

**PANYAM
CEMENTS & MINERAL
INDUSTRIES LIMITED**



47th
ANNUAL REPORT
2002 - 2003

**Panyam Cements &
Mineral Industries Limited**

BOARD OF DIRECTORS

V. RAAMNATH
Vice-Chairman & Managing Director

A. SATHYA BHUSHANA RAO
Managing Director

P.P. SARMA
Nominee - Bank of Baroda

M.K. GARG
Nominee - GIC

Dr. R.K. PRASAD SUNKARA

Y. SURENDRA

N. BABU RAO

**GENERAL MANAGER (FINANCE) &
COMPANY SECRETARY**

G. RAMA KRISHNA

**REGISTRAR & SHARE
TRANSFER AGENT**

XL Softech Systems Limited
3, Sagar Society,
Road No. 2, Banjara Hills,
Hyderabad - 500 034
Phone Nos. : 23545913 / 14 / 15
Fax No. : 040 - 23553214

AUDITORS

Brahmayya & Company
Chartered Accountants
Adoni - 518 301

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 Limited

REGISTERED OFFICE & CEMENT DIVISION

Cementnagar - 518 206
Kurnool District, A.P.
Telephone Nos.: 08516-274638
Fax No : 08516 - 274644

CHEMICAL DIVISION

Hagari - 583 138
Bellary District, Karnataka

ENGINEERING DIVISION

P.B. No. 6904,
Bommanahalli, Madivala P.O.
Bangalore - 560 068, Karnataka
Telephone Nos. : 5732273 / 5732374
Fax No. : 080-5732303

CENTRAL ADMINISTRATIVE OFFICE

Plot No. 25,
D.No. 8-2-120/86/9/A/25,
Road No. 2, Banjara Hills,
Hyderabad - 500 034
Telephone Nos. : 23556674 / 23556675
Fax No. : 040 - 23556673

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NOTICE TO SHAREHOLDERS

NOTICE is hereby given that the FORTYSEVENTH ANNUAL GENERAL MEETING of the Company will be held on Monday, the 29th September, 2003 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, 2003 and the Balance Sheet as at that and the reports of the Board of Directors and Auditors thereon.
2. To appoint a Director in place of Dr.R.K.Prasad Sunkara who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri N.Babu Rao who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors and fix their remuneration. The retiring Auditors, M/s.Brahmayya & Co., Chartered Accountants, Adoni, are eligible for reappointment.

SPECIAL BUSINESS:

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

"RESOLVED that pursuant to the provisions of Section 163 of the Companies Act, 1956, the Company hereby approves that the Register of Members, the Index of Members and other related documents such as original transfer deeds, specimen signature cards, mandates, power of attorney be kept at M/s.XL Softech Systems Limited (Share Transfer Agents), at No.3 Sagar Society, Road No.2, Banjara Hills, Hyderabad instead of being kept at the Registered Office of the Company."

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

"RESOLVED that subject to the provisions of the Companies Act, 1956, Securities Contracts (Regulation) Act, 1956, the Listing Agreement with the Stock Exchanges and Guidelines framed under Securities and Exchange Board of India (Delisting of Securities) Guidelines 2003 and all other applicable laws, rules, regulations and guidelines as may be applicable and modifications, if any, made to the above from time to time and subject to such other authorities and such other approvals and sanctions as may be necessary, consent of the members be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall be

deemed to include a Committee of Directors duly authorised in this behalf) to get the Company's Equity and Preference Shares voluntarily delisted from the Hyderabad Stock Exchange Limited; Madras Stock Exchange Limited and Bangalore Stock Exchange Limited."

By Order of the Board of Directors

For Panyam Cements &
Mineral Industries Ltd

Hyderabad
Dt. 30th July, 2003.

