

## **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
Harish Chandra	Joint President
G.R. Ram	Senior Vice President
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: 040-23310561, 040-23310168

## NOTICE

Notice is hereby given that the **THIRTIETH ANNUAL GENERAL MEETING** of the Members of **DECCAN CEMENTS LIMITED** will be held on Friday, the 13th day of August 2010 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, 2010, 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. P Venugopal Raju, 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 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, the following resolution as an Ordinary Resolution:

"RESOLVED that pursuant to the provisions of Section 260 of the Companies Act, 1956 and Article 106 of the Articles of Association of the Company, Mr. K P Singh be and is hereby appointed as a Director of the Company."

By Order of the Board

**C. SRINIVASAN**

Place: Hyderabad  
Date : 28th May, 2010

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) 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 7th August 2010 to 13th August 2010 (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 2010 and as per the list of Beneficial Ownership furnished by the 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, 2002.
  - b) Pursuant to the provisions of Section 205A of the Companies Act, 1956 as amended,

dividend for the financial year ended 31st March, 2003 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:

The Company's shares are listed with Mumbai Stock Exchange, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 001 and National Stock Exchange Limited, Bandra Kurla Complex, Bandra East, Mumbai - 400 051.

6) 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**

General Manager (Legal) &  
Company Secretary

Place: Hyderabad  
Date : 28th May, 2010

**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. K P Singh, 62, was appointed as an Additional Director by the Board at its meeting held on 28th May 2010. In terms of provisions of Section 260 of the Companies Act, 1956, Mr. K P Singh 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. K P Singh 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. 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. K P 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.

The Board considers that the Company will immensely benefit with the association of Mr. K P Singh 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, Mr. K P Singh 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**

General Manager (Legal) &  
Company Secretary

Place: Hyderabad  
Date : 28th May, 2010

**Registered Office:**

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

## DIRECTORS' REPORT

The Members,

Your Directors have pleasure in presenting the Thirtieth Annual Report together with the Audited Accounts and Cash Flow Statement for the year ended 31st March, 2010.

### Financial Results :

The Financial Results for the year ended 31st March, 2010 are summarized below:

	<b>April, 2009 March, 2010</b>	April, 2008 March, 2009
	<b>Rs.in Lacs</b>	Rs.in Lacs
Sale Income	<b>29,621.04</b>	18546.68
Other Income	<b>276.57</b>	147.52
Total	<b>29,897.61</b>	18694.20
Profit before		
Depreciation and Interest	<b>7,673.39</b>	6686.69
Less : Depreciation	<b>2,380.95</b>	701.14
Interest &		
Finance Charges	<b>3,403.37</b>	457.53
Profit before Tax and		
prior period items	<b>1,889.07</b>	5,528.02
Less : Provision for		
Taxation	<b>320.97</b>	626.27
Deferred Taxation	<b>1,052.00</b>	1,447.48
Fringe Benefit Tax	<b>-</b>	12.01
Prior Year Taxation	<b>79.70</b>	19.01
Wealth Tax	<b>2.40</b>	0.27
Net Profit after Tax	<b>434.00</b>	3,422.98
Profit brought forward		
from previous year	<b>11,263.41</b>	8,428.55
Profit available for		
appropriation	<b>11697.41</b>	11,851.53
<b>Appropriations</b>		
Proposed Dividend	<b>210.11</b>	210.11
Dividend Tax	<b>34.90</b>	35.71
General Reserve	<b>43.40</b>	342.30
Balance retained	<b>11409.00</b>	11,263.41

### Results of Operations :

The performance of your Company for the year under review was satisfactory in spite of steep fall in cement

prices for over six months. Sales turnover was at Rs. 296.21 crore compared to Rs. 185.47 crore in the previous year mainly due to increase in capacity during the financial year. Net profit before tax for the year was lower at Rs. 18.89 crore (Rs. 55.28 crore) due to sluggish market demand coupled with excess supply of cement in the market which resulted in steep fall in selling prices. Your company's production and dispatches were also affected by the drop in government orders, flash floods, problems in logistics and civil unrest in the region that crippled the transportation industry which is vital for industry's incoming raw materials and outgoing finished products.

