DIRECTORS' REPORT

TO THE MEMBERS OF THE ASSOCIATED CEMENT COMPANIES LIMITED

The Directors hereby present their Sixty-Eighth Annual Report on the business and operations of the Company together with the audited Financial Accounts for the year ended March 31, 2004.

2. FINANCIAL RESULTS

	This year		*Previous year*	
	Rs. Crore	Rs. Crore	*Rs. Crore*	*Rs. Crore*
Sale of products and services(net of excise duty) and other income		3435.00		*2970.81*
Profit before depreciation, interest, exceptional items and tax		533.92		*403.61*
Depreciation	176.85		*164.56*	
Interest	92.91		*103.91*	
		269.76		*268.47*
Profit/(Loss) before exceptional items and tax		264.16		*135.14*
Exceptional Items:				
Write down of Value of Assets	(8.00)		*(13.21)*	
Provision for contingencies	(2.30)		*(3.75)*	
		(10.30)		*(16.96)*
Profit /(Loss) after exceptional items and before tax		253.86		*118.18*
Provision for Current Tax	(16.09)		*(9.58)*	
Provision for Deferred Tax	(37.53)		*(4.71)*	
		(53.62)		*(14.29)*
Profit/(Loss) after exceptional items and tax		200.24		*103.89*
Balance brought forward from previous year		65.68		*21.16*
Amount available for appropriations		265.92		*125.05*
Appropriations :				
General Reserve	21.00		*11.00*	
Amortisation Reserve	0.18		*0.16*	
Proposed Dividend	70.88		*42.73*	
Tax on distributed profits	9.08		*5.48*	
		101.14		*59.37*
Balance carried forward to the next year's account		164.78		*65.68*

3. DIVIDEND

In view of the improved performance of the Company, your Directors are pleased to recommend a higher dividend at the rate of Rs.4 per share of Rs.10 each for the year aggregating to Rs.79.96 crore including tax on dividend of Rs 9.08 crore as compared to Rs.2.50 per share aggregating to Rs.48.21crore in the previous year (which included tax on dividend of Rs 5.48 crore).

4. OPERATIONAL PERFORMANCE

Production and sales of the Company's core cement business registered a growth of 9.1% and 9.3% respectively over the previous year. The cement industry registered a growth rate of 5.5% during the year. Other business divisions also showed improvements during the year.

Divisionwise operational performance for the year ended March 31, 2004 is as under:

4.1 CEMENT

	2003-04	2002-03	Growth %
Clinker Production (Million Tonnes)	11.27	10.71	5
Cement Production (Million Tonnes)	14.65	13.42	9
Total Sales (Million Tonnes)	15.25	13.95	9
Sales Value excluding Excise Duty (Rs Crore)	2906.08	2549.38	14

4.2 REFRACTORY

	2003-04	2002-03	Growth %
Sales (Lakh Tonnes)	1.24	1.10	13
Value of Sales & Services excluding Excise Duty (Rs. Crore)	165.26	147.10	12

4.3 READY MIXED CONCRETE

	2003-04	2002-03	Growth %
Sales Volume (Lakh Cubic Meters)	6.12	4.48	37
Value of Sales & Services (Rs. Crore)	128.63	91.89	40

4.4 A detailed analysis of the Company's performance is contained in the Management Discussion and Analysis, which forms part of this report.

5. TURNOVER AND PROFITS

5.1 During the year under review, turnover (net of excise duty) and other income of the Company amounted to Rs 3435.00 crore as compared to Rs 2970.81 crore in the previous year. Profit before depreciation, interest, exceptional items and tax is Rs.533.92 crore as against Rs.403.61 crore in the previous year.

5.2 The cement prices, which remained weak during the early part of the year, firmed up in the later part of the year.

5.3 The improved profitability during the year has been due to higher volumes, sales price realization and improved operating efficiencies/working capital management. Further, the year witnessed sizeable inflows from the initiatives taken on unlocking of value from investments and other assets.

5.4 Depreciation for the year at Rs 176.85 crore was higher as compared to Rs 164.56 crore in the previous year due to full year's impact of Chanda, Madukkarai and Tikaria Captive power plants and Tikaria capacity augmentation.

