# 26th ANNUAL REPORT 2005-06

# DECCAN CEMENTS LIMITED

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# Board of Directors

## Directors

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

## Senior Executives

| | |
|---|---|
| L Jayashankar | Executive Vice President |
| G R Ram | Sr. Vice President |
| K Mohan Rao | Vice President (Marketing) |
| R Gopalakrishnan | General Manager (Legal) & Company Secretary |
| Y. Linga Rao | 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

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DECCAN CEMENTS LIMITED

# NOTICE

Notice is hereby given that the TWENTY SIXTH ANNUAL GENERAL MEETING of the Members of DECCAN CEMENTS LIMITED will be held on Thursday, the 27th day of July, 2006 at 10.00 A.M. at Surana Udyog Auditorium, The Federation of Andhra Pradesh Chambers of Commerce and Industry(FAPCCI), Federation House, 11-6-941, Red Hills, Post Box No.14, Hyderabad - 500 004 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive consider and adopt the Profit and Loss Account for the year ended 31st March, 2006, 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. P Venugopal Raju, 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 until 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
Date : 19th May, 2006

**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 commencement of the meeting.
2. Members are requested to notify immediately any change in their addresses 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 20th July 2006 to 27th July 2006 (both days inclusive).
4. Payment of dividend on equity shares, if declared at the meeting, will be made to those members whose names appear on the Company's Register of Members on 20th July 2006 and as per list of beneficial ownership furnished by depositories for this purpose for shares held in Electronic form.
5. a) Under the provisions of Section 205A of the Companies Act, 1956, the Company has already transferred all unclaimed dividends upto and including the Financial Year ended 31st March, 1998.

   b) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended dividend for the financial year ended 31st March, 1999 and thereafter, which remains unpaid or unclaimed for a period of 7 years will be transferred to the "Investor Education and Protection Fund" of the Central Government. Members are advised to write to the Company and claim their unclaimed dividend.
6. Stock Exchanges:

   a) The Company's shares are listed with Hyderabad Stock Exchange Ltd., (Regional) 6-3-654, Somajiguda, Hyderabad - 500 082 and Bombay Stock Exchange Ltd., Phiroze Jeejeebhoy towers, Dalal Street, Mumbai - 400 001.

   b) The Annual Listing Fee for the year 2006-2007 has been paid in time as per Clause 38 of the Listing Agreement to Stock Exchanges at Hyderabad and Mumbai.

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

As required under Clause 49 of the Listing Agreement particulars of Mr. P. Venugopal Raju, Director who is proposed to be reappointed at this Annual General Meeting is given below:

Mr P. Venugopal Raju aged about 46 years is B.Com., A.C.A. and Post Graduate in Master of Science in Management from Massachusetts Institute of Technology (MIT) (Sloan School of Management). He is Director of Vibrant Developers Pvt. Ltd., Khandaleru Power Company Limited, DCL Information Technologies Limited, DCL Securities Limited and Melville Finvest Limited. He is also member of the Audit Committee of the Company.

He is a businessman with wide experience in General Management in Corporate Sector. He holds 200 equity shares in Deccan Cements Limited.



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DECCAN CEMENTS LIMITED

# DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Twenty Sixth Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 2006.

**Financial Results**

The Financial Results for the year ended 31st March, 2006 are summarized below:

| | **April, 2005 March, 2006** | April, 2004 March, 2005 |
|---|---|---|
| | **Rs.in Lacs** | Rs.in Lacs |
| Sale Income | **12316.70** | 11128.99 |
| Other Income | **88.28** | 114.72 |
| Total | **12404.98** | 11243.71 |
| Profit before Depreciation, and Interest | **1561.57** | 1471.31 |
| Less: Depreciation | **507.10** | 505.10 |
| Interest | **122.31** | 209.89 |
| Profit for the year | **932.16** | 756.32 |
| Less: Provision for Taxation | **95.00** | 72.00 |
| Provision for Deferred Taxation | **(64.00)** | 83.00 |
| FBT | **8.00** | 0.00 |
| Prior year taxation | **–** | 67.31 |
| Profit after Taxation | **893.16** | 534.01 |
| Prior Year adjustments | **0.36** | 0.36 |
| Profit for the year | **893.52** | 534.37 |
| Profit brought forward from previous year | **1451.71** | 1177.06 |
| Profit available for appropriation | **2345.23** | 1711.43 |
| **Appropriations** | | |
| Proposed Dividend | **175.09** | 140.07 |
| Dividend Tax | **24.56** | 19.65 |
| General Reserve | **100.00** | 100.00 |
| Balance retained | **2045.58** | 1451.71 |

**Review of Operations :**

During the year under review Cement Division / Slag Division were under pressure due to adverse market conditions prevailing till December, 2005. The market for Cement improved and prices picked up in the last quarter. Mini Hydel operations were better compared to previous year, generation of power from Wind Mill at Ramgiri was less as compared to last year. A detailed Management Discussion and Analysis Report is annexed hereto and forms part of the report (Annexure - IV).

