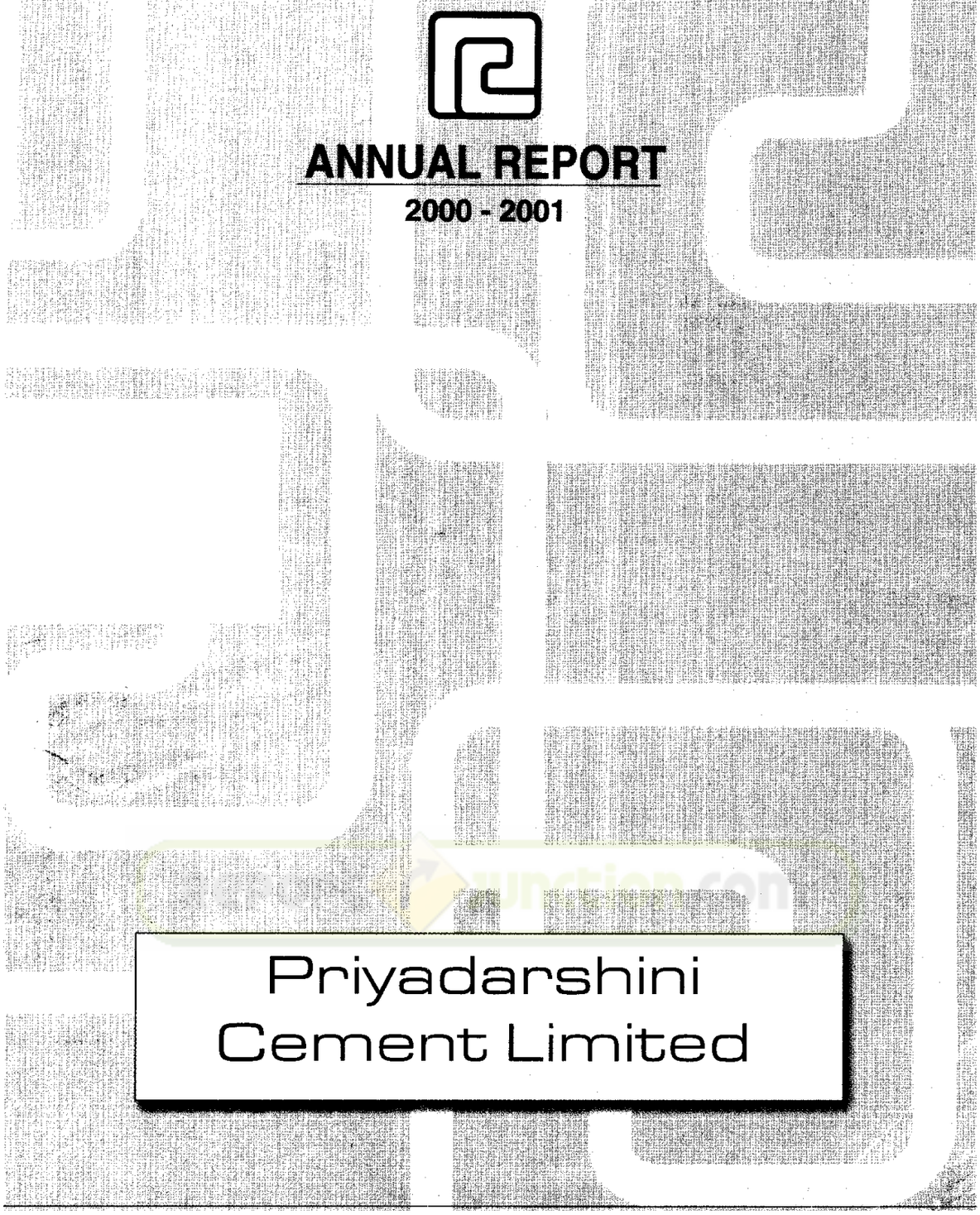
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ANNUAL REPORT

2000 - 2001

Priyadarshini Cement Limited

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BOARD OF DIRECTORS

T. Subbarami Reddy	*Chairman*
N. Radhakrishna Reddy	*Executive Vice Chairman & Managing Director*
K.K. Apte	*Nominee Director of IDBI*
K. Ramamurthy	
C.N. Gangadaran	
Thomas Mathew	
N. Jagan Mohan Reddy	
N. Sujith Kumar Reddy	*Executive Director*

