

18th ANNUAL REPORT 1997-98



DECCAN CEMENTS LIMITED

The Federation of Andhra Pradesh Chambers of Commerce & Industry

Registered Under the Companies Act, 1956

Registered Office:
11-6-841, Red Hills,
P.B.NO.: 14,
Hyderabad - 500 004.



Established in 1917

Phones : 3393428, 3393658 (EPABX)
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BEST EFFORT IN ENVIRONMENTAL IMPROVEMENT IN INDUSTRIES LOCATED IN THE STATE

M/s Decca
To control
and dust
laks on
Rs.20 la
cooler
connect
effect
clear
The
the



The
environment
of A.P. Pollution Control
the air and water quality to app
green field around the company, over 20
is also appointed for improving plantations.

In fact, the ESP is inter locked with the kiln system and there is no possibility of running the kiln without pollution control equipment in operation. For the efforts made by the Company in installing sophisticated pollution control equipment and as the first unit in Mini Cement Plant category in the country, the Federation has decided to give the Award "Best Effort in Environmental Improvement in Industries Located in the State" to M/s. Deccan Cements Ltd., Hyderabad.

Hon'ble Chief Minister of Andhra Pradesh
Shri N. Chandrababu Naidu
handing over the FAPCCI Award to
Shri G.R. Ram, Vice President (Commercial) .



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MD	✓		BKC	✓
CS	✓		DPY	MA
RO	✓		DIV	✓
TRA	MA		AC	✓
AGM	✓	✓	SHI	✓
YE	✓	✓		

Board of Directors

M B Raju *Chairman*
M Chittaranjan Kumar *(IDBI Nominee)*
Umesh Shrivastava
Rear Admiral Krishan Dev
K Gangi Reddy
D R K Rao
P Venugopal Raju *Additional Director*
P Parvathi *Executive Director*
A M Marathe *Managing Director*

Senior Executives

G R Ram *Vice President (C)*
K Mohan Rao *Vice President (M)*
P J Reddy *Vice President (W)*
V S N Raju *General Manager (F)*
K P Rao *General Manager (A&M)*
R Gopalakrishnan *Chief Manager (Legal) & Company Secretary*

Auditors

M Bhaskara Rao & Co.
Chartered Accountants
5-D, Fifth Floor, 'KAUTILYA',
6-3-652, Somajiguda,
Hyderabad - 500 082.

Bankers

State Bank of India
Andhra Bank

Registered Office

'DECCAN CHAMBERS'
6-3-666/B,
Somajiguda, Hyderabad - 500 082.
Tel: 3310561, 3310168. Fax: 3318366, 3311612

Cement Division

Bhavanipuram
Mahankaligudem 508 218
Nalgonda District
Andhra Pradesh

Hydel Power Division

GBC - I, Head Regulator
Nekarikallu Adda Road,
Narasaraopet 522 601
Guntur District, Andhra Pradesh

Wind Power Division

Polepalli Village
Ramagiri Mandal
Ananthpur District
Andhra Pradesh



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NOTICE

Notice is hereby given that the Eighteenth Annual General Meeting of the Members of DECCAN CEMENTS LIMITED will be held on Friday the 28th day of August, 1998 at 10.00 A.M. at Bhavan Sabha Griha, Bharatiya Vidya Bhavan, Kulapati Munshi Sadan, 5-9-1105, King Koti Road, Hyderabad - 500 029 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 1998, the Balance Sheet and the Cash Flow Statement as at that date and the Report of the Directors and the Auditors.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of Shri D R K Rao, Director, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Shri M B Raju, Director, who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

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

"RESOLVED that pursuant to the provisions of Section 255 of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company, Shri P Venugopal Raju be and is hereby appointed as Director of the Company."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof for the time being in force) and subject to the limits specified in Schedule XIII of the said Act, and subject to the approvals of the financial institutions and shareholders, Ms. P. Parvathi be and is hereby appointed as the Managing Director of the Company for a period of 5 years with effect from 1st July, 1998 on the following terms and conditions:

Salary:

Rs.25,000 per month in the grade of Rs.25,000-2,000-35,000.

