



21ST ANNUAL REPORT 2003-2004

Suvarna
Cements Limited



Suvama Cements Limited

Board of Directors

Sri J S Krishna Murthy, Chairman

Sri J S Rao

Sri J V Choudary

Sri J Sivaram Prasad

Sri C Madhusudana Rao

Smt. J Triveni, Managing Director

Company Secretary:

Sri. L. Prabhakar.

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

State Bank of India
Industrial Finance Branch
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.



Suvama Cements Limited

NOTICE

NOTICE is hereby given that the Twenty-first Annual General Meeting of Suvama Cements Limited will be held on Thursday, the 30th day of September, 2004 at the Registered office & Factory situated at Mellacheruvu (Village & Mandal), Nalgonda District - 508 246 Andhra Pradesh at 4.00 P.M. to transact the following business.

Ordinary Business :

1. To receive, consider, approve and adopt audited Profit & Loss Account for the year ended 31st March, 2004 and Balance Sheet as at that date and the Director's Report and Auditor's Report thereon.
2. To appoint a Director in place of Sri. J. V. Choudary who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Sri. C. Madhusudana Rao who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and fix their remuneration:

"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 :

5. 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 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.18,00,00,000/- (Rupees Eighteen Crores only) divided into 1,00,00,000 (One Crore only) Equity shares of Rs.10/- each (Rupees ten only) and 8,00,000 (Eight lacs 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 1,20,00,000 (One Crore Twenty lacs only) Equity shares of Rs.10/- each (Rupees ten only) and 8,00,000 (Eight lacs only) 9% Cumulative Redeemable Preference shares of Rs.100/- each (Rupees one hundred only)."

6. To consider and if thought fit, to pass with or without modification (s), the following resolution as an Ordinary 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 1,20,00,000 (one crore twenty lacs only) Equity shares of Rs.10/- each (Rupees ten only) and 8,00,000 (Eight lacs only) 9% Cumulative Redeemable Preference shares of Rs.100/- (Rupees

one hundred only) each 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 attach thereto respectively any preferential, deferred, qualified or special 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."

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

"RESOLVED THAT pursuant to Section 31 of the Companies Act, 1956 and other applicable provisions, if any, of the Act the existing Article No. 3 of the Articles of Association of the Company be and is hereby substituted with the following article:

"3. The Authorised Share Capital of the Company is Rs.20,00,00,000/- (Rupees twenty crores only) divided into 1,20,00,000 (one crore twenty lacs only) Equity shares of Rs.10/- each and 8,00,000 (Eight lacs only) 9% cumulative Redeemable preference shares of Rs.100/- each "

By Order of the Board

Place: Hyderabad.

Date : 25th August, 2004.

L. Prabhakar

Company Secretary

Notes:

- a) 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.
- b) An explanatory statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special business items is annexed hereto this notice.
- c) 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.
- d) The Register of Members and Share Transfer Register of the Equity Share holders will remain closed from 27.09.2004 to 30.09.2004. (both days inclusive).
- e) Members are requested to notify any change in their address immediately to the Share Transfer Agents.
- f) Members are requested to bring their copies of Annual Reports to the Meeting.
- f) **Appointment/Re-appointment of Directors:**
Sri. J.V Choudary and Sri. C. Madhusudana Rao are retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. The information/data to be provided in this regard under the Corporate Governance code of the Listing Agreement is given in the Corporate Governance section of this Annual Report.

By Order of the Board

Place: Hyderabad.

Date : 25th August, 2004.

L. Prabhakar

Company Secretary



Suvama Cements Limited



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

Item No. 5

The Company's Authorised Share Capital at present is Rs.18,00,00,000/- (Rupees Eighteen crore only) divided into 1,00,00,000 (One Crore only) Equity shares of Rs.10/- each (Rupees ten only) and 8,00,000 (Eight lacs 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) divided into 1,20,00,000 (one crore twenty lacs only) equity shares of Rs. 10/- each (Rupees Ten only) and 8,00,000 (Eight lacs only) 9% cumulative redeemable preference shares of Rs. 100/- each (Rupees one hundred only) for improving the financial parameters of the company. The Board recommends the above resolution for your approval.

