



Andhra Cements Limited

DUNCAN GOENKA

72nd Annual Report 2010-11

BOARD OF DIRECTORS

- | | |
|--|----------------------------|
| 1. Shri. G P GOENKA | - Chairman |
| 2. Shri. J JAYARAMAN
(upto 07.10.2011) | - Director |
| 3. Shri. K N BHANDARI | - Director |
| 4. Dr. A L ANANTHANARAYANAN | - Director |
| 5. Dr. SUSHIL CHANDRA | - Director |
| 6. Shri. M S RAMAKRISHNA
(upto 17.11.2010) | - Director |
| 7. Shri. R. K. BHARGAVA | - Director |
| 8. Shri. AMITAVA MONDAL
(upto 12.07.2011) | - Director |
| 9. Shri. SHRIVARDHAN GOENKA
(upto 15.02.2011) | - Executive Director |
| 10. Shri. VINAYAK MAVINKURVE
(w.e.f. 09.11.2011) | - Nominee Director (IDFC) |
| 11. Shri. S.D.M. NAGPAL
(w.e.f. 15.11.2011) | - Director |
| 12. Shri. R.K. PANDEY
(w.e.f. 15.11.2011) | - Director |

**COMPANY SECRETARY
& GM - LEGAL**

Mr. G. Tirupathi Rao

AUDITORS

Lodha & Co
Chartered Accountants
Secunderabad.

Chaturvedi & Partneres
Chartered Accountants
New Delhi.

BANKERS

Bank of Baroda
Canara Bank
Andhra Bank
Syndicate Bank
Vijaya Bank

FINANCIAL INSTITUTIONS

Housing Development Finance
Corporation Ltd.

Infrastructure Development
Finance Company Ltd.

Contents:**Page No.**

1. Notice	01
2. Directors' Report	05
3. Corporate Governance Report.....	14
4. Management Discussion and Analysis	23
5. Auditors' Report	27
6. Balance Sheet	33
7. Profit & Loss Account	34
8. Schedules to Balance Sheet and Profit & Loss Account.....	35
9. Significant Accounting Policies/ Notes to Accounts	44
10. Balance Sheet Abstract and Company's Profile	63
11. Cash Flow Statement	64

REGISTERED OFFICE

Durga Cement Works
Durgapuram
Dachepalli - 522 414
Guntur Dist. (A.P)
Ph & Fax : 08649-257429

PLANTS

Durga Cement Works
Durgapuram (A.P)

Visakha Cement Works
Visakhapatnam (A.P)

**DEMAT REGISTRARS
& SHARE TRANSFER AGENTS**

CIL Securities Ltd.
214, Raghav Ratna Towers
Chirag Ali Lane, Abids
Hyderabad - 500 001
Ph: 040-23202465

**NOTICE**

NOTICE is hereby given that the Seventy Second Annual General Meeting of the Members of the Company will be held on Friday 30th December, 2011 at 11.30 AM at the Registered Office of the Company at Durga Cement Works, Durgapuram, Dacheipalli – 522 414, Guntur District (AP) to transact the following business.

ORDINARY BUSINESS:

1. To receive, consider and adopt the Profit and Loss Account for the period of fifteen months ended 30th June, 2011 and the Balance Sheet as at that date, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri K.N. Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.K. Bhargava, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a **Ordinary Resolution**:

“RESOLVED THAT Shri Sain Ditta Mal Nagpal, who was appointed as an Additional Director of the Company by the Board of Directors, with effect from 15th November, 2011, who holds office upto the date of ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.”

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

“RESOLVED THAT Shri Radha Krishna Pandey, who was appointed as an Additional Director of the Company by the Board of Directors, with effect from 15th November, 2011, who holds office upto the date of ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.”

By Order of the Board

Place: New Delhi

Date : 27.11.2011

G. TIRUPATHI RAO
Company Secretary & GM – Legal

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy form duly completed must be lodged at the Registered Office of the Company at least 48 hours before the time fixed for the meeting.
3. Explanatory Statement pursuant to the provisions of section 173 (2) of the Companies Act, 1956 in relation to the resolutions set out in item no.5 & 6, is annexed hereto and forms part of the notice.
4. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / reappointment at the meeting are annexed.
5. Members are requested to notify immediately their change of address, if any, to their Depository Participants (DPs) in respect of their shareholding in Demat Accounts and to the Company's Share Transfer Registrars in respect of their shareholding in physical segment by mentioning folio nos. etc.
6. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
7. The Register of Members and Share Transfer Books of the Company will remain closed from 24-12-2011 to 30-12-2011 (both days inclusive) for the purpose of the Annual General Meeting of the Company.
8. Members desiring any information as regards the accounts are requested to write to the Company at least 10 days before the date of the Meeting, so as to enable the Management to keep the information ready.
9. Members are requested to kindly bring their copies of the Annual Report to the Meeting. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. No gifts/coupons shall be distributed at the Annual General Meeting.
10. M/s CIL Securities Ltd, 214, Raghava Ratna Towers, Chirag Ali lane, Abids, Hyderabad-500001, Tel No. 040-23202465, Fax No. 040-23203028, continues to act as the Registrar and Share Transfer Agent (RTA) to undertake all investor-servicing activities for the share in demat and physical segments. Investors are requested to write to RTA on all share related matters i.e transfer, transmission, change of address, nomination, power of attorney, demat / remat etc.