Commission:

Commission @ 1% of the net profits of the Company computed in the manner laid down in Section 309(5) of the Companies Act, 1956.

Perquisites and Allowances:

I. Housing:

- a) The expenditure incurred by the Company on hiring accommodation for the Managing Director shall be subject to a ceiling of 60% of salary over and above 10% payable by the Managing Director herself.
- b) Where accommodation in Company owned house is provided, the Managing Director shall pay to the Company by way of rent 10% of salary.



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c) Where the Company does not provide accommodation to the Managing Director, House Rent Allowance may be paid by the Company in accordance with (a) above.

d) The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income Tax Rules, 1962. This will, however, be subject to a ceiling of 10% of salary of the Managing Director.

III. Medical Reimbursement:

Expenses incurred for self and family subject to a ceiling of one month salary per year or three months salary in a period of three years.

III. Leave Travel Concession:

For self and family once in a year in accordance with any rules specified by the Company.

IV. Club Fees:

Fees of Clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

V. Personal Accident Insurance:

As per the rules of the Company.

Other Perquisites:

- I. Company's contribution towards Provident Fund shall be as per rules of the Company.
- II. Company's contribution towards Pension/Superannuation fund shall be as per rules of the Company.
- III. Gratuity payable shall be in accordance with an approved scheme and shall not exceed one half month's salary for each completed year of service.

Contribution to Provident fund and Superannuation fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. All long distance personal calls shall be duly logged and paid for by the Managing Director. Earned/Privilege Leave on full pay and allowances as per rules of the Company. Leave accumulated but not availed during her tenure may be allowed to be encashed as per the rules of the Company."

"RESOLVED FURTHER THAT in pursuance of the provisions of Schedule XIII of the Companies Act, 1956, the above remuneration by way of salary and perquisites be paid as minimum remuneration to Ms. P. Parvathi, Managing Director, in the absence or inadequacy of profits in any year."

8. To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 372 and other applicable provisions, if any, of the Companies Act, 1956 (hereinafter called "the Act") or any amendment or modification or re-enactment thereof, and subject to such other consents, sanctions and approvals as may be required, approval of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter called "the Board" including any Committee thereof) to invest upto Rs.10 crores as the Board



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may deem appropriate, in the Cumulative Convertible Preference Shares of Rs.100/- each at par of the Share Capital of DCL Polyesters Limited."

"RESOLVED FURTHER THAT in modification of resolution passed in the 14th Annual General Meeting and pursuant to Section 372 and all other applicable provisions, if any, of the Companies Act, 1956 and subject to the approval of the Central Government, where required, the Board of Directors of the Company be and are hereby authorised to acquire from time to time by way of subscription, purchase or otherwise, shares and/or debentures, warrants of any body/bodies corporate whether Indian or Foreign (existing or which may be promoted and whether under the same Management or otherwise) notwithstanding that such investment or investments, together with the existing investments of the Company in all other bodies corporate including the proposed investment of Rs.10 Crores in Cumulative Convertible Preference Shares, shall not exceed Rs.30 Crores, under the provision of Section 372 of the Companies Act, 1956 and the proviso thereto."

"RESOLVED FURTHER THAT the Board be and is hereby authorised to determine the actual sum or sums to be so invested in any body corporate and to decide all or any other matter arising out of or incidental to the proposed investments and to do all such acts and things as may be necessary to implement this resolution."

9. *To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:*

"RESOLVED THAT pursuant to the provisions of Section 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and in modification of the earlier resolution, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of money which, together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up Capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose provided that the total amount so borrowed by the Board shall not at any time exceed Rs.7,500 Lacs."

10. *To consider and if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution:*

"RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company (hereinafter called "The Board") to mortgage and/or create charge on all the immovable and movable properties or such assets of the Company wherever situate, present and future and/or with power to enter upon and take possession of the assets of the Company in certain events on such terms and conditions and at such time or times and in such form or manner as it may think fit, to or in favour of the Financial Institutions / Banks / Trustees for the Debentures for an aggregate nominal value not exceeding



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Rs.7,500 Lacs (Rupees Seven Thousand Five Hundred Lacs only) to secure the Term Loans / Working Capital Loans / Working Capital Facilities / Debentures together with interest, costs, charges, expenses and other monies including premium payable in the above connection in terms of the Agreement to be entered into between the Company and Financial Institutions/Banks/Trustees for the holders of Debentures such security to rank pari passu with or second or subservient to, the mortgages and / or charges already created or to be created by the Company or in such manner as may be agreed to between the concerned parties and as may be thought expedient by the Board and further that the Board be and is

hereby authorised to finalise and execute the documents and any other deeds, papers and writings for creating the aforesaid mortgages and / or charges and to do all such acts, deeds and things as may be necessary or expedient for implementing this resolution."