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

Item No.6

Consequent to increase of Authorised share capital from Rs.18,00,00,000/- to Rs.20,00,00,000/-, Clause V of the Memorandum of Association of the company is required to be

altered accordingly. The Board recommends the above resolution for your approval.

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

Item No.7

The proposal of Increase of Authorised share capital from Rs.18,00,00,000/- to Rs.20,00,00,000/- requires alteration of Article No. 3 of Articles of Association of the Company. This alteration of Articles require share holders approval. Hence your Board recommends the above resolution for your approval.

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

By Order of the Board

Place: Hyderabad.
Date : 25th August, 2004.

L. Prabhakar
Company Secretary

Directors' Report

To Members

Your Directors have pleasure in presenting the Twenty-first Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2004.

Financial Results:

The financial results for the year ended 31.03.2004 are summarised below:

	Current year	Rs.in lacs. Previous year
Income (sales and other income)	3081.18	882.59
Profit/(Loss) before interest and depreciation	375.16	(107.71)
Interest	213.67	48.41
Depreciation	155.31	39.87
Profit/ (Loss) for the year	6.18	(195.99)
Excess provision written back	4.87	2.75
Extraordinary Items	0.00	(45.00)
Net Profit / (Loss)	11.05	(238.24)
Loss Brought forward	1265.18	1026.94
Loss carried to Balance sheet	1254.13	1265.18

Performance Review:

Your Directors glad to inform you that the Company has started earning Profits. During the year under review, your company has made a profit of Rs.11.05 lacs as against a loss of Rs.238.24 lakhs in the previous financial year. This situation has been

achieved by reducing the power consumption and by optimising utilisation of men and material.

Operations:

During the year under review your company has produced 175410 MT of clinker 155054.119 MT of Cement as against 20,133 MT ; 48,500 MT respectively. V'e have sold cement of 156700 MT and Clinker of 16653 MT as against 47,500 and 175 MT respectively during the previous year.

Dividend :

Your Directors pleased to inform you that the company has started earning profits slowly. However, your Company is not in a position to declare any dividend, since the company is required to write off the previous years' accumulated losses. Hence your directors regret to recommend any dividend.

Fixed Deposits:

Your company has not accepted any fixed deposits from the public under Section 58 A of the Companies Act, 1956 and as such no amount of principle or interest was outstanding as on the date of balance sheet.

Health Safety and Environmental Protection:

Your company has substantially complied with all applicable environmental Laws and Labour Laws. The Company has taken significant measures towards environment protection and conservation.



Suvama Cements Limited

Cost Audit :

As per the Government's directive, the company's cost records in respect of cement for the year ended 31st March, 2004 are being audited by Cost Auditors, M/s. Narsimha Murthy & Company.

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.

Director's Responsibility Statement :

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

- (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 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:

The Company has taken adequate steps to ensure that the condition of corporate Governance as stipulated in Clause 49 of the Listing Agreement of the Stock Exchanges are complied with. The report on corporate Governance and the Management discussion and analysis is included as a part of the Director's Report. A certificate from the Auditors of the Company regarding compliance of conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement is attached to this report.

Directors :

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the Company, Sri. J.V. Choudary and Sri C. Madhusudana Rao retire by rotation and being eligible offer themselves for re-appointment.

Registrar & Transfer Agents:-

The Securities & Exchange Board of India (SEBI) vide its circular No.D & CC/FITTC/CIR/5/2002 dt. 27.12.2002 had directed that all the work related to Share Registry for Physical and Electronic Share holding should be maintained at a single point. The Company in compliance with the above, mentioned circular has appointed M/s. Ikon Vision Pvt. Ltd. Flat No. 33, Sanali Heavens, 8-3-948, Ameerpet, Hyderabad - 500 073 as the

Registrar and Transfer Agent of the Company.

Auditors :

Shareholders are requested to appoint M/s. K S Rao & Co., Chartered Accountants who 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 (IB) of the Act.

Auditors Comments:

Regarding Auditor's qualification on Sundry debtors and Sundry creditors the management is confident of realizing the receivables at the stated values other than those disclosed as doubtful. In respect of sundry creditors, the management acknowledges undisputed balances in full. Wherever the disputes are there, management is trying to sort out the disputed amount and settle them in due course.

