

# **32<sup>nd</sup> Annual Report 2011-12**



***DECCAN CEMENTS LIMITED***

## **BOARD OF DIRECTORS**

<b>Mr. M B Raju</b>	Executive Chairman
<b>Dr. S A Dave</b>	Additional Director
<b>Mr. Umesh Shrivastava</b>	Director
<b>Mr. P Venugopal Raju</b>	Director
<b>Mr. J Narayanamurthy</b>	Director
<b>Mr. K P Singh</b>	Director
<b>Ms. P Parvathi</b>	Managing Director

## **SENIOR EXECUTIVES**

<b>Mr. L Jayashankar</b>	President
<b>Mr. G R Ram</b>	Senior Vice President
<b>Mr. M Krishnam Raju</b>	Vice President (Marketing)
<b>Mr. S Venkateswarlu</b>	Vice President (Works)
<b>Mr. M Rama Krishna</b>	Sr.General Manager (Legal) & Company Secretary
<b>Mr. H V.Badri Narayana Murthy</b>	General Manager (Finance)

### **Auditors**

M Bhaskara Rao & Co.  
Chartered Accountants  
5-D, 5<sup>th</sup> 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.  
Mail: secretarial@deccanements.com

## NOTICE

Notice is hereby given that the **THIRTY SECOND ANNUAL GENERAL MEETING** of the Members of **DECCAN CEMENTS LIMITED** will be held on **Tuesday the 7<sup>th</sup> day of August 2012 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 31<sup>st</sup> March, 2012, the Balance Sheet as at that date, 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 being eligible offers himself for reappointment.
4. To appoint a Director in place of Mr. K P Singh, who retires by rotation and being eligible offers himself for reappointment.
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.

### SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:  

"RESOLVED that pursuant to the provisions of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company, Dr.S.A.Dave be and is hereby appointed as a Director of the Company."
7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

### REAPPOINTMENT OF EXECUTIVE CHAIRMAN:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and all other provisions, if any, of the Companies Act, 1956, (including any statutory modifications or reenactment thereof for the time being in force) and subject to the limits specified in Schedule XIII of the said Act, and subject to such approvals and permission of any authority as may be necessary Mr M B Raju be and is hereby reappointed as the Executive Chairman of the Company for a period of 5 years with effect from 1<sup>st</sup> April, 2012 on the following terms and conditions and ratify payment of remuneration.

- i) Salary : ₹ 4,00,000/- per month with annual increment of ₹ 25,000/-
- ii) Other terms and conditions shall be as follows:

#### Commission:

Commission @ 2 % of the net profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956.

#### Perquisites and Allowance:

##### I. Housing:

- a) The expenditure incurred by the Company on hiring accommodation for the Executive Chairman shall be subject to a ceiling of 70% of salary over and above 10% payable by the Executive Chairman himself.
- b) Where accommodation in Company owned house is provided, the Executive Chairman shall pay to the Company by way of rent 10% of salary.
- c) Where the Company does not provide accommodation to the Executive Chairman, House Rent allowance may be paid by the Company in accordance with (a) above.
- d) The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income Tax Rules, 1962. This will, however, be subject to a ceiling of 10% of salary of the Executive Chairman.

##### II Medical Reimbursement:

Expenses incurred for self and family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.

##### III Leave Travel concession:

For self and family once in a year in accordance with any rules specified by the Company.

##### IV Club Fees:

Fees of Clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

##### V. Personal Accident Insurance:

For an amount as per the rules of the Company.

#### Other Perquisites:

- i. Company's contribution towards Provident Fund subject to a ceiling of 12% of salary, as per rules of the Company.

- ii. Company's contribution towards Pension/ Superannuation Fund, as per rules of the Company – such contribution to the Provident Fund shall not exceed 27% of salary.

- iii. Gratuity payable in accordance with an approved scheme and shall not exceed one half month's salary for each completed year of service

Contribution to Provident fund and Superannuation fund to the extent they are exempted under the Income Tax act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. All long distance personal calls shall be duly logged and paid for by the Executive Chairman. Earned / Privilege Leave will be on full pay and allowances as per rules of the Company. Leave accumulated but not availed at during his tenure may be allowed to be encashed as per the rules of the Company.