*By Order of the Board
for DECCAN CEMENTS LIMITED*

R. GOPALAKRISHNAN
Chief Manager (Legal) &
Company Secretary

Registered Office:

6-3-666/B, 'Deccan Chambers',
Somajiguda, HYDERABAD : 500 082

Dated : 22.05.1998

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. Proxies in order to be effective should be received by the Company at its Registered Office not less than 48 hours before the meeting.
2. Members are requested to notify immediately any change in their address to the Company's Registered Office with their Folio Number(s).
3. The Register of Members and Share Transfer Books of the Company will be closed from 21st August, 1998 to 28th August, 1998 (both days inclusive).
4. Payment of dividend on shares, if declared at the meeting, will be made to those members whose names appear on the Company's Register of Members on 28th August, 1998.
5. Shareholders holding Shares in identical order of names in more than one folio, are requested to write to the Company enclosing their Share Certificates to enable the Company to consolidate their holdings in one folio.
6. As per provisions of Section 205A of the Companies Act, 1956, the Company has already transferred to the General Revenue Account of the Central Government the amount of all unclaimed dividends declared upto and including the period ended 31st March, 1994 and can be claimed from Registrar of Companies, A.P, Hyderabad, with due compliance with necessary formalities. The unclaimed dividend for the period ended 31st March, 1995 will also be transferred to the said Account of the Central Government as per the provisions of the aforesaid Section. Hence, the Members who have not yet claimed their dividend for the year 1994-95 or later years may claim it from the Company before the same is so transferred.
7. The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 is annexed hereto.



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Annexure to the Notice:

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

Item 6:

Shri P Venugopal Raju was appointed as an Additional Director by the Board at its meeting held on 22.05.98. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, the Company has received a notice from a Member signifying his intention to propose the appointment of Shri P Venugopal Raju as a Director along with a deposit of Rs.500/-.

Shri P Venugopal Raju holds a Bachelor's Degree in Commerce, an Associate Member of the Institute of Chartered Accountants of India and also is a Post Graduate in Master of Science in Management from Massachusetts Institute of Technology (MIT) (Sloan School of Management). He has been working in DCL Group of Companies since 1987 and is presently working as Executive Director of DCL Polyesters Limited.

The Directors recommend the resolution for members approval.

None of the Directors is interested in the resolution except Shri P Venugopal Raju himself and Shri M B Raju, who is related to Shri P Venugopal Raju.

Item 7:

Ms. P Parvathi, a relative of Shri M B Raju, Chairman, is a Post graduate in Commerce and has been working with DCL and its

Associate Companies. Ms. P Parvathi was appointed as Executive Director on 12.08.93 and has been incharge of the total affairs of the Company under the guidance of Managing Director. Having regard to the services rendered to the Company by Ms. P Parvathi and also as a part of succession planning, the Board considered and approved the appointment of Ms P Parvathi as Managing Director with effect from 01.07.98 for a period of 5 years on the remuneration and terms and conditions set out in the resolution.

The proposed resolution as set out in the notice and this explanatory statement may be treated as an abstract of the terms and conditions of the appointment of Ms P Parvathi as Managing Director in terms of Section 302 of the Companies Act, 1956.

The Directors recommend the resolution for members approval.

None of the Directors is interested in the resolution except Ms P Parvathi herself and Shri M B Raju and Shri P Venugopal Raju, who are related to Ms P Parvathi.

Item 8:

The Company is in the process of identifying projects for implementation. Further, as the main promoters of DCL Polyesters Limited, the Company is required to contribute by way of Promoters margin a sum not exceeding Rs.10 crores. The proposed resolution is to enable the Directors to make such investments in DCLP/ other projects as may be required for the aforesaid purposes.

