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# **PANYAM CEMENTS & MINERAL INDUSTRIES LIMITED**

**57th  
ANNUAL REPORT  
2012 - 2013**

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## **BOARD OF DIRECTORS**

S.P.Y. REDDY  
*Chairman*

S. SREEDHAR REDDY  
*Managing Director*

V. RAMNATH

A.V. NARASIMHA REDDY

DR. R. K. PRASAD SUNKARA

V. SURESH KUMAR

A. SREENIVASULU REDDY

A. SATHYA BHUSHANA RAO  
(Alternate Director to Dr.R.K.Prasad Sunkara)

## **REGISTRAR & SHARE TRANSFER AGENTS**

XL Softech Systems Limited  
3, Sagar Society, Road No.2,  
Banjara Hills, Hyderabad - 500 034

Phone Nos : 040-23545913/14/15  
Fax No.: 040-23553214  
Email: xlfield@rediffmail.com

## **CENTRAL ADMINISTRATIVE OFFICE :**

Plot No.188, Phase II,  
Kamalapuri Colony,  
Hyderabad 500 073.  
Telephone Nos.040-23555317  
Fax No.040-23555316  
E-mail: caohyd@panyamcements.com  
Website:panyamcements.com

## **AUDITORS**

**Brahmayya & Co.**  
Chartered Accountants  
Adoni 518 301.

## **COST AUDITOR**

Mrs. Aruna Prasad  
Cost Accountant  
Plot No. 802, 64<sup>th</sup> Street,  
10<sup>th</sup> Sector, K.K. Nagar,  
Chennai - 600 078.

## **BANKERS**

State Bank of India  
Main Branch  
Nandyal

State Bank of Hyderabad  
Overseas Branch  
Somajiguda  
Hyderabad

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.: 08514-243106  
E-mail: regoffice@panyamcements.com

## **CEMENT WORKS:**

Cementnagar - 518 206  
Kurnool District, A.P.

Telephone No.: 08516-274638  
Fax No.: 08516-274644  
E-mail: pcmil@panyamcements.com

## **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 seventh Annual General Meeting of the Members of the Company will be held on Saturday, the 21<sup>st</sup> September, 2013 at 11.45 A.M., at the Registered Office of the company, 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 2013, and the Statement of Profit and Loss for the year 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 re-appointment.
3. To appoint a director in place of Sri S.P.Y.Reddy, 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 & Co., Chartered Accountants, Adoni are eligible for reappointment.

**By Order of the Board of Directors**

For Panyam Cements & Mineral Industries Ltd

**Place: Nandyal**  
**Dt:- 12<sup>th</sup> August, 2013**

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 16.09.2013 to 21.09.2013 (both days inclusive).

#### **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 /re-appointed is provided hereunder:

Dr. R.K.Prasad Sunkara, aged about 67 years, is a Doctor by Profession having practice at USA. He is having a total experience of about 35 years in medical field. His guidance and services are immense for further growth of the company.

Sri S.P.Y.Reddy, aged about 63 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 Companies, including M/s.S.P.Y.Agro Industries Limited. He is having about 35 years of industrial experience in various fields. His guidance and services are immense for the further growth of the company.

# DIRECTORS' REPORT :

To  
The Members

Your Directors have pleasure in presenting the 57<sup>th</sup> Annual Report and Audited Statements of Accounts of the Company for the year ended 31<sup>st</sup> March, 2013:

