

## NOTICE

**NOTICE IS HEREBY GIVEN THAT THE SIXTY-EIGHTH ANNUAL GENERAL MEETING OF THE ASSOCIATED CEMENT COMPANIES LIMITED** will be held at Birla Matushri Sabhagar, 19, Sir Vithaldas Thackersey Marg, Mumbai 400 020 on Friday, July 9, 2004 at 3.30 p.m. to transact the following business:-

1. To receive and adopt the Audited Profit and Loss Account for the financial year ended March 31, 2004, the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare a dividend.
3. To appoint a Director in place of Mr O P Dubey who retires by rotation and is eligible for reappointment.
4. To appoint a Director in place of Mr S M Palia who retires by rotation and is eligible for reappointment.
5. To appoint a Director in place of Mr Cyril S Shroff who retires by rotation and is eligible for reappointment.

**APPOINTMENT OF  
MR NARESH CHANDRA  
AS DIRECTOR**

6. To appoint a Director in place of Mr Naresh Chandra who was appointed by the Board of Directors an Additional Director of the Company with effect from May 5, 2004 and who holds office upto the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act 1956, but who is eligible for reappointment and in respect of whom the Company has received notices in writing under Section 257 of the Act from some Members proposing his candidature for the office of Director.

**APPOINTMENT OF  
MR R K VASHISHTHA  
AS DIRECTOR**

7. To appoint a Director in place of Mr R K Vashishtha who was appointed by the Board of Directors an Additional Director of the Company with effect from May 5, 2004 and who holds office upto the date of the forthcoming Annual General Meeting of the Company under Section 260 of the Companies Act 1956, but who is eligible for reappointment and in respect of whom the Company has received notices in writing under Section 257 of the Act from some Members proposing his candidature for the office of Director.

**REVISION IN THE  
SALARY GRADES OF  
THE MANAGING/  
WHOLETIME  
DIRECTORS**

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

“ RESOLVED THAT in partial modification of Resolution Nos. 9 & 10 passed at the Annual General Meeting of the Company held on July 3, 2002 for the reappointment / appointment and terms of remuneration of Mr P K Sinor and Mr A K Jain Wholetime Directors, respectively and in partial modification of Resolution No 6 passed at the Annual General Meeting of the Company held on July 9, 2003 for the appointment and terms of remuneration of Mr M L Narula, Managing Director and in accordance with the provisions of Sections 269, 309, 310 and other applicable provisions, if any, of the Companies Act 1956, the Company hereby approves of the revision in the salary grades applicable to Mr M L Narula, Managing Director, Mr P K Sinor and



Mr A K Jain, Wholetime Directors (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the tenure of their respective appointments) with authority to the Board of Directors to fix their salaries within their respective grades, increasing thereby, proportionally, all benefits related to the quantum of salary, with effect from April 1, 2004 for the remainder of the tenure of their contracts as set out in the respective draft Supplemental Agreements submitted to this Meeting and signed by a Director for the purpose of identification which Agreements are hereby specifically sanctioned.”

**AMENDMENT TO THE  
ARTICLES OF  
ASSOCIATION**

9. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act 1956, the Articles of Association of the Company be altered in the manner following:-

- (a) Delete Article 110 relating to “Special Directors” & Article 111 relating to “Terms of Office of Special Directors”.
- (b) In Schedule III delete the Agreements between the Company and its former Managing Directors which are no longer in force.”

**EMPLOYEES’ STOCK  
OPTION SCHEME  
(ESOS)**

10. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

“RESOLVED THAT in accordance with the provisions of Sections 79A, 81 and other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification(s) or re-enactment thereof) and in accordance with the provisions of the Articles of Association of the Company and the regulations/guidelines prescribed by the Securities and Exchange Board of India or any other relevant authority, from time to time, to the extent applicable and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the Company (hereinafter referred to as the “Board” which expression shall also include a committee thereof), or as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to or accepted by the Board in its sole discretion, the consent of the Company be and is hereby accorded to the Board to grant to such employees as are in the permanent employment of the Company in the management cadre, at such time the grant is made including the Managing/ Wholetime Directors of the Company, as may be decided solely by the Board, an aggregate of upto 15,00,000 (fifteen lakh) options under the Employees’ Stock Option Scheme (ESOS) during the financial year 2004-2005, each option convertible into one equity share of face value of Rs. 10 each on payment of such exercise price as may be decided by the Board and therefore to issue or allot, such number of equity shares of the Company at such price, in such manner, during such period, in one or more tranches and on such terms and conditions, as the Board may decide, as set out in the Explanatory Statement hereto, not exceeding 15,00,000 (fifteen lakh) Equity Shares of the Company.

RESOLVED FURTHER that the Board be and is hereby authorised to issue, and allot such number of Equity Shares as may be required in pursuance of the above Issue, and that the Equity Shares so issued or allotted shall rank in all respects *pari passu* with the existing Equity Shares of the Company.

