

**19th
Annual Report
1998-2000**

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NCL INDUSTRIES LIMITED

AN ISO 9001 COMPANY



BOARD OF DIRECTORS

Shri K Jayabharath Reddy - Chairman
Smt Usha Srinivasan - IDBI Nominee
Shri R Anand
Shri Vinodrai V Goradia
Shri G Soma Raju
Shri S Gokul
Shri M Kanna Reddy
Shri K Ramachandra Raju
Shri K Ravi - Managing Director

UNITS

Cement & Cement Boards
Simhapuri
Mattampalli Mandal
Nalgonda District - 508 204
Andhra Pradesh

Prefab Units

Plot No. 34/A
IDA, Jeedimetla
Hyderabad - 500 055

Indira Industrial Complex
Naharpur
Tigoan Road
Old Faridabad - 121002

VICE PRESIDENT & SECRETARY

Shri B Subrahmanyam

Ceramic Stoneware

Nandigaon
Mahaboobnagar District
Andhra Pradesh

Ceramic Bonechina

Dommeru
West Godavari District
Andhra Pradesh

AUDITORS

M/s. Prayaga & Company
Chartered Accountants
5-2-392/5, Hyderbasti
R P Road, Secunderabad - 500 003

BANKERS

Global Trust Bank
Vijaya Bank

REGD. & ADMN. OFFICE & SHARE TRANSFER DEPT.

7th Floor, Raghava Ratna Towers,
Chirag Ali Lane,
Hyderabad - 500 001.
Tele : 3203637, 3202548
Fax : 91 (040) 3202496, 3203417
E-mail : info@nclindustries.com
Website : www.nclindustries.com

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AGM on 22-7-2000 at 10 a.m. at Bharatiya Vidya Bhavan, King Koti, Hyderabad - 500 029.

NOTICE

Notice is hereby given that the 19th Annual General Meeting of the Members of **NCL INDUSTRIES LIMITED** will be held on Saturday the 22nd July 2000 at 10 a.m. at Bharatiya Vidya Bhavan, King Koti, Hyderabad-500 029 to transact the following business.

1. To receive, consider and adopt the Audited Profit and Loss Account for the Financial Year ended 31st March, 2000 and the Balance Sheet as at that date and the Reports of the Directors and the Auditors thereon.
2. To elect a Director in place of Shri Vinodrai V Goradia who retires by rotation and being eligible, offers himself for re-election.
3. To elect a Director in place of Shri K. Ramachandra Raju who retires by rotation and being eligible, offers himself for re-election.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting upto the conclusion of the next Annual General Meeting and to fix their remuneration.
5. To consider and if thought fit, to pass with or without modifications, the following resolution as a Special Resolution"

"Resolved that pursuant to Sections 198, 269, 309, 311, 314, 316 and Schedule XIII and other applicable provisions, if any of the Companies Act, 1956 the consent of the company be and is hereby accorded for reappointment of Shri K. Ravi as Managing Director of the company with effect from 21.01.2000 for a period of 5 years as per the terms and conditions set out in the Explanatory Statement annexed to this Notice with liberty to the Board of Directors to make such alterations/modifications as may be necessary and to give effect to the decision taken herein".

6. To consider and if thought fit, to pass with or without modifications, as may be permissible, the following resolution as an Ordinary Resolution

"Resolved that the consent of the Company be and is hereby accorded in terms of section 293(1)(a) and other application

provisions, if any, of the Companies Act, 1956 to mortgaging and/or charging by the Board of Directors, of the Company all the immovable and movable properties of the company wheresoever situate, present and future, and / or conferring power to enter upon and to take possession of assets of the Company in certain events, to or in favour of Global Trust Bank Ltd on Second charge basis in respect of working capital facilities of Rs. 600 lacs sanctioned and released by Global Trust Bank Ltd together with interest thereon at the agreed rate, compound interest, additional interest, liquidated damages, premia on prepayment or on redemption, costs, charges expenses and other monies payable by the company to Global Trust Bank Ltd under the Loan Agreement entered into / to be entered into by the Company in respect of the said loan and as mentioned from time to time.