5.5 Interest for the year is lower at Rs 92.91 crore as compared to Rs 103.91 crore in the previous year due to better working capital management and accessing low cost funds.

5.6 The Company in line with its accounting policies has provided for exceptional items which include write down of value of assets of Advanced Microwave Material Center to the extent of Rs 8 crore and net diminution in the value of investments to the extent of Rs 2.30 crore.

5.7 After providing for current tax of Rs 16.09 crore (previous year Rs 9.58 crore) and deferred tax of Rs 37.53 crore (previous year Rs 4.71 crore) the net profit after tax and exceptional items increased by 93% to Rs 200.24 crore as compared to Rs 103.89 crore in the previous year.

6. NEW PROJECTS /EXPANSION

6.1 During the year under review, your Company has completed the modernisation of Gagal Unit I including upgradation of pollution control equipment at a cost of Rs 49.46 crores.

6.2 Your Company has also taken up the modernization of the last of its wet process plants, viz. Chaibasa Cement Plant by setting up a new 1.3 MTPA clinkering unit. The Company is also setting up a 15 MW Captive Power Plant at Chaibasa to fully take care of its power requirements. Both these projects are estimated to cost Rs 285 crore and are expected to be completed by 2005.

7. ACQUISITION

7.1 Your Company acquired 86.79% of the equity capital of IDCOL Cement Ltd. [since renamed as Bargarh Cement Ltd.(BCL)] from The Industrial Development Corporation of Orissa Ltd. under the disinvestment programme of the State of Orissa at a cost of Rs 176.41 crore in December 2003. The balance of 13.21% equity capital of BCL was acquired from UTI Mutual Fund on March 29, 2004 for Rs 26.85 crore, thus making it a wholly owned subsidiary.

7.2 While the eastern region has always been considered a strategic market for your Company with manufacturing facilities in most of the states in the region, it did not have a significant presence nor a cement plant in the important State of Orissa, which has good prospects for development. BCL has a 1 MTPA integrated cement plant in north west Orissa. This acquisition has instantly provided a sizeable market share in the State of Orissa and is expected to further strengthen your Company's operations in the eastern market.

7.3 With this acquisition your Company's total capacity has increased to 17.63 MTPA, thereby retaining its position as the leading cement company.

8. CAPITAL RAISING

8.1 The Company has issued 64,62,000 Global Depositary Shares (GDS) (including 806,000 allotted on exercise of 'Green shoe' option on April 15, 2004) at a price of Rs.280.05 (US$6.19) per GDS aggregating to Rs.180.97 crore (US$40 million). The issue price was at a premium of 1% on closing share price of Rs.277.35 on March 8, 2004 and at 5.6% premium to the average of the last four weeks closing price on BSE.

8.2 The Company had also issued 60,000 Foreign Currency Convertible Bonds (FCCB) of US$1000 each aggregating to Rs 271.46 crore (US$60 million), which are convertible at a conversion price of Rs.374.42 per share which reflects a premium of 35% on the closing share price of Rs.277.35 on

March 8, 2004. While the bonds carry a coupon of 1% p.a., the bondholders would get a redemption premium, which would ensure an overall yield to maturity of 2.5% p.a. in the event of bonds getting redeemed after 5 years on March 19, 2009. The Company subject to fulfillment of certain conditions and obtaining requisite approvals has an option to redeem the bonds at any time after March 19, 2007.

8.3 The issue of GDS has resulted in an equity dilution to the extent of 3.63%. If all the bonds are also converted before their maturity, it will result in a further dilution of 3.77%.

9. OVERSEAS CONTRACTS

9.1 The Company achieved the unique distinction of entering the twenty-fifth year of successful Operation and Management of the Cement Plants owned by Yanbu Cement Company in Saudi Arabia.

9.2 M/s. Dangote Industries Ltd., a major industrial group in Nigeria has awarded a project consultancy contract for their two greenfield cement plants and for rehabilitation and activation of their two newly acquired manufacturing lines of Benue Cement Company PLC.

