



19th ANNUAL REPORT 2001-2002

Suvarna
Cements Limited

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Board of Directors

Sri J S Krishna Murthy, Chairman

Sri J S Rao

Sri J V Choudary

Sri J Sivaram Prasad

Sri Arvind Mahadev Marathe

Sri C Madhusudana Rao

Smt. J Triveni, Managing Director

Auditors :

M/s. K.S.Rao & Company
Chartered Accountants
Hyderabad.

Cost Auditors :

M/s Narasimha Murthy & Co.
Cost Auditors
Hyderabad.

Bankers :

Canara Bank
Somajiguda
Hyderabad

Registered Office & Factory :

Mellacheruvu (Village & Mandal)
Nalgonda District
Andhra Pradesh - 508 246

Administrative Office :

6-3-682
Panjagutta
Hyderabad - 500 082

Share Transfer Agents :

M/s. Ikon Visions (P) Ltd.
Flat No.33 Sanali Heavens
8-3-948 Ameerpet
Hyderabad - 500 073-A.P.

**NOTICE**

NOTICE is hereby given that the Nineteenth Annual General Meeting of Suvama Cements Limited, will be held on Monday, the 30th day of September, 2002 at the Registered Office & Factory : Mellacheruvu (Village & Mandal), Nalgonda District - 508 246 A.P. at 3.00 p.m. to transact the following business:

Ordinary Business:

- To receive, consider and adopt audited Profit & Loss Account for the year ended 31st March, 2002 and Balance Sheet as at that date and the Director's Report and of Auditor's Report thereon.
- To appoint a Director in place of Sri JS Krishna Murthy, who retires by rotation, and being eligible, offers himself for re-appointment
- To appoint a Director in place of Sri C Madhusudana Rao, who retires by rotation, and being eligible offers himself for re-appointment
- To consider and if thought fit, to pass with or without modifications, the following Resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 224 and Other applicable provisions, if any, of the Companies Act, 1956, the retiring Auditors, M/s K.S. Rao & Company, Chartered Accountants, be and are hereby re-appointed as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting of the Company, on such remuneration as may be determined by the Board of Directors, in addition to travelling and other out of pocket expenses."

Special Business:

- To consider and if thought fit, to pass with or without modification(s), the following resolution as an Special Resolution:
"RESOLVED THAT pursuant to the provisions of Section 94 and other applicable provisions if any, of the Companies Act, 1956, the Authorised Share Capital of the Company be and is hereby increased from Rs. 17,00,00,000/- (Rupees Seventeen Crores only) divided into 1,00,00,000 (One Crore only) Equity shares of Rs. 10/- each (Rupees Ten only) and 7,00,000 (Seven Lakhs only) 9% Cumulative Redeemable preference shares of Rs. 100/- each (Rupees One Hundred only) to Rs. 20,00,00,000/- (Rupees Twenty crores only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs. 10/- each (Rupees Ten only) and 10,00,000 (Ten Lakhs only) 9% Cumulative Redeemable Preference shares of Rs. 100/- each (Rupees One Hundred only)"
- To consider and if thought fit, to pass with or without modification(s), the following resolution as an Special Resolution

"RESOLVED THAT the existing clause V of the Memorandum of Association of the Company be and is hereby deleted and the following clause V is substituted in that place.

"The Authorised share capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crores only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs. 10/- (Rupees Ten only) each and 10,00,000 (Ten lakhs only) 9% Cumulative Redeemable Preference shares of Rs. 100/- each (Rupees One Hundred only) with power to increase or decrease in accordance with the Company's regulations and legislative provisions of the Government for the time being in force, and with the powers to divide the share Capital for the time being into several classes and to rights and such rights shall not (except where the terms of issue otherwise provide) be alterable otherwise than pursuant to the provisions contained in the Articles of Association and the Companies Act, 1956".

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

"RESOLVED THAT the existing Article No. 3 of the Articles of Association of the Company be altered in the manner following :

The existing Article No.3 be deleted and the following be substituted thereof as Article No. 3.

"The Authorised share capital of the Company is Rs. 20,00,00,000/- (Rupees Twenty Crores only) divided into 1,00,00,000 (One Crore only) Equity Shares of Rs. 10/- (Rupees Ten only) each and 10,00,000 (Ten lakhs only) 9% Cumulative Redeemable Preference shares of Rs. 100/- each".

