

Annual Report 2006-2007

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DECCAN CEMENTS LIMITED

Board of Directors

Directors

M B Raju	Executive Chairman
J. Narayanamurthy	(IDBI Nominee)
Umesh Shrivasthava	
D.R.K. Rao	
R.S. Agarwal	
P. Venugopal Raju	
P. Parvathi	Managing Director

Senior Executives

L. Jayashankar	Executive Vice President
G.R. Ram	Senior Vice President
R. Gopalakrishnan	General Manager (Legal) & Company Secretary
Y. Linga Rao	General Manager (Works)
H.V. Badri Narayana Murthy	General Manager (Finance)
M. Krishnam Raju	General Manager (Marketing)

Auditors

M. Bhaskara Rao & Co.
Chartered Accountants
5-D, 5th Floor, "Kautilya"
6-3-652, Somajiguda,
Hyderabad - 500 082.

Bankers

State Bank of India
Andhra Bank

Registered Office

'DECCAN CHAMBERS'
6-3-666/B, Somajiguda,
Hyderabad - 500 082.
Tel: 23310561, 23310168



NOTICE

Notice is hereby given that the **TWENTY SEVENTH ANNUAL GENERAL MEETING** of the Members of **DECCAN CEMENTS LIMITED** will be held on Wednesday, the 25th day of July, 2007 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, 2007, 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. Umesh Shrivastava, Director who retires by rotation and is eligible for re-appointment.
4. To appoint M/s M Bhaskara Rao & Co., Chartered Accountants as Statutory Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS:

5. 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 Mr. R S Agarwal be and is hereby appointed as Director of the Company".
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 293(1)(d) and other applicable provisions, if any, of the Companies Act, 1956 and in modification of the earlier resolution, the consent of the Company be and is hereby accorded to the Board of Directors of the Company for borrowing from time to time any sum or sums of money which, together with the monies already borrowed by the Company (apart from the temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid-up Capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose

provided that the total so borrowed by the Board shall not any time exceed Rs.400 crores (Rupees four hundred crores only)"

7. To consider if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution.

"RESOLVED THAT the consent of the Company be and is hereby accorded pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company (hereinafter called "The Board") to mortgage and/or create charge on all the immovable and movable properties or such assets of the Company wherever situate, present and future and/or with power to enter upon and take possession of the assets of the Company in certain events on such terms and conditions at such time or times and in such from or manner as it may think fit, to or in favour of the Financial Institutions/Banks/ Trustees for the Debentures for an aggregate nominal value not exceeding Rs.400 crores (Rupees Four hundred crores only) to secure the Term Loans/ Working Capital Loans/Working Capital Facilities/ Debentures together with interest, costs, charges expenses and other monies including premium payable in the above connection in terms of the Agreement to be entered into between the Company and Financial Institutions/Banks/Trustees for the holders of Debentures such security to rank pari passu with or second or subservient to, the mortgages and/or charges already created or to be created by the Company or in such manner as may be agreed to between the concerned parties and as may be thought expedient by the Board and further that the Board be and is hereby authorized to finalise and execute the documents and any other deeds, papers and writings for creating the aforesaid mortgages and/or charges and to do all such act, deeds and things as may be necessary or expedient for implementing this resolution".

8. To consider and if thought fit, to pass with or without modifications the following resolution as an Special Resolution:

"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 1st July, 2007 on the following terms and conditions. The revised remuneration will be with effect from 01.04.2007.

- i) Salary : Rs.1,50,000/- per month with annual increment of Rs.10,000/-
- ii) Other terms and conditions shall be as follows:

Commission:

Commission @ 1.5% 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 together with 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 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"

9. To consider and if thought fit, to pass with or without modifications the following resolution as an Special Resolution:

"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 and is hereby



reappointed as the Managing Director of the Company for a period of 5 years with effect from 1st July, 2008 on the following terms and conditions. The revised remuneration will be with effect from 01.04.2007.

- i) Salary : Rs.1,40,000/- per month with annual increment of Rs.10,000/-
- ii) Other terms and conditions shall be as follows:

Commission:

Commission @ 1.5% 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.

VI. 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 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 Ms. P Parvathi, Managing Director, in the absence or inadequacy of profits in any year"

10. To consider and if thought fit, to pass with or without modifications the following resolution as an Special Resolution:

"RESOLVED that subject to the provisions of Section 309 and other applicable provisions, if any, of the Companies Act, 1956, a sum not exceeding 1% per annum of the net profits of the Company calculated in accordance with the provisions of Section 198, 349 and 350 of the Companies Act, 1956, subject to a ceiling of Rs.5,00,000/- per annum be paid and distributed amongst the Directors of the Company in such proportion and in such manner and in all respects as may be agreed amongst the Directors and



such payment shall be made in respect of the profits of the Company for each year for a period of five years commencing from 1st April, 2007.

