



Notice to Shareholders

NOTICE is hereby given that the **Sixty-Fourth 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 **Saturday, the 26th October, 2002 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, 2002 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 authorise the Board of Directors to fix their remuneration.
3. To appoint a Director in place of Shri G P Goenka who retires by rotation and being eligible, offers himself for reappointment.

SPECIAL BUSINESS :

4. To consider and if thought fit to pass with or without modification(s) the following Resolution as an Ordinary 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.70 crores to Rs.90 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.90 crores (Rupees Ninety crores) comprising of 5,00,000 (Five lac) Redeemable Preference Shares of Rs.100 each; 8,50,00,000 (Eight crores fifty lacs) Equity Shares of Rs.10 each.

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".

5. 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.90 Crores (Rupees Ninety crores only) comprising of 5,00,000 (Five lac) Redeemable Preference Shares of Rs.100 each and 8,50,00,000 (Eight crores fifty lacs) Equity Shares of Rs.10 each.

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Redeemable Preference Shares shall carry a right to a fixed cumulative dividend per annum as may be decided from time to time as per applicable laws by the Board/Company 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.

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 Redeemable Preference Shares."

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

"RESOLVED THAT pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, and the Memorandum and Articles of Association of the Company and subject to such other consents, sanctions, permissions and necessary approvals as may be required including the approval of Financial Institutions/Banks etc. from whom the Company has borrowed money or in whose favour the Company has created any mortgage/charge, consent of the Company be and is hereby accorded to the Board of Directors of the Company for spinning off by way of sale, lease and/or otherwise transfer or dispose of in any other manner, including by way of a slump sale, the whole or part of the business undertakings as well as assets and liabilities of the Company's following Units:

1. Visakha Cement Works
Visakhapatnam
2. Sri Kanaka Durga Cement Works
Vijayawada

to any person, firm, body corporate or entity for such consideration and on such terms and conditions as the Board of Directors (including Committee thereof) may consider fit and proper in the best interest of the Company and to do all acts, deeds and things as may be considered necessary and expedient in connection therewith and incidental thereto.

RESOLVED FURTHER THAT for the purpose of giving effect to the above resolution, the Board of Directors or its Committee or persons authorised by the Board, be and is/are hereby authorised to finalise and execute any and all agreements and/or documents/papers necessary for effecting the aforesaid sale, lease and/or otherwise transfer etc. as aforesaid and do such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing the aforesaid resolution and to resolve any question or doubt relating thereto, or otherwise considered necessary to be in the best interest of the Company including the modification(s) as may be suggested by the concerned authorities".

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



"RESOLVED THAT in pursuance of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, consent of the Company, be and is, hereby accorded to mortgaging and/or charging by the Board of Directors of all immovable and movable properties of the Company wherever situate, present and future, in favour of any Bank(s)/Fls/any other Entity(s) to secure Bridge loan facility of upto Rs.75 Crores (Rupees Seventy Five Crores only) lent and advanced/agreed to be lent and advanced to the company by Bank(s)/Fls/any other Entity(s) together with the interest thereon at the agreed rates, compound interest, additional interest, liquidated damages, costs, charges, expenses and other monies payable by the company to the aforesaid Bank(s)/Fls/any other Entity(s) under the Bridge Loan Agreement/Joint Deed of Hypothecation/Bridge Loan Consortium Agreement entered into/to be entered by the Company in respect of the said Bridge Loan facilities.

RESOLVED FURTHER THAT the Board of Directors of the company, be and is, hereby authorised to finalise and to execute documents for creating aforesaid 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 Ordinary Resolution :

"RESOLVED THAT pursuant to Hon'ble BIFR Order, the payments made to Banks/Fls/Debtenture holders/Fixed deposit holders under the One Time Settlement Scheme (OTS) by the Company against loans/dues, be and is hereby ratified.

FURTHER RESOLVED THAT the Board of Directors of the Company be and is hereby authorised to finalise OTS with other Banks/Fls/Debtenture holders/Fixed deposit holders whose loans/dues remain outstanding by sale of Company's undertaking(s)/assets or obtaining bridge loans to meet funds requirement for OTS payments".

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

"RESOLVED THAT pursuant to the provisions of section 31 of the Companies Act, 1956 including any statutory modifications or re-enactments thereof for the time being in force, the Articles of the company be and are hereby altered to the extent and in the manner set out hereunder :

- A) After the existing Article 59, the following new Articles 59A and 59B be included:

59A. DEMATERIALIZATION OF SECURITIES

That the Equity shares/Preference shares/Debtentures and other financial instruments issued/to be issued by the Company be permitted to be dematted as per the

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Depositories Act, 1996 including any statutory modifications or re-enactment thereof for the time being in force and the applicable rules shall apply thereto.

