



**32<sup>nd</sup>**  
Annual Report  
2012 - 13



**NCL INDUSTRIES LIMITED**



Sri K. Gautam, Executive Director, NCL Industries Ltd. receiving the Certificate of Excellence for Exemplary Growth for the year 2012, given by INC 500 at New Delhi in March, 2013.

**BOARD OF DIRECTORS**

Mr. R. Anand, Chairman  
Mr. Vinodrai .V. Goradia  
Mr. M. Bhaskara Rao (IREDA Nominee)  
Mr. M. Kanna Reddy  
Mr. K. Madhu  
Mr. Ashven Datla  
Mr. Kamlesh Gandhi  
Mr. K. Gautam - Executive Director  
Mr. P.N. Raju - Executive Director  
Mr. K. Ravi - Managing Director

**COMPANY SECRETARY**

Mr. T. Arun Kumar

**AUDITORS****VENUGOPAL & CHENYOY**

Chartered Accountants  
4-1-889/16/2, Tilak Road,  
Hyderabad - 500 001.

**BANKERS**

Axis Bank Ltd  
Canara Bank  
Central Bank of India  
Corporation Bank  
IDBI Bank Ltd  
Indian Renewable Energy Dev. Agency Ltd  
Oriental Bank of Commerce  
State Bank of Hyderabad  
State Bank of India  
State Bank of Mysore

**FACTORIES****CEMENT DIVISION****UNIT – I**

Simhapuri,  
Mattampally Mandal,  
Nalgonda Dist  
Andhra Pradesh  
Pincode - 508204

**UNIT – II**

Kadimpothavaram,  
Village, Kondapalli,  
Krishna District,  
Andhra Pradesh  
Pincode - 521228

**BOARDS DIVISION****UNIT – I**

Simhapuri,  
Mattampally Mandal,  
Nalgonda Dist  
Andhra Pradesh  
Pincode - 508204

**UNIT– II**

Bhatanwali Village,  
Paonta Sahib,  
Sirmour District,  
Himachal Pradesh  
Pincode - 173025

**PREFAB DIVISION****UNIT – I**

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

**UNIT – II**

Bhatanwali Village,  
Paonta Sahib,  
Sirmour District,  
Himachal Pradesh  
Pincode - 173025

**ENERGY DIVISION****UNIT – I**

Pothireddypadu, Head  
Regulator, Chabolu Village,  
Pothulapadu Post,  
Nandikotkur TQ.  
Kurnool District  
Andhra Pradesh  
Pincode - 518402

**UNIT – II**

RBHLC Zero Mile Point,  
Tungabhadra Dam,  
Tungabhadra Board,  
Amaravathi Village,  
Hospet  
Karnataka  
Pincode - 583225

**READY MIX CONCRETE  
DIVISION****Unit - I**

Plot No 91/C, D Block ,  
Autonagar, Gajuwaka,  
Visakhapatam

**Unit - II**

Plot 11, A/2, Phase 1,  
IDA, Patancheru (V)  
Medak Dist

**Regd. & Admn. Office**

7th Floor, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001.  
Tel : 91 (040) - 23203637, 23202548, 23204243 Fax : 91 (040) - 23202496, 23203417  
E-mail : ncl@nclind.com Website : www.nclind.com



## C O N T E N T S

Notice	03
Directors Report	08
Report on Corporate Governance	12
Management Discussion & Analysis Report	21
Independent Auditors Report	24
Balance Sheet	27
Statement of Profit & Loss	28
Cash Flow Statement	29
Notes	30
Proxy Form	47

**AGM on Saturday the 28<sup>th</sup> September, 2013 at 11.30 A.M. at  
Bharatiya Vidya Bhavan, King Koti Road, Hyderabad- 500 029.**



Notice is hereby given that the 32nd Annual General Meeting of NCL Industries Limited will be held on Saturday, the 28<sup>th</sup> September, 2013 at 11.30 a.m. at Bharatiya Vidya Bhavan, King Koti Road, Hyderabad- 500 029, to transact the following business.

