

**Andhra Cements Limited**



**DUNCAN GOENKA**

Report  junction.com

**61st  
Annual  
Report  
1998-99**

## BOARD OF DIRECTORS

**G.P. Goenka** - Chairman

**V.C. Chaturvedi**

**M.L. Purohit**

**J. Jayaraman**

**P.P. Shastri**

**P.R. Neelakantan**

Managing Director

**N.P.S. Shinh**

Company Secretary

**N.K. Chaturvedi**

## AUDITORS

Brahmayya & Co.  
Chartered Accountants  
Vijayawada

Lodha & Co.  
Chartered Accountants  
Calcutta

## 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 (A.P.)

## SECRETARIAL DEPARTMENT

II Floor, Chandralok Complex  
111, Sarojini Devi Road  
Secunderabad - 500 003

## 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 .....	4
Auditors' Report .....	10
Balance Sheet .....	13
Profit & Loss Account .....	14
Schedules .....	15
Notes to Accounts .....	25
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 **Sixty-first 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 11th August, 1999** 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, 1999 and **BALANCE SHEET** as at that date and the **REPORTS** of the **DIRECTORS** and **AUDITORS** thereon.
2. To appoint M/s. Brahmayya & Co., Chartered Accountants and M/s. Lodha & Co., Chartered Accountants as Joint Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to 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 Shri G P Goenka 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, as a Special resolution :  
**"RESOLVED THAT** in supersession of all earlier resolutions passed upon the matter of delisting, the equity shares of the Company be delisted from Calcutta, Bangalore & Chennai stock exchanges only, and the Company's equity shares shall remain listed in the Hyderabad, Mumbai & Delhi stock exchanges".
6. To consider and if thought fit, to pass, with or without modification(s), the following resolution, as a Special Resolution :  
**"RESOLVED THAT** the consent of the Company be and is hereby accorded, if necessary, in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act 1956, to the Board of Directors of the Company mortgaging and/or creating charges against all the immovable and movable properties of the Company, wheresoever situate, and the whole of the undertaking of the Company and/or conferring power to enter upon and take possession of the assets of the Company in certain events on pari-passu basis to or in favour of The Industrial Finance Corporation of India Limited (IFCI) and/or any other Financial Institutions, Banks to secure total amount of upto a maximum of Rs.110 Crores lent/advanced by the IFCI and/or any other Financial Institutions, Banks to the Company and restructured as per the BIFR sanctioned rehabilitation Scheme dated 16.6.94 and such further proceedings thereof, for the purpose of issue of Secured Zero Interest Debentures (ZID) in lieu of interest outstanding on Term Loans after waiver of all penal charges, liquidated damages etc., for the period upto 30th September, 1994 and 25% of the Principal outstanding as on 30.06.1994 bearing Zero interest converted in accordance with the scheme sanctioned by Hon'ble BIFR, to IFCI and/or any other Financial Institutions, Banks subject to prior charge created in favour of IFCI and/or any other Financial Institutions, Banks and secured on pari-passu basis between such Financial Institutions and Banks by mortgage

of deposit of title deeds of all the immovable properties of the Company wherever situate, and hypothecation of all movable assets, machinery, spares, tools and accessories, present and future, subject to prior charges created and/or to be created in favour of the Company's Bankers, on its stocks, stores and book debts for its working capital requirements.

RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised, if required, to finalise with the IFCI and/or any other Financial Institutions, Banks, Trustees etc., the documents for creating the abovesaid mortgages, charges and/or hypothecations and to accept any modifications to, or to modify, alter or vary, the terms and conditions of the aforesaid documents and to do all such acts and things and to execute all such documents as may be necessary for giving effect to the above Resolution".

#### NOTES:

1. The Register of Members and Share Transfer Books of the Company will remain closed from 3.8.1999 to 11.8.1999 (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.
3. The Shares, Debentures and Fixed Deposits work is being handled at the Secretarial Department at II Floor, Chandralok Complex, 111, Sarojini Devi Road, Secunderabad - 500 003.
4. The equity shares of the Company are listed on :
  1. The Hyderabad Stock Exchange Limited  
3-6-275, Himayat Nagar, Hyderabad - 500 029;
  2. The Stock Exchange, Mumbai  
25th Floor, PJ Towers, Dalal Street, Fort, Mumbai - 400 001;
  3. The Delhi Stock Exchange Association Limited  
3 & 4/4B, Asaf Ali Road, New Delhi - 110 002;
  4. The Calcutta Stock Exchange Association Ltd.  
7, Lyons Range, Calcutta - 700 001;
  5. Madras Stock Exchange Limited  
Exchange Building, Post Box No.183, 11, Second Line Beach  
Chennai - 600 001; and
  6. Bangalore Stock Exchange Ltd  
51, Stock Exchange Towers, 1st Cross, J.C. Road, Bangalore-560 027.

#### MEMORANDUM OF INTEREST

1. Shri P R Neelakantan is deemed to be interested in Resolution No.3.
2. Shri G P Goenka is deemed to be interested in Resolution No.4.

