

**25 TH
ANNUAL
REPORT
2004-05**

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DECCAN CEMENTS LIMITED



Board of Directors

Directors

M B Raju	Executive Chairman (IDBI Nominee)
J Narayana Murthy	
Umesh Shrivastava	
D R K Rao	
P Venugopal Raju	
P Parvathi	Managing Director

Senior Executives

G R Ram	Sr. Vice President
K Mohan Rao	Vice President (Marketing)
R Gopalakrishnan	General Manager (Legal) & Company Secretary
K Srihari	General Manager (Works)
B K Bardia	General Manager (Finance)
M Krishnam Raju	General Manager (Marketing)

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: 23310561, 23310168



NOTICE

Notice is hereby given that the TWENTY FIFTH ANNUAL GENERAL MEETING of the Members of DECCAN CEMENTS LIMITED will be held on Friday, the 9th day of September, 2005 at 10.00 A.M. at "Bhaskara Auditorium", Birla Museum, Adarsh Nagar, Hyderabad-500 063 to transact the following business:

ORDINARY BUSINESS:

1. To receive consider and adopt the Profit and Loss Account for the year ended 31st March, 2005, the Balance Sheet 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 Mr. D R K Rao, Director who retires by rotation and is eligible for re-appointment.
4. To appoint M/s M Bhaskara Rao & Co., Chartered Accountants as Statutory Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

By Order of the Board

R GOPALAKRISHNAN
General Manager (Legal) &
Company Secretary

Registered Office:

6-3-666/B, 'Deccan Chambers'
Somajiguda,
Hyderabad - 500 082
Dated : 24th June, 2005.

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

INFORMATION REQUIRED TO BE FURNISHED UNDER CLAUSE 49 OF THE LISTING AGREEMENT

As required under Clause 49 of the Listing Agreement the particulars of Director who is proposed to be appointed / reappointed at this Annual General Meeting is given below:

at its Registered Office not less than 48 hours before commencement of 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 30th August, 2005 to 9th September, 2005 (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 30th August, 2005 and as per list of beneficial ownership furnished by depositories for this purpose for shares held in Electronic form.
5. a) Pursuant to the provisions of Section 205A and 205C of the Companies Act, 1956, the Company has already transferred all unclaimed dividends upto and including the Financial Year ended 31st March, 1997.
b) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended dividend for the financial year ended 31st March, 1998 and thereafter, which remains unpaid or unclaimed for a period of 7 years will be transferred to the "Investors Education and Protection Fund" of the Central Government. Members are advised to write to the Company to claim the dividend.
6. Stock Exchanges:
 - a) The Company's shares are listed with Hyderabad (Regional) 6-3-654, Somajiguda, Hyderabad - 500 082 and The Stock Exchange, Phiroze Jeejeebhoy towers, Dalal Street, Mumbai - 400 001.
 - b) The Annual Listing Fee for the year 2005-2006 has been paid in time as per Clause 38 of the Listing Agreement to Stock Exchanges at Hyderabad and Mumbai.

Mr D R K Rao, B.Sc., B.Tech aged about 74 years is a consultant having rich experience in the Corporate Sector and specialized in setting up of Chemical Plants.

He is the Chairman of Audit Committee and member of Remuneration Committee of the Company.



DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Twenty Fifth Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 2005.

Financial Results

The Financial Results for the year ended 31st March, 2005 are summarized below:

	April, 2004 March, 2005	April, 2003 March, 2004
	Rs.in Lacs	Rs.in Lacs
Sale Income	14492.74	14858.84
Other Income	114.72	93.71
Total	14607.46	14952.55
Profit before Depreciation, and Interest	1471.31	1674.65
Less: Depreciation	505.10	515.26
Interest	209.89	406.98
Profit for the year	756.32	752.41
Less: Provision for Taxation	72.00	85.00
Provision for Deferred Taxation	83.00	134.00
Prior year taxation	67.31	-59.26
Profit after Taxation	534.01	592.67
Prior Year adjustments	0.36	2.53
Profit for the year	534.37	595.20
Profit brought forward from previous year	1177.06	839.88
Profit available for appropriation	1711.43	1435.08
Appropriations		
Proposed Dividend	140.07	140.07
Dividend Tax	19.65	17.95
General Reserve	100.00	100.00
Balance retained	1451.71	1177.06

Review of Operations :

During the year under review Cement Division / Slag Division were under pressure due to adverse market conditions. Mini Hydel operations improved compared to previous year. Generation of power from Wind Mill operations at Ramgiri was less as compared to last year. A detailed Management Discussion and Analysis Report is given separately.

Dividend:

Considering the Company's track record of dividend payment and the current year's profitability, your Directors are pleased to recommend for your consideration a dividend of Rs.2/- per equity share for the year ended 31st March, 2005 which would entail a cash outflow of Rs.140.07 lacs and Dividend distribution tax @ 14.025% amounting to Rs.19.65 lacs.