Auditors
M/s. Prayaga & Company
Chartered Accountants
5-2-392/5, Hyderbasti
R P Road
Secunderabad - 500 003

Bankers
State Bank of India
State Bank of Hyderabad
Bank of India
Indian Bank
ICICI Bank Ltd

Registered Office
Plot No.34, Green Tower
No.8-3-1008
Srinagar Colony
Hyderabad - 500 073
Andhra Pradesh, India

Factories

Unit - I : Ramapuram
Mellacheruvu Mandal
Nalgonda Dist
Andhra Pradesh

Unit-II : Sreepuram
Peapully Mandal
Kurnool Dist
Andhra Pradesh

RMC

Unit - I : B-12/A, IDA, Uppal
Hyderabad
Andhra Pradesh

Unit-II : Bachupally Village
Qutubullapur Mandal
Miyapur
Ranga Reddy Dist
Andhra Pradesh

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NOTICE

Notice is hereby given that the **Twenty Seventh Annual General Meeting** of PRIYADARSHINI CEMENT LIMITED will be held at Taj Residency (formerly known as Holiday Inn Krishna), Road No.1, Banjara Hills, Hyderabad - 500 034, on **Friday, the 6th July, 2001 at 3.00 P.m.** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as on 31st March, 2001, Profit and Loss Account for financial year ended 31st March, 2001 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Sri N.Sujith Kumar Reddy, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri K. Ramamurthy, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint Auditors who will hold office till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the said Act and subject to the approval of Financial Institution(s), the consent of the Company be and is hereby accorded to the reappointment of Sri N.Radhakrishna Reddy as Executive Vice Chairman and Managing Director of the company for a period of five years beginning from 13.07.2001 to 12.07.2006 on the remuneration as detailed below:

   a. Salary : Rs.1,25,000/- per month.
   b. Perquisites and Allowances: In addition to aforesaid salary, he shall also be entitled to the perquisites and allowances like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement for self and family, leave travel concession for self and family, club fees, personal accident insurance etc., and other perquisites and allowances in accordance with the Rules of the Company.

   AND

   Provision for use of Company's Car with Driver for official duties and Telephone at Residence (including payment for local calls and long distance official calls). Personal long distance telephone calls and use of company's car for personal use shall be billed by the company.

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The value of perquisites and allowances shall be restricted to an amount of Rs.9,00,000/- per annum.

The Value of perquisites and allowances will be arrived at as per the Statutory rules in force wherever applicable and subject to any modification/amendment that may be notified in this behalf by the Govt. of India in future.

He shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on perquisites and allowances referred to above.

i) Company's contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961 or any rules framed thereunder.

ii) Gratuity payable as per rules of the company.

iii) Encashment of leave at the end of the tenure as per rules of the company.

c. Commission : 1% on the net profits of the Company calculated in accordance with the provisions of the relevant Sections of the Companies Act, 1956 and rules framed thereunder (including any amendment thereof that may be notified in this behalf by the Government of India from time to time).

"RESOLVED FURTHER THAT in pursuance of the provisions of Section 198 (4) read with Schedule XIII to the Companies Act, 1956, where in any financial year the Company incurs loss or its profits are inadequate, the salary, perquisites and allowances as specified above be paid as minimum remuneration to Sri N. Radhakrishna Reddy, Executive Vice Chairman and Managing Director."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution.

"RESOLVED THAT pursuant to the provisions of Section 310 read with Schedule XIII to the Companies Act, 1956, and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of Financial Institution(s), the consent of the Company be and is hereby accorded for payment of increased remuneration as detailed below for the remainder of the term of office (i.e., 09.04.2001 to 31.05.2005) to Sri N. Sujith Kumar Reddy, Executive Director.

a. Salary : Rs.1,00,000/- per month.

b. Perquisites and Allowances: In addition to aforesaid salary, he shall also be entitled to the perquisites and allowances like furnished accommodation, gas, electricity, water and furnishings, medical reimbursement for self and family, leave travel concession for self and family, club fees, personal accident insurance etc., and other perquisites and allowances in accordance with the Rules of the Company.