RESOLVED FURTHER that for the purpose of giving effect to the above, the Board be and is hereby authorised to determine the form and terms of the Issue, the Issue price and all other terms and matters connected therewith, and to do all such acts, deeds, matters and things as it may in its absolute discretion, deem necessary or desirable for such purpose, and to make and accept any modifications in the proposal, including to withdraw, suspend or revive the Scheme from time to time, as may be required by the authorities involved in such issues and to settle any questions or difficulties that may arise in regard to the Issue.”

**REAPPOINTMENT OF  
AUDITORS**

11. To consider and, if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

“RESOLVED THAT Messrs A F Ferguson & Co. and Messrs K S Aiyar & Co., Chartered Accountants, be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as agreed upon by the Board of Directors and the Auditors, in addition to reimbursement of service tax and all out of pocket expenses in connection with the audit of the Accounts of the Company for the year ending March 31, 2005.”

- Notes :** (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER.
- (b) The Register of Members and Transfer Books of the Company will be closed from Thursday, July 1, 2004 to Friday, July 9, 2004, both days inclusive.
- (c) The Dividend, after declaration, will be paid to those shareholders whose names stand on the Register of Members on July 9, 2004. The dividend in respect of shares held in the electronic form will be paid to the beneficial owners of shares whose names appear in the list furnished by the Depositories for this purpose as on June 30, 2004. The dividend will be paid on and from July 22, 2004.
- (d) The Securities and Exchange Board of India has made it mandatory for all companies to use the bank account details furnished by the depositories for depositing dividend through Electronic Clearing Service (ECS) to investors wherever ECS and bank details are available. In the absence of ECS facilities, the Company will print the bank account details, if available, on the payment instrument for distribution of dividend.



- (e) During the current financial year viz. 2004-05, the Company will be required to transfer to the Investor Education & Protection Fund, the unpaid/unclaimed Dividend for the year ended March 31, 1997. Those shareholders who have not encashed their warrants are requested to immediately return the outdated warrants to the Company or to write to the Company in the matter to enable the Company to issue Demand Draft(s) in lieu thereof.
- (f) The relative Explanatory Statements pursuant to Section 173 of the Companies Act, 1956, in respect of the business under Items 6 to 11 as set out above are annexed hereto.
- (g) As per the provisions of the Companies Act, 1956, facility for making nominations is available for shareholders, in respect of the shares held by them. Nomination forms can be obtained from the Share Department of the Company.

By Order of the Board,  
For THE ASSOCIATED CEMENT COMPANIES LIMITED,

P K Sinor  
Wholtime Director & Company Secretary

Mumbai, May 5, 2004  
Registered Office :  
"Cement House"  
121, Maharshi Karve Road,  
Mumbai 400 020.

## EXPLANATORY STATEMENTS:

The following Explanatory Statements, as required by Section 173 of the Companies Act, 1956, set out all material facts relating to the business under Items 6 to 11 mentioned in the accompanying Notice dated May 5, 2004.

2. **Items 6 & 7:** The Board of Directors has appointed Mr Naresh Chandra IAS (Retd.) and Mr R K Vashishtha as Additional Directors on the Board with effect from May 5, 2004.

3. Mr Naresh Chandra is a post graduate in mathematics from Allahabad University. Mr Chandra, a distinguished member of the Indian Administrative Services (IAS) and former Cabinet Secretary to the Government of India has held various important positions including that of Governor of the State of Gujarat and India's Ambassador to the United States of America. He has served on numerous important Committees including Chairman of Corporate Governance Committee instituted by the Government of India. He is a Director on the Board of various companies.

4. Mr R K Vashishtha is a post graduate in mathematics. He is Managing Director of Life Insurance Corporation of India and is a well known and respected figure in the field of insurance. He is a Director on the Boards of various corporations.

5. Under Section 260 of the Companies Act 1956, Mr Naresh Chandra and Mr R K Vashishtha hold office as Directors only upto the date of the forthcoming Annual General Meeting.

6. Notices under Section 257 of the Companies Act 1956 have been received from some members signifying their intention to propose the appointment of Mr Naresh Chandra and Mr R K Vashishtha as Directors of the Company.

7. In view of their vast and varied experience, it is eminently in the Company's interest to appoint Mr Naresh Chandra and Mr R K Vashishtha as Directors of the Company.

8. Mr Naresh Chandra and Mr R K Vashishtha are concerned or interested in the Resolution at Items 6 & 7 of the Notice respectively.

9. **Item 8 :** At the Annual General Meeting of the Company held on July 3, 2002, the Members had approved the reappointment of Mr P K Sinor and the appointment of Mr A K Jain as Wholetime Directors on a salary of Rs. 1,05,000 and Rs. 85,000 respectively in the Grade Rs. 40,000 – Rs. 1,25,000 together with such perquisites, allowances and Performance Incentive as specified in the Explanatory Statements annexed to the Notice of that Meeting.

