

# **PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED**

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**48th  
ANNUAL REPORT  
2003 - 2004**

**BOARD OF DIRECTORS**

S.P.Y.REDDY

*Chairman*

S.SREEDHAR REDDY

*Managing Director*

*(Managing Director from 30.10.2004)*

P.P.SARMA

*Nominee-Bank of Baroda*

M.K.GARG

*Nominee-GIC*

V.RAMNATH

*(VC & MD upto 30.10.2004)*

DR.R.K.PRASAD SUNKARA

D.KRISHNA MOHAN

P.V.SATYANARAYANA MURTHY

A. SATHYA BHUSHANA RAO

*(Alternate Director to Dr. R.K. Prasad Sunkara)*

**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

**CENTRAL ADMINISTRATIVE  
OFFICE:**

701, 7<sup>th</sup> Floor, Paigah Plaza,  
Basheerbagh,  
Hyderabad 500 063  
Telephone Nos.040-23231660\23231664  
Fax No.040-23298159

**AUDITORS**

Brahmayya & Co

Chartered Accountants

Adoni 518 301

**COST AUDITORS**

Parankusam & Co

Cost Accountants

Plot No.802, 64<sup>th</sup> Street

10<sup>th</sup> 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

## NOTICE TO SHAREHOLDERS:

NOTICE is hereby given that the FORTYEIGHTH ANNUAL GENERAL MEETING of the Company will be held on Thursday, the 30<sup>th</sup> December, 2004 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 Balance Sheet as at 31<sup>st</sup> March, 2004 and the Profit and Loss Account for the period ended on that date and the reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Sri V.Ramnath, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint Auditors and fix their remuneration. The retiring Auditors, M/s.Brahmayya & Co., Chartered Accountants, Adoni, are eligible for reappointment.

## SPECIAL BUSINESS:

4. To consider and if thought fit to pass the following resolution with or without modifications as an Ordinary Resolution:

"RESOLVED that Sri S.P.Y.Reddy of Nandyal who was appointed as an Additional Director of the Company by the Board of Directors and who holds office up to the date of the forthcoming Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED that Sri S.Sreedhar Reddy of Nandyal who was appointed as an Additional Director of the Company by the Board of Directors and who holds office up to the date of the forthcoming Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED that Sri D.Krishna Mohan of Hyderabad who was appointed as an Additional Director of the Company by the Board of Directors and who holds office up to the date of the forthcoming Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

7. To consider and if thought fit to pass the following resolution with or without modifications as an Ordinary Resolution:

"RESOLVED that Sri P.V.Satyanarayana Murthy of Hyderabad who was appointed as an Additional Director of the Company by the Board of Directors and who holds office up to the date of the forthcoming Annual General Meeting under section 260 of the Companies Act, 1956 and in respect of whom the company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed as a Director of the Company."

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

"RESOLVED that pursuant to Section 269 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII of the Companies Act, 1956, Sri S.Sreedhar Reddy be and is hereby appointed as Managing Director of the Company for a period of 5 (five) years with effect from 30<sup>th</sup> October, 2004 to look after the day to day affairs of the company subject to the superintendence, guidance and directions of the Board of Directors of the Company"

"FURTHER RESOLVED that Sri P.V.Satyanarayana Murthy, Director of the Company be and is hereby authorized to take necessary steps in connection with the appointment of Sri S.Sreedhar Reddy as Managing Director of the Company and to file the necessary forms with the Registrar of Companies, Andhra Pradesh, Hyderabad as per the provisions of the Companies Act, 1956."