**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)
OF THE COMPANIES ACT, 1956**

Item No. 5 & 6

Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey were appointed as an Additional Directors of the Company by the Board of Directors w.e.f. 15th November, 2011. Pursuant to section 260 of the Companies Act, 1956, both the Directors hold office up to the Annual General Meeting.

The Board is of the view that, having regard to their experience and knowledge, it will be in the interest of the Company to appoint Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey as Independent Directors of the Company.

The approval of the Members is sought in terms of item Nos. 5 & 6 of the Notice in respect of the appointment of Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey.

Details regarding Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey and their brief resume are given in the annexure to this Notice.

The Board recommends the resolutions under the item 5 & 6 for approval of the Members.

None of the directors of the Company except the appointees themselves, is in anyway, concerned or interested in the said Resolutions.

By Order of the Board

Place : New Delhi

Date : 27.11.2011

G. TIRUPATHI RAO

Company Secretary & GM – Legal

Registered Office:

Durga Cement Works

Durgapuram, Dachepalli – 522414

Guntur District (AP)

ANNEXURE Details of Directors seeking appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange)					
Particulars	Shri K.N. Bhandari	Shri R.K. Bhargava	Shri Sain Ditta Mal Nagpal	Shri Radha Krishna Pandey	
Date of Birth	01.03.1942	26.10.1935	02.02.1942	20.01.1940	
Date of Appointment	21.08.2007	27.07.2006	15.11.2011	15.11.2011	
Qualifications	BA, LLB,	IAS (Retd)	MA, AICWA.	M.Com, LL.B, FCS, DBA	
Expertise in specific functional area	Finance and Insurance Management.	Finance & Corporate Affairs	Finance & Accounts	Finance, Legal & Corp. Advisory Services	
Directorships held in other public companies	<ul style="list-style-type: none"> Hindalco Inds. Ltd. Suraj Diamonds & Jewellery Ltd Agriculture Insurance Co.Ltd Saurashtra Cements Ltd Shrishti Infrastructure Development Corp Ltd Credence Logistics Ltd Magna Fin. Corp Ltd Magna HDI General Insurance Co. Ltd NRC Ltd Krishna Knitwear Technology Ltd Jaybharat Textiles & Real Estate Ltd 	<ul style="list-style-type: none"> Duncans Industries Ltd. Noida Toll Co. Ltd. HB Portfolio Ltd. Kajaria Ceramics Ltd. Asian Hotels (West) Ltd. JCL International Ltd Innova Hotels & Resorts Ltd 	<ul style="list-style-type: none"> Bhilai Jaypee Cement Ltd. Kanpur Fertilizers & Cement Ltd. NTPC-SAIL Power Company Ltd. 	<ul style="list-style-type: none"> PTC Inds. Ltd. Kamdhenu Ispat Ltd. Brishh Drugs & Healthcare Ltd Hanung Toys & Textiles Ltd. Shree Rajasthan Syntax Ltd. Morgan Ventures Ltd. Jindal Poly Films Ltd Metcom Capital Markets Ltd Ricon India Ltd Welcure Drugs & Pharmaceuticals Ltd Sanghi Inds. Ltd Kanpur Fertilizers & Cement Ltd 	
Chairmanship/ Membership of Board Committees of other public companies	Chairmanship - 1 Nos Membership - 1 Nos	Chairmanship - 2 Nos Membership - 8 Nos	Chairmanship - 2 Nos Membership - 5 Nos	Chairmanship - 2 Nos Membership - 2 Nos	
Number of shares held	Nil	Nil	Nil	Nil	

**Directors' Report**

To the Members,

Your Directors have pleasure in presenting the 72nd Annual Report and the Audited Accounts of your Company for the period of fifteen months ended 30th June 2011.