# FINANCIAL RESULTS :

	(Rs.in lakhs)	
	Year ended 31 <sup>st</sup> March 2013	Year ended 31 <sup>st</sup> March 2012
<b>Income:</b>		
Gross Sales of Manufactured Products ..	13300.89	21857.06
Less:Excise Duty and Sales Tax ..	3074.87	4607.00
Net Sales of Manufactured Products ..	10226.02	17250.06
Other Income ..	553.13	507.10
Other Operating Revenue - State Incentives ..	0.00	367.06
Total Revenue ..	10779.15	18124.22
Profit before Interest and Depreciation ..	41.92	3897.64
Less: Interest and Finance charges ..	1260.51	1380.54
Less: Depreciation ..	808.67	839.88
Net Profit (+)/(Loss)(-) before Exceptional and Extra-Ordinary items and Tax	(-) 2027.26	1677.22
Add: Exceptional Items	4276.00	0.00
Net Profit before extra - ordinary items and tax	2248.74	1677.22
Extra-Ordinary items	0.00	0.00
Net Profit/(Loss) for the year before tax	2248.74	1677.22
Provision for- Income Tax for the year (MAT)	500.00	350.00
Deferred Tax Liability	0.00	413.94
Net Profit/(Loss) after tax	1748.74	913.28
Loss Brought Forward from previous year	(-) 3273.58	(-) 4186.86
Loss carried to Balance Sheet	(1524.84)	(3273.58)

# OPERATIONS:

The performance of the Company during the year severely affected due to power cuts imposed by APCPDCL and non-operation of the plant continuously due to shortage of working capital. The company has produced during the year 2012-13, 2,88,421 M.Tonnes of cement as against 4,68,677 M.Tonnes produced during the previous year.

The gross sales for the year under report was Rs.13300.89 lakhs as against Rs. 21857.06 lakhs in the previous year. The net profit before tax for the year was Rs. 2248.74 lakhs as against net profit of Rs.1677.22 lakhs in the previous year. The increase in the net profit for the year was mainly on account of sale of property under Joint Development to the extent of possession given by the developer and sale deeds executed of Rs.4276.00 lakhs considered as Exceptional Item.

As reported in the last year Annual Report, the developer Greenage Griha Nirman Private Limited (formerly known as Bhimsankar Realtors Private Limited) has received Occupancy Certificate from Bangalore Development Authority in respect of four blocks i.e. Alpine, Birch, Juniper and Oak and the sale deeds were executed for 165 flats (as against 203 flats allotted to the company) during the financial year 2012-13. The remaining 38 flats will be registered during the current financial year 2013-14 after completion of 2<sup>nd</sup> phase of construction of apartments.

#### **MODERNISATION OF THE CEMENT UNIT:**

During the year 2012-13, the modernization works are under progress. We have placed an order with Alstom India Ltd., for supply of a new raw mill with a capacity of 150 M.Tonnes per hour and we have paid an advance of Rs.105.00 lakhs against the total Raw Mill cost of Rs.1500.00 lakhs. The erection works will be completed by end of December 2013. Further, the company has already spent an amount of Rs.1207.00 lakhs for formation of railway track inside the plant from Bugganipalli Railway Station and we have received approvals for formation of track from the Director Traffic Planning, Railway Board, New Delhi. The formation work will be completed by end of December, 2013. The modification work for Closed circuit Cement Raw Mills is under progress.

#### **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 also has been passed over.

#### **PUBLIC DEPOSITS:**

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

#### **CURRENT YEAR PROSPECTS:**

The management is taking extraneous efforts to improve the performance of the company during the current financial year. The cement market is picking up owing to higher demand from semi-urban and rural infrastructure, apart from railways, ports, airports, IT Sector, irrigation projects, shopping malls, multiplexes etc.

#### **AUDITOR'S REPORT:**

As regards non-provision of gratuity, superannuation and leave en-cashment liability on actuarial valuation, it is provided on retirement of employees on a consistent basis and the liability is not ascertained.

As regards non-remittance of undisputed statutory dues as mentioned in para (ix) (b) of Annexure to Auditors' Report and interest dues to debenture holders and Banks and term loans dues to Banks as mentioned in para (xi) of the Annexure to the Report, the Company is clearing the statutory dues in a phased manner and interest dues to one of the debenture-holders are under negotiations with the party and term loan dues to Banks were cleared in current financial year 2013-14.

