

# Directors' Report

Dear Members,

Your Directors have pleasure in submitting their twelfth report alongwith the financial statements of the Company and the highlights of the performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the Company for the financial year ended March 31, 2017.

## Financial Highlights

Particulars	Standalone		Consolidated	
	FY-2016-17	FY-2015-16	FY – 2016-17	FY-2015-16
<b>Gross Revenue</b>	<b>222.51</b>	<b>204.31</b>	<b>8348.10</b>	<b>7262.15</b>
Less: Excise Duty	-	-	916.44	889.55
<b>Net Revenue</b>	<b>222.51</b>	<b>204.31</b>	<b>7431.66</b>	<b>6372.60</b>
<b>Profit before interest, depreciation and tax</b>	<b>121.06</b>	<b>87.41</b>	<b>2200.66</b>	<b>1821.10</b>
Less: Interest and Financial Charges	21.47	2.02	889.99	730.19
<b>Profit before depreciation and tax</b>	<b>99.59</b>	<b>85.39</b>	<b>1310.67</b>	<b>1090.91</b>
Less: Depreciation	5.36	4.36	602.71	580.87
Profit before tax	94.23	81.03	707.96	510.04
Provision for current tax	29.67	20.54	265.70	132.33
Provision for deferred tax	1.19	(2.73)	23.51	113.29
Prior year tax charge	-	0.74	(13.06)	(0.12)
<b>Profit / (loss) after tax before share of profit in associates</b>	<b>63.37</b>	<b>62.48</b>	<b>431.81</b>	<b>264.54</b>
Less: Share of minority interest	-	-	87.01	74.53
Profit / (loss) after tax	63.37	62.48	344.80	190.01
Other Comprehensive Income	(2.46)	0.49	23.22	14.65
<b>Total Comprehensive Income</b>	<b>60.91</b>	<b>62.97</b>	<b>368.02</b>	<b>204.66</b>
Add: Surplus brought forward	192.79	161.09	942.36	825.79
Add: Amount transferred from debenture redemption reserve	-	-	25.00	95.83
Add: Provision for dividend Distribution tax written back	-	1.64	-	1.64
<b>Profit available for appropriation</b>	<b>253.70</b>	<b>225.70</b>	<b>1335.38</b>	<b>1127.92</b>
<b>Surplus carried forward after appropriations</b>	<b>253.70</b>	<b>192.79</b>	<b>1153.25</b>	<b>942.36</b>

Previous financial year figures have been restated as per IND AS.

## Operations and Business Performance

The net revenue of the Company for the financial year 2016-17 has increased by 8.90% which is ₹222.51 crore as compared to ₹204.31 crore in financial year 2015-16 and the profit before tax for financial year 2016-17 has increased by 16.29% which is ₹94.23 crore as compared to ₹81.03 Crore in financial year 2015-16.

The performance of the Company alongwith its subsidiaries, associates and joint venture companies (collectively "the Group") during financial year 2016-17 is a showcase of how cement companies that have invested in the right strategy can grow across industry cycles. The Group has focused on improving all the efficiencies parameter which in turn has helped to improve the margins. The result is that we have been successful in increasing

gross revenue of the Group for the financial year 2016-17 by 14.95% which is ₹8348.10 crore as compared to ₹7262.15 crore in financial year 2015-16 and the profit before tax for financial year 2016-17 has increased by 38.80% which is ₹707.96 crore as compared to ₹510.04 crore in financial year 2015-16.

Please refer to the chapter on Management Discussion and Analysis for a detailed analysis of the performance of the Company during the financial year 2016-2017.

The Company continues to be engaged in the same line of business during the financial year 2016-17. There have been no material changes or commitments affecting the financial position of the Company which have occurred between the end of the financial year and the date of this report.

## Transfer to reserves

The Company proposes to retain the entire earnings in the profit and loss account and not to transfer any amount to the General Reserve.

## Dividend

Your Directors have recommended a dividend of ₹2.20/- (110%) per equity share of face value of ₹2/- each for the current financial year ended on March 31, 2017 as against dividend of ₹2/- (100)% per equity share paid in the immediately preceding year. The proposed dividend is based on the financial and non-financial factors prevailing during the year in terms of the Dividend Distribution Policy of the Company.

## Credit rating

During the financial year 2016-17, CARE has reaffirmed the rating for long term and the short term facilities at AA- and A1+ respectively, signifying the sound financial management and the ability to meet its financial obligations.

## Board of Directors, its Committees and their Meetings

During the financial year 2016-17, five Board meetings were held. Reference is invited to the Corporate Governance Report which forms part of this Report, for the details of Board of Directors, its Committees and their meetings.

