# 31st Annual Report 2010 - 11

DECCAN CEMENTS LIMITED

## Board of Directors

| | |
|---|---|
| Mr. M.B.Raju | Executive Chairman |
| Mr. Umesh Shrivastava | |
| Mr. K.P.Singh | |
| Mr. P.Venugopal Raju | |
| Mr. R.S.Agarwal | |
| Mr. J.Narayanamurthy | |
| Ms. P.Parvathi | Managing Director |

## Senior Executives

| | |
|---|---|
| Mr. L.Jayashankar | President |
| Mr. G.R.Ram | Sr. Vice President |
| Mr. M.Krishnam Raju | Sr. General Manager (Marketing) |
| Mr. M.Rama Krishna | Sr. General Manager (Legal) & Company Secretary |
| Mr. H.V.Badri Narayana Murthy | General Manager (Finance) |
| Mr. S.Venkataraman | General Manager (Engineering) |

## Auditors

M/s. 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: 040-23310561, 040-23310168

DECCAN CEMENTS LIMITED

# NOTICE

Notice is hereby given that the **THIRTY-FIRST ANNUAL GENERAL MEETING** of the Members of **DECCAN CEMENTS LIMITED** will be held on Friday the 12th day of August 2011 at 10.00 A.M. at "Bhaskara Auditorium" Birla Museum, Adarsh Nagar, Hyderabad-500063 to transact the following business:

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March, 2011, 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. J.Narayana Murthy, who retires by rotation.
4. To resolve not to fill the vacancy for the time being in the Board, caused by the retirement of Mr. R.S Agarwal, who retires by rotation and does not seek 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 up to the conclusion of the next Annual General Meeting and to fix their remuneration.

By Order of the Board

**M.RAMA KRISHNA**
Sr.General Manager (Legal) &
Company Secretary

Place: Hyderabad
Date : 30.05.2011

**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 / 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 commencement of the meeting.
2) Members are requested to notify immediately of 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 6th August, 2011 to 12th August, 2011 (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 12th August, 2011 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 up to and including the Financial Year ended 31st March, 2003.
   b) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended, dividend for the financial year ended 31st March, 2004 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 regarding their unclaimed dividend
5) Stock Exchanges:
   a) The Company's shares are listed with Bombay Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 Code: 502137 and National Stock Exchange

Limited, Bandra Kurla Complex, Bandra East, Mumbai-400 051 Code: DECCANCE.

b) The Annual Listing Fee for the year 2011-2012 has been paid in time as per Clause 38 of the Listing Agreement entered into with Stock Exchanges at Mumbai.

6) All the shareholders are requested to intimate their e-mail address to the Company or to the depository for sending the Notice with Balance Sheet, Profit & Loss Account, Auditor's Report, Director's Report etc pursuant to the Circular 18/2011 issued by the Ministry of Corporate Affairs.

By Order of the Board

**M.RAMA KRISHNA**
Sr. General Manager (Legal) &
Company Secretary

Place: Hyderabad
Date : 30.05.2011

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

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

As required under Clause 49 of the Listing Agreement particulars of Mr.J.Narayanamurthy, Director who is proposed to be reappointed by rotation at the ensuing Annual General Meeting are given below:

Mr.J.Narayanamurthy aged about 68 years and is holder of M.A.Degree and CAIBB Certificate. 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., He does not hold any shares in Deccan Cements Limited. He is also member in Audit Committee and Remuneration Committee of Deccan Cements Limited.

DECCAN CEMENTS LIMITED

# DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Thirty-First Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 2011.

