

DECCAN CEMENTS LIMITED

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19th ANNUAL REPORT 1998-99



DECCAN CEMENTS LIMITED

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	
P Parvathi	Managing Director

Senior Executives

G R Ram	Sr. 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
Mahankalligudem 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 **NINETEENTH ANNUAL GENERAL MEETING** of the Members of **DECCAN CEMENTS LIMITED** will be held on **Thursday, the 16th day of September, 1999 at 10.00 AM** at **Harlaha Kalabhavan, M C H Complex, Sardar Patel Road, Secunderabad : 500 003** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 1999, the Audited Balance Sheet and the cash flow as at that date and the Directors' and the Auditors' Report thereon.
2. To declare dividend on Equity Shares.
3. To appoint a Director in place of **Shri K Gangi Reddy, Director**, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of **Shri Umesh Shrivastava, 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.

By Order of the Board

R GOPALAKRISHNAN
Chief Manager (Legal) &
Company Secretary

Registered Office:

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

Dated : 27.05.1999.

Notes:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend 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 9th September, 1999 to 16th September, 1999 (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 16th September, 1999.
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 dividend for the financial year ended 31st March, 1995. Those shareholders who have so far not claimed their dividend upto the aforesaid financial year may claim their dividend from Registrar of Companies, Kendriya Sadan, Koti, Andhra Pradesh, Hyderabad. In case any assistance is required please write to the Company's Registered Office at 6-3-666/B, "Deccan Chambers", Somajiguda, Hyderabad - 500 082.
7. a) The Company's shares/debentures are listed with **The Hyderabad Stock Exchange Limited** 3-6-275, Himayatnagar, Hyderabad - 500 029 and **The Stock Exchange Phiroze Jeejeebhoy Towers**, Dalal Street, Mumbai - 400 023.
b) The Annual Listing Fee for the year 1999-2000 has been paid to the Stock Exchanges at Hyderabad and Mumbai.



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DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting the Nineteenth Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 1999.

Financial Results

The Financial results for the year ended 31st March, 1999 are summarised below :

	April, '98 March, '99	April, '97 March, '98
	Rs.in Lacs	Rs.in Lacs
Sale Income	5821.55	6035.88
Other Income	149.98	229.56
Total	5971.53	6265.44
Profit before Deprecia- tion and Interest	1309.88	1571.08
Less: Depreciation	251.05	249.31
Interest	333.20	366.30
Profit for the year	725.63	955.47
Provision for Taxation	83.07	152.00
Profit after Taxation	642.56	803.47
Prior Year adjustments	1.00	13.56
Profit brought forward from previous year	369.49	291.08
Profit available for appropriation	1013.05	1108.11
Appropriations		
Debenture		
Redemption Reserve	—	47.50
Proposed dividend	175.09	210.11
Dividend Tax	17.51	21.01
General Reserve	500.00	460.00
Balance retained	320.45	369.49

Review of Operations and outlook

The over all performance of your Company has been satisfactory, despite set back in the Cement Division due to the continued recession in the economy and adverse market conditions in the Cement Industry. However your Company has taken measures for improving the productivity by cost cutting, and marketing by way of appropriate product mix. These measures will ensure cost competitiveness and thereby improve performance of your Company.

During the current year, the Government of India have amended the Central Excise notification regarding the norms for availing of concessional rate of Excise Duty for mini Cement Plants by enhancing the installed capacity limit from 600 Tpd or 1,98,000 tonnes per annum to 900 Tpd or 2,97,000 tonnes per annum and clearance of cement in a financial year from 2,20,000 Mts to 3,00,000 Mts. Your Company will initiate steps for modernisation cum expansion from the present installed capacity of 600 Tpd at the appropriate time.

Cement industry is expected to show better performance in view of the likely improvement in the general economic condition and implementation of the various ongoing infrastructure projects initiated by the Government of India.

The Hydel Power Division at GBC Narasaraopet has contributed significantly to the Company's performance and is expected to do well in the current year.

