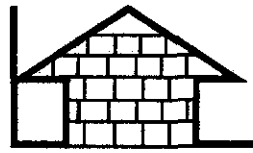


13th
Annual Report
1998-99



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Banjara Cements Limited

BANJARA CEMENTS LIMITED



BOARD OF DIRECTORS

Brig. R. LOKARANJAN
Mr. P.V. SUBRAMANYAM
Dr. T.R. SESHADRI
Mr. M.M. REDDY

Director
APIDC Nominee
APIDC Nominee
Managing Director

AUDITOR'S

M/s. Mogili Sridhar & Co.,
Chartered Accountant
6-3-655/2/3, 1st, Floor,
Somajiguda,
Hyderabad - 500 082.

REGISTERED OFFICE :

8-2-686/16/5/B,
ROAD # 12, BANJARA HILLS,
HYDERABAD - 500 034.
ANDHRA PRADESH.

WORKS :

BHOGASAMURAM VILLAGE
PIN CODE - 515 415.
TADIPATRI MANDAL,
ANANTHAPUR DIST.,
ANDHRA PRADESH.

SHARE TRANSFER AGENT

M/S. AARTHI CONSULTANT PVT. LTD.,
1-2-285, DOMALGUDA,
HYDERABAD - 500 029.

NO GIFTS PLEASE

BANJARA CEMENTS LIMITED**NOTICE**

Notice is hereby given that the Thirteenth Annual General Meeting of the members of BANJARA CEMENT LTD will be held on Thursday 30th September 1999 at 3-00 P.M. at Regd. Office 8-2-686/16/5/B, Road No. 12, Banjara Hills, Hyderabad 500 034 to transact the following business.

ORDINARY BUSINESS

1. To receive and adopt the Audit Accounts for the year ended 31st March 1999 together with the report of Director and Auditors thereon.
2. To appoint a Director in the place of Brig.Lokaranjan who retired by rotation and being eligible offered himself for re-appointment.
3. To appoint M/s. Mogli Sridhar, & Co., Chartered Accountant as Auditors to hold office from the conclusion of the Annual General Meeting till the conclusion of next Annual General Meeting and to fix their remuneration.

By the order of the Board
for BANJARA CEMENT'S LTD.

M.M. REDDY
Managing Director

NOTE :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY INSTEAD OF HIMSELF/HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of members and the Share Transfer Register of the Company will remain closed from 29-09-1999 to 30-09-1999 (both the days inclusive).
3. Members are requested to notify the change in their address to the Company and always quote their Folio Numbers in all correspondence with the Company.
4. Any query relating to Accounts must be sent to the Company's registered office at least 7 days before the date of the meeting.

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BANJARA CEMENTS LIMITED**DIRECTOR'S REPORT**

Dear Member,

Your Director hereby present the 13th Annual Audited accounts of the Company for the financial year ended 31st March, 1999.

FINANCIAL RESULTS

	31-03-99	31-03-98
	Rs.	Rs.
Income from operations	12749826	38317780
Other Income	292000	77103
Interest	10275358	7618117
Gross Profit / (Loss) before Depreciation and Interest	(2513256)	(5001273)
Depreciation	3272738	3273980
Provision for Taxation		
Net Profit / (Loss)	(16098304)	(5890824)

OPERATIONS :

Cement Industry during the year 1998-99 has gone from bad to worse. The cost of inputs have gone up while realisation per tonne has down due to slackness in demand. The excess monsoon during this year has added to the problems as the demand has further weakened and moisture in coke fines and raw material resulted in higher cost of procurement and production. The operations have thus resulted in a low turnover of Rs. 130.42 lakhs and a net loss of Rs. 160.61 lakhs.

FUEL SCARCITY :

The fuel for VSK plants is coke fines which are by-products in Steel and Pig iron units. As these Units also were in recession they had either cut down production drastically or closed down completely. This resulted in scarcity of fuel and steep increase in cost. The landed cost shot up from Rs. 2000 six months ago to Rs. 2750 per MT. Added to this, the moisture content shot up from 10% to 25% due to heavy monsoon and on dry basis the cost went up still higher. Due to scarcity and their own financial problems in the steel plants the quality of coke fines was poorer with calorific value almost halved in certain cases. Thus consumption of fuel per tonne of cement went up steeply.

EXCESS CAPACITY IN SURROUNDING AREA :

With the commissioning of 2.5 million tonne plant of Larsen & Toubro just 2 km away from the plant and the new plants of Nagarjuna Constructions Co., Ltd., and Penna Cements Ltd., in a radius of 30 kms has added to the glut in the cement capacity in the area. Zuari Agro also commissioned additional capacity of 1.2 million tonnes in the near vicinity. In view of such large excess capacity, four VSK plants in the area have shut down operations.

TERM LOAN RESCHEDULEMENT AND CONSEQUENT INCREASE IN INTEREST :

The Term lending Institutions had rescheduled the term loans and funded the overdue interest, in view of the inability of the Company to repay. Though APIDC and APSFC had done the funding and reschedulement, the interest on rescheduled term loans were increased to 19.5% with an additional penal interest on delayed payment of 5%. Together it will work out to 24.5%. In a depressed economy and recession in cement industry servicing high capital at such high interest is not viable. Specifically in VSK nine cement plants which are facing additional problems like high fuel, distribution and sales costs while realisation is at least lower by 20% compared to major plants.

CASH FLOWS :

Your unit enjoys a power rebate of 25% being in a backward area. However the power bills are to be paid in full and the Government reimburses the 25% to the company subsequently through APSFC. This subsidy amount reimbursed is adjusted by APSFC against the interest dues proportionately to the term lending Institutions. Though the rebate is taken into account in the profit and loss account, an amount of Rs. 34 lakhs is still to be reimbursed by the Govt. of A.P. Thus the cash flows are short by this amount for the company.

Payment of additional consumption deposit of Rs. 10.73 lakhs to APSEB also depleted the cash availability to the company.

JCO BANK :

Though UCO Bank, a term lending Institution, was party to the reschedulement, they have still not given their approval for reschedulement. They have also not extended any working capital limits to the company, though proposal was submitted long time ago. This has hampered the operations of the Company.

EFFECT OF POOR PERFORMANCE AND LACK OF WORKING CAPITAL :

The expenditure in the current year exceeded the revenue. Due to weak demand and recession in the company the sales necessarily have to be done on credit. Due to lack of working capital, cement could not be sold on credit resulting in poorer sales and realisation. Cash crunch in the company became acute and payment of electricity bill for September month could not be made. In addition to this, APSEB has demanded an additional consumption deposit of Rs. 16.10 lakhs out of which only Rs. 10.75 lakhs could be paid.