- 9 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 81(1 A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendment/s to or re-enactment thereof), Listing Agreements entered into by the Company with the Stock Exchanges where the shares are listed, subject to any agreements to be negotiated and signed for giving effect to the issue of shares, subject to all necessary approvals, consents, permissions and/or sanctions of the Government of India, Reserve Bank of India, Securities and Exchange Board of India (SEBI), Financial Institutions, Banks and all other appropriate and/or Concerned Authorities, Institutions or Bodies, if any, and subject to any conditions and modifications as may be prescribed by them while granting any such approval, consent, permission or sanction agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board"), which term shall be deemed to include any Committee which the Board may have constituted or hereafter constitute for the time being exercising the powers conferred on the Board by this resolution, the Board be and is hereby authorised on behalf of the Company with power to delegate such authority to such person or persons as the Board may deem fit, to issue/offer and allot in one or more tranches, by way of private placement and or preferential allotment basis up to 7,10,000 Equity Shares of the Company of the face value of Rs.100/-each to M/s S P Y Reddy and Associates or their nominees (hereinafter referred to as "the Proposed Investor / "the Proposed Allottee"), at a price of Rs.100/-per share, being a price which is higher than the minimum price specified as per the SEBI (Disclosure and Investor Protection) Guidelines, 2000 ("SEBI DIP Guidelines"), and that the shares so issued shall rank at least paripassu in all respects with the existing Equity Shares of the Company and shall be locked in for a period of one year from the date of allotment pursuant to the "SEBI DIP Guidelines" for preferential allotment.

"FURTHER RESOLVED THAT for the purpose of giving effect to the above resolutions, the Board be and is hereby authorized on behalf of the company to do all such acts, deeds, matters and things as it may, in its discretion deem necessary or desirable for such purpose, and with power on

behalf of the company to settle any questions, difficulties or doubts that may arise in regard to any such issue(s), offer(s) or allotment(s) or otherwise and utilisation of the issue proceeds and/or otherwise to alter or modify the terms of the issue, if any, as it may in its absolute discretion, deem fit and proper, including and without limitation execute all such deeds, documents agreements and writings as may be necessary for the purpose of giving effect to the aforesaid resolution, negotiate terms, appoint the advisors/managers, pay any fees, commissions, remuneration, incur expenses and take such further steps as required for the allotment and listing of the securities to be thus issued and to make such modifications in the foregoing as may be considered desirable by the Board in the best interest of the Company and its shareholders without being required to seek further consents or approval of the company to the end and intent that the company shall be deemed to have given its approval thereto expressly to the authority of the resolution."

"FURTHER RESOLVED THAT the Board shall also seek listing of such Equity Shares of the face value of Rs.100/- each at Stock Exchange, Mumbai where the Equity Shares of the company are already listed."

"FURTHER RESOLVED THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any Committee of Directors or any Director or Officer or Officers of the Company to give effect to the aforesaid resolution".

By Order of the Board of Directors

**For Panyam Cements &  
Mineral Industries Limited**

Hyderabad  
Dt. 3<sup>rd</sup> December, 2004.

**S.P.Y.REDDY**  
Chairman

#### 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 27<sup>th</sup> December, 2004 to 30<sup>th</sup> December, 2004 (both days inclusive).
3. An Explanatory Statement pursuant to Section 173 of the Companies Act, 1956 is annexed hereto.

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

**Item No.4:**

Sri S.P.Y.Reddy of Nandyal was appointed as an Additional Director of the Company on 18<sup>th</sup> August, 2004 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, Sri S.P.Y.Reddy holds office as Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, a notice has been received from member signifying his intention to propose his appointment as a Director of the Company

Sri S.P.Y.Reddy, aged 55 years, is an Engineering Graduate from Regional Engineering College Warangal and worked in M/s.Baba Atomic Research Centre, Mumbai from 1973 to 1977. He is the Chairman of Nandi Group of Industries which he started in 1979. He is having about 25 years of vast industrial experience.

Sri S.P.Y.Reddy and Sri S.Sreedhar Reddy are deemed to be concerned or interested in the proposed resolution. None of the other Directors are interested in the proposed resolution.

**Item No.5:**

Sri S.Sreedhar Reddy of Nandyal was appointed as an Additional Director of the Company on 18<sup>th</sup> August, 2004 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, Sri S. Sreedhar Reddy holds office as Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, a notice has been received from member signifying his intention to propose his appointment as a Director of the Company

Sri S.Sreedhar Reddy, aged about 29 years, is an Engineering Graduate having about seven years of industrial experience. Mr.S.Sreedhar Reddy is the Executive Director of Nandi Group of Companies.

Sri S.Sreedhar Reddy and Sri S.P.Y.Reddy are deemed to be concerned or interested in the proposed resolution.

None of the other Directors are interested in the proposed resolution.

