

PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED



**52nd
ANNUAL REPORT
2007 - 2008**

Panyam Cements &
Mineral Industries Limited

BOARD OF DIRECTORS

S.P.Y. REDDY
Chairman

S. SREEDHAR REDDY
Managing Director

V. RAMNATH

D. KRISHNA MOHAN

P. V. SATYANARAYANA MURTHY

DR. R. K. PRASAD SUNKARA

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 : 040-23230170
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

Indian Overseas Bank
Adarshnagar
Hyderabad

REGISTERED OFFICE

C-1, Industrial Estate
Bommalasatram,
Nandyal - 518 502
Kurnool District, A.P.

Telephone Nos.08514-222274
Fax No. : 08514-243350

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 second Annual General Meeting of the Members of the Company will be held on Friday, the 25th July, 2008 at 12.15 P.M.. at the Conference Hall of Nandi Group, 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 2008, 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 Sri D.Krishna Mohan, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint a director in place of Sri P.V.Satyanarayana Murthy, 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 : 9th June, 2008.

**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 21st July, 2008 to 25th July, 2008 (both days inclusive).

4. 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. D.Krishna Mohan:

Mr. D.Krishna Mohan, aged about 45 years is an Engineering Graduate and is having about 16 years business/industrial experience in different fields.

Mr. P.V.Satanarayana Murthy :

Mr. P.V.Satyanarayana Murthy, M.Com., AICWA & ACA, aged about 45 years is having about 14 years of industrial experience in finance and other related areas and his services are immense for the growth of the company.

DIRECTORS' REPORT :

To
The Members

Your Directors present the 52nd Annual Report and Audited Statement of Accounts for the year ended 31st March, 2008:

FINANCIAL RESULTS :

	Year ended 31st March 2008	(Rs.in lakhs) Year ended 31st March 2007
Income :		
Gross Sales	18733.49	11758.64
Other Income	638.12	601.67
	<u>19371.61</u>	<u>12360.31</u>
Profit before interest and depreciation	5547.22	1871.85
Less : Interest	734.04	638.91
Less : Depreciation	<u>304.34</u>	<u>91.78</u>
Net Profit before Deferred Revenue Expenses and prior period expenses / income (Net)	4508.84	1141.16
Less : Deferred Revenue Expenses Written off	282.86	282.86
Less : Prior Period Expenses / Income (Net)	<u>28.15</u>	<u>-</u>
Net Profit for the year before Tax	4197.83	858.30
Provision for Tax - Fringe Benefit Tax	7.00	6.00
Net profit after Tax	4190.83	852.30
Loss brought forward from previous year	<u>(12897.01)</u>	<u>(13749.31)</u>
Loss carried to Balance Sheet	<u>(8706.18)</u>	<u>(12897.01)</u>

The performance of the Cement Unit during the year under review was satisfactory. The unit has produced 471105 M.Tonnes of cement as against 342913 M.Tonnes in the previous year registering a capacity utilization of 89% as against 65% in the previous year.

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The gross sales for the year has increased to Rs.18733.49 lakhs against Rs.11758.64 lakhs in the previous year representing an increase of 59%. The net profit for the year was also increased to Rs.4190.83 lakhs as against Rs.852.30 lakhs in the previous year. The increase in turnover and net profit for the year under review was on account of increase in sales realization and capacity utilization.

The members have already been informed about the joint development agreement with M/s.Salarpuria Properties Private Limited for 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 under joint development and the same was utilized towards settlement of OTS dues to secured creditors and other pressing creditors.

During the year under review there was internal restructuring between the group companies of M/s.Salarpuria Properties Private Limited and accordingly the said Joint Development Agreements have been re-entered with their company i.e. M/s. Bhimshankar Realtors Private Limited. The developers have obtained the development plan from the Bangalore Development Authority in April 2008 and construction of the properties will be commenced in the next quarter of the 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:

The Cement Unit is running on a continuous basis by putting extraneous efforts and focusing on the cost reduction measures which are yielding good results..

Cement demand for the current financial year is increasing on account of boom in construction and real estate sectors. The Government is undertaking major irrigation projects and construction of express highways, national highways and modernization of air ports etc. Further there is high growth in the housing sector in urban areas and cities and also Government's commitment for the construction of housing for the poor. In view of the above, 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.

MODERNISATION OF THE CEMENT UNIT:

The company has undertaken modernization of the cement unit by enhancing the capacity of the kiln No.1 from 550 M.Tonnes per day to 1800 TPD with a capital cost of about Rs.70.00 crores. Indian Overseas Bank has sanctioned a term loan of Rs.15.00 crores and working capital limits of Rs.6.00 crores to the company.