**ORDINARY BUSINESS**

1. To receive, consider and adopt the audited Balance Sheet of the company as at 31st March 2013 and the Profit and Loss Account for the year ended on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Mr.R.Anand who retires by rotation and is eligible for re-appointment.
3. To appoint a Director in place of Mr.K.Madhu who retires by rotation and is eligible for re-appointment.
4. To appoint a Director in place of Mr. Vinodrai.V.Goradia who retires by rotation and is eligible for re-appointment.
5. To appoint Auditors and fix their remuneration.

**SPECIAL BUSINESS**

6. To consider, and if thought fit, pass, with or without modification, the following Resolution as a Special Resolution:

“RESOLVED that in partial modification of the Resolution passed by the shareholders at its meeting held on 14th September 2012, and pursuant to Sections 198, 309, 310 read with Schedule XIII and other applicable provisions, if any of the Companies Act 1956, the Company hereby approves and confirms the remuneration paid to Mr. K Ravi, Managing Director, who took a voluntary cut of 25% in the substantive remuneration approved by the shareholders with effect from 17th August 2012, in view of the difficult financial condition of the company.”

“FURTHER RESOLVED that the shareholders hereby note that even after the voluntary cut, the remuneration paid to Mr. K Ravi for the year 2012-13, retrospectively exceeded the ceilings of minimum remuneration prescribed by Schedule XIII to the Companies Act, 1956, by Rs.25.19 Lakhs and that an application be made to the Central Government for approval of payment of such remuneration.”

“FURTHER RESOLVED that subject to the approval of the Central Government, the remuneration approved by the shareholders at its meeting held on 14th September 2012 (with a reduction of 25% in the salary and without commission) be paid as minimum remuneration to Mr. K Ravi, Managing Director, in the event of absence or inadequacy of profits, for the year 2013-14 onwards,”

By Order of the Board.  
for **NCL INDUSTRIES LIMITED**,

**NOTES:**

1. A member 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 should be duly stamped, completed and signed and must be received by the company not less than 48 hours before the Annual General Meeting.
2. Shareholders seeking any information with regard to accounts are requested to write to the Company at an early date so as to enable the Management to keep the information ready.
3. The Register of Members and Share Transfer Registers will remain closed from 21<sup>st</sup> September, 2013 to 28<sup>th</sup> September, 2013 (both days inclusive) on account of the Annual General Meeting .
4. Members holding shares in electronic form are requested to inform the changes, if any, in their address or bank particulars etc., to the Depository Participant with whom the demat account is maintained.
5. Individual shareholders can avail the facility of nomination. Shareholders holding shares in physical form may write to the Registrar for assistance. Shareholders holding in electronic form may approach their DP with whom they maintain their account.
6. In terms of clause 49(IV)(G) of the Listing Agreement, brief resumes of Directors proposed to be appointed or reappointed at the Meeting are given.
7. The Ministry of Corporate Affairs has taken a “Green Initiative in the Corporate Governance” vide MCA Circular No.18/2011 read with Circular No 17/95/2011 CL.V, Government of India, Ministry of Corporate Affairs dated 29/04/2011 by allowing paperless compliances by the companies and has issued circulars stating that notices/documents including Annual Reports can be sent by e-mail to its members. The company appreciates and supports this green initiative and requests the members to register their e-mail address to receive the future correspondence, including Annual Reports through e-mails. In the case members who are holding shares in demat form, the email IDs registered with the DP and made available to the company/RTA shall be the registered email IDs unless communication is received to the



contrary. Shareholders are requested to update their e-mail through their Depository Participants concerned and members who hold the shares in physical form are requested to update their e-mail address to the Company's Registrar and Share Transfer Agents M/s.Venture Capital& Corporate Investments (P)Ltd .