10. At the Annual General Meeting of the Company held on July 9, 2003, the Members had approved the appointment of Mr M L Narula as Managing Director of the Company on a salary of Rs. 1,35,000 in the Grade Rs. 1,00,000 – Rs. 2,00,000 together with such perquisites, allowances and Performance Incentive as specified in the Explanatory Statements annexed to the Notice of that Meeting.



11. It is now proposed to revise the salary grades of the Managing / Wholetime Directors with effect from April 1, 2004 as follows:-

The salary grade for Mr M L Narula, Managing Director be enhanced to Rs 1,00,000 – Rs, 2,50,000 and that of Mr P K Sinor and Mr A K Jain Wholetime Directors be enhanced to Rs 75,000 – Rs 2,00,000 (with proportionate increase in the value of the benefits related to salary) for the remainder of the tenure of their contracts i.e. upto October 31, 2005 in respect of Mr M L Narula, upto July 31, 2004 in respect of Mr P K Sinor and upto January 24, 2005 in respect of Mr A K Jain with authority to the Board to fix their salaries within their respective grades from time to time. The annual increments will be effective April 1, each year and will be decided by the Board or the Compensation Committee of the Board each year and will be merit based and take into account the Company's performance.

12. All other terms and conditions of the appointment of Mr M L Narula, Managing Director, reappointment of Mr P K Sinor and the appointment of Mr A K Jain Wholetime Directors will remain unchanged. The Resolution for the change in the salary grades as aforesaid is commended for acceptance by the Members.

13. The draft Supplemental Agreements between the Company and Mr M L Narula, Managing Director, Mr P K Sinor and Mr A K Jain Wholetime Directors, respectively are available for inspection by the Members of the Company at the Registered Office of the Company between 10.00 a.m. and 12.15 p.m. on any working day of the Company.

14. Mr M L Narula, Mr P K Sinor and Mr A K Jain are concerned or interested in the Resolution at Item 8 of the Notice.

15. This may also be treated as an abstract of the respective draft Supplemental Agreements pursuant to Section 302 of the Companies Act 1956.

16. **Item 9:** Article 110 of the Company's Articles of Association grants a right to certain State Governments to appoint their nominees as "Special Directors" on the ACC Board. This right no longer exists. In view of this, it is proposed to delete Article 110 relating to "Special Directors" and Article 111 relating to "Terms of office of Special Directors".

17. Schedule III to the Articles of Association inter alia sets out the various agreements between the Company and its former Managing Directors which are no longer in force and hence the need to delete these from the Articles of Association of the Company.

18. A copy of the Memorandum and Articles of Association of the Company together with the proposed alterations is available for inspection by the Members of the Company at the Registered Office of the Company between 10.00 a.m. and 12.15 p.m. on any working day of the Company.

19. None of the Directors is concerned or interested in the Resolution at Item 9 of the Notice.

20. The Directors commend the Resolution for acceptance by the Members.

21. **Item 10:** Pursuant to the approvals of the shareholders for grant of Employees' Stock Options, the Compensation Committee of Directors has granted an aggregate of 30,53,400 options (1.73% of the paid up capital as on March 31, 2004), under the Employees' Stock Option Schemes (ESOS) for the years 2000-2001 to 2003-2004 to the Managing/ Wholetime Directors and to eligible employees of the Company entitling them to get one Equity Share per option at the exercise price under the said Schemes.

22. The Compensation Committee of Directors at its Meeting held on May 3, 2004 has approved formulation of Employees' Stock Option Scheme for the financial year 2004-2005 in accordance with the provisions of the Securities & Exchange Board of India (Employees' Stock Option Scheme and Employees' Stock Purchase Scheme), Guidelines 1999 (hereinafter referred to as the SEBI Guidelines). Members' attention is drawn to para 11 of the Directors' Report.

23. The salient features of the Scheme for 2004-2005 are given hereunder :-

- (a) The total number of options to be granted would not exceed 15,00,000 (fifteen lakh) options i.e. about 0.85% of the Subscribed Equity Share Capital of the Company as on March 31, 2004.
- (b) Those employees of the Company as may be decided by the Compensation Committee and the Managing/ Wholetime Directors of the Company as may be decided by the Board/Compensation Committee are entitled to participate in the ESOS.
- (c) The vesting period is one year from the date of the grant. No employee can exercise his/her right during this vesting period.
- (d) The exercise price for the purpose of grant of options will be computed on the average of the two weeks high and low price of the share preceding the date of grant of options on either BSE/ NSE where the trading volume is higher or the latest available closing price prior to the Meeting of the Committee as may be decided by the Committee. Notwithstanding what is stated above, the Committee shall have the discretion to fix the exercise price at a level higher than the one indicated above.
- (e) The options can be exercised within a period of four years from the date of the expiry of the vesting period in one or more tranches as may be decided by the Compensation Committee from time to time. On the exercise of the options, the employee will be allotted one Equity Share per option at the exercise price.