10. OUTLOOK

The Cement Industry has posted a relatively lower growth of 5.5% for the year 2003-04 as compared to 8% in 2002-03. The industry's growth in 2004-05 is expected to improve on the back of increase in the pace of infrastructure spending and continued focus on housing/road construction. Since no significant cement capacity accretion is expected in the near future, the supply overhang in the industry is likely to get reduced during the year. The Management is continuing to focus on cost reduction, improvement in efficiencies and plant utilization so as to enhance the Company's competitive edge.

11. SHARE CAPITAL

11.1 Employees' Stock Option Scheme :

11.1.1 In accordance with the Resolution passed by the shareholders at the Annual General Meeting held on July 9, 2003, the Compensation Committee of the Board has granted 6,45,850 options (each option being equal to one equity share) under the Employees' Stock Option Scheme for the year 2003-2004. In line with your Company's policy of annual grant of Employees' Stock Option it is proposed to grant Employees' Stock Option not exceeding 15 Lakh equity shares i.e. about 0.85% of the subscribed equity share capital during the year ending March 31, 2005 to such of the employees of the Company as may be determined by the Compensation Committee of Directors. The Resolution proposed at Item 10 of the Notice is accordingly commended to the Members.

11.1.2 Consequent upon the exercise of the options by the employees under ESOS 2000-2001, 2001-2002 and 2002-2003, 6,09,134 shares have been allotted during the year. Accordingly, the subscribed share capital of the Company stands increased to that extent.

11.1.3 Details of Employees' Stock Option Schemes as required under the SEBI Guidelines are set out in Annexure 'C' to the Directors' Report.

11.1.4 The Company has charged a sum of Rs.5.6 lakhs (Rs.3 per option) being the intrinsic value of employee stock option for the year ended March 31, 2004. Had the Company adopted the 'Black-Scholes' Model for pricing and accounting the options, the cost of option would have been Rs 45.59 per option and accordingly the profit after tax would have been lower by Rs 84.51 lakhs. Consequently the diluted earnings per share after factoring the above impact of 'Black-Scholes' method of valuation would have been Rs.11.56 per share instead of Rs.11.61 per share.

11.2 Global Depositary Shares (GDS)

Pursuant to the approval of the shareholders granted at the Extraordinary General Meeting held on March 1, 2004, the Company had *inter alia* issued 56,56,000 GDS (one GDS is equivalent to one share) and the subscribed share capital has accordingly increased by 56,56,000 shares allotted till March 31, 2004. Thereafter on April 15, 2004, consequent to exercise of 'Green shoe' option, further 8,06,000 GDS have been allotted.

12. FIXED DEPOSITS

Out of the total deposits of Rs. 17.24 crore from the public and shareholders as at March 31, 2004, deposits amounting to Rs. 1.45 crore which had matured, had not been claimed as at the end of the financial year. There are no overdue deposits.

13. SUBSIDIARY COMPANIES

13.1 As required under Section 212 of the Companies Act, 1956, the audited statements of accounts, along with the report of the Board of Directors relating to the Company's subsidiaries, ACC Machinery Company Ltd., ACC Nihon Castings Ltd., The Cement Marketing Company of India Ltd., Bulk Cement Corporation (India) Ltd., Damodhar Cement and Slag Ltd., Everest Industries Ltd. and Bargarh Cement Ltd., and respective Auditors' Report thereon for the year ended March 31, 2004 are annexed.

13.2 Everest Industries had declared a special dividend of Rs.30 per share on share of Rs.10 each during the year under review and the Company received Rs 33.75 crore arising out of the same.

14. CONSOLIDATED FINANCIAL STATEMENTS

The Consolidated Financial Statements of the Group are attached. The Group's total income grew by 19% to Rs 3727.37 crore during the year from Rs 3144.51 crore in the previous year and the net profit after tax of the Group went up by 81% to Rs 220.13 crore from Rs 121.35 crore in the previous year. The net worth of the Group as at March 31, 2004 was Rs 1260.14 crore as against Rs 1057.40 crore as at end of the previous year.

15. COST AUDIT

As per the Government's directive, the Company's Cost Records in respect of Cement for the year ended March 31, 2004 are being audited by Cost Auditors, M/s. N.I. Mehta & Co., who were appointed by the Board with the approval of the Central Government.

