

PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED

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50th
ANNUAL REPORT
2005 - 2006

PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED

Registered Office::Cementnagar 518 206, Kurnool District, A.P.

Tel. No. 08516 - 274638, Fax : No. 08516-274644

Dear Shareholders(s),

August 23, 2006

Re : Subdivision of shares

The members have passed a special Resolution approving the sub-division of the equity shares of the company, i.e one share of nominal value of Rs. 100/- into 10 shares of nominal value of Rs.10/- per share, and consequential alteration in the Memorandum and Articles of Association of Company. The Special Resolution was passed by the Company on November 24, 2005.

Consequent upon the sub-division, the equity shares with nominal value of Rs. 10/- per share would be registered in the name of all the shareholders who hold shares both in electronic form as well as physical form. The Company has fixed September 25, 2006 as the "**Record Date**" for this purpose.

The methodology, the Company would be pursuing to make available these shares duly sub-divided would depend on whether the shareholder is holding shares in physical form or in a dematerialized form. The detailed procedure is given below;

A. Procedure for shareholders holding existing shares in dematerialized form

No action for subdivision is required to be taken by shareholders holding shares in dematerialized form, since the company would ensure credit of the relevant number of sub-divided shares to the depository account of all concerned shareholders. Such credit would be effected soon after September 25, 2006 i.e. the Record Date fixed for this purpose.

B. Procedure for shareholders holding existing shares in physical form

- i) **Shareholders who would like to receive the sub-divided shares in dematerialized form, Shareholders holding the existing equity shares in physical form and who would like to receive the sub-divided shares in dematerialized form, are requested to surrender their existing share certificates to the Company's Share Transfer Agents at their address mentioned below, along with the enclosed form giving details of their demat account as mentioned therein, so as to reach them on or before 22nd September 2006. Kindly note that the demat account is required to be in the identical name and in the same order as the existing shareholding.**

M/s. XL Softech Systems Limited

3, Sagar Society, Road No. 2, Banjara Hills,
Hyderabad - 500 034.

Phones : 040-23545913/14/15,

Fax : 040-23553214, e-mail:xlsoft@hd1.vsnl.net.in

Website : www.xlsoftech.com

Please also note that for requests received after September 22, 2006, the Company will have to issue physical share certificates only.

Likewise, if the demat credit is rejected for any reason by the Depositories, physical share certificates would be issued.

Further, any demat requests received after September 25, 2006 through the Depository Participants along with the old share certificates, would be rejected and the demat request forms along with the new share certificates will be forwarded to the concerned depository participant for a proper

re-submission. Please note that in such cases, all the old share certificates will be retained by our Share Transfer Agents.

- ii) Shareholders who would like to continue to hold the sub-divided shares in physical form, Shareholders holding the existing equity shares in physical form and who would like to continue to hold the sub-divided shares in physical form, would be issued new equity share certificates in lieu of the old share certificates. The old share certificates will have to be surrendered to the Company's Share Transfer Agents at their address mentioned above along with the enclosed form.

On surrendering of the existing share certificates as above, the new share certificates in respect of the sub-divided shares will be directly dispatched to the concerned shareholder (s) by the Company's Share Transfer Agents within 15 days from the date of the shareholder submitting the old certificates. The concept of Market lot has been abolished by SEBI and therefore only one Share Certificate for your entire shareholding would be issued by the Company.

To avoid loss of certificates in postal transit, we recommend that the old certificates be sent for sub-division by Registered Post or, where convenient, by hand-delivery, to the Company's Share Transfer Agents.

It is also suggested that the Shareholders may cancel the old share certificates on the face of the share certificates by indicating "**Submitted for exchange of new share certificates**"

All communications or queries in connection with sub-division of shares may be addressed to the Company's Share Transfer Agents.

Yours sincerely
For Panyam Cements & Mineral Industries Limited

S. Sreedhar Reddy
Managing Director

Encl. : As above

(Annexure to letter dated August 23, 2006 of Panyam Cements & Mineral Industries Limited)

Date :

To,

M/s. XL Softech Systems Limited

(Unit : - Panyam Cements & Mineral Industries Limited)

3, Sagar Society, Road No. 2, Banjara Hills,

Hyderabad - 500 034.

Dear Sirs,

Re : Sub-division of shares of Panyam Cements & Mineral Industries Limited.

Please refer to your circular dated August 23, 2006 regarding sub-division of existing equity shares of Rs. 100/- each into 10 equity shares of Rs. 10/- each

I/we hereby submit my/our existing equity share certificates as per following details :

	Details to be filled by shareholder/s	
Folio		
Name (s)	1	
	2	
	3	
Details of Physical Share Certificate (s)	Share Certificate No	No. of Shares

Total Number of share certificates submitted :-

Please ✓ the appropriate box below

☐ I/We would like to receive the new sub-divided shares in physical form.
Please send me/us the new equity share certificate

☐ I/we would like to receive the new sub-divided shares in dematerialized form. In this regard,
I/we submit the following details and request you to credit the new sub-divided shares to
my demat account mentioned below :

a. DP ID No. :

b. Client ID No. :

c. DP Name :

e. Name (s) of DP Account Holders :

The DP Accounts in the identical name (s) and same order as my existing physical shareholding.

I undersatand that if for any reason credit of the new sub-divided shares cannot be effected to my
aforesaid DP Account, the Company is entitled to issue me the shares in physical form.

OTHER DETAILS (Voluntary)

Tel No. (Res).....: (Off).....

(Mobile).....

E-mail :.....