**Financial Results :**

The Financial Results for the year ended 31st March, 2011 are summarized below:

| | **April, 2010 March, 2011** | April, 2009 March, 2010 |
|---|---|---|
| | **₹ in Lacs** | ₹ in Lacs |
| Sale Income | **33845.03** | 29621.04 |
| Other Income | **474.03** | 276.57 |
| Total | **34319.06** | 29897.61 |
| Profit before Depreciation and Interest | **6904.70** | 7673.39 |
| Less : Depreciation | **2405.71** | 2380.95 |
| Interest & Finance Charges | **3955.98** | 3403.37 |
| Profit before Tax and after prior period items | **543.01** | 1889.07 |
| Less : Provision for Taxation | **108.10** | 320.97 |
| Deferred Taxation | **233.24** | 1052.00 |
| Prior Year Taxation | **0.00** | 79.70 |
| Wealth Tax | **2.37** | 2.40 |
| Net Profit after Tax | **199.30** | 434.00 |
| Profit brought forward from previous year | **11409.00** | 11263.41 |
| Profit available for appropriation | **11608.30** | 11697.41 |
| **Appropriations** | | |
| Proposed Dividend | **84.05** | 210.11 |
| Dividend Tax | **13.63** | 34.90 |
| General Reserve | **10.00** | 43.40 |
| Balance retained | **11500.62** | 11409.00 |

**Results of Operations:**

During the period under review the Company's sales stood at ₹ 33845.03 Lacs compared to previous year of ₹ 29621.04 Lacs. The net profit is ₹ 199.30 Lacs for the current period as against ₹ 434.00 Lacs of previous year. The operations of the Company were under pressure because of the selling prices and increase in input costs. In spite of these factors the Company managed to generate positive results but lower than the previous years.

**Out Look for the Cement:**

Massive capacity additions have been done during recent past years by several players. This has resulted in putting pressure on selling prices and margins.

The infrastructure sector is yet to receive serious attention from the Government. The housing sector is expected to revive in near future. These two factors are expected to make cement industry more comfortable and with expected increase in demand, the gap between supply and demand is expected to come down. However it may take a couple of years to achieve a balance between demand and supply.

The Management is focusing its attention to reduce and control costs.

**Appropriations:**

**Dividend:**

In continuing with the Company's policy of sharing the good results with the shareholders for a good return on their investments on a consistent basis, your Directors recommend a dividend of ₹ 1.20 per equity share (12%) for the year ended 31st March, 2011 which would entail a cash outflow of ₹ 84.05 Lacs and Dividend distribution tax amounting to ₹ 13.63 Lacs.

**Transfer to Reserves:**

Your Directors propose to transfer ₹ 10.00 Lacs in compliance with the provisions of *The Companies (Transfer of Profits to Reserves) Rules, 1975.*

**Capital Structure :**

There is no change in the share capital of the Company during the financial year under review.

**Fixed Deposits:**

The aggregate amount of Deposits accepted by the Company as at 31st March, 2011 stood at ₹ 586.64 Lacs. There are no matured and unclaimed Deposits as on 31st March, 2011.

**Industrial Relations:**

The Company maintained harmonious relations with its employees during the period under review. Your Directors wish to place on record their appreciation for the dedicated services of its employees.

**Corporate Governance:**

A detailed report on Corporate Governance is annexed hereto which 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 ₹ 153456/- with the Company for a period of seven years pertaining to the year ended 31st March 2003, 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 provision of Section 255 of the Companies Act, 1956, Mr.J.Narayanamurthy and Mr. R.S.Agarwal retire by rotation and are eligible for reappointment. However Mr.R.S.Agarwal is not seeking reappointment.

**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 30th May, 2011 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, 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 which 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, is not applicable.

**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 **M.B.Raju**
Date: 30.05.2011 Executive Chairman

DECCAN CEMENTS LIMITED

## 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 industry's capacity at the beginning of 2010-11 was 234 million tonnes. Additional capacity to be added in next 2 years is around 100 million tonnes. This will result excess supply in the market.

**2. OPPORTUNITIES AND THREATS :**

Continuous technological upgrading and assimilation of latest technology has been going on in the cement industry in India. With the boost given by the government to various infrastructure projects, road networks and housing facilities, growth in the cement consumption is anticipated in the coming years in the coming years with higher domestic demand resulting in increased capacity utilization.