Resolved Further that the Board of Directors of the company be and is hereby authorised to finalise the documents for creating the aforesaid mortgage and / or charge and to do all such acts and things as may be necessary for giving effect to the above resolution."

By order of the Board
for **NCL INDUSTRIES LIMITED**
(B. SUBRAHMANYAM)
(Vice President & Secretary)

Hyderabad
30-05-2000

NOTES :

1. A members entitled to attend and vote at the meeting is entitled to appoint a proxy instead of himself to attend and vote only in a poll and the proxy need not be a member. Proxies in order to be effective must be received by the company not less than 48 hours before the annual general meeting. A proxy so appointed should not have any right to speak at the meeting.
2. The Register of Members and Share Transfer Registers will remain closed from 27.06.2000 to 29.6.2000 (both day inclusive)

ANNEXTURE TO THE NOTICE :

EXPLANATORY STATEMENT (PURSUANT TO SEC 173(2) THE COMPANIES ACT, 1956)

Item No. 5:

Shri K. Ravi was appointed Managing Director of the company in the Extra-ordinary General Meeting of the members of the company held on 25.02.1995 for a period of 5 years from 21.01.1995. His term of appointment ended on 20th January, 2000. The Board of Directors in its meeting held on 30th May, 2000 reappointed him as Managing Director with effect from 21.01.2000 subject to approval of members.

It is proposed to fix the terms of appointment (on the terms prevailing at the time of expiry of his previous term) as follows :

Salary :

Rs. 40,000/- per month (subject to annual increment of Rs. 5,000/- per month)

Commission :

Commission of 1% of net profits of the Company computed in a manner laid down under Sec. 198 shall be payable only when a dividend is paid.

Perquisites :

In addition to salary, Perquisites be allowed as follows :

- a. Housing / HRA @ 40% of salary
- b. Medical Reimbursement : Expenses incurred for self and family subject to ceiling of one month's salary in each year or 3 month's salary in a block of 3 years.

NOTICE

- c. *Leave Travel Concession for self and family subject to ceiling of one month's salary in each year "Family" means the wife, dependent children and dependent parents of the Managing Director.*
- d. *Company's contribution to Provident Fund and Superannuation Fund shall be as allowed under the Income Tax Act and Rules and as per Rules of the Company.*
- e. *Gratuity : Equal to half month's salary, for each completed year of service.*
- f. *Conveyance : Free use of Company's Car with driver for Company's business*
- g. *Telephone / Cell Phone : Free except for personal long distance calls which shall be billed.*
- h. *He shall be entitled to reimbursement of entertainment expenses actually and properly incurred for the business of Company.*
- i. *He will not be eligible for any Sitting Fees of the Company's Board / Committee Meetings*
- j. *If during the currency of tenure of the Managing Director, the Company has no profits or its profits are inadequate in any financial year, the Managing Director shall be entitled to remuneration by way of salary and perquisites not exceeding the limits specified above.*
- k. *In case he becomes Managing Director or Manager of another company, he shall draw remuneration from any one of the two companies.*

The Board recommends passing of the resolution.

None of the Directors except Shri K. Ramachandra Raju and Shri K. Ravi himself is interested in the above resolution.

The terms and conditions in the resolution may also be treated as Abstract of Contract / Agreement between company and Shri K. Ravi pursuant to Sec. 301 of the Companies Act, 1956.

Item No. 6

M/s. Global Trust Bank have sanctioned Rs. 600 lacs of cash credit limits to the company One of the terms of the sanction is that the same shall be secured by way of second charge on the fixed assets of the company apart from the hypothecation on the current assets as specified in their sanction letter. The above borrowings are within the limits approved by the company u/s. 293(I)(d) of the Companies Act.

