

29th ANNUAL REPORT 2008 - 09



DECCAN CEMENTS LIMITED



Board of Directors

M.B. Raju	Executive Chairman
Umesh Shrivastava	
D.R.K. Rao	
P. Venugopal Raju	
R.S. Agarwal	
J. Narayanamurthy	
P. Parvathi	Managing Director

Senior Executives

L. Jayashankar	President
G.R. Ram	Senior Vice President
P.V. Ramanamurthy	Senior Vice President (Works)
M. Krishnam Raju	Senior General Manager (Marketing)
C. Srinivasan	General Manager (Legal) & Company Secretary
H.V. Badri Narayana Murthy	General Manager (Finance)

Auditors

M. Bhaskara Rao & Co.
Chartered Accountants
5-D, 5th Floor,
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 NINETH ANNUAL GENERAL MEETING** of the Members of **DECCAN CEMENTS LIMITED** will be held on Friday, the 18th day of September, 2009 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, 2009, the Balance Sheet as at that date and the Directors' and the Auditors' Reports thereon.
2. To declare a dividend on Equity shares.
3. To appoint a Director in place of Mr. Umesh Shrivastava, who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. R S Agarwal, who retires by rotation and is eligible for re-appointment.
5. 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 the 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, Mr. J Narayanamurthy be and is hereby appointed as a Director of the Company".

By Order of the Board

Place: Hyderabad

Date : 29th July, 2009

C. SRINIVASAN
General Manager (Legal) &
Company Secretary

Registered Office:

6-3-666/B

"Deccan Chambers"

Somajiguda

HYDERABAD - 500 082

**Notes:**

1) A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend instead of himself 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 commencement of the meeting.

2) The Register of Members and Share Transfer Books of the Company will be closed from 12th September, 2009 to 18th September, 2009 (both days inclusive).

3) 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 12th September, 2009 and as per the list of beneficial ownership furnished by Depositories for this purpose in case of shares held in Electronic form.

a) In terms of 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, 2001.

b) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended, dividend for the financial year ended 31st March, 2002 remaining 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 immediately write to the Company regarding their unclaimed dividend.

4) Explanatory statement to the Special Business has been annexed to the Notice in terms of Section 173(2) of the Companies Act, 1956.

By Order of the Board

C. SRINIVASAN

Place: Hyderabad
Date : 29th July, 2009

General Manager (Legal) &
Company Secretary

Registered Office:

6-3-666/B
"Deccan Chambers"
Somajiguda
HYDERABAD - 500 082

Annexure to the Notice :**Explanatory Statement under Section 173(2) of the Companies Act, 1956 :****Item 6 :**

Mr. J Narayanamurthy, 66, was appointed as an Additional Director by the Board at its meeting held on 23rd June 2009. In terms of provisions of Section 260 of the Companies Act, 1956, Mr. Narayanamurthy holds office up to the date of the ensuing Annual General Meeting. The Company has since received a notice from a member, signifying his intention to propose the appointment of Mr. J Narayanamurthy as a Director. A deposit of Rs. 500 as required under the provisions of Section 257 of the Companies Act, 1956, was also received from the above member.

Mr. J Narayanamurthy holds M.A. Degree and CAIIB Certificate, has worked with the Reserve Bank of India and Industrial Development Bank of India and has rich experience in the areas of Corporate Governance, Internal Audit, Project Appraisal, etc.

The Board recommends the resolution to the members for their approval.

In terms of Clause 49(IV)(E)(V) of the Listing Agreement, Mr. Narayanamurthy has disclosed his shareholding in the Company as 'Nil'.

None of the Directors is concerned or interested in the Resolution.

By Order of the Board

C. SRINIVASAN

Place: Hyderabad
Date : 29th June, 2009

General Manager (Legal) &
Company Secretary

Registered Office:

6-3-666/B
"Deccan Chambers"
Somajiguda
HYDERABAD - 500 082



DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Twenty Ninth Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 2009.