**Dividend:**

Your Directors considering the Company's track record of dividend payment and the current year's profitability, are pleased to recommend for your consideration a dividend of Rs. 2.50 per equity share for the year ended 31st March, 2006 which would entail a cash outflow of Rs. 175.09 lacs and Dividend distribution taxof Rs. 24.56 lacs aggregating to Rs. 199.65 lacs.

**Fixed Deposits:**

The aggregate amount of deposits accepted by the Company stood at Rs.117.73 lacs as on 31st March, 2006.

**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 its 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 annexed hereto and forms part of the report (Annexure - III).



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**Directors Responsibility Statement:**

Pursuant to the requirements of Section 217 (2AA) of the Companies Act, 1956 the Directors hereby state that:

i) in the preparation of the annual accounts for the year 2005-06, the applicable accounting standards had been followed and there are no material departures.

ii) 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 of the Company for the financial year.

iii) the Directors had taken proper and sufficient care to the best of their knowledge and belief for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

iv) 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. P Venugopal Raju, Director retires by rotation and is eligible for reappointment.

**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 and forms part of this report (Annexure - II).

**Acknowledgement:**

The Board expresses its grateful appreciation for assistance and co-operation received from the Industrial Development Bank of India, The State Bank of India, The Andhra Bank, Transmission Corporation of A P Ltd., APCPDCL, customers, dealers and members.

**For and on behalf of the Board**

Hyderabad
Date : 19th May, 2006

**M B Raju**
Executive Chairman



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DECCAN CEMENTS LIMITED

ANNEXURE - I

## ANNEXURE TO DIRECTORS' REPORT

**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 taken measures to reduce the thermal and electrical energy consumption on continuous basis.

ii) 1) FK Pump for PC coal pumping:

i) Reduction in the conveying air resulted in lower fuel consumption.

ii) Uninterrupted coal flow resulted in consistency in degree of calcinations and so in production.

iii) ESP tripping due to Carbon monoxide is avoided totally by consistent coal supply to Precalciner.

2) Tertiary Air Duct diameter increase :

Enhanced volume of tertiary air increased the oxygen availability in calciner which helped in better fuel combustion and higher clinker production.

3) Installation of high efficiency PH fan impeller:

Reduction in rpm for the required volume resulted in better power consumption and clinker production.

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 tonne of Cement has been reduced by 3 units (from 90 units to 87 units).

d) 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 tonne of Cement for the year is 31 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 export of its product.

b) Total foreign exchange used and earned.

Rs. in lacs

| | **Current year** | Previous Year |
|---|---|---|
| Earned | **NIL** | NIL |
| Used | **35.20** | 47.33 |

## 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) | **489.55** | 466.77 |
| Total Amount (Rs.in lacs) | **1791.50** | 1721.39 |
| Rate per unit (Rs.) | **3.66** | 3.69 |



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| | | |
|---|---|---|
| b) Own Generation: | | |
| Through Diesel Generator | | |
| Units (KWH lacs) | **5.56** | 4.74 |
| Total Amount (Rs.lacs) | **55.74** | 41.89 |
| Rate per unit (Rs.) | **10.03** | 8.83 |
| **2) Coal (C&D Grade) used as a Fuel in Kiln:** | | |
| Quantity (Million K Cal) | **365330** | 355126 |
| Total Cost (Rs.in lacs) | **1731.22** | 1853.63 |
| Average Rate (Rs./million K Cal) | **474** | 522 |
| **B) CONSUMPTION PER UNIT OF PRODUCTION** | | |
| **Cement Division** | | |
| Electricity (KWH/T of Cement) | **87** | 90 |
| Coal % | **18.25** | 20.81 |
| **Slag Division** | | |
| Electricity (KWH/T of Cement) | **31** | 36 |

## FORM B

(See Rule 2)

**Form for disclosure of particulars with respect to Technology Absorption.**

A. RESEARCH AND DEVELOPMENT (R&D) : As an R & D measure, a Minipal - 2 X Ray Spectrometer with Cr tube and spinner has been installed, with the safety compliance fit to international regulations. This helps in quicker analysis of number of samples at a time to follow the process direction and to control the quality in a consistent manner.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION : Not Applicable

