

**PANYAM
CEMENTS & MINERAL
INDUSTRIES LIMITED**

Report  Junction.com

49th
ANNUAL REPORT
2004 - 2005

BOARD OF DIRECTORS

S.P.Y. REDDY
Chairman

S. SREEDHAR REDDY
Managing Director

P. P. SARMA
Nominee-Bank of Baroda

V. RAMNATH

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, 7th Floor, Paigah Plaza,
Basheerbagh, Hyderabad 500 063.
Telephone Nos.040-23231664
Fax No.040-23298159

AUDITORS

Brahmayya & Co.
Chartered Accountants
Adoni 518 301.

COST AUDITORS

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

BANKERS

Bank of Baroda
Syndicate Bank
Canara Bank
Andhra Bank
Vijaya Bank
The Karur Vysya Bank Limited

**REGISTERED OFFICE &
CEMENT DIVISION**

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

CHEMICAL DIVISION

Hagari 583 183
Bellary District, Karnataka

ENGINEERING DIVISION

P.B. No. 6904
Bommanahalli,
Madivala P.O.
Bangalore 560 068,
Karnataka,
Telephone Nos. 25732273/25732943
Fax No. 080-25732943

**49th
Annual Report****NOTICE TO SHAREHOLDERS:**

NOTICE is hereby given that the FORTYNINETH ANNUAL GENERAL MEETING of the Company will be held on Thursday, the 29th December, 2005 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 31st March, 2005 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 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 S.P.Y.Reddy, 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.

By Order of the Board of Directors

**For Panyam Cements &
Mineral Industries Limited**

Hyderabad
Dt. 24th November, 2005.

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 26th December, 2005 to 29th December, 2005 (both days inclusive).

DIRECTORS' REPORT:

To
The Members

Your Directors present the 49th Annual Report and Audited Statement of Accounts for the year ended 31st March, 2005:

FINANCIAL RESULTS:

	Year ended 31 st March 2005	(Rs. in lakhs) Year ended 31 st March 2004
Income :		
Sale of products	4499.77	6437.07
Other Income	54.10	37.91
	<u>4553.87</u>	<u>6474.98</u>
Loss before interest and depreciation	1384.73	1371.47
Add: Interest	879.70	817.49
Add: Depreciation	183.12	191.43
Net loss before prior period / Deferred Revenue Expenses	2447.55	2380.39
Add: Deferred Revenue		
Expenses Written off	91.24	91.24
Add: Prior period expenses	58.18	289.86
Net Loss for the year	<u>2596.97</u>	<u>2761.49</u>
Add: Loss brought forward from previous year	7594.43	4832.94
Loss carried to Balance Sheet	<u>10191.40</u>	<u>7594.43</u>

49th Annual Report

The performance of the Company during the year under report was also adversely affected due to low production/capacity utilization on account of shortage of working capital and nonavailability of grid power at Cement Division and high overhead costs.

CEMENT DIVISION:

The performance of the Cement Division during the year under review was very poor due to non availability of grid power for the entire first half year and paucity of working capital. The production was very low at 75,670 MTs as against 109357 M.Tonnes in the previous year with a capacity utilisation of 14% resulting in huge loss.

ENGINEERING DIVISION:

The Division's production was 4576 M.Tonnes as against 6991 M.Tonnes in last year with a capacity utilization of 46% (previous year 70%) during the year under review, which is mainly due to paucity of working capital. However, the Division is withstanding and continuing its better performance inspite of severe competition and continuous increase in cost of raw materials and overhead costs.

CHEMICAL DIVISION:

The Division's operations were closed. However, expenses were incurred for maintenance of employee quarters/colony and meeting of salaries of essential staff for safeguarding the assets. Further, the Company has started making payments to the workmen from October 2005 onwards and the entire dues will be cleared during the current year.

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.

PUBLIC DEPOSITS:

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

CURRENT WORKING AND PROSPECTS:

Cement Division:

As mentioned in the last year's report, the production at the Cement Division was restarted from October 2004 and due to non-availability of grid power, the production was suspended from May 2005 onwards. The Company has also offered VRS to the employees as a measure to reduce the overhead costs. The company is negotiating for OTS of dues to secured and unsecured creditors and making all efforts to clear the statutory dues also.