Financial Results:

The Financial Results for the year ended 31st March, 2009 are summarized below:

	April, 2008 March, 2009	April, 2007 March, 2008
	Rs.in Lakhs	Rs.in Lakhs
Sale Income	18,556.00	18,801.23
Other Income	147.52	303.62
Total	18,703.52	19,104.84
Profit before		
Depreciation and interest	6,685.89	8,008.97
Less: Depreciation	698.01	580.62
Interest and		
Finance Charges	457.53	115.75
Profit before tax and		
prior period items	5,530.35	7,312.60
Prior year adjustments	(2.33)	(0.70)
Profit before tax &		
Prior period items	5,528.02	7,311.90
Less: Provision for -		
Taxation	626.27	2,271.35
Deferred Taxation	1,447.48	222.32
Fringe Benefit Tax	12.01	12.29
Prior Year taxation	19.01	9.35
Wealth tax	0.27	-
Net Profit after Tax	3,422.98	4,796.59
Profit brought forward		
from previous year	8,428.55	4,357.43
Profit available for		
appropriation	11,851.53	9,154.02
Appropriations		
Proposed Dividend	210.11	210.11
Dividend Tax	35.71	35.71
General Reserve	342.30	479.65
Balance retained	11,263.41	8,428.55

Results of Operations:

The performance of your Company for the year under review was satisfactory. Sales turnover was marginally lower at Rs. 185.56 crore compared to Rs. 188.01 crore in the previous year. Net profit before tax for the year was lower at Rs. 55.30 crore (Previous Year Rs. 73.12 crore) due to higher input costs, depreciation and interest costs.

Commissioning of the new one million tonne Cement Plant:

Your Company has successfully commissioned its additional one million tonnes Cement expansion project along with an 18 MW Captive Thermal Power Plant during the last quarter of the financial year. The enhanced capacity will contribute to a significant increase in the turnover during the current year.

Appropriations:

Dividend:

In consonance with the Company's policy of rewarding the shareholders with a good return on their investments on a consistent basis, your Directors recommend a dividend of Rs. 3/- per equity share (30%) for the year ended 31st March, 2009 which would entail a cash outflow of Rs. 210.11 Lakhs and Dividend distribution tax amounting to Rs. 35.71 Lakhs.

Transfer to Reserves:

Your Directors propose to transfer Rs. 342.30 Lakhs in compliance with the provisions of *The Companies (Transfer of Profits to Reserves) Rules, 1975*.

Capital Structure:

During the financial year under review, the share capital of your Company remained unaltered.

Fixed Deposits:

The aggregate amount of Deposits accepted by the Company as at 31st March, 2009 stood at Rs.577.67 Lakhs. There are no matured and unclaimed Deposits as on 31st March, 2009.

Industrial Relations:

Barring a strained relationship between contract workmen with their contractors in the Plant for a brief period which had an impact on the company's productivity which was amicably resolved, Industrial Relations continued to be cordial during the year. Your Directors wish to place on record their appreciation for the dedicated services of its employees.



Social Responsibility

During the financial year ended 31st March, 2009 your company supplied 55,896 MT of cement to the State Government at concessional price as part of the government's *Indiramma Housing Scheme*.

Corporate Governance:

A detailed report on Corporate Governance is annexed hereto and forms part of the report.

Transfer to Investor Education and Protection Fund

In terms of Section 205C of the Companies Act, 1956, the unclaimed dividend amount aggregating to Rs. 2,21,933 lying with the Company for a period of seven years pertaining to the year ended 31st March 2001, was transferred during the financial year to the *Investor Education and Protection Fund*, established by the Central Government.

Directors' Responsibility Statement:

Pursuant to the provisions of Section 217 (2AA) of the Companies Act 1956, it is confirmed that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures, if any;
- ii) the Directors have selected such accounting policies and applied them consistently and made judgments 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) the Directors have 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; and
- iv) the Directors have prepared the annual accounts on a going concern basis.

Directors :

Pursuant to the provisions of Section 255 of the Companies Act, 1956, Mr. Umesh Shrivastava and Mr. R S Agarwal retire by rotation and are eligible for reappointment.

The Board appointed, in its meeting held on 23rd June 2009, Mr. J Narayanamurthy who has rich industrial experience, as an Additional Director. The Company has since received a notice from a member, proposing the name of Mr. J Narayanamurthy for appointment as a Director in the ensuing Annual General Meeting.