Fixed Deposits:

The amount of deposits as on 31st March, 2005 accepted by the Company stood at Rs.162.72 lacs and there were matured and unclaimed deposits of Rs.0.80 lacs as on 31st March, 2005.

Industrial Relations:

During the period, industrial relations continued to be cordial. Your Directors wish to place on record their appreciation for the dedicated services of the company's employees.

Insurance:

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

Corporate Governance:

A detailed report on Corporate Governance is enclosed.



Directors Responsibility Statement:

Pursuant to provisions of Section 217 (2AA) of the Companies (Amendment) Act 2000, it is confirmed.

- i) That in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures.
- ii) That the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for that period;
- iii) That the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) That the directors had prepared the annual accounts on a going concern basis.

Directors:

Pursuant to the provisions of Section 255 of the Companies Act, 1956, Mr. D R K Rao, Director retires by rotation and is eligible for reappointment.

Mr. K. Gangi Reddy, Director resigned from the Board. Your directors wish to place on record their deep appreciation of the advise and guidance provided by Mr. K. Gangi Reddy, during his long tenure on the Board.

Statutory Auditors:

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

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 is annexed hereto (Annexure II) and forms part of this report.

Acknowledgement:

The Board expresses its grateful thanks to the Industrial Development Bank of India, The State Bank of India, The Andhra Bank, Transmission Corporation of A P Ltd., APCPDCL, customers and dealers for the support to the Company.

For and on behalf of the Board

Hyderabad
Date : 24th June, 2005

M B Raju
Executive Chairman



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 Cement Division

- a) Energy Conservation measures taken:
Conservation of energy continues to be accorded high priority.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.
 - i) The Company has already taken measures to reduce the thermal and electrical energy consumption on continues basis.
 - ii) Optimization of Raw Mill separators by balancing primary and secondary air quantities. This air has been re-circulated from fan outlet, so that the temperature is maintained which resulted in reduction of power drawn by the fans.
- c) Impact of measures at (a) and (b) above for reduction of energy consumption and

consequent impact on the cost of production of goods:

With the measures taken up under b(i) and b(ii) the average power consumption per ton of Cement has been reduced by 1 unit (from 91 units to 90 units).

- d) The total energy consumption and energy consumption per unit of production.

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

Slag Cement Division

The average power consumption per ton of Cement for the year is 36 units.

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 has no plans for exports of its product.

- b) Total foreign exchange used and earned

	Rs. in lacs
Used	47.33
Earned	NIL

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)	466.77	471.23
Total Amount (Rs.in lacs)	1721.39	1742.54
Rate per unit (Rs.)	3.69	3.70



b) Own Generation:		
Through Diesel Generator		
Units (KWH lacs)	4.74	1.00
Total Amount (Rs.in lacs)	41.89	9.66
Rate per unit (Rs.)	8.83	9.69
2) Coal (C&D Grade) used as a Fuel in Kiln:		
Quantity (Million K Cal)	355126	345955
Total Cost (Rs.in lacs)	1853.63	1481.25
Average Rate (Rs./million K Cal)	522	428

B) CONSUMPTION PER UNIT OF PRODUCTION**Cement Division**

Electricity (KWH/T of Cement)	90	91
Coal %	20.81	19.40

Slag Division

Electricity (KWH/T of Cement)	36	34
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FORM B

(See Rule 2)

Form for disclosure of particulars with respect to Technology Absorption.

A. RESEARCH AND DEVELOPMENT (R&D)	-- NOT APPLICABLE --
B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION	--- NOT APPLICABLE ---

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, 2005.

Name, age and Qualification	Designation and natures of Duties	Date of commencement of employment	Experience in years	Remuneration (Rs. in lacs)	Last Employment
P. PARVATHI 39 years M.Com.	MANAGING	01.07.1998 DIRECTOR	16	24.86	Dy. Manager, Secretarial Department, DCL Polyesters Ltd.,

1. Remuneration include Salary, Commission, Company's contribution to Provident Fund, Superannuation Fund and Group Gratuity Scheme, reimbursement of medical expenses, Leave Travel Assistance and other perquisites.
2. Ms. P. Parvathi is a relative of Mr. M.B. Raju, Executive Chairman and Mr. P. Venugopal Raju, Director.
3. There are no employee in the service of the Company within the category covered by sub-section(2)(iii) of Section 217 (2A) of the Companies Act, 1956.
4. The conditions of employment of Ms. P. Parvathi are contractual.

For and behalf of the BoardHyderabad
Date : 24th June, 2005**M.B. Raju**
Executive Chairman



CORPORATE GOVERNANCE REPORT

I The Corporate Governance Code:

The Company believes that the Corporate Governance provides a structure through which

- the objectives of the Company are set, means for achieving and monitoring performance are determined
- long term value of the enterprise is maximised
- the business complies with legal and regulatory frameworks.
- fosters better value to shareholders / stakeholders and the society at large.

The Company has consistently practiced good corporate governance. The Company creates an environment for the efficient conduct of the business and to enable management to meet its obligations to all its stockholders, including amongst others, shareholders, customers, employees and the community in which the Company operates.