**Item No.6:**

Sri D.Krishna Mohan of Hyderabad was appointed as an Additional Director of the Company on 30<sup>th</sup> October, 2004 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, Sri D.Krishna Mohan holds office as Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, a notice has been received from member signifying his intention to propose his appointment as a Director of the Company

Sri D.Krishna Mohan, aged about 41 years is an Engineering Graduate and is having about 12 years of business\industrial experience in different fields.

Sri D.Krishna Mohan is deemed to be interested in the proposed resolution to the extent of his appointment as a Director. None of the other Directors are interested in the proposed resolution.

**Item No.7:**

Sri P.V.Satyanarayana Murthy of Hyderabad was appointed as an Additional Director of the Company on 30<sup>th</sup> October, 2004 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956, Sri P.V.Satyanarayana Murthy holds office as Director only up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, a notice has been received from member signifying his intention to propose his appointment as a Director of the Company

Sri P.V.Satyanarayana Murthy, M.Com., AICWA & ACA and aged 40 years is having about 10 years of experience in finance and other related areas..

Sri P.V.Satyanarayana is deemed to be interested in the proposed resolution to the extent of his appointment as a Director. None of the other Directors are interested in the proposed resolution.

**Item No.8:**

Having regard to his industrial experience of about 7 years as Executive Director of Nandi Group of Companies, the Board of Directors of the Company at their meeting held on 30<sup>th</sup> October, 2004 have appointed Sri S.Sreedhar Reddy as the Managing Director of the Company for a

period of five years with effect from 30<sup>th</sup> October, 2004 subject to the approval of the members at the ensuing Annual General Meetin\*g.

Except, Sri S.Sreedhar Reddy and Sri S.P.Y.Reddy, no other Director is interested in the proposed resolution.

**Item No.9:**

Your Company proposes to raise funds required for :

- Starting of operations at Cement Division; and
- For meeting long term working capital\general corporate requirements.

through preferential issue up to 7,10,000 Equity Shares of Rs.100/- each at a price of Rs.100/- per share constituting 50.98% of the enhanced paid up Equity Share Capital of the Company to M/s.SPY Reddy and Associates, or their nominees ("the Proposed Investor")

"the proposed Allottee."

**1. Object of the Issue:**

The object of the proposed issue of Equity Shares to the Proposed Allottee is to:

- Start the operations in Cement Division; and
- to meet long term working capital/general corporate requirements.

**2. Intention of Promoters/Directors/Key Management Persons to subscribe to the offer:**

None of the Promoters/Directors/Key Management Persons intend to subscribe to the offer being proposed for the Members' approval.

**3 Identity of the proposed allottee and the price at which allotment is proposed:**

The proposed Allottee in the preferential issue, M/s.SPY Reddy and Associates, or their nominee.

The relevant details of such allotment are furnished in the following table

Issue Price (Rs./ Security)	Name of the Proposed Allottee	Class of Allottee	Type of security	No. of securities	Face Value (Rs./ (Security)	Share holding of the proposed Allottee
Rs.100/- Per Equity Share	M/s.S P Y Reddy and Associates or their nominees		Equity	7,10,000	Rs.100/- per Equity Share	50.98% of the post allotment Equity Share Capital

**4 Shareholding Pattern before and after issue:**

Sl No	Category	Pre-Issue		Post-Issue	
		No.of Shares Held	% of shares held	No.of shares held	% of shares held
1	Promoters Holdings	266911	39.09	266911	19.16
2	Non-Promoters Holdings:				
	i) Mutual Funds	6710	0.99	6710	0.48
	ii) Banks\Financial Institutions	28277	4.15	28277	2.04
	iii) Foreign Institutional Investors	21729	3.18	21729	1.56
	iv) Proposed Allottee	Nil	Nil	710000	50.98
	v) Others	359096	52.59	359096	25.78
	Grand Total	682723	100.00	1392723	100.00



Note: i) The above shareholding pattern has been prepared on the basis of shareholdings as on 30<sup>th</sup> September, 2004.

ii) The post-issue shareholding pattern in the above table has been prepared on the basis that M/s. S P Y Reddy and Associates or their nominees would have subscribed to and been allotted 7,10,000 Equity Shares of the Company. In the event for any reason S P Y Reddy and Associates or their nominees do not or unable to subscribe to and/or is not allotted the Equity Shares, the shareholding pattern in the above table would undergo corresponding changes.