8. As per the circular No .MRD/Dop/Cir-05/2009 Dt. 20<sup>th</sup> May,2009 issued by the Securities and Exchange Board of India(SEBI), it is mandatory to quote PAN for the transfer/transmission of shares in physical form. Therefore the transferee(s)/legal heirs are requested to furnish a copy of their PAN Card along with other documents to the Registrar and Share Transfer Agents irrespective of the value of the transaction.
9. Shareholders who have not encashed their dividend warrants for the years 2006-07,2007-08,2008-09, 2009-10,2010-11 & 2011-12 may approach the company for revalidation, issue of duplicate warrants etc; quoting the Folio No./Client ID. Please note that as per Section 205A and 205C of the Companies Act, 1956, dividend which remains unpaid /unclaimed over a period of 7 years has to be transferred by the company to the Investor Education & Protection Fund (IEPF) and no claim shall lie for such unclaimed dividends from IEPF by the members.
10. Members are also requested to lodge their e-mail ID's along with name and Folio/Client ID No. at the following address /e-mail to enable us to send all future communications including Annual Reports through e-mode.

**Company Secretary,**

**NCL Industries Limited**

7<sup>th</sup> Floor, Raghavaratna Towers, Chirag Ali Lane

Abids, Hyderabad-500001

**e- mail** [cs@nclind.com](mailto:cs@nclind.com)

**Address of Registrar and Share Transfer Agents**

Venture Capital & Corporate Investments (P)Ltd

12-10-167 (MIG), Bharath Nagar, Hyderabad -500 018

Phone : 040-23818475 / 76 & 23868023

**e-mail:**[info@vccilindia.com](mailto:info@vccilindia.com)

**Brief Resume of Directors proposed to be reappointed.**

**Mr. R.Anand**

Mr. R. Anand (aged about 79 years) is associated with the company as non executive independent Director since 1982. He is having rich experience in Textile Industry and currently Chairman of Eastern Engineering Co (Bombay) Pvt Ltd.,Marzoli Textile Machinery Manufacturers (P) Ltd, Smit Textile Machinery Manufacturers (P)Ltd and ETS Eastern Services (P)Ltd. Besides being a Director of the company, he is also a Director in Nova Silk Pvt Ltd, Indo Count Industries Ltd, Pranavaditya spinning Mills Ltd, ETS Eastern services (P)Ltd, Ferrari Eastern Fans India (P) Ltd & NSL Textiles Limited. He is also Director and trustee in Indian Textile Accessories & Machinery Manufacturers 'Association (ITAMMA). He is holding 540 equity shares in the company.

**Mr. Vinodrai.V.Goradia**

Mr. Vinodrai.V.Goradia (aged about 76 years) has been associated with the company as Promoter Director since 1982 except a brief spell between 20.08.1987 to 27.09.1990 and is one of the original promoters. He is the proprietor of Shyamji Bhanji & Co based in Mumbai engaged in chemical business. Mr. Goradia brings with him rich commercial experience.

Mr. Vinodrai.V.Goradia is not a Director in any other company. He currently holds 4,19,784 Equity shares in the Company.

**Mr. K.Madhu**

Mr. K. Madhu (aged about 57 years) is a Promoter of the Company. He has been Director of the company since 1991. He served as Joint Managing Director of the company from 25.07.1991 to 21.11.1992. Mr. Madhu is at present the Managing Director of NCL Alltek & Seccolor Ltd, a company dealing in Coating Products and Building Materials. A graduate in Commerce and Law, he has proven himself as a succesful industrialist with over 28 years rich experience in cement and building material Industry. He is also director in NCL Homes Ltd, Khandaleru Power Company Ltd, NCL Wintech (India)Ltd, Kakatiya Industries Pvt Ltd,Eastern Ghats Renewable Energy (P)Ltd, and SpantileMfg.Co.Pvt.Ltd. Currently apart from being a director, he is a member of Audit committee, Investor Grievance committee and Remuneration committee of the company. He currently holds 11,17,129 Equity shares in the company.

Mr. K. Madhu is the brother of Mr. K. Ravi, Managing Director and father of Mr.K.Gautam, Executive Director.