16. PARTICULARS OF 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, the particulars in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo are set out in Annexure 'A' to the Directors' Report.

17. PERSONNEL

During the year under review, industrial relations at all units of the Company continued to be cordial and peaceful.

18. PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is given in Annexure 'B' to the Directors' Report.

19. MANAGEMENT

19.1 At the last Annual General Meeting (AGM) held on July 9, 2003, the Members had appointed Mr M L Narula as the Managing Director for the period December 1, 2002 till October 31, 2005. The Company has since entered into an Agreement with Mr Narula in connection with his appointment and remuneration on the lines of the draft agreement approved by the Members at the said AGM.

19.2 The Resolution pertaining to the revision in the salary grades for the Managing / Wholetime Directors with effect from April 1, 2004 and consequential increase in their remuneration is set out at Item 8 of the Notice and the relative Explanatory Statement. The Resolution is commended to the Members for their acceptance.

20. DIRECTORS

20.1 The Government of Andhra Pradesh has withdrawn the nomination of its Special Directors viz. Mr B Ramakrishna and Mr P V Rao (IAS) Retd. from the Board of Directors in view of the disinvestment of shares in ACC held by the said Government. Accordingly, Mr B Ramakrishna and Mr P V Rao have ceased to be Directors of the Company with effect from March 10, 2004. The Board has placed on record its warm appreciation of the valuable service rendered by Mr B Ramakrishna during his tenure as Director from February 27, 1991 and by Mr P V Rao during his tenure as Director from January 23, 2001.

20.2 The Board has appointed Mr Naresh Chandra and Mr R K Vashishtha as Additional Directors on the Board with effect from May 5, 2004.

20.3 Mr Naresh Chandra, a distinguished member of the Indian Administrative Services and former Cabinet Secretary to the Govt. of India has served on numerous important Committees including Chairman of Corporate Governance Committee instituted by Govt. of India . He is a Director on the Boards of various large companies.

20.4 Mr R K Vashishtha is the Managing Director, 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.

20.5 In view of their vast and varied experience, it is eminently in your Company's interest to appoint Mr Naresh Chandra and Mr R K Vashishtha as Directors. Accordingly, Items 6 and 7 of the Notice in regard to their appointments are commended to the Members.

20.6 In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr O P Dubey, Mr S M Palia and Mr Cyril S Shroff retire by rotation and are eligible for reappointment.

21. DIRECTORS' RESPONSIBILITY

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of section 217(2AA) of the Companies Act, 1956:

i. that in the preparation of the annual accounts for the year ended March 31, 2004 the applicable accounting standards have been followed along with proper explanation relating to material departures, if any;

ii. that such accounting policies as mentioned in Note 1 of the Notes to the Accounts have been selected and applied consistently, and judgements and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2004 and of the profit of the Company for the year ended on that date;

iii. that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

iv. the annual accounts have been prepared on a going concern basis.

22. CORPORATE GOVERNANCE

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

23. AUDITORS

23.1 M/s. A.F. Ferguson & Co., Mumbai and M/s. K.S. Aiyar & Co., Mumbai, retire as auditors of the Company and have given their consent for re-appointment. The shareholders are requested to elect auditors for the current year and to authorize your Directors to fix their remuneration as per item No.11 of the Notice.

23.2 As required under the provisions of Section 224 (1B) of the Companies Act, 1956 the Company has obtained written confirmation from the above auditors proposed to be reappointed that the re-appointment if made would be in conformity with the limits specified in the said Section.

24. ACKNOWLEDGEMENT

Your Directors take this opportunity to express their grateful appreciation for the excellent assistance and co-operation received from the Central Government, the State Governments, and the consortium of Banks. Your Directors also thank all the shareholders for their continued support and all the employees of the Company for their valuable services during the year.

For and on behalf of the Board,

Tarun Das
Chairman

Mumbai : May 5, 2004

ANNEXURE ‘A’ TO DIRECTORS’ REPORT (Para 16)

Statement pursuant to 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.