#### **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 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, Dr.R.K.Prasad Sunkara and Sri S.P.Y.Reddy will retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re appointment.

During the year under report, Sri D.Krishna Mohan has resigned as a Director of the Company and the company will place on records its appreciation for the valuable services rendered by him as a Director 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, 2013, 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 31<sup>st</sup> March, 2013 on a "going concern" basis.

## **AUDIT COMMITTEE:**

The Audit Committee consists of Sri A.V. Narasimha Reddy, A.Sreenivasulu Reddy and A. Sathya Bhushana Rao. Sri A. Sreenivasulu Reddy is the Chairman of the Audit Committee. All are independent and non executive directors.

The Audit Committee met four times during last year and reviewed the Internal Audit Reports and quarterly results.

## **CORPORATE GOVERNANCE :**

The 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 incorporated along with a certificate from the Auditors of the Company regarding compliance of the conditions of Corporate Governance and are given separately as a 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(2)(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 financial assistance given to the Company by the Banks. Your Directors also express their thanks to the various Central and State Government Departments 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

**Place: Nandyal**

**Dt:- 27<sup>th</sup> May, 2013**

**S.P.Y. REDDY**

Chairman

**ANNEXURE TO DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2013:**

**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

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

Particulars	Unit	CEMENT DIVISION	
		31-03-2013	31-03-2012
<b>A. Power and Fuel Consumption:</b>			
1. Electricity:			
a) Purchased			
Units	000 KWH	40442	64596
Total Amount	Rs. Lakhs	2255.03	2396.38
Average Rate	Rs./KWH	5.58	3.71
b) Own Generation			
Units	000 KWH	-	-
Units per Litre of Diesel	KWH	-	-
Cost per unit	Rupees	-	-
2. Cost (Mineral Coal C - E / Imported Grade)			
Quantity	Tonnes	77458	112506
Total Cost	Rs.Lakhs	4130.56	4798.07
Average Rate	Rs.per MT	3199.42	4264.72
3. Furnace Oil			
Quantity	Kilo.Lts	-	-
Total Cost	Rs.lakhs	-	-
Average Rate	Rupees	-	-
<b>B Consumption per unit of Production:</b>			
Electricity	KWH/tonnes of cement	140	138
Coal	Kgs/tonnes of cement	269	240

**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

- Not applicable -

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 amount is incurred in respect of Research and Development.

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

- Not applicable -



ANNEXURE - II

Amount in Rupees

CASH FLOW STATEMENT FOR THE YEAR ENDED - 31.03.2013

		LESS	ADD	NET
A.	<b>CASH FLOW FROM OPERATING ACTIVITIES :</b>			
	<b>NET PROFIT BEFORE TAX</b>			224873880
	ADJUSTMENT FOR :			
	Depreciation		80866725	
	Dividend Received	20250		
	Interest received/paid	47112010	123293907	
	Profit/Loss on sale of Assets / Investments in property under development	427621298		
		474753558	204160632	-270592926
	<b>Operating Profit before Working Capital Changes</b>			-45719046
	ADJUSTMENT FOR :			
	Trade and other receivables		81664131	
	Inventories		82896558	
	Trade payables/Working Capital		37238054	
	Working Capital Changes(Use)	0	201798743	201798743
	Cash generated from Operations			156079697
	Less: Interest paid	123293907	4340113	
	Direct Taxes paid	35000000		
		158293907	4340113	-153953794
	<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>			2125903
	Extra Ordinary exp/Income			0
B	<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
	Purchase/sale of Assets	141685631	18020220	
	Purchase/sale of investments in property under development	121500000	223860400	
	Interest received		42771897	
	Dividend received		20250	
		263185631	284672767	21487136
	<b>NET CASH FLOW USED IN INVESTING ACTIVITIES</b>			23613039
C	<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
	Share Capital			
	Repayment of/ Proceeds from Loans	186670189	141788211	
	Secured/Unsecured borrowings (Net)			
		186670189	141788211	-44881978
	<b>NET CASH FLOW FROM FINANCING ACTIVITIES</b>			
	Net Increase/Decrease in cash and cash equivalents			-21268939
	Cash and Cash equivalents as on 01.04.2012			35297097
	Cash and Cash equivalents as on 31.03.2013			14028158

For Panyam Cements & Mineral Industries Ltd.