Yours faithfully

First Holder	Second Holder	Third Holder

(as per specimen signature registered with the Company)

Cement Division:

The performance of the Cement Division during the year under review was very poor due to very low performance of the operations. The production was very low at 9102 MTs as against 75670 M.Tonnes in the previous year, since the plant was in operation only upto 13th May, 2005. The company has offered Voluntary Retirement Scheme to the staff and workers to reduce the man power cost and the dues under the scheme were considered in the accounts for the year and treated as deferred revenue expenditure. The company has also negotiated with the consortium of banks and financial institutions for settlement of their dues under OTS and the waiver of interest dues were considered in the accounts under Extra Ordinary items in Profit and Loss Account.

Engineering Division :

The Division's production during the year under report was 1232 M.Tonnes as against 4576 M.Tonnes in last year with a capacity utilization of 12.32% (previous year 46 %) due to paucity of working capital. It requires huge investment to modernize the plant and machinery which being very old and there is cut throat competition in the market and also requires huge working capital for importing the raw materials. The company was forced to stop the production at this unit from October 2005 onwards due to insufficient working capital; spiraling increase in the cost of raw materials and other inputs and also due to cheaper imports of finished products. The Company has offered Voluntary Retirement Scheme to all the staff and workers of the division and also paid all the final settlement dues to staff and workers and the same was considered in the accounts for the year under Extra-Ordinary Items. The Company has taken advances for development of land under joint development.

Chemical Division :

The Division operations were closed from 1997-98 onwards. However, expenses were incurred for maintenance of employee quarters/colony and meeting the payments of employees under VRS. As stated in last year's report, the company is making payments to all the employees under VRS and most of the employees dues were settled during the year under report.

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 :**

The company restarted the operations at Cement Division from 15th May, 2006 by obtaining reconnection of grid power and the plant is now running on a continuous basis.

As already mentioned above in this report, the company has offered VRS to the employees as a measure to reduce the over head cost. The issues related to workmen at the division have been settled consequent upon the signing of the agreement with the Union before the Deputy Commissioner of Labour, Kurnool for settlement of their dues under Voluntary Retirement Scheme.

The company has cleared the Employees Provident Fund dues and OTS dues to Bankers and making its best efforts to clear the other statutory dues. The company also planning to clear other secured and unsecured creditors dues in the near future on stabilization of the operations of the Cement Division.

Further, the company was successful in obtaining concessions from the State Government of Andhra Pradesh regarding payment of arrears of electricity and royalty dues in installments, tax subsidy for a period of five years from the date of operation of the unit after revival and rebate in power cost.

It is expected that the demand for cement is assured owing to Government's focus on irrigation projects C.C., roads, ports and housing and also boom in the real estate market. We hope that the current year's performance will be

50th Annual Report

better than earlier years.

ENGINEERING DIVISION :

Since the operations at the Engineering Division were closed from October 2005 and as the real estate is in boom and to bring the Cement Division into a profitable unit by clearing all the outstanding dues to bankers and financial institutions, statutory dues and creditors, the Company desire to develop the land under joint development. The company has applied to the various authorities for launching the project of construction of residential apartments and obtained permission for conversion of land from industrial to residential purpose.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND(IEP):

During the year, the company has transferred an amount of Rs.21,883/- being the unclaimed dividend to Investor Education and Protection Fund (IEP Fund) pursuant to Section 205© of the Companies Act, 1956.

AUDITORS REPORT :

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 are being 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 2006-07.

EMPLOYEES:

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 has paid the entire dues under VRS in

respect of employees of Engineering Division and the dues of the employees of Cement Division under VRS are being paid.

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.

DIRECTORS:

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Sri D.Krishna Mohan and Sri P.V.Satyanarayana Murthy will retire by rotation and being eligible offer themselves for reappointment.

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, 2006, 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, 2006 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 the 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(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 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.SREEDHAR REDDY
MANAGING DIRECTOR

Place:- Hyderabad
Dated: 28th July, 2006

**50th
Annual Report**

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2006:

ANNEXURE I

A. Conservation of Energy :

(a) Energy conservation measures taken:

The chambers in Cement Mills are being reduced from three to two with increase in throughput and reduction of energy consumption.

Replacement of low efficiency cooler fans with higher efficiency fans in kilns

(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:

No exports were made during the year under review.

b) Total foreign exchange used: Rs. 287.29 lakhs

Total Foreign Exchange earned Rs. Nil

FORM 'A'
FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Particulars	Unit	CEMENT DIVISION	
		31-03-2006	31-03-2005
A. Power and Fuel Consumption:			
1. Electricity:			
a) Purchased			
Units	000 KWH	...	10083
Total Amount	Rs.Lakhs	...	552.77
Average Rate	Rs.per KWH	...	5.48
b) Own Generation			
Units	000 KWH	951.10	-
Units per Litre of Diesel	KWH	3.64	-
Cost per unit	Rupees	4.99	-
2. Cost (Mineral Coal C - D Grade)			
Quantity	Tonnes	1924	16804
Total Cost	Rs.Lakhs	35.31	338.86
Average Rate	Rs.per MT	1835.34	2016.55
3. Furnace Oil			
Quantity	Kilo.Lts.	261.22	-
Total Cost	Rs.lakhs	47.47	-
Average Rate	Rs.	18.17	-
B Consumption per unit of Production:			
Electricity	Kwh/tonne of Cement	105	133
Coal	Kgs/tonne of Cement	250	222

FORM "B"

A. RESEARCH AND DEVELOPMENT (R & D)

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

The company has not carried out R & D in any specific area, since there was no production activities during most of the year.

2. Benefits derived as a result of the above efforts

Nil

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 -