The performance of Wind Power at Ramgiri, Anantapur has been satisfactory and is likely to contribute to the over all performance of the Company during the current year.

Dividend

Your Directors are pleased to recommend for your consideration a dividend of Rs.2.50 per Equity Share for the year ended 31st March,



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1999, which would entail a Cash outflow of Rs.175.09 lacs as Corporate Dividend and Rs.17.51 lacs as dividend tax aggregating Rs.192.60 lacs.

Y2K Compliance

The Company has taken appropriate/effective steps to secure Y2K compliance of equipment, Data Processing Systems and main applications. Significant progress has been made in this direction and the Company would become Y2K Compliant by September, '99.

The expenditure for achieving Y2K compliance is not significant.

The Company does not envisage any disruptions of its operations due to Y2K problem. However Company is taking all possible precautions to counter any eventuality.

Fixed Deposits

The aggregate amount of deposits accepted by the Company stood at Rs.95.69 lacs and matured and unclaimed deposits as on 31st March, 1999 were Rs. 0.63 lacs.

Industrial Relations

During the period, industrial relations continued to be extremely cordial. Your Company had signed a three year wage agreement with workers union. The Board of Directors wishes to thank all employees for their devotion to duty and contribution towards the successful working of the Company.

Insurance

All the properties of the Company including its buildings, plant and machinery and stocks wherever necessary and to the extent required have been adequately insured.

Directors

Pursuant to the provisions of Section 255 and 256 of the Companies Act, 1956, Directors Shri K Gangi Reddy, Shri Umesh Shrivastava retire by rotation and are eligible for re-appointment.

Energy, Technology and Foreign Exchange

Additional information on conservation of energy, technology absorption, foreign exchange earnings and outgo as required to be disclosed in terms of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto (Annexure I) and forms part of this report.

Particulars of Employees

The particulars required pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988 as amended by rules, 1999 are given in the statement annexed hereto (Annexure II) and forms part of this report.

Auditors

M/s M Bhaskara Rao & Company, Chartered Accountants, the Statutory Auditors of the Company retire at the conclusion of the Annual General Meeting and are eligible for reappointment.

Acknowledgement

The Board expresses its grateful thanks to the Industrial Development Bank of India, the State Bank of India, the Andhra Bank, the Debenture Trustees (The Industrial Finance Corporation of India Ltd and The Centbank Financial & Custodial Services Ltd), The Andhra Pradesh Power Generation Corporation Limited / The Transmission Corporation of Andhra Pradesh Limited, NEDCAP and various other Departments of the State and Central Governments for the valuable guidance and assistance to the Company.

For and on behalf of the Board

Place : Hyderabad

Date : 27th May, 1999

M B Raju

Chairman



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ANNEXURE TO DIRECTORS' REPORT

ANNEXURE - I

Disclosure of particulars with respect to conservation of energy, Technology absorption and foreign exchange earnings and outgo as required under Companies (Disclosure of particulars in the Board of Directors' Report) Rules, 1988.

A. Conservation of Energy

a) Energy Conservation measures taken:

Conservation of energy continues to be accorded high priority and is being continued by installing high efficiency Fans & variable frequency drives.

b) Additional Investments and proposals, if any, being implemented for reduction of consumption of energy:

The Company has identified further areas to reduce thermal energy as well as Electrical energy and appropriate measures will be taken to implement.

c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:

The power consumption per tonne of cement produced has come down this year by 5 units.

d) The total energy consumption and energy consumption per unit of production:

The above information is given in the prescribed Form A annexed.

B. Technology Absorption

Efforts made towards absorption of technology are given in the prescribed Form B annexed.

C. Foreign Exchange savings and outgo

a) Activities relating to exports, initiatives taken to increase export, development of new export market for production & services and export plans:

The Company presently is not envisaging any exports of its product.

b) Total foreign exchange used and earned:

	Rupees in lacs	
	Current Year	Previous Year
Used	0.09	0.07
Earned	--	--



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FORM A
(See Rule 2)

Form for disclosure of particulars with respect to conservation of energy.