## EXPLANATORY STATMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956

### ITEM NO: 6.

Members may recall that at the Annual General Meeting of the company held on 14th September, 2012, shareholders have approved the following remuneration of Mr. K. Ravi, Managing Director with effect from 1st April, 2012,

**Salary:** Rs. 5,00,000/- per month (with an annual increment of Rs. 75,000/- per Month).

**Commission:** 2% of the net profit of the Company computed in a manner laid down under section 198 of the Companies Act, 1956.

**Perquisites:** In addition to salary, perquisites allowed as follows:

**Housing/HRA:** @ 40% of the salary

**Medical Reimbursement:** Expenses incurred for self and family subject to a ceiling of one month's salary in each year or 3 months salary in a block of 3 years.

**Leave Travel Concession:** for self and family subject to ceiling of one month's salary in each year. 'Family' means wife, dependent children and dependent parents of Mr. K. Ravi.

**Company's contribution to Provident Fund and Superannuation Fund:** shall be as allowed under the Income Tax Act and Rules and as per the Rules of the company/equivalent Special Allowance as may be opted by the appointee.

**Gratuity:** Equal to half month's salary for each completed year of service as per the rules of the Company.

**Conveyance:** Free use of Company's car with driver for Company's business.

**Telephone/Cell Phone:** Free, except for personal long distance calls which shall be billed.

**Entertainment Expenses:** He shall be entitled to reimbursement of entertainment expenses actually and properly incurred for the business of the Company.

**Encashment of Leave:** One full pay and allowances not exceeding one month's leave for every twelve months of service, subject to the condition that the leave accumulated, but not availed of shall be dealt with as per the Income Tax Rules 1962.

The resolution also further specified that in the case of inadequacy of profits in any year, the remuneration payable

to him shall be limited to the applicable ceiling prescribed under Schedule XIII to the Companies Act, 1956 (Para B of Section II), which at present is Rs. 4,00,000/- per Month"

The profits for the year 2011-12 were adequate to pay the remuneration as per the resolutions. However, the adverse market conditions coupled with steep rise in the cost of power and other inputs affected all the cement companies in Andhra Pradesh adversely. Consequently, the operations for the year ended 31st March 2013 resulted in a net loss for the company.

Keeping in view the difficult financial conditions, the Managing Director and the Executive Directors took a voluntary cut of 25% in their salaries since 17th August 2012. However, in view of the absence of profits, even after the voluntary pay-cut, the remuneration paid to the Managing Director has been in excess of the ceiling of Rs. 4,00,000/- per month (inclusive of allowances and benefits) prescribed by Schedule XIII of the Companies Act, 1956. Payment of such excess is permissible only with the approval of the Central Government.

The Remuneration Committee at its meeting held on 14th August, 2013 recommended that the approval of the shareholders and the Central Government be sought for approval of the remuneration already paid for the year 2012-13, with the voluntary pay cut, and also the payment of the substantive remuneration with a 25% cut in salary, and without the Commission as minimum remuneration in the absence or inadequacy of profits for the year 2013-14 onwards,

According to Section 310 of the Companies Act, 1956 read with Para B Part II, Section II of Schedule-XIII of the said Act, any revision in remuneration payable to Managing/Whole time Director (subject to ceiling limits as prescribed) requires the approval of the shareholders in General Meeting by way of a Special Resolution and prior approval of the Central Government.

The information as required under Schedule XIII to the Companies Act, 1956 is as under:-

### I. GENERAL INFORMATION:

- (1) Nature of Industry – The Company is operating in five segments -Cement, Boards, Prefab Structures, Hydel Power and Ready –Mix Concrete.
- (2) Date of commencement of commercial operation – 16th February, 1984 onwards.
- (3) In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus – Not Applicable.


