

DUNCAN GOENKA

Andhra Cements Limited



MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		✓

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**59th
Annual
Report
1996-97**

BOARD OF DIRECTORS

G.P. Goenka
R.S. Agarwal
S.R. Singh
R.K. Bhargava
P.P. Shastri
P.R. Neelakantan
R.P. Sharma
Dr. P.N. Singh

Managing Director
N.P.S. Shinh

Company Secretary
N.K. Chaturvedi

AUDITORS

Brahmayya & Co.
 Chartered Accountants
 Vijayawada

BANKERS

Bank of Baroda
 Canara Bank
 Andhra Bank
 Syndicate Bank
 Vijaya Bank
 Oriental Bank of Commerce
 State Bank of India
 Punjab National Bank

REGISTERED OFFICE

Sri Durga Cement Works
 Sri Durgapuram - 522 414
 Guntur Dist (A.P.)

UNITS (IN A.P.)

Sri Durga Cement Works
 Sri Durgapuram
 Sri Visaka Cement Works
 Visakhapatnam
 Sri Kanaka Durga Cement Works
 Vijayawada.

Contents: Page No.

Notice	1
Directors' Report	7
Auditors' Report	12
Balance Sheet	15
Profit & Loss Account	16
Schedules	17
Notes to Accounts	26
Statement of Accounting Policies	32
Balance Sheet Abstract and Company's Profile	34
Cash Flow Statement	35

Andhra Cements Limited



NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the **Fifty Ninth Annual General Meeting of the Company** will be held at the **Registered Office at Sri Durga Cement Works, Sri Durgapuram - 522 414 (A.P)** on **Wednesday, the 13th August, 1997 at 12:00 Noon** to transact the following business:

1. To receive, consider and adopt the **PROFIT AND LOSS ACCOUNT** for the year ended 31st March, 1997 and **BALANCE SHEET** as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint Auditors and fix their remuneration.
3. To appoint a Director in place of Shri P R Neelakantan who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr P N Singh who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS:

5. To consider and, if thought fit, to pass with or without modification(s), the following Resolution, of which a 'Special Notice', as required under Section 225 of the Companies Act, 1956, has been received from a member, as an Ordinary Resolution :

"RESOLVED THAT M/s. Lodha & Co., Chartered Accountants, be and are hereby appointed as Joint Auditors of the Company from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.75,000/- per annum."

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

"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions of the Companies Act, 1956, to the creation by the Board of Directors of the Company of mortgages, charges and/or hypothecations in addition to and ranking second or subservient or subordinate to the mortgages, charges and/or hypothecations created and/or to be created by the Company, as the Board may direct, on such of the immovable and/or movable properties/assets of the Company wheresoever situate, both present and future, in such form and manner as the Board may direct, together with the power to enter upon and take possession of assets of the Company in certain events, to or in favour of the following Banks to further secure the Working Capital facilities (both fund-based and non-fund-based), of the amounts mentioned against each aggregating to Rs.50 crores granted and/or to be granted by the following Banks :

- Bank of Baroda
- Andhra Bank
- Canara Bank
- Syndicate Bank
- Vijaya Bank

together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, costs, charges, expenses and all other monies payable by the Company to the aforesaid Banks or any of them under the Agreements/Arrangements entered into/to be entered into by the Company in respect of the said Working Capital facilities (both fund based and non-fund based) granted/to be granted by the aforesaid Banks.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the aforesaid Banks or any of them acting for all of them, the documents for creating the Second Charge by way of mortgage/hypothecations, ranking second or subservient or sub-ordinate to the mortgages, charges and/or hypothecations created/to be created, and for accepting or making any alterations, changes, variations to or in the terms and conditions, to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary for the purposes of giving effect to this resolution and to resolve any question or doubt which may arise in relation thereto."

7. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution:

"RESOLVED THAT the consent of the Company be and is hereby accorded to the Board of Directors of the Company in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to mortgage and/or change all or any of the immovable or movable properties of the Company, wherever situate, present and future, and/or to confer power to enter upon and to take possession of the assets of the Company, in certain events, to or in favour of the Consortium Banks viz., Bank of Baroda, Andhra Bank, Canara Bank, Syndicate Bank and Vijaya Bank ranking pari-passu with charges already created or to be created by the Company in favour of the aforesaid Consortium Banks as the Board may decide for the purpose of securing :-

- a) Rupee term loan not exceeding in the aggregate Rs.50 crores in respect of the Consortium Banks lent, advanced and to be advanced by the Consortium Banks.
- b) Together with interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the Company to the Consortium Banks under their Loan Agreement entered into/to be entered into by the Company in respect of the said loan.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to finalise with the Consortium Banks the documents for creating aforesaid

Andhra Cements Limited



mortgage and/or the charge and to do all such acts and things as may be necessary for giving effect to the above Resolution".

8. To consider, and if thought fit, to pass with or without modification(s) the following Resolution as an Special Resolution :

"RESOLVED that pursuant to the Order and Sanctioned Scheme of the BIFR, the Authorised Capital of the Company be and is hereby increased from Rs.53 crores to Rs.70 crores and the Memorandum and Articles of Association be and is hereby amended in the following manner:

Clause V of the Memorandum of Association of the Company be deleted & the following be substituted in its place as Clause V:

- V. The Share Capital of the Company is Rs.70 crores (Rupees Seventy crores) comprising of 2,500 - 13.5% Taxable Cumulative First Preference Shares of Rs.100/- each; 4,97,500 - 15% Taxable Redeemable Cumulative Second Preference Shares of Rs.100/- each; 6,50,00,000 (Six crores fifty lacs) Equity Shares of Rs.10/- each and Cumulative First Preference Shares shall carry a right to the fixed cumulative dividend of 13.5% per annum subject to deduction of tax at source and in the winding up have a priority right to repayment of Capital and payment of arrears of dividend, if any, over the Redeemable Cumulative Second Preference Shares and Equity Shares but shall have no further right to participate in the profits or assets of the Company. Subject as aforesaid, the Redeemable Cumulative Second Preference Shares shall carry preferential right in priority to the Equity Shares to a fixed cumulative dividend of 15% per annum subject to deduction of tax at source and in the winding up have priority right to repayment of capital and payment of arrears of dividend, if any, over the Equity Shares but shall have no further right to participate in the profits of the Company.

The Equity Shares shall rank equally for the same rate of dividend in proportion to the Capital paid-up thereon and for participation in profits and assets of the Company after payment to the holders of the Preference Shares."

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

"RESOLVED that Article 5 of the Articles of Association of the Company be deleted and the following be substituted in its place as Article 5:

5. The Share Capital of the Company is Rs.70 Crores (Rupees Seventy crores only) comprising of 2,500 - 13.5% Taxable Cumulative First Preference Shares of Rs.100/- each, 4,97,500 - 15% Taxable Redeemable Cumulative Second Preference Shares of Rs.100/- each and 6,50,00,000 Equity Shares of Rs.10/- each.

Cumulative First Preference Shares shall carry a right to the fixed cumulative dividend of 13.5% per annum subject to deduction of tax at source and in winding up have

a priority right to repayment of Capital and payment of arrears of dividend, if any, over the Redeemable Cumulative Second Preference Shares and the Equity Shares but shall have no further right to participate in the profits or assets of the Company. Subject as aforesaid, the Redeemable Cumulative Second Preference Shares shall carry preferential right in priority to the Equity Shares to a fixed cumulative dividend of 15% per annum subject to deduction of tax at source and in the winding up have priority right to repayment of capital and payment of arrears of dividend, if any, over the Equity Shares but shall have no further right to participate in the profits or assets of the Company. The Equity Shares shall rank equally for the same rate of dividend in proportion to the capital paid-up thereon and participation in profits and assets of the Company after payment to the holders of the Preference Shares."