(A) CONSERVATION OF ENERGY:

a) Energy Conservation measures taken:

— Installation of high efficiency separators for vertical coal mills at Kymore, Gagal, Wadi and Madukkarai Works. Retrofitting by high efficiency separators for cement grinding mills at Gagal Works and for raw material grinding at Wadi New Plant.

— Installation of Tertiary Crushers at Chanda and Gagal Works for improving raw mills performance.

— Optimization of cement mills performance at Kymore, Mancherial and Chanda Works.

— Replacement of Pneumatic conveying system by Mechanical system at Kymore for raw mill product and kiln feed; raw mill product conveying at Gagal Line II, Wadi raw mill products as well as kiln feed for Line III etc.

— Retrofitting of process fans with high efficiency ones.

— Modification of Preheater cyclones at Kymore Line I to reduce Preheater pressure drops and consequent power consumption.

— Modification to the cooler inlet module of grate cooler of line II at Kymore Works for improving the heat recovery.

— Retrofitting of existing flotation cells with high efficiency ones at Madukkarai Works.

— Improvement of kiln burners and planetary coolers for all the three kilns at Chaibasa Works.

— Design and Installation of flyash dryer at Gagal for processing wet flyash.

— Introduction of CEMPAC expert systems for grinding mills at Kymore and Wadi (New Plant) and for the Pyro processing at Wadi (New Plant)

b) Additional Proposals being implemented for further conservation of energy:-

— Installation of Zero Leakage seal for the outlet of Kiln 1 at Gagal.

— Replacement of the existing High Pressure drop Preheater by a six stage high efficiency cyclone Preheater at Gagal Line I.

— Replacement of the existing cooler by a high efficiency modern grate cooler at Gagal Line I.

— Beneficiation of low grade Calcarious Shale at Chaibasa Works

— Installation of Tertiary Crushers at Kymore and Wadi Works for improving the performance of raw mills.

— Installation of wobbler for beneficiation of limestone at Madukkarai Quarry.

— Installation of VVVF drive for various motors.

— Additional fifth stage Preheater Cyclones for Kilns 1 and 2 at Wadi Works for improving the Thermal efficiency.

— Installation of high efficiency burners for Madukkarai and Wadi Kiln 3.

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

— Savings on energy usage both thermal and electrical.

d) Total energy consumption and energy consumption per unit of production as per Form A.

Form A
Power and Fuel Consumption

	Current Year			Previous Year		
	Lakh Units (KWH)	Total Cost (Rs.Lakhs)	Rs./Unit	Lakh Units (KWH)	Total Cost (Rs.Lakhs)	Rs./Unit
1. Electricity						
a) Purchased —						
Cement	8724	25264	2.90	9462	26627	2.81
Refractory Products	77	379	4.92	84	389	4.63
b) Own Generation						
i) Through Diesel Generator —						
Cement	394	1929	4.89	415	1990	4.79
Refractory Products	1	27	19.40	0.5	21	42.29
ii) Through Steam Turbine / Generator —						
Cement	6821	13411	1.97	4960	10031	2.02
	Quantity (Lakh Tonnes)	Total Cost (Rs. Lakhs)	Average Rate (Rs./Tonne)	Quantity (Lakh Tonnes)	Total Cost (Rs. Lakhs)	Average Rate (Rs./Tonne)
2 Coal (for Kiln) —						
Cement	20.6	37301	1813	19.6	34637	1764
Refractory Products	0.04	61	1733	0.03	68	1979
	Kilo Litres	Total Cost (Rs. Lakhs)	Rs. / Litre	Kilo Litres	Total Cost (Rs. Lakhs)	Rs. / Litre
3. Furnace Oil —						
Cement	148	34	23.13	148	25	17.00
Refractory Products	2167	263	12.14	1678	189	11.25
4. Diesel Oil —						
Refractory Products	604	79	13.05	600	74	12.39

Consumption per unit of Production

	Standard @ (if any)	Current Year	Previous Year
a) Electricity Kwh/T *			
Cement —			
Wet Process	89-105	84	85
Semidry / Dry Process	98-110	90	90
Refractory Products	—	71	83
b) Furnace Oil Kilo Ltrs/T			
Cement	—	0.00001	0.00001
Refractory Products	—	0.02	0.03
c) Coal for Kiln K.Cal/kg. Clinker			
Cement —			
Wet process	1350	1350	1347
Semidry / Dry Process	720-990	759	765
d) Coal/T of Refractory Products	—	0.04	0.04
e) Diesel Oil Kilo Ltrs/T of Refractory Procducts	—	0.01	0.01

@ Source : Publication of Confederation of Indian Industries
* Excludes non-process power consumption.

