



2007-08 ANNUAL REPORT



Build on Trust. Build with Pride!

Cover page (clockwise from top left)

- + *Scientific Convention Centre, Lucknow*
- + *The East End Mall, Lucknow*
- + *Reserve Bank of India, Lucknow*
- + *Hotel Radisson, Varanasi*
- + *Kamdhenu Apartments, Varanasi*
- + *Naini Bridge, Allahabad*

Back Cover Page (from left)

- + *Ishwar Tower, Varanasi*
- + *Divine Heart Hospital, Lucknow*
- + *Bus Shelter, Kanpur*
- + *Passport Office, Lucknow*



Board of Directors

Mr. Rajan B. Raheja
Chairman

Mr. Manoj Chhabra
Managing Director

Mr. Aziz H. Parpia

Mr. Rajesh G. Kapadia

Mr. Satish B. Raheja

Mr. Vijay Aggarwal
Alternate to Mr. Satish Raheja

Mr. Akshay R. Raheja

Company Secretary

Mrs. Aneeta S. Kulkarni

Corporate Office

'Rahejas', Main Avenue, V. P. Road,
Santacruz (W), Mumbai - 400 054.

Registered Office

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

Plant

Village Mankahari, Tehsil Rampur
Baghelan, Dist: Satna - 485 111, M. P.

Marketing Office

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

Registrar & Transfer Agents

Karvy Computershare Private Ltd.
Plot No.17 to 24, Near Image Hospital,
Vittalrao Nagar, Madhapur, Hyderabad - 500 081

Bankers

State Bank of India
Vijaya Bank
Bank of Baroda

Auditors

N. M. Raiji & Co., Mumbai

Internal Auditors

Natvarlal Vepari & Co., Mumbai

Cost Auditors

N. I. Mehta & Co., Mumbai

Solicitors

Wadia Ghandy & Co., Mumbai

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NOTICE

NOTICE IS HEREBY GIVEN that the Sixteenth Annual General Meeting of the Company will be held on Tuesday, August 5, 2008, at 11.00 a.m. at Taj Mahal Hotel, 4-1-999, Abids Road, Hyderabad - 500 001, to transact the following business:

Ordinary Business :

1. To receive and adopt the Directors' Report and the audited Profit and Loss Account for the year ended June 30, 2008 and the Balance Sheet as at that date and the report of the Auditors thereon.
2. To confirm the payment of interim dividend on Equity Shares for the year ended June 30, 2008 as final dividend.
3. To appoint a Director in place of Mr. Rajan B. Raheja, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Aziz H. Parpia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT the retiring Auditors, Messrs N. M. Raiji & Co., who being eligible, have offered themselves for re-appointment, be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, at a remuneration to be mutually agreed between the Board of Directors of the Company and the Auditors, in addition to reimbursement of out-of-pocket expenses in connection with the audit of the Company."

Special Business :

6. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution :

"RESOLVED THAT subject to the provisions of Sections 198, 269, 309, 310, 311 and other applicable provisions, if any, of the Companies Act, 1956 ("the Act") or any modifications / re-enactments thereof, read with Schedule XIII to the Act, the Articles of Association of the Company, and subject to such other approvals/consents/sanctions/permissions as may be necessary, the consent of the Company be and is hereby accorded to the appointment of Mr. M. Chhabra as Managing Director, for the period, terms as to remuneration and conditions as set out hereunder and in the Agreement to be entered into by the Company with him, submitted to this Meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically approved with full liberty to the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall be deemed to include Remuneration Committee of the Board), in accordance with the statutory limits / approvals as may be applicable, to revise/alter/modify/amend/change the terms and conditions of the Agreement from time to time as may be agreed to by the Board and Mr. Chhabra.

1. **Period :**

Three years with effect from August 25, 2008.

2. **Remuneration :**

- (i) Remuneration, by way of salary, dearness allowance, perquisites and other allowances payable monthly, and commission, which together shall not, in any financial year, exceed five per cent of its net profits for one such managerial person, and if there is more than one such managerial person, ten per cent for all of them together, as may be decided from time to time by the Board of Directors.

- (ii) Company's contribution to provident fund, superannuation fund or annuity fund as per Rules of the Company to the extent these either singly or put together are not taxable under the Income-tax Act, 1961, gratuity and encashment of leave at the end of the tenure payable as per the rules of the Company shall not be included in the computation of limits for the remuneration and perquisites aforesaid.

The aggregate of the remuneration and perquisites as stated above in any financial year shall not exceed the limits prescribed from time to time under Sections 198, 309, 311 and all other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the said Act or any statutory modifications or re-enactment thereof.

Where in any financial year during the tenure of Mr. M. Chhabra, the Company has no profits or it has inadequate profits, the Company shall pay to Mr. Chhabra the remuneration by way of salary, perquisites and other allowances as specified above as minimum remuneration, subject to receipt of the requisite approvals, if any.

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

NOTES :

1. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business mentioned under Item No. 6 above, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES, IN ORDER TO BE VALID, MUST BE RECEIVED BY THE COMPANY AT THE REGISTERED OFFICE NOT LESS THAN 48 HOURS BEFORE THE MEETING.
3. The Register of Members and Transfer Books of the Company will remain closed from Tuesday, July 29, 2008 to Tuesday, August 5, 2008 (both days inclusive).
4. Shareholders holding shares in electronic form are hereby informed that bank particulars registered against their respective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars cannot act on any request received directly from the shareholders holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the shareholders.
5. Members are requested to send all communication relating to shares to the Company's Registrar & Transfer Agent - Karvy Computershare Private Ltd., Unit: Prism Cement Limited, Plot No. 17 - 24, Near Image Hospital, Vittalrao Nagar, Madhapur, Hyderabad - 500 081. Members holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DPs).
6. Nomination facility for shares is available for Members. The prescribed format, in this regard, can be obtained from the Company's Registrar and Transfer Agent.
7. The Company's equity shares are listed on The Bombay Stock Exchange Limited and The National Stock Exchange of India Limited. The listing fees for the year 2008-2009 have been paid to the aforesaid Stock Exchanges.
8. Pursuant to Sections 205C of the Companies Act, 1956, the Company has transferred unclaimed interest on non-convertible debentures in respect of 12th and 13th Interest Accounts and the Unclaimed Redemption - 1st instalment of non-convertible debentures during the year to the Investor Education & Protection Fund.

Place : Mumbai
Date : July 3, 2008

By Order of the Board of Directors,
Aneeta S. Kulkarni
Company Secretary



EXPLANATORY STATEMENT

As required by Section 173 (2) of the Companies Act, 1956, the following Explanatory Statement sets out the material facts relating to Item No. 6 mentioned in the accompanying Notice dated July 3, 2008.

Item No. 6

Mr. M. Chhabra is a Chartered Accountant and has over 32 years of varied experience in the Industry. He has been associated with the Company since the initial stages of project implementation as part of the senior management team and was appointed as Executive Director - Finance & Commercial effective August 1999. Considering his long association, the valuable experience in the business of the Company and the contribution made by him, he was appointed as Managing Director of the Company for a period of 5 years with effect from August 25, 2003. Prior to joining the Company, he held senior positions at the corporate level in Larsen & Toubro Limited, where he worked for over 16 years.

Mr. Chhabra is also a Director on the Board and a member of the Audit Committee of Raheja QBE General Insurance Company Limited.

The Company has shown excellent all-round progress in terms of business growth, operations and profitability during the tenure of Mr. Chhabra. He has steered the fortunes of the Company and has enabled it to become debt-free and move forward on the path of expansions and diversification. In recognition of his contribution to the turnaround in the Company, the Board of Directors at its meeting held on July 3, 2008, subject to requisite approvals, has re-appointed Mr. Chhabra as Managing Director for a further period of 3 years effective from August 25, 2008.

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

This may be treated as an abstract of the terms of appointment and remuneration payable to the Managing Director required to be sent to every member pursuant to Section 302 of the Companies Act, 1956.

The draft Agreement to be entered into with the Managing Director is available for inspection at the Company's Registered Office at Hyderabad and at the Corporate Office at Mumbai, on all working days between 11.00 a.m. and 1.00 p.m., except Saturdays, up to the date of the Annual General Meeting.

The Directors are of the view that the Company would continue to be immensely benefited by the experience and guidance of Mr. Chhabra, and therefore recommend adoption of the Resolution at Item No. 6.

Except for Mr. M. Chhabra, Managing Director, none of the other Directors is deemed to be concerned or interested in any way in the Resolution. Mr. Chhabra holds 600 equity shares of the Company.

Place : Mumbai
Date : July 3, 2008

By Order of the Board of Directors,
Aneeta S. Kulkarni
Company Secretary

Registered Office :
305, Laxmi Niwas Apartments,
Ameerpet, Hyderabad - 500 016.

DIRECTORS' REPORT

To the Shareholders,

The Directors present the Sixteenth Annual Report together with the audited Accounts of the Company for the year ended June 30, 2008.

OPERATING RESULTS

The financial performance of the Company for the year ended June 30, 2008 is given below :

	<u>2007-08</u>	<u>2006-07</u>
	<u>Rs. Crores</u>	<u>Rs. Crores</u>
Sales	1019.75	883.48
Less : Excise duty	143.30	116.68
Net Sales	876.45	766.80
Other income	15.92	4.45
	<u>892.37</u>	<u>771.25</u>
Expenditure	539.88	436.58
Profit before finance charges & depreciation / amortisation	352.49	334.67
Finance charges	3.83	6.61
Profit before depreciation/ amortisation	348.66	328.06
Depreciation & Amortisation	31.93	34.00
Profit before tax	316.73	294.06
Provision for current tax	(80.41)	(34.13)
Provision for fringe benefit tax	(0.40)	(0.29)
Deferred tax	5.71	(66.87)
Profit after tax	241.63	192.77
Add : Surplus /(Deficit) brought forward	112.97	(44.90)
Less : Transitional adjustment for AS-15	0.18	-
Profit available for appropriation	354.42	147.87
Appropriation :		
Dividend	(29.83)	(29.83)
Tax on Dividend	(5.07)	(5.07)
Surplus carried to Balance Sheet	<u>319.52</u>	<u>112.97</u>

DIVIDEND

For the year under review, the Company paid an Interim Dividend of Re. 1/- per equity share of Rs 10/- each, aggregating an amount of Rs. 34.90 crores (including corporate dividend tax of Rs 5.07 crores). The Board of Directors has recommended that the interim dividend be treated as final dividend for the year ended June 30, 2008.

OPERATIONS

During the year, production of clinker and cement increased by 5.45% and 9.20%, respectively. Sustained focus on productivity and margins continued to yield

positive results. The EBIDTA, including other income, for the year ended 30.6.2008 was Rs. 352.49 crores as against an EBIDTA of Rs. 334.67 crores for the previous year. After expenses and provisions for taxes, the net profit for the year under review was Rs. 241.63 crores as against Rs. 192.77 for the previous year, registering an increase of 25%.

The Company's plan, for an increase in cement capacity to 10 million tonnes by 2011, through its brown field expansion at Satna - Unit II and greenfield plant at Andhra Pradesh, is making headway. The Company has frozen the technical specifications for the brownfield expansion at Satna and the orders for the major equipment will be placed in due course. For its greenfield unit at Kurnool District, Andhra Pradesh, the Company has acquired most of the land for its mining operations. The Company has been allotted a coal block in Chindwara District of Madhya Pradesh. The mining plans have been submitted to the concerned authorities for requisite approvals.

FINANCE

The Company continues to be debt-free. The Company has invested its temporary surplus funds in Liquid schemes of Mutual Funds. The outstanding amount of investments in Mutual Funds as on June 30, 2008 stood at Rs. 251.35 crores. The expansion/new projects will be met by prudent finance management, careful planning of resources and minimum debt.

DIRECTORS

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Rajan B. Raheja and Mr. Aziz H. Parpia retire by rotation at the forthcoming Annual General Meeting and being eligible, have offered themselves for re-appointment.

Mr. M. Chhabra holds office as Managing Director of the Company upto August 24, 2008. Subject to the requisite approvals, the Board at its Meeting held on July 3, 2008, has re-appointed Mr. M. Chhabra as Managing Director of the Company for a period of three years with effect from August 25, 2008, upon terms and conditions mentioned at Item No. 6 read with the explanatory statement of the accompanying Notice of the ensuing Annual General Meeting.

As required, the requisite details of Directors seeking appointment/re-appointment are included in this Annual Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, relating to Directors' Responsibility Statement, the Directors, to the best of their knowledge and belief and according to the



information and explanations obtained by them, confirm that:

1. in preparation of the Annual Accounts for the year ended June 30, 2008, the applicable Accounting Standards have been followed and there has been no material departure;
2. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on June 30, 2008 and of the profit of the Company for the year ended on that date;
3. they have taken proper and sufficient care to the best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the accounts for the year ended June 30, 2008 on a going concern basis.

PARTICULARS OF EMPLOYEES

Pursuant to the provisions of Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, the particulars are given in the statement which forms part of this Report. However, as per provisions of Section 219(1)(b)(iv) of the Companies Act, 1956, the Annual Report and Accounts are being sent to all the shareholders excluding the aforesaid information. Any shareholder interested in obtaining a copy of the statement may write to the Company's Registered Office at Hyderabad or to its Corporate Office at Mumbai.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

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

CORPORATE GOVERNANCE

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

AUDIT

The Auditors, M/s. N. M. Raiji and Co., Chartered Accountants, hold office until the conclusion of the

ensuing Annual General Meeting and have given their consent for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

As per the requirement of the Central Government and pursuant to Section 233 B of the Companies Act, 1956, the Company's Cost Records in respect of cement for the year ended June 30, 2008 are being audited by Cost Auditors, M/s. N. I. Mehta & Co.

The Company has appointed M/s. Natvarlal Vepari & Co., Chartered Accountants, as the Internal Auditors of the Company during the year under review, in place of the retiring Internal Auditors, M/s. Borkar & Muzumdar.

SUBSIDIARY

During the year under review, the Company has made a strategic investment in Raheja QBE General Insurance Company Limited for a 74% stake by virtue of which it has become a subsidiary of the Company. The Company's investment in the subsidiary as on June 30, 2008 stood at Rs. 7.40 crores. The subsidiary is awaiting the requisite approvals for commencement of business.

As required under section 212 of the Companies Act, 1956 the audited accounts alongwith the report of the Board of Directors relating to the subsidiary Raheja QBE General Insurance Company Limited and the Auditors' Report thereon are attached.

CONSOLIDATED FINANCIAL STATEMENTS

The audited Consolidated Financial Statements have been prepared in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

The consolidated net profit of the Company and its subsidiary amounted to Rs. 239 crores for the year ended June 30, 2008 as compared to Rs. 241.63 crores for the Company.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its sincere appreciation of the excellent contribution made by all the employees towards the overall performance of the Company. The Directors also thank the shareholders, various Central and State Government departments/agencies, banks and other business associates for their valuable service and support during the year.

For and on behalf of the Board of Directors

RAJAN B. RAHEJA
Chairman

Place : Mumbai
Date : July 3, 2008

ANNEXURE 'A' TO THE DIRECTORS' REPORT PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988

A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken

Following modifications were carried out during the year 2007-08 for improving the productivity and reducing the specific power consumption and specific heat consumption:

- > Modification in the design of cooler plates.
- > Modifications in the cement mill roller press feeding system.
- > Installation of improved water cooling system in cooler.
- > Optimization of Primary Air blower.

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

- Proposed modifications and capacity enhancement
- > Installation of SPRS system in Pre-heater fans.
 - > Installation of new X-ray analyzer for improved control of raw mix.
 - > Modification in the fine coal bin extraction system.
 - > Use of Membrane bags.

(c) Impact of measures for reduction of energy consumption and consequent impact on the cost of production of goods

- > The above measures have resulted / will result in savings in the consumption of thermal and electrical energy.