A) POWER AND FUEL CONSUMPTION:	Current Year	Previous Year
1) ELECTRICITY :		
a) Purchased Units (KWH -lacs)	229.75	235.24
Total Amount (Rs.in lacs)	884.39	905.15
Rate per unit (Rs.)	3.85	3.85
b) Own Generation :		
Through Diesel Generator		
Units (KWH lacs)	43.21	50.90
Total Amount (Rs.in lacs)	134.40	145.21
Rate per unit (Rs.)	3.11	2.85
2) Coal (C&D Grade) Lignite and Husk used as a Fuel in Kiln:		
Quantity (Million K Cal)	216942	219343
Total Cost (Rs.in lacs)	812.64	793.53
Average Rate (Rs./million K Cal)	374.59	361.78
3) Light diesel oil		
Quantity (K Ltrs)] NOT APPLICABLE]
Total Cost (Rs.in lacs)		
Average Cost (Rs. / K Ltrs)		
B) CONSUMPTION PER UNIT OF PRODUCTION		
Electricity (KWH/T of cement)	107	112
Coal %	21.46%	21.63%

The power consumption has been reduced by 5 units per tonne of Cement Production during the year, resulting in a saving of Rs.42.02 lacs.

FORM B
(See Rule 2)

Form for disclosure of particulars with respect to Technology Absorption.

A. RESEARCH AND DEVELOPMENT (R&D)

- Specific areas in which R & D is carried by the Company. : The Company has not carried out any specific R & D activity.
- Benefits derived as a result of the above R&D : N A
- Future plan of action : Reduction of thermal energy consumption by the use of mineralisers, subject to economic viability.
- Expenditure on R & D : There has been no expenditure on R & D.



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B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts in brief, made towards technology absorption, adaptation and innovation : The Company has absorbed the technology of the Collaborators - Onoda Engineering and Consulting Company Limited, Japan.
2. Benefits derived as a result of the above efforts : Improvement in product quality and productivity.
3. Information regarding technology imported during last 5 years. : The Company has not imported any technology during last 5 years.

ANNEXURE - II

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS REPORT FOR THE YEAR ENDED 31ST MARCH, 1999.

Name	Age (Years)	Qualifi- cations	Date of employ- ment	Designation	Remune- ration (Rs.)	Expe- rience (years)	Last employment held
<i>Employed throughout the year:</i>							
Ms. P Parvathi	33	M.Com	01.07.1998	Managing Director	9,77,133	10	Dy.Manager, Secretarial Dept., DCL Polyesters Ltd., Hyderabad.
<i>Employed for part of the year:</i>							
Mr. A M Marathe	60	Diploma in Mechanical Engg.	28.06.1981	Managing Director	1,94,404	37	Plant incharge, Chowgules Iron & Benefication Plant, Goa.

- Notes:**
1. Remuneration shown above includes Salary, Commission Company's Contribution to Provident & Superannuation Funds, Medical Reimbursements, Leave Travel Assistance and other perquisites.
 2. The Remuneration paid to Ms P Parvathi is as Executive Director from 01.04.98 to 30.06.98 and as Managing Director from 01.07.98 to 31.03.99 .
 3. Ms P Parvathi is a relative of Mr. M B Raju, Chairman and Mr. P Venugopal Raju, Director.
 4. The conditions of employment of Ms P Parvathi and Mr A M Marathe are contractual.



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AUDITORS' REPORT

To
The Members of
DECCAN CEMENTS LIMITED

We have audited the attached Balance Sheet of DECCAN CEMENTS LIMITED as at 31st March, 1999 and the Profit and Loss Account for the year ended on that date annexed thereto and report that ;

