

PANYAM
CEMENTS & MINERAL
INDUSTRIES LIMITED

MD	<input checked="" type="checkbox"/>	BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>	DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>	DIV	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>	AC	<input checked="" type="checkbox"/>
AGM	<input checked="" type="checkbox"/>	SHI	<input checked="" type="checkbox"/>
YE	<input checked="" type="checkbox"/>		<input checked="" type="checkbox"/>

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BOARD OF DIRECTORS

O. SWAMINATHA REDDY
Chairman

M.V. SUBBA RAO
Managing Director

V. RAMNATH
Joint Managing Director

A. SATHYA BHUSHANA RAO
Executive Director - Technical

C. RANGAMANI
Nominee - GIC

P.P. SARMA
Nominee - Bank of Baroda

K. SATYANARAYANA

D. SEETHARAMAIAH

N. NAGENDRANATH REDDY

M.S. SIVANNA

Dr. R.K. PRASAD SUNKARA

J. RAGHUNATH RAO
Director (Alternate to Dr. R.K. Prasad Sunkara)

GENERAL MANAGER - FINANCE

S. THYAGARAJAN

**DY. GENERAL MANAGER-FINANCE &
COMPANY SECRETARY**

V. PARATHPARA RAO

AUDITORS

Brahmayya & Co.
Chartered Accountants
Adoni

LEGAL ADVISER

N. NAGENDRANATH REDDY

BANKERS

Bank of Baroda
Syndicate Bank
Canara Bank
Andhra Bank
Vijaya Bank
The Karur Vysya Bank Ltd.

REGISTERED OFFICE & CEMENT DIVISION

Cementnagar - 518 206
Kurnool Dist., Andhra Pradesh
Telephone No.: 08516 - 74638
Fax No. 08516 - 74644

CHEMICAL DIVISION

Hagari - 583 138
Bellary Dist., Karnataka
Telephone No.: 08392 - 80243

ENGINEERING DIVISION

PB. No. 6904
Bommanahalli, Madivala
Bangalore - 560 068, Karnataka
Telephone Nos.: 5722273 / 5722274
Fax No.: 080 - 5722303

CENTRAL ADMINISTRATIVE OFFICE

1-2-593/8 Domalguda
Hyderabad - 500 029, Andhra Pradesh
Telephone No.: 7632894 (5 Lines)
Fax No.: 040 - 7630491

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the FORTY SECOND ANNUAL GENERAL MEETING of the Company will be held on Thursday, the 10th September, 1998 at 12.00 Noon at the Company's Registered Office in Cementnagar, Kurnool District, A.P. to transact the following business :

ORDINARY BUSINESS :

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31st March, 1998 and the Balance Sheet as at that date and the reports of the Board of Directors and Auditors thereon.
2. To declare dividends on Preference Shares.
3. To appoint a Director in place of Sri D. Seetharamaiah, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. R.K. Prasad Sunkara, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Sri N. Nagendranath Reddy, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint Auditors and fix their remuneration. The retiring Auditors, M/s. Brahmayya & Co., Chartered Accountants, Adoni are eligible for reappointment.

SPECIAL BUSINESS :

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

"RESOLVED THAT pursuant to Section 17 and other applicable provisions, if any, of the Companies Act, 1956 and subject to such other approvals and confirmations as may be necessary the object Clause 18 (i) of the Memorandum of Association of the Company be substituted with the following :

To promote and form, and to be interested in, and take, to apply for, acquire, hold and dispose of shares in any other Company having objects similar altogether or in part to those of this Company or carrying on any business capable of being

conducted so as directly or indirectly to benefit the Company and to subsidise or assist any such Company financially or otherwise by issuing or subscribing for or guaranteeing the subscription and issue of shares, stock, debentures, debenture stock, or other securities of such Company and to give guarantee for the loans/credit facilities to such Company.

8. To consider and if thought fit to pass the following resolution with or without modification as a Special Resolution :

"RESOLVED THAT subject to the provisions of the Companies Act, 1956 (including any statutory modifications or re-enactment thereof as may be enacted from time to time) and subject to such other approvals, permissions and sanctions, as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors to acquire/purchase any of its own shares on such terms and conditions and upto such limits as may be prescribed by law from time to time and which terms and conditions and limits the Board of Directors be and is hereby authorised to accept provided that such acquisition/purchase of Equity Shares of the Company shall not construed as reduction of Equity Share Capital as stipulated in Sections 100 to 104 and Section 402 of the Companies Act, 1956 and that the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary or proper to implement this resolution."