59B. NOMINATION FACILITY

That nomination facility be extended to the Equity shareholders/Preference shareholders/Debenture holders as per the Companies Act, 1956 and Rules thereunder as applicable.

B) After the existing Article 102, the following new Article 102A be included:**102A. PASSING OF RESOLUTION BY POSTAL BALLOT**

Notwithstanding anything contained in the Articles of Association of the Company, the Company do adopt the mode of passing a resolution by the members of the Company by means of a postal ballot and / or other ways as may be prescribed by the Central Government in this behalf in respect of the following matters instead of transacting such business in a General Meeting of the Company:

- i) Any business that can be transacted by the Company in General Meeting; and
- ii) Particularly, resolutions relating to such business as the Central Government, may by notification, declare to be conducted only by postal ballot.

The Company shall comply with the procedure for such postal ballot and / or other ways prescribed by the Central Government in this regard".

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

"RESOLVED THAT consent of the Company be accorded for delisting the equity shares of the Company from Hyderabad Stock Exchange (Regional) and Delhi Stock Exchange and retain listing only at The Stock Exchange, Mumbai as per applicable guidelines and approvals".

By Order of the Board
For **ANDHRA CEMENTS LIMITED**

Place : Kolkata
Date : 31.08.2002

(**N K CHATURVEDI**)
Company Secretary

Registered Office:

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



Explanatory Statement as required under section 173(2) of the Companies Act, 1956:

ITEM NO.4 & 5

Under a sanctioned Rehabilitation Scheme of Hon'ble BIFR Order dated 16.06.1994, and revision / modification under consideration, the Promoter Group Companies have to induct additional Share Capital as may be stipulated in the Order/revision/modification. 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.90,00,00,000 to enable induction of Equity Capital. Necessary alterations have to be made in the Memorandum and Articles of Association giving effect to the increase in the Authorised Capital.

None of the Directors are interested in the above resolution.

Your Directors commend the resolution for your approval.

ITEM NO.6,7 & 8

Pursuant to Hon'ble BIFR Order, the Company has made One Time Settlement (OTS) with some Financial Institutions and Banks and is planning to pay-off the other Institutions and Banks from the sale of undertakings/assets located in Visakhapatnam and Vijayawada. Till the assets are sold, it may be necessary to arrange a bridge loan from Banks/FIs/ any other Entity(s).

For the purpose of obtaining Bridge loan from FIs/Banks/any other Entity(s), the prospective lender(s) may insist on creation of mortgage of its immovable properties in their favour to secure the Bridge loan, for which this resolution has been proposed.

Payments were made to Banks/FIs/Debenture holders and Fixed Deposit holders under OTS scheme for which ratification is being sought. Similarly approval of share holders is being sought in respect of above entities whose amounts remain outstanding for OTS settlements.

Section 293(1)(a) of the Companies Act, 1956 inter-alia provides that the Board of Directors of a public company shall not, without the consent of Members of such Company in general meeting, sell, lease or otherwise dispose of the whole, or substantially the whole, of the undertaking of the Company.

Since the mortgaging by the Company of the immovable and movable properties as aforesaid in favour of the above-referred FIs/Banks/Entities may be regarded as disposal of the Company's properties/undertakings, it is necessary for the members to pass an Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956.

None of the Directors are interested in the above resolution.

Your Directors commend the resolution for your approval.

ITEM NO.9

With the introduction of the Depositories Act, 1996 and depository system, some provisions of the Companies Act, 1956 relating to the issue, holding, transfer, transmission of shares

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and other securities have been amended to facilitate the implementation of new system. Further the SEBI also has been issuing guidelines for the conversion of physical share holdings into dematerialised form. Therefore it is proposed to amend the articles of association of the company suitably to incorporate therein necessary provisions relating to the depository system. The Depository System of holding and trading securities of company in electronic form is far safer and a more convenient method. It is therefore proposed to suitably amend the articles as set out in the resolution.

In its continued efforts to provide better Investor Services, the Company has signed agreement with CDSL and also appointed CIL Securities Ltd., as Company's Registrar to establish the required Electronic connectivity for providing DEMAT Services to the Shareholders of the Company. The ISIN No. allotted to the securities of the Company is INE666EO1012 by CDSL, which has got activated w.e.f. 29.1.2002. The securities of the Company are now available to the Shareholders/Investors of the Company under the optionally DEMAT mode. NSDL connectivity is awaited.