The company is making its best efforts to restart the operations of the Cement Division by modernizing the plant and planning to save in power and fuel consumptions by adopting latest technologies and reducing the cost of labour. The company is negotiating for low cost working capital funds and to strengthen the unit in all respects. All these efforts will come into action in the last quarter of the year.

ENGINEERING DIVISION:

The Division has continued its operations till August 2005 and suspended the operations from September 2005 onwards due to paucity of working capital. The company has offered VRS to the employees to reduce the overhead costs. Further the company is planning to relocate the division.

INCREASE IN SHARE CAPITAL:

Pursuant to Section 81(1A) of the Companies Act, 1956 and with the consent of the members of the Company at the Extra-ordinary General Meeting held on 24th September, 2004, the Board of Directors of the Company at their meeting held on 12th January, 2005 have allotted 7,10,000 Equity Shares of Rs.100/- each for cash at par aggregating to Rs.7,10,00,000/- to Mr. S.P.Y.Reddy and Mr. S.Sreedhar Reddy, their friends and Associates. The Bombay Stock Exchange Limited has also accorded its in principal approval for listing of the said shares on the Stock Exchange.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND (IEP) :

During the year, the company has transferred an amount of Rs. 3,40,092.40 being the unclaimed dividend to Investor Education and protection fund (IEP Fund) pursuant to section 205 (c) of the Companies Act, 1956.

ONE TIME SETTLEMENTS:

The company is negotiating with the secured and unsecured creditors for payment of their dues under One Time Settlement scheme.

As on date, the company has settled for payment of secured creditors under One Time Settlement with Bank of Baroda, Andhra Bank, Karur Vysya Bank and Bank of Bahrain and Kuwait and the payment of installments as agreed under OTS are in progress and the reliefs and concessions are being considered in the accounts for the current year 2005-06.

Further, the company has cleared the entire outstanding dues of Non-Convertible Debentures issued by M/s. J.M. Financial Asset and Management Private Limited. Consequently the Hon'ble High Court of Andhra Pradesh vide their order dated 4th October, 2005 has closed the Winding Up Petition filed by the said Company under Section 433 of the Companies Act, 1956.

Further, the Company has agreed for payment of outstanding dues of NCDs issued by M/s.M.N.Dastur and Company Limited under OTS.

AUDITORS REPORT:

As regards adequacy of provision for doubtful debts mentioned in Para 4(vi) of the report, the management 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, the gratuity liability is provided in the accounts on retirement of employees on a consistent basis from year to year.

As regards the need for strengthening of 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 eight years. However the statutory dues will be cleared in a phased manner on restarting the operations of the Cement Division and the dues to Banks, Financial Institutions and Debenture-holders are being cleared under One Time Settlement during the current year 2005-06.

EMPLOYEES:

During the current year 2005-06, the Company has announced Voluntary Retirement Schemes at Cement and Engineering Divisions to reduce the overall cost and all the employees have opted for the said scheme. The company is making its efforts to clear the dues of the employees under the said scheme.

Your Directors wish to place on record their sincere appreciation for 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, 2005. 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 and Articles of Association of the Company, Dr.R.K.Prasad and Sri S.P.Y.Reddy will retire by rotation and being eligible offer themselves for reappointment.

49th
Annual Report

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, 2005, 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 31st March, 2005 on a "going concern" basis.

AUDIT COMMITTEE:

The Audit Committee at present has three Directors viz. Sri P.P.Sarma, Sri D.Krishna Mohan and Sri P.V.Satyanarayana Murthy with Sri P.P.Sarma as the Chairman. All are independent and non executive directors. The Audit Committee met four times during 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 apart 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 Limited 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

Place:- Hyderabad
Dated: 24th November, 2005.

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2005:
ANNEXURE I

A. Conservation of Energy:**(a) Energy conservation measures taken:**

- i) Additional capacitor banks added for wire drawing machine to improve power factor.
- ii) Provided additional insulation to patenting furnace to reduce heat losses.
- iii) Additional 15 blocks of wire drawing are switched over to auto resistance control instead of normal resistance control.