"RESOLVED FURTHER THAT in pursuance of the provisions of Schedule XIII of the Companies Act, 1956, the above remuneration by way of salary and perquisites be paid as minimum remuneration to Mr M B Raju Executive Chairman, in the absence or inadequacy of profits in any year"

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:

#### **REAPPOINTMENT OF MANGING DIRECTOR:**

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and all other provisions, if any, of the Companies Act, 1956, (including any statutory modifications or reenactment thereof for the time being in force) and subject to the limits specified in Schedule XIII of the said Act, and subject to such approvals and permission of any authority as may be necessary Ms P Parvathi be and is hereby reappointed as the Managing Director of the Company for a period of 5 years with effect from 1<sup>st</sup> April, 2012 on the following terms and conditions and ratify payment of remuneration.

- i) Salary : ₹ 3,50,000/- per month with annual increment of ₹ 25,000/-  
ii) Other terms and conditions shall be as follows:

#### **Commission:**

Commission @ 2 % of the net profits of the Company computed in the manner laid down in Section 309 (5) of the Companies Act, 1956.

#### **Perquisites and Allowance:**

##### **I. Housing:**

- a) The expenditure incurred by the Company on hiring accommodation for the Managing Director shall be subject to a ceiling of 70% of salary over and above 10% payable by the Managing Director herself.
- b) Where accommodation in Company owned house is provided, the Managing Director shall pay to the Company by way of rent 10% of salary.
- c) Where the Company does not provide accommodation to the Managing Director, House Rent allowance may be paid by the Company in accordance with (a) above.
- d) The expenditure incurred by the Company on gas, electricity, water and furnishing will be valued as per the Income Tax Rules, 1962. This will, however, be subject to a ceiling of 10% of salary of the Managing Director.

##### **II Medical Reimbursement:**

Expenses incurred for self and family subject to a ceiling of one month's salary per year or three months' salary in a period of three years.

##### **III Leave Travel concession:**

For self and family once in a year in accordance with any rules specified by the Company.

##### **IV Club Fees:**

Fees of Clubs subject to a maximum of two clubs, admission and life membership fees not being allowed.

##### **V. Personal Accident Insurance:**

For an amount as per the rules of the Company.

#### **Other Perquisites:**

- i) Company's contribution towards Provident Fund subject to a ceiling of 12% of salary, as per rules of the Company.
- ii) Company's contribution towards Pension / Superannuation Fund, as per rules of the Company – such contribution to the Provident Fund shall not exceed 27% of salary.
- iii) Gratuity payable in accordance with an approved scheme and shall not exceed one half month's salary for each completed year of service

Contribution to Provident fund and Superannuation fund to the extent they are exempted under the Income Tax act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites. Provision of car for use on Company's business and telephone at residence will not be considered as perquisites. All long distance personal calls shall be duly logged and paid for by the Managing Director. Earned / Privilege Leave will be on full pay and allowances as per rules of the Company. Leave accumulated but not availed at during her tenure may be allowed to be encashed as per the rules of the Company.

"RESOLVED FURTHER THAT in pursuance of the provisions of Schedule XIII of the Companies Act,

1956, the above remuneration by way of salary and perquisites be paid as minimum remuneration to Ms P Parvathi, Managing Director, in the absence or inadequacy of profits in any year"

By Order of the Board

**M.Rama Krishna**

Sr. General Manager (Legal)  
& Company Secretary

Place : Hyderabad  
Date : 15.05.2012

**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) Members are requested to notify immediately of 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 01 August, 2012 to 07 August, 2012 (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 7th August, 2012 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 31<sup>st</sup> March, 2004.
- b) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended, dividend for the financial year ended 31<sup>st</sup> March, 2005 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 Mumbai 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 2012-2013 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 : 15.05.2012

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 No 6:**

Dr.S A Dave was appointed as an Additional Director by the Board in their Board Meeting held on August 12, 2011. In terms of provisions of Section 260 of the Companies Act, 1956 Dr.Dave 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 Dr S A Dave as a Director. A deposit of ₹ 500/- as required under the provisions of Section 257 of the Companies Act, 1956 was also received from the above Member.