Statutory Auditors:

M/s. M Bhaskara Rao & Company, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the Annual General Meeting and are eligible for reappointment. The Audit Committee, in its meeting held on 29th July, 2009 has recommended the re-appointment of M/s. M Bhaskara Rao & Company.

Particulars of Research and Development, Conservation of Energy, Technology Absorption, etc.

Particulars as required under section 217(1)(e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 are given in the annexure to the report.

Energy, Technology and Foreign Exchange:

Additional information on conservation of energy, technology absorption and 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 and forms part of this report.

Particulars of Employees:

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, are annexed and forms part of this report.

Acknowledgement:

The Board expresses its grateful thanks to the Government of Andhra Pradesh, Banks, Customers and Dealers for their continued support to the Company.

for and on behalf of the Board

Hyderabad
Date: 29th July, 2009

M.B. Raju
Executive Chairman



MANAGEMENT DISCUSSION AND ANALYSIS REPORT:

We submit here Management Discussion and Analysis Report on the Business of the Company as applicable and to the extent relevant.

1. INDUSTRY STRUCTURE AND DEVELOPMENT

Cement production in the Country during 2008-09 was 181.35 million tonnes compared to 168.31 million tonnes in the previous year, registering a growth of 7.74%. Cement dispatches for 2008-09 recorded a growth of 7.91% at 180.95 million tonnes, against the figure of 167.68 million tonnes in 2007-08.

2. OPPORTUNITIES AND THREATS:

The Cement industry is poised to add 50 million tonnes of annual capacity by end 2010. According to a report by the ICRA Industry Monitor, the installed capacity is expected to increase to 241 MTPA by Financial Year ending 2010. The expected growth in supply and demand, according to the Centre for Monitoring Indian Economy (CMIE), will be 8.1% and 7 to 7.5% respectively. While these country-specific data are encouraging, State-wise scenario may show some imbalances. However, your Company is conscious of impediments in the market and is confident of dealing with the situation to its advantage.

One distinct advantage for the Company is the availability of its recently commissioned 18 MW Captive Thermal Power Plant, which helps in ensuring uninterrupted supply of quality power to the Plant, especially during power shortage during summer months.

Quality of coal supplied by the Collieries in the country has been deteriorating over the years. Quantitative requirements are also not being fully met. Hence, your company had to import Coal. Freight also constitutes a major element in cement cost. As the freight cost also constitutes a major element in the cement cost, any increase may have an impact on the margins.

3. SEGMENT WISE PRODUCTIVE PERFORMANCE:

Net power generation through Windmills in Andhra Pradesh was 27.81 lakh units during the year, down by over 2.3 lakh units. The lower generation was wholly attributable to lower wind velocity. Wind power generation in Tamilnadu was 86.94 lakh units during the year compared to 56.80 lakh units during the previous year. The significant increase in generation has been possible due to the addition of a new windmill of 1.65 MW capacity commissioned by around the end of the previous year, the benefit of which was available for a full year during the current year. Hence, these figures are not directly comparable. Power generation through Hydel unit was low at 205.74 lakh units compared to 231.59 lakh units generated in the previous year. The reduced generation was due to poor rain fall in the State.

4. OUTLOOK:

Based on the projected domestic demand and supply, the outlook for the cement industry, at least in Southern India where your Company operates, appears to be manageable.

5. RISKS AND CONCERNS:

The various risks generally associated with the cement manufacture, namely, coal price and its availability, grid power fluctuations and trippings, possibility of dumping of cement in selective markets by units which have recently augmented their production capacities, etc., can have impact on the cement prices. The down trend in the global economy has also started showing its impact on the country. Your Company, however, is confident that it would be able to tackle such situations.

6. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY:

The Company has put in place an internal control system. Also, an external agency of Chartered Accountants has been appointed as Internal



Auditors to independently audit the Company's accounts and operations. These Internal Auditors submit their reports and suggest remedial actions where required. An Audit Committee also involves itself in reviewing the reports of Internal Auditors and directs remedial action to the operating management.