FINANCIAL RESULTS

(Rs in crores)

	Current Period 2010-11 (15 Months)	Previous Year 2009 – 10 (12 Months)
Gross Sales	70.91	323.27
Net Sales	62.98	294.57
PBITD	(16.50)	12.28
Interest	13.31	5.66
Depreciation	1.28	1.23
Operating Profit /(Loss)	(31.09)	5.40
Deferred Tax (Liability)/Asset	6.49	42.29
Net Profit / (Loss)	(24.60)	47.69

DIVIDEND

The plants of the Company have been non-operational for substantial period of the reporting period. In view of the losses incurred during the period under review, the Directors regret their inability to recommend dividend on equity share capital of the Company.

OPERATIONS

During the period under review, the Company and the industry have been going through a very challenging phase of slackening demand and expanding capacity leading to reduction in price realization. The DCW plant of the Company was in production primarily till the end of the first quarter of the period and production at VCW plant could not be continued from the beginning of September, 2010 due to disruptions by labour. The production activities remained suspended thereafter and could not have since been resumed. Consequent to this, the Company is facing severe liquidity crisis leading to stoppage of supply of material and services, disconnection of power and termination of agreement thereof, non-payment of employee related costs, statutory and other obligations and thereby affecting the business operation of the Company.

The above plants produced 2.23 lacs tons of cement in aggregate during the period.

PROPOSED FUND INFUSION BY JAYPEE GROUP AND CHANGE IN MANAGEMENT

The Company has been going through a severe financial crisis and the production at its plants are suspended since July 2010 at DCW plant and since September 2010 at VCW plant. It requires huge capital infusion and other assistance to revive and restructure its business. In order to overcome the situation and to revive the production of the Company, the promoters have since entered into an agreement on 15th November, 2011 to transfer the controlling stake to Jaypee Development Corporation Limited (JDCL), a company belonging to Jaypee Group. JDCL has also agreed to subscribe for 14,75,00,000 equity shares of Rs.10 each of the Company at a premium of Rs 2 per share aggregating to

Rs.177 crores on preferential basis and the same will be utilized for reviving, restructuring and meeting the requirements of the Company's business. Necessary board resolution for giving effect to said arrangement has been passed on 15th November, 2011 and steps for making the consequential Open Offer etc. have since been taken.

OUTLOOK FOR CEMENT INDUSTRY

The Indian Economy continues to be vibrant and has emerged as a resilient player compared to other countries. The performance of the Cement Industry was a clear reflection of the general sloth prevailing in the Industrial sector as a whole. The cement industry which registered a decent growth over the last few years entered a phase of deceleration with the demand easing during the period under review. According to the experts, this eccentricity in the growth is mainly due to the general slow down in the infrastructure and real estate sectors lead by rising cost of finance. While there has been a decline in the demand, the cement industry has seen a growth in the capacity additions on All India basis and specifically in the Southern Region

The southern region witnessed a decline in growth as compared to previous year and the State of Andhra Pradesh, which is an important market segments for the Company, had witnessed negative growth mainly due to lower infrastructure spending and slow-down in the realty sector.

The industry also had to survive increase in price of fuel and cost of some of raw materials resulting in high production cost. The immediate outlook for cement industry continues to remain sluggish with over capacity wielding pressure on prices.

ALLOTMENT OF EQUITY SHARES TO HDFC & IDFC

The Company has issued and allotted 69,97,077 equity shares of Rs 10 each at a premium of Rs 14 per shares aggregating to Rs. 16.79 crores to M/s. Housing Development Finance Corporation Limited (HDFC) and M/s Infrastructure Development Finance Company Limited (IDFC), upon conversion of outstanding obligation (i.e. interest and other charges) payable to them by the Company, on preferential issue as per the SEBI (ICDR) Regulation 2009.

NATIONAL STOCK EXCHANGE (NSE) – LISTING

During the period under review your Company's Equity Shares enlisted at National Stock Exchange (NSE) w.e.f. 08.11.2010 vide NSE circular Ref. No. NSE/LIST/C/2010/1062, dt. 03.11. 2010. The Equity Shares of the Company (Symbol: ANDHRACEMT) shall be traded in the normal market segment (Rolling Settlement) in compulsory demat for all investors.

STATUS OF BIFR

Your Company implemented the Rehabilitation Scheme(MS-8) and the Hon'ble BIFR discharged the Company from the purview of Sick Industrial Companies (Special Provisions) Act,1985 vide its Order dated 22nd January 2010. In terms of the said order, the unimplemented provisions of MS-8 would be implemented by the concerned agencies.

DIRECTORS

Shri P.K. Goyenka, submitted resignation from the office of Executive Directorship / Directorship of the Company and ceased to be Executive Director of the Company w.e.f. 27.07.2010.