The mortgage and / or charge by the company of its immovable properties etc. in favour of the lenders with a power to takeover the management in certain events of the default by the company may be regarded as disposal of the company's undertakings within the meaning of the Section 293(I)(a) of the Companies Act. Hence, it is necessary for the members to pass a resolution under this section.

The directors recommend this resolution for approval of the Members.

None of the Directors is in concerned or interested in the said resolution.

*By order of the Board
for **NCL INDUSTRIES LIMITED**
(B. SUBRAHMANYAM)
Vice President & Secretary*

Hyderabad
30.05.2000



DIRECTORS' REPORT

Your Directors have pleasure in presenting their 19th Annual Report together with Audited Accounts for the year ended 31st March 2000. The accounts are drawn for a period of 18 months from 1st October 1998 to 31st March 2000 and are not strictly comparable with that of previous year.

FINANCIAL RESULTS :

	(Rs. In lakhs)	
SALES TURNOVER & OTHER INCOME:	1998-2000	1997-1998
- Cement Division	6039.43	5289.07
- Boards Division	2132.15	1540.23
- Prefab Division	1241.16	1464.86
- Ceramic Division	1219.16	927.23
- Profit on sale of assets	0.00	0.68
- Other Income	10.01	10.05
	10641.91	9232.12
Gross Profit (PBIDT)	1211.26	1408.59
Less : Interest	960.74	795.33
- Depreciation	549.94	362.73
- Expenses written off	65.86	32.78
- Previous year adjustments	0.26	55.51
PROFIT/(LOSS)BEFORE TAX	(365.54)	162.19
Less : Provision for Tax	-	-
NET PROFIT/(LOSS)AFTER TAX	(365.54)	162.19

The year under consideration was a difficult one for your company, which resulted in 23% drop in sales turnover (on annulised basis) as compared to the previous financial year mainly because of the steep fall in the cement realisation. Due to unprofitable selling prices together with increase in input costs and interest cost the profitability eroded, resulting in a loss of Rs. 365.54 lakhs as compared to a profit of Rs. 162.19 lakhs in the previous year. The above results also include the operations of ceramic division, which is being hived off with effect from 1-10-1998.

CEMENT DIVISION :

The performance of cement division was adversely affected due to prolonged sluggish selling prices. Further there has been consolidation and shake up in the industry resulting in mergers & takeovers affecting smaller players like us. With the entry of multinational cement companies, addition of new capacities by big industrial houses with special incentives and movement of stocks from other States to our markets, the prices have taken a beating.

It has become necessary to increase the capacities to

be more competitive and reduce cost of production.

EXPANSION

Government of India have revised the definition of mini cement plant by enhancing the limit of despatches from the existing 2.20 lakh tons to 3.00 lakh tons per annum while continuing the concessional excise duty upto the first 0.99 lakh tons. To take advantage of the above, your company has completed expansion of cement capacity upto 2.75 lakh tons by modifying cooler sections, replacing the existing fans with higher efficiency fans and installation of pre-crushing arrangement in raw mills, Coal mill and cement mills at an additional cost Rs. 965 lakhs. Your company would be eligible for the state incentives from Govt. of Andhra Pradesh in the form of deferment / exemption of sales tax upto 35% of the capital outlay.

Your company has taken several steps for energy saving and cost cutting but for which the performance would have been even worse. With the emphasis being given for Infrastructure / Housing Development by Government of India and with the revival of the economy, your directors are hopeful of improvement in the fortunes of your company.

BOARDS DIVISION :

The Board Division recorded 45% capacity utilisation as compared to 55% during the previous year. The gross sales were Rs. 2132 Lacs as compared to Rs. 1540 Lacs during previous year. The domestic off take has been low due to slow-down in the economy and with the financial crisis in the Southeast Asian economies there has been no export sales. However, the company has started promoting readymade products like doors, which are gaining wide popularity in the rural markets. The popularity of these kinds of products will result in achieving better turnover in boards division in future.