AND

Provision for use of Company's Car with Driver for official duties and Telephone at Residence (including payment for local calls and long distance official calls). Personal

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long distance telephone calls and use of company's car for personal use shall be billed by the company.

The Value of Perquisites and allowances shall be restricted to the Annual Salary.

The Value of perquisites and allowances will be arrived at as per the Statutory rules in force wherever applicable and subject to any modification/amendment that may be notified in this behalf by the Govt. of India in future.

He shall also be eligible to the following perquisites which shall not be included in the computation of the ceiling on perquisites and allowances referred to above.

i) Company's contribution to the Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or together are not taxable under the Income Tax Act, 1961 or any rules framed thereunder.

ii) Gratuity payable as per rules of the company.

iii) Encashment of leave at the end of the tenure as per rules of the company.

c. Commission : 1% on the net profits of the Company calculated in accordance with the provisions of the relevant Sections of the Companies Act, 1956 and rules framed thereunder (including any amendment thereof that may be notified in this behalf by the Government of India from time to time).

"RESOLVED FURTHER THAT in pursuance of the provisions of Section 198(4) read with Schedule XIII to the Companies Act, 1956, where in any financial year the Company incurs loss or its profits are inadequate, the Salary, Perquisites and allowances as specified above be paid as minimum remuneration to Sri N. Sujith Kumar Reddy, Executive Director ".

By order of the Board

Place : Hyderabad
Date : 09.04.2001

N. SUJITH KUMAR REDDY
Executive Director

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NOTES

1. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business set out under item No(s) 5 and 6 of the Notice is annexed hereto.
2. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself/herself and such proxy need not be a member of the Company.
3. Instrument of proxies in order to be effective should be deposited at the Company's Registered office at Plot No.34, Green Tower, Srinagar Colony, Hyderabad - 500 073, A.P., India not less than forty eight hours before the commencement of the meeting.
4. The Register of Members and the share transfer books of the Company will remain closed from 16.06.2001 to 06.07.2001 (both days inclusive) in connection with the 27th Annual General Meeting.
5. Consequent upon amendment of Section 205A of the Companies Act, 1956 and introduction of Section 205C, by The Companies (Amendment) Act, 1999, the amount of dividend remaining unclaimed for a period of Seven Years shall be transferred to the Investor Education & Protection Fund.
   The Shareholders who have not encashed the dividend warrant(s) so far for the Financial Year ended 31st March, 1996, or any subsequent dividend payment(s) are requested to make their claim to the Asst. Company Secretary, Secretarial Department, 8-3-1100/1, Plot No.112, Ground Floor, Near Capri Towers, Srinagar Colony, Hyderabad - 500 073, A.P., India.
6. Members holding Shares in Physical form are requested to inform immediately the change, if any, in their address to the Asst. Company Secretary, Secretarial Department, 8-3-1100/1, Plot No.112, Ground Floor, Near Capri Towers, Srinagar Colony, Hyderabad - 500 073.
7. Members holding shares in electronic form are requested to inform the Changes, if any, in their address to the Depository Participant with whom the demat account is maintained.
8. Individual Shareholders can avail the facility of Nomination. Shareholders holding shares in physical form may write to the Secretarial Department of the Company for any information in this regard.
9. Shareholders holding shares in Electronic form may take up the matter of availing the nomination facility with the Depository Participant with whom their demat account is maintained.
10. Members desiring to seek any information on the Annual accounts are requested to write to the company at an early date to enable compilation of information.
11. Shareholders holding shares in identical order of names in more than one folio are requested to write to the Secretarial Department at 8-3-1100/1, Plot No.112, Ground Floor, Near Capri Towers, Srinagar Colony, Hyderabad - 500 073 A.P., India, enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
12. Members who hold shares in dematerialised form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.

By order of the Board

N. SUJITH KUMAR REDDY
Executive Director

Place : Hyderabad
Date : 09.04.2001

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Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 for Item Nos.5 & 6 of the notice for the Twenty Seventh Annual General Meeting to be held on Friday, the 6th July, 2001 at 3.00 p.m.

Item No. 5

Sri N. Radhakrishna Reddy has been appointed as Vice Chairman and Managing Director by the Board of Directors for a period of five years (without remuneration) w.e.f. 13.07.1996. He has been re-designated as Executive Vice Chairman & Managing Director at the Adjourned 22nd Annual General Meeting held on 29th January, 1997.