NOTES:

1. The Register of Members and Share Transfer Books of the Company will remain closed from 1st August 1997 to 13th August 1997 (both days inclusive).
2. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote on a poll instead of himself. A proxy need not be a member of the Company. Proxy forms duly completed should be deposited at the Company's Registered Office at least 48 hours before the commencement of the meeting.

By Order of the Board

Place : Calcutta
Date : 20-06-1997

N.K. CHATURVEDI
Company Secretary

Registered Office:

Sri Durga Cement Works,
Sri Durgapuram 522 414 (A.P)

Andhra Cements Limited



EXPLANATORY STATEMENT

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956.

Item No.5:

The Company has received a notice from a member under Section 225 of the Companies Act, 1956, proposing the name of M/s. Lodha & Company, Chartered Accountants, to be appointed as the Joint Auditors of the Company along with the existing Auditors M/s. Brahmayya & Company, the Chartered Accountants, from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting.

The special notice given by the member is circulated in resolution form by the management of the Company considering that appointment of Joint Auditor could be in line with the modern management technique and for increasing the efficiency of the operation of the Company through stricter surveillance.

Item No.6:

The Company continues to avail credit facilities from a Consortium of Banks (hereinafter referred to collectively as "Bankers") detailed in the Resolution under Item No. 6 to meet its Working Capital requirements and had created First Charge in favour of the Bankers on the current assets of the Company. The Bankers have, as per the norms, stipulated that the Company shall create a Second Charge in their favour on the immovable and movable properties/assets of the Company, which have been mortgaged / charged / hypothecated to the Financial Institutions/Banks for the Term Loans, as additional security to secure the credit facilities granted/to be granted by them (both fund based and non-fund based) of the amounts mentioned in the said resolution. The Company has approached the Industrial Development Bank of India, the Lead Institution, seeking their consent for creating the second mortgage/charge/hypothecation on the said immovable and movable properties/assets as stated, in favour of the Bankers.

Since the mortgaging by the Company of its immovable and movable properties/assets as aforesaid may be regarded as disposal of the Company's properties/undertakings, it is necessary to obtain the approval of the Members under Section 293(1)(a) of the Companies Act, 1956, for the creation of the said second mortgages/charges/hypothecations. Hence, your Directors commend the Resolution for your approval.

Shri R S Agarwal, Shri R K Bhargava, and Shri P P Sastry, Nominee Directors of the Financial Institutions may be deemed to be concerned or interested in the Resolution. No other Director of the Company is concerned or interested in the Resolution.

ITEM NO.7:

The Company has applied to the Consortium Banks for need based working capital not exceeding Rs.50 crores. The above need to be mortgaged on all immovable and movable properties of the Company, both present and future, ranking pari-passu.

Section 293(1) (a) of the Companies Act, 1956, provides, inter-alia, that the Board of Directors of a Public Company shall not, without the consent of such Public Company in

general meeting sell, lease or otherwise dispose of the whole or, substantially the whole, of the undertaking. Since mortgage amounts to sale, the said Resolution is necessary.

Shri R S Agarwal, Shri R K Bhargava, and Shri P P Sastry, Nominee Directors of the Financial Institutions may be deemed to be concerned or interested in the Resolution. No other Director of the Company is concerned or interested in the Resolution.

ITEM NO.8:

Under a sanctioned Rehabilitation Scheme of Hon'ble BIFR Order dated 16.06.1994, the Promoter Group Companies have to induct additional Share Capital as stipulated in the Order. Since the Equity Capital to be brought in by the Promoter Companies will result in the paid up Capital exceeding Authorised Capital, it is desirable to increase the Authorised Share Capital of the Company to Rs.70.00,00,000 to enable induction of Equity Capital.

By Order of the Board

Place : Calcutta
Date : 20-06-1997

N.K. CHATURVEDI
Company Secretary

Registered Office:

Sri Durga Cement Works,
Sri Durgapuram 522 414 (A.P)

Andhra Cements Limited



REPORT OF THE DIRECTORS

To THE MEMBERS

Your Directors present the Fifty Ninth Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1997.