### 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, 2010 which would entail a cash outflow of Rs. 210.11 Lacs and Dividend Distribution tax amounting to Rs. 34.90 Lacs.

#### Transfer to Reserves :

Your Directors propose to transfer Rs. 43.40 Lacs 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, 2010 stood at Rs.637.66 Lacs. There are no matured and unclaimed Deposits as on 31st March, 2010.

#### Insurance :

All the assets of the Company are adequately covered by insurance.

#### Industrial Relations :

During the period under review, industrial relations continued to be cordial. 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 Rs.1,44,741/- lying with the Company for a period of seven years pertaining to the year ended 31st March 2002, 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 :**

Mr. D R K Rao, Director, expressed his intention to retire from the Board for personal reasons which was accepted by the Board with regret, at its meeting held on 28th May 2010. The Board records the rich contributions made by Mr. D R K Rao during his long tenure on the board.

The Board appointed Mr. K P Singh as an Additional Director at its meeting held on 28th May 2010. In terms of Section 260 of the Companies Act, 1956, Mr. K P Singh will hold office up to the date of the ensuing Annual General Meeting. The Company has

received a notice from a member, signifying his intention to propose the appointment of Mr. K P Singh as a Director.

Pursuant to the provision of Section 255 of the Companies Act, 1956, Mr. Umesh Shrivastava and Mr. P Venugopal Raju, Directors retire by rotation and are eligible for 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 28th May, 2010 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 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: 28th May, 2010

**M.B. Raju**  
Executive Chairman

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT :**

We submit here the 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 2009-10 was 160 million tonnes compared to 143 million tonnes in the previous year, registering a growth of 11.89%. Cement dispatches for 2009-10 recorded a growth of 12.09% at 159.43 million tonnes, against the figure of 142.23 million tonnes in 2008-09.

### **2. OPPORTUNITIES AND THREATS :**

Substantial capacity addition in Andhra Pradesh has resulted in excessive supply of cement resulting in drop in selling prices thereby affecting the margins. Andhra Pradesh currently has a capacity of 57 million tones of cement. With the expected addition of about 13 million tonnes capacity in the current financial year, capacity availability in Andhra Pradesh alone would work out to about 23% of the country's total capacity. According to the Ministry of Commerce and Industry, cement production could rise to 236.16 million tonnes in Financial Year 2011 and touch 262.61 million tonnes in Financial year 2012, whereas demand for cement would only touch 214.69 million tonnes and 238.74 million tonnes in 2011 and 2012 respectively.

While these country-specific data are not that encouraging, State-wise scenario may still show some imbalances.

The cost and quality of two major inputs namely, coal and power significantly affect the cost of production of Cement. The power situation in summer months was grim with frequent trippings and compulsory power cuts. To overcome this, the Company generated power through its Captive Power Plant to sustain production levels. Freight is another element of cost any increase of which will have an adverse impact on the margins.

### **3. SEGMENT WISE PRODUCTIVE PERFORMANCE :**

Net power generation through Wind mills in Andhra Pradesh was satisfactory at 32 lakh units during

the year compared to 28 lakh units, during the previous year, registering an increase of 4 lakh units (14.85%). Wind power generation in Tamilnadu had also performed better at 93 lakh units during the year compared to 87 lakh units during the previous year. Power generation through Hydel unit was low at 190 lakh units compared to 206 lakh units generated in the previous year, the reduced generation being due to delayed onset of monsoon in the State.

### **4. OUTLOOK :**

Based on the projected domestic demand and supply, read with the high input costs, the outlook for the cement industry, at least in Southern India where your Company operates, appears to be quite stressed during the first six months at least, affecting the margins.

### **5. RISKS AND CONCERNS :**

The various risks generally associated with the cement manufacture namely, coal price and its availability, grid power fluctuations and trippings, excess supply of cement due to addition in capacities etc., are likely to be much more pronounced and your Company's revenues and bottom-line might be adversely affected.

### **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. 29,621 Lacs against Rs. 18,547 Lacs in the previous year. The outgo on interest payments is Rs.3,403 Lacs as against Rs. 458 Lacs in the previous year mainly due to completion of the project with the Term Loan borrowing.