Subsequently at the 24th Annual General Meeting held on 28.09.1998, the members approved the payment of remuneration i.e., Salary of Rs.50,000/- p.m. alongwith perquisites limited to Annual Salary (effective 01.09.1998 to 12.07.2001) to Sri N. Radhakrishna Reddy, Executive Vice Chairman and Managing Director.

Sri N. Radhakrishna Reddy is attending to day to day affairs of the company involving onerous responsibilities.

The term of Office of Sri N. Radhakrishna Reddy, Executive Vice Chairman and Managing Director expires on 12.07.2001.

The Remuneration Committee of the Board and the Board of Directors in their meetings held on 09.04.2001 felt that having regard to the substantial increase in operations and turnover of the Company during the past few years and also in view of the remuneration levels for the managerial personnel prevailing in the Country, it is fair and appropriate to re-appoint and increase the remuneration of Sri N. Radhakrishna Reddy, Executive Vice Chairman and Managing Director from Rs.50,000/- to Rs.1,25,000/- p.m. along with perquisites and allowances (limited to Rs.9,00,000/- p.a.) and payment of commission @ 1% on Net Profits on the terms set out in the Resolution at item No.5 which is subject to the approval of the members in General Meeting as per the condition(s) stipulated in Schedule XIII to the Companies Act, 1956. The approval of the Company at this Annual General Meeting is sought in accordance with the provisions of Schedule XIII to the Companies Act, 1956.

The Proposed resolution alongwith the Explanatory statement which set out the terms and conditions of reappointment of Sri N. Radhakrishna Reddy as Executive Vice Chairman and Managing Director be treated as an abstract and Memorandum of interest in accordance with the provisions of Section 302 of the Companies Act, 1956.

Your Directors consider Sri N. Radhakrishna Reddy's experience will be of great value to the Company.

Your Directors commend the resolution for your approval.

Apart from Sri N. Radha Krishna Reddy, Sri N. Sujith Kumar Reddy and Sri N. Jagan Mohan Reddy being relatives are concerned/interested in the resolution set out at Item No.5 of the notice.

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Item No. 6

Sri N. Sujith Kumar Reddy has been appointed as Executive Director of the Company for a period of 5 years w.e.f. 01.06.1995.

At the 26th Annual General Meeting held on 27.07.2000 the members approved the reappointment of Sri N. Sujith Kumar Reddy, as Executive Director for a period of 5 years from 01.06.2000 to 31.05.2005 on a remuneration of Rs.40,000/- p.m. (alongwith perquisites) and payment of Commission @ 1% on net profits of the Company.

The Remuneration Committee of the Board at its meeting held on 09.04.2001 recommended for an increase in remuneration from Rs.40,000/- to Rs.1,00,000/- p.m. alongwith perquisites and allowances (restricted to Annual Salary) and payment of Commission @ 1% on net profits of the Company in view of the onerous responsibilities shouldered by Sri N. Sujith Kumar Reddy, Executive Director and to motivate him to lead the Company to achieve the long term goals and to improve the bottom line of the Company in the coming years.

The Remuneration Committee has taken into account the prevailing remuneration levels of Managerial personnel in the Country and recommended the increase in remuneration of the Executive Director.

The Board of Directors at its meeting held on the same day approved the recommendation made by the Remuneration Committee for increase in remuneration of Sri N. Sujith Kumar Reddy, Executive Director for the remaining term of office beginning from 09.04.2001 to 31.05.2005 on the terms set out in the Resolution at item No.6 which is subject to the approval of the members in General Meeting as per the condition(s) stipulated in Schedule XIII to the Companies Act, 1956.

The increased remuneration referred to above be treated as an abstract of the variation of the terms of appointment of Sri N. Sujith Kumar Reddy as Executive Director in accordance with the provisions of Section 302 of the Companies Act, 1956.

Your Directors commend the resolution for your approval.

Apart from Sri N. Sujith Kumar Reddy, Sri N. Radha Krishna Reddy and Sri N. Jagan Mohan Reddy being relatives are concerned/interested in the resolution set out at Item No.6 of the notice.