9. To consider and if thought fit to pass the following resolution with or without modifications as a Special Resolution :

"RESOLVED THAT the existing Article 4 of the Articles of Association of the Company be and is hereby altered by substituting the following article :

The Company shall have the power, subject to and in accordance with all the applicable provisions of the Act to purchase any of its own shares, whether or not they are redeemable, without consequent reduction of capital and may further make payment out of the capital in respect of such purchase."

10. To consider and if thought fit to pass the following resolution with or without modifications as a Special Resolution :

**PANYAM CEMENTS &
MINERAL INDUSTRIES LIMITED**

"RESOLVED THAT in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals and consents as may be necessary, the consent be and is hereby accorded to the Board of Directors of the Company to dispose off by way of sale or otherwise the whole or substantially the whole of any unit of the Company or part thereof."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as the Board may in its absolute discretion deem necessary, expedient or desirable to give effect to the above resolution or otherwise considered by it to be in the best interest of the Company and its shareholders".

By Order of the Board of Directors
For **Panyam Cements &
Mineral Industries Limited**

V. PARATHPARA RAO
Dy. General Manager (Finance)
and Company Secretary

Hyderabad,
26th June, 1998.

NOTE :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. The Register of Members (Equity and Preference) and Share Transfer Books of the Company will remain closed from 1-09-1998 to 10-09-1998 (both days inclusive). The dividend on Preference Shares if approved by the members at the Annual General Meeting will be paid to those members whose names are appeared on the Register of Members on 10-09-1998.
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Resolutions Nos. 7 to 10 as set out is annexed hereto.

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EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173 OF THE COMPANIES ACT, 1956

Item No. 7 :

The members of the Company at the Annual General Meeting held on 12th September, 1997 have passed a resolution pursuant to Section 370 of the Companies Act, 1956 authorising the Board of Directors of the Company to give any guarantee or provide security in connection with loans made by any other persons to, or to any other person by other bodies corporate whether or not the persons/the body corporate(s) on whose behalf such guarantee or securities may be provided is under the same management of the Company.

The Financial Institutions requested for a specific provision to give guarantee in the object clause of the Company.

Hence the Board recommends the above resolution for members approval.

None of the Directors of the Company is interested in this resolution.

Item No. 8 :

The present provisions of the Companies Act, 1956 do not permit a Company to purchase its own shares except by resorting to reduction of capital.

An amendment to the provisions of the Companies Act, 1956 is expected to enable the companies to buy back its own shares. Hence, your Directors consider that it would be appropriate at this stage to have an enabling power from the shareholders to give effect to this proposal, no sooner the same is introduced. Your Directors consider this proposal for the interest of the shareholders.

The Directors recommend the resolution for members approval.

None of the Directors of the Company is interested in this resolution.

Item No. 9 :

The alteration to Article 4 of the Articles of Association of the Company is proposed in view of the resolution contained in this notice enabling the Company to purchase its own shares. The aforesaid alteration of Article 4 will enable the Directors to give effect to the proposal, as and when the relevant laws are amended.

In terms of Section 31 of the Companies Act, 1956, a Company may, by Special Resolution, alter its Articles of Association. The Directors, therefore recommend the resolution for members approval.

None of the Directors of the Company is interested in this resolution.

Item No. 10 :

The products of the Chemical Division have become uncompetitive on account of drop in realisations due to increased competition from imported material on account of reduction of import duties. Further, the continuous hike in power tariff which has been the major input of manufacture has made the operations of the division unviable. As a result the operations of the division had been suspended. Hence, the Company is examining the various alternatives including disposal of the unit which requires the consent of the members in terms of Section 293 (1) (a) of the Companies Act, 1956.

The Directors recommend the resolution for members approval.

None of the Directors of the Company is interested in this resolution.

By Order of the Board of Directors

**For Panyam Cements &
Mineral Industries Limited**

V. PARATHPARA RAO

Dy. General Manager (Finance)
and Company Secretary

Hyderabad,
26th June, 1998.

**PANYAM CEMENTS &
MINERAL INDUSTRIES LIMITED**

DIRECTORS' REPORT

To

The Members,

The Directors have pleasure in presenting the 42nd Annual Report and Audited Statement of Accounts for the year ended 31st March, 1998.