Shri Shrivardhan Goenka, submitted resignation from the office of Executive Directorship w.e.f 08.10.2010 and from Directorship w.e.f 15.02.2011 and ceased to be Director of the Company from that date.



Shri M.S Ramakrishna, submitted resignation from the office of Directorship of the Company and ceased to be Director of the Company w.e.f. 17.11.2010.

Shri Amitava Mondal, submitted resignation from the office of Directorship of the Company and ceased to be Director of the Company w.e.f. 12.07.2011.

Shri J. Jayaraman, submitted resignation from the office of Directorship of the Company and ceased to be Director of the Company w.e.f. 07.10.2011.

Your Directors wish to place on record their sincere appreciation for the valuable services rendered by them during their tenure on the Board.

Shri K.N. Bhandari and Shri R.K. Bhargava, Directors of the Company who retire by rotation and being eligible offer themselves for re-appointment.

Shri Vinayak Mavinkurve was appointed as Nominee Director by IDFC w.e.f 09.11.2011.

Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey were inducted as Additional Directors on the Board with effect from 15.11.2011. They will hold office till the date of Annual General Meeting and are eligible for re-appointment.

HEALTH, SAFETY AND ENVIRONMENT

Since the production at both the plants of the Company being suspended during the substantial period under review, the Health, Safety and Environment measures could not be properly followed by the Company. The Company took anti-pollution measures by installing bag filters and bag house to control the pollution which has substantially reduced the impact of industrial process on the environment.

AUDITORS

M/s. Lodha & Co, Chartered Accountants and M/s. Chaturvedi & Partners, Chartered Accountants will retire at the ensuing Annual General Meeting. M/s Lodha & Co, and M/s. Chaturvedi & Partners, Chartered Accountants, expressed their willingness and eligibility to continue in office, if appointed by the members as joint auditors for the current year. The proposed auditors have furnished the requisite certificate of eligibility under section 224 (1B) of the Companies Act, 1956. Members are requested to appoint the Auditors and to fix their remuneration.

The observations in para 3 & 4 of the Auditors' Report, which have been explained in the respective notes of Schedule "O", are further explained by the Management as follows: Para 4 - since the production activities were suspended during the substantial part of the period and there being limitation & constraints and non-availability of employees & their support, confirmation/verification, reconciliation of various assets and liabilities could not be carried out. These shall be carried out upon resumption of normal production. Adjustments with respect to advances, debtors, claims, interest and other charges/expenses etc. shall be accounted for after negotiation/settlement/finalisation of the related matters as explained in Note no. 21(a) and 21(b); interest on borrowing has been capitalised and necessary allocation/adjustment shall be carried out on completion of the project and certain bills, claims relating to project supplies/services shall also be accounted for on complete documentation, negotiation, etc as explained in Note no. 23(a) and 23(b); employees' and other personnel expenses, etc shall be accounted for and disclosed in terms of AS-15 on determination of the same on finalization/settlement of amount payable

thereon as stated in Note no. 24 & 39; as stated in Note no. 38, in view of the proposed recommencement of production as mentioned in Note no. 22(a) and emerging certainty with respect to the profitability, there would be sufficient taxable income to claim the deferred tax credit. The statutory dues and delay in making interest payments to financial institution and debenture-holders as given in para 3(ix) and (xi) were due to liquidity crisis. The dues to financial institutions to a certain extent have been discharged by conversion into equity shares of the Company as detailed herein above and partly by transferring shares pledged there against as explained in Note no. 19.

COST AUDITOR

Pursuant to the directives of the Central Government and provisions of section 233 B of the Companies Act 1956, M/s Parankusam & Co. Cost Accountants, have been appointed as Cost Auditor to conduct the Cost Audit for the period of fifteen months ended 30th June 2011.

INSURANCE

During the period under review, all the properties of the Company including its buildings, plant and machinery and stocks are adequately insured (except capital work-in-progress)

CORPORATE GOVERNANCE

A report on Corporate Governance together with Management Discussion and Analysis Reports and the certificate of compliance from the Practicing Company Secretary regarding compliance with clause 49 of the Listing Agreement with the Stock Exchange are annexed to this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

- a. that in the preparation of the accounts in respect of the period under report, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. that they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the reporting period and of the loss for the period ended 30th June, 2011;
- c. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- d. that the accounts have been prepared on a going concern basis.

REDEMPTION OF PREFERENCE SHARES

Preference Shares of par value of Rs. 1.92 lacs remain unclaimed. It has not been possible to locate the addresses of the shareholders, despite notices being published in daily newspapers. These are being paid as and when claimed. There is no liability for dividend on these shares.