G. RAMA KRISHNA
General Manager (Finance)
and Company Secretary

NOTES:

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. Register of Members and Share Transfer Books of the Company will remain closed from 23rd September, 2003 to 29th September, 2003 (both days inclusive).
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 in respect of Resolution Nos. 5 and 6 is annexed hereto.
4. The unpaid dividend amount of Rs. 3,40,142.40 in respect of Redeemable "A", "B" and "C" Cumulative Preference Shares and Equity Shares for the year ended 31st March, 1997 outstanding in the Dividend Current Accounts with the Banks will be transferred to the Central Government's Investors Education and Protection Fund on completion of seven years from the date of declaration of the dividend i.e. on 12th September, 2004 in pursuance of Section 205(c) of the Companies Act, 1956.

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

Item No.5:

SEBI vide its Circular No.D&CC/FITC/Cir-15/2002 dated 27th December, 2002 have instructed the Companies that the net work related to share registry in terms of both physical and electronic should be maintained at a single point either in-house or SEBI registered R & T Agent. Accordingly company appointed M/s.XL Softech Systems Limited as Registrar and Transfer Agent to deal with physical transfer of shares in addition to dematerialization/rematerialization of shares of the Company.

According to the provisions of Section 163 of the Companies Act, 1956, approval of the members is required for keeping of Register of Members and Index of Members at M/s.XL

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Softtech Systems Limited instead of being kept in Registered Office. Hence, the resolution is placed before you for approval.

None of the Directors of the Company are in any way concerned or interested in the resolution.

Item No.6:

Presently the Company's Equity and Preference Shares are listed at the Hyderabad Stock Exchange Limited, The Stock Exchange, Mumbai; Madras Stock Exchange Limited, Chennai and Bangalore Stock Exchange Limited, Bangalore.

With the extensive net working of the Stock Exchange, Mumbai to other cities as well, investors have access to online dealings in the Company's securities across the country.

Over the last few years the Shares of the Company are not actively traded on the Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited and Bangalore Stock Exchange Limited. Trading in the Shares have been negligible and even zero. Delisting of the Equity and Preference Shares from the Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited and Bangalore Stock Exchange Limited would result in administrative convenience and saving in costs on account of listing fee etc. As a part of its cost reduction measures, the company proposes this enabling resolution, for voluntarily delisting its equity and preference shares from Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited and Bangalore Stock Exchange Limited.

According to SEBI(Delisting of Securities) Guidelines, 2003, the company can delist from the other stock exchanges without giving any exit option to shareholders provided it has terminal with the Stock Exchange, Mumbai or National Stock Exchange. Since the Company's Shares are continued to be listed at the Stock Exchange, Mumbai, it proposes to delist its Equity and Preference shares from Hyderabad Stock Exchange Limited, Madras Stock Exchange Limited and Bangalore Stock Exchange Limited without giving any exit opportunity to shareholders.

In line with SEBI guidelines, members' approval is being sought by a Special Resolution for enabling Voluntary de-listing of its Equity and Preference Shares from the Stock Exchanges.

Yours Directors recommend the resolution for your approval.

None of the Directors of the Company are in any way concerned or interested in the resolution.

By Order of the Board of Directors

For Panyam Cements &
Mineral Industries Ltd

G. RAMA KRISHNA
General Manager (Finance)
and Company Secretary

Hyderabad
Dt. 30th July, 2003.

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DIRECTORS' REPORT

To
The Members,

Your Directors present the 47th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2003

FINANCIAL RESULTS:

Rs in Lakhs
Year ended
31st March
2003

Income:		
Sale of Products	5449.68	
Other Income	<u>317.97</u>	5767.65
Operating Loss		499.58
Add: Interest		601.89
Add: Depreciation		<u>206.81</u>
Loss for the Year		1308.28
Add: Extraordinary/Non-recurring expenses		80.27
Add: Deferred Revenue Expenses written off		95.86
Less: Extraordinary Income and prior period expenses (Net)		<u>215.59</u>
Net Loss		1268.82
Add : Loss brought forward from previous year		<u>3564.12</u>
Deficit carried to Balance Sheet		<u>4832.94</u>

The performance of the Company during this year also has been adversely affected due to depressed market conditions in the Cement Industry and our inability to run the Cement Plant continuously due to shortage of working funds.