**5. Board Composition:**

The Proposed Investor shall have two nominee Directors on the Board of the Company. The Board shall be reconstituted accordingly.

**6 Changes in Control:**

The proposed allottees will be in control of the company on allotment and there will be a change in the management/control of the Company.

**7 Proposed time within which the allotment shall be competed:**

The company will complete the allotment within 15 days on the date of passing of the resolution by the shareholders, or the date on which the company shall obtain all applicable Government approvals for consummating transaction contemplated herein, whichever is later. The shares will be issued in electronic (dematerialized mode) and actual credit to demat account of the Proposed Allottee shall be made within 15 days from the date of listing by the Stock Exchange, Mumbai.

**8 Auditors' Certificate:**

M/s.Brahmayya & Co., Chartered Accountants, Adoni, the statutory auditors of the Company,

certified that the preferential issue is being made in accordance with the requirements contained in "SEBI DIP Guidelines" for preferential issue. A copy of the certificate will be placed before the shareholders.

The provisions of the Companies Act, 1956 contemplate consent of the members by way of special resolution in General Meeting for further issue of shares to persons other than existing shareholders.

9 Since the Board\Committee of Directors could not allot the shares to M/s. S P Y Reddy and Associates or their nominees within 15 days from the date of passing of the resolution at the Extra-Ordinary General Meeting held on 24<sup>th</sup> September, 2004, the company is seeking the fresh approval of the members by introducing the same resolution at the ensuing Annual General Meeting.

**10 Memorandum of Interest:**

Sri S.P.Y.Reddy and Sri S.Sreedhar Reddy may be deemed to be concerned or interested in the above resolution.

The above resolutions are in the interest of the company and therefore, commended by the Board for approval by the shareholders.

By Order of the Board of Directors

**For Panyam Cements &  
Mineral Industries Limited**

**S.P.Y.REDDY**  
Chairman

Hyderabad  
Dt. 3<sup>rd</sup> December, 2004.

**DIRECTORS' REPORT:**

To  
The Members

Your Directors present the 48<sup>th</sup> Annual Report and Audited Statement of Accounts for the year ended 31<sup>st</sup> March, 2004:

**FINANCIAL RESULTS:**

Rs.in lakhs  
Year ended  
31<sup>st</sup> March 2004

Income:	
Sale of products	6437.07
Other Income	37.91
	<u>6474.98</u>
Operating Loss	1263.38
Add: Interest	817.49
Add: Depreciation	191.43
Loss for the year	<u>2272.30</u>
Add: Expenses incurred in closure of Chemical Division	108.09
Add: Deferred Revenue Expenses Written off	91.24
Add: Prior period expenses	<u>289.86</u>
Net Loss	2761.49
Add: Loss brought forward from previous year	<u>4832.94</u>
Loss carried to Balance Sheet	<u>7594.43</u>

The performance of the Company during this year also has been adversely affected due to depressed market conditions in the Cement Industry for a certain period and the Cement Plant could not run continuously due to shortage of working funds.

**CEMENT DIVISION:**

The performance of the Cement Division during the year under review was also very poor. The division continued to suffer from working capital shortage on one side and to some extent due to depressed prices of cement in the market during 1<sup>st</sup> and 2<sup>nd</sup> quarters of the year on the other side. The production was very low at 109357 MTs with a capacity utilisation of 20.59% resulting in huge loss.

**ENGINEERING DIVISION:**

The Division's production was 6991 M.Tonnes with a capacity utilization of 70% as against 100% capacity utilisation during the year 2003-03 which is

mainly due to paucity of working capital. The Division is withstanding and continuing its 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.465.86 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 Cement Division's working capital has been augmented by the Co-promoters SPY Reddy and Associates through induction funds by way of unsecured loans. The plant's operations which have been suspended on 8<sup>th</sup> November, 2003 due to disconnection of power by APTRANSCO for non payment of dues was restarted during the 2<sup>nd</sup> week of October 2004 and one kiln is running continuously. Further the company is making its best efforts to start operations of the 2<sup>nd</sup> kiln also at the earliest. During the current year better results are expected through increased utilization of capacity.