- (f) The Compensation Committee will determine the eligibility of employees for the ESOS based on such criteria as the Committee may consider appropriate.
- (g) The maximum number of options granted per eligible employee shall not exceed 50,000 options per employee and 15,00,000 options in the aggregate.
- (h) The Company shall conform to the accounting policies specified in the said SEBI Guidelines, as may be applicable.
- (i) The Company will value its options on the basis of intrinsic value.
- (j) The difference between the employee compensation cost computed on the basis of the intrinsic value method and the employee compensation cost calculated on the basis of the fair value method for the options and also the impact of this difference on the profits of the Company and the Earnings Per Share (EPS) will be disclosed in the Directors' Report.

24. A fair and reasonable adjustment shall be made in line with the SEBI Guidelines by the Compensation Committee to the number of options and to the exercise price in case of corporate actions including rights issues, bonus issues, merger, sale of division and others. The decision of the Committee in this matter shall be final and binding.

25. Section 81 of the Companies Act, 1956, provides, *inter alia* that whenever it is proposed to increase the subscribed capital of a company by the allotment of further shares, such further shares shall be offered to the persons who on the date of offer are holders of the Equity Shares of the company in proportion to the paid-up capital unless the members in general meeting decide otherwise. The consent of the Members is, therefore, sought to authorise the Board of Directors to issue the Equity Shares in the manner set out in the Resolution at Item 10 of the Notice.

26. The Special Resolution proposed to be passed is as per and in accordance with the SEBI guidelines.

27. The Managing / Wholetime Directors of the Company are concerned or interested in the Resolution at Item 10 to the extent of the Equity Shares that may be offered to them under the said Scheme.

28. The Board commends the Resolution at Item 10 for acceptance by the Members.

29. **Item 11:** Section 224A of the Companies Act 1956, provides that in the case of a company in which not less than 25% of the subscribed share capital is held either singly or in any combination by Public Financial Institutions, Government Companies or Central/State Governments, the appointment or reappointment of an auditor of that company has to be made by a Special Resolution.





30. In the case of the Company, the holdings of the aforesaid bodies collectively is presently around 22.5% of the subscribed share capital. However in the event of this increasing to 25% on the date of the Annual General Meeting, a Special Resolution is commended to the Members by way of abundant caution.

31. As required under Section 224 (1B) of the Act, certificates have been received from the Auditors, that their appointments if made, will be in accordance with the limits prescribed therein.

By Order of the Board,  
For THE ASSOCIATED CEMENT COMPANIES LIMITED,

P K Sinor  
Wholetime Director & Company Secretary

Mumbai, May 5, 2004

Registered Office :  
"Cement House"  
121, Maharshi Karve Road,  
Mumbai 400 020.



## Annexure to Items 3 to 7 of the Notice

### Details of Directors seeking appointment/reappointment at the forthcoming Annual General Meeting (in pursuance of Clause 49 of the Listing Agreement)

Name of the Director	Mr O P Dubey	Mr S M Palia	Mr Cyril S Shroff	Mr Naresh Chandra	Mr R K Vashishtha
Date of Birth	July 1, 1941	April 25, 1938	November 7, 1959	August 1, 1934	September 18, 1944
Date of Appointment on the Board	March 25, 1998	January 25, 2002	March 27, 2002	May 5, 2004	May 5, 2004
Qualifications	M.A.; LL.B	B.Com.; LL.B.; CAIIB; CIIB (London).	B.Com.; LL.B.	Post graduate in mathematics; IAS (Retd.)	Post graduate in mathematics
List of Companies in which outside Directorship held as on March 31, 2004 (Excluding Directorships in private/foreign companies and companies incorporated under Section 25 of the Companies Act, 1956)	Oriental Carbon and Chemicals Limited	Tata Iron and Steel Company Limited  Gruh Finance Limited  Champdany Industries Limited  Saline Area Vitalisation Enterprises Limited  Shibir India Limited	Kotak Mahindra Bank Limited  IDBI Capital Markets Limited  Grasim Industries Limited  Reliance Energy Limited  HCL Technologies Limited  Thirumalai Chemicals Limited	Bajaj Auto Limited  Balrampur Chinni Mills Limited  Haldia Petrochemicals Limited  Hindustan Motors Limited  Lord Krishna Bank Limited  Media Contents & Communications Limited  Electrosteel Castings Limited	Life Insurance Corporation of India—Managing Director  LIC Housing Finance Limited—Managing Director  LIC (International) E. C., Bahrain  LIC (Nepal) Limited  Corporation Bank