CEMENT DIVISION:

The performance of the Cement Division is very poor in the current year. The division continued to suffer from working capital shortage on one side and depressed prices of cement in the market on the other side. The production was very low at 34,964 MTs with a capacity utilisation of 7% resulting in huge loss.

ENGINEERING DIVISION:

The Division operated at 100% capacity level during the year under report. The Division continues to report good performance inspite of severe competition and increase in cost of inputs.

CHEMICAL DIVISION:

The Division is closed and the dues of the workmen are still outstanding to the tune of Rs.396.76 lakhs.

DIVIDENDS:

Your Directors regret their inability to recommend any dividend on Equity Shares in view of losses during the year. Consequently the payment of dividend in respect of Redeemable "C" Cumulative Preference Shares held by the Financial Institutions/Insurance Companies also has been passed over.

FINANCE:

Public Deposits:

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

CURRENT WORKING AND PROSPECTS:

CEMENT DIVISION:

The company was successful in obtaining a G.O. from State Government of A.P. which provided for deferral of Sales Tax and Royalty dues outstanding as on 1.11.2002 and deferral of 50% of current sales tax for a period of 3 years upto 2004-05. The G.O. also provided for reconnection of Grid power on liberal terms; Minimum Demand charges in excess of 4 months have been waived, arrears of current consumption charges are rescheduled for payment in 12 monthly installments and development charges for reconnection have been waived. The company took reconnection of grid power on these terms in May, 2003.

Further, the Cement Division's working capital has also been augmented by the promoters through induction of unsecured loans. The plant's operations have been restarted by end May, 2003 on one kiln and efforts are on to start operations on 2nd kiln also. During the current year better results are expected through increased utilisation of capacity.

ENGINEERING DIVISION:

The Division is performing well and is expected to report much better performance during the current year.

BIFR STATUS:

As informed in the 46th Annual Report, the Company has come under the purview of Sick Industrial Companies (Special Provisions) Act, 1985 and in compliance with the provisions of the Act, the company filed Form "A" on 21st October, 2002 and the same was registered on 11th December, 2002.

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The first hearing on our application was held by the Board on 25.03.2003. The clarifications called for by the Board were submitted and the Company is awaiting the Board's orders.

OTS WITH ANDHRA BANK:

Andhra Bank which has gone to DRT for recovery of its dues has approved an OTS for an amount of Rs.150 lakhs against a total liability of Rs.319.38 lakhs providing for a down payment of 25% and repayment of balance amount in 18 monthly installments with 10% simple interest. The Company has cleared major portion of the down payment and is planning to complete the same shortly. Thereafter a compromise petition will be filed to withdraw the DRT case.

AUDITORS' REPORT:

As regards adequacy of provision for doubtful debts mentioned in Part VI of the report, the management feels the provision is adequate and is confident of recovering the balance of debts as mentioned in Note No.8 of the Schedule 14 of the accounts. As regards non provision of gratuity liability on actuarial basis in respect of Chemical and Cement Division employees, it is to be informed that in these two divisions gratuity is being booked in the accounts only on retirement of employees and on a consistent basis from year to year.

As regards the need to further strengthen internal audit system mentioned in para 11 of Annexure to Auditors' Report, the company has taken necessary steps in this regard during the current year.

As regards non-remittance of Provident Fund and ESI dues of Rs.4,05,21,752/- mentioned in para 13 of Annexure to Auditors' Report and Tax Deducted at Source of Rs.36,06,503/- mentioned in para 14 of the Report, the Company was unable to pay these amounts due to continuous losses incurred during the last five years. However, the Directors are hopeful of clearing these dues in a phased manner starting from January 2004 by which time the Cement Division is expected to reach optimum level of operations.

