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**In Quality, We Trust
And Therein Lies Our Strength**

Priyadarshini Cement Ltd.

AN ISO 9002 COMPANY

ANNUAL REPORT 1997-98

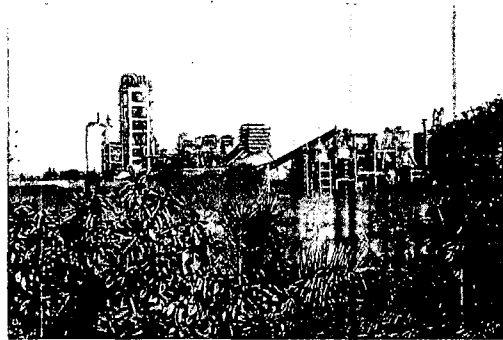
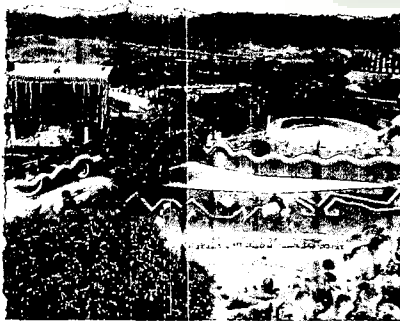
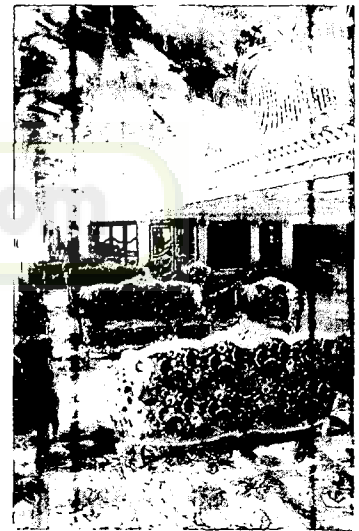
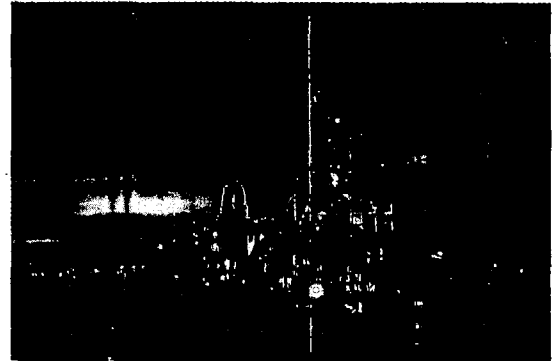
On the past one year.

Shaping up for the future

Your Company always believes in looking ahead. And moving ahead. Plans are already afoot to construct a captive power plant. When realised this would not only reduce costs but would also help the Company to eliminate delays. The Company is also planning to setup a railway siding which will allow efficient logistics planning and will help streamline inbound and outbound traffic, thus ensuring uninterrupted supply of raw materials and delivery of finished products. This would help the Company to save on transportation costs.

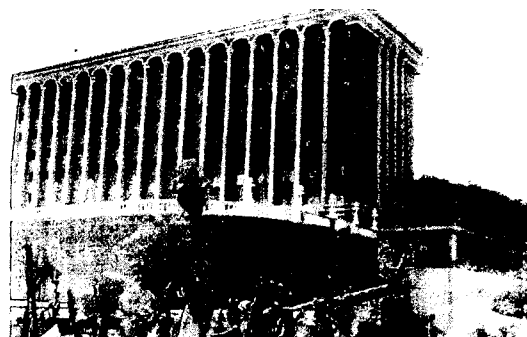
The Company has taken note of the growing demand for the brand 'Priya Cement' at the market place. To bridge this demand-supply gap, the Company is planning to expand its current capacity with an outlay of Rs.379 crores (which is the lowest capital cost, when compared with similar sized industries in the recent past). Apart from meeting the demand, the expansion would give us an advantage that we would derive from large economies of scale. The expansion would not only make your Company's operations economically viable but will also make it one of the major players in Andhra Pradesh and surrounding states. The Company has already initiated an ERP exercise to integrate all the functional aspects of the organisation for better on-line control.