The Directors recommend the resolution for members approval.



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The Directors of the Company may be deemed to be interested in the resolution to the extent of their shareholding in DCL Polyesters Ltd.

Item 9:

The Shareholders authorised the Board of Directors of the Company to borrow money not exceeding Rs.2,500 Lacs at the 6th Annual General Meeting of the Company held on 29th November, 1985. Considering the fact that the existing paid-up capital and free reserves are in excess of the above limit, and also keeping in view the future requirements of the Company, it is proposed to increase the limit of the borrowings. Therefore, the approval of the shareholders in terms of Section 293(1)(d) of the Companies Act, 1956 is being sought to enable the Directors to borrow monies to the extent of Rs.7,500 Lacs.

The Directors recommend the resolution for members approval.

None of the Directors of the Company is interested in the resolution.

Item 10:

The financial institutions while granting loans stipulate that the loans have to be secured by way of charge/ mortgage on all the immovable

and movable properties of the Company.

Since the charge/ mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institutions, may be regarded as disposal of the Company's properties/undertaking, it is necessary for the members to pass resolution under Section 293(1)(a) of the Companies Act, 1956, for creating charge / mortgage.

The Directors recommend the resolution for members approval.

None of the Directors of the Company is interested in the resolution except the Nominee Director(s) of the financial institutions.

*By Order of the Board
for DECCAN CEMENTS LIMITED*

R. GOPALAKRISHNAN
*Chief Manager (Legal) &
Company Secretary*

Registered Office:

6-3-666/B, 'Deccan Chambers',
Somajiguda, HYDERABAD : 500 082

Dated : 22.05.1998

Members are requested to furnish Bank Account details quoting their Folio Number to enable the Company to incorporate the said details in Dividend Warrants, to avoid fraudulent encashment of the same.



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DIRECTORS' REPORT

To The Members

Your Directors have pleasure in presenting the Eighteenth Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 1998.

At the very outset, your Directors are glad to inform you that despite the difficult market conditions prevailing in the cement industry your Company has achieved an aggregate turnover of **Rs.60.36 crores** (previous year Rs.56.42 crores) representing an increase of 6.98% and recorded an alltime high net profit of **Rs.8.17 crores** (previous year Rs.6.85 crores) representing an increase of 19.27%. Your Directors commend the achievement of the Company and compliment all, who made this possible.

Review of Operations and Outlook:

Cement Division:

The Cement Industry was hit by pressure on selling price, due to gap in demand and supply situation and general increase in input costs without corresponding increase in selling price. However, with the impending first Budget of the new Central Government, which has committed itself to the continuation of the reform process and aims to give new thrust to the infrastructure sector, the outlook for the Cement Division appears to be bright.

Power Division:

The performance of both the Hydel and the Wind power divisions was commendable. During the year under review, the hydel power division generated a net of **184.40 lac units** (previous year 158.59 lac units) and

wind power division has generated a net of **30.11 lac units** (previous year 27.80 lac units) representing an increase of 16.27% and 8.31% respectively. The outlook for the power division is quite encouraging as the Govt. of Andhra Pradesh is ushering in radical reforms in power policy.

Financial Results:

The Financial results for the year ended 31st March, 1998 are summarised below :

	April, '97 - March, '98	April, '96 - March, '97
	Rs.in Lacs	Rs.in Lacs
Sale Income	6035.88	5641.99
Other Income	229.56	189.25
Total	6265.44	5831.24
Profit before Depreciation and Interest	1571.08	1362.56
Less: Depreciation	249.31	222.02
Interest	366.30	345.67
Profit for the year	955.47	794.87
Provision for Taxation	152.00	102.50
Profit after Taxation	803.47	692.37
Prior Year adjustments	13.56	(6.98)
Profit brought forward from previous year	291.08	280.55
Profit available for appropriation	1108.11	965.94

Appropriations:

Debenture Redemption Reserve	47.50	47.50
Proposed dividend	210.11	175.09
Dividend Tax	21.01	17.51
General Reserve	460.00	434.76
Balance retained	369.49	291.08