,411
	99,439,959	41,584,058	127,723,326	59,938,676

10 Trade receivables

Trade receivables	128,523,755	53,746,395	173,163,191	81,262,936
Provision for bad and doubtful debts	(33,570,615)	(14,038,646)	(31,176,649)	(14,630,742)
	94,953,140	39,707,749	141,986,542	66,632,194

11 Other receivables

Receivable from AES	14,592,200	6,102,204	56,043,094	26,300,199
GST recoverable	3,948,807	1,651,322	3,948,807	1,853,117
Related party receivable- Larsen and Toubro Ltd	13,876,834	5,803,050	187,573,626	88,025,541
Economic Service Charge Recoverable	8,162,404	3,413,375	—	—
Others	1,180,202	493,540	1,440,920	676,203
	41,760,447	17,463,491	249,006,447	116,855,060

12 Cash and cash equivalents

Cash in hand	2,250,214	941,000	1,714,704	804,685
Cash at bank	109,471,006	45,778,868	174,307,371	81,799,883
	111,721,220	46,719,868	176,022,075	82,604,568

13 Share capital

Authorised				
100,000,000 Ordinary Shares of Rs 10/= each	1,000,000,000	—	1,000,000,000	—
Issued and fully paid				
50,000,000 Ordinary shares of Rs10/= each	500,000,000	209,091,289	500,000,000	234,642,639

14 Retirement benefit obligations

Provision for retiring gratuity				
As at the beginning of the year	1,291,975	606,305	1,081,975	536,295
Provision for the year	678,725	300,507	210,000	101,322
Exchange difference	—	(82,700)	—	(31,312)
Balance at the end of the year	1,970,700	824,112	1,291,975	606,305

15 Trade payables

Related party payables - Larsen & Toubro Ltd	—	—	628,894,010	295,130,701
Related party payables - UltraTech Cement Ltd	410,653,650	171,728,202	—	—
Other trade payables	8,176,331	3,419,199	7,543,671	3,540,133
	418,829,981	175,147,401	636,437,681	298,670,834

16 Other payables

Retention money from contractors	10,671,546	4,462,655	29,049,836	13,632,661
Value Added Tax payable	13,280,066	5,553,492	6,281,865	2,947,987
Debtors deposit	4,257,388	1,780,365	6,886,245	3,231,613
Withholding Tax payable	76,107	31,827	—	—
Economic Service Charge payable	4,572,876	1,912,297	—	—
Others	8,738,021	3,654,088	24,170,863	11,343,030
	41,596,004	17,394,724	66,388,809	31,155,291

UltraTech Ceylinco (Pvt) Ltd

17 Related party transactions

The Company's transactions with its related Companies are as follows.

	2004		2003	
	SLR	INR	SLR	INR
Ultra-tech Cement Ltd				
— Import of cement	776,381,327	343,744,500	—	—
— Import of spares for machinery	494,732	219,044	—	—
— Amount payable as at the balance sheet date	410,653,650	171,728,202	—	—
Larsen & Toubro Ltd (Until 28th June 2004)				
— Import of cement	861,034,377	381,224,819	1,084,489,632	523,250,812
— Import of spares for machinery	652,348	288,828	989,418	477,380
— Amount payable as at the balance sheet date	—	—	636,437,681	298,670,834
— Amount receivable as at the balance sheet date	—	—	187,573,626	88,025,541
Ceylinco Developers (Pvt) Ltd				
— Sale of Cement	558,000	247,056	537,713	259,439
— Amount Receivable as at the Balance Sheet date	232,398	97,185	418,398	196,348
Ceylinco Homes International Ltd.				
— Sale of Cement	3,481,250	1,541,331	3,588,500	1,731,400
— Amount Receivable as at the Balance Sheet date	326,041	136,345	679,648	318,949
International Consultancy & Corporate Services (Pvt) Ltd				
— Secretarial services	246,040	108,935	243,757	117,609
Ceylinco Consultancy & Allied Services (Pvt) Ltd				
— Professional Services	—	—	3,000	1,447
Ceylinco Insurance Company Ltd				
— Insurance Services	6,787,344	3,005,111	5,415,690	2,612,993
— Commission on Sales	263,880	116,833	292,888	141,314
— Professional services	25,000	11,069	—	—
— Amount payable as at the balance sheet date	511,387	213,853	829,235	389,148
Ceylinco CISCO Security Transport & Allied Services (Pvt) Ltd				
— Cash Transportation services	273,700	121,181	266,400	128,534
The Golden Key Company Ltd				
— Testing Charges for an Accounting System	—	—	17,640	8,511
Ceycom Global Communication Ltd				
— E-Mail & Internet Services	—	—	6,000	2,895
Ceylinco Internet Services Ltd				
— E-Mail & Internet Services	—	—	4,200	2,026
Ceylinco Digital House (Pvt) Ltd				
— Supply of Computer Accessories	—	—	31,652	15,272
Ceylinco Packaging Co Ltd				
— Supply of Calendars	—	—	333,500	160,909

The Company incurred interest of SLR. 13,911,111/- during the year under review on SLR. 200.0 Mn. advanced by Larsen & Toubro Ltd. in lieu of share capital in the year 2002.