The company has already placed orders for the required plant and machinery and some of the ordered items have arrived at the site. The major portion of the civil works are under completion and simultaneously erection works are in progress. The project is likely to be completed in the second half of the current year.

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 a consistent basis.

As regards non-remittance of undisputed statutory dues as mentioned in para (ix) of Annexure to Auditors' Report and interest dues to debenture holders as mentioned in para (xi) of the Annexure to the Report, the company is clearing the statutory dues in a phased manner and the dues to banks, financial institutions and debenture-holders are cleared during the year under report, except one of the debentureholders interest dues for which negotiations are in progress.

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 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 re-appointment.

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 re-appointment.

Bank of Baroda, Khairatabad, Hyderabad vide their letter dated 21st March, 2008 has withdrawn Sri P.P. Sarma as their nominee

Director on the Board of the Company with immediate effect, since the company has paid the entire dues of Bank of Baroda and other consortium banks. The Directors wish to place on record their appreciation for the services rendered by Sri P.P.Sarma during his long tenure of office as 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 31st March, 2008, 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 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, 2008 on a "going concern" basis.

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AUDIT COMMITTEE:

The Audit Committee at present has only two Directors viz. Sri D.Krishna Mohan and Sri P.V.Satyanarayana Murthy. Sri P.P.Sarma who was the Chairman and Member of the Audit Committee was ceased to be the Director as his nomination was withdrawn by Bank of Baroda to whom he was representing on the Board. However the management are taking steps to induct a member on the Audit Committee. 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 are 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.P.Y. REDDY
Chairman

Place:- Hyderabad
Dated: 9th June, 2008

ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2008:**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	
		31-03-2008	31-03-2007
A. Power and Fuel Consumption:			
1. Electricity:			
a) Purchased			
Units	000 KWH	68212	53064
Total Amount	Rs.Lakhs	1972.98	1587.03
Average Rate	Rs.per KWH	2.89	3.00
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	104245	95499
Total Cost	Rs.Lakhs	2943.39	2248.18
Average Rate	Rs.per MT	2823.53	2354.13
3. Furnace Oil			
Quantity	Kilo.Lts.	-	-
Total Cost	Rs.lakhs	-	-
Average Rate	Rs.	-	-
B Consumption per unit of Production:			
Electricity	Kwh/tonne of Cement	145	155
Coal	Kgs/tonne of Cement	221	278

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 -

Panyam Cements &
Mineral Industries Limited

ANNEXURE - II
CASH FLOW STATEMENT FOR THE YEAR ENDED - 31.03.2008

(Rs. in Lakhs)

	LESS	ADD	NET
A. CASH FLOW FROM OPERATING ACTIVITIES :			
NET PROFIT/LOSS (-) BEFORE TAX			4197.83
ADJUSTMENT FOR :			
Depreciation		304.34	
DRE Written off		282.86	
Extra Ordinary exp/Income			
Dividend Received			
Interest received/paid	11.34	734.04	
Profit/Loss on sale of Assets/investments	0.00	0.00	
Operating Profit before Working Capital Changes	11.34	1321.24	1309.90
ADJUSTMENT FOR :			5507.73
Trade and other receivables	3684.19		
Inventories	439.31		
Trade payables	1171.49		
Deferred Revenue Expenditure			
Working Capital Changes(Use)	5294.99	0.00	- 5294.99
Cash generated from Operations			212.74
Less : Interest paid	734.04		
Dividend Paid			
Direct Taxes paid	6.00		740.04
NET CASH FLOW FROM OPERATING ACTIVITIES			- 527.30
Extra Ordinary exp/Income			0.00
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchasing / sale of Assets	1031.28		
Purchase / sale of investments			
Interest received		11.34	
Dividend received		0	
NET CASH USED IN INVESTING ACTIVITIES	1031.28	11.34	- 1019.94
C CASHFLOW FROM FINANCING ACTIVITIES			- 1547.24
Share Capital		0	
Repayment of/ Proceeds from		117.98	
Secured/Unsecured borrowings		1522.00	
NET CASHFLOW FROM FINANCING ACTIVITIES	0.00	1639.98	1639.98
Net Increase in cash and cash equivalents			92.74
Cash and Cash equivalents as on 01.04.2007			21.00
Cash and Cash equivalents as on 31.03.2008			113.73

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 (Camp)
9th June 2008

B. DAIVADHEENAM REDDY
Partner
M.No. 026450