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

- i) It is proposed to install high efficiency fans in raw mills and cement mills.
- ii) Replacement of twin cyclones with LP 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) Savings 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 212.506 M.Tonnes of different grades of steel wires to Australia and Sri Lanka.

b) Total foreign exchange used:
Rs. 422.28 lakhs.**c) Total Foreign Exchange earned**
Rs. 110.54 lakhs.

49th
Annual Report

FORM "A"

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO
CONSERVATION OF ENERGY

Particulars	Unit	CEMENT DIVISION	
		31.03.2005	31.03.2004
A. Power and Fuel Consumption:			
1. Electricity :			
a) Purchased			
Units	000 KWH	10083	15850
Total Amount	Rs.Lakhs	552.77	1036.69
Average Rate	Rs. per KWH	5.48	6.54
b) Own Generation			
Units	000 KWH	-	-
Units per Litre of Diesel	KWH	-	-
Cost per unit	Rupees	-	-
2. Cost (Mineral Coal C – D Grade)			
Quantity	Tonnes	16804	27527
Total Cost	Rs. Lakhs	338.86	654.61
Average Rate	Rs. per MT	2016.55	2378.06
3. Furnace Oil			
Quantity	Kilo.Lts	-	-
Total Cost	Rs. lakhs	-	-
Average Rate	Rs.	-	-
B Consumption per unit of Production:			
Electricity	Kwh/tonne	133	145
Coal	Kgs/tonne	222	257

FORM "B"

A. RESEARCHG AND DEVELOPMENT (R & D)

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

A new shaving head developed and fabricated in house, installed in D11 Wire drawing machine for shaving up to 16 mm dia meter required for heavy trucks clutch springs. This machine is used for dual purpose of wire drawing and as well as shaving.

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 up-gradation

4. Expenditure on R and D:

No separate record is maintained in respect of the expenditure incurred on Research and Development.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

-Not applicable -

ANNEXURE - II

CASH FLOW STATEMENT FOR THE YEAR ENDED 31/03/2005

	LESS	ADD	(Rs. in Lakhs) NET
A. CASH FLOW FROM OPERATING ACTIVITIES :			
NET PROFIT/LOSS (-) BEFORE TAX			-2596.97
ADJUSTMENT FOR :			
Depreciation	0.57	183.12	
DRE Written off		91.24	
Dividend Received	0.24		
Interest received/paid	7.99	879.70	
Profit/Loss on sale of Assets/investments		0.08	
Operating Profit before Working Capital Changes	8.80	1154.14	1145.34
ADJUSTMENT FOR :			-1451.63
Trade and other receivables		467.90	
Inventories	83.96		
Trade payables		493.45	
Working Capital Changes	83.96	961.35	877.39
Cash generated from Operations			-574.24
Less : Interest paid	879.70		
Dividend Paid	-		
Direct Taxes paid	-		-879.70
NET CASH FLOW FROM OPERATING ACTIVITIES			-1453.94
B. CASH FLOW FROM INVESTING ACTIVITIES			
Purchasing / sale of Assets	11.60	38.22	
Purchase / sale of investments	1.00		
Interest received		7.99	
Dividend received		0.24	
NET CASH USED IN INVESTING ACTIVITIES	12.60	46.45	33.85
C. CASH FLOW FROM FINANCING ACTIVITIES			-1420.09
Share Capital		914.99	
Repayment of/ Proceeds from Secured/Unsecured borrowings		481.34	
NET CASH FLOW FROM FINANCING ACTIVITIES		1396.33	1396.33
Net Increase in cash and cash equivalents			-23.76
Cash and Cash equivalents as on 01.04.2004			79.26
Cash and Cash equivalents as on 31.03.2005			55.50

S.P.Y. Reddy
Chairman
Hyderabad
24 November '2005

S. Sreedhar Reddy
Managing Director

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.

Hyderabad
24th November '2005

For BRAHMAYYA & CO.,
Chartered Accountants
B.DAIVADHEENAM REDDY
Partner