By order of the Board

Place : Hyderabad
Date : 09.04.2001

N. SUJITH KUMAR REDDY
Executive Director

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Directors

The term of office of Sri N. Radhakrishna Reddy, Executive Vice Chairman and Managing Director expires on 12-7-2001. The Board recommends the reappointment of Sri N. Radhakrishna Reddy as Executive Vice Chairman and Managing Director for a further period of 5 years w.e.f. 13-7-2001.

Sri N. Sujith Kumar Reddy and Sri K. Ramamurthy, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Auditors

M/s Prayaga & Company, Chartered Accountants, the Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting.

The Auditors have signified their willingness to accept reappointment.

Adoption of Code of Corporate Governance by the Company

Corporate Governance is the roadmap which guides and directs the Board of Directors to govern the affairs of the Company in a manner most beneficial to all the shareholders, the Creditors, the Government and the Society at large. It ensures the accountability of the Board in its decisions. Corporate Governance is indispensable to resilient and vibrant capital markets and is an important instrument of investor protection.

Corporate Governance, in its true sense, is deeply embedded in the corporate Philosophy of your Company.

In view of SEBI's new regulations, a series of steps have been taken to put in place appropriate corporate governance policies for your Company as reported below:

1) The Board of Directors had met 5 times during the year 2000-2001 and the gap between any two successive meetings did not exceed four months.

2) The Board has Eight members comprising of Executive Vice Chairman and Managing Director, Executive Director and Six Non Executive Directors including one Nominee Director of IDBI.

3) Share Transfer/Transmissions are being processed and approved promptly through Circular Resolutions of the Share Transfer Committee ratified subsequently by the Board at its regular meetings.

4) It is ensured that queries of share holders are attended to within a maximum period of 7 days.

5) There are no outstanding major complaints received from the shareholders except cases of reporting of shares not received due to postal delays/loss in transit.

   The Board is pleased to inform that during the Financial year 2000-2001 no penalties/ strictures have been imposed on the company by the Stock Exchange(s), Registrar of Companies, SEBI or any Statutory authority in any manner related to Capital markets.

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6) The listing fee payable to the Stock Exchanges, Mumbai and Hyderabad have been paid in time during the year 2000-2001.

7) The company has the following Sub Committees :

A) Audit Sub Committee

Sri C N Gangadaran	Chairman
Sri K Ramamurthy	Director
Sri K K Apte	Director - IDBI Nominee

B) Remuneration Committee

Sri K Ramamurthy	Chairman
Sri K K Apte	Director - IDBI Nominee
Sri Thomas Mathew	Director

C) Shareholders/Investors Grievance Committee

Sri N.Jagan Mohan Reddy	Chairman
Sri N.Radhakrishna Reddy	Executive Vice Chairman and Managing Director
Sri K K Apte	Director - IDBI Nominee

8) The Company has complied with the requirement of allowing the shareholders to hold the shares in Electronic Form by signing the Tripartite agreement with NSDL, CDSL and M/s Aarthi Consultants Pvt. Ltd., Hyderabad in August, 2000 itself though the cut off date for implementation of the same is 28.04.2001. So far, around 26.35 lakh shares representing 11.92% of the outstanding shares of the company have been dematerialised.

9) The company has complied with various Stock Exchange requirements like holding the Board meetings for approving the Quarterly unaudited results promptly and in publishing the same in the press. The company has further complied with the additional requirement of obtaining 'A Limited Review Certificate' from the Statutory Auditors on the half yearly accounts (unaudited) for the half year ended 30.09.2000 and sent a copy of the same to the Stock Exchanges as stipulated in the listing agreements with the stock exchanges.

Internal Control Systems

The professional management skills of the company have ensured adequate internal control system in all functions. The wide area over which the company operates with two major cement plants, two Ready Mix Plants, branches and the corporate office are all properly linked up to ensure a meaningful and prompt MIS. This ensures a control system that helps to focus on exceptional issues aided by a proper internal audit which is operated by an internal team supported by the renowned Price Waterhouse Coopers.

Risks and Concerns

The cement industry does not expect any significant competition from imports as India has been importing small quantity of cement in the past years. Given the competitive cost structure of the cement produced within the Country, it is hoped that the domestic cement industry will

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