The Profit before tax of the Company was lower at Rs.1,889 Lacs as compared to Rs. 5,528 Lacs in the previous year, mainly due to poor price realization as well as higher interest payout and depreciation subsequent to completion of the project. The net profit after tax for the year was thus lower at Rs.434 Lacs against Rs. 3,423 Lacs in the previous year.

There has been no change in paid-up share capital during the Financial Year 2009-10 which stands at Rs.700.38 lacs

#### **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 relates 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.

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#### **DECLARATION ON CODE OF CONDUCT**

28th May, 2010

This is to confirm that all Directors and Senior Management personnel of the Company have affirmed compliance with the Code of Conduct of the Company for the financial year ended on 31st March, 2010, as envisaged in clause 49 of the Listing Agreement entered into with the Stock Exchanges.

**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

<b>A) POWER AND FUEL CONSUMPTION</b>	<b>Current Year 2009-10</b>	<b>Previous Year 2008-09</b>
<b>1) ELECTRICITY :</b>		
<b>a) Purchased Units (KWH - Lacs )</b>	<b>604.65</b>	561.82
Total Amount (Rs. in Lacs)	<b>2,136.38</b>	1,816.58
Average Rate per unit (Rs.)	<b>3.53</b>	3.23
<b>b) Own Generation :</b>		
(i) Through Diesel Generator :		
Units Generated (KWH Lacs)	<b>1.07</b>	6.48
Total Amount (Rs.Lacs)	<b>17.09</b>	80.20
Rate per unit (Rs.)	<b>10.05</b>	12.38
Units Per Litre of Diesel	<b>3.83</b>	2.71
(ii) Through Captive Power Plant :		
Units Generated (KWH Lacs)	<b>535.46</b>	NIL
Total Amount (Rs.Lacs)	<b>2,174.61</b>	NIL
Rate per unit (Rs.)	<b>3.54</b>	NIL
Units Per Litre of Diesel	<b>10.88</b>	NIL
<b>2) Coal (C&amp;D Grade) :</b>		
Used as a fuel in Kiln :		
Quantity (Million K Cal)	<b>838759</b>	364520
Total Cost (Rs.in Lacs)	<b>7,378.67</b>	3,682.61
Average Rate (Rs./million K Cal)	<b>879.71</b>	1,010
<b>B) POWER AND FUEL CONSUMPTION PER UNIT OF PRODUCTION</b>		
<b>Cement Division</b>		
Electricity (KWH/Tonne of Cement)	<b>91</b>	91
Coal %	<b>19.78</b>	19.54
<b>Slag Division</b>		
Electricity (KWH/Tonne of Cement)	<b>94</b>	38*
Coal %	<b>18.43</b>	NIL

\* relates for grinding only.

### 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.

	Current year	Rs. in Lacs Previous Year
Used	<b>NIL</b>	855.78
Earned	<b>NIL</b>	NIL

**INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2010.**

Name, age and Qualification	Designation and nature of Duties	Date of commencement of employment	Experience in years	Remuneration (Rs. in Lacs)	Last Employment
M B RAJU 70 years B.E.	EXECUTIVE CHAIRMAN	31.07.1979	47	71.16	Chairman and Managing Director, DCL Polyesters Ltd
P. PARVATHI 44 years M.Com	MANAGING DIRECTOR	29.06.1993	21	72.13	Deputy Manager, Secretarial, DCL Polyesters Ltd.

1. Remuneration includes Salary, Commission, Company's contribution to Provident Fund, Superannuation Fund and Group Gratuity Scheme, reimbursement of Medical Expenses, Leave Travel Assistance and other perquisites.
2. Ms. P Parvathi, Managing Director and Mr. M B Raju, Executive Chairman are related to each other in terms of Schedule-I-A, read with Section 6(c) of the Companies Act, 1956,
3. The terms of employment of Mr. M B Raju and Ms. P Parvathi are contractual.

Place : Hyderabad  
Date : 28th May, 2010

**for and on behalf of the Board**  
**M.B. Raju**  
Executive Chairman