(d) Total energy consumption and energy consumption per unit of production as per Form A in respect of industries specified in the Schedule

FORM - A (See Rule 2)

Form for disclosure of particulars with respect to conservation of energy

	<u>2007-2008</u>	<u>2006-2007</u>
(A) POWER AND FUEL CONSUMPTION		
1. Electricity		
a) Purchased		
Units (Lakhs - KWH)	2051.72	1776.51
Total Amount (Rs. Crores)	81.37	71.46
Rate/Unit (Rs.)	3.97	4.02
b) Own Generation		
i) Through Diesel Generator		
Net Units (Lakhs - KWH)	11.39	232.84
Unit per Ltr. of Diesel/ Furnace Oil (KWH)	3.13	3.93
Cost/Unit (Rs./KwH)	13.18	9.16
ii) Through Steam Turbine/Generator	NIL	NIL
2. Coal (used in Kiln)		
Quantity (Tonnes)	380291	367141
Total Cost (Rs. Crores)	107.65	87.46
Average Rate (Rs.)	2830.61	2382.31
3. Furnace Oil		
Quantity (K.Ltrs.)	296	6164
Total Cost (Rs. Crores)	0.65	13.57
Average Rate (Rs./K.Ltr.)	22026.00	22026.00
4. High Speed Diesel		
Quantity (K.Ltrs.)	428	556
Total Cost (Rs. Crores)	1.36	1.76
Average Rate (Rs./K.Ltr.)	31865.56	31585.39
5. Others/Internal Generation	NIL	NIL

(B) CONSUMPTION PER UNIT OF PRODUCTION

	<u>2007-2008</u>	<u>2006-2007</u>
Electricity (KWH/T of Cement)	68.08	72.24
HSD/FO (Ltr./T of Clinker)	0.15	0.22
Coal (Percentage of Clinker)	16.63	16.93

B. TECHNOLOGY ABSORPTION

(e) Efforts made in technology absorption as per Form B

FORM - B (See Rule 2)

Form for disclosure of particulars with respect to absorption RESEARCH AND DEVELOPMENT (R & D)

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

- > Reducing the clinker temperature by addition of gypsum in raw mix and also optimization of raw mix for better burn ability and grind ability.

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

- > Stable kiln operation / Increased clinker production.
- > Improved cement mill output
- > Reduced Energy Consumption

3. Future plan of action

- > Studies have been completed for production of mineralized clinker and up-gradation for increasing the kiln output which will be taken up during the year
- > To explore the possibility of using high ash coal and low grade limestone with improved quality of clinker
- > Modification of packing plant and railway yard for increased despatches and reducing the loading time in rakes to eliminate demurrages

4. Expenditure on R&D

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>Rs. Crores</u>	<u>Rs. Crores</u>
Capital	Nil	Nil
Recurring	0.10	0.06
Total R&D expenditure as percentage of turnover	0.01	0.01

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

- > Use of Synthetic oil in cement mill roller press gear boxes
- > Use of high viscosity gravity based grease in kiln girth gear

2. Benefits derived as results of the above efforts

- > Reduction in pitting of cement mill roller press gear box
- > Improved tooth profile in the kiln girth gear

C. FOREIGN EXCHANGE EARNING AND OUTGO

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

- > The company is continuously exploring avenues to increase exports to neighbouring countries

(g) Total foreign exchange used and earned

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>Rs. Crores</u>	<u>Rs. Crores</u>
CIF value of imports	19.61	19.49
Expenditure in foreign currency	0.86	1.68
Earning in foreign currency	4.89	3.15

MANAGEMENT DISCUSSION & ANALYSIS

Business Environment

The Indian economy continued its march ahead by registering a 9% growth over the previous year. The manufacturing sector has contributed significantly to this impressive growth. The outlook for the cement industry remains positive, with a lot expected to happen on the capacity addition front in the market. The industry despatched 167.67 Mn.T during the year 2007-08, registering a growth of 8%. Installed capacity during the same period increased by about 16%, from 167.83 Mn.T to 195.77 Mn.T.

For the current year too there are healthy signs, with the government continuing its measures for raising investments in the infrastructure and housing sector. Initiatives by the government to increase housing affordability and home ownership are likely to spur demand for housing loans. At the same time, increase in prices of fuel and power may have a dampening effect on cement demand but looking at the consistent growth of the construction and infrastructure sector, it is expected that cement will have a sustained demand.

Review of Operations and Future Outlook

- ❖ Production of clinker and cement registered a growth of 5.45% and 9.20%, respectively.
- ❖ Sales of cement and clinker increased from 26.93 lakh tonnes during the year 2006-07 to 30.64 lakh tonnes during the year 2007-08, an increase of 13.78%.
- ❖ Revenues increased by 15.42% to Rs. 1019.75 crores during the year under review from Rs. 883.48 crores during the previous year.
- ❖ PAT for the year ended June 30, 2008 at Rs. 241.63 crores, was higher by Rs. 48.86 crores, registering an increase of 25%.
- ❖ Power Consumption down by 5.75% to 68.08 units kwh per tonne cement.

The major factors that contributed to this considerably improved performance are - continuous improvement in the core processes, concentration on high value products, focus on high growth end-users and increasing focus on developing brand equity.

Raw material cost, escalation on coal and other inputs continue to have an impact on the profitability. With

continued focus on operational efficiency and improvement in productivity, the Company expects to maintain its position as the preferred choice of customers in the markets of its interest.

In the year under review, after a detailed process of evaluation, the Company has implemented SAP - ERP which will enable close monitoring of its processes and projects and improve its Management Information System.

The Company's plan, for an increase in cement capacity to 10 million tonnes by 2011, through its brown field expansion at Satna - Unit II and greenfield plant at Andhra Pradesh, is making headway. The Company has frozen the technical specifications for the brownfield expansion at Satna and the orders for the major equipment will be placed in due course. For its greenfield unit at Kurnool District, Andhra Pradesh, the Company has acquired most of the land for its mining operations. The Company has been allotted a coal block in Chindwara District of Madhya Pradesh. The mining plans have been submitted to the concerned authorities for requisite approvals. The total cost of these expansion/new projects will be funded from internal accruals and debt to the extent required.

The Company's subsidiary Raheja QBE General Insurance Company Limited is awaiting the requisite approvals from the regulatory authorities and is expected to commence business during 2008-09.

Internal Control Systems

The Company has an adequate system of internal controls covering all financial and operating functions. The system has been designed to provide proper accounting controls and monitoring economy. The Company policies, procedures and guidelines ensure the adequacy of existing internal control mechanism, reliability and integrity of accounts, financial records and related statements/reports, and that transactions are properly authorised, recorded and reported.

Internal audit findings are regularly reviewed by the Audit Committee. The statutory auditors independently monitor the internal controls, compliance with procedures and their adequacy from time to time, and express their opinion on issues of concern at the Audit Committee Meetings.

Human Resources

Employees are the key to achievement of the Company's objectives and strategies. The Company provides employees with a fair and equitable work environment and support from the peers to develop their capabilities trusting them with the freedom to act and to take responsibility.

The Company strongly believes that its team of capable and committed manpower, which is its core strength, is the key factor behind all achievements and success. A number of HR initiatives have been taken for the well being and continuous development of the employees. To meet the human resource needs of expansion and diversification plans, a large number of executives have been inducted at different levels.

The organisation goals, resources and programs are aligned with the employee's aspirations and vice-versa, which has resulted in the improved business performance of the Company.

Corporate Social Responsibility

The Company's Corporate Social Responsibility (CSR) initiatives revolve around the welfare of the employees and their families, the workmen and the villagers residing around the plant. CSR is at the heart of the Company's efforts to show its commitment to society and all efforts are made to achieve sustainable development. Deepening of ponds, construction of canals for providing water, soil filling and leveling of nearby villages are some of the community development initiatives undertaken by the Company during the year.

Efforts to reduce the environmental impacts, for example, use of special environmental assessment criteria covering environmental impacts throughout all its processes, are at the forefront of all these efforts. The management continuously reviews the environmental and quality management systems.

The most essential raw material for cement production is limestone, which is obtained by quarrying. An operating quarry obviously has major impacts on the local landscape and ecology, and can cause noise and traffic problems for local communities. There are a number of systems in place to manage the quarries responsibly and restrict noise and traffic problems.

The Company's efforts in this direction have been rewarded by the Indian Bureau of Mines, Nagpur with the 1st prize for Community Development and Top Soil Management for the year 2007-08. The Company was also awarded the 2nd prize for Afforestation and Management of Subgrade Mineral.

The Company, consecutively for the second year, received the 1st prize in the Cement Sector for National Energy Conservation - 2007. The Company continues to enjoy ISO 9001-2000 certification accredited to it for quality management.

Safety, Health & Environment

Prism is fully committed to the safety, health and well-being of its employees and to minimising the environmental impact of its business operations. A safe and healthy working environment is maintained and all efforts are made towards minimizing the environmental impact of all process and practices including the control of dust, airborne emissions, process residues and the prevention of pollution.

The Company has a range of policies, including its Quality and Safety, Health and Environment policies to guide employee work practices, actions and decisions. The company strives to continually improve the effectiveness of its policies and employees are encouraged to contribute to this process. All employees are obliged to ensure that they fully understand all policies and that they fully comply.

Cautionary Statement

Statements in the Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward-looking statements within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could influence the Company's operations include input availability and prices, demand and pricing of finished goods in the Company's principal markets, changes in government regulations, tax laws, economic developments within the country and other incidental factors.

REPORT ON CORPORATE GOVERNANCE

Company's Philosophy on Corporate Governance

Corporate Governance has come to acquire an increasingly important place in the Company which deals not only with creating wealth for the stakeholders but also with other governance related issues. The Company is fully committed to the principles of transparency, integrity and accountability in all spheres of its operations and has been practising the principles of good corporate governance over the years.

In keeping with its commitment to good corporate governance which, it has always believed leads to efficiency and excellence in operations, the Company has created a mechanism of checks and balances to ensure that the decision making powers vested in the executive management are used with care and responsibility to meet shareholders and stakeholders aspirations.

1. Board of Directors

- i. The total strength of the Board is six Directors comprising one executive Director and five non-executive Directors, of which two are

independent. Mr. Rajan Raheja, Mr. Satish Raheja and Mr. Akshay Raheja are related to each other.

- ii. During the year ended June 30, 2008, six Board Meetings were held on the following dates: (i) July 3, 2007 (ii) July 19, 2007, (iii) October 9, 2007 (iv) January 8, 2008, (v) February 15, 2008 and (vi) April 8, 2008.
- iii. None of the Directors on the Board is a member on more than 10 Committees and Chairman of more than 5 Committees across all the public companies in which he is a Director.
- iv. The following table gives details of Directorship, Category, attendance at Board Meetings and at the last Annual General Meeting and number of memberships of Board/ Committees of various other public companies (excluding Directorships in Indian private companies, foreign companies, companies u/s 25 of the Companies Act, 1956 and memberships of Managing Committees of various Chambers /Bodies):

Name	Category of Directorship	Particulars of Attendance		Number of other Directorship and Committee Membership		
		Board Meeting	Last AGM	Other Directorship	Committee	
					Member	Chairman
Mr. Rajan B. Raheja (Chairman)	Non-independent Non-executive	6	No	12	4	-
Mr. Manoj Chhabra (Managing Director)	Non-independent Executive	5	Yes	1	1	-
Mr. Aziz H. Parpia	Independent Non-executive	5	No	5	3	2
Mr. Rajesh G. Kapadia	Independent Non-executive	5	Yes	9	3	5
Mr. Satish B. Raheja	Non-independent Non-executive	-	No	3	1	-
Mr. Vijay Aggarwal (Alternate to Mr. Satish B. Raheja)	Non-independent Non-executive	6	No	5	4	-
Mr. Akshay R. Raheja	Non-independent Non-executive	6	No	3	3	-

- v. None of the Independent Directors have any material pecuniary relationship or transactions with the Company.
- vi. Necessary information as mentioned in Annexure 1A to Clause 49 of the Listing Agreements has been placed before the Board for their consideration.

2. Audit Committee

The Audit Committee of the Company is constituted pursuant to the provisions of the Companies Act, 1956 and the Listing Agreements with the Stock Exchanges. As on June 30, 2008, the Audit Committee comprises of three non-executive Directors, Mr. R. G. Kapadia, Chairman of the

Committee, Mr. A. H. Parpia and Mr. A. R. Raheja. Two of the members are independent.

The terms of reference of the Audit Committee are in conformity with the statutory guidelines, which inter alia include:

- Overview of the Company's financial reporting process and ensuring correct, adequate and credible disclosure of financial information;
- Recommending the appointment and removal of external auditors, fixation of audit fee and also approval for payment for any other services;
- Reviewing with management the annual financial statements before submission to the Board with special emphasis on accounting policies and practices, compliance with accounting standards and other legal requirements;
- Reviewing the adequacy of the Audit and compliance functions, including their policies, procedures, techniques and other regulatory requirements;
- Any other terms of reference as may be included from time to time.

The Audit Committee has met four times during the year 2007-08 on July 3, 2007, October 9, 2007, January 8, 2008 and April 8, 2008 and the details of attendance by the Committee Members are as follows:

Name of Director	No. of Audit Committee Meetings attended
Mr. R. G. Kapadia	4
Mr. A. H. Parpia	4
Mr. A. R. Raheja	4

For Audit Committee meetings, the Internal and Statutory Auditors are invited and are generally attended by the Managing Director and Sr. President - Corporate Affairs of the Company. The Company Secretary acts as Secretary of the Audit Committee.

3. Remuneration Committee

The Remuneration Committee comprises of 3 non-executive members of the Board viz. Mr. Rajan B. Raheja - Chairman, Mr. A. H. Parpia and Mr. R. G. Kapadia. The Committee decides on the Company's policy on the remuneration package for its Executive Director.

One meeting of the Remuneration Committee was held on July 3, 2007, which was attended by all the members.

The non-executive Directors are only paid sitting fees for attending the Board and Audit Committee meetings. For the year ended June 30, 2008, the non-executive Directors were paid in aggregate, an amount of Rs. 6,25,000/- as sitting fees.

A. Details of Remuneration paid to Directors for year ended June 30, 2008

a. Mr. M. Chhabra was appointed as Managing Director effective from August 25, 2003 and has been re-appointed by the Board at its meeting held on July 3, 2008. The appointment is on contractual basis for a period of 3 years. The appointment of the Managing Director is subject to termination by six months' notice by any of the parties. The elements of the remuneration package of Managing Director comprises of salary and perquisites as approved by the shareholders at the annual general meeting. The Company does not pay any bonus, severance fee and no stock option is granted to the Managing Director. During the year, the total managerial remuneration paid to the Managing Director amounted to Rs. 1.56 crores. Details of remuneration paid to the Managing Director are furnished in Note No. 12 of Notes to Accounts.

b. Details of shares of the Company held by the Directors as on June 30, 2008 are as under :

Name	No. of shares
Mr. Rajan B. Raheja	5,12,82,099
Mr. Manoj Chhabra	600
Mr. Aziz H. Parpia	1,06,799
Mr. Rajesh G. Kapadia	99
Mr. Satish B. Raheja	500
Mr. Akshay R. Raheja	55,50,000

B. Details of the Directors seeking re-appointment at the Sixteenth Annual General Meeting to be held on August 5, 2008 are furnished below :

Mr. Rajan B. Raheja, industrialist, aged 54 years, is the Chairman Director of the Company since 1994. He has diverse interests in various industries and is on the Board of several companies - Asianet Satellite Communications Limited, EIH Associated Hotels Limited, EIH Limited, Exide Industries Limited, H & R Johnson (India) Limited, Juhu Beach Resorts Limited, Supreme Petrochem Limited and ING Vysya Life Insurance Company Limited. He is a member of the Audit Committees of EIH Limited, EIH Associated Hotels Limited and Juhu Beach Resorts Limited. He is member of the Investors'



Grievance Committee of Supreme Petrochem Limited.

Mr. Aziz H. Parpia, senior Advocate & Solicitor, aged 79 years, has been associated with the Company as Director since 1992 and has a wide range of experience in legal and company matters. Mr. Parpia is also a Director on the Board of Exide Industries Limited, H & R Johnson (India) Limited, Supreme Petrochem Limited, SPL Industrial Park Limited and SPL Industrial Support Services Limited. He is Chairman of the Audit Committee of Supreme Petrochem Limited and member of the Audit Committee of H & R Johnson (India) Limited. He is a member of the Investors' Grievance Committee of Supreme Petrochem Limited.