**ENGINEERING DIVISION:**

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

**JOINING OF CO-PROMOTERS:**

The members are aware that the performance of the company is not encouraging for the last 5 years which is mainly due to paucity of working capital. At last the company has located a strategic partner i.e. M/s.SPY Reddy and Associates who have agreed to bring in the necessary funds for revival of the operations of the Cement Division and also improve the present functioning of the Engineering Division.



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M/s.SPY Reddy and Associates have already brought in the said funds and as stated above the operations of the Cement Division has been re-started.

### AUDITORS REPORT:

As regards adequacy of provision for doubtful debts mentioned in Para 4 (vi) of the report that the provision made is adequate and is confident of recovering the balance of debts on restarting the operations of the Cement Division. As regards non provision of gratuity liability on actuarial basis in respect of Chemical and Cement Division employees, that the gratuity liability is provided in the accounts on retirement of employees on a consistent basis from year to year.

As regards the need to further strengthen internal audit system mentioned in para (vii) of Annexure to Auditors' Report, necessary steps are being taken in this regard during the current year.

As regards non-remittance of undisputed statutory dues as mentioned in para (ix) of Annexure to Auditors' Report and over dues to Banks, Financial Institutions and Debenture holders as mentioned in para (xi) of the Annexure to the Report, the Company was unable to pay these amounts due to continuous losses incurred during the last six years. However these dues will be cleared in a phased manner on restarting the operations of the Cement Division and also negotiating for settlement of the dues.

### 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 31<sup>st</sup> March, 2004. 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 will retire by rotation and being eligible offer himself for reappointment.

Sri S.P.Y.Reddy, Sri S.Sreedhar Reddy, Sri D.Krishna Mohan and Sri P.V.Satyanarayana Murthy were appointed as Additional Directors of the Company pursuant to Section 260 of the Companies Act, 1956. In terms of Article 97 of the Articles of Association of the Company the said Directors shall hold office up to the date of the ensuing Annual General Meeting. As required by Section 257 of the Companies Act, 1956, notices have been received from the members of the company signifying their intention proposing Sri S.P.Y.Reddy, Sri S.Sreedhar Reddy, Sri D.Krishna Mohan and Sri P.V.Satyanarayana Murthy as Directors of the company for a further term.

Sri A.Sathya Bhushana Rao has resigned as Managing Director and Director of the Company with effect from 14<sup>th</sup> November, 2004. Sri Y.Surendra and Sri N.Babu Rao have also resigned as Directors of the Company.

Sri S.P.Y.Reddy was appointed as Chairman- Board of Directors of the Company for a period of five years with effect from 30<sup>th</sup> October, 2004. Further, Sri S.Sreedhar Reddy was appointed as Managing Director of the Company for a period of five years with effect from 30<sup>th</sup> October, 2004 and Sri V.Ramnath has resigned as Vice-Chairman and Managing Director of the Company. However, he will continue as a Director on the Board of the Company.

### 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 31<sup>st</sup> March, 2004, 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 judgments 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 31<sup>st</sup> March, 2004 on a "on-going concern" basis.

#### **AUDIT COMMITTEE:**

The Audit Committee was reconstituted during the current year comprising of three Directors viz. Sri P.P.Sarma, Sri D.Krishna Mohan and Sri P.V.Satyanarayana Murthy and Sri P.P.Sarma is the Chairman of the said Committee. All are independent and non-executive directors. The Audit Committee met three times in the last year and reviewed the audit reports; quarterly, half yearly and annual accounts.

#### **CORPORATE GOVERNANCE:**

Pursuant to clause 49 of the Listing Agreement, the mandatory requirements relating to Corporate Governance were to be complied with by your Company. Accordingly your Company has taken adequate steps to ensure that all mandatory provisions of Corporate Governance in terms of clause 49 to the Listing Agreement with the Stock Exchange is complied.

A separate report on Corporate Governance is being incorporated as a part of the Annual Report along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance are given separately which form part of the Directors'

Report. Further as a part of the report, "Management Discussion and Analysis" has also been furnished.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNING/ 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 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 Bombay Stock Exchange and the annual listing fee was paid to the said Stock Exchange.

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.

By Order of the Board of Directors

**For Panyam Cements &  
Mineral Industries Ltd**

**S.P.Y.REDDY**  
CHAIRMAN

Hyderabad

Dated: 3<sup>rd</sup> December, 2004.