

**PANYAM  
CEMENTS & MINERAL  
INDUSTRIES LIMITED**



**43rd  
ANNUAL REPORT  
1998 - 99**

**PANYAM CEMENTS &  
MINERAL INDUSTRIES LIMITED****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 &  
COMPANY SECRETARY**

V. PARATHPARA RAO

**AUDITORS**

Brahmayya & Co.  
Chartered Accountants  
Adoni

**COST AUDITORS**

M/s. Parankusam & Co.,  
Cost Accountants,  
Plot No. 802, 64th Street,  
10th Sector, K.K. Nagar,  
Chennai - 600 078.

**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**

P.B. No. 6904,  
Bommanahalli, Madivala  
Bangalore - 560 068, Karnataka  
Telephone Nos. : 5722273 / 5722374  
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 FORTYTHIRD ANNUAL GENERAL MEETING of the Company will be held on Monday, the 20th September, 1999 at 11.30 A.M. 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, 1999 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 V. Ramnath, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of A. Sathya Bhushana Rao, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Sri M.S. Sivanna, 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.

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

**V. PARATHPARA RAO**

Hyderabad,  
 30th May, 1999.

General Manager (Finance)  
 and Company Secretary

**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 16-09-1999 to 20-09-1999 (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 20-09-1999.
3. The Equity Shareholders who have not claimed the dividend for the year 1996-97 and Preference Shareholders for the years 1996-97 and 1997-98 are requested to write to the Company along with dividend warrants for claiming the same.

**PANYAM CEMENTS &  
MINERAL INDUSTRIES LIMITED**

**DIRECTORS' REPORT**

To

The Members,

Your Directors present the 43rd Annual Report and Audited Statement of Accounts for the year ended 31st March, 1999.

**FINANCIAL RESULTS**

Rs. in Lakhs

Income :		
Sale of Products	13,577.76	
Captive Power Generation	1,753.05	
Other Income	321.68	
		15,652.49
Operating Profit		670.75
Less: Interest		757.84
Less: Depreciation		295.23
Profit / Loss (-) for the year		-382.32
Prior period expenses		0.08
Net Profit / Loss (-)		-382.40
Profit brought forward from previous year		458.74
Surplus for Appropriation		76.34
Your Directors recommend to appropriate the surplus as under :		
1. Dividend on Redeemable Preference Shares :		
On 15% Redeemable "A" Cumulative Preference Shares	0.16	
On 15% Redeemable "B" Cumulative Preference Shares	0.71	
On 14% Redeemable "C" Cumulative Preference Shares	2.93	
		3.80
2. Corporate Dividend Tax		0.38
3. Balance carried to Balance Sheet		72.16

The performance of the Company has been adversely affected due to the prevailing cement market conditions of low realisations and low off take. The suspension of the Chemical Division operations have largely affected the performance of the Company. This coupled with lower sales of cement have lead for drop in the turnover of the Company.

**Cement Division**

The continued recessionary conditions in the cement market during the last two years have resulted in erosion of realisations. Further, major capacity additions of cement in the normal operating zone of the Company have adversely affected the volume of operations.

On the operational front, the efforts of the division on conservation of energy has yielded considerable results with reduction of power and fuel consumption norms at 125 units and 204 Kgs. respectively in the year under review against 135 units and 205 Kgs. in the previous year.

**Chemical Division**

The operations of the division continued to be suspended during the year in absence of any viable proposition for

revival. Provision for standing loss during closure of the division has further adversely affected the profitability of the Company.

**Engineering Division**

The operations of division during the year have been satisfactory inspite of the recessionary conditions in the Wire Drawing Industry. The division reported a production of 8252 MTs during the year. The division has been accorded ISO 9002 by M/s. Underwriters Laboratories Inc., USA for it's quality systems.

**DIVIDEND**

Your Directors regret their inability to recommend any dividend on Equity Shares in view of losses during the year. However your Directors recommend the payment of dividend on the Redeemable Preference Shares for the year 1998-99 from accumulated profits.

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**Public Deposits**

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

**CURRENT WORKING AND PROSPECTS**
**Cement Division**

Cement market is reporting the signs of improvement with surge in demand on commencement of construction activities in housing and infrastructure sectors. Cement prices have also been firming up since beginning of the current year. The division is expected to report an improved performance in the current year.