(B) TECHNOLOGY ABSORPTION

Research & Development (R&D)

1. **Specific areas in which R&D carried out by the company**
   1. Upgradation of the quality of Blended Cements
   2. Development of novel cementitious formulations for building materials, emergency repair and other niche applications.
   3. Polymer modified High Performance Composites for Indian Roads.
   4. Development of cements that resist corrosion of rebars in concrete.
   5. Medium cement castable for refractory applications
   6. Incorporation of industrial wastes in refractory formulations.
   7. Upgradation of basic monolithic formulations.
2. **Benefits derived as result of above R&D**
   - — Improved durability of concrete made from blended cements.
   - — Cost reduction with simultaneous upgradation of conventional castables and High Performance castable in high abrasion areas.
   - — Maintaining leadership position in the Cement and Refractory markets.
3. **Future plan of action**
   - — New product / process development and quality improvement to maintain leadership position in the areas of cement and refractories.
4. **Expenditure on R&D**

		Rs Lakhs
a.	Capital	6
b.	Recurring(Gross)	780
c.	Total	786
d.	Total R&D expenditure as percentage of total turnover	0.2%

Technology absorption, adaptation and innovation.

I. Successfully designed, supplied and commissioned Ammonia Conditioning System & Water Conditioning System to reduce the emissions substantially from coal fired boiler ESPs.

II. Successfully designed, supplied and commissioned conversion of Electrostatic Precipitators to Bag Filters for the Cement Mills & Coal Mills of Cement Industries.

III. Successfully retrofitted non-performing Electrostatic Precipitators by gas flow corrections with high current electrodes economically.

IV. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) the following information is furnished

(i)	Technology	Year of import
	Tunnel form construction for mass housing	1998-99
	Zero Emission technology for wastes utilisation	1999-00
	Kalina Cycle technology for power generation	1999-00
(ii)	Has the technology been fully absorbed?	Yes

(C) FOREIGN EXCHANGE EARNINGS AND OUTGO

		Rs Lakhs
(i)	Foreign exchange earned	9278
(ii)	Foreign exchange used	7949

For and on behalf of the Board,

Tarun Das
Chairman

Mumbai : May 5, 2004

ANNEXURE 'B' TO DIRECTORS' REPORT (Para 18)

Statement Pursuant to Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended March 31, 2004.

Sr. No.	Name	Designation & Nature of duties	Remuneration Gross Rs.	Qualifications	Date of Commencement of Employment	Total Experience (Years)	Age in years	Last Employment
1	Jain A .K .	Wholetime Director	44,04,093	B.Tech. (Hons)	01.08.69	35	56	Nil
2	Narula M.L.	Managing Director	69,72354	B.Sc.Engg.FIE India	15.01.63	41	63	Nil
3	Sinor P.K .	Wholetime Director & Company Secretary	54,09,421	B.Com., FCS	01.07.75	43	64	Co. Secretary, ACC-Vickers Babcock Ltd.

Notes (i) Gross Remuneration shown above is subject to tax and comprises salary, allowances, incentives, monetary value of perquisites, company's contribution to provident fund, officer's superannuation fund and applicable discount on Stock Options.

(ii) In addition to the above remuneration, employees are entitled to gratuity in accordance with the Company's rules.

(iii) All the employees have adequate experience to discharge the responsibility assigned to them.

(iv) The nature of employment in all cases is contractual.

For and on behalf of the Board,

Tarun Das
Chairman

Mumbai: May 5, 2004

ANNEXURE 'C' TO DIRECTORS' REPORT (Para 11)

Statement pursuant to Clause 12 'Disclosure in the Directors' Report' of SEBI (Employees' Stock Option Scheme and Employees' Stock Purchase Scheme) Guidelines, 1999.