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 & Industrial Relations :

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. Industrial relations in the company were very cordial and stable.

Award:

Your Board have pleasure to inform you that the company has received an Award "BEST TURNAROUND/REVIVAL OF A SICK INDUSTRY" from The Federation of Andhra Pradesh Chambers of Commerce & Industry (FAPCCI) during the year.

Acknowledgement :

Your Directors are thankful to Canara Bank, Somajiguda branch and State Bank of India, Industrial Finance Branch, Somajiguda for their continued support during the year under review and acknowledge with gratitude the help extended by the Central Government and Government of Andhra Pradesh.

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.

Date : 25th August, 2004.

J.S. KRISHNA MURTHY

Chairman


Suvama Cements Limited

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.)	1,92,66,013	38,29,305
Amount (Rs.)	7,51,59,246	2,03,60,843
Rate/Unit (Rs.)	3.90	5.32
b. Own Generation:		
(i) Through Diesel Generator		
Units (Nos.)	24,016	79,311
Units per Ltr. of Diesel Oil	2.66	3.34
Cost/Unit (Rs.)	8.03	7.30
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)	33.686	5,548
Total Cost (Rs.)	5,67,27,306	87,68,791
Average Rate/M.T.(Rs.)	1684.40	1,580.83
3. Furnace oil	Nil	Nil
4. Others/Internal Generation	Nil	Nil
B. Consumption per unit of Production:		
Electricity (Units)	110	126
Furnace Oil	Nil	Nil
Coal (MT)	0.192	0.265
Others (Specify)	Nil	Nil



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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, adoption and innovation:

1. Efforts, in brief, made towards technology absorption, adoption 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 outgo and earned
 - a) Foreign Exchange outgo : NIL
 - b) Foreign Exchange earned : NIL

For and on behalf of the Board

Place : Hyderabad
Date : 25th August, 2004

J.S. Krishna Murthy
Chairman



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 highest levels of transparency, accountability and equity, in all facets of its operations, and all its interactions with its stakeholders including shareholders, Employees and the Government.

Composition of Board :

The Board comprises six 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, 28th April, 2003, 26th July, 2003, 30th August, 2003, 27th October, 2003 and on 24th January, 2004.

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	5	Yes
Sri. J. Sivaram Prasad	4	Yes
Sri. C. Madhusudana Rao	4	Yes
Smt. J. Triveni	5	Yes

Number of other Directorships held :

Name of the Directors	Category	Number of other Directorships held	No of Membership in other Board Committees
Sri J. S. Krishna Murthy	Promoter - Chairman	7	7
Sri. J. S. Rao	Promoter - Non Executive Director	10	7
Sri. J.V. Choudary	Promoter - Non Executive Director	8	2
Sri. J. Sivaram Prasad	Non Executive Director	3	2
Sri. C. Madhusudana Rao	Non Executive Director	5	3
Smt. J. Triveni	Managing Director	2	-

Constitution of Audit Committee:

The Audit Committee of the Board was constituted consisting of the following Directors. The terms of reference of the Audit Committee have been defined so as to bring them in line with the amendments in the listing agreement and the Companies Act. The Minutes of the Audit Committee Meetings are circulated to the Members of the Board, discussed and took a note of the same. During the year, the committee met 4 times and the attendance of Members at the meetings were as follows:

S.No.	Name of the Member	Status	No. of Meetings Attended
1.	Sri. C. Madhusudana Rao	Chairman	4
2.	Sri. J.S. Rao	Member	3
3.	Sri. J. Sivaram Prasad	Member	4

Share Transfer Committee :

The Share transfer committee has been constituted by the Board and delegated the authority to approve transfer of shares to a committee of Directors. The Share transfer committee consists of Sri. J.S. Krishna Murthy, Sri. J.S. Rao and Sri. J. Sivaram Prasad. The committee meetings are held every month to approve transfers, transmissions, split and consolidation of shares etc., issued by the company. The minutes of the meeting of the share transfer committee are placed before the board for its confirmation.