FINANCIAL RESULTS

Rs. in Lakhs

Income :		
Sale of Products	18,157.79	
Captive Power Generation	1,819.51	
Other Income	286.28	
		20,263.58
Operating Profit		1,055.16
Less : Interest		683.53
Less : Depreciation		283.71
Profit for the year		87.92
Add : Prior period net income / (expenses)		25.64
Profit before Tax		113.56
Provision for Tax (MAT)		—
Profit after Tax		113.56
Add : Transfer from Investment Allowance (Utilised) Reserve		9.84
Add : Profit / (Loss) brought forward from previous year		431.05
Surplus for Appropriation		554.45
Your Directors recommend to appropriate the surplus as under :		
1. Dividend on Preference Shares for the year :		
On 15% Redeemable "A" Cumulative Preference Shares		0.76
On 15% Redeemable "B" Cumulative Preference Shares		3.48
On 14% Redeemable "C" Cumulative Preference Shares		2.93
2. Corporate Dividend Tax		0.72
3. Transfer to Capital Redemption Reserve		37.83
4. Transfer to General Reserve		50.00
5. Balance carried to Balance Sheet		458.73

The net profit for the year was low due to adverse market conditions particularly for the products of Chemical Division and steep fall in prices of cement due to excess supplies in the industry and general economic slow down.

OPERATIONS

The operations of the Company during the year have been adversely affected on account of the change in the market scenario.

Captive Power

With the installation of 2nd 3.8 MW D G set of MAN B & W, Denmark, Cement Division is nearly self sufficient in power. The Division has produced 411 lakh units of energy from DG sets. Engineering Division is also nearly self sufficient in power and has generated about 40 lakh units of power from DG sets.

Cement Division

During the year under review, the Division has taken up the job of replacement of Planetary Cooler with a Grate Cooler in Kiln 1 which has enhanced the kiln capacity by 200TPD of

clinker. Further, the Division has concentrated on quarry development and handled a record quantity of 14 lakh tonnes of overburden during the year.

On the operational front, the Division sold 496335 tonnes of cement against 486272 tonnes during the previous year. The margins were under pressure on account of sharp fall in selling prices on the one hand and increase in the cost of major inputs on the other. Increase in the out-ward transportation cost due to total reliance on road transport on account of gauge conversion by railways has resulted in further reduction of profit.

The efforts of the Division on reduction of Power and Fuel consumption have yielded further results with Power and Coal consumption norms at 135 units and 205 kgs respectively in the year under review against 138 units and 230 kgs in the previous year.

Chemical Division

Chemical Division has been the major contributor for the adverse performance of the Company during the year under review. As reported earlier, the products of the Division have become uncompetitive on account of drop

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In realisations due to increased competition from imported material because of the sharp reduction of import duties. Further, the continuous increase in power tariff which has been the major input of manufacture has made the operations unviable.

As a result, the operations of the Division had to be suspended in the second half of the year under review. The Division has made a net loss of Rs. 434.53 lakhs during the current year against the net loss of Rs. 32.61 lakhs during the previous year.

Engineering Division

The performance of the Engineering Division during the year under review does not compare favourably with the performance of the previous year because the user industry, the automobile sector was no exception to this year's poor performance of the industrial sector as a whole. The absence of Automobile Tyre Bead Wire exports resulted in marginal drop in production/sales volume and profitability during the year compared to the previous year.

DIVIDEND

As there were only marginal profits, your Directors do not recommend payment of any dividend on the Equity Shares for the year. However your Directors recommend the payment of dividend on the Preference Shares for the year 1997-98.

FINANCE

Public Deposits

The Company does not hold any public deposits under Section 58A of the Companies Act, 1956.

CURRENT WORKING AND PROSPECTS

Cement Division

To get the full benefits of economic captive power generation both the 3.8 MW DG sets have been put on furnace oil during the current year. With the enhanced capacity on replacement of planetary cooler with grate cooler, the Division is expected to improve on volume of operations. Further, there has been some signs of improvement in realisations. With all these, the Division is expected to report reasonable performance in the current year.

Chemical Division

The operations of this Division continued to be suspended in the absence of any viable proposition for revival. Management is negotiating for an amicable settlement with the work force.

Engineering Division

The operations of this Division are expected to be satisfactory. The Division is making efforts for sourcing additional orders for export of Automobile Tyre Bead and Oil Tempered Wires.

EMPLOYEES

Your Directors wish to place on record their sincere appreciation of the whole-hearted co-operation extended and the valuable contribution made by the employees at all levels.

The statement showing the particulars of employees, pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is attached as Annexure - I which forms part of this Report.

AUDITORS

M/s. Brahmayya & Co., Chartered Accountants, Adoni, the Company's statutory auditors retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.