4. Shareholders/Investors Grievance Committee

The Committee comprises of Mr. A. H. Parpia - Chairman, Mr. R. G. Kapadia and Mr. M. Chhabra as the members of the Committee. The Committee looks into various issues relating to shareholder/ investors grievances relating inter alia to non-receipt of annual report, non-delivery of shares after transfer/delay in transfer of shares, non-receipt of interest on debentures, etc.

5. Share Transfer Committee

The Company's securities are traded in the dematerialised form on the Stock Exchanges. The Company has constituted a Share Transfer Committee, comprising of Mr. R. B. Raheja - Chairman, Mr. A. H. Parpia, Mr. R. G. Kapadia and Mr. M. Chhabra as members of the Committee. To expedite the transfer in physical segment, officers of the Company have been authorised to approve share transfers and transmission, issue of duplicate certificates and review all other matters connected with the Company's securities. The Committee also oversees the performance of the Registrar and Transfer Agent.

The Board has designated Ms. Aneeta S. Kulkarni, Company Secretary, as Compliance Officer.

Share Transfers and Complaints received during the year

Complaints :

Received from	Received and Cleared	Pending
Direct to the Company	632	Nil
Through SEBI	2	Nil
Through Stock Exchange (s)	Nil	Nil
Through Investors' Association(s)	Nil	Nil

Share Transfers :

No. of transfer deeds received	2,452
No. of shares received for transfer	4,07,405
No. of shares transferred	4,05,605
No. of shares pending due to objections (as on June 30, 2008)	1,800

6. Annual General Body Meetings

The Annual General Meetings (AGM) for the last three years were held on September 15, 2005, September 26, 2006 and August 7, 2007 respectively. All the meetings were held at Taj Mahal Hotel, Hyderabad - 500 001. One special resolution was passed at the AGM held on September 26, 2006. No resolution was passed using postal ballot.

7. Disclosures

1. There are no transactions of material nature with the promoters or the directors or the management or their subsidiaries or relatives that may have potential conflict with the interest of the Company at large.
2. The Company has complied with the requirements of the Stock Exchanges / SEBI / Statutory Authorities on all matters related to capital markets during the last three years. There are no penalties or strictures imposed on the Company by the Stock Exchanges or SEBI or any statutory authority relating to the above.
3. **(i) Mandatory Requirements**
The Company has complied with all the mandatory requirements of Clause 49 of the Listing Agreements with the Stock Exchanges.
- (ii) Non-mandatory Requirements**
 - a. The Company has set up a Remuneration Committee of the Board of Directors, details of which have been provided in Item 3.
 - b. The statutory annual financial statements of the Company are unqualified.
4. In compliance with the SEBI regulation on prevention of insider trading, the Company has prescribed a Code of Internal Procedures & Conduct for Prevention of Insider Trading. The code, inter alia, prohibits purchase / sale of shares of the Company by Directors / employees while in possession of unpublished price sensitive information in relation to the Company.

5. The Board of Directors of the Company has laid down two separate Codes of Conduct - one for directors and the other for senior management and employees. These codes are posted on the Company's website. All Board Members and Senior Management Personnel have affirmed compliance with the Code of Conduct for the year under review. Declaration to this effect signed by the Managing Director is annexed to this report.

8. Means of Communication

1. The Quarterly Financial Results of the Company are forwarded to The Bombay Stock Exchange and The National Stock Exchange where the Company's shares are listed and published in Economic Times (All Editions) and in the Eenadu (Hyderabad) and also are displayed on the Company's website www.prismcement.com. Further, Company has also been complying with the listing requirement for filing of its financial results under the EDIFAR system of SEBI.
2. The Management Discussion & Analysis is a part of the Annual Report and is annexed separately.

9. Shareholders Information

A. Annual General Meeting

Date and Time : August 5, 2008 at 11.00 A.M.

Venue : Taj Mahal Hotel,
4-1-999, Abids Road,
Hyderabad - 500 001.

B. Financial Calendar

- Reporting for the
Quarter ending : Before

September 30, 2008 - End October, 2008

December 31, 2008 - End January, 2009

March 31, 2009 - End April, 2009

June 30, 2009 - End September, 2009

- Annual General Meeting for the year 2009 - Within six months of the close of the financial year

C. Book Closure: Tuesday, July 29, 2008 to Tuesday, August 5, 2008 (both days inclusive).

D. Listing on Stock Exchanges

NAME OF STOCK EXCHANGE	STOCK CODE NO.	CODE ON SCREEN
The Bombay Stock Exchange Limited (BSE)	500338	PRISM CEMENT LTD.
The National Stock Exchange of India Limited (NSE)		PRISMCEM

E. Stock market price data for the year 2007-08:

MONTH	BSE SENSEX		BSE PRICES		NSE PRICES	
	High	Low	High Rs.	Low Rs.	High Rs.	Low Rs.
July-07	15868.85	14638.88	55.80	41.50	56.50	41.40
Aug-07	15542.40	13779.88	62.60	49.80	62.75	49.75
Sep-07	17361.47	15323.05	72.80	55.00	72.85	54.80
Oct-07	20238.16	17144.58	71.25	57.00	75.00	56.15
Nov-07	20204.21	18182.83	72.20	53.00	73.65	52.40
Dec-07	20498.11	18886.40	78.30	59.65	79.40	58.80
Jan-08	21206.77	15332.42	79.50	39.00	79.40	37.55
Feb-08	18895.34	16457.74	57.45	43.85	57.50	44.10
Mar-08	17227.56	14677.24	47.55	35.50	47.90	36.55
Apr-08	17480.74	15297.96	47.95	40.10	47.85	39.90
May-08	17735.70	16196.02	43.90	37.70	43.75	37.80
June-08	16632.72	13405.54	39.80	31.65	39.50	30.60



F. Registrar and Transfer Agents

Karvy Computershare Private Limited,
 Unit : Prism Cement Limited,
 Plot No. 17-24, Near Image Hospital,
 Vittalrao Nagar, Madhapur,
 Hyderabad - 500 081
 e-mail : mailmanager@karvy.com
 website : www.karvycomputershare.com
 Tel. No. : 040-23420818 /828
 Fax No. : 040-23420814

G. Share Transfer System

Share transfers in physical form are processed and returned to the shareholders within the stipulated time. Half-yearly Transfer Audit and Quarterly Secretarial Audit in terms of the Listing Agreements are regularly carried out by an independent practicing Company Secretary.

H. Distribution of shareholding and shareholding pattern as of June 30, 2008 :

Distribution of Shareholding

No. of shares held	No. of shareholders
1 - 100	63,660
101 - 200	27,572
201 - 300	10,314
301 - 400	4,475
401 - 500	10,594
501 - 1000	10,222
1001 - 5000	7,058
5001 - 10000	861
10001 - 50000	593
50001 and above	173
Total	1,35,522

Shareholding Pattern

Category	No. of Shares	% Shareholding
Promoters	18,41,26,189	61.74
Indian Public	7,27,34,906	24.38
FIIIs / NRIs / OCBs	2,07,78,309	6.97
Bodies Corporate	2,03,32,346	6.82
Financial Institutions/ Banks/Mutual Funds	2,78,250	0.09
Total	29,82,50,000	100.00

I. Dematerialisation of Shares

Trading of the Company's shares is compulsorily in dematerialised form for all investors since May 31, 1999. As of June 30, 2008 equity shares representing 94% have been dematerialised with the following depositories :

Description	ISIN	Depositories
Equity shares	INE010A01011	NSDL & CDSL

J. Plant Locations

Details of the plant/corporate/central marketing office of the Company are available on Page 1 of the Report.

ADDRESS FOR CORRESPONDENCE

Corporate Office :

Rahejas, Main Avenue,
 V. P. Road, Santacruz (West),
 Mumbai - 400 054.
 Tel. Nos. : 91 22 6675 4142 / 43
 Fax No. : 91 22 2600 1304

Shareholders correspondence should be addressed to the Registrar & Transfer Agents at Hyderabad. Investors can mail their queries to the Company portal investor@prismcement.com for redressal.

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participants (DPs).

DECLARATION

This is to confirm that the Company has adopted a Code of Conduct for its Directors and its senior management and employees. Both these Codes are available on the Company's web site.

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, all the directors and the designated personnel in the senior management of the Company have affirmed compliance with their respective Codes for the financial year ended June 30, 2008.

For Prism Cement Limited

M. Chhabra
Managing Director

Place : Mumbai

Dated : July 3, 2008

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To the Shareholders of
Prism Cement Limited

We have examined the compliance of the conditions of Corporate Governance by Prism Cement Limited (the Company) for the year ended on June 30, 2008, as stipulated in Clause 49 of the Listing Agreements of the Company with the Stock Exchanges in India.

The compliance of the 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 Corporate Governance. It is neither an audit nor an expression of opinion on the financial statement 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, in all material respects, complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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 **N. M. RAIJI & CO.**
Chartered Accountants

J. M. GANDHI
Partner

Membership No. 37924

Place : Mumbai

Dated : July 3, 2008

AUDITORS' REPORT

TO THE MEMBERS OF PRISM CEMENT LIMITED

1. We have audited the attached Balance Sheet of **PRISM CEMENT LIMITED** as at June 30, 2008 and also the Profit and Loss Account and the Cash Flow Statement 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.
2. We conducted our audit in accordance with the 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 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 as amended by the Companies (Auditor's Report) (Amendment) Order, 2004 (the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph 3 above, we report that:
 - (i) 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;
 - (ii) 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 of the Company;
 - (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - (v) on the basis of written representations received from the directors, as on June 30, 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - (vi) in our opinion and to the best of our information and according to the explanations given to us, the said accounts together with the notes thereon 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:
 - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2008;
 - (b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - (c) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For **N. M. RAJI & CO.,**
Chartered Accountants

J. M. GANDHI
Partner

Place : Mumbai
Date : July 3, 2008

Membership No.: 37924

ANNEXURE TO THE AUDITORS' REPORT OF PRISM CEMENT LIMITED

(Referred to in paragraph 3 of our report of even date on the financial statements for the year ended June 30, 2008)

- (i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of its fixed assets.
- (b) According to the information and explanations given to us, the Company has formulated a programme of verification by which all the assets of the Company are being verified in a phased manner over a period of three years, which in our opinion, is reasonable having regard to the size of the Company and nature of its assets. No material discrepancies were noticed on verification conducted during the year as compared with the book records.
- (c) Fixed assets disposed off during the year were not substantial to affect Going Concern Assumption.
- (ii) (a) Inventories have been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
- (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 is maintaining proper records of inventory. The discrepancies noticed on physical verification as compared to the book records were not material and have been properly dealt with in the books of account.
- (iii) The Company has neither granted nor taken any loans, secured or unsecured, to/from companies, firms or parties covered in the register maintained under Section 301 of the Companies Act, 1956.
- (iv) 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 with regard to purchases of inventories and fixed assets and with regard to the sale of goods. During the course of our audit, we have not observed any major weakness in the internal control system.

- (v) According to the information and explanations given to us, during the year there are no contracts or arrangements that need to be entered in the register maintained under section 301 of the Companies Act, 1956.
- (vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits within the meaning of the provisions of section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) According to the information and explanations given to us, the Central Government has prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 for the products manufactured by the Company. We have broadly reviewed the books of account maintained and in

our opinion; prima facie, the prescribed accounts and records have been made and maintained by the Company. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

- (ix) (a) According to the information and explanations provided to us, the Company is regular in depositing undisputed statutory dues including Provident fund, Investor Education and Protection Fund, Income Tax, Sales Tax, Wealth tax, Service Tax, Custom duty, Excise duty with the appropriate authorities. No undisputed statutory dues payable were in arrears as at June 30, 2008, for a period of more than six months from the date they became payable.
- (b) According to the information and explanations given to us, the details of statutory dues which have not been deposited with the concerned authorities on account of dispute are given below:

Particulars	Financial years to which the matter pertains	Forum where dispute is pending	Amount Rs. Crores
Excise Duty	1997 – 2002	Custom Excise & Service Tax Appellate Tribunal	0.42
Central Sales Tax	2000-2006	High Court of Chattisgarh	7.48
Local Body Tax	1996-1997	High Court of Madhya Pradesh	0.02
MP Entry Tax	2006-2007 2001-2002	The Supreme Court High Court of Madhya Pradesh	1.62 0.14
Cess on Land	1990-91 to 2003-04	Tehsildar Court	0.37
Energy Development Cess	2000-2006	The Supreme Court	9.44
Royalty on Limestone mining	1996-2001	The Supreme Court	2.74

- (x) The Company does not have accumulated losses as at June 30, 2008 and has not incurred any cash losses during the financial year ended on that date or in the immediately preceding financial year.
- (xi) According to the information and explanations given to us, the company has not defaulted in repayment of dues to any financial institutions or banks.
- (xii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) The Company is not a chit fund or a nidhi/mutual benefit fund/society. The provisions of clause 4 (xiii) of the Order, therefore, are not applicable to the Company.
- (xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments except in mutual fund units. The Company has maintained proper records of the transactions in respect of its dealings in mutual fund units.
- (xv) In our opinion and according to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions.
- (xvi) In our opinion and according to the information and explanations given to us, during the year the Company has not raised any term loans.

- (xvii) In our opinion and according to the information and explanations given to us, and on an overall examination of the Balance Sheet of the Company, we report that funds raised on short-term basis have not been utilised for long term investment.
- (xviii) According to the information and explanations given to us, during the year, the Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
- (xix) According to the information and explanations given to us, the Company has not issued any secured debentures which were outstanding during the period covered by our report.
- (xx) During the year, the Company has not raised any money by way of a public issue.
- (xxi) To the best of our knowledge and belief and according to the information and explanations given to us, we report that no material fraud on or by the Company has been noticed or reported, during the year.