7. DISCUSSION ON FINANCIAL PERFORMANCE WITH RESPECT TO OPERATION PERFORMANCE:

The financial performance with respect to operation of the Company is discussed below:

The net sales and other income were at Rs. 18,556 Lakhs against Rs. 18,801 Lakhs in the previous year. The outgo on interest payments is Rs.458 Lakhs as against Rs. 116 Lakhs in the previous year.

The Profit before tax of the Company was Rs. 5,528 Lakhs as compared to Rs. 7,312 Lakhs in the previous year. The net profit after tax for the year was Rs. 3,423 Lakhs against Rs. 4,797 Lakhs in the previous year.

There has been no change in paid-up share capital during the Financial Year 2008-09 which stands at Rs.700.38 Lakhs

8. MATERIAL DEVELOPMENT IN HUMAN RESOURCES/ INDUSTRIAL RELATIONS INCLUDING NUMBER OF PEOPLE:

The Company believes that human resources are an invaluable asset. The Company takes special care to maintain cordial relationship with employees and staff.

9. CAUTIONARY STATEMENT:

Statements in the "Management Discussion & Analysis" which seek to describe the Company's objective, projections, estimates, expectations or predictions may be considered to be "forward looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include

demand-supply conditions, increase in installed capacities, prices of finished goods, feed stock availability and prices, cyclical demand, pricing in the Company's markets, changes in Government regulations, tax regimes, etc. besides other factors, such as litigations and labour related issues.

DISCLOSURE ABOUT RISK MANAGEMENT

1. Clause-49 of the Listing Agreement requires that the Board of Directors of the Company takes note of the risk factors in the operations and measures taken to mitigate the same.
2. Risks generally faced by the Company are as follows:

A. Business Risk

The risk which is specific to the industry and the market in which it operates.

B. Operational Risk

The operational risk including technology changes and obsolescence of plant and machinery.

C. Financial risks

The financial risks relate to loss on account of interest rate fluctuations on the Company's borrowings and Foreign Exchange fluctuations in import/export transactions..

D. Market risks

Market risk involves loss arising out of market price fluctuations or supply rejections and bad or doubtful recovery of receivables.

E. Legal and Statutory risks

These are risks associated with new legislations and impostures by the government, backed out contracts and risks due to non-compliance of various statutory requirements, etc.

F. Management risks

The risk in this area relates to defective internal control systems, poor recovery plans, Human Resource Management failures, etc.



ANNEXURE TO DIRECTORS' REPORT

Disclosure of particulars with respect to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY

CEMENT DIVISION

a) Energy Conservation measures taken:

Optimization of productivity and ensuring better availability of the equipment are given priority so as to achieve lower energy consumption.

b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

The Company has carried out modifications in Coal Mill to achieve better productivity.

c) 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 38 units.

Possibilities of achieving further efficiencies in power consumption are being explored on a continuous basis.

B. TECHNOLOGY ABSORPTION

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

**FORM A**

(See Rule 2)

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

A) POWER AND FUEL CONSUMPTION	Current Year 2008-09	Previous Year 2007-08
1) ELECTRICITY :		
a) Purchased Units (KWH - Lakhs)	561.82	535.22
Total Amount (Rs.in Lakhs)	1,816.58	1872.19
Rate per unit (Rs.)	3.23	3.50
b) Own Generation:		
Through Diesel Generator		
Units generated (KWH lac units)	6.48	2.82
Total Amount (Rs.Lakhs)	80.20	47.33
Rate per unit (Rs.)	12.38	16.78
2) Coal (C&D Grade):		
Used as a fuel in Kiln:		
Quantity (Million K Cal)	364520	387464
Total Cost (Rs.in Lakhs)	3,682.61	2,279.19
Average Rate (Rs./million K Cal)	1,010	588
B) POWER CONSUMPTION PER UNIT OF PRODUCTION		
Cement Division		
Electricity (KWH/tonne of Cement)	91	87
Coal %	19.54	19.10
Slag Division		
Electricity (KWH/tonne of Cement)	38	39

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 : NOT APPLICABLE
ADAPTATION AND INNOVATION