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## 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, 2006.**

| Name, age and Qualification | Designation and natures of Duties | Date of commencement of employment | Experience in years | Remuneration (Rs. in lacs) | Last Employment |
|---|---|---|---|---|---|
| M.B. Raju<br>66 years<br>B.E. | EXECUTIVE CHAIRMAN | 01.07.2002 | 43 | 25.30 | Chairman and Managing Director DCL Polyesters Ltd., |
| P. PARVATHI<br>40 years<br>M.Com. | MANAGING DIRECTOR | 01.07.1998 | 17 | 26.63 | Dy. Manager, Secretarial Dept., 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. Mr. M.B.Raju, Executive Chairman and Ms. P. Parvathi, Managing Director are related to each other and to Mr. P.Venugopal Raju, Director.
3. There are no employees 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 Mr M B Raju and Ms P Parvathi are contractual.

**For and behalf of the Board**

*Place: Hyderabad*
Date : 19th May, 2006

***M.B. Raju***
Executive Chairman



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DECCAN CEMENTS LIMITED

ANNEXURE - III

# 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 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 six Directors of whom two are executive, and four 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 |
| Mr.J Narayanamurthy | Independent & Nominee of IDBI |
| Mr. P Venugopal Raju | Non Executive |
| Mr. D R K Rao | Independent & Non Executive |

### 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 well in advance to all the Directors. Senior Executives of the Company are 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, 2005 to 31st March, 2006 the Board met six times on the following dates.

22nd April, 2005

24th June, 2005

29th July, 2005

9th September, 2005

28th October, 2005

24th January, 2006



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**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 31.03.2006 | No.of Memberships in other Board Committees as on 31st March, 2006 |
|---|---|---|---|---|---|
| Mr. M B Raju | 6 | 6 | YES | 2 | NIL |
| Ms. P Parvathi | 6 | 6 | YES | NIL | NIL |
| Mr. Umesh Shrivastava | 6 | 5 | YES | 4 | NIL |
| Mr. P Venugopal Raju | 6 | 6 | YES | 5 | NIL |
| Mr. D R K Rao | 6 | 6 | YES | NIL | NIL |
| Mr. J Narayanamurthy (IDBI Nominee) | 6 | 6 | YES | 1 | NIL |

**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.

**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 Narayanamurthy — Member
3. Mr. P Venugopal Raju — Member

**ii) During the year from 1st April, 2005 to 31st March, 2006 the Audit Committee met six times on the following dates:**

22nd April, 2005
24th June, 2005
29th July, 2005
9th September, 2005
28th October, 2005
24th January, 2006

**iii) Attendance in the Audit Committee Meeting:**

| Name of the Director | No.of meetings held | No.of meetings attended |
|---|---|---|
| Mr. D R K Rao | 6 | 6 |
| Mr. P Venugopal Raju | 6 | 5 |
| Mr. J Narayanamurthy | 6 | 6 |

**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:



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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 to the Board the appointment, re-appointment and if required, the replacement or removal of the Statutory Auditors and the fixation of audit fees.

3) Approval of payment to statutory auditors for any other services rendered by the statutory auditors.

4) Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:

   a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause 2AA of Section 217 of the Companies Act, 1956.

   b) Changes, if any, in accounting policies and practices and reasons for the same.

   c) Major accounting entries involving estimates based on the exercise of judgment by management.

   d) Significant adjustments made in the financial statements arising out of audit findings.

   e) Compliance with listing and other legal requirements relating to financial statements.

   f) Disclosure of any related party transaction.

   g) Qualifications in the draft audit report.

5) Reviewing with the management, the quarterly financial statements before submission to the Board for approval.

6) Reviewing the adequacy of internal audit function, if any 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.

7) Discussion with internal auditors any significant findings and follow up there on.

8) 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.

9) Discussion with statutory auditors before the audit commences about nature and scope of audit as well as post-audit discussion to ascertain any area of concern.

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) To review the functioning of the Whistle Blower mechanism, in case the same is existing.

12) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**B) Share Transfer & Investors Grievance Committee:**

**i) The Committee, comprises the following members of the Board.**

1. Mr Umesh Shrivastava, Chairman
2. Mr. J Narayanamurthy, Member
3. Ms P Parvathi, Member

Mr. R. Gopalakrishnan, General Manager (Legal) & Company Secretary is the Compliance Officer.

**ii) During the year from 1st April, 2005 to 31st March, 2006 the Committee met four times on the following dates:**

24h June, 2005
29th July, 2005
9th September, 2005
24th January, 2006



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