COST AUDIT

The Central Government has ordered audit of Cost Accounts relating to manufacture of cement for the year ended 31st March, 1998. With the approval of the Central Government, M/s Parankusam & Co., Cost Accountants, Chennai have been appointed to conduct the Cost Audit.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, Sri D. Seetharamaiah, Dr. R.K. Prasad Sunkara and Sri N. Nagendranath Reddy, will retire by rotation and being eligible offer themselves for reappointment.

Sri V. Ramnath, Executive Director (Commercial) was designated as Joint Managing Director of the Company with effect from 1st April, 1998 to 31st March, 2001 (being the residual period of his existing 5 years term of office) on the same salary and perquisites as per resolution passed by the members of the Company at the Annual General Meeting held on 18th July, 1996.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO

The information required under 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 with respect to these matters are set out in Annexure-II and forms part of this report.

CASH FLOW STATEMENT

Cash Flow Statement pursuant to Clause-32 of the Listing Agreement with the Stock Exchanges is attached as Annexure-III and forms part of this report.

ACKNOWLEDGEMENT

Your Directors are happy to acknowledge the assistance given to the Company by the Banks.

Your Directors are also thankful to the various Departments of Central, State Governments and their Officials for the continued help extended during the year. Your Directors are also thankful to the suppliers for their continued support and co-operation.

On behalf of the Board of Directors

For Panyam Cements & Mineral Industries Limited

O. SWAMINATHA REDDY
Chairman

Hudarabad,
26th June, 1998.

**PANYAM CEMENTS &
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ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1998 :
ANNEXURE - I

**Particulars of Employees as per Section 217 (2A) of the Companies Act, 1956 read with the Companies
(Particulars of Employees) Rules, 1975**

Name & Age (Years)	Designation	Remuneration Rs.	Qualification	Experience	Date of commence- ment of Employment	Last Employment
A) EMPLOYED THROUGHOUT THE YEAR						
M.V. Subba Rao (68)	Managing Director	8,52,338	B.E. (Elec.)	42	21.05.1988	VBC Exports Limited - Managing Director
V. Ramnath (42)	Jt. Managing Director	4,62,390	B.E. (Civil)	16	01.07.1988	Prisma Process Limited - Managing Director
A. Sathya Bhushana Rao (44)	Executive Director (Technical)	4,76,598	B.E. (Electronics) MBA (USA)	17	09.01.1989	VBC Chemicals Limited - Project Engineer
V.S. Prasada Rao (58)	Chief Executive - Projects	7,03,749	B.E. (Hons.) M.Tech. AMIE.	35	31.01.1996	Bharat Earth Movers Limited - Executive Director
N. Babu Rao (50)	President - Engineering Division	5,32,780	B.Tech., M.Tech. (Chemical)	24	11.12.1981	Fertilisers & Chemicals Travancore Ltd. - Engineer (Process)
S.S. Srinivasan (52)	G.M. Operations (Engineering Division)	3,62,389	M.Sc. (Engg.) B.E. (Mech.)	30	15.07.1996	Hindustan Aeronautics Limited - (Aircraft Division) Deputy Production Engineer
B) EMPLOYED FOR PART OF THE YEAR						
V. Suresh Chandra (47)	Dy. G.M. (PPC) Engineering Division	1,34,394	B.Tech., M.Tech.	21	02.11.1995	Moor Co. India Ltd., Trichy - Asst. General Manager (Works)

Remuneration includes salary, allowances, contribution to Provident Fund and other funds, reimbursement of medical expenses etc. All appointments except that of Managing Director, Jt. Managing Director and Executive Director - Technical are non-contractual. Sri V.S. Prasada Rao was appointed on contractual basis with effect from 15.01.1998 after Superannuation.

ANNEXURE - II

**Information pursuant to 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.**

A. Conservation of Energy :

- a) Energy conservation measures taken :
 - Soft starters have been introduced in all the drives of Kiln I at Cement Division.
- b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :
 - Vacuum Circuit Breakers are being introduced in the incomer and bus couplers in the power house.
- c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production :
 - Improvement in power factor.
 - Improvement of the load factor on DG Sets.

d) Total energy consumption per unit of production :

Particulars given in 'FORM A' annexed.

B) Technology Absorption :

Particulars given in 'FORM B' annexed.

C) Foreign Exchange Earnings and Outgo :

- (a) Activities relating to exports, initiatives taken to increase the export, development of new export market for products and services and export plans :

OT Wire is exported to Australia and steps are being initiated for exports to Germany, Singapore and Middle East/Egypt.

(b) Total Foreign Exchange used : Rs. 572.81 lakhs

(c) Total Foreign Exchange earned : Rs. 91.63 lakhs.