The Company also understands its responsibility to the environment and its role in nation building. In that direction, the Company is making efforts on a substantial basis.

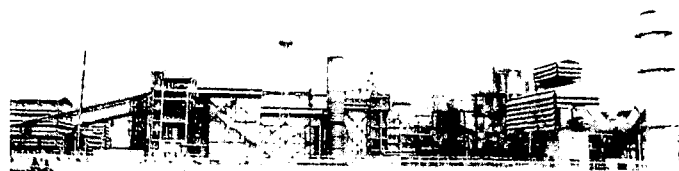


Cementing our Success

We have never been complacent. We are constantly moulding and upgrading ourselves to face new challenges. In the past one year, the Company has added one more Grinding Mill at a cost of Rs.7.2 crores to its existing, world class production facility. And the additional production because of this has been substantial.



The capacity utilisation of the production facility has been a remarkable 135%. Our capacity utilisation is one of the highest in the country and it stands as a testimony to the Company's efficient management. And despite this, the demand for our brand — Priya Cement — exceeds that of our supply, thanks to the Company's consistent and well planned brand building.



This year's prestigious projects that have used Priya Cement for their constructions include such prominent names like Rain Calcining and Ramoji Film City which are Asia's largest in their respective sectors. Other prominent constructions include Kakinada port, various residential colonies & complexes, Eenadu Publications complex at Suryapet, Nellore and so on.

The sales of the Company this year have been 8,18,281 tonnes as against 7,67,322 tonnes last year. The Company's performance has been indeed commendable taken the general slowdown in the cement market. A point to specifically note in this context is that we have one of the lowest realisation per bag in the cement industry (due to our competitive pricing). And yet we have recorded one of the highest profit margins before tax. This has been possible due to the Company's efficient management, committed workforce and brand leadership.



Tomorrow's growth depends on the foundations you built yesterday.

The times are indeed difficult — 'Recession'. 'Slowdown'. 'Consumer Apathy'. 'Acquisitions'. 'Mergers'. 'Retrenchment'. 'Closures'. 'Downward Trend' — The newspaper headlines stand as a testimony to this.

But it is companies that stay stable in a difficult market (like today's) that reap the benefits when the market becomes brighter. And Your Company, Priya Cement, has not only managed to stay afloat but its Gross Sales have grown from Rs.189.62 crores in the last financial year to Rs.194.06 crores in the present financial year.

In the last one year

- Your Company has entered new market segments and has further consolidated its old ones
- Your Company has added to its infrastructure
- Your Company is going ahead with implementing cutting edge Information Technologies to strengthen its position of leadership
- Your Company has initiated a restructuring exercise to cut costs and improve its operational efficiency
- Your Company has further strengthened its brand by extending itself to the electronic media
- Your Company has taken up various programmes for the well being of its employees

The last one year has been a litmus test for your Company. And having succeeded in such difficult times, it is amply clear that your Company's position as a leader in the market has concretised.



BOARD OF DIRECTORS

T. Subbarami Reddy	<i>Chairman</i>
N. Radhakrishna Reddy	<i>Executive Vice Chairman and Managing Director</i>
N. Jagan Mohan Reddy	
P. Munikrishna	
K.K. Apte	
K. Rama Murthy	
C.N. Gangadaran	
Thomas Mathew	
N. Sujith Kumar Reddy	<i>Executive Director</i>

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COMPANY SECRETARY

N.P. Venkata Subbaiah

AUDITORS

M/s. Prayaga & Company
Chartered Accountants
5-2-392/5, Hyderabad
R P Road
Secunderabad - 500003.

BANKERS

State Bank of India
State Bank of Hyderabad
Bank of India
Indian Bank

REGISTERED OFFICE

Plot No.34
H. No.8-3-1008
Srinagar Colony
Hyderabad - 500 073.

FACTORY

Ramapuram Village
Kodad Taluk
Nalgonda Dist
Andhra Pradesh.





NOTICE

Notice is hereby given that the Twenty Fourth Annual General Meeting of PRIYADARSHINI CEMENT LIMITED will be held