For **N. M. RAIJI & CO.,**
Chartered Accountants

J. M. GANDHI
Partner

Place : Mumbai
Date : July 3, 2008

Membership No.: 37924



PRISM CEMENT LIMITED

BALANCE SHEET AS AT 30th JUNE, 2008

	Schedules	As at 30-6-2008		As at 30-6-2007	
		Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
SOURCES OF FUNDS					
SHAREHOLDERS' FUND:					
Share Capital	A		298.25		298.25
RESERVES AND SURPLUS					
Surplus in Profit and Loss Account			319.52		112.97
LOAN FUNDS:					
Secured Loans			—		—
Unsecured Loans			—		—
DEFERRED TAX LIABILITY (NET)			58.77		64.57
TOTAL			<u>676.54</u>		<u>475.79</u>
APPLICATION OF FUNDS					
FIXED ASSETS :					
Gross Block	B	702.95		647.05	
Less: Depreciation		317.43		286.11	
Net Block		385.52		360.94	
Capital Work-in-progress		14.33		2.00	
Expenditure during construction period		3.63	403.48	2.19	365.13
INVESTMENTS	C		258.76		141.87
CURRENT ASSETS, LOANS & ADVANCES :					
Inventories	D	90.35		85.22	
Sundry Debtors		3.38		3.57	
Cash & Bank Balances		12.97		11.04	
Loans & Advances		57.49		42.44	
		164.19		142.27	
Less: CURRENT LIABILITIES & PROVISIONS :	E				
Current Liabilities		142.62		132.95	
Provisions		7.27		40.53	
		149.89		173.48	
Net Current Assets			14.30		(31.21)
TOTAL			<u>676.54</u>		<u>475.79</u>
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS					
	K				

As per our report of even date attached
For N. M. RAIJI & CO.
Chartered Accountants

J. M. Gandhi
Partner
Mumbai, July 3, 2008

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja
Manoj Chhabra
Aziz H. Parpia
Rajesh G. Kapadia
Akshay R. Raheja

Chairman
Managing Director
Directors

16th Annual Report 2007-2008

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE, 2008

	Schedules	2007-2008		2006-2007	
		Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
INCOME :					
Sales			1019.75		883.48
Less : Excise duty			143.30		116.68
Net Sales			876.45		766.80
Other Income	F		15.92		4.45
			892.37		771.25
EXPENDITURE :					
Manufacturing and operating expenses	G	382.95		313.96	
Personnel expenses	H	35.43		23.88	
Sales, administration and other expenses	I	121.50		98.74	
			539.88		436.58
Profit before Finance charges & Depreciation / Amortisation			352.49		334.67
Interest and other charges	J		3.21		5.80
Lease rentals			0.62		0.81
Profit before Depreciation / Amortisation			348.66		328.06
Depreciation			31.93		31.87
Amortisation of deferred expenses			—		2.13
Profit before tax			316.73		294.06
Provision for current tax			(80.41)		(34.13)
Provision for fringe benefit tax			(0.40)		(0.29)
Deferred tax			5.71		(66.87)
Profit after tax			241.63		192.77
Add : Surplus / (Deficit) brought forward			112.97		(44.90)
Less : Transitional adjustment for AS-15 (refer note no. 7 of Schedule K)			0.18		—
Profit available for Appropriation			354.42		147.87
Appropriation					
Proposed dividend			—		(29.83)
Tax on proposed dividend			—		(5.07)
Interim dividend			(29.83)		—
Tax on interim dividend			(5.07)		—
Surplus carried to Balance Sheet			319.52		112.97
Weighted average number of shares outstanding (Face Value Rs.10/- per share)			298250000		298250000
Earning per Share - Basic and Diluted (Rs.)			8.10		6.46
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS					
	K				

As per our report of even date attached
For N. M. RAIJI & CO.
Chartered Accountants

J. M. Gandhi
Partner
Mumbai, July 3, 2008

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja
Manoj Chhabra
Aziz H. Parpia
Rajesh G. Kapadia
Akshay R. Raheja

Chairman
Managing Director
Directors



SCHEDULES FORMING PART OF ACCOUNTS

**SCHEDULE - A
SHARE CAPITAL**

Authorised :

32,50,00,000 Equity shares of Rs. 10/- each
(Previous year : 32,50,00,000 Equity shares of Rs. 10/- each)

Issued, Subscribed and Paid up :

29,82,50,000 Equity shares of Rs. 10/- each
(Previous year : 29,82,50,000 Equity shares of Rs. 10/- each)

<u>As at 30-6-2008</u> <u>Rs. Crores</u>	<u>As at 30-6-2007</u> <u>Rs. Crores</u>
325.00	325.00
298.25	298.25

**SCHEDULE - B
FIXED ASSETS**

Rs. Crores

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	Cost as at 1.7.2007	Additions	Deductions	Cost as at 30.6.2008	Upto 30.6.2007	For the year	Deductions	Upto 30.6.2008	As at 30.6.2008	As at 30.6.2007
Land - Freehold	53.13	45.47	—	98.60	—	—	—	—	98.60	53.13
- Leasehold	2.09	—	—	2.09	1.48	0.06	—	1.54	0.55	0.61
Mining Lease - surface rights	1.39	1.47	—	2.86	1.39	0.05	—	1.44	1.42	—
Mines Development	7.27	—	—	7.27	1.13	1.46	—	2.59	4.68	6.14
Raliway siding	13.30	—	—	13.30	6.90	0.71	—	7.61	5.69	6.40
Buildings	41.82	0.81	—	42.63	8.51	0.92	—	9.43	33.20	33.31
Plant and machinery	514.40	4.85	—	519.25	258.87	27.79	—	286.66	232.59	255.53
Furniture, fixtures and office equipments	10.64	2.70	0.50	12.84	6.80	0.64	0.37	7.07	5.77	3.84
Vehicles	3.01	2.25	1.15	4.11	1.03	0.30	0.24	1.09	3.02	1.98
Total	647.05	57.55	1.65	702.95	286.11	31.93	0.61	317.43	385.52	360.94
Previous year	602.86	44.49	0.30	647.05	254.38	31.87	0.14	286.11	360.94	

**SCHEDULE - C
INVESTMENTS**

(a) Long Term Investments :

Investment in Subsidiary Company (unquoted) :
73,99,997 fully paid Equity shares of Rs.10/- each
of Raheja QBE General Insurance Co. Ltd.

Investment in Other Company (unquoted) :
4,900 fully paid Equity shares of Rs.10/- each of
Prism Power and Infrastructure Pvt. Ltd.

<u>As at 30-6-2008</u> <u>Rs. Crores</u> <u>Rs. Crores</u>		<u>As at 30-6-2007</u> <u>Rs. Crores</u> <u>Rs. Crores</u>	
7.40		—	
0.01	7.41	—	—

	<u>As at 30-6-2008</u>		<u>As at 30-6-2007</u>	
	<u>Rs. Crores</u>	<u>Rs. Crores</u>	<u>Rs. Crores</u>	<u>Rs. Crores</u>
SCHEDULE - C (Contd.)				
INVESTMENTS				
(b) Current Investments :				
Investment in Mutual Funds (unquoted) :				
ING Mutual Fund (Liquid Fund) - Daily Dividend	23.52		121.75	
ING Mutual Fund (Liquid Plus Fund) - Daily Dividend	177.58		10.12	
ING Mutual Fund (Fixed Maturity Fund - 23) - Dividend	—		10.00	
ING Mutual Fund (Fixed Maturity Fund - 41) - Dividend	7.00		—	
ING Mutual Fund (Fixed Maturity Fund - 43) - Dividend	7.00		—	
ING Mutual Fund (Fixed Maturity Fund - 45) - Dividend	5.00		—	
ING Mutual Fund (Fixed Maturity Fund - 46) - Dividend	5.00		—	
ING Mutual Fund (Fixed Maturity Fund - 50) - Dividend	5.00		—	
ING Global Real Estate Fund - Dividend	15.00		—	
OPTIMIX Active Debt Multi Manager - FOF - Dividend	4.23		—	
OPTIMIX Active Short Term FOF - Dividend	2.02	251.35	—	141.87
		<u>258.76</u>		<u>141.87</u>
SCHEDULE - D				
CURRENT ASSETS, LOANS & ADVANCES				
Inventories :				
Stores & spares	58.08		48.24	
Raw materials	20.82		14.13	
Work-in-progress	7.45		18.06	
Finished goods	4.00	90.35	4.79	85.22
Sundry Debtors (Unsecured) :				
Over six months :				
Considered good	1.83		2.11	
Considered doubtful	2.56		2.87	
	<u>4.39</u>		<u>4.98</u>	
Others, considered good	1.55		1.46	
	<u>5.94</u>		<u>6.44</u>	
Less : Provision for doubtful debts	2.56	3.38	2.87	3.57
Cash & Bank Balances :				
Cash on hand	0.34		0.53	
Remittances in transit	—		0.45	
Balances with scheduled banks				
On Current accounts	12.55		9.99	
On Term Deposits	0.08	12.97	0.07	11.04
Loans & Advances (Unsecured, considered good) :				
Deposits	13.45		12.97	
Advances recoverable in cash or in kind	37.63		26.19	
Balances with Excise, Customs, etc.	6.41	57.49	3.28	42.44
		<u>164.19</u>		<u>142.27</u>



	<u>As at 30-6-2008</u>		<u>As at 30-6-2007</u>	
	<u>Rs. Crores</u>	<u>Rs. Crores</u>	<u>Rs. Crores</u>	<u>Rs. Crores</u>
SCHEDULE - E				
CURRENT LIABILITIES & PROVISIONS				
Current Liabilities :				
Sundry creditors : - Dues to Micro, Small and Medium enterprises	—		—	
- Dues to Others	39.01		44.71	
Advance from customers	15.98		16.95	
Deposits from customers / suppliers	24.42		23.01	
Other liabilities	63.21	142.62	48.28	132.95
Provisions for :				
Taxation (net of advance tax)	1.67		2.98	
Leave encashment and Gratuity	5.60		2.65	
Proposed dividend	—		29.83	
Tax on dividend	—	7.27	5.07	40.53
		<u>149.89</u>		<u>173.48</u>
SCHEDULE - F				
OTHER INCOME				
Interest income on fixed deposits with banks (TDS - C.Y. Rs. 12,050/-, P. Y. Rs.0.08 Crores)		0.01		0.30
Other interest income		0.03		0.07
Dividend income on mutual fund units		13.08		1.86
Gain on exchange fluctuation on working capital loans		—		0.20
Insurance claims recovery		0.48		0.51
Sale of scrap		1.76		1.47
Others		0.56		0.04
		<u>15.92</u>		<u>4.45</u>
SCHEDULE - G				
MANUFACTURING AND OPERATING EXPENSES				
Raw materials consumed		69.41		48.62
Stores and spares consumed		40.74		29.32
(Increase) / Decrease in stock :				
Closing stock:				
Finished goods		4.00		4.79
Work-in-progress		7.45		18.06
		<u>11.45</u>		<u>22.85</u>

	<u>2007 - 2008</u>		<u>2006 - 2007</u>	
	<u>Rs. Crores</u>	<u>Rs. Crores</u>	<u>Rs. Crores</u>	<u>Rs. Crores</u>
SCHEDULE - G (Contd.)				
MANUFACTURING AND OPERATING EXPENSES				
Less: Opening Stock	4.79		9.24	
Finished Goods	18.06		8.04	
Work-in-Progress	<u>22.85</u>	11.40	<u>17.28</u>	(5.57)
Adjustment of excise duty on stocks		0.11		0.35
Power and fuel		201.28		187.22
Royalty		13.25		13.56
Packing and forwarding		29.14		25.98
Sub-contract charges		7.58		6.38
Repairs to :				
Plant and machinery	8.78		7.38	
Buildings	0.92		0.43	
Others	<u>0.41</u>		<u>0.38</u>	
		<u>10.11</u>		8.19
		383.02		314.05
Less : Captive consumption of cement		0.07		0.09
		<u>382.95</u>		<u>313.96</u>
SCHEDULE - H				
PERSONNEL EXPENSES				
Salaries, wages and bonus		26.31		19.85
Contribution to Provident and other funds		6.51		2.25
Welfare and other expenses		2.61		1.78
		<u>35.43</u>		<u>23.88</u>
SCHEDULE - I				
SALES, ADMINISTRATION AND OTHER EXPENSES				
Rent		1.01		0.96
Rates and taxes		11.87		12.49
Travelling and communication		6.27		3.76
Advertising and publicity		3.04		2.48
Insurance		1.94		2.34
Commission on sales		5.33		4.95
Freight outward		71.32		62.29
Loss on sale of assets		0.45		(0.17)
Miscellaneous expenses		20.27		9.64
		<u>121.50</u>		<u>98.74</u>
SCHEDULE - J				
INTEREST AND OTHER CHARGES				
Interest on Fixed Loans		—		2.44
Other Interest		1.47		1.58
Bank charges		1.74		1.78
		<u>3.21</u>		<u>5.80</u>

SCHEDULE - K**SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS****1. Significant Accounting Policies****Method of Accounting and Revenue Recognition**

Accounts are maintained on an accrual basis and at historical cost.

Sales are recognised on despatch of material to customers. Sales are net of trade discounts, rebates and indirect taxes payable. Rebates and discounts are accounted for as and when determined.

Dividend income is accounted when right to receive is established.

Fixed Assets

Fixed assets are stated at cost less depreciation / amortisation. The cost is inclusive of interest and incidental expenses incurred during construction period and is net of cenvat credit availed.

The fixed assets are tested for impairment and impairment loss, if any, is provided by a charge to Profit & Loss account.

Depreciation and Amortisation

- (i) Depreciation is provided on straight line method at the rates specified in the Schedule XIV to the Companies Act, 1956 except for certain vehicles used by employees on which depreciation is provided at 15.25%, which is higher than rate as per Schedule XIV.
- (ii) Depreciation on additions / deductions to fixed assets is being provided on pro-rata basis from/to the date of acquisition / disposal. Depreciation on foreign exchange differences on borrowings utilized for acquisition of assets in earlier years is provided prospectively over the remaining life of the assets.
- (iii) Leasehold land and mining surface rights are amortised from the month of commencement of commercial production, over the remaining lease period.
- (iv) Expenses on mines development are capitalised and are amortised over a period of five years from the month of commencement of extraction of limestone from that area.

Investments

Long Term Investments are carried at cost. Diminution, if any other than temporary, is provided for. Current investments are carried at lower of cost or fair value.

Inventories

Inventories are valued at cost or net realisable value whichever is lower. The cost is worked out on weighted average basis.

Foreign Currency Transactions

Transactions in foreign currency are accounted at the exchange rate prevailing on the date of the transaction. The exchange differences arising on restatement or on settlement are recognised in the Profit & Loss account.

Employee Benefits

Superannuation is defined contribution plan and Provident Fund is treated as defined contribution plan, on account of the surplus available with the Provident Fund Trust. Gratuity benefits are treated as defined benefit plan. Gratuity liability is provided based on actuarial valuation

Employees are entitled to carry forward an encashment of leave, the liability of which is arrived based on an actuarial valuation. Employees are also entitled to medical benefits for which premium is paid by Company.

The contribution made by the Company for Provident Fund, Superannuation and Medical Premium is charged to the Profit & Loss account. Incremental liability for leave encashment and gratuity is also charged to the Profit & Loss account.

Taxes on Income

The Company provides current tax based on the provisions of the Income Tax Act applicable to it. Timing differences between book profit and taxable profit is accounted as deferred tax. Deferred Tax Asset, if any, is recognised considering prudence.

2. The Company enjoys working capital facility from its bankers, however no amount is outstanding as at the balance sheet date. Working Capital facility from banks is secured by hypothecation of stocks, stores and book debts.

- 3 (a) Contingent liabilities:
- (i) Guarantees given by the Company's bankers and counter guaranteed by the Company - Rs. 25.85 crores (Previous year : Rs. 12.02 crores).
 - (ii) Claims against the Company not acknowledged as debts :
 - (a) Dispute in respect of exemption of Central Sales Tax on coal purchases – Rs. 7.48 crores (Previous year : Rs.6.91 crores). Against this matter, bank guarantee of Rs. 7.70 crores (Previous year : Rs.7.10 crores) has been provided by the Company.
 - (b) Other claims – Rs. 0.43 crores (Previous year : Rs.0.25 crores).
 - (iii) Energy Development Cess disputed Rs. 9.89 crores (Previous year : Rs. 10.46 crores)
 - (iv) Royalty on limestone disputed Rs. 3.90 crores (Previous year : Rs.3.90 crores)
 - (v) M.P. Entry Tax assessment disputed Rs. 2.33 crores (Previous year : Rs. 0.21 crores).
 - (vi) Cess on land disputed Rs. 0.37 crores (Previous year : Rs. 0.37 crores)
- (b) Disclosure of provisions made as per the requirements of AS – 29 on "Provisions, Contingent Liabilities and Contingent Assets" issued by the Institute of the Chartered Accountants of India.

Rs. Crores

Particulars	As at July 1, 2007	Provisions made during the year	Amounts utilised or reversed during the year	As at June 30, 2008
MPEB Cess on Generation of Electricity	8.65	0.25	Nil	8.90

The above provision has been netted off against the payment made there against, in the Balance Sheet. In future, there may be cash inflow in case the dispute is settled in the favour of the Company.

- 4. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs. 1.52 crores (Previous year : Rs. 0.55 crores).
- 5. Capital work-in-progress includes capital advances of Rs. 0.18 crores (Previous year : Rs. 0.16 crores).
- 6. Term Deposits with scheduled banks include deposits of Rs. 0.08 crores (Previous year : Rs.0.07 crores) on which the bank has lien for guarantee given by them.
- 7. The Company has adopted Accounting Standard - 15 (Revised) on "Employee Benefits" from the current year. As per the transitional provision of the Standard, additional liability of Rs. 0.18 crores (on net off tax basis) has been adjusted from Surplus in Profit & Loss account. The liability for the current year is debited to the Profit & Loss account.

The actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at June 30, 2008. The present value of the defined benefit obligation and the related service cost, were measured using the Projected Unit Credit Method.