**(4) Financial Performance:**
**(Rs. In Lakhs)**

<b>Financial year</b>	<b>2008-2009</b>	<b>2009-2010</b>	<b>2010-2011</b>	<b>2011-12</b>	<b>2012-13</b>
Parameters					
Turnover	42639.47	34113.66	56566.20	76383.84	63303.73
Net Profit (as computed u/s. 198)	4458.64	2452.13	2968.71	6639.30	(815.07)
Net profit as per profit and loss Account	2985.06	1170.78	2341.29	4425.48	(1154.47)
Amount of Dividend paid#	989.18	408.75	609.08	812.10	Nil*
Rate of dividend Declared	25%	10%	15%	20%	Nil*

# including dividend Tax

\* The Board of Directors have in anticipation of improvement of market conditions, at their meeting held on 30th May, 2013 have made a provision of dividend @ 10% out of the profits of the previous years. This was subject to the consent of the lenders as per the Loan Agreement. In view of the decision to seek a Corporate Debt Restructure, the Directors have decided not to recommend a Dividend for the Financial Year 2012-13

(5) Export performance: Rs. 267.56 Lakhs Foreign Currency Earnings- FOB basis for the Financial Year 2012-13.

(6) Foreign investments or collaborators, if any – (a) The Company manufactures Bison Panel, which is basically a multi-purpose Cement Bonded Particle Board (CBPB) in Technical Collaboration with BISON WERKE of Germany.

**II. INFORMATION ABOUT THE APPOINTEE:**
**(1) Background Details –**

Mr. K Ravi (59 years), is an Electrical Engineer with specialization in power stations network and systems, and has over 36 years rich experience in managing cement & building materials, chemical and hydel power units. He successfully implemented the hydel power projects of erstwhile NCL Energy Ltd (merged with NCL Industries Ltd). Apart from being the Managing Director of NCL Industries Ltd, Mr. Ravi holds directorship in Khandaleru Power Company Ltd, NCL- VST Infra Ltd, Kakatiya Industries Pvt. Ltd, Nagarjuna Cerachem Pvt. Ltd, Deccan Nitrates Pvt. Ltd, and Vikram Chemicals Private Ltd.

**(2) Past remuneration -**

Financial Year

2012-13 Rs. 73.19\*/- lakhs

2011-12 Rs. 166.79/- Lakhs

2010-11 Rs. 79.07/- Lakhs

\*(includes excess remuneration of Rs.25.19 Lakhs paid as per Notes to accounts No 2.30 II b)

**(3) Recognition or awards:**

Mr. K. Ravi, Managing Director has been conferred the “Entrepreneur of the Year -2012 by Hyderabad Management Association in recognition of his outstanding entrepreneurship, innovativeness and strategies as exemplified by the high levels of growth and performance of NCL Industries Ltd.



**(4) Job profile and his suitability –**

Mr.K.Ravi is the overall in- charge of operations of the Company. Subject to the superintendence, direction and control of the Board, the day to day management and administration of the Company is vested with the Managing Director.

**(5) Remuneration proposed** - as set out in the resolution for the Item No 6 .The remuneration proposed to be paid to the Managing Director has the approval of the Remuneration Committee.

**(6) Comparative remuneration profile with respect to industry, size of the company, profile of the position and person:** The proposed remuneration is comparable to the remuneration being paid to the Managing Director in other companies of similar size and operations.

**(7) Pecuniary relationship directly or indirectly with the company, or relationship with managerial personnel, if any** - Besides, the remuneration proposed, Mr.K.Ravi is holding of 22,07,405 equity shares in the Company. Mr. K Ravi does not have any other pecuniary relationship with the Company.

The terms and conditions of their appointments may be treated as an abstract of terms of appointment and remuneration payable to the Managing Director required to be sent to every member pursuant to Section 302 of the Companies Act, 1956.

### III OTHER INFORMATION

**(1) Reasons of loss/inadequate Profits :**

As explained in the Directors' Report, cement units in general, and those in the State of Andhra Pradesh in particular were badly affected by a combination of factors such as creation of excess capacity coupled with a fall in demand, recession in the infrastructure sector and slowdown of construction activity, frequent power-cuts, steep rise in the cost of key inputs like power and coal, coupled with fall in the market prices. Your company was also affected by this general scenario.

**(2) Steps taken or proposed to be taken for improvement**

Several austerity measures for cutting down the expenses, and improving production efficiencies have been initiated. The Executive Directors have taken a lead in this direction by taking a voluntary cut on their remuneration.

