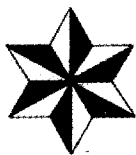


**Andhra Cements Limited**



**67th Annual Report 2004-2005**

**BOARD OF DIRECTORS**

<b>G.P. Goenka</b>	-	Chairman
<b>V.C. Chaturvedi</b> (Upto 25-5-2005)	-	BIFR Nominee
<b>K.N. Bhandari</b>	-	IDBI Nominee
<b>Punit Saxena</b> (Upto 25-5-2005)	-	UTI Nominee
<b>J. Jayaraman</b>	-	Bank of Baroda Nominee
<b>Dr. A.L. Ananthanarayanan</b>		
<b>Dr. Sushil Chandra</b>		
<b>M.S. Ramakrishna</b>		
<b>A.S. Jatkar</b>	-	Managing Director

**COMPANY SECRETARY  
& HEAD (LEGAL)**

K. Majumder

**AUDITORS**

Brahmayya & Co.  
Chartered Accountants  
Vijayawada

Lodha & Co.  
Chartered Accountants  
Hyderabad

**BANKERS**

Bank of Baroda  
Canara Bank  
Andhra Bank  
Syndicate Bank  
Vijaya Bank  
State Bank of India

**Contents:****Page No.**

Notice .....	1
Directors' Report .....	5
Corporate Governance .....	17
Auditors' Report .....	26
Balance Sheet .....	34
Profit & Loss Account .....	35
Schedules .....	36
Statement of Accounting Policies/ Notes to Accounts .....	47
Balance Sheet Abstract and Company's Profile .....	62
Cash Flow Statement .....	63

**REGISTERED OFFICE**

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

**DEMAT REGISTRARS  
& SHARE TRANSFER AGENTS**

CIL Securities Ltd.  
214, Raghav Ratna Towers  
Chirag Ali Lane, Abids  
Hyderabad - 500 001

**UNITS (IN A.P.)**

Sri Durga Cement Works  
Sri Durgapuram

Sri Visaka Cement Works  
Visakhapatnam

**Notice to Shareholders**

NOTICE is hereby given that the **Sixty-Seventh 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 **Thursday, the 29<sup>th</sup> September, 2005 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, 2005 and Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri M S Ramakrishna who retires by rotation and being eligible, offers himself for reappointment.
3. 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.

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

Place : Mumbai

**(K Majumder)**

Date : 7<sup>th</sup> July, 2005

Company Secretary & Head (Legal)

**Registered Office:**

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

## 67th Annual Report 2004-2005

**Notes:**

1. The Register of Members and Share Transfer Books of the Company will remain closed from 27.09.2005 to 29.09.2005 (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 equity shares of the Company are listed on :  
The Stock Exchange, MUMBAI  
25th Floor,PJ Towers  
Dalal Street, Fort  
MUMBAI - 400 001
4. The share transfer instruments, complete in all respects, should be sent to CIL Securities Ltd, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001 OR Secretarial Department, II Floor, Chandralok Complex, 111, Sarojini Devi Road, Secunderabad - 500 003 well in advance so as to reach the Company prior to book closure. Shares under any defective transfer (unless defect is removed prior to book closure) and/or instruments of transfer received during the period of book closure shall be considered after re-opening of the books.
5. Members are requested to intimate any change in their address to the Company immediately with the postal pin code.
6. Members attending the meeting are requested to complete the enclosed attendance slip and deliver the same at the entrance of the meeting hall. Attendance at the Annual General Meeting will not be allowed without production of the attendance slip duly signed.
7. Persons attending the Annual General Meeting are requested to bring their copies of the Annual Reports as the practice of distribution of copies of the Annual Report at the meeting has been discontinued.
8. For any further information regarding the aforesaid Accounts, advance intimation be given and the members are requested to ensure that the same reaches the Registered Office of the Company at least 7 days before the date of the ensuing Annual General Meeting.