By Order of the Board
R GOPALAKRISHNAN

Place: Hyderabad General Manager (Legal) &
Date : 12th June, 2007 Company Secretary

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

As required under Clause 49 of the Listing Agreement particulars of Mr. Umesh Shrivastava, Director who is proposed to be reappointed and Mr. R S Agarwal, Additional Director who holds office till the end of ensuing Annual General Meeting and whose appointment of Director retiring by rotation is proposed at this Annual General Meeting is given below:

Mr. Umesh Shrivastava, aged about 72 years is B.Sc. - Engineering. He is Director of Holtec Consulting Pvt. Ltd., NECEM Cements Limited, Technology Application Consultants Pvt Limited, Holtec Global Solution Pvt Ltd. He is also Member of Share Transfer & Investors Grievance Committee and Remuneration Committee of the Company. He holds 3580 equity shares in Deccan Cements Limited.

Mr. R S Agarwal aged about 66 years is BE (Chem.Engg.) and also Diploma in Industrial Engineering Proficiency in Boiler Operation Engineering. He served IDBI in various capacities and retired as Executive Director of IDBI. He is Director of Madras Cements Limited, Tamilnadu New Print & Papers Ltd, Torrent Cables Ltd, Surya Lakshmi Cotton Mills Ltd, Suryalata Spinning Mills Ltd, GVK Jaipur Kishanarh Expressway Ltd, Unimers India Ltd, Eligant Marbles & Grani Industries Ltd. He holds 3027 equity shares in Deccan Cements Limited.

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 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 18th July, 2007 to 25th July, 2007 (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 18th July, 2007 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, 2000.
b) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended dividend for the financial year ended 31st March, 2001 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 to claim the 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.



Annexure to the Notice

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

Item 5:

Mr. R S Agarwal was appointed as an Additional Director by the Board at its meeting held on 29.01.2007. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956, the Company has received a notice from a Member signifying his intention to propose the appointment of Mr. R S Agarwal as a Director with a deposit of Rs.500/-

Mr. R S Agarwal holds BE (Chem.Engg.) and also Diploma in Industrial Engineering Proficiency in Boiler Operation Engineering. He served IDBI in various capacities and retired as Executive Director of IDBI. The Board recommends the resolution for members approval.

None of the Directors of the Company is interested in the resolution.

Item 6:

The Shareholder authorized the Board of Directors of the Company to borrow money not exceeding Rs.7,500 lacs at the 18th Annual General Meeting of the Company held on 28th August, 1998. Considering the fact that the existing paid-up capital and free reserves are in excess of the above limit, and also keeping in view the future requirements of the Company, it is proposed to increase the limit of the borrowings. Therefore, the approval of the shareholders in terms of Section 293 (1) (d) of the Companies Act, 1956 is being sought to enable the Director to borrow monies to the extent of Rs.400 crores.

The Board recommends the resolution for members approval.

None of the Directors of the Company is interested in the resolution.

Item 7:

The financial institutions while granting loans stipulate that the loans have to be secured by way of charge/ mortgage on all the immovable and movable properties of the Company.

Since the charge/mortgaging by the Company of its immovable and movable properties as aforesaid in favour of the financial institutions may be regarded as disposal of the Company's properties/undertaking, it is necessary for the members to pass resolution under Section 293(1)(a) of the Companies Act, 1956, for creating charge/mortgage.

The Board recommends the resolution for members approval.

None of the Directors of the Company is interested in the resolution except the Nominee Director(s) of the financial institutions.

Item 8:

Mr. M.B. Raju, aged 67 years is the founder of Deccan Cements Limited and a renowned Industrialist having experience in setting up of industries.

Mr. M.B. Raju was appointed as Executive Chairman from 1st July, 2002 for a period of 5 years i.e., till 30.06.2007 on the terms and conditions approved by the Members of the Company.

The Board of Directors of the Company at their meeting held on 12th June, 2007 had approved reappointment of Mr. M.B. Raju as Executive Chairman for a further period of 5 years i.e., from 01.07.2007 to 30.06.2012 on the terms and conditions set out in the Resolution which has been approved by the Remuneration Committee. The Remuneration and Perks are w.e.f. 01.04.2007. 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 special resolution for approval of the 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 9:

Mr. P. Parvathi, aged 41, a relative of Mr. M.B. Raju is a Post Graduate in Commerce and has been working with Deccan Cements Limited and its Associate Companies.

She was appointed as Managing Director from 1st July, 2003 for a period of 5 years i.e., till 30.06.2008 on the terms and conditions approved by the Members of the Company.