The following tables set out the funded status and amounts recognised in the Company's financial statements as at June 30, 2008 for the Defined Benefits Plan:

- (a) Changes in the defined benefit obligation for leave encashment and gratuity :

Rs. Crores

Particulars	Leave Encashment	Gratuity
Liability at the beginning of the year (July 1, 2007)	2.93	1.26
Current service cost	0.74	3.25
Interest cost	0.22	0.29
Actuarial (gain) / loss on obligation	0.65	0.54
Benefits paid	(0.10)	(0.34)
Liability at the end of the year (June 30, 2008)	4.44	5.00

(b) Actual Return on Plan Assets :
Rs. Crores

Particulars	Leave Encashment	Gratuity
Expected Return on Plan Assets	N.A.	0.22
Actuarial gain/(loss) on Plan Assets	N.A.	0.01
Actual Return on Plan Assets	N.A.	0.23

(c) Changes in the fair value of plan assets :
Rs. Crores

Particulars	Leave Encashment	Gratuity
Fair value of plan assets at the beginning of the year (July 1, 2007)	N.A.	1.59
Expected return on plan assets	N.A.	0.22
Employer's contributions	0.10	2.36
Actuarial gain / (loss) on plan assets	N.A.	0.01
Benefits paid	(0.10)	(0.34)
Fair value of plan assets at the end of the year (June 30, 2008)	N.A.	3.84

(d) Expenses recognised in Profit & Loss Account for the year ended June 30, 2008 :
Rs. Crores

Particulars	Leave Encashment	Gratuity
Current service cost	0.74	3.25
Interest cost	0.22	0.29
Expected return on plan assets	N.A.	(0.22)
Actuarial (Gain)/ Loss	0.65	0.53
Expense recognised in P&L Account	1.61	3.85

(e) Actuarial Assumptions used in accounting for leave encashment and gratuity :

- (i) Discount rate - 8%
- (ii) Expected rate of return on plan assets - 8%
- (iii) The estimates of future salary increases, considered in actuarial valuation, take into account the general trend in salary rise and the inflation rates.
- (iv) The Gratuity Scheme is invested in a Group Gratuity-cum-Life Assurance cash accumulation policy offered by Life Insurance Corporation of India (LIC). The investment return earned on the policy comprises bonuses declared by LIC having regards to LIC's investment earnings. The information on the allocation of the fund into major asset classes and expected return on each major class are not readily available.

8. During the year the Company has acquired and redeemed the following investments in units of Mutual Funds :

Particulars	Face Value per unit	Opening units as on July 1, 2007	Acquired during the year	Redeemed during the year	Closing units as on June 30, 2008
ING Mutual Fund (Liquid Fund) - Daily Dividend	Rs. 10/-	12,16,94,467	29,51,22,270	39,33,11,195	2,35,05,542
ING Mutual Fund (Liquid Plus Fund) - Daily Dividend	Rs. 10/-	1,01,18,905	16,74,06,223	—	17,75,25,128
ING Mutual Fund (Fixed Maturity Fund - 23) - Dividend	Rs. 10/-	1,00,00,000	—	1,00,00,000	—
ING Mutual Fund (Fixed Maturity Fund - 30) - Dividend	Rs. 10/-	—	1,00,00,000	1,00,00,000	—
ING Mutual Fund (Fixed Maturity Fund - 34) - Dividend	Rs. 10/-	—	1,50,00,000	1,50,00,000	—
ING Mutual Fund (Fixed Maturity Fund - 35) - Dividend	Rs. 10/-	—	1,00,00,000	1,00,00,000	—
ING Mutual Fund (Fixed Maturity Fund - 36) - Dividend	Rs. 10/-	—	50,00,000	50,00,000	—

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Particulars	Face Value per unit	Opening units as on July 1, 2007	Acquired during the year	Redeemed during the year	Closing units as on June 30, 2008
ING Mutual Fund (Fixed Maturity Fund - 41) - Dividend	Rs. 10/-	—	1,00,00,000	30,00,000	70,00,000
ING Mutual Fund (Fixed Maturity Fund - 43) - Dividend	Rs. 10/-	—	1,80,00,000	1,10,00,000	70,00,000
ING Mutual Fund (Fixed Maturity Fund - 45) - Dividend	Rs. 10/-	—	50,00,000	—	50,00,000
ING Mutual Fund (Fixed Maturity Fund - 46) - Dividend	Rs. 10/-	—	50,00,000	—	50,00,000
ING Mutual Fund (Fixed Maturity Fund - 50) - Dividend	Rs. 10/-	—	50,00,000	—	50,00,000
ING Global Real Estate Fund - Dividend	Rs. 10/-	—	1,50,00,000	—	1,50,00,000
OPTIMIX Active Debt Multi Manager - FOF - Dividend	Rs. 10/-	—	41,34,318	—	41,34,318
OPTIMIX Active Short Term FOF - Dividend	Rs. 10/-	—	20,21,342	—	20,21,342

9. The Company is setting up new units at Satna, Madhya Pradesh and Kurnool, Andhra Pradesh. As on June 30, 2008 the Company has incurred expenditure of Rs. 3.63 crores, which have been treated as "Expenditure during construction period", the details of which are as under :

	<u>2007-2008</u> <u>Rs. Crores</u>	<u>Upto</u> <u>2006-2007</u> <u>Rs. Crores</u>
Salary, wages and bonus	0.07	—
Contribution to Provident and other funds (Rs.41,116/-)	0.00	—
Welfare and other expenses	0.01	—
Rent	0.02	—
Rates and Taxes (Rs.2,000/-)	0.00	—
Travelling and communication	0.28	0.12
Advertising and publicity	0.05	—
Insurance (Rs.9,332/-)	0.00	—
Fees and bank charges (Rs.42,031/-)	0.00	—
Depreciation	0.01	—
Miscellaneous expenses	1.00	2.07
Total	<u><u>1.44</u></u>	<u><u>2.19</u></u>

10. Amount recoverable in cash or kind includes Rs.40,338/- (Previous year : Rs .46,004/-) due from an officer of the Company. Maximum amount outstanding during the year Rs. 46,004/- (Previous year : Rs. 0.01 crores).
11. There are no dues to the Micro, Small and Medium Enterprises which are outstanding as at the Balance Sheet date. During the year there were no delays in payment of dues to such enterprises. This information regarding Micro, Small and Medium Enterprises has been determined on the basis of information available with the Company. This has been relied upon by the Auditors.
12. Details of Managerial Remuneration to the Managing Director :

	<u>2007-2008</u> <u>Rs. Crores</u>	<u>2006-2007</u> <u>Rs. Crores</u>
Salary	1.20	0.78
Contribution to Provident and other funds	0.36	0.24
Perquisites (C.Y. Rs. Nil, P.Y. Rs. 3,229/-)	—	0.00
Total	<u><u>1.56</u></u>	<u><u>1.02</u></u>

13. Remuneration to auditors :

	<u>2007-2008</u> <u>Rs. Crores</u>	<u>2006-2007</u> <u>Rs. Crores</u>
Audit fees (including limited review fees)	0.17	0.18
Tax Audit fees	0.02	0.04
Other services	0.09	0.08
Total	0.28	0.30

14. Lease rental on leased assets are charged to the Profit & Loss account as per the terms of the lease agreement entered before April 1, 2001. The future lease rent obligations against these asset is Rs. 0.41 crores per annum. The Company has other operating leases for commercial premises which are cancellable at any time during the tenure of the agreement.
15. Provision for current tax includes Income Tax liability Rs.80.38 crores (Previous Year Rs. 34.11 crores) and Wealth Tax of Rs. 0.03 crores (Previous year Rs. 0.02 crores).
16. The Company has recognised deferred tax in accordance with the requirement of Accounting Standard 22 - Accounting for Taxes on Income, issued by The Institute of Chartered Accountants of India. The break up of Deferred Tax Liability (DTL) is as follows:

	<u>As at 30.6.2008</u> <u>Rs. Crores</u>	<u>As at 30.6.2007</u> <u>Rs. Crores</u>
<u>Deferred Tax Assets</u>		
Expenses provided but allowed in Income Tax on payment	2.22	1.22
Total (A)	2.22	1.22
<u>Deferred Tax Liability</u>		
Depreciation	60.99	65.79
Total (B)	60.99	65.79
Net Deferred Tax Liability (B - A)	58.77	64.57

17. The Company is engaged only in cement business and there are no separate reportable segments as per Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India.
18. (i) During the year, the Company has invested in Raheja QBE General Insurance Co. Ltd., to the extent of 74% of its equity capital. The Company has been formed to pursue general insurance business for which it has applied for necessary approval.
- (ii) During the year, the Company has invested, in the equity capital of Prism Power and Infrastructure Private Limited to the extent of 49% and accordingly it is an associate company.
19. Following are the transactions with related party as defined under Accounting Standard -18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India.

						Rs. Crores
Name	Relationship	Nature of transaction	Amount of transaction as in 2007-08	Amount outstanding on June 30, 2008	Amount of transaction in 2006-07	Amount outstanding as on June 30, 2007
R & S Business Centre	Firm in which Director and/or relatives has significant influence	Rent and maintenance charges	0.15	0.02	0.12	Nil
Exide Industries Ltd.	Company in which Director and/or relatives has significant influence	Purchase of store items	Nil	Nil	0.00 (Rs.26,504/-)	Nil

16th Annual Report 2007-2008

Rs. Crores						
Name	Relationship	Nature of transaction	Amount of transaction as in 2007-08	Amount outstanding on June 30, 2008	Amount of transaction in 2006-07	Amount outstanding as on June 30, 2007
Mr. M. Chhabra	Managing Director	Remuneration	1.56	Nil	1.02	Nil
Raheja QBE General Insurance Company Limited	Subsidiary	Investments (Equity Share Capital)	7.40	Nil	N.A.	N.A.
Prism Power and Infrastructure Private Limited	Associate	Investments (Equity Share Capital)	0.01	Nil	Nil	Nil
		Advances	Nil	0.02	0.02	0.02

20. Licensed & Installed Capacity, Production, Stocks and Turnover:

Class of goods:- Cement

A. Licensed & Installed Capacity, Production :

	<u>2007-2008</u> <u>Tonnes</u>	<u>2006-2007</u> <u>Tonnes</u>
Licensed Capacity	N.A.*	N.A.*
Installed Capacity	20,00,000	20,00,000
Production	24,44,723	22,38,682

* Not applicable due to the abolition of Industrial Licences as per notification issued under the Industries (Development and Regulation) Act, 1951.

Out of the above production, 3,562 tonnes (Previous year : 600 tonnes) have been used for captive consumption including 3,206 tonnes for capital jobs.

	<u>2007-2008</u>		<u>2006-2007</u>	
	<u>Tonnes</u>	<u>Rs. Crores</u>	<u>Tonnes</u>	<u>Rs. Crores</u>
B. Stock & Turnover :				
Stocks :				
Cement				
Opening	26,936	4.79	43,484	9.24
Closing	27,445	4.00	26,936	4.79
Turnover :				
Cement *	24,40,652	838.09	22,54,630	745.99
Clinker	6,23,482	181.66	4,38,297	137.49

* Includes handling / transit loss and samples - 280 tonnes (Previous year : 528 tonnes).

21. Raw Material consumed - Totally indigenous:

	<u>2007-2008</u>		<u>2006-2007</u>	
	<u>Tonnes</u>	<u>Rs. Crores</u>	<u>Tonnes</u>	<u>Rs. Crores</u>
Limestone				
Raised	28,82,399	42.21*	29,49,277	38.44*
Purchased	3,26,796	4.68	1,19,021	2.93
Gypsum	1,42,624	26.69	90,367	11.68
Fly Ash	5,70,542	35.43	5,24,225	31.97
Others		2.61		2.04
Total		<u>111.62</u>		<u>87.06</u>

* Represents cost incurred for raising limestone consumed and debited to respective revenue accounts.



PRISM CEMENT LIMITED

22. Imported and indigenous spare parts consumed :

	<u>2007-2008</u>		<u>2006-2007</u>	
	<u>Rs. Crores</u>	<u>%</u>	<u>Rs. Crores</u>	<u>%</u>
Imported	13.04	32.01	6.54	22.31
Indigenous	27.70	67.99	22.78	77.69
Total	40.74	100.00	29.32	100.00

23. Value of Imports on CIF basis :

Spares - Rs. 19.61 crores (Previous year : Rs. 19.49 crores)

24. Details of expenditure in Foreign currency :

	<u>2007-2008</u>	<u>2006-2007</u>
	<u>Rs. Crores</u>	<u>Rs. Crores</u>
Interest on Fixed Loan	—	1.55
Travelling and communication	0.20	—
Fees for Technical services	0.36	0.13
Total	0.56	1.68

25. The Company has paid dividend in respect of shares held by Non Residents on repatriation basis, in respect of final dividend for the year 2006-07 and interim dividend for the year 2007-08. The details of the same is given below :

(a) Final Dividend (2006 - 2007) :

i) Number of Non Resident Shareholders	451
ii) Number of Equity Shares held by them	16,44,049
iii) Amount of Dividend paid (Gross)	Rs. 0.16 crores
iv) Tax Deducted at Source	Nil
v) Year to which dividend relates	2006-2007

(b) Interim Dividend (2007 - 2008) :

i) Number of Non Resident Shareholders	569
ii) Number of Equity Shares held by them	14,40,695
iii) Amount of Dividend paid (Gross)	Rs. 0.14 crores
iv) Tax Deducted at Source	Nil
v) Year to which dividend relates	2007 -2008

26. Details of earnings in Foreign currency :

F.O.B Value of Export - Rs. 4.89 crores (Previous year : Rs. 3.15 crores).

27. Figures for the previous year have been regrouped wherever necessary.

As per our report of even date attached

For N. M. RAIJI & CO.
Chartered Accountants

J. M. Gandhi
Partner

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja

Manoj Chhabra

Aziz H. Parpia

Rajesh G. Kapadia

Akshay R. Raheja

Chairman

Managing Director

Directors

Mumbai, July 3, 2008

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details

State Code

Registration No.