9. In terms of Section 109(A) of the Companies Act, 1956 the Shareholder/ Debenture holder of the Company may nominate a person to whom the shares or debentures held by him shall vest in the event of death. In case you wish to avail the nomination facility in respect of shares/debentures held by you, please write to the Company to obtain the nomination form.
10. M/s. CIL Securities Ltd. continues to act as RTA to undertake all investor servicing activities for both demat and physical segments. Please address all your future correspondence on all share related matters (like transfer, transmission, change of address, nomination, power of attorney, demat, remat etc.) directly to CIL. Any document/communication received at our office on any of the above will be forwarded by us to the RTA.
11. The equity shares of the Company are available for trading in demat form as connectivity is available with Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL). ISIN No. is: INE 666EO 1012 for both the Depositories. Shareholders are requested to avail this facility and get their share holding converted into dematerialised form by sending the Dematerialization Request Form (DRF) along with the share certificates through their Depository Participant (DP) at the following address :
- CIL Securities Ltd,  
214. Raghava Ratna Towers,  
Chirag Ali Lane, Abids,  
Hyderabad - 500 001  
Ph. No.23202465/23203155  
Fax No.(040) 23203028/55661267
- OR
- Secretarial Department  
II Floor, Chandralok Complex  
111, Sarojini Devi Road  
Secunderabad - 500 003  
Ph. No.55260110/111/112  
Fax No.(040)27810103
12. Additional information in terms of Clause 49 of Listing Agreement on Directors being re-appointed :

## 67th Annual Report 2004-2005

A brief resume of the Director offering himself for re-election is given below:

Name of Director	:	Mr M S Ramakrishna
Age	:	51 years
Qualification	:	B.Com
Date of Appointment	:	29.07.2003
Expertise	:	Finance
Directorships as on 31st March, 2005	:	Karvy Consultants Ltd Karvy Stock Broking Ltd Karvy Computershare Private Limited Karvy Investor Services Ltd Karvy Global Services Ltd Karvy Inc, USA Karvy Insurance Broking Private Ltd Karvy Commodities Broking Private Ltd Nitya Laboratories Ltd HBL NIFE Power Systems Ltd Srivathsa Power Projects Limited Viz Projects Private Limited Ckar Systems Private Limited
Chairman/Member of the Committees as on 31st March, 2005	:	Nil

### MEMORANDUM OF INTEREST

Mr M S Ramakrishna is deemed to be interested in the Resolution.

**Explanatory Statement as required Under Section 173(2) of the Companies Act, 1956 :**

#### ITEM No. 2

In view of the vast experience of Mr M S Ramakrishna as mentioned in the foregoing pages, your Directors are of the opinion that his re-election will be useful for the Company, and, therefore, commend the resolution for approval.

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

Place : Mumbai

Date : 7<sup>th</sup> July, 2005

#### Registered Office:

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

(K Majumder)  
Company Secretary & Head (Legal)



## Report of the Directors

To  
**THE MEMBERS,**

Your Directors present the SIXTY-SEVENTH Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2005.

## FINANCIAL RESULTS

	Year ended 2004 - 05 (Rs.Crs)	Year ended 2003- 04 (Rs.Crs)
Gross Sales	155.99	125.56
Net Sales	125.53	99.94
Interest	18.45	16.55
Cash Profit/(Loss)	(16.14)	(26.89)
Depreciation	1.27	1.63
Extra-ordinary Income	19.57	0.10
Deferred Tax Liability/(Asset)	(0.26)	(0.32)
Short provision of Income Tax	0.01	-
Net Profit/(Loss)	2.41	(28.09)

## DIVIDEND

Your Directors regret their inability to propose any dividend in view of the accumulated losses of the Company.

## PERFORMANCE

In the year under review, cement prices were under pressure in the second half due to lower demand in the State of A.P. However, increased sales in adjoining States and exports to Middle East helped improve the quantitative sales.

## OPPORTUNITIES & THREATS

The demand for Cement grew by about 6% during the year and is likely to be sustained in the current year.

The capacity expansion possibilities with low cost balancing investment, reducing the interest cost by OTS based on sale of surplus assets, the improved market scenario in East and export potential are seen as opportunities for growth for your Company.

Over capacity build up in South remains a threat and will be countered by higher despatches to neighbouring States and viable exports.