18 Directors' interest in contracts

No director of the Company is directly or indirectly interested in any contract with the Company other than the following:

Mr. J.L.B. Kothalawala and Mr. A. R. Gunawardena are Directors of the Company and are also Directors of the following Companies.

Ceylinco Insurance Company Ltd

Ceylinco Developers (Pvt) Ltd

Ceylinco Homes International (Lotus Tower) Ltd

International Consultancy & Corporate Services (Pvt) Ltd.

Ceylinco CISCO Securities Transport & Allied Services (Pvt) Ltd

Mr Saurabh Misra, Mr Kailash Chand Birla, Mr. M.R.Prasanna and Mr Deepak Razdan are directors of the Company.

Mr A.K. Singh is an alternative director for Mr Deepak Razdan.

19 Events after the balance sheet date

The major shareholder of the Company changed from Larsen and Toubro Ltd to UltraTech Cement Ltd. Consequently, the Company changed the name from Larsen and Toubro Ceylinco (Pvt) Ltd to UltraTech Ceylinco (Pvt) Ltd with effect from 11 March, 2005.

20 Capital commitments

There were no capital commitments as at the balance sheet date which requires disclosure in the accounts.

21 Contingent liabilities

There are no contingent liabilities as at the balance sheet date which would require adjustments or disclosure in the accounts

UltraTech Ceylinco (Pvt) Ltd

1. CORPORATE INFORMATION

• Domicile and Legal Form

Larsen and Toubro Ceylinco (Pvt) Ltd was incorporated on 29th August 1997 as a Private limited liability Company and domiciled in Sri Lanka. The Company was renamed as UltraTech Ceylinco (Pvt) Ltd and incorporated on 11 March 2005.

• Principal Business Activities

The Company imports naked cement from India and markets it in Sri Lanka in 50kg bags and in bulk form.

• The Name Of the Parent Enterprise and The Ultimate Parent Enterprise

The shareholding of the Company at the Balance Sheet date is as follows.

UltraTech Cement Limited	80%
Ceylinco Insurance Company Ltd	18%
Ceylinco International Trading Ltd	2%

Accordingly, UltraTech Cement Ltd incorporated in India is the Ultimate Parent Company.

• Number of Employees

Number of employees as at the end of the year-58 (2003 — 54)

1.1 Statement of Compliance

The financial statements have been prepared in accordance with the accounting standards issued by the Institute of Chartered Accountant of Sri Lanka (ICASL), and the requirements of the Companies Act No. 17 of 1982.

1.2 Basis of Preparation

The financial statements are presented in Sri Lankan Rupees and prepared on the historical cost basis. The Accounting Policies are consistent with those used in the previous year.

1.3 Foreign Currency Transactions

Transactions in foreign currencies are translated to rupees at the foreign exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to rupees at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to rupees at the foreign exchange rate ruling at the date of the transaction.

2. ASSETS AND BASES OF THEIR VALUATIONS

2.1 Property, Plant & Equipment

2.1.1 Leasehold Property

Lease hold Property located at 81/11/1, New Nuge Road, Peliyagoda has been sub leased for a period of 30 years from East West Properties (Pvt.) Limited who have taken on lease the said premises for a period of 99 years from the Urban Development Authority.

The sub-lease rentals and related expenses are amortised on a yearly basis as per the schedule of the agreement

2.1.2 Owned Assets

Items of Property, Plant and Equipment are stated at cost less accumulated depreciation. Where an item of Property, Plant and Equipment comprises major components having different useful lives, they are accounted for as separate items of Property, Plant and Equipment.

2.1.3 Subsequent Expenditure

Expenditure incurred to replace a component of an item of Property, Plant and Equipment that is accounted for separately, is capitalised with the carrying amount of the component being written off. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of Property, Plant and

Equipment. All other expenditure is recognised in the income statement as an expense as incurred.

2.1.4 Depreciation

Depreciation is charged on a straight-line basis over the estimated useful lives of the assets. No depreciation is charged in the year of purchase and full depreciation is charged in the year of disposal.

The estimated useful lives are as follows.

ASSET	No. Of Years
Building	25
Plant and Machinery	25
Lab Equipment	06
Electronic Installation	25
Office Equipment	06
Motor Cars	07
Motor Cycles	10
HT Power line	25
Computers	06
Furniture & Fittings	06

2.2 Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs and selling expenses.