II Board of Director ("Board")

The Board comprise of seven Directors of whom two are executive, and five are non-executive Directors.

a) Composition of the Board:

Name of the Director	Status
Mr. M B Raju	Executive Chairman
Ms P Parvathi	Managing Director & Executive
Mr. Umesh Shrivastava	Independent & Non Executive

Name of the Director	Status
Mr. K Gangi Reddy*	Independent & Non Executive
Mr.J Narayana Murthy	Independent & Nominee of IDBI
Mr. P Venugopal Raju	Non Executive
Mr. D R K Rao	Independent & Non Executive

* Resigned from the Board on 31.10.2004

b) Board Meetings:

The meetings of the Board of Directors are scheduled well in advance and generally held at the Registered office of the Company at Hyderabad. The notice confirming the meeting and the detailed agenda is sent at least seven days in advance to all the Directors. Senior Management of the Company is invited to attend the Board Meetings, to make presentations and provide clarifications as and when required. The Board meets at least once in a quarter to review the quarterly performance and financial results.

i) Number of Board Meetings:

During the year from 1st April, 2004 to 31st March, 2005 the Board met six times on the following dates.

5th April, 2004
 25th June, 2004
 27th July, 2004
 3rd September, 2004
 28th October, 2004
 25th January, 2005


ii) Attendance of Directors:

Name of the Director	No.of Board Meetings held	No.of Board Meetings attended	Attendance at the last Annual General Meeting	No.of Directorships in other Board as on 31.03.2005	No.of Memberships in other Board Committees as on 31st March, 2005
Mr. M B Raju	6	6	YES	2	-
Ms P Parvathi	6	6	YES	-	-
Mr.Umesh Shrivastava	6	5	YES	4	-
Mr.K Gangi Reddy*	6	1	NO	-	-
Mr.P Venugopal Raju	6	5	YES	5	-
Mr.D R K Rao	6	5	YES	-	-
Mr.J Narayana Murthy (IDBI Nominee)	6	6	YES	2	-

* Resigned from the Board on 31.10.2004

III Committees of Directors:

Non- executive Directors, provide guidance to operating management on policy matters as well as in the monitoring actions of operating management. The involvement is formalized through constitution of designed committees of the Board. The Committees are intended to provide regular exchange of information and ideas between the non-executive Directors and the operating management.

The Board has accordingly constituted Committees which comply with the requirements of Clause 49 of the Listing Agreement with the Stock Exchanges and the applicable provisions of the Companies (Amendment) Act, 2000.

ii) During the year from 1st April, 2004 to 31st March, 2005 the Audit Committee met four times on the following dates:

25th June, 2004
3rd September, 2004
28th October, 2004
25th January, 2005

iii) Attendance of the Directors in the Audit Committee Meeting:

Name of the Director	No.of meetings held	No.of meetings attended
Mr. D R K Rao	4	3
Mr. P Venugopal Raju	4	4
Mr. J Narayana Murthy	4	4

A) Audit Committee:
i) The Audit Committee comprises of the following non-executive independent members of the Board.

1. Mr. D R K Rao Chairman
2. Mr. J Narayana Murthy Member
3. Mr. P Venugopal Raju Member

iv) Terms of reference:

The Audit Committee has powers to investigate any activity within its terms of reference, seek information from any employee, obtain outside legal or other professional advice and secure attendance of outsiders with relevant expertise, if it considers necessary. The terms of reference of the Audit Committee also includes the following:



- 1) Oversight of the Company's financial reporting process and the disclosure of the financial information to ensure that the financial statement is correct, sufficient and credible.
 - 2) Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
 - 3) Reviewing with management, the annual financial statements before submission to the board, focusing primarily on.
 - a) any changes in accounting policies and practices.
 - b) Major accounting entries based on exercise of judgment to management.
 - c) Qualifications in draft audit report.
 - d) Significant adjustments arising out of audit.
 - e) The going concern assumption.
 - f) Compliance with accounting standards.
 - g) Compliance with Stock exchange and legal requirements concerning financial statements.
 - h) Any related party transaction.
 - 4) Reviewing the management, external and internal auditors, the adequacy of internal control system.
 - 5) Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
 - 6) Discussion with internal auditors any significant findings and follow up thereon.
 - 7) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
 - 8) Discussion with external auditors before the audit commences nature and scope of audit as well as have postaudit discussion to ascertain any area of concern.
 - 9) Reviewing the Company's financial and risk management policies.
 - 10) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
 - 11) Such other matters as may be entrusted to the Committee from time to time.
- B) Share Transfer Committee:**
- i) **The Share Transfer Committee, comprises the following members of the Board.**

1. Mr. M B Raju	Chairman
2. Mr. P Venugopal Raju	Member
3. Ms Parvathi	Member

Mr. R Gopalakrishnan, General Manager (Legal) & Company Secretary is the Compliance Officer.
 - ii) **During the year from 1st April, 2004 to 31st March, 2005 the Share Transfer Committee met once on 15th November 2004.**