Dr.S A Dave is a Doctorate of Economics and holds a Master's degree in Economics from the University of Rochester. Dr. Dave was the former Chairman of the Securities and Exchange Board of India (SEBI) and the Unit Trust of India (UTI). Dr. Dave is currently the chairman of the Centre for Monitoring Indian Economy and a director on the boards of many prominent companies in India. A respected figure in the financial markets in India and abroad for his acumen knowledge of the capital markets, regulations etc.

The Board considers that the Company will immensely benefit with the association of Dr.Dave as a Director and recommends the resolution to the Members for their approval.

In terms of Clause 49(IV)(E)(V) of the Listing Agreement, Dr.Dave has disclosed his shareholding in the Company as "Nil"

None of the Directors is concerned or interested in the Resolution except Dr.Dave.

#### **Item No 7:**

Mr.M B Raju is the founder of the Company and a renowned Industrialist having experience in setting up of industries.

Mr.Raju was appointed as Executive Chairman of the Company from July 2007 for a period of 5 years. The Board of Directors of the Company based on the recommendation of Remuneration Committee had approved reappointment of Mr.M B Raju as Executive Chairman for a further period of 5 years effective from

1<sup>st</sup> April, 2012 on the terms and conditions set out in the Resolution. This is together with the terms and conditions of the appointment may be treated as extract in terms of Section 302 of the Companies Act, 1956.

The Board of Directors recommends the special resolution for the approval of Members. None of the Directors are interested in the resolution except Mr.M.B. Raju himself, Ms.P.Parvathi, Managing Director and Mr.P.Venugopal Raju, Director.

#### **Item No 8:**

Ms.P.Parvathi, a relative of Mr.M.B.Raju is a post graduate in Commerce and has been working with the Company.

She was appointed as Managing Director from July 2008 for a period of 5 years on the terms and conditions approved by the Members of the Company.

The Board of Directors of the Company based on the recommendation of Remuneration Committee had approved reappointment of Ms.P.Parvathi as Managing Director for a further period of 5 years effective from 1<sup>st</sup> April, 2012 on the terms and conditions set out in the Resolution. This is together with the terms and conditions of the appointment may be treated as extract in terms of Section 302 of the Companies Act, 1956.

The Board recommends the resolution for the approval of the Members. The Board of Directors recommends the special resolution for the approval of Members. None of the Directors are interested in the resolution except Ms.P.Parvathi, herself, Mr.M.B.Raju, Executive Chairman and Mr.P.Venugopal Raju, Director.

By Order of the Board

**M.Rama Krishna**

Place : Hyderabad  
Date : 15.05.2012

Sr. General Manager (Legal)  
& Company Secretary

#### **Registered Office:**

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

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

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

Mr. Mr.Umesh Shrivastava was B.Sc. – Engineering. He is Director of Holtec Consulting (P) Ltd, Technology Application Consultants (P) Ltd and Holtec Global Solutions (P) Ltd. These companies are reputed consultants in the industry. He is a technocrat and an expert in cement plants designing and erection. He is associated with the Company for a long time.

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

Mr.K.P.Singh is a retired IAS Officer having worked in various departments of the Government of India and Karnataka Electricity Board and retired as Secretary Defence Production. Mr.Singh has rich experience in Corporate Management and has served as a Director on various Public Sector Undertakings including as Chairman of Karnataka Electricity Board and Managing Director of Mass Rapid Transport System in Bangalore.



## DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Thirty Second Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31<sup>st</sup> March, 2012.

### Financial Results:

The Financial Results for the year ended 31<sup>st</sup> March, 2012 are summarized below:

Particulars	April, 2011 March 2012 (₹ in Lacs)	April, 2010 March, 2011 (₹ in Lacs)
Sale Income	50979.72	33,845.03
Other Income	348.01	474.03
Total	51327.73	34,319.06
Profit before Depreciation and Interest	11906.76	6,904.70
Less : Depreciation	2468.63	2,405.71
Interest and Finance Charges	4056.90	3,955.97
Profit before Tax and prior period items	5381.23	543.02
Less: Provision for Taxation	1076.56	108.10
Deferred Taxation	158.54	233.24
Prior Year Taxation	36.39	0.00
Wealth Tax	15.47	2.37
MAT Credit entitlement	(682.00)	0
Net Profit after Tax	4776.27	199.31
Profit brought forward from previous year	11500.63	11,409.00
Profit available for appropriation	16276.90	11,608.31
<b>Appropriations</b>		
Proposed Dividend	210.11	84.05
Dividend Tax	34.09	13.63
General Reserve	477.63	10.00
Balance retained	15555.07	11,500.63