While these country-specific factors 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.

Quality of coal supplied by the collieries continues to be of concern to your company. The cost and quality of two major inputs namely, coal and power significantly affects the cost of production of Cement. The power situation in Andhra Pradesh is not satisfactory with voltage dips and frequent power trips besides the government imposed compulsory power cuts. Your company is thus compelled to generate power at unaffordable costs with no possibility of market absorbing the same due to severe competition. Freight is another element of cost any increase of which will have an impact on the margins.

**3. OUTLOOK :**

The future is expected to be positive as the Government is focusing on the development of infrastructure like roads, highways etc and the expected boom in the housing sector will trigger the demand for which the Company is gearing to meet the challenge.

**4. RISKS AND CONCERNS :**

The common risks faced by the cement industry are the high cost of power, non availability of sufficient quantities of quality coal are not exception to the Company. The competition in the market with various players can have impact on the cement prices. To this extent, your Company's revenues might be affected.

**5. INTERNAL CONTROL SYSTEMS & THEIR ADEQUACY:**

The Internal Control system in the Company is well streamlined with defined procedures. An external independent 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. The Audit Committee also involves itself in reviewing the reports of Internal Auditors and directs remedial action to the operating management.

**6. 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 ₹ 34,319 Lacs against ₹ 29897 Lacs in the previous year. The outgo on interest payments is ₹ 6920 Lacs as against ₹ 7672 Lacs in the previous year.

The Profit before tax of the Company was ₹ 543 Lacs as compared to ₹ 1889 Lacs in the previous year. The net profit after tax for the year was ₹ 199 Lacs against ₹ 434 Lacs in the previous year.

There has been no change in paid-up share capital during the Financial Year 2010-11 which stands at ₹ 700.38 lacs.

**7. 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.

**8. 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:**

Nil

**c) 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.

## FORM A

(See Rule 2)

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

| A) POWER AND FUEL CONSUMPTION | Current Year 2010-11 | Previous Year 2009-10 |
|---|---|---|
| 1) ELECTRICITY : | | |
| a) Purchased Units (KWH - Lacs) | 719.30 | 604.65 |
| Total Amount (₹ in Lacs) | 2557.59 | 2,136.38 |
| Average Rate per unit (₹) | 3.56 | 3.53 |
| b) Own Generation : | | |
| (i) Through Diesel Generator : | | |
| Units Generated (KWH Lacs) | 0.65 | 1.07 |
| Total Amount (₹ Lacs) | 26.76 | 17.09 |
| Rate per unit (₹) | 21.48 | 10.05 |
| Units Per Litre of Diesel | 2.22 | 3.83 |
| (ii) Through Captive Power Plant : | | |
| Units Generated (KWH Lacs) | 346.78 | 535.46 |
| Total Amount (₹ Lacs) | 1188.64 | 2,174.61 |
| Rate per unit (₹) | 3.43 | 4.06 |

DECCAN CEMENTS LIMITED

| | Current Year 2010-11 | Previous Year 2009-10 |
|---|---|---|
| **2) Coal (C&D Grade) :** | | |
| Used as a fuel in Kiln : | | |
| Quantity (Million K Cal) | **762093** | 838759 |
| Total Cost (₹ in Lacs) | **7404.76** | 7,378.67 |
| Average Rate (₹/million K Cal) | **971.63** | 879.71 |
| **B) POWER AND FUEL CONSUMPTION PER UNIT OF PRODUCTION** | | |
| **Cement Division** | | |
| Electricity (KWH/Tonne of Cement) | **89** | 91 |
| Coal % | **17.69** | 19.78 |

## 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

C) FOREIGN EXCHANGE EARNINGS 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 export business on hand.

**b) Total foreign exchange used and earned.**

₹ in Lacs

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