As regards observations made in Item 16 that "the Company is a sick industrial company", the company has filed its application in Form "A" with BIFR on 21st October, 2002 and the same was registered on 11th December, 2002 as case No.497/2002.

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.

There are no employees drawing remuneration for the year which was more than the sum prescribed pursuant to Section 217 (2-A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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, 2003. 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, Dr.R.K.Prasad Sunkara and Sri N.Babu Rao will retire by rotation and being eligible offer themselves for reappointment.

Sri V.Raamnatth, Managing Director has been elevated as Vice-Chairman and Managing Director and Sri A.Sathya Bhushana Rao, Executive Director as Managing Director of the Company with effect from 29th April, 2003.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956, with respect to Directors' Responsibility statement, it is hereby confirmed:

- a) That in preparation of the accounts for the financial year ended 31st March, 2003, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b) That the Directors have selected such accounting policies and applied them consistently and made

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judgements and estimates that were reasonable and prudent so as to give a true and fair view of the statement of affairs of the Company at the end of the financial year and of the loss of the Company for the year under review;

- c) That the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- d) That the Directors have prepared the Accounts for the financial year ended 31st March, 2003 on a "on-going concern" basis.

AUDIT COMMITTEE:

The Audit Committee at present has three Directors viz. Sri P.P.Sarma, Sri Y.Surendra, and Sri N.Babu Rao with Sri P.P.Sarma as the Chairman. All are independent and non-executive directors. The Audit Committee met three times in the year and reviewed the audit reports; quarterly, half yearly and annual accounts.

CORPORATE GOVERNANCE:

As required under clause 49 of the listing agreement, reports on Management Discussion and Analysis and Corporate Governance together with the Certificate of Auditors on Corporate Governance are given separately which form part of the Directors' Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING/OUTGO:

The information required under section 217(l)(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 the Annexure I and forms part of the report.

COMPLIANCE WITH LISTING AGREEMENT:

Clause 43A:

The Equity/Preference Shares of the Company are listed on the Stock Exchanges of Hyderabad, Mumbai, Chennai and Bangalore. Annual listing fee has been duly paid to all the Stock Exchanges.

Cash Flow statement is attached as Annexure II and forms part of this report.

ACKNOWLEDGEMENTS:

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

Your Directors also express their thanks to the various Central/ State Government agencies and the shareholders for their support and help extended during the year.

On behalf of the Board of Directors
For Panyam Cements & Mineral
Industries Limited

Hyderabad
Dt. 30th July, 2003.

V. RAAMNATH
Vice-Chairman &
Managing Director

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2003

ANNEXURE - I

Information pursuant to Section 217(1) of the Companies Act, 1956 read with the Companies
(Disclosure of particulars in the Report of Directors) Rules, 1988

A. Conservation of Energy:

(a) Energy conservation measures taken:

- i) Capacitor banks introduced in the wire drawing machine panel to improve power factor.
- ii) Slipring motors in few machines were subjected to "Auto resistance" control instead of manual resistance control.

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

- i) It is proposed to instal high efficiency fans in raw mills and cement mills.
- ii) Replacement of twin cyclones with L.P. cyclones in Kilns.

(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) Enhancement of throughput and reduction in power consumption per tonne.

- iii) Improvement in temperature control and savings in LPG.

(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 1149.093 M.Tonnes of different grades of steel wires to Australia, Japan, Indonesia, Sri Lanka and Vietnam.