Pursuant to the Resolutions passed by the Shareholders at the Annual General Meetings held on July 19, 2000, July 12, 2001,July 3, 2002 and July 9, 2003, the Compensation Committee of Directors have granted Stock Options to eligible employees and Wholetime Directors of the Company and subsidiaries for the financial years 2000–2001, 2001–2002, 2002-2003 and 2003-2004. The employees are entitled to get one equity share per option. The details of the Stock Options are given here below.

	ESOS 2000	ESOS 2001	ESOS 2002	ESOS 2003
	Financial year 2000-2001	Financial year 2001-2002	Financial year 2002-2003	Financial year 2003-2004
a. Options granted	9,04,250 (on 8.11.2000)	7,30,000 (on 31.10.2001)	7,73,300 (on 19.9.2002)	6,45,850 (on 17.12.2003)
b. The pricing formula	@ Rs.108/-computed on the average of the daily closing price of the Company's shares on the Stock Exchange Mumbai (BSE) from March 1, 2000 to May 31, 2000.The Compensation Committee decided the price on the basis of 20% discount on the average price of Rs.133.90 which works out to Rs.108/- per share (The closing market price on BSE as on the date of the grant was Rs.107/-)	@ Rs.127/-(Being the average of the daily closing price of the Equity Shares of the Company on the Stock Exchange, Mumbai (BSE) during the period of ninety days immediately preceding the date on which the options were granted) No discount on the above price was granted by the Compensation Committee. (The closing market price on BSE as on the date of grant was Rs.133/-)	@ Rs.140/- (Being the average of the daily closing price of the Equity Shares of the Company on the Stock Exchange Mumbai (BSE) during the period of thirty days immediately preceding the date on which the options were granted). (The closing market price on BSE as on the date of the grant was Rs.138.95)	@Rs.225/- (Being the average of the daily closing price of the Equity Shares of the Company on the Stock Exchange Mumbai (BSE) during the period of thirty days immediately preceding the date on which the options were granted or the day's closing price whichever is higher. Accordingly, the exercise price has been determined at Rs.225/- per share.
c. Options vested	8,46,050	3,59,300	7,58,000	None of the options granted has vested till date and consequently no option has been exercised. Vesting date is 17.12.2004
d. Options exercised (till 31.3.2004)	5,71,200	1,38,663	1,50,495	Nil
e. The total number of shares arising as a result of exercise of options.	5,71,200	1,38,663	1,50,495	Nil
f. Options Lapsed	58,200	70,600	15,300	5,750
g. Variation of terms of options	Nil	Nil	Nil	Nil
h. Money realised by exercise of options.	Rs.616.89 Lakhs	Rs.176.10 Lakhs	Rs.210.69 Lakhs	Nil
i. Total number of options in force.	2,74,850	5,20,737	6,07,505	6,40,100

ANNEXURE 'C' TO DIRECTORS' REPORT (Para 11 - Contd.)

	ESOS 2000		ESOS 2001		ESOS 2002		ESOS 2003	
j. Details of options Granted/ Exercised by the Managing Director/ Wholetime Directors	No. of options Granted / Exercised		No. of options Granted / Exercised		No. of options Granted / Exercised		No. of options Granted / Exercised	
	Granted	Exercised	Granted	Exercised	Granted	Exercised	Granted	Exercised
Mr. M. L. Narula Managing Director	17,000	17,000	25,000	5,000	33,000	—	40,000 (represents 6.19% of the options granted during 2003-2004)	—
Mr. P. K. Sinor Wholetime Director & Company Secretary	15,000	11,400	17,000	—	20,000	—	25,000	—
Mr. A. K. Jain Wholetime Director	9,000	9,000	12,000	—	20,000	—	25,000	—
k. Any other employee who receives a grant in any one year of option amounting to 5% or more of options granted during that year	Nil		Nil		Nil		Nil	
l. Identified employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Nil		Nil		Nil		Nil	
m. Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with International Accounting Standard (IAS) 33	3.35		7.62		6.07		11.61	

For and on behalf of the Board,

Tarun Das
Chairman

Mumbai : May 5, 2004.