Place : Calcutta  
Date : 22.6.1999

By Order of the Board  
(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**

At the Annual General Meeting held on 19th August, 1998, the Members had approved delisting the equity shares of the Company from all stock exchanges. With a view to providing liquidity it has been decided to remain listed on Hyderabad, Mumbai & Delhi stock exchanges and get delisted from Calcutta, Bangalore & Chennai stock exchanges owing to lack of activity and to conserve resources of the Company.

None of the Directors are concerned or interested in the resolution.

Your directors recommend the resolution for your approval.

**ITEM NO.6**

With a view to creating pari-passu charge, if required, on the properties of the Company in favour of The Industrial Finance Corporation of India Limited (IFCI) and/or any other Financial Institutions, Banks for the purpose of issue of Secured Zero Interest Debentures in lieu of interest outstanding on Term Loans after waiver of all penal charges, liquidated damages etc., for the period upto 30.09.1994 and 25% of the Principal outstanding as on 30.06.1994 bearing Zero interest converted in accordance with the Scheme sanctioned by Hon'ble BIFR, upto a maximum value of Rs.110 Crores as per the sanctioned rehabilitation BIFR Scheme as applicable to the Company, it may be necessary to obtain approval U/s. 293(1)(a) of the Companies Act, 1956 which provides that the Board of Directors of Public Limited Companies shall not, without the consent of the shareholders in General Meeting, sell, lease, or otherwise dispose of the whole or substantially the whole of the undertaking of the Company.

The creation of mortgage of and charge over the assets of the Company, if required, tantamounts to disposal of the properties of the Company, within the meaning of Section 293(1)(a) of the Companies Act, 1956, requiring approval and consent of the Members of the Company in General Meeting by Special Resolution.

**Memorandum of Interest :**

Mr M L Purohit, Nominee Director of Industrial Development Bank of India, Mr J Jayaraman, Nominee Director of Bank of Baroda and Mr P P Shastri, Nominee Director of Unit Trust of India, may be deemed to be interested or concerned as nominees of the respective institutions, in the resolution.

Your Directors recommend the resolution for your approval.

By Order of the Board

**(N K CHATURVEDI)**  
Company Secretary

Place : Calcutta  
Date : 22.6.1999

**Registered Office:**

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

## REPORT OF THE DIRECTORS

**To  
The Members,**

Your Directors present the SIXTY-FIRST Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 1999.

### OPERATING RESULTS

The year under review was one of glut in the cement market, with new capacities coming in production with Sales Tax incentives, in the South including A.P. and Tamil Nadu. This resulted in steep decline in cement prices, realisations and volumes. The drop in cement prices, coupled with increase in transport costs made it unremunerative to sell at the distant markets of Kerala, Tamil Nadu etc.

There were increase in prices of electricity, coal and other costs which, coupled with drop in realisations resulted in a set back to the rehabilitation plans. The cement sales at 5.64 lac M.T., were 30% lower than the last year. Consequently production of cement & clinker had to be curtailed during the year.

A strike of Contractor's labour in Packing Department of DCW from January 17, 1999, resulted in further losses.

The financial results for the year were accordingly very adverse, as under :

	<b>Year ended 31.3.1999 (Rs. in Crs)</b>	Year ended 31.3.1998 (Rs. in Crs)
Income	<b>109.4</b>	173.0
Profit/(Loss) before interest and depreciation	<b>(0.7)</b>	11.7
Interest	<b>15.5</b>	16.6
Cash Profit / (Loss)	<b>(16.2)</b>	(4.9)
Depreciation	<b>4.7</b>	4.7
Net Loss	<b>(20.9)</b>	(9.6)

Intensive efforts to improve operational efficiencies, debugging of bottlenecks, cost reduction etc. continued and an all time record of 90,000 MT of Clinker was produced in Dec.98. Through purchase of power, savings were achieved in power costs. However, all the above effort was not adequate to off-set the adverse market conditions.

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

## Andhra Cements Limited



### WORKING CAPITAL

Against the assessed Working Capital limits of Rs.29.5 crores, the Company continues to operate against the adhoc Working Capital facilities of Rs.20.7 crores except for Canara Bank which released its full share.

### PROMOTER FUNDS

Rs.65 crores as envisaged in the Rehabilitation Scheme have been inducted as Promoter funds.

### LISTING FEE PAYMENT

The Company has paid Annual Listing Fee upto 1999 - 2000 to Hyderabad, Mumbai, Delhi & Madras Stock Exchanges.

In respect of Calcutta & Bangalore Stock Exchanges, in view of the pending request for delisting, listing fees have not been paid (Demand Notices received from Calcutta - 1990-94, 98-99 Rs.72,375 & Bangalore - 1992-95, 98-99, Rs.93,375).

### Y2K COMPLIANCE

The Company has taken necessary steps to ensure Y2K compliance for all its Computer systems by 30th September, 1999. The expenditure is not expected to have any material financial impact. There is no need for any contingency plan.

### INDUSTRIAL RELATIONS

The Industrial Relations were affected consequent to an illegal strike by a section of the Contractor's Workers in the Packing & Loading Department, at the DCW factory w.e.f. January 17, 1999 and by the Railway Siding contractors, at Nadikude resulting in a Lockout being declared from April 3, 1999. The Lockout was lifted on May 3, 1999.