L26942AP1992PLC014033

Balance Sheet Date

Date Month Year

30 | 06 | 2008

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

Public Issue	Rights Issue
<input style="width: 150px;" type="text" value="Nil"/>	<input style="width: 150px;" type="text" value="Nil"/>
Bonus Issue	Private Placement
<input style="width: 150px;" type="text" value="Nil"/>	<input style="width: 150px;" type="text" value="Nil"/>

III. Position of Mobilisation and Deployment of Funds (Amount in Rs. thousands)

Total Liabilities	Total Assets
<input style="width: 150px;" type="text" value="67,65,342"/>	<input style="width: 150px;" type="text" value="67,65,342"/>
Sources of Funds	
Paid-up Capital	Reserves & Surplus
<input style="width: 150px;" type="text" value="29,82,500"/>	<input style="width: 150px;" type="text" value="31,95,176"/>
Loans	Deferred Tax Liability
<input style="width: 150px;" type="text" value="Nil"/>	<input style="width: 150px;" type="text" value="5,87,666"/>
Application of Funds	
Net Fixed Assets	Investments
<input style="width: 150px;" type="text" value="40,34,771"/>	<input style="width: 150px;" type="text" value="25,87,553"/>
Net Current Assets	Misc. Expenditure
<input style="width: 150px;" type="text" value="1,43,018"/>	<input style="width: 150px;" type="text" value="Nil"/>

IV. Performance of Company (Amount in Rs. thousands)

Total Revenue	Total Expenditure
<input style="width: 150px;" type="text" value="89,23,688"/>	<input style="width: 150px;" type="text" value="57,56,395"/>
Profit/Loss before Tax (Tick appropriate box + for Profit, - for Loss)	Profit/Loss after Tax
<input style="width: 20px;" type="text" value="+"/> <input style="width: 150px;" type="text" value="31,67,293"/>	<input style="width: 20px;" type="text" value="+"/> <input style="width: 150px;" type="text" value="24,16,333"/>
Earning per share in Rs.	Dividend rate %
<input style="width: 150px;" type="text" value="8.10"/>	<input style="width: 150px;" type="text" value="10"/>

V. Generic Names of Three Principal Products/Services of Company

Item Code No. (ITC Code)	252329
Product description	Portland Cement

Mumbai, July 3, 2008

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja	<i>Chairman</i>	
Manoj Chhabra	<i>Managing Director</i>	
Aziz H. Parpia	}	
Rajesh G. Kapadia		<i>Directors</i>
Akshay R. Raheja		



CASH FLOW STATEMENT FOR THE YEAR ENDED 30th JUNE, 2008

	2007-2008		2006-2007	
	Rs. Crores	Rs. Crores	Rs. Crores	Rs. Crores
A] CASH FLOW FROM OPERATING ACTIVITIES :				
Net profit before taxation as per Profit and Loss account		316.73		294.06
Adjustment for:				
Dividend income	(13.08)		(1.86)	
Interest income	(0.04)		(0.37)	
Depreciation	31.93		31.87	
Amortisation of deferred expenses	—		2.13	
Loss / (Gain) on exchange fluctuation on loans	—		(0.20)	
Interest expenses	1.47		4.02	
Lease rentals	0.62		0.81	
Loss / (Profit) on sale of assets	0.45	21.35	(0.17)	36.23
Operating profit before Working Capital changes		338.08		330.29
Adjustment for Working Capital changes :				
Inventories	(5.13)		(23.44)	
Trade receivables	0.19		10.98	
Other receivables	(15.62)		(15.89)	
Trade and other payables	12.62	(7.94)	17.45	(10.90)
Cash generated from Operations		330.14		319.39
Direct taxes paid (including FBT)		(81.82)		(35.30)
Net cash generated from Operating activities (A)		248.32		284.09
B] CASH FLOW FROM INVESTING ACTIVITIES:				
Fixed assets purchased and expenditure during construction period		(71.32)		(38.53)
Proceeds from sale of fixed assets		0.59		0.32
Net investments in mutual funds		(124.77)		(141.87)
Investment in subsidiary and associate		7.88		—
Dividend income		13.08		1.86
Interest income		0.04		0.37
Net cash used in Investing activities (B)		(174.50)		(177.85)
C] CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of secured loans		—		(91.32)
Changes in cash credit balances		—		(8.75)
Repayment of unsecured loans		—		(7.66)
Interest paid		(1.47)		(4.26)
Lease rentals		(0.62)		(0.12)
Dividend and dividend distribution tax paid		(69.80)		—
Net cash used in Financing activities (C)		(71.89)		(112.11)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		1.93		(5.87)
Cash and cash equivalents as at the beginning of the year		11.04		16.91
Cash and cash equivalents as at the end of the year		12.97		11.04

Rajan B. Raheja *Chairman*
 Manoj Chhabra *Managing Director*
 Aziz H. Parpia
 Rajesh G. Kapadia
 Akshay R. Raheja } *Directors*

Aneeta S. Kulkarni
Company Secretary

Mumbai, July 3, 2008

Auditors' Certificate

We have verified the attached Cash Flow Statement of Prism Cement Limited derived from the audited financial statements for the year ended 30th June, 2008 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreement with stock exchanges.

For **N. M. RAIJI & CO.**
Chartered Accountants
J.M.GANDHI
Partner
 Membership No.: 37924

Mumbai, July 3, 2008

AUDITORS' REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF PRISM CEMENT LIMITED

1. We have audited the attached Consolidated Balance Sheet of **PRISM CEMENT LIMITED** ('the Company'), its subsidiary and associate (collectively referred as 'the Group') as at June 30, 2008 and also the Consolidated Profit and Loss account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding the group. 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. 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 the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of subsidiary, whose financial statements reflect total assets (net) of Rs. 6.46 crores as at June 30, 2008, total loss of Rs. 3.54 crores and net cash inflow of Rs. 3.84 crores for the period ended on that date. These financial statements and other financial information have been audited by other auditor whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of the Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard (AS) 23, Accounting for Investments in Associates in Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.
5. Based on our audit and on consideration of report of other auditor on separate financial statements and the other financial information of the subsidiary and associate, and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:
 - i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Group as at June 30, 2008;
 - ii) in the case of Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
 - iii) in the case of Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For N. M. RAIJI & CO.
Chartered Accountants

J. M. GANDHI
Partner

Membership No.: 37924

Place : Mumbai
Date : July 3, 2008



CONSOLIDATED BALANCE SHEET AS AT 30th JUNE, 2008

	Schedules	As at 30-6-2008	
		Rs. Crores	Rs. Crores
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS :			
Share Capital	A		298.25
RESERVES AND SURPLUS			
Surplus in Profit and Loss Account			316.89
SHARE APPLICATION MONEY			2.60
LOAN FUNDS:			
Secured Loans			—
Unsecured Loans			—
DEFERRED TAX LIABILITY (NET)			58.77
MINORITY INTEREST (LIABILITY)			1.68
	TOTAL		<u>678.19</u>
APPLICATION OF FUNDS			
FIXED ASSETS :			
Gross Block	B	703.19	
Less: Depreciation		<u>317.44</u>	
Net Block		385.75	
Capital Work-in-progress		14.34	
Expenditure during construction period		<u>3.63</u>	403.72
INVESTMENTS	C		251.42
CURRENT ASSETS, LOANS & ADVANCES :			
Inventories	D	90.35	
Sundry Debtors		3.38	
Cash & Bank Balances		16.81	
Loans & Advances		<u>62.56</u>	
		173.10	
Less: CURRENT LIABILITIES & PROVISIONS :			
Current Liabilities	E	142.77	
Provisions		<u>7.28</u>	
		150.05	
Net Current Assets			<u>23.05</u>
	TOTAL		<u>678.19</u>
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS			
	K		

As per our report of even date attached
For N. M. RAIJI & CO.
Chartered Accountants

J. M. Gandhi
Partner
Mumbai, July 3, 2008

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja *Chairman*
Manoj Chhabra *Managing Director*
Aziz H. Parpia
Rajesh G. Kapadia
Akshay R. Raheja *Directors*

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 30th JUNE, 2008

		2007-2008	
		Rs. Crores	Rs. Crores
INCOME :			
Sales			1019.75
Less : Excise duty			143.30
Net Sales			876.45
Other Income	F		15.99
			892.44
EXPENDITURE :			
Manufacturing and operating expenses	G	382.95	
Personnel expenses	H	36.00	
Sales, administration and other expenses	I	124.54	
			543.49
Profit before Finance charges & Depreciation /Amortisation			348.95
Interest and other charges	J		3.21
Lease rentals			0.62
			345.12
Profit before Depreciation / Amortisation			345.12
Depreciation			31.94
Amortisation of deferred expenses			—
			313.18
Profit before tax			313.18
Add : Adjustment for minority interest			0.92
			314.10
Profit before tax for the Group			314.10
Provision for current tax			(80.41)
Provision for fringe benefit tax			(0.40)
Deferred tax			5.71
			239.00
Profit after tax for the Group			239.00
Add : Surplus brought forward			112.97
Less : Transitional adjustment for AS-15 (refer note no. 8 of Schedule K)			0.18
			351.79
Profit available for Appropriation			351.79
Appropriation			
Proposed dividend			—
Tax on proposed dividend			—
Interim dividend			(29.83)
Tax on interim dividend			(5.07)
			316.89
Surplus carried to Balance Sheet			316.89
Weighted average number of shares outstanding (Face Value Rs.10/- per share)			298250000
Earning per Share - Basic and Diluted (Rs.)			8.01
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	K		

As per our report of even date attached
For N. M. RAIJI & CO.
Chartered Accountants

J. M. Gandhi
Partner
Mumbai, July 3, 2008

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja	Chairman
Manoj Chhabra	Managing Director
Aziz H. Parpia	} Directors
Rajesh G. Kapadia	
Akshay R. Raheja	



SCHEDULES FORMING PART OF CONSOLIDATED ACCOUNTS

As at 30-6-2008

Rs. Crores

SCHEDULE - A

SHARE CAPITAL

Authorised :

32,50,00,000 Equity shares of Rs. 10/- each

325.00

Issued, Subscribed and Paid up :

29,82,50,000 Equity shares of Rs. 10/- each

298.25

SCHEDULE - B

FIXED ASSETS

Rs. Crores

Description	GROSS BLOCK				DEPRECIATION				NET BLOCK
	Cost as at 1.7.2007	Additions	Deductions	Cost as at 30.6.2008	Upto 30.6.2007	For the year	Deductions	Upto 30.6.2008	As at 30.6.2008
Land - Freehold	53.13	45.47	-	98.60	-	-	-	-	98.60
- Leasehold	2.09	-	-	2.09	1.48	0.06	-	1.54	0.55
Mining Lease - surface rights	1.39	1.47	-	2.86	1.39	0.05	-	1.44	1.42
Mines Development	7.27	-	-	7.27	1.13	1.46	-	2.59	4.68
Raliway siding	13.30	-	-	13.30	6.90	0.71	-	7.61	5.69
Buildings	41.82	0.81	-	42.63	8.51	0.92	-	9.43	33.20
Plant and machinery	514.40	4.85	-	519.25	258.87	27.79	-	286.66	232.59
Furniture, fixtures and office equipments	10.64	2.74	0.50	12.88	6.80	0.65	0.37	7.08	5.80
Vehicles	3.01	2.45	1.15	4.31	1.03	0.30	0.24	1.09	3.22
Total	647.05	57.79	1.65	703.19	286.11	31.94	0.61	317.44	385.75

As at 30-6-2008

Rs. Crores

Rs. Crores

SCHEDULE - C

INVESTMENTS

(a) Long Term Investments :

Investment in Associate Company (unquoted) :

4,900 fully paid Equity shares of Rs.10/- each of
Prism Power and Infrastructure Pvt. Ltd.

0.01

(b) Current Investments :

Investment in Mutual Funds (unquoted) :

ING Mutual Fund (Liquid Fund) - Daily Dividend

23.58

ING Mutual Fund (Liquid Plus Fund) - Daily Dividend

177.58

ING Mutual Fund (Fixed Maturity Fund - 41) - Dividend

7.00

ING Mutual Fund (Fixed Maturity Fund - 43) - Dividend

7.00

ING Mutual Fund (Fixed Maturity Fund - 45) - Dividend

5.00

ING Mutual Fund (Fixed Maturity Fund - 46) - Dividend

5.00

ING Mutual Fund (Fixed Maturity Fund - 50) - Dividend

5.00

ING Global Real Estate Fund - Dividend

15.00

OPTIMIX Active Debt Multi Manager - FOF - Dividend

4.23

OPTIMIX Active Short Term FOF - Dividend

2.02

251.41

251.42

	<u>As at 30-6-2008</u>	
	<u>Rs. Crores</u>	<u>Rs. Crores</u>
SCHEDULE - D		
CURRENT ASSETS, LOANS & ADVANCES		
Inventories :		
Stores & spares	58.08	
Raw materials	20.82	
Work-in-progress	7.45	
Finished goods	4.00	90.35
Sundry Debtors (Unsecured) :		
Over six months :		
Considered good	1.83	
Considered doubtful	2.56	
	4.39	
Others, considered good	1.55	
	5.94	
Less : Provision for doubtful debts	2.56	3.38
Cash & Bank Balances :		
Cash on hand	0.34	
Balances with scheduled banks		
On Current accounts	16.39	
On Term Deposits	0.08	16.81
Loans & Advances (Unsecured, considered good) :		
Deposits	17.42	
Advances recoverable in cash or in kind	38.73	
Balances with Excise, Customs, etc.	6.41	62.56
		173.10
SCHEDULE - E		
CURRENT LIABILITIES & PROVISIONS		
Current Liabilities :		
Sundry creditors : - Dues to Micro, Small and Medium enterprises	—	
- Dues to Others	39.16	
Advance from customers	15.98	
Deposits from customers / suppliers	24.42	
Other liabilities	63.21	142.77
Provisions for :		
Taxation (net of advance tax)	1.67	
Leave encashment and Gratuity	5.61	
Proposed dividend	—	
Tax on dividend	—	7.28
		150.05



	<u>2007 - 2008</u>	
	<u>Rs. Crores</u>	<u>Rs. Crores</u>
SCHEDULE - F		
OTHER INCOME		
Interest income on fixed deposits with banks (TDS - Rs. 12,050/-)		0.01
Other interest income		0.03
Dividend income on mutual fund units		13.15
Insurance claims recovery		0.48
Sale of scrap		1.76
Others		0.56
		<u>15.99</u>
SCHEDULE - G		
MANUFACTURING AND OPERATING EXPENSES		
Raw materials consumed		69.41
Stores and spares consumed		40.74
(Increase) / Decrease in stock :		
Closing stock:		
Finished goods	4.00	
Work-in-progress	7.45	
	<u>11.45</u>	
Less : Opening stock:		
Finished goods	4.79	
Work-in-progress	18.06	
	<u>22.85</u>	
		11.40
Adjustment of excise duty on stocks		0.11
Power and fuel		201.28
Royalty		13.25
Packing and forwarding		29.14
Sub-contract charges		7.58
Repairs to :		
Plant and machinery	8.78	
Buildings	0.92	
Others	0.41	
	<u>10.11</u>	
		<u>383.02</u>
Less : Captive consumption of cement		0.07
		<u>382.95</u>

	<u>2007 - 2008</u>
	<u>Rs. Crores</u>
SCHEDULE - H	
PERSONNEL EXPENSES	
Salaries, wages and bonus	26.87
Contribution to Provident and other funds	6.52
Welfare and other expenses	2.61
	<u>36.00</u>
SCHEDULE - I	
SALES, ADMINISTRATION AND OTHER EXPENSES	
Rent	1.71
Rates and taxes	11.99
Travelling and communication	6.31
Advertising and publicity	3.04
Insurance	1.95
Commission on sales	5.33
Freight outward	71.32
Loss on sale of assets	0.45
Miscellaneous expenses	22.44
	<u>124.54</u>
SCHEDULE - J	
INTEREST AND OTHER CHARGES	
Other Interest	1.47
Bank charges	1.74
	<u>3.21</u>
SCHEDULE - K	
SIGNIFICANT ACCOUNTING POLICIES & NOTES TO ACCOUNTS	
1. Basis of Consolidation	
The Consolidated Financial Statements (CFS) relates to Prism Cement Limited (the Company), its subsidiary, Raheja QBE General Insurance Company Limited and its associate, Prism Power and Infrastructure Private Limited, together a Group.	
(a) Basis of Accounting	
The financial statements of the subsidiary used in the consolidation are drawn up to the same reporting date of the Company, i.e. for the year ended June 30, 2008.	
The CFS have been prepared in accordance with Accounting Standard - 21 on "Consolidated Financial Statements" and Accounting Standard - 23 on "Accounting for Investments in Associates in Consolidated Financial Statements".	
(b) Principles of Consolidation	
The CFS have been prepared on the following basis :	
(i) The financial statements of the Company and its subsidiary company have been combined on a line – by – line basis by adding together the book values of like items of assets, liabilities, income	

and expenses, after fully eliminating intra – group balances and intra group transaction and resulting unrealised profits and losses as per Accounting Standard – 21 “Consolidated Financial Statements”. Minority Interest adjustment to the Profit & Loss account and Balance Sheet is carried as per requirement of AS-21.

- (ii) The CFS are presented, to the extent possible, in the same format as that adopted by the Company for its separate financial statements. Differences, if any, in accounting policies have been disclosed separately.
- (iii) The Company’s share of profit/loss of associate is consolidated as one-line item in CFS.

(c) **Particulars of Subsidiary and Associate**

Name of the Company	Country of incorporation	Percentage of Voting Power as at June 30, 2008
Raheja QBE General Insurance Co. Ltd (held directly) - Subsidiary	India	74%
Prism Power and Infrastructure Private Limited (held directly) - Associate	India	49%

The Company has made investments in the above companies in the current year, but both have not started its commercial operations.

2. **Significant Accounting Policies**

Method of Accounting and Revenue Recognition

Revenue and Expenses are accounted on an accrual basis and at historical cost.

Sales are recognised on despatch of material to customers. Sales are net of trade discounts, rebates and indirect taxes payable. Rebates and discounts are accounted for as and when determined.

Dividend income is accounted when right to receive is established.

Fixed Assets

Fixed assets are stated at cost less depreciation / amortisation. The cost is inclusive of interest and incidental expenses incurred during construction period and is net of cenvat credit availed.

The fixed assets are tested for impairment and impairment loss, if any, is provided by a charge to Profit & Loss account.