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

"Resolved that pursuant to the provisions of Section 80, 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification (s) or re-enactment thereof) and the Memorandum of Association and Articles of Association of the Company and subject also to such other approvals, permissions and consent and or sanctions, as may be necessary from all appropriate authorities and subject to such conditions and modifications as may be considered necessary by the Board of Directors of the company (hereinafter referred to as "the Board") or as may be prescribed or imposed while granting such approvals, permissions and sanctions which may be agreed to or accepted by the Board, the consent of the Company be and is hereby accorded to the Board, to issue and offer 2,70,100 (Two lacs seventy thousand and one hundred only) 9% Cumulative Redeemable preference shares of



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Rs. 100/- each (Rupees One Hundred only) aggregating to Rs. 2,70,10,000/- (Rupees Two Crores seventy lacs and ten thousand only) (hereinafter referred to as the "Preference shares") for cash at par to be redeemed at the end of 11th, 12th and 13th years i.e., Rs. 30/-, Rs. 35/- and Rs. 35/- respectively from the date of allotment to M/s Hyderabad Bottling Company Limited on private placement basis on such terms and conditions of the Board or Committee may deem fit."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolution, the Board be and is hereby authorised to do all such acts, deeds, matters and things including allotments and execute all such deeds, documents, instruments and writings as it may in its absolute discretion deem necessary or desirable".

By Order of the Board

Place: Hyderabad.

J Triveni

Date : 3rd September, 2002.

Managing Director

Notes:

- A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and proxy need not be a member of the Company.
- The instrument appointing proxy should be deposited at the Registered Office of the Company not less than 48 hours before the Commencement of the Meeting.
- The Register of Members and Share Transfer Register of the Equity Share holders will remain closed from 27-09-2002 to 30-09-2002 (both days inclusive).
- Members are requested to notify any change in their address immediately to the Share Transfer Agents.
- Members are requested to bring their copies of Annual Reports to the Meeting.

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

Item No. 5, 6 & 7:

The Company's Authorised Share Capital at present is Rs. 17,00,00,000/- (Rupees Seventeen Crores only) divided into 1,00,00,000 (One Crore only) Equity shares of Rs. 10/- each (Rupees Ten only) and 7,00,000 (Seven Lakhs only) 9% Cumulative Redeemable preference shares of Rs. 100/- each (Rupees One Hundred only). It is proposed to increase the Authorised Share Capital of the Company to Rs. 20,00,00,000/- (Rupees Twenty crores only) for improving the financial parameters of the company in the process of appraising its Loan application by any Banks for meeting its expansion needs. The above increase of Authorised Share Capital and consequent amendments in the memorandum and Articles of Association require shareholders approval. Hence the

Board recommends the above resolutions for your approval.

None of the Directors is interested or concerned in the above resolutions.

Item No.8 :

M/s Hyderabad Bottling Company Limited which is an associate company has accepted to convert its un-secured loans into 2,70,100 9% Cumulative redeemable preference shares of Rs. 100/- each aggregating to Rs. 2,70,10,000/-. The company intends to issue 2,70,100 9% Cumulative Redeemable Preference Shares of Rs. 100/- each to Hyderabad Bottling Company Limited for Cash at par with a redemption period at the end of 11th, 12th and 13th years i.e., Rs. 30/- Rs. 35/- and Rs. 35/- respectively from the date of allotment for an amount not exceeding Rs. 2,70,10,000/-. This improves the financial parameters of the company, like, Tangible Net worth and Debt Equity Ratio for consideration of its Loan application(s) by the Term lending banks for expansion project.

It may be noted the issue of above preference shares do not bring any change in the management of the affairs of the Company.

In accordance with the provisions of Section 81(1A) of the Companies Act, 1956 shareholders approval is required for issuing shares on private placement basis. Hence the Board commends the above resolution for your approval.

None of the Directors except Sri J S Krishna Murthy, Sri J S Rao, Smt J Triveni and Sri J V Choudary are interested or concerned in the above resolution.

By Order of the Board

Place: Hyderabad.

J Triveni

Date : 3rd September, 2002.

Managing Director



Suvarna Cements Limited

Directors' Report

To Members

Your Directors have pleasure in presenting the Nineteenth Annual Report together with the Audited Accounts of the company for the year ended 31st March, 2002.