**S.SREEDHAR REDDY**  
Managing Director

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

**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 Statement of Profit & Loss and Balance Sheet as at 31-03-2013

**For BRAHMAYYA & CO.,**  
Chartered Accountants  
Firm's Registration No.000514S

Place : Nandyal  
Date : 27-05-2013

**B. DAIVADHEENAM REDDY**  
Partner M.No. 026450

## CORPORATE GOVERNANCE REPORT :

### 1. Company's Philosophy on Code of Governance:

The Company believes in adopting and adhering to the best corporate practice and continuously evaluate it against each of such practices. The company understands and respects its fiduciary role and responsibility to all stakeholders and strives hard to meet their expectations. We believe that the corporate governance is an important tool for shareholders protection and maximizing their long-term values. Panyam Cements & Mineral Industries Limited functions keeping in tune with this philosophy.

The fundamental objective of company's Corporate Governance is to adopt a methodology, which enhances effectiveness, better utilization of resources, transparency and harmonious relations between various interest groups. The company has been regular in sending its quarterly compliance report on Corporate Governance to Stock Exchange.

### 2. Board of Directors:

The Companies Act, 1956 and the Listing Agreement with Stock Exchange govern the composition of the Board of Directors of the Company.

The Board comprises of a Chairman, Managing Director and six other Directors. Amongst them, Managing Director is only the Executive Director and all others are Non-Executive Directors.

The Board functions either as a full Board or through Committees. The Board and Committees meet at regular intervals. Policy formulation, evaluation of performance and control functions vest with the Board, while the Committees oversee the share transfers and audit functions.

The Board has constituted four committees viz. the Audit Committee, Share Transfer Committee, Shareholders'/Investors' Grievance Committee and Remuneration Committee.

During the year 2012-13, the company convened eight Board Meetings on 30<sup>th</sup> May, 2012; 25<sup>th</sup> June, 2012; 25<sup>th</sup> July, 2012; 31<sup>st</sup> July, 2012; 11<sup>th</sup> August, 2012; 22<sup>nd</sup> September, 2012; 10<sup>th</sup> November 2012 and 11<sup>th</sup> February, 2013.

The composition of Directors and the attendance at the Board Meetings during the year and the last Annual General Meeting as also number of other Directorships and Committee Memberships are given below:

Sl. No.	Name of the Director	Catagory of Directorship	No. of Board Meetings Attended	Attendance at last AGM held on 22-09-2012	No.of other Directorships	No. of Membership Chairmanship in Board / Committess (Including our Company)
1.	Sri S.P.Y. Reddy	Promoter-Chairman	8	Yes	9	3
2.	Sri S.Sreedhar Reddy	Promoter - Managing Director	8	Yes	14	1
3	Sri V. Suresh Kumar	Promoter-Director	4	No	5	-
4.	Sri V. Ramnath	Independent Non-Executive Director	5	No	4	1
5	Sri A.V. Narasimha Reddy	Independent Non-Executive Director	4	Yes	3	3
6	Dr.R.K. Prasad Sunkara	NRI-Non-Executive Director	-	No	-	-
7	Sri A. Sathya Bhushana Rao (Alternate Director to Dr.R.K.Prasad Sunkara	Independent Non-Executive Director	5	No	1	2
8	Sri A. Sreenivasulu Reddy	Independent Non-Executive Director	8	Yes	10	3
9	Sri D. Krishna Mohan*	Independent Non-Executive Director	4	No	10	3

\* Resigned as a Director of the company with effect from 22<sup>nd</sup> September, 2012.