The cost of inventory is based on the FIFO cost price principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

2.3 Trade and Other Receivable

Trade and other receivable are stated at the amounts estimated to be realised. Provisions have been made in the accounts where necessary for bad and doubtful debts.

2.4 Cash and Cash Equivalents

Cash and cash equivalents comprise cash balance and short-term highly liquid investments that are readily convertible to known amounts of cash.

For the purpose of Statement of Cash Flow, cash and cash equivalents are presented net of bank overdraft.

3 LIABILITIES AND PROVISIONS

All known liabilities have been accounted in preparing the financial statements.

3.1 Classification of Liabilities

Liabilities classified as current liabilities on the Balance Sheet date are those, which fall due for payment on demand within one year from Balance Sheet date. Non-current liabilities are those balances that fall due for payment after one year from the Balance Sheet date.

3.2 Retirement Benefit Plans

3.2.1 Defined Benefit Plan

Provisions has been made in the accounts for retiring Gratuity payable under the Payment of Gratuity Act, No. 12 of 1983 and it is provided from the first year of service for all employees in conformity with SLAS 16(Retirement Benefit Costs). However, according to the Act, liability to an employee arises on completion of five years service. The liability is not externally funded nor is it actuarially valued.

3.2.2 Defined Contribution Plans

Contributions to Employees Provident Fund and Employees Trust Fund are recognised as an expense in the Income Statement as incurred.

4 Revenue Recognition

Revenue is generally accounted for on accrual basis and is recognised as follows:

4.1 On sale of goods all significant risks and rewards of ownership have been transferred to the buyer, which normally occurs on delivery of the goods.

4.2 Interest income on short-term investment is accounted on cash basis.

UltraTech Ceylinco (Pvt) Ltd

5 Segment Reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards, that are different from those of other segments.

The Company had one business segment during the year under review.

6 Borrowing Cost

Borrowing costs are recognised as an expense in the year in which they are incurred, except to the extent where borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that take a substantial period of time to get ready for intended use or sale is capitalised as part of that asset.

7 Taxation

7.1 The liability to taxation has been computed according to the provisions of the Inland Revenue Act No. 38 of 2000 and amendments thereto.

7.2 Deferred tax is provided using the liability method, providing for timing differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose. However, deferred taxation has not been provided in the accounts since the Company has incurred tax losses and the timing differences are not expected to reverse within the next three years.

8 Cash Flow

The Cash Flow Statement has been prepared using the Indirect method.



Prominent Aditya Birla Group of Companies / JVs in India

The Aditya Birla Group enjoys a leadership position in all the sectors in which it operates

I UltraTech Cement Limited & its associates

UltraTech Cement Limited : Cement

Subsidiaries

- Narmada Cement Company Limited : Cement
- Dakshin Cements Limited : Cement
- UltraTech Ceylinco Private Limited : Cement

Grasim Industries Limited & its other subsidiaries

- Grasim Industries Limited (holding company) : Viscose Staple Fibre, Cement, Sponge Iron, Chemicals, Textiles
- Shree Digvijay Cement Company Limited : Cement
 - Samruddhi Swastik Trading And Investments Limited : Investment
 - Sun God Trading And Investments Limited : Investment

Joint Ventures

- AV Cell Inc., : Pulp
- Idea Cellular Limited : Telecom

II Others

- **Hindalco Industries Limited & its subsidiaries** : Aluminium, Copper
 - Indian Aluminium Company Limited : Aluminium Foil
 - Bihar Caustic And Chemicals Limited : Caustic Soda, Liquid Chlorine, Hydrochloric Acid
- **Indian Rayon And Industries Limited & its subsidiaries** : Viscose Filament Yarn, Garments, Carbon Black, Textiles (Spun Yarn & Fabrics), Insulator (Domestic Marketing)
 - Birla Sun Life Insurance Company Limited : Life Insurance
 - PSI Data Systems Limited & its subsidiary : Software Services
 - TransWorks Information Services Limited : Business Process Outsourcing
- **Indo Gulf Fertilisers Limited** : Fertilisers
- **Birla Global Finance Limited & its JVs/Associates** : Financial Services
 - Birla Sun Life Asset Management Company Limited : Investment / Mutual Fund
 - Birla Sun Life Distribution Company Limited : Investment Advisory
 - Birla Insurance Advisory Services Limited : Non-life Insurance Advisory Services
- **Essel Mining & Industries Limited** : Iron and Manganese Ore Mining, Noble Ferro Alloys, Nitrogen production
- **TANFAC Industries Limited** : Fluorine Products



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