The Board of Directors of the Company at their meeting held on 12th June, 2007 had approved reappointment of Ms. P. Parvathi, Managing Director for a further period of 5 years i.e., from 01.07.2008 to 30.06.2013 on the terms and conditions set out in the Resolution which has been approved by the Remuneration Committee. The Remuneration and Perks are w.e.f. 01.04.2007. This 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 special resolution for approval of the 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.

Item 10:

As the Members are aware, the non whole time Directors of the Company are paid commission with the approval of Members @1% of the net profits of the Company, subject to a limit of Rs.3 lacs per annum for all non-whole time Directors put together. The Board of Directors at their meeting held on 27th July, 2006 felt that in view of the greater involvement and the considerable time devoted by them to the business of

the Company, the ceiling of the commission payable be increased from Rs.3 lacs to 5 lacs.

The Board recommends the special resolution for approval of the Members.

All the Directors of the Company except Mr. M B Raju, Executive Chairman and Ms. P Parvathi, Managing Director are interested in the above resolution to the extent of commission payable to them in accordance with the proposed resolution.

Inspection of Documents:

The relevant documents may be inspected at the Registered Office of the Company during any working day/hours.

By Order of the Board

Place: Hyderabad

Date : 12th June, 2007

R Gopalakrishnan
General Manager (Legal) &
Company Secretary



DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Twenty Seventh Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 2007.

Financial Results:

The Financial Results for the year ended 31st March, 2007 are summarized below:

	April, 2006 March, 2007	April, 2005 March, 2006
	Rs.in Lacs	Rs.in Lacs
Sale Income	17169.25	12316.70
Other Income	193.47	88.28
Total	17362.72	12404.98
Profit before Depreciation and interest	4929.62	1561.57
Less : Depreciation	546.53	507.10
Interest	77.76	122.31
Profit for the year	4305.33	932.16
Less : Provision for Taxation	1213.96	95.00
Provision for Deferred Taxation	222.76	(64.00)
FBT	10.37	8.00
Prior Year taxation	16.71	0.00
Profit after Taxation	2841.53	893.16
Prior year adjustments	0.96	0.36
Profit for the year	2842.49	893.52
Profit brought forward from previous year	2045.58	1451.71
Profit available for appropriation	4888.07	2345.23
Appropriations		
Proposed Dividend	210.11	175.09
Dividend Tax	35.71	24.56
General Reserve	284.82	100.00
Balance retained	4357.43	2045.58

Review of Operations:

The performance of your Company for the year under review was outstanding. The production and turnover for Cement/Slag Divisions was highest. Due to market demand the price realisation was also significant leading to record profit Rs.28.42 crores (against Rs.8.92 crores in previous year). Hydel Power generation was highest ever and it also contributed significantly to the profit. The company had set up a 1650 KW Wind Mill in Tamilnadu which was commissioned on 29th September, 2006. The Company is setting up of 1 Million Tonne Cement Plant and a Captive Power Plant near to the existing plant at a cost of Rs.430 crores. The progress on the project is satisfactory.

Dividend:

The Company has been following consistent dividend payment policy, Considering the Company's track record of dividend payment the current year's profitability, and ongoing expansion project your Directors are pleased to recommend for your consideration a dividend of Rs. 3/- per equity share for the year ended 31st March, 2007 which would entail a cash outflow of Rs. 210.11 lacs and Dividend distribution tax amounting to Rs.35.71 lacs.

Fixed Deposits:

The aggregate amount of deposits accepted by the Company stood at Rs.101.18 lacs and matured and unclaimed deposits as on 31st March, 2007 were Rs.1.48 lacs.

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 annexed hereto and forms part of the report.



Directors Responsibility Statement:

Pursuant to provisions of Section 217 (2AA) of the Companies (Amendment) Act 2000, it is conformed that:

- i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to 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 or loss of the Company for that period;
- iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv) the directors had prepared the annual accounts on a going concern basis.

Directors:

Mr. R S Agarwal was appointed as an Additional Director by the Board at its meeting held on 29.01.2007. According to the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. As required under Section 257 of the Companies Act, 1956 the Company has received a notice from a Member signifying his intention to propose the appointment of Mr. R S Agarwal as a Director.

Pursuant to the provisions of Section 255 of the Companies Act, 1956, Sri Umesh Shrivastava Director retires by rotation and is eligible for reappointment. The proposal for reappointment of Mr. M B Raju as

Executive Chairman and Ms. Parvathi as Managing Director are put up for Members approval.

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 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 hereto annexed and forms part of this report.

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 : 12th June, 2007

M B Raju
Executive Chairman