1. As required by the manufacturing and Other Companies (Auditors' Report) Order 1988 issued by the Company Law Board in terms of Section 227(4-A) of the Companies Act, 1956, we annex hereto a statement on the matters specified in paragraph 4 and 5 of the said order.
2. Further to our comments in the statements referred to in paragraph 1 above we state that ;
 - a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - b) in our opinion, proper books of account as required by law have been kept by the company, so far as appears from our examination of such books.
 - c) the Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the books of account.
 - d) in our opinion, the Balance Sheet and the Profit and Loss Account referred to in this report are in compliance with the Accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
 - e) in our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit and Loss Account read together with notes thereon, and the 'Significant Accounting Policies' give the information required by the Companies act, 1956, in the manner so required and give a true and fair view;
 - i) in so far as it relates to the Balance Sheet, of the State of affairs of the Company as at 31st March, 1999 and
 - ii) in so far as it relates to the Profit and Loss Account, of the Profit of the Company for the year ended on that date.

for **M Bhaskara Rao & Co.,**
Chartered Accountants

Place : Hyderabad
Date : 27.05.99

Anil Kumar Mehta
Partner

STATEMENT REFERRED TO IN PARAGRAPH (1) OF OUR REPORT OF EVEN DATE

1. The Company has maintained adequate records to show quantitative details and situation of Fixed Assets. According to the information and explanations given to us, the Management has physically verified major fixed assets and no material discrepancies were noticed on such physical verification.
2. None of the Fixed Assets have been revalued during the year.
3. Physical verification of Raw Materials, Finished Goods and major items of Stores and Spares was carried out by the Management during the year. In our opinion the frequency of verification is reasonable.
4. The procedures for physical verification of stocks are adequate and reasonable having regard to the size of the company and nature of its business.
5. The discrepancies noticed on verification between physical stock and book balances as explained to us during the course of our audit, were not significant and the same have been properly dealt with in the books of account.
6. On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loan secured or unsecured from companies, firms or other parties listed in the Register maintained under Section 301 of the Companies act, 1956. There are no companies under the same management as defined under erstwhile Section 370(1B)(Section 372A as amended) of the Companies Act, 1956.
8. The Company has not granted any loan secured or unsecured to companies, firms



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or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956. There are no companies under the same Management as defined under erstwhile Section 370(1B) (Section 372A as amended) of the Companies Act, 1956.

9. The Company has given advances in the nature of loans to its employees who have been generally regular in repaying the principal and interest as stipulated.
10. According to the information and explanation given to us, the Internal control procedures in vogue for purchase of stores, raw materials, plant and machinery, equipment and other assets and for sale of goods are commensurate with the size of the Company and nature of its business.
11. In our opinion and according to the information and explanations given to us, transactions during the year in pursuance of contracts or arrangements with companies, firms or other parties listed in the Register maintained under Section 301 of the Companies Act, 1956 aggregating during the year to Rs.50,000/- or more have been made at prices which are reasonable having regard to the prevailing market prices for such goods and services.
12. As per the explanation given to us there is a procedure for determination of unserviceable or damaged stores, raw materials and finished goods. However, as informed to us no such stores, raw materials and finished goods were determined during the year.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the Companies (Acceptance of Deposit) Rules 1975 with regard to deposits accepted from the public.
14. The manufacturing process of the Company does not generate by-products.

The Company is maintaining reasonable records for the sale and disposal of realisable scrap.

15. The Internal Audit of the Company has been conducted by a Chartered Accountant, and the scope and coverage of Internal Audit is commensurate with the size of the Company and nature of its business.
16. In our opinion and as per the information and explanations given to us, the Company is maintaining Cost Records as specified by the Central Government under Section 209(1)(d) of the Companies Act, 1956. The contents of these accounts and records have not been examined by us.
17. The Provident Fund and Employees' State Insurance dues have generally been regularly deposited with appropriate authorities.
18. The Company does not have undisputed amount payable in respect of the Income Tax, Wealth Tax, Sales Tax, Customs Duty and Excise Duty as at the end of the year outstanding for a period more than six months from the date they become payable.
19. In our opinion and according to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
20. The Company is not a Sick Industrial Company within the meaning of Clause (O) of the Sub-section (1) of the Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

for **M Bhaskara Rao & Co.,**
Chartered Accountants

Place : Hyderabad
Date : 27.05.99

Anil Kumar Mehta
Partner