

PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED



**51st
ANNUAL REPORT
2006 - 2007**

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
E-mail : panyamcements_nandi@yahoo.co.in

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

REGISTERED OFFICE

C-1, Industrial Estate
Bommalasatram Nandyal - 518 502
Kurnool District, A.P.
Telephone Nos.08514-222274
Fax No. : 08514-243350

CEMENT WORKS:

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

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PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED

Registered Office::C-1 Industrial Estate
Nandyal, Kurnool District - 518 502. A.P.

NOTICE

Notice is hereby given that the Fifty first Annual General Meeting of the Members of the Company will be held on Friday, the 27th July, 2007 at 11.30 A.M. at the Registered Office of the Company situated at C-1, Industrial Estate, Nandyal, Kurnool District, A.P. to transact the following business:

Ordinary Business

1. To receive, consider and adopt the audited Balance Sheet of the Company as at 31st March 2007, and the Profit and Loss Account for the year ended on that date and the Reports of the Directors and Auditors.
2. To appoint a director in place of Mr. V.Ramnath, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Dr.R.K.Prasad Sunkara , who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint auditors and fix their remuneration. The retiring Auditors M/s Brahmayya and Co., Chartered Accountants, Adoni are eligible for reappointment.

By order of the Board

**For Panyam Cements &
Mineral Industries Limited**

Place : Hyderabad

Date : 14th June, 2007.

**S. SREEDHAR REDDY
Managing Director**

Notes :

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. Proxies, in order to be effective, must be received at the Registered Office of the company not less than 48 hours before the commencement of the meeting.
3. The Register of Members and the Share Transfer Books of the Company remain closed from 23.07.2007 to 27.07.2007.(both days inclusive)
4. An explanatory statement as required under section 173(2) of the Companies Act, 1956 is annexed hereto.
5. **Information as required by clause 49 (VIA) of the Listing Agreement:**

As required by clause 49(VIA) of the Listing Agreement with the Stock Exchange, the information relating to the Directors proposed to be appointed/reappointed is provided hereunder:

Mr. V.Ramnath :

Mr.V.Ramnath, aged about 51 years is an Engineering Graduate having about 28 years of experience in cement industry in different capacities.

Dr. R.K.Prasad Sunkara :

Dr.R.K. Prasad Sunkara aged about 58 years is a Doctor by profession having practice at USA .ie is having total experience of about 30 years in medical fields.

DIRECTORS' REPORT :

To
The Members

Your Directors present the 51st Annual Report and Audited Statement of Accounts for the year ended 31st March, 2007:

FINANCIAL RESULTS :

	Year ended 31st March 2007	(Rs.in lakhs) Year ended 31st March 2006
Income :		
Gross Sales	11758.64	1343.20
Other Income	601.67	82.83
	<hr/>	<hr/>
	12360.31	1426.03
	<hr/>	<hr/>
Profit / (Loss) before interest and depreciation	1871.85	(2026.26)
Add: Interest	638.91	446.97
Add: Depreciation	91.78	178.14
	<hr/>	<hr/>
Net Profit / (Loss) before Deferred Revenue Expenses/ Extra Ordinary and prior period expenses/income	1141.16	(2651.37)
Add: Deferred Revenue Expenses Written off	282.86	374.17
Add: Extra Ordinary Expenses/Income	-	592.76
Add: Prior period expenses	-	(-) 60.39
	<hr/>	<hr/>
Net Profit (Loss) for the year before Tax	858.30	(3557.91)
Provision for Tax - Fringe Benefit Tax	6.00	-
Net profit / (Loss) After Tax	852.30	(3557.91)
Loss brought forward from previous year	(13749.31)	(10191.40)
	<hr/>	<hr/>
Loss carried to Balance Sheet	(12897.01)	(13749.31)
	<hr/>	<hr/>

The performance of the Company during the year under report was satisfactory. The company's sales for the year amounted to Rs.11758 lakhs registering a healthy growth and profitability during the year reducing the carry forward losses accumulated over a period. The efforts of the management in announcing VRS to the workmen have yielded positive results by reducing the wage bill considerably.

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Cement Division :

The performance of the Cement Division during the year under review was satisfactory. The unit has produced 342913 M.Tonnes of cement as against 9102 M.Tonnes in the previous year. The unit has restarted the production activities from May, 2006 onwards and running satisfactorily. The Government of Andhra Pradesh has issued G.O.Rt.No.307 dated 24th May, 2006 granting the company sales tax and power incentives and providing installment facility for payment of arrears of Sales Tax and Royalty.

Engineering Division :

As already informed in the last year's report, the unit has suspended the production activities from October 2005 onwards and offered VRS to all the workmen at the Division. The Company has obtained approval from the Government of Karnataka for closure of the division.

The company has entered into an agreement with M/s.Salarpuria Properties Private Limited for joint development of the land considering the boom in the real estate. The Company has received advances from the prospective buyers against the company's proportionate share of land under joint development. As already informed in the last year's report, the company has received the necessary approvals from the concerned Government authorities and the plan has already been submitted to Bangalore Development Authority for its approval which is expected shortly and the project will be launched thereafter.

Chemical Division :

The Division operations were closed from 1997-98 onwards. As stated in last year's report, the company has been making payments to all the employees under VRS and employees dues are being settled during the current year.

DIVIDEND :

Your Directors regret their inability to recommend any dividend on Equity Shares in view of the carry forward losses. 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 WORKINGS AND PROSPECTS :

Cement Division :

The company restarted the operations at Cement Division from 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 dues to workmen at the division are being settled during the current year.