## 67th Annual Report 2004-2005

**REVISED REHABILITATION SCHEME**

The Company is operating under a rehabilitation scheme sanctioned by Hon'ble BIFR. In view of shortfalls in the generation of surpluses as envisaged in the sanctioned scheme, Hon'ble BIFR has directed to submit a modified scheme.

The modified scheme inter-alia provides for One Time Settlement (OTS) of the dues to Secured Creditors and Fixed Deposit holders by sale of identified surplus assets. The Company has since received approval to the OTS from all the Banks and Financial Institutions and have since concluded OTS with certain Banks and FIs with the proceeds received from sale of surplus lands in Vijayawada. The process of concluding the settlement with other Banks and Financial Institutions is in progress and is expected to be concluded by next year.

AAIFR had stayed an adverse order passed by BIFR. Hearing in the matter will come up in August, 2005.

**MANAGEMENT DISCUSSION AND ANALYSIS**

During the year under review, gross sales value increased by 24.23% over the previous year and the quantitative sales were higher by 25% (8.30 lac MT vs 6.64 lac MT) due to steep decline in Cement realisations. Clinker production increased by 11% over the previous year (4.67 lac MT vs 4.20 lac MT).

**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 consumption of cement in India is growing mainly on account of infrastructure growth and boost in the construction and the housing sector. Emphasis on irrigation projects in A P should help increase in demand by 6% in the current year.

Cement Industry is inextricably linked to the economic development of the Country, hence increase in GDP growth should reflect on growth of Cement Industry as well. During the fiscal year 2004-05, overall GDP grew at about 6.5% which is a positive sign for the growth of the Cement Industry. With the focus of the Government to take the GDP growth to 7.5% to 8% and increased infrastructure, cement consumption is expected to grow at the GDP rate giving an opportunity for your company to play its part in the national economic growth.

The company has strengthened its market structure and is improving the distribution and marketing net work 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. Your Company is already exporting regularly GGBS in the Gulf Countries and is making further efforts to increase the volumes.





These developments are expected to help in improving the capacity utilisation of the Vizag Unit and the overall financial health of your Company.

The Company has taken up aggressive cost cutting measures and performance improvement in all areas of operations. This is expected to significantly add to the margins of your Company. Further, the One Time Settlement of the dues to the secured creditors currently under implementation will result in substantial reduction in interest costs and facilitate the successful rehabilitation of your Company.

### **Risks and Concerns**

Supply and demand mismatch at the national level is getting balanced. Increase in exports by the industry is likely to reduce the pressure on prices in Southern Markets where your Company sells substantial quantities of cement.

Frequent increases in prices of Oil and Petroleum products and other inputs like Coal are areas of concern.

### **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 and this will continue in the ensuing years, as well.

### **SALE OF ASSETS**

The Company has already concluded the sale of land at Vijayawada and the proceeds as per the directions of the Hon'ble AAIFR has since been paid to the Government of Andhra Pradesh towards Sales Tax dues and the balance to Banks and Institutions against OTS dues. The sale of other surplus assets as approved by the Assets Sale Committee is in progress and the proceeds will be used towards settlement of OTS dues of Banks and Institutions.

## 67th Annual Report 2004-2005

### **DIRECTORS**

Shri V C Chaturvedi and Shri Punit Saxena, who were nominated on the Board of the Company by the Hon'ble BIFR and Unit Trust of India, respectively has since withdrawn their nominations. Your Directors wish to place on record their sincere appreciation for the valuable services rendered by Shri V C Chaturvedi and Shri Punit Saxena during their tenure on the Board.

Shri M S Ramakrishna will retire by rotation at the ensuing Annual General Meeting and being eligible, offer himself for re-election.

### **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.

The company continues to give consideration to environment and is maintaining a nursery of tree plantation activity for environment protection.

### **AUDITORS**

M/s. Brahmayya & Company and M/s. Lodha & Company, 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 up-to-date to The Stock Exchange, Mumbai.

### **DEMATERIALISATION OF SHARES**

The Equity Shares of the Company are available in dematerialisation form in both the depositories. The ISIN No. from Central Depository Services (India) Limited (CDSL) and National Securities Depository Limited (NSDL) is INE666EO1012.

### **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 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