Since the Articles of Association of the Company contained the provisions pertaining to the transfer, transmission etc. of the shares in physical form only in line with the provisions of the Companies Act, 1956 and to take within its scope the post compulsory demat scenario, the alteration to the Articles of Association of the Company is proposed by way of additions of new articles relating to dematerialisation of shares. This will make the Articles of Association of the Company also in line with the Depositories Act, 1996.

The copy of agreement entered into with CDSL and existing Memorandum and Articles of Association of the Company together with the proposed alterations are available for inspection between 3:00 p.m. to 5:00 p.m. at the Secretarial Dept. on all working days (except holidays) upto the date of the Annual General Meeting.

As the members are aware the Companies Act, 1956 has been amended and new provisions dealing with Dematerialization of shares, Nomination and Voting by Postal Ballot etc. have been introduced. With a view to suitably incorporate the amendments made to the Companies Act, 1956 and subject to your approval new Articles viz., Article 59A, 59B and 102A are proposed to be added to the existing Articles of Association of the Company as indicated in the resolution.

ITEM NO.10

At the Board of Directors Meeting held on 31.08.2002, it was decided to delist the equity shares of the Company from Hyderabad and Delhi Stock Exchanges as virtually no trading activity in them was seen, to conserve financial resources and in view of promoters shareholding being in excess of 90% of the paid-up Share Capital.

Place : Kolkata
Date : 31.08.2002

By Order of the Board
For **ANDHRA CEMENTS LIMITED**
(**N K CHATURVEDI**)
Company Secretary

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



Report of the Directors

To
THE MEMBERS,

Your Directors present the SIXTY FOURTH Annual Report and the Audited Accounts for the financial year ended March 31, 2002.

FINANCIAL RESULTS

	Year ended 2001-02 (Rs. Crs.)	Year ended 2000-01 (Rs. Crs.)
Gross Sales	172.9	147.9
Net Sales	119.8	105.0
Interest	11.8	15.3
Cash Profit / (Loss)	4.1	(4.0)
Depreciation	2.2	3.4
Extra-ordinary Income	34.0	0.5
Net Profit / (Loss)	36.0	(6.9)

INDUSTRY STRUCTURE AND DEVELOPMENTS

The cement industry has witnessed a steep growth in capacities during the last 5 years, unwarranted by the growth in demand, resulting in an unprecedented prolonged glut situation. The position in South has been particularly adverse where the excess capacity as on 31.3.2002 was over 69%.

On a compounded annual growth rate of 8%, the glut in South will continue for the next 4 – 5 years, without creation of any additional capacity. In this industry scenario, pressure on prices and profitability is likely to continue for the next few years, and the viability of the cement industry will depend on disciplined supplies matching the demand, a situation that would remain uncertain due to a very large number of players in the cement market.

Significant investments are being made on infrastructure and housing which will be of considerable help. These however will not be adequate to ensure a high capacity utilisation for the cement industry in South in the coming few years.

However, the recent moves towards consolidation of capacities, apart from strategic alliances for marketing and freight rationalisation are expected to result in improved viability of the cement industry.

OPPORTUNITIES & THREATS

The Company's plant at Dachepalli is capable of modernisation cum expansion by about 40% at a relatively low investment. This will also reduce the energy costs and related efficiencies. Power costs can be reduced by various measures including purchase of power from independent power producers, greater own

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generation of power and other measures. The company has surplus assets for sale, which can generate the much-needed funds to repay the pre-takeover dues.

The massive over-capacity built up in the South is presently the major threat, particularly as considerable part of the capacity is exempt from Sales Tax or has interest free Sales Tax deferment. The company's strategy has to focus on cost reduction and improvement of performance in all areas.

MANAGEMENT DISCUSSION AND ANALYSIS

The gross sales recorded an increase of 17% over the previous year against 9% total consumption growth recorded in South. There was increase of 6% in Clinker production (6.51 lac MT against 6.14 lac MT last year) and 22% in Cement (8.03 lac MT against 6.5 lac MT last year).

The net profits recorded by the company include the favourable impact of waivers under the One-Time Settlement with secured creditors (Rs.36.5 Crs), as well as write offs relating to provisions no longer required. Further waivers will be incorporated in the books after the formal consents are conveyed by the various Banks / FIs, during the year 2002-03.