OPERATING RESULTS

During the year under review the company has made significant progress in production and sales. Cement production at 7.74 lac MT and sale at 7.61 lac MT were higher by 26% and 28% over the previous year. Clinker production at 6.88 lac MT was 40% higher than last year and is a new record since inception of the Company.

Financial results for the year under review are as follows:

	(Rs.in Crores)	
	Year ended 31.3.1997	Year ended 31.3.1996
Income	164.0	118.8
Profit/(Loss) before Interest and Depreciation	14.6	11.0
Interest	11.9	10.9
Cash Profit/(Loss)	2.7	0.1
Depreciation	4.7	4.6
Net Loss	(2.0)	(4.5)
Carry forward Losses	(244.0)	(242.0)

Intensive action for reduction of power and fuel consumption was initiated during the year with considerable improvement. These include increased Captive generation through existing Gen sets, change over to furnace oil in place of diesel oil, improved process/plant efficiencies etc. The process is continuing and further improvements are expected in the coming years.

Though the Company achieved a significant growth in volumes, substantial hike in input costs coupled with recessionary market conditions in the second half of the year lead to pressure on margins affecting the profitability.

In view of the accumulated losses, the Directors do not recommend any dividend for the year.

The Company has made further progress in the current financial year, including achievement of record sales of 105 Th.M.T in a month and a record production of 115 Th.M.T of cement in May 97.

A significant increase in Turnover and Operational efficiencies is expected during the current year.

WORKING CAPITAL

The Consortium Banks have assessed the Working Capital Limits at Rs. 29.5 crores, and the final limits are not yet operational. The Company continues to operate against the adhoc Working Capital facilities of Rs.19.5 crores, an increase of Rs.2 crores during the current year.

PROMOTER FUNDS

Under the BIFR Scheme, Duncan Goenka group of Companies have brought in Rs. 32.10 crores till 31st March, 1997. An amount of Rs.3 crores has been received in April'97.

INDUSTRIAL RELATIONS

The Company implemented the Cement Industry wage settlement effective 1st April, 1996. Industrial Relations have been normal.

DISCLAIMER OF RESPONSIBILITY REGARDING ACCOUNTS - PRE TAKEOVER.

The Balance Sheet and Profit and Loss Account for the year 1991-92 to 1994-95 have been signed by the Directors of the reconstituted Board in accordance with the BIFR Order dated 16.6.94. The present Directors do not take any personal responsibility for any transactions arising out of the same and of the said accounts as such, excepting to state that these were prepared based on the books of accounts and papers available and scrutinised by the Statutory Auditors. Signing and presentation of accounts will not preclude the Company from disclaiming any transactions that are found to be irregular or not in the bonafide interests of the Company.

DIRECTORS

Shri P R Neelakantan and Dr P N Singh will retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Shri N Panchapakesan ceased to be a Director with effect from March 5, 1997.

AUDITORS

M/s.Brahmayya & Company, Chartered Accountants will retire at the ensuing Annual General Meeting and are eligible for reappointment. As regards Auditors' observations, the relevant notes on the accounts are self explanatory and do not call for any further comments.

FIXED DEPOSITS

As at the end of the Financial Year under Report 6413 Deposits totalling Rs. 339.20 lacs in all, which were due for repayment, were claimed. The repayment would be in accordance with the sanctioned Rehabilitation Scheme and such further modifications as are approved by Hon'ble BIFR from time to time.

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

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to those matters is appended hereto and forms part of this Report.

EMPLOYEES

The statement showing particulars of employees as required under Section 217(2A) of the Companies Act, 1956 is appended.

ACKNOWLEDGEMENTS

The Directors acknowledge the excellent co-operation and support extended by Financial Institutions, Banks and Employees at the critical stage in the revival of the Company.

for and on behalf of the Board

Place : Calcutta
Date : 20-06-1997

R S AGARWAL
Director

N.P.S. SHINH
Managing Director

Registered Office:

Sri Durga Cement Works
Sri Durgapuram 522 414 (A.P)