**(3) Expected increase in productivity and profits in measurable terms**

Your Directors have reason to view the situation with a cautious optimism that with the announcement of the proposed reorganization of the State the construction activity will pick up resulting in higher demand and realization in cement prices.

Your Directors recommend that the Resolution be passed.

Mr. K Ravi himself, his brother Mr. K Madhu and his nephew Mr. K Gautam may be treated as interested in the above resolution.



Your Directors have pleasure in presenting their Report for the financial year ended March 31, 2013.

### Financial Results

The Audited Balance Sheet of your Company as at March 31, 2013, the Profit & Loss Account for the year ended on that date and the report of the Auditors thereon are being circulated with this report. The salient features of the financial results are as follows:

	Rs. in Lakhs	
	2012 – 2013	2011–2012
<b>Gross Income</b>	63144.76	76230.68
Profit (Loss) for the Year Before Tax	(901.53)	6361.20
Provision for Tax	252.94	1935.72
<b>Net Profit (Loss)</b>	(1154.47)	4425.48
Profit brought forward from Previous Year	1800.54	1187.16
Profit available for Appropriation	646.07	5612.64

- The Financial year 2012-13 has turned out to be one of the most challenging in recent times for the cement industry, particularly in Andhra Pradesh. Cement units in the State were badly affected by a combination of factors such as creation of excess capacity coupled with a fall in demand, recession in the infrastructure sector and slow-down of construction activity, frequent power-cuts, steep rise in the cost of key inputs like power and coal, coupled with fall in the market prices. Your company was also affected by this general scenario. During the year under review, there has been 17% drop in the gross income and 126 % in the Net Profit compared to the previous year.
- The Boards Division improved its performance during the year due to improved sales volumes and realizations compared to the previous year 2011-12.
- Energy division could generate 22.70 Million Units of power as against 32.37 Million Units in the previous year mainly due to shortfall of rains in the catchment areas.

### Dividend

Though your Company incurred losses for the year under review, in order to maintain the uninterrupted track record relating to declaration and payment of dividend since FY 2000-01, your Directors made a provision for dividend of 10%

from the accumulated profits of the previous years, while approving the accounts. This was done with the hope that the market prices would improve and the cash flows would ease during the first Quarter of the current year. Further, any payment of dividend is subject to the approval of the lenders as per the loan agreement. Unfortunately, there was no upturn in the market prices, nor was the approval of the lenders forthcoming for the payment of dividend.

Your Directors therefore have to regretfully skip the payment of any dividend for the year under review.

The Provisions for Dividend made in the accounts will be written back in the accounts of the current year.

### Corporate Debt Restructuring

In view of the resource crunch occasioned by the absence of profit, the ability of your company to meet its interest and repayment obligations to the lenders has been severely impacted. Your Company has approached the lenders for sanction of a Corporate Debt Restructuring to ease the pressure on resources. The proposal is under active consideration of the lenders.

### Investor Education & Protection Fund

The Company has transferred Rs24.58 Lakhs relating to unpaid Dividend for the Financial Years 2004-05, 2005-06 (interim dividend) and an amount of Rs 1.54 Lakhs relating to unpaid Rights issue refund A/c (Financial year 2005-06) to the Investor Education & Protection Fund.

### Fixed Deposits

As on 31st March 2013, Rs 3395.93 Lakhs of Public Deposits are outstanding. The Company has repaid all the matured deposits that have been claimed.

### Auditors

M/s Venugopal & Chenoy, Chartered Accountants, the existing auditors of the Company retire at the conclusion of this Annual General Meeting and being eligible offer themselves for re-appointment.

### Cost Audit

Mr. R. Srinivasa Rao, Cost Accountant, the Cost Auditor of the Company has been re-appointed to conduct the cost audit pertaining to the Cement Division as well as the Energy Division of the company for the financial year 2013-2014.

The due date for filing the cost audit reports in XBRL mode for the financial year ended March 31<sup>st</sup>, 2012 was February 28<sup>th</sup>, 2013 and the Cost audit reports were filed with Ministry of Corporate Affairs on 05/01/2013.