Business Segment-wise Performance and Outlook

Segment-wise Operational Performance is not applicable as the company is only in the business of cement.

Outlook

The company has strengthened its market structure, and is improving the distribution and marketing in the Eastern markets as well as on sale of high quality Ground granulated blast furnace slag for enhancing the durability of concrete in Coastal areas. These are expected to help in improving the capacity utilisation of the Vizag Unit and its divestment for which efforts are being made.

A One Time Settlement of the secured creditors under implementation currently will result in substantial reduction of interest costs and facilitate the successful rehabilitation of the Company.

Risks and Concerns

The company is competing with cement industry majors who operate in diversified markets, with multiple supply sources for whom the ups and downs of cement prices and demand in some regions can get compensated by improved performance from other regions / areas. Further the considerable cost advantage available to Sales Tax exempt units can be a source of concern due to adverse impact on the margins of the company, as it is not entitled to such concessions. The State Governments have taken a decision not to extend further Sales Tax exemptions to the new Units any further, which will help in over all capacity utilisation of existing Units.



As a developing country with a large population and low per capita consumption of cement, long-term outlook of cement industry is favourable. However the next few years are expected to be turbulent due to over capacity already established in the cement industry as well as dormant capacity available through expansion of blended cements.

Internal Control Systems and their Adequacy

The company has an effective system of accounting and administrative controls which ensures that all assets are safeguarded and protected against loss from unauthorised use or disposition. The company has a well-defined organisational structure with clear functional authority limits for approval of all transactions.

The company has a strong reporting system, which evaluates and forewarns the management on issues related to compliance. The performance of the Company is regularly reviewed by the Board of Directors to ensure that it is in keeping with the overall corporate policy and in line with the Company's objectives.

The company's internal auditors review business process and controls in consultation with the Statutory Auditors. Significant findings are then discussed by the Audit Committee of the Board and corrective measures initiated.

Personnel

The industrial relations scenario continued to be stable during the period under review. The company has been taking various initiatives for HR development, a process that will continue in the coming years.

Cautionary Note

The statements forming part of the Directors' Report may contain certain forward-looking statements within the meaning of applicable securities laws and regulations. Many factors could cause the actual results, performances or achievements of the Company to be materially different from any future results, performances or achievements that may be expressed or implied by such forward looking statements.

SALE OF ASSETS

The company is taking the steps for disposal of surplus assets, through the Assets Sale Committee. These sales will generate the funds required for One-Time Settlement under implementation for the secured creditors.

DIRECTORS

The present Board of Directors consists of Shri G P Goenka, Chairman representing promoters (Duncans); a professional Managing Director (Shri N P S Shinh); nominee Directors Shri V C Chaturvedi, Special Director nominated by BIFR; Shri K N Bhandari, (IDBI); Dr P P Shastri (UTI) and Shri J Jayaraman (Bank of Baroda).

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During the year Shri P R Neelkantan resigned owing to advancing age. Shri K N Bhandari has been nominated on the Board of your Company by IDBI in place of Shri M L Purohit whose nomination was withdrawn. Your Directors wish to place on record their sincere appreciation for the valuable services rendered by Shri P R Neelakantan and Shri M L Purohit.

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

HEALTH, SAFETY AND ENVIRONMENT

Health, Safety and Environment aspects continued to be a priority area for the company. The company conducts regular safety audits, appoints consultants and experts in the area of safety and implements the recommendations after management discussions.

AUDITORS

M/s Brahmayya & Co and M/s Lodha & Co Chartered Accountants will retire at the ensuing Annual General Meeting and are eligible for re-appointment. Members are requested to appoint the Auditors and authorise the Board to fix their remuneration.

As regards Auditors' observations, the relevant notes on the accounts are self-explanatory and do not call for any further comments.

LISTING FEE PAYMENT

The Company has paid Annual Listing Fee upto 2002-03 to Hyderabad, Mumbai and Delhi Stock Exchanges.

DEMATERIALISATION OF SHARES

The shares of the Company fall under Compulsory Rolling Settlement w.e.f. 2nd January, 2002. The Company has obtained ISIN No:INE666EO1012 from Central Depository Services (India) Limited (CDSL) and dematting of shares has become operational w.e.f. 29.1.2002. In respect of National Securities Depositories Limited (NSDL), the Company had applied for electronic connectivity. However, NSDL has deferred granting connectivity. The Company has represented before SEBI, Mumbai for directions in this matter.

DISCLAIMER OF RESPONSIBILITY REGARDING ACCOUNTS

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 dt 16.6.1994. 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