**Chemical Division**

The Management is exploring the possibilities for revival of the division or alternatively for disposal of assets of the division and settlement of dues to workers.

**Engineering Division**

The Division is performing well and is expected to report good performance during the year.

**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, 1999. 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 V. Ramnath, Sri. A. Sathya Bhushana Rao and

Sri M.S. Sivanna will retire by rotation and being eligible offer themselves for reappointment.

**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.

**COMPLIANCE WITH LISTING AGREEMENT**
**A) Clause 43 A :**

The equity/preference shares of the Company are listed on the Stock Exchanges at Hyderabad, Mumbai, Chennai and Bangalore. Annual listing fees has been duly paid to all these stock exchanges.

The trading in the securities of the Company has been suspended w.e.f. 02.11.98 by the Stock Exchange, Mumbai due to non-receipt of notice on closure of register of members and transfer books, which has been served by the Company on 26.06.98. The dealings in the securities have been resumed w.e.f. 21.12.98.

**B) Clause 32 :**

The Company has reviewed all its internal processes, systems, applications, hardware and software, assessed the risks and drawn a plan for Y2K compliance by September, 1999. No significant financial impact on the Company is expected due to Y2K.

Cash Flow statement 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 and 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**

Hudrabad,  
30th May, 1999.

**O. SWAMINATHA REDDY**  
Chairman

**ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1999 :**
**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
<b>A) EMPLOYED THROUGHOUT THE YEAR</b>						
M.V. Subba Rao (69)	Managing Director	8,05,497	B.E. (Elec.)	43	21.05.1988	VBC Exports Limited - Managing Director
V.S. Prasada Rao (59)	Chief Executive - Projects	7,20,000	B.E. (Hons.) M.Tech. AMIE.	36	31.01.1996	Bharat Earth Movers Limited - Executive Director
<b>B) EMPLOYED FOR PART OF THE YEAR</b>						
- NIL -						

Remuneration includes salary, allowances, contribution to Provident Fund and Other Funds, reimbursement of medical expenses etc.

Appointments of Managing Director and Chief Executive (Projects) are on Contractual basis.

**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 :**

- i) Ventilation has been improved to reduce power consumption in mills at Cement Division.
- ii) Conversion of Tyre bead lead bath from electric heating to LPG firing at Engineering Division.

**b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :**

- i) It is proposed to convert the cement mills from three chambers to two chambers to reduce the power consumption.
- ii) Conversion of OT lead bath into LPG firing at Engineering Division.

**c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production :**

- i) Saving in energy consumption in raw mills and cement mills.

ii) The specific power consumption per tonne has come down.

iii) Improvement in operation of Tyre bead line and savings in operational costs.

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 :

The Company has exported 134.37 tonnes of different grades of steel wires to USA, Australia, Japan & Egypt. Further orders are likely to materialise during the year.

(b) Total Foreign Exchange used : Rs. 415.42 lakhs

(c) Total Foreign Exchange earned : Rs. 82.09 lakhs.

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**FORM - A****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY**

PARTICULARS	UNIT	CEMENT DIVISION		CHEMICAL DIVISION			
				CALCIUM CARBIDE		ACETYLENE BLACK	
		31-3-99	31-3-98	31-3-99	31-3-98	31-3-99	31-3-98
<b>A. Power and Fuel Consumption</b>							
1. Electricity							
a) Purchased							
Units	000 KWH	14350	25032	—	12366	—	30
Total amount	Rs. Lakhs	591.23	867.41	—	524.35	—	1.30
Average Rate	Rs. per KWH	4.12	3.47	—	4.24	—	4.24
b) Own Generation							
i. Through Generator							
Units	000 KWH	40793	41108	—	523	—	1385
Units per Ltr of Furnace Oil / Diesel	KWH	3.86	3.95	—	3.21	—	3.21
Cost per Unit	Rupees	1.86	2.40	—	2.76	—	2.76
ii. Through Steam Turbine/Generator	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
2. Coal (Mineral Coal C-D Grades)							
Quantity	Tonnes	85081	96508				
Total Cost	Rs. Lakhs	1508.21	1658.32				
Average Rate	Rs. per Tonne	1772.68	1718.32				
3. Furnace Oil							
Quantity	Kilo Ltrs.			—	328		
Total Cost	Rs. Lakhs			—	22.75		
Average Rate	Rs. per Ltr.			—	6.93		
4. Other/Internal Generation							
HSD (For Nitrogen Generation)							
Quantity	Kilo Ltr.					—	188
Total Cost	Rs. Lakhs					—	16.71
Average Rate	Rs. per Ltr.					—	8.87
<b>B. Consumption per unit of Production</b>							
Electricity	KWH/Tonne	125	135	—	3560	—	1303
Coal	Kgs./Tonne	204	205				
Furnace Oil	Ltrs./Tonne			—	91		
HSD (For Nitrogen Generation)	Ltrs./Tonne					—	173