- (b) Total Foreign exchange used : Rs. 480.55 Lakhs

- (c) Total Foreign exchange earned : Rs. 349.37 Lakhs

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FORM - A

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

PARTICULARS	UNIT	CEMENT DIVISION	
		31-03-2003	31-03-2002
A. Power and Fuel Consumption			
1. Electricity			
a) Purchased			
Units	000 KWH	—	1583
Total amount	Rs.Lakhs	—	77.00
Average Rate	Rs.per KWH	—	4.87
b) Own Generation			
Units	000 KWH	5351	19021
Units per Ltr of Diesel	KWH	3.84	3.94
Cost per Unit	Rupees	3.51	2.98
2. Coal (Mineral Coal C-D Grades)			
Quantity	Tonnes	8207	34936
Total Cost	Rs.Lakhs	1484.27	624.61
Average Rate	Rs.per MT	1808.86	1787.87
3. Furnace Oil			
Quantity	Kilo Ltrs.	3041	4777
Total Cost	Rs.Lakhs	190.75	526.30
Average Rate	Rs.	14.23	11.01
B. Consumption per unit of Production			
Electricity	KWH/Tonne	131	127
Coal	Kgs/Tonne	212	211

FORM - B

A. RESEARCH AND DEVELOPMENT (R & D):

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

- a) 4 take up blocks similar to the imported one were designed, fabricated, installed and commissioned on OT line saving precious foreign exchange, which has enhanced OT wire production capacity.
- b) Installed LPG vaporiser in LPG yard and started regular use which has eliminated the tripping of the heating system (due to low pressure) on OT and ATB line, thereby saving scrap and consumables. This had led to consistent operation and increased productivity.
- c) On introduction of 3 pneumatic traverses on the spoolers in wire drawing machines D1, D2 and D3 wire scrap generation has been reduced.
- d) ATB heating system in drying oven is revamped and ATB drying oven temperature has been increased to get better and consistent

adhesion on ATB wires leading to better customer satisfaction.

- e) Instead of single purging, we have instituted double purging in annealing pots to reduce/eliminate decarburisation.

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

Cost reductions in wire manufacture are achieved.

3. Future course of action:

The Company has a system of continuously evaluating various production processes for upgradation.

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 -

ANNEXURE II

CASH FLOW STATEMENT FOR THE YEAR ENDED 31.03.2003

(Rs. in Lakhs)

	LESS	ADD	NET
A. CASH FLOW FROM OPERATING ACTIVITIES:			
Net Profit/Loss(-) before tax			-1268.82
Adjustment for:			
Depreciation		206.81	
DRE Written Off		95.86	
Dividend received	0.09		
Interest received/paid	10.55	601.89	
Profit/Loss on sale of Assets/Investments	270.30		
	<u>280.94</u>	<u>904.56</u>	<u>623.62</u>
Operating Profit before working capital changes			-645.20
Adjustment for:			
Trade and other receivables		752.73	
Inventories		213.30	
Trade payables		55.12	
Deferred Revenue Expenditure			
WORKING CAPITAL CHANGES (Use)		<u>1021.15</u>	<u>1021.15</u>
Cash generated from operations			375.95
Less : Interest paid	601.89		
Dividend paid	—		
Direct Taxes paid	—		-601.89
NET CASH FLOW FROM OPERATING ACTIVITIES			-225.94
B. CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase/Sale of Assets	4.52	75.50	
Purchase/Sale of Investments		281.60	
Interest received		10.55	
Dividend received		0.09	
NET CASH USED IN INVESTING ACTIVITIES	<u>4.52</u>	<u>367.74</u>	363.22
C. CASH FLOW FROM FINANCING ACTIVITIES:			
Repayment of/ Proceeds from			
Secured / unsecured borrowings	216.42	131.75	
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>216.42</u>	<u>131.75</u>	-84.67
Net increase in cash and cash equivalents			52.61
Cash and cash equivalents as on 01.04.2002			95.67
Cash and cash equivalents as on 31.03.2003			148.28

G. RAMA KRISHNA
Company SecretaryV. RAAMNATH
Vice Chairman & Managing DirectorA. SATHYA BHUSHANA RAO
Managing DirectorHyderabad,
Dt. 30th July, 2003

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 AccountantsB. DAVADHEENAM REDDY
PartnerHyderabad,
Dt. 30th July, 2003