### Results of Operations:

During the period under review the Company's sales stood at ₹ 50979.72 Lacs compared to previous year of ₹ 33,845.03 Lacs . The net profit is ₹ 4776.27 Lacs for the current period as against ₹ 199.30 Lacs of previous year.

The operations of the Company continued to be under tremendous pressure during this year because of depressed market conditions. Steep increase in input costs had an adverse effect on the manufacturing cost.

### Out Look for Cement:

Cement demand across the country continues to be depressed during the fiscal due to poor demand from infrastructure and real estate sectors. High borrowing cost and slowdown in the economy has further subdued the demand for cement. Scarcity of sand, an important material in building construction has very adversely impacted the demand for cement. The Indian Cement Industry has witnessed massive capacity additions of over 120 MT during the past four years which has resulted in significant pressure on price realization and also on capacity utilization.

### Appropriations:

#### Dividend:

In consonance with the Company's policy of rewarding its shareholders on a consistent basis, your Directors recommend a dividend of ₹ 3/- per equity share (30%) for the year ended 31<sup>st</sup> March, 2012 which would entail a cash outflow of ₹ 210.11 Lacs and Dividend distribution tax amounting to ₹ 34.09 Lacs.

### Transfer to Reserves:

Your Directors propose to transfer ₹ 477.63 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 31<sup>st</sup> March, 2012 stood at ₹ 168.24 Lacs. There are no matured and unclaimed Deposits as on 31<sup>st</sup> March, 2012.

### Industrial Relations:

The Company maintained harmonious relation 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 ₹ 2,08,521/- with the Company for a period of seven years pertaining to the year ended 31<sup>st</sup> March 2004, 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. Umesh Shrivastava and Mr. K P Singh retire by rotation and are eligible for reappointment. During the year the Board of the Company had co-opted Dr. S A Dave who has rich industrial experience, as an Additional Director of the Company. The Company has since received a notice from a Member, proposing the name of Dr. S A Dave for appointment as a Director in the ensuing Annual General Meeting. Mr. R S Agarwal ceased to be a director. The Board places on record its appreciation of the services rendered by him during his tenure.

#### **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 15<sup>th</sup> May, 2012 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, are annexed and forms part of this report.

#### **Acknowledgement:**

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

for and on behalf of the Board

Place : Hyderabad  
Date : 15.05.2012

**M B RAJU**  
Executive Chairman

## 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 2011-12	Previous Year 2010-11
<b>1) ELECTRICITY:</b>		
a) <b>Purchased Units (KWH – Lacs )</b>	<b>787.92</b>	719.30
Total Amount (₹ in Lacs)	<b>2981.80</b>	2557.59
Average Rate per unit (₹)	<b>3.78</b>	3.56
b) <b>Own Generation:</b>		
(i) Through Diesel Generator :		
Units Generated (KWH Lacs)	<b>0.09</b>	0.65
Total Amount (₹ in Lacs)	<b>5.44</b>	26.76
Rate per unit (₹)	<b>63.72</b>	21.48
Units per Litre of Diesel (₹)	<b>0.94</b>	2.22
(ii) Through Captive Power Plant :		
Units Generated (KWH Lacs)	<b>479.93</b>	346.78
Total Amount (₹ in Lacs)	<b>2232.93</b>	1188.64
Rate per unit (₹)	<b>4.76</b>	3.43
<b>2) Coal (C&amp;D Grade):</b>		
Used as a fuel in Kiln:		
Quantity (Million K Cal)	<b>876231</b>	762093
Total Cost (₹ in Lacs)	<b>11655.57</b>	7404.76
Average Rate (₹/million K Cal)	<b>1330.19</b>	971.63