PREFAB DIVISION :

The Prefab Division has recorded a turnover of Rs. 1241 Lakhs as compared to Rs. 1465 lakhs in the previous year. All these years there were a very few players in this market but, during the last couple of years the competition has gone up and prices have become very competitive. The company has been putting sustained marketing efforts to obtain orders where there is a scope for good margins instead of competing in the segment where there are no margins.

DIRECTORS' REPORT



CERAMIC DIVISION :

As you are aware, the company had decided to hive off the Ceramic Division and accordingly received full consideration towards the fixed assets as well as the net current assets. However, the formalities of hiving off of this division are yet to be completed. The company filed a petition before the Hon'ble High Court of Andhra Pradesh for a scheme of arrangement u/s 391 of the companies Act. Under the directions of the Court, the Shareholders of our Company as well as of that of the Transferee Company approved the scheme. The secured creditors of this division also approved the same having received the dues as per the one time settlement scheme. Pending receipt of the approval of the Hon'ble High Court the accounts have been drawn incorporating the operations of Ceramic Division. The net loss contributed by this Division is Rs. 128.84 and the gross turnover is Rs. 1219.16 lacs during the period.

FINANCE :

The company paid an amount of Rs. 446.69 lakhs during the period to the Financial Institutions and Banks towards the dues.

Global Trust Bank has enhanced the limits to Rs. 600 lakhs during the period under review. During this period, the company paid all the outstanding dues to State Bank of India on account of working capital.

The 20% secured redeemable non-convertible debentures of 18 months duration have come-up for redemption in December 1998 and the company rolled over the same for a period of 5 years. An option of roll over was given to the debenture holders and Rs. 10.50 crores debentures have been rolled over out of the original issue of Rs. 12.00 crores and the company redeemed the debentures of those who did not opt for rollover.

CONTRIBUTION TO EXCHEQUER :

The company's contribution to exchequer during the year, in the form of various taxes and duties was Rs. 2148. Lakhs.

DIVIDEND :

Your Directors regret their inability to recommend any Dividend in the absence of profits for the year.

STATUS OF Y2K COMPLIANCE :

The company has successfully rolled over to the year 2000 by taking necessary steps in regard to its computer systems.

FIXED DEPOSITS :

As on 31.03.2000, deposits aggregating Rs. 926.76 lakhs have been accepted out of which Rs. 9.5 lakhs remained outstanding, awaiting instructions from the depositors.

INDUSTRIAL RELATIONS :

The industrial relations continue to be harmonious at all levels in the organisation during the year. There are no employees covered under Sec. 217(2A) of the companies Act, 1956.

ENERGY TECHNOLOGY, FOREIGN EXCHANGE AND ENVIRONMENT PROTECTION :

The information required to be disclosed in terms of Sec. 217 (1) (e) of the companies Act 1956 is furnished in Form A and forms part of this report.

AUDITORS :

M/s. Prayaga & Co. Chartered Accountants, the existing auditors of the Company retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

DIRECTORS :

During the period under review Shri Ch. Subba Rao and Sri M.S. Raju, Directors resigned, The Board wished to place on record the valuable services rendered by them during their tenure.

Sri K. Ravi's term as Managing Director ended on 20-1-2000 and the Board reappointed him for a further period of 5 years.

ACKNOWLEDGEMENTS :

The Board expresses its gratitude for the continued support from the Financial Institutions, Banks, Debenture Trustees, APSEB, AP Gas Power Corporation Limited and various Government Authorities for the valuable guidance and assistance to the Company. The Board also expresses his sincere thanks to the fraternity of dealers, depositors, shareholders, debenture holders and employees at all categories for their cooperation.

Hyderabad
30.05.2000

for and on behalf of the Board
K. JAYABHARATH REDDY
CHAIRMAN