Operations:

During the year under review your company has produced 94303 MT of Clinker, 111533 MT of Cement as against 131822 MT, 103028 MT. We have sold cement of 113647 MT and clinker of 4681 MT as against 104281 MT and 15730 MT respectively during the previous year.

Financial Results:

The financial results for the year ended 31.3.2002 are summarised below :

	Rs.in lacs	
	Current year	Previous year
Income (sales and other income)	2393.27	2538.81
Profit before Interest and Depreciation	241.50	251.87
Interest	22.36	67.03
Depreciation	73.55	79.01
Profit for the year	145.59	105.83
Excess provision written back	24.29	-
Extraordinary Items	(40.60)	-
Net Profit	129.28	105.83
Loss Brought forward	1156.22	1262.05
Loss carried to Balance sheet	1026.94	1156.22

Future outlook:

The growth of the Cement Industry in 2002-03 is expected to be positive with a growing demand from the areas of Housing, Roads and other infrastructure. However, the prices of cement would continue to be under pressure due to mismatch between supply and demand, which is expected to continue and pose a major challenge. The company's project expansion from 300 TPD to 900 TPD is under progress. Your company is fully geared to implement this project as envisaged in its project report submitted to Bankers. Your Directors are hopeful of reducing the production costs by improving efficiency in operations and by availing benefits which arise on account of on going project expansion for increasing the capacities. Further, on completion of the expansion project the company will get incentives which contribute to sell our product at competitive prices. With the implementation of expansion scheme, the company, would be able to wipe out its accumulated losses and improves its liquidity position.

Dividend:

Due to losses brought forward from previous years, the Board is constrained not to recommend dividend for the year under review.

Fixed Deposits:

Your company has not accepted any fixed deposits and as such no amount of principle or interest was outstanding as of the balance sheet date.

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.

Directors Responsibility Statement:

Pursuant to provisions of Section 217 (2AA) of the Companies (Amendment) Act 2000, the Board of Directors State :

- (i) that in preparation of the annual accounts, applicable accounting standards have been followed along with proper explanation relating to material departures ;
- (ii) that the directors have 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 of the company for the year ;
- (iii) that the directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities ;
- (iv) that the directors have prepared the accounts on a going concern basis.

Corporate Governance:

According to the listing agreement entered into by the company with the Stock Exchanges, your company is required to comply with requirements of Corporate Governance by 31st March, 2003. However, your Board has pleasure to inform that most of the provisions are already complied with and information on Corporate Governance is given in Annexure - B which forms part of this report.

Directors :

Sri. J.S. Krishna Murthy and Sri. C. Madhusudhana Rao retire by rotation and being eligible offer themselves for reappointment.

Auditors :

M/s K S Rao & Co., Chartered Accountants retire at the conclusion of this Annual General Meeting and are eligible for re-appointment. The company has received a certificate from them that their re-appointment, if made, would be within prescribed limits Under Section 224 (1B) of the Act.

Auditors Comments :

The Auditors remarks are self explanatory.



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Energy, Technology and Foreign Exchange :

Particulars 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 (Annexure A) which forms part of this report.

Particulars of employees :

There were no employees falling within the purview of Section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of Employees) Rules, 1975 as amended by the Companies (Amendment) Act, 1988, during the year.

Acknowledgement :

Your Directors are thankful to the Financial Institution and Bankers for their continued support during the year.

Your Directors also wish to place on record their appreciation of the services rendered and co-operation extended by the Workmen, Staff, Dealers, Customers and Other concerned.

For and on behalf of the Board

Place: Hyderabad.

J.S. KRISHNA MURTHY

Date : 3rd September, 2002

Chairman

Annexure 'A'

Information as required under Section 217(1)(e) read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

FORM - A

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

	Current Year	Previous year
A. Power and Fuel Consumption:		
1. Electricity:		
a. Purchased		
Units(Nos.)	1,27,91,307	1,19,68,303
Amount (Rs)	5,31,89,225	5,14,14,745
Rate/Unit(Rs.)	4.16	4.30
b. Own Generation:		
i) Through Diesel Generator		
Units (Nos.)	2,53,948	31,73,523
Units per Ltr.of Diesel Oil	3.26	3.35
Cost/Unit (Rs.)	5.08	4.37
ii) Through Steam Turbine/Generator:		
Units (Nos.)		
Units per Ltr.of Fuel Oil Gas	Nil	Nil
Cost/Unit (Rs.)		
2. Coal and Lignite used as fuel in Kiln:		
Quantity (M.T.)	25,228	33,841
Total Cost (Rs.)	4,23,62,478	5,55,85,567
Average Rate/M.T. (Rs.)	1,679.18	1,642.55
3. Furnace Oil	Nil	Nil
4. Others/Internal Generation	Nil	Nil
B. Consumption per unit of Production:		
Electricity (Units)	116	115
Furnace Oil	Nil	Nil
Coal	0.267	0.257
Others(Specify)	Nil	Nil