## Directors and Key Managerial Personnel

Mr. Jayesh Doshi, Whole-time Director and Chief Financial Officer, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment. Mr. Jayesh Doshi has given declaration to the effect that he is qualified to be reappointed as a Director of the Company.

The Key Managerial Personnel, namely, Mr. Jai Hari Dalmia, Managing Director, Mr. Y.H. Dalmia, Managing Director, Mr. Jayesh Doshi, Chief Financial Officer and Whole-time Director and Ms. Nidhi Bisaria, Company Secretary continue to hold their respective offices during the current financial year.

The Independent Directors, namely, Mr. N. Gopaldaswamy, Mr. V.S. Jain and Mr. P.K. Khaitan have given their respective declaration of independence and have also held a separate meeting wherein they inter alia reviewed the performance of the Non-Independent Directors, Chairman and Board as a whole.

The details of familiarisation programmes imparted to the Independent Directors of the Company during the financial year

2016-17 can be accessed at <https://www.dalmiabhl.com/upload/Familiarisation-Programme-for-ID-2016-17.pdf>.

The Nomination and Remuneration Policy of the Company on Director's appointment and remuneration is attached as Annexure – 1 and forms part of this Report.

Your Directors have conducted a formal evaluation of its own performance and of the performance of its Committees and that of individual Directors in accordance with norms laid down in the Nomination and Remuneration Policy of the Company and SEBI Guidance Note on Board Evaluation.

## Directors' Responsibility Statement

Your Directors state that:

- (a) in the preparation of the annual accounts for the year ended March 31, 2017, the applicable accounting standards have been followed and there are no material departures from the same;
- (b) the Directors 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 at the end of the financial year and of the profit of the Company for that period;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities;
- (d) the Directors have prepared the annual accounts on a going concern basis;
- (e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively; and
- (f) the Directors have devised proper system to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## Particulars of Remuneration of Directors', Key Managerial Personnel and Employees'

The particulars of remuneration to Directors and Key Managerial Personnel and other required particulars are attached as Annexure – 2 and forms part of this Report.

Further a statement showing the names and other particulars of the employees drawing remuneration in excess of the prescribed limits is attached as Annexure – 2A and forms part of this Report.

### Employees' Stock Option Scheme

The Nomination and Remuneration Committee of the Company has granted 10,67,000 stock options, net of lapsed options, to eligible employees of your Company.

During the year, 1,72,500 stock options have vested to eligible employees and the Nomination and Remuneration Committee allotted 1,66,500 equity shares of ₹2/- each of your Company upon exercise of stock options by the employees.

In terms of the provisions of the SEBI (Share Based Employee Benefits) Regulations, 2014, the details of the Stock Options granted under the Scheme are available on your Company's website viz. [www.dalmiabharat.com](http://www.dalmiabharat.com).

A certificate from the Statutory Auditor on the implementation of your Company's Employees Stock Option Scheme will be placed at the ensuing Annual General Meeting for inspection by the Members.

### Subsidiaries, Associates and Joint Venture Companies

A detailed report on the highlights of performance of each of the Company's Subsidiaries and joint ventures companies for the financial year ended March 31, 2017 in Form AOC 1 is attached and marked as Annexure - 3 to this report. The contribution of the Company's Subsidiaries and joint ventures companies to the overall performance of the Company during the period under report is given under the financial highlights above.

The Company has 39 subsidiaries including step down subsidiaries, namely, Dalmia Cement (Bharat) Limited, Dalmia Power Limited, DCB Power Ventures Limited, Kanika Investment Limited, Adwetha Cement Holdings Limited, and the Subsidiaries of Dalmia Cement (Bharat) Limited, viz., Ishita Properties Limited, Shri Rangam Properties Limited, Geetee Estates Limited, D. I. Properties Limited, Hemshila Properties Limited, Arjuna Brokers & Minerals Limited, Shri Radha Krishna Brokers & Holdings Limited, Dalmia Minerals & Properties Limited, Sri Subramanya Mines & Minerals Limited, Sri Swaminatha Mines & Minerals Limited, Sri Shanmugha Mines & Minerals Limited, Sri Dhandauthapani Mines and Minerals Limited, Sri Trivikrama Mines and Properties Limited, Sri Madhusudana Mines and Properties Limited, Cosmos Cements Limited, Sutnga Mines Private Limited, Rajputana Properties Private Limited, Golden Hills Resort Private Limited, Calcom Cement India Limited, Vinay Cement Limited, SCL Cements Limited, RCL Cements Limited, Adhunik Cement Limited, Adhunik MSP Cement (Assam) Limited, Alsthom Industries Limited, Dalmia Bharat Cements Holdings Limited, Shri Rangam Securities & Holdings Limited, JayeVijay Agro Farms Private Limited, Dalmia Cement East Limited, Bangaru Kamakshiamman Agro Farms Private Limited, OCL India Limited, OCL Global Limited, OCL China Limited and Odisha Cement Limited.