As reported in the last year's report, the Company has settled the dues of the banks under One Time Settlement leaving a small portion payable to Bank of Baroda which will be cleared during the current financial year. With regard to the payment of dues to KSIIDC, the said corporation has issued a revised amortization schedule and the payments are being made accordingly. Further the company has also cleared the dues of some of the other secured and unsecured creditors on stabilization of the operations at the Cement Division.

It is expected that the demand for cement is assured owing to Government of India's focusing on the development of the infrastructure like express highways, modernization of airports etc. and similarly the Government of Andhra Pradesh is undertaking major irrigation projects. Further there is high growth in the housing sector with liberalized sanctioning of loans by banks and financial institutions and also with Government's commitment for the construction of housing for the poor. In view of the above on going projects, it is expected high demand for the cement and we hope that the current year's performance will be much better than the earlier years.

Panyam Cements & Mineral Industries Limited

MODERNISATION OF THE CEMENT UNIT :

The company has undertaken modernization of the cement unit by enhancing the capacity of the kiln No.1, which is not in operation, from 550 M.Tonnes per day to 2000 TPD with a capital cost of about Rs.65.00 crores. The company has already submitted the loan application to the banks for sanction of project loan along with need based working capital and the same is under process. We expect favourable sanction from the banks in view of the sustained operations achieved during the year under review.

The company has already placed orders for the main plant and machinery by making initial advances from internal sources and the project is likely to be commissioned during the current financial year.

TRANSFER TO INVESTOR EDUCATION AND PROTECTION FUND(IEP) :

During the year, the company has transferred an amount of Rs.8085/- being the unclaimed dividend to Investor Education and Protection Fund (IEP Fund) pursuant to Section 205(C) of the Companies Act, 1956.

AUDITORS REPORT :

As regards non - provision of gratuity Liability on actuarial valuation in respect of Cement Division employees, the gratuity liability is provided on retirement of employees on consistent basis.

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 and the dues to Banks, Financial Institutions and Debenture-holders are being cleared under One Time

Settlement during the current year.

EMPLOYEES :

Your Directors wish to place on record their sincere appreciation of the whole-hearted co operation extended and the valuable contribution made by the employees at all levels and in particular the efforts put in by them in restarting the plant operations and achieving the higher production.

There were no employees drawing remuneration 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 V.Ramnath and Dr.R.K.Prasad 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, 2007, 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 profit of the Company for the

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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, 2007 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(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.SREEDHAR REDDY
MANAGING DIRECTOR

Place:- Hyderabad

Dated: 14th June, 2007

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2007 :

ANNEXURE I

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

High Efficiency fans are being installed to save energy.

To increase the Mills efficiency, AIA liners are being installed in all the seven mills.

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

High Efficiency separators are being installed for better output and energy saving.

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

Savings on energy thereby reducing the cost of production.

(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. Nil

Total Foreign Exchange earned Rs. Nil

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

Particulars	Unit	CEMENT DIVISION	
		31-03-2007	31-03-2006
A. Power and Fuel Consumption:			
1. Electricity:			
a) Purchased			
Units	000 KWH	53064	-
Total Amount	Rs. Lakhs	1587	-
Average Rate	Rs. per KWH	3.00	-
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	95499	1924
Total Cost	Rs. Lakhs	2248.18	35.31
Average Rate	Rs. per MT	2354.13	1835.34
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	155	105
Coal	Kgs/tonne of Cement	278	250

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.

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 -

ANNEXURE - II
CASH FLOW STATEMENT FOR THE YEAR ENDED - 31.03.2007

(Rs. in Lakhs)

	<u>LESS</u>	<u>ADD</u>	<u>NET</u>
A. CASH FLOW FROM OPERATING ACTIVITIES :			
NET PROFIT/LOSS (-) BEFORE TAX			858.30
ADJUSTMENT FOR :			
Depreciation		91.78	
DRE Written off		282.86	
Extra Ordinary exp/Income			
Dividend Received	0.08		
Interest received/paid	10.01	638.91	
Profit/Loss on sale of Assets/investments	142.19	323.20	
Operating Profit before Working Capital Changes	152.28	1336.75	1184.47
ADJUSTMENT FOR :			2042.77
Trade and other receivables	2604.91		
Inventories	450.17		
Trade payables	3069.83		
Deferred Revenue Expenditure			
Working Capital Changes(Use)	6124.91	0.00	- 6124.91
Cash generated from Operations			- 4082.14
Less : Interest paid	638.91		
Dividend Paid	-		
Direct Taxes paid	6.00		644.91
NET CASH FLOW FROM OPERATING ACTIVITIES			- 4727.05
Extra Ordinary exp/Income			0.00
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchasing / sale of Assets	1060.88	295.74	
Purchase / sale of investments			
Interest received		10.01	
Dividend received		0.08	
NET CASH USED IN INVESTING ACTIVITIES	1060.88	305.83	- 755.05
C CASHFLOW FROM FINANCING ACTIVITIES			- 5482.10
Share Capital		945.01	
Repayment of/ Proceeds from			
Secured/Unsecured borrowings	323.47	4825.60	
NET CASHFLOW FROM FINANCING ACTIVITIES	323.47	5770.61	5447.14
Net Increase in cash and cash equivalents			- 34.96
Cash and Cash equivalents as on 01.04.2006			55.96
Cash and Cash equivalents as on 31.03.2007			21.00

S.P.Y.REDDY
Chairman

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.

For BRAHMAYYA & CO.,
Chartered Accountants

Hyderabad
14th June 2007

B. DAIVADHEENAM REDDY
Partner