FORM - B
Form for disclosure of particulars with respect to Technology Absorption
Research and Development (R&D):

1. Specific areas in which R&D carried out by the Company
2. Benefits derived as a result of the above R&D
3. Future Plan of Action : No research & development has been carried out during the period and no expenditure incurred.
4. Expenditure on R&D
 - a) Capital
 - b) Recurring
 - c) Total
 - d) Total R&D expenditure as a percentage of total turnover

Technology absorption, adoptation and innovation:

1. Efforts, in brief, made towards technology absorption, adoptation and innovation : There has been no absorption, or innovation of any new technology.
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost reduction, production development, import substitution etc. : —
3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year), the following information may be furnished :
 - a) Technology : No Technology has been imported
 - b) Year of Import
 - c) Has Technology been fully absorbed
 - d) If not fully absorbed, areas where this has not taken place, reasons therefor and future plans of action :

Foreign Exchange earnings & outgo:

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans : NIL
2. Total foreign exchange used and earned
 - a) Foreign Exchange used : NIL
 - b) Foreign Exchange earned : NIL



Annexure 'B' to the Directors' Report Report on Corporate Governance

Company's Philosophy on Code of Governance :

Your Directors philosophy on Corporate Governance aimed at the attainment of the effective internal control, fair and efficient conduct of its business, and fullest support of the Board and Management for enhancing customer satisfaction and shareholders value.

Composition of Board :

The Board comprises seven Directors of which one is Managing Director. The non-executive directors bring with them rich and varied experience in different facets of corporate functioning. They play active role in the meeting of the Board. The Chairman of the Board is a non-executive director. The composition of the Board is in conformity with the amendments in the listing agreement.

Tenure :

As per the statute two thirds of the total strength of the Board of Directors should be subject to retirement by rotation. Further, one third of the directors liable to retire by rotation are required to retire every year. This is being implemented.

Board Meetings :

During the year under review, 5 meetings of the Board of Directors were held (as against the minimum requirement of 4 meetings) on the following dates namely, 30th April, 2001, 11th July, 2001, 24th October, 2001, 16th November, 2001, and on 30th January, 2002.

Attendance :

The Attendance at various meetings of the Board of directors and the Annual General Meetings is as follows :

Directors	No. of Meetings Attended	Attended Last AGM
Sri. J.S. Krishna Murthy	5	Yes
Sri. J.S. Rao	5	Yes
Sri. J.V. Choudary	2	Yes
Sri. J. Sivaram Prasad	4	Yes
Sri. Arvind Mahadev Marathe	3	Yes
Sri. C. Madhusudhana Rao	3	Yes
Smt. J. Triveni	5	Yes

Number of other Directorships held :

Name of the Directors	Category	Number of other Directorships held
Sri. J.S. Krishna Murthy	Promoter – Chairman	11
Sri J.S. Rao	Promoter – Non Executive Director	10
Sri J.V. Choudary	Promoter – Non Executive Director	8
Sri. J.Sivaram Prasad	Non Executive Director	2
Sri. Arvind Mahadev Marathe	Non Executive Director	2
Sri. C. Madhusudhana Rao	Non Executive Director	4
Smt. J. Triveni	Managing Director	2

Constitution of Audit Committee :

The Board of Directors have constituted an Audit Committee comprising Sri. C. Madhusudana Rao as Chairman, Sri Arvind Mahadev Marathe and Sri. J. Sivaram Prasad as members.

Sri C. Madhusudana Rao is a practising Chartered Accountant and an independent Non-executive Director.

Sri Arvind Mahadev Marathe an independent and non Executive Director having rich experience in Cement industry.

Sri J. Sivarama Prasad a Chartered Accountant and having sound knowledge in Cement Industry and is a non-executive Director.