Depreciation and Amortisation

- (i) Depreciation is provided on straight line method over the useful life of the asset.
- (ii) Depreciation on additions / deductions to fixed assets is being provided on pro-rata basis from / to the date of acquisition / disposal. Depreciation on foreign exchange differences on borrowings utilized for acquisition of assets in earlier years is provided prospectively over the remaining life of the assets.
- (iii) Leasehold land and mining surface rights are amortised from the month of commencement of commercial production, over the remaining lease period.
- (iv) Expenses on mines development are capitalised and are amortised over a period of five years from the month of commencement of extraction of limestone from that area.

Investments

Long Term Investments are carried at cost. Diminution, if any other than temporary, is provided for. Current investments are carried at lower of cost or fair value.

Inventories

Inventories are valued at cost or net realisable value whichever is lower. The cost is worked out on weighted average basis.

Foreign Currency Transactions

Transactions in foreign currency are accounted at the exchange rate prevailing on the date of the transaction. The exchange differences arising on restatement or on settlement are recognised in the Profit & Loss account.

Employee Benefits

Superannuation is defined contribution plan and Provident Fund is treated as defined contribution plan, on account of the surplus available with the Provident Fund Trust. Gratuity benefits are treated as defined benefit plan. Gratuity liability is provided based on actuarial valuation.

Employees are entitled to carry forward an encashment of leave, the liability of which is arrived based on an actuarial valuation. Employees are also entitled to medical benefits for which premium is paid by Group.

The contribution made by the Group for Provident Fund, Superannuation and Medical Premium is charged to the Profit & Loss account. Incremental liability for leave encashment and gratuity is also charged to the Profit & Loss account.

Taxes on Income

The Group provides current tax based on the provisions of the Income Tax Act applicable to it. Timing differences between book profit and taxable profit is accounted as deferred tax. Deferred Tax Asset, if any, is recognised considering prudence.

3. The Group enjoys working capital facility from its bankers, however no amount is outstanding as at the balance sheet date. Working Capital facility from banks is secured by hypothecation of stocks, stores and book debts.
4. (a) Contingent liabilities:
 - (i) Guarantees given by the Group's bankers and counter guaranteed by the Group - Rs. 25.85 crores.
 - (ii) Claims against the Group not acknowledged as debts :
 - (a) Dispute in respect of exemption of Central Sales Tax on coal purchases – Rs. 7.48 crores. Against this matter, bank guarantee of Rs. 7.70 crores has been provided by the Group.
 - (b) Other claims – Rs. 0.43 crores.
 - (iii) Energy Development Cess disputed Rs. 9.89 crores.
 - (iv) Royalty on limestone disputed Rs. 3.90 crores.
 - (v) M.P. Entry Tax assessment disputed Rs. 2.33 crores.
 - (vi) Cess on land disputed Rs. 0.37 crores.
- (b) Disclosure of provisions made as per the requirements of AS – 29 on "Provisions, Contingent Liabilities and Contingent Assets" issued by the Institute of the Chartered Accountants of India.

(Rs. in Crores)

Particulars	As at July 1, 2007	Provisions made during the year	Amounts utilised or reversed during the year	As at June 30, 2008
MPEB Cess on Generation of Electricity	8.65	0.25	Nil	8.90

The above provision has been netted off against the payment made there against, in the Balance Sheet. In future, there may be cash inflow in case the dispute is settled in the favour of the Group.

5. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) - Rs. 1.52 crores.
6. Capital work-in-progress includes capital advances of Rs. 0.18 crores.
7. Term Deposits with scheduled banks include deposits of Rs. 0.08 crores on which the bank has lien for guarantee given by them.
8. The Group has adopted Accounting Standard - 15 (Revised) on "Employee Benefits" from the current year. As per the transitional provision of the Standard, additional liability of Rs.0.18 crores (on net off tax basis) has been adjusted from Surplus in Profit & Loss account. The liability for the current year is debited to the Profit & Loss account.

The actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out at June 30, 2008. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

9. The Group is setting up new units at Satna, Madhya Pradesh and Kurnool, Andhra Pradesh. As on June 30, 2008, the Group has incurred expenditure of Rs. 3.63 crores, which have been treated as "Expenditure during construction period", the details of which are as under :

	<u>2007-2008</u> <u>Rs. Crores</u>	<u>Upto</u> <u>2006-2007</u> <u>Rs. Crores</u>
Salary, wages and bonus	0.07	—
Contribution to Provident and other funds (Rs.41,116/-)	0.00	—
Welfare and other expenses	0.01	—
Rent	0.02	—
Rates and Taxes (Rs.2,000/-)	0.00	—
Travelling and communication	0.28	0.12
Advertising and publicity	0.05	—
Insurance (Rs.9,332/-)	0.00	—
Fees and bank charges (Rs.42,031/-)	0.00	—
Depreciation	0.01	—
Miscellaneous expenses	1.00	2.07
Total	<u>1.44</u>	<u>2.19</u>

10. (i) Lease rental on leased assets are charged to the Profit and Loss account as per the terms of the lease agreement entered before April 1, 2001. The future lease rent obligations against these asset is Rs. 0.41 crores per annum. Also the group has other operating leases for commercial premises which are cancellable at any time during the tenure of the agreement.
- (ii) The Group has taken commercial premises on operating lease. The minimum lease payments to be made in future towards non cancellable lease agreements are as follows:

	<u>2007-2008</u> <u>Rs. Crores</u>
Not Later than one year	4.52
Later than one year but not later than five year	17.10
Later than five years	Nil

11. Provision for current tax includes Income Tax liability Rs. 80.38 crores and Wealth Tax of Rs. 0.03 crores.
12. The Group has recognised deferred tax in accordance with the requirement of Accounting Standard 22 – Accounting for Taxes on Income, issued by The Institute of Chartered Accountants of India. The break up of Deferred Tax Liability (DTL) is as follows:

	<u>As at 30.6.2008</u> <u>Rs. Crores</u>
Deferred Tax Assets	
Expenses provided but allowed in Income Tax on payment	2.22
Total (A)	2.22
Deferred Tax Liability	
Depreciation	60.99
Total (B)	60.99
Net Deferred Tax Liability (B – A)	58.77

13. The Group, at present is engaged only in cement business, as the subsidiary is yet to start the business. There is no separate reportable segments as per Accounting Standard - 17 on Segment Reporting issued by the Institute of Chartered Accountants of India.
14. Following are the transactions with related party as defined under Accounting Standard -18 on Related Party Disclosures issued by the Institute of Chartered Accountants of India.

Rs. Crores

Name	Relationship	Nature of transaction	Amount of transaction in 2007-08	Amount outstanding as on June 30, 2008
R & S Business Centre	Firm in which Director and/or relatives has significant influence	Rent and maintenance charges	0.15	0.02
Mr. M. Chhabra	Managing Director	Remuneration	1.56	Nil
Mr. Praveen Gupta	Chief Executive Officer	Remuneration	0.66	Nil

15. This being the first year of consolidation, previous year figures are not given.

As per our report of even date attached

For N. M. RAIJI & CO.
Chartered Accountants

J. M. Gandhi
Partner

Mumbai, July 3, 2008

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja

Manoj Chhabra

Aziz H. Parpia

Rajesh G. Kapadia

Akshay R. Raheja

Chairman

Managing Director

Directors



CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE, 2008

	2007 - 2008	
	Rs. Crores	Rs. Crores
A] CASH FLOW FROM OPERATING ACTIVITIES:		
Net profit before taxation as per Profit and Loss account		313.18
Adjustment for:		
Dividend income	(13.14)	
Interest income	(0.04)	
Depreciation	31.94	
Interest expenses	1.47	
Lease rentals	0.62	
Loss / (Profit) on sale of assets	0.45	21.30
Operating profit before Working Capital changes		334.48
Adjustment for Working Capital changes :		
Inventories	(5.13)	
Trade receivables	0.19	
Other receivables	(20.70)	
Trade and other payables	12.78	(12.86)
Cash generated from Operations		321.62
Direct taxes paid (including FBT)		(81.83)
Net cash generated from Operating activities (A)		239.79
B] CASH FLOW FROM INVESTING ACTIVITIES:		
Fixed assets purchased and expenditure during construction period		(71.56)
Proceeds from sale of fixed assets		0.59
Net investments in mutual funds		(109.55)
Investment in associate		0.01
Dividend income		13.14
Interest income		0.04
Net cash used in Investing activities (B)		(167.33)
C] CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of equity shares		2.60
Share application money		2.60
Interest paid		(1.47)
Lease rentals		(0.62)
Dividend and dividend distribution tax paid		(69.80)
Net cash used in Financing activities (C)		(66.69)
Net increase / (decrease) in cash and cash equivalents (A+B+C)		5.77
Cash and cash equivalents as at the beginning of the year		11.04
Cash and cash equivalents as at the end of the year		16.81

As per our report of even date attached
For N. M. RAIJI & CO.
Chartered Accountants

J. M. Gandhi
Partner

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja *Chairman*
Manoj Chhabra *Managing Director*
Aziz H. Parpia }
Rajesh G. Kapadia *Directors*
Akshay R. Raheja }

Mumbai, July 3, 2008

DIRECTORS' REPORT

To the Shareholders,

The Directors present the First Annual Report together with the audited Accounts of the Company for the period August 14, 2007 to March 31, 2008.

The Profit and Loss account for the period August 14, 2007 to March 31, 2008 shows a net loss of Rs. 2.54 crores which is carried forward to the Balance Sheet. The Company has invested its temporary surplus funds in Liquid schemes of Mutual Funds. The total amount of investments as on March 31, 2008 stood at Rs. 4.02 crores.

The Company has been incorporated on August 14, 2007. The Authorised Capital of the Company has been increased from Rs. 1 crore to Rs. 10 crores during the period under review. The promoters, Prism Cement Limited and QBE Holdings (AAP) Pty Limited, hold 74% and 26% of the equity shares of the Company, respectively.

The Company has received the IRDA/R1 approval from the Insurance Regulatory and Development Authority and other approvals for commencement of business are awaited.

DIRECTOR

In accordance with the requirements of the Companies Act, 1956 and the Articles of Association of the Company, Mr. Manoj Chhabra retires by rotation at the forthcoming Annual General Meeting and being eligible, has offered himself for re-appointment.

AUDIT COMMITTEE

In compliance of the provisions of Section 292 A of the Companies Act, 1956, the Board of Directors has constituted an Audit Committee of Directors comprising of Mr. Akshay Raheja, Mr. M. Chhabra, Mr. James Rudkin and Mr. Michael Goodwin.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement under Section 217 (2AA) of the Companies Act, 1956, relating to Directors' Responsibility Statement, the Directors, to the best of their knowledge and belief and according to the information and explanations obtained by them, confirm that:

1. in preparation of the Annual Accounts for the period August 14, 2007 to March 31, 2008, the applicable Accounting Standards have been followed and there has been no material departure;
2. they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on March 31, 2008 and of the profit of the Company for the period ended on that date;

3. they have taken proper and sufficient care to the best of their knowledge for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4. they have prepared the accounts for the period August 14, 2007 to March 31, 2008 on a going concern basis.

PARTICULARS OF EMPLOYEES

Information required to be given pursuant to the provisions of section 217 (2A) of the Companies Act, 1956 is annexed hereto marked Annexure I and forms part of this report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, are as under :

- (1) Part A and B pertaining to conservation of energy and technology absorption are not applicable to the Company.
- (2) Foreign exchange earnings and outgo : Nil

AUDITORS

The Auditors, M/s. Contractor, Nayak and Kishnadwala and Co., Chartered Accountants, hold office until the conclusion of the ensuing Annual General Meeting and have given their consent for re-appointment. A certificate from the Auditors has been received to the effect that their re-appointment, if made, would be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

ACKNOWLEDGEMENTS

The Board takes this opportunity to express its sincere appreciation for the assistance and co-operation received from Prism Cement Limited and QBE Holdings (AAP) Pty Ltd, the Promoter Companies, the bankers and all those connected with the Company.

For and on behalf of the Board
Akshay R. Raheja }
Michael Goodwin } *Directors*

Place : Mumbai
Date : June 19, 2008

Annexure I
Particulars of Employees as per Section 217 (2A) of the Companies Act, 1956 for the year ended 31st March, 2008

Name/Age (Years)	Qualifications/ Experience (Years)	Date of Employment	Designation/ Nature of Duties	Gross Remuneration received Rupees	Last employment held (Previous Designation/Previous Company)
(1)	(2)	(3)	(4)	(5)	(6)
Gupta Praveen (51)*	M.A.; FIII; FCII (UK); IDM(UK) (29)	10.03.2008	Chief Executive Officer	32,43,306	Gen. Manager (Corporate Marketing) Bajaj Allianz General Insurance Co. Ltd.

Notes:

- All appointments are contractual. Other terms and conditions are as per Company's Rules.
- Gross remuneration received includes salary, taxable value of perquisites, etc.
- The above employee is not related to any Director of the Company.
- *Employed for a part of the year.

AUDITORS' REPORT

The Members of
Raheja QBE General Insurance Company Limited

- We have audited the attached Balance Sheet of Raheja QBE Insurance Company Limited as at 31st March 2008, the related Profit and Loss Account and the Cash Flow statement of the Company for the period ended 31st March 2008 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. These 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 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.
- As required by the Companies (Auditor's Report) Order, 2003, issued by the Central Government in terms of Section 227(4A) of the Companies Act, 1956, and on the basis of such checks as considered appropriate and according to the information and explanations given to us during the course of the audit, we enclose in the Annexure hereto a statement on the matters specified in Paragraphs 4 and 5 of the said Order.
- Further to our comments in the Annexure referred to in above paragraph, we report that:
 - 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;
 - 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 the

books of the Company;

- The Balance Sheet, Profit and Loss Account dealt with by the report are in agreement with the books of account of the Company;
- In our opinion, the Balance Sheet, Profit and Loss Account comply with the mandatory Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956.
- On the basis of written representations received from the directors of the Company as on 31st March 2008, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2008, from being appointed as a director in terms of Section 274(1) (g) of the Companies Act, 1956.
- In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with the Notes to Accounts in Schedule 'I' 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:
 - In the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2008;
 - In the case of the Profit and Loss Account, of the Loss for the period ended on that date;
 - In the case of the Cash Flow Statement, of the cash flows of the Company for the period ended on that date.

For and on behalf of
Contractor Nayak & Kishnadwala
Chartered Accountants

H.V. Kishnadwala
Partner
 Membership No. 37391

Mumbai
 19th June, 2008

Statement referred to in paragraph 3 of the Auditors' Report of even date to the Members of Raheja QBE General Insurance Company Limited on the accounts for the year ended 31st March 2008.