During the year under review, Alsthom Industries Limited was incorporated as a step-down subsidiary of the Company w.e.f. December 20, 2016

During the said financial year no company ceased to be a subsidiary of the Company or its Subsidiary.

During the financial year 2016-17, Dalmia Renewables Energy Limited became an associate of Company's subsidiary, Dalmia Cement (Bharat) Limited w.e.f. February, 2017. Apart from this, the Company's subsidiary, Dalmia Cement (Bharat) Limited has one joint venture company, Khappa Coal Company Private Limited, and OCL India Limited, the step down subsidiary, has one joint venture company, Radhikapur (West) Coal Mining Private Limited.

Any Member desirous to inspect the detailed Annual Reports of any of the aforementioned subsidiaries may inspect the same at the Registered Office of the Company during business hours.

The policy for determining material subsidiaries may be accessed at the Company's website at <http://www.dalmiabl.com/upload/policies/DBL-Material-Subsidiary-Policy.pdf>

### Schemes of Arrangement and Amalgamation

The following Schemes of Arrangement and Amalgamation, involving the subsidiaries / step down subsidiaries of the Company, their respective shareholders and creditors, as approved by the respective board of directors of said companies, had been filed with jurisdictional High Courts and later transferred to jurisdictional NCLTs:

- a) Scheme of Arrangement and Amalgamation involving Company's step down subsidiaries i.e., OCL India Limited ("OCL"), Odisha Cement Limited, Dalmia Cement East Limited, Shri Rangam Securities & Holdings Limited and Dalmia Bharat Cement Holdings Limited ("Scheme 1").
- b) Scheme of Arrangement and Amalgamation involving Company's subsidiary Dalmia Cement (Bharat) Limited ("DCBL") and its related parties, DCB Power Ventures Limited, Dalmia Power Limited and Adwetha Cement Holdings Limited ("Scheme 2").
- c) Scheme of Arrangement involving DCBL and its subsidiaries i.e., Adhunik Cement Limited and Adhunik MSP Cement (Assam) Limited ("Scheme 3").

All the aforesaid schemes have not come into effect since final sanction of the jurisdictional NCLTs in respect of some of the companies are pending.

Further, the Board of Directors of the Company at their meeting held on November 5, 2016 had approved the scheme of arrangement and amalgamation amongst Odisha Cement Limited, the Company and Dalmia Cement (Bharat) Limited ("Scheme 4"), which is inter alia conditional upon the effectiveness of Schemes 1 and 2. Scheme 4 has been approved by the Stock Exchanges. The said Scheme is

expected to be filed before the NCLT, Chennai, having jurisdiction over the Registered Office of the aforesaid companies shortly.

### Consolidated Financial Statements

This Annual Report also includes Consolidated Financial Statements for the financial year 2016-17 which have been prepared based on audited Financial Statements of all the subsidiaries including step down subsidiaries of the Company. In this regard attention is invited to note no. 33(B) of the notes to accounts to the Consolidated Financial Statements of the Company for the year ended March 31, 2017 which fully explains the matter and replies to the Auditors observation under "Emphasis of Matter".

### Corporate Governance Report

Your Directors believe that corporate governance is an ethically driven business process that is committed to values aimed at enhancing the growth for the Company. Your Company's corporate governance practices are driven by strong Board oversight, timely disclosures, transparent accounting policies and high levels of integrity in decision-making. The Company's corporate governance practices have been detailed in the Corporate Governance Report and same is attached together with the Auditors' certificate thereon and forms part of this Report.

### Business Responsibility Report

A separate section on Business Responsibility forms part of this Annual Report.

### Extract of Annual Return

The extract of the annual return is attached in Form MGT-9 giving inter-alia details of shareholding pattern, indebtedness, managerial remuneration and forms part of this report as Annexure – 4.

### Corporate Social Responsibility (CSR)

Your Directors have constituted a Corporate Social Responsibility Committee responsible to identify, monitor and review corporate social responsibility activities of the Company and provide strategic direction for implementation of the corporate social responsibility policy of the Company which can be accessed on the website of the Company at <http://www.dalmiabl.com/upload/policies/DBL-CSR-Policy.pdf>.

The Committee decided to expend an amount of ₹0.81 crore on CSR activities covering eradication of extreme hunger and poverty, promotion of education including special education, ensuring environmental sustainability and ecological balance, etc. health, sanitation, education and environment sustainability. Pursuant to the said policy, the Company has made expenses aggregating to ₹0.81 crore towards Corporate Social Responsibility activities during the financial year 2016-17, which is equal to 2% of average net profits of the Company made during three immediately preceding financial years. The Annual Report on CSR activities is attached as Annexure - 5 and forms part of this Report.