Note : The operations of Chemical Division were under suspension during the year.

**FORM - B****FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION****A. RESEARCH AND DEVELOPMENT (R & D) :**

1. Specific area in which R & D is carried out by the Company :

a) Plant optimisation and energy conservation studies are done on a continuous basis for improved operations and reduction of specific consumption norms.

b) Lab tests are being conducted to produce blended cement and the behaviour of the fly ash available in nearby areas is being tested for physical properties by blending at different proportions.

c) Suspension Wire development in Chrome silicon steel.

2. Benefits derived as a result of the above efforts :

The Company can produce blended cement using fly ash without any additional capital expenditure.

3. Future plan of action :

To continue the energy conservation and product quality improvement efforts.

4. Expenditure on R & D :

No separate record is maintained in respect of the expenditure incurred on R & D.

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION**

— NOT APPLICABLE —



**PANYAM CEMENTS &  
MINERAL INDUSTRIES LIMITED**
**ANNEXURE - III**
**CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-1999**

CASH FLOW STATEMENT FOR THE YEAR ENDED 31-03-1999			Rs. in Lakhs
	LESS	ADD	NET
<b>A. CASH FLOW FROM OPERATING ACTIVITIES :</b>			
Net Profit / Loss (-) before tax and Extraordinary Items			-382.40
Adjustment for:			
Depreciation		295.23	
Dividend received	0.09	—	
Interest received / paid	22.64	757.84	
Profit / Loss on sale of Fixed Assets	0.87	58.09	
	<u>23.60</u>	<u>1111.16</u>	<u>1087.56</u>
Operating Profit before working capital changes			705.16
Adjustments for:			
Trade and other receivables		453.55	
Inventories		133.45	
Trade payables	380.27		
Deferred Revenue Expenditure	7.58		
	<u>387.85</u>	<u>587.00</u>	<u>199.15</u>
WORKING CAPITAL CHANGES (USE)			
Cash generated from operations			904.31
Less: Interest paid		757.84	
Dividend paid		7.89	
Direct taxes paid		2.77	
		<u>768.50</u>	<u>135.81</u>
NET CASH FLOW FROM OPERATING ACTIVITIES			135.81
<b>B. CASH FLOW FROM INVESTING ACTIVITIES :</b>			
Purchase / Sale of Assets	136.25	123.85	
Purchase / Sale of Investments		0.08	
Interest received		22.64	
Dividend received		0.09	
	<u>136.25</u>	<u>146.66</u>	<u>10.41</u>
NET CASH FLOW FROM INVESTING ACTIVITIES (USE)			
<b>C. CASH FLOW FROM FINANCING ACTIVITIES :</b>			
Repayment of proceeds from long term borrowings	589.08	495.19	
Redemption of Preference Shares	28.25		
	<u>617.33</u>	<u>495.19</u>	<u>-122.14</u>
NET CASH FLOW FROM FINANCING ACTIVITIES (USE)			
Net increase in cash and cash equivalents			24.08
Cash and cash equivalents as at 01.04.98			154.08
Cash and cash equivalents as at 31.03.99			178.16

**AUDITORS' REPORT**

The above Cash Flow Statement has been prepared on the basis of audited accounts approved by the Board of Directors and is in agreement with the Profit & Loss Account and Balance Sheet.

For **Brahmayya & Co.,**  
Chartered Accountants  
**T. Sankara Reddy**  
Partner

**O. Swaminatha Reddy**  
Chairman

**M.V. Subba Rao**  
Managing Director

Hyderabad,  
30th May, 1999.

**V. Parathpara Rao**  
General Manager (Finance)  
and Company Secretary

**D. Seetharamalah**  
Director