On the basis of such checks as considered appropriate and in terms of the information and explanations given to us, we state as under:

1. The Company has not acquired any fixed assets during the year and does not own any fixed assets. Hence clauses 4(i)(a) to 4(i)(c) are not applicable.
2. The Company has no inventory during the year. Hence clauses 4(ii)(a) to 4(ii)(c) are not applicable.
3. As per the information and explanations given to us, the Company has not granted or taken loan secured or unsecured from companies, firm or other parties register maintained under section 301 of Companies Act, 1956. Hence clauses 4(iii)(a) to 4(iii)(g) are not applicable.
4. In our opinion and as explained to us, there are adequate internal control procedures commensurate with the size of the Company.
5. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that the Company has not made any contract with companies, firm or other parties register maintained under section 301 of the Companies Act, 1956.
6. The Company has not accepted any deposits from public during the period.
7. During the period, there is no internal audit system in the Company.
8. The Company is not prescribed to maintain cost records under section 209(1)(d) of the Companies Act, 1956.
- 9 (a) According to the information and explanations given to us and the records examined by us, the Company is regular in depositing with appropriate authorities undisputed statutory dues and there are no undisputed statutory dues outstanding as at 31st March 2008, for a period of more than six months from the date they became payable.
- 9 (b) According to the information and explanations given to us, there are no dues of income-tax, sales tax, wealth tax, service tax, custom duty, excise duty and cess which have not been deposited on account of any dispute.
10. Since this is the first year of the Company, Clause 4(x) regarding accumulated losses and cash losses is not applicable.
11. As informed to us, the Company has not taken loans from any financial Institutions or banks during the period;
12. In our opinion, the Company is not a chit fund, nidhi/ mutual benefit fund/society. The provisions of clause 4(xiii) are therefore not applicable to the Company.
13. During the year, the Company does not have any transactions in respect of dealing and trading in shares, securities, debentures and other investments. All shares, debentures and other investments held by the Company are held by the Company in its own name.
14. According to the information and explanations given to us, Company has not given any guarantee for loan taken by others from bank or Financial Institution.
15. According to the information and explanations given to us, there is no term loan raised during the period.
16. As explained to us and on an overall examination of the balance sheet of the Company, in our opinion there are no funds raised on short-term basis which have been used for long-term investment by the Company.
17. According to the information and explanation given to us, preferential allotment of shares to parties covered in the register maintained under section 301 of the Companies Act, 1956 are not prejudicial to the interests of the Company;
18. During the period covered by our audit report the Company has not issued any debentures.
19. The Company has not raised any money by issue of securities to the public during the period covered by our report.
20. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For and on behalf of
Contractor Nayak & Kishnadwala
Chartered Accountants

H.V. Kishnadwala
Partner
Membership No. 37391

Mumbai
19th June, 2008

BALANCE SHEET AS AT MARCH 31, 2008

	Schedule	As at March 31, 2008	
		Rupees '000	Rupees '000
SOURCES OF FUNDS			
SHAREHOLDER'S FUNDS			
Share Capital	A		100,000.00
RESERVES AND SURPLUS			
			—
Total			<u>100,000.00</u>
APPLICATION OF FUNDS			
INVESTMENTS			
Current Assets, Loans and Advances	B		40,228.00
Cash and Bank balance	C	6,527.75	
Loans and Advances	D	29,797.64	
		<u>36,325.39</u>	
Less : Current Liabilities and Provisions			
Liabilities	E	1,862.99	
Provisions	F	70.00	
		<u>1,932.99</u>	
Net Current Assets			34,392.40
Miscellaneous Expenditure			
(to the extent not written off or adjusted)			
BALANCE IN PROFIT AND LOSS ACCOUNT			25,379.60
Total			<u>100,000.00</u>
Notes To The Financial Statements	I		

Schedules A to F and I referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

For Contractor, Nayak & Kishnadwala
Chartered Accountants

H.V. Kishnadwala
Partner
Membership No. : 37391

Akshay R. Raheja }
Michael Goodwin } *Directors*

Mumbai, June 19, 2008

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED MARCH 31, 2008

	Schedule	As at March 31, 2008	
		Rupees '000	Rupees '000
INCOME			
Dividend from Current Investments			228.00
			<u>228.00</u>
EXPENDITURE			
Personnel expenses	G	3,261.13	
Administration and other expenses	H	<u>22,326.47</u>	
			25,587.60
			<u>25,587.60</u>
Loss for the period (before taxation)			(25,359.60)
Less Provision for taxation		—	
Fringe Benefit Tax		<u>20.00</u>	
			20.00
Loss for the period (after taxation)			<u>(25,379.60)</u>
Balance carried to Balance Sheet			<u>(25,379.60)</u>
Earning per share - Basic and Diluted (Rs.)			(7.61)
(Face value Rs. 10/- per share)			
Notes To The Financial Statements	I		

Schedules G to H and I referred to herein form an integral part of the Profit and Loss Account.

This is the Profit and Loss Account referred to in our report of even date.

For Contractor, Nayak & Kishnadwala
Chartered Accountants

H.V. Kishnadwala
Partner
Membership No. : 37391

Akshay R. Raheja }
Michael Goodwin } *Directors*

Mumbai, June 19, 2008

**SCHEDULES ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
AS AT MARCH 31, 2008 AND PROFIT & LOSS ACCOUNT FOR THE PERIOD
ENDED MARCH 31, 2008**

	As at March 31, 2008 Rupees '000
Schedule A : Share Capital	
Authorised :	
10,000,000 Equity Shares of Rs. 10/- each	100,000
Issued, Subscribed and Paid Up	
10,000,000 Equity Shares of Rs. 10/- each	100,000
Schedule B : Investments (At cost)	
Current, Non-trade	
Investments in Mutual Funds - ING Liquid Fund	40,228.00
	40,228.00
Schedule C : Cash and Bank balances	
Cash in hand	
	—
Balance with a Scheduled Bank	
- Current Account	6,527.75
	6,527.75
Schedule D : Loans & Advances	
(Unsecured Considered Good)	
Advances recoverable in cash or kind (Prepaid Expenses)	27.85
Deposits	29,769.79
	29,797.64
Schedule E : Current Liabilities	
Sundry Creditors :- Due to small & Micro Enterprises	
	—
- Due to others	1,862.99
	1,862.99
Schedule F : Provisions	
Fringe Benefit Tax	20.00
Gratuity	50.00
	70.00
Schedule G : Personnel Expenses	
Salaries, bonus, allowances, etc	3,261.13
	3,261.13

As at
March 31, 2008
Rupees '000

Schedule H : Administration and Other Expenses

Advertisement and publicity expenses	56.18
Travelling and communication	133.26
Rentals	125.20
Rates and taxes	632.00
Recruitment expenses	16,673.60
Professional and legal fees	4,063.17
Auditor's remuneration	100.50
Stamp duty and registration charges	424.94
Miscellaneous expenses	117.62
	22,326.47

**SCHEDULE FORMING PART OF THE FINANCIAL STATEMENT FOR THE PERIOD
ENDED MARCH 31, 2008**

Schedule : I
Notes to the Financial Statements for the period ended March 31, 2008
1. Background

- a. Raheja QBE General Insurance Company Limited (the Company) was incorporated on August 14, 2007 as a Company under the Companies Act, 1956. The shareholders of the Company as on March 31, 2008 are:
 - Prism Cement Ltd. (representing 7,400,000 equity shares of Rs. 10 each) : 74%
 - QBE Holdings (AAP) Pty Ltd. {previously known as QBE International (Investments) Pty Ltd} (representing 2,600,000 equity shares of Rs. 10 each) : 26%
- b. The main objects of the Company as set out in its Memorandum of Association are to carry on all kinds and classes of general insurance business and all kinds of guarantee and indemnity business. The Company has applied to the Insurance Regulatory and Development Authority (IRDA) on December 12, 2007 for carrying out its proposed objects.

2. Significant Accounting Policies
a) Basis of Accounting

The financial statements are prepared in accordance with the historical cost convention, on accrual basis of accounting to comply in all material aspects with the applicable accounting principles in India, the applicable accounting standards notified by The Companies (Accounting Standards) Rules, 2006 and the relevant provisions of the Act, 1956.

b) Investments

Investments are recorded at cost, including incidental expenses, if any. Investments are classified into Long Term and Current Investments. Current Investments are shown as on March 31, 2008 at cost or fair value whichever is lower.

c) Employee Benefits

All employee benefits are accounted on accrual basis. Provision is made on an estimated basis for retirement benefits payable to the employees.

d) Taxation

Provision for Current Taxation is done as per the provisions of Accounting Standard 22 notified by the Companies (Accounting Standards) Rules, 2006. No provision is made for deferred tax assets in respect of carried forward losses on grounds of prudence.

3. Contingent Liabilities

As on the date of the Balance Sheet the Company has no contingent liabilities.

4. Auditors' Remuneration (excluding service tax) consists of:

	Amount (Rs.)
Audit Fees	60,000
For Certification	37,500
Out of Pocket Expenses	3,000
Total	1,00,500

5. There are no dues to Micro and Small Enterprises which are outstanding at the Balance Sheet date. This information regarding Micro and Small Enterprises has been determined on the basis of information available with the Company. This has been relied upon by the auditors.
6. Since the activities of the Company have not commenced, other disclosures as required by Part II and III of Schedule VI are not applicable.
7. As the Company is engaged only in the general insurance business, there are no separate reportable segments as Accounting Standard – 17 on Segment Reporting issued by the Institute of Chartered Accountants of India.

8. Related Party Disclosures

- i) The Company does not have any related party relationship, where control exists.
- ii) Details of other related parties:

Holding Company	Prism Cement Ltd.
Other Investing Company	QBE Holdings (AAP) Pty Ltd.
Associate Companies	QBE Insurance Group Ltd. QBE Insurance (International) Ltd.
Key Management personnel	Mr. Praveen Gupta – Chief Executive Officer

- iii) Following are the transactions with related party as defined under Accounting Standard - 18 on Related Party Disclosure issued by the Institute of Chartered Accountants of India :

Name	Relationship	Nature of transaction	Amount (Rs.)
Mr. Praveen Gupta	Chief Executive Officer	Remuneration	31,90,080

9. Assets taken on Lease

The Company has taken commercial premises on Operating lease. The minimum lease payments to be made in future towards non-cancelable lease agreements are as follows:

Particulars	March 31, 2008 (Rs.)
Not later than one year	3,64,12,500
Later than one year but not later than five years	18,19,64,088
Later than Five years	Nil

10. Earnings per Share

Particulars	Amount (Rs.)
Net Loss for the period (Rs. in '000)	25,379.60
Weighted number of equity shares	33,33,333
Basic and Diluted Earnings per Share	(7.61)

11. The Company is in the process of appointing a full-time Company Secretary, as required under section 383A of the Companies Act, 1956.
12. The financial statements have been prepared for the period August 14, 2007 to March 31, 2008. This being the first accounting period of the Company, there are no corresponding figures for the previous year/period.

For Contractor, Nayak & Kishnadwala
Chartered Accountants

H.V. Kishnadwala
Partner
Membership No. : 37391

Akshay R. Raheja }
Michael Goodwin } *Directors*

Mumbai, June 19, 2008

CASH FLOW STATEMENT FOR THE PERIOD ENDED MARCH 31, 2008

		As at March 31, 2008	
		Rupees '000	Rupees '000
A)	CASH FLOW FROM OPERATING ACTIVITIES:		
	Net Profit/(Loss) before taxation as per Profit and Loss account		(25,359.60)
	Adjustment for :		
	Dividend income		(228.00)
	Operating profit before Working Capital changes		(25,587.60)
	Adjustment of Working Capital Changes :		
	Other receivables	(29,797.64)	
	Other payables	1,932.99	(27,864.65)
	Cash generated from Operations		(53,452.25)
	Direct taxes paid		(20.00)
	Net cash generated from Operating activities (A)		(53,472.25)
B)	CASH FLOW FROM INVESTING ACTIVITIES:		
	Net investment in Mutual Funds		(40,228.00)
	Dividend income		228.00
	Net cash used in Investing activities (B)		(40,000.00)
C)	CASH FLOW FROM FINANCING ACTIVITIES:		
	Net cash used in Financing activities (C)		—
	Net increase/(decrease) in cash and cash equivalents (A+B+C)		(93,472.25)
	Capital injection by shareholders		100,000.00
	Cash and cash equivalents as at the end of the period		6,527.75

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE FOR THE PERIOD ENDED MARCH 31, 2008

I. Registration Details	State Code	11	
Registration No.	U66030MH2007PLC173129		
Balance Sheet Date	Date	Month	Year
	31	03	2008
II. Capital raised during the year (Amount in Rs. thousands)	Public Issue	Rights Issue	
	Nil	100,000.00	
	Bonus Issue	Private Placement	
	Nil	Nil	
III. Position of Mobilisation and Deployment of Funds (Amounts in Rs. thousands)	Total Liabilities	Total Assets	
	100,000.00	100,000.00	
	Sources of Funds	Reserves & Surplus	
	Paid-up Capital	Nil	
	100,000.00	Deferred Tax Liability	
	Loans	Nil	
	Nil	Investments	
	Application of Funds	40,228.00	
	Net Fixed Assets	Misc. Expenditure	
	Nil	25,379.60	
	Net Current Assets	Total Expenditure	
	34,392.40	25,587.60	
IV. Performance of Company (Amount in Rs. thousands)	Total Revenue	Profit/Loss after Tax	
	228.00	25,379.60	
	Profit/Loss before Tax (Tick appropriate box + for Profit, - for Loss)	Dividend rate %	
	- 25,359.60	Nil	
	Earning per share in Rs.		
	- 7.61		
V. Generic Names of The Principal Products/Services of Company	Item Code No. (ITC Code)	-	
	Product description	General Insurance	

Akshay R. Raheja }
Michael Goodwin } *Directors*

Mumbai, June 19, 2008



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

Name	Raheja QBE General Insurance Company Limited	
A The Financial Year of the Subsidiary Company	March 31, 2008	
B Shares of the Subsidiary held by Prism Cement Limited on the above date		
(a) Number and face value	73,99,997 equity shares of Rs. 10/- each fully paid up	
(b) Extent of holding	74%	
C The net aggregate of Profit / Loss of the Subsidiary Company so far as it concerns the members of Prism Cement Limited :		
(a) Not dealt with in the accounts of Prism Cement Limited for the year ended June 30, 2008 amounted to :-		
(i) for the subsidiaries financial year ended as in (A) above	Rs. 1.88 Crores	
(ii) for the previous financial years of the subsidiary since it became the holding Company's subsidiary	N. A.	
(b) Dealt with in the accounts of Prism Cement Limited for the year ended June 30, 2008 amounted to		
(i) for the financial year of the subsidiary as stated in (A) above.	—	
(ii) for the previous financial years of the subsidiary since it became the holding Company's subsidiary	N. A.	

Mumbai, July 3, 2008

Aneeta S. Kulkarni
Company Secretary

Rajan B. Raheja	<i>Chairman</i>
Manoj Chhabra	<i>Managing Director</i>
Aziz H. Parpia	} <i>Directors</i>
Rajesh G. Kapadia	
Akshay R. Raheja	



PRISM CEMENT LIMITED

Registered Office : 305, Laxmi Niwas Apartments, Ameerpet, Hyderabad - 500 016
Corporate Office : 'Rahejas', Main Avenue, V. P. Road, Santacruz (W), Mumbai - 400 054.



ATTENDANCE SLIP

Please fill in Attendance Slip and hand it over at the entrance of the meeting hall. Joint Shareholders may obtain additional Attendance Slips on request. Please bring your copy of the Annual Report for reference at the Meeting.

NAME AND ADDRESS OF THE SHAREHOLDER

Folio No. _____
DP ID. _____
Client ID. _____

No. of Shares held :

I hereby record my presence at the 16th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, August 5, 2008 at 11.00 a.m. at Taj Mahal Hotel, 4-1-999, Abids Road, Hyderabad - 500 001.

SIGNATURE OF THE SHAREHOLDER/PROXY *

* Strike out whichever is not applicable _____

—TEAR HERE—



PRISM CEMENT LIMITED

Registered Office : 305, Laxmi Niwas Apartments, Ameerpet, Hyderabad - 500 016
Corporate Office : 'Rahejas', Main Avenue, V. P. Road, Santacruz (W), Mumbai - 400 054.

PROXY FORM

Folio No. _____
DP ID. _____
Client ID. _____

I/We, _____ of _____ being a member / members of PRISM CEMENT LIMITED hereby appoint _____ or failing him _____ of _____ as my/our proxy to vote for me/us and on my/our behalf at the 16th ANNUAL GENERAL MEETING of the Company to be held on Tuesday, August 5, 2008 at 11.00 a.m. or at any adjournment thereof.

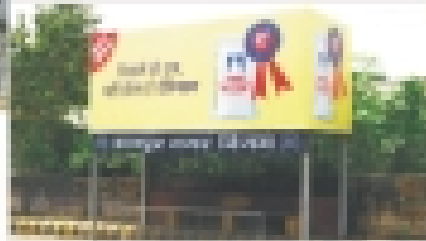
Signed this _____ day of _____ 2008.



NOTES : The Proxy Form must be returned so as to reach the Registered Office of the Company not less than 48 hours before the time for holding the aforesaid meeting.

The Proxy need not be a member of the Company.

BOOK - POST



if undelivered please return to:
Karvy Computershare Private Ltd.,
(Unit: Prsim Cement Limited),
Plot No. 17 to 24, Near Image Hospital,
Vittalrao Nagr, Madhapur Hyderabad- 500 081.