The Group as a whole has spent ₹10.16 crore towards Corporate Social Responsibility activities during the said financial year.

### Related Party Policy and Transactions

The policy on related party transactions may be accessed at the Company's website at <http://www.dalmiabl.com/upload/policies/DBL-Related-Party-Policy.pdf>

The particulars of material contracts or arrangements with the related parties is attached in Form AOC 2 and forms part of this Report as Annexure - 6.

### Risk Management Policy

Your Company has constituted a Risk Management Committee to review the risk management plan / process of your Company and that the Company has adequate risk management procedures, which are based upon business environment, operational controls and compliance procedures. The major risks are assessed through a systemic procedure of risk identification and classification. Risks are prioritised according to significance and likelihood. The risk assessment is not limited to threat analysis, but also identifies potential opportunities. The Risk Management Committee oversees the risk management process.

### Whistle Blower Policy and Vigil Mechanism

The Company has in place the Whistle Blower Policy and Vigil Mechanism with a view to provide for adequate safeguards against victimisation of persons who use such mechanism and provide for direct access to the Chairperson of the Audit Committee in appropriate cases.

The policy can be accessed at the website of the Company at <http://www.dalmiabl.com/upload/policies/DBL-Whistle-Blower-Policy-Vigil-Mechanism.pdf>.

### Disclosure under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has in place an Anti Sexual Harassment Policy in line with the requirements of the Sexual Harassment of Women at the Workplace (Prevention, Prohibition & Redressal) Act, 2013. Internal Complaints Committee (ICC) has been set up to redress complaints received regarding sexual harassment.

No such complaints have been received by the said Committee during the financial year 2016-17.

### Loans, Guarantees, Security and Investments

The particulars of investments made and securities/guarantees given by the Company are provided at Note Nos. 5, 8 and 29 read with 30(F) of the notes to accounts to the Standalone Financial Statements of the Company. The details of loans given by the Company are provided at Note Nos. 37 and 38 of the notes to accounts to the Standalone Financial Statements of the Company.

## Adequacy of Internal Financial Controls

Your Company has in place adequate internal control systems commensurate with the size of its operations. The Company has requisite policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of fraud, error reporting mechanisms, accuracy and completeness of the accounting records and the timely preparation of reliable financial disclosures.

The internal control systems are subjected to regular reviews, self-assessments and audits and based on such reviews, we believe that these systems provide reasonable assurance that our internal financial controls are designed effectively and are operating as intended.

## Energy Conservation, Technology Absorption and Foreign Exchange Transactions

The particulars of energy conservation, technology absorption are not applicable to the Company as it is not engaged in any manufacturing activity. The details of foreign exchange earnings and outgo is an under:

- (a) Activities relating to exports; initiatives taken to increase exports; development of new export markets for products and services, and export plans:

The Company has not undertaken any exports during the year under review.

- (b) Total foreign exchange used and earned during the year:

(i) Used: ₹1.63 crore (ii) Earned: ₹nil.

## Statutory Auditors

M/s. S.S. Kothari Mehta & Co., were appointed as the Statutory Auditors of the Company at the Annual General Meeting held on 30th September 2015 for a period of five years subject to ratification by members of the Company every year. The Board recommends the ratification of their appointment, till the conclusion of the next following Annual General Meeting of the Company.

The Company has obtained from them a certificate to the effect that they are eligible to continue as the Statutory Auditors of the Company and that they comply with the prescribed requirements.

## Secretarial Auditor and Their Report

The Board of Directors of the Company appointed Mr. R. Venkatasubramanian, Practising Company Secretary, as the Secretarial Auditor to conduct the Secretarial Audit. The Report of Secretarial Audit is attached in Form MR 3 and forms part of this Report as Annexure - 7.

## Comments on Auditors' Observations

The Report submitted by the Statutory Auditors on the Standalone Financial Statements of the Company and the Report by the Secretarial Auditor does not contain any qualification, reservation or adverse remark or disclaimer. The Notes on Financial Statements referred to in the Statutory Auditors' Report are self-explanatory and do not call for any comments and explanation.

During the year under review, the Auditors have not reported any matter under Section 143 (12) of the Act.

## Public Deposits

The Company has not accepted any deposits from public till date.

## Orders passed by Regulators

There are no significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

## Acknowledgement

The Board of Directors would like to express their sincere appreciation for the assistance and co-operation received from the Government authorities, financial institutions, banks, customers, vendors and members during the year under review. The Board of Directors also wish to place on record its deep sense of appreciation for the committed services by the Company's executives, staff and workers.

For and on behalf of the Board

Place: New Delhi  
Dated: May 10, 2017

**P. K. Khaitan**  
Chairman  
DIN-0004821