### 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 Shri G P Goenka will retire at the forthcoming Annual General Meeting and are eligible for re-appointment.

Shri V C Chaturvedi, was nominated by Hon'ble BIFR by letter dated 11.6.1999 and was inducted on to the Board on 22.6.1999. The nomination of Shri S-R Singh was withdrawn by Hon'ble BIFR during the year. Your Directors wish to place on record their sincere appreciation for the valuable services rendered by Shri S R Singh during his tenure on the Board.

### **AUDITORS**

M/s.Brahmayya & Company and M/s. Lodha & 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 6186 deposits totalling Rs. 325.99 lakhs 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 EX-CHANGE 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 co-operation extended by Financial Institutions, Banks and Employees in the revival of the company.

for and on behalf of the Board

Place : Calcutta  
Date : 22.6.1999

**P R NEELAKANTAN**  
Director

**N.P.S. SHINH**  
Managing Director



## Andhra Cements Limited

**ANNEXURE TO DIRECTORS' REPORT 1998-99**

Annexure to Directors' Report - Information 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 and forming part of Directors' Report for the year ended 31st March, 1999.

**A. Conservation of Energy:**

- |  |   |
|--|---|
| <p>a) Energy conservation</p>  | <p>i) Retrofitting of WG Fan (PC Stream), Raw Mill - II Fan and Cooler Vent Fan to save power consumption.</p> <p>ii) Installation of GRR for WG Fan (PC Stream), Raw Mill-2 Fan, Cooler Vent Fan and Separator Fan in Cement Mill section to save power consumption.</p> <p>iii) Installation of imported Mg bricks in the burning zone, using of imported Castable in critical areas like Kiln tip casting, Cooler Beam etc for continuous operation of Kiln at higher output and power saving.</p> <p>iv) Incorporation of water cooling system in the Cooler for operation of Kiln at higher output and power saving.</p> <p>v) Utilization of imported Coal for higher kiln production, energy saving and consistent clinker quality.</p> <p>vi) Installation of Deflector plates in PC stream top cyclones for reducing pressure drop and power saving.</p> <p>vii) Installation of segmental dip tube in IV cyclone of PC stream for smooth operation and reduce heat consumption.</p> |
| <p>b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy.</p>                                  | <p>Various energy saving equipments are under consideration for power cost reduction.</p>   |
| <p>c) Impact of the measure at (a)&amp;(b) above for reduction of energy consumption and consequent impact on the cost of production of goods.</p> | <p>By incorporating various measures, the power consumption at DCW has been reduced by about 6 KWH/Ton of Cement, the full impact of which will be noticed when full production levels are restored for clinker.</p>  |
| <p>d) Total energy consumption and energy consumption per unit of production.</p>  | <p>Particulars given in Form - A.</p>   |

**ANNEXURE TO DIRECTORS' REPORT 1998-99****FORM - A**  
**(See Rule 2)**

	<b>Current Year</b>	<b>Previous Year</b>
<b>A. Power and Fuel Consumption</b>		
01. ELECTRICITY:		
a) Purchased:		
Units (Lakhs - KWH)	<b>338.18</b>	515.95
Total Amount (in Rs. Lakhs)	<b>1373.56</b>	2034.29
Rate / Unit (Rs.)	<b>4.06</b>	3.94
b) Own Generation:		
Through D G Sets		
Net Units - KWH (Lakhs)	<b>369.75</b>	520.34
Unit / Lt of Diesel / Furnace Oil	<b>3.69</b>	3.73
Cost / Unit (in Rs.)	<b>2.08</b>	2.11
02. COAL:		
Quantity (Tonnes)	<b>115426</b>	164147
Total Cost (in Rs.Lakhs)	<b>1851.93</b>	2575.30
Average Rate per M.T (Rs.)	<b>1604.43</b>	1568.90
03. FURNACE / DIESEL OIL:		
Quantity (K.Lts)	<b>10030.62</b>	13959.36
Total Cost (in Rs.Lakhs)	<b>664.38</b>	871.68
Average Rate (Rs./K.Lts)	<b>6623.52</b>	6244.41
04. OTHER/INTERNAL GENERATION:		
B. Consumption per unit of Production:		
Production - OPC/PBFSC/PPC (in M.T.)	<b>550474</b>	798434
Electricity (in KWH/M.T. of Cement)	<b>109.60</b>	116.46
Coal Consumption to Clinker	<b>0.22</b>	0.22
Others	—	—
<b>B. Technology Absorption,</b>		
<b>- Adaptation and Innovation</b> : No new technology has been imported		

**FORM 'B'**

The Company has not undertaken any Research and Development activities and no expenditure has been incurred

	<b>(Rs. Lakhs)</b>	<b>(Rs. Lakhs)</b>
<b>C. Foreign Exchange Earnings and outgo:</b>		
i) Total Foreign Exchange outflow	<b>62.26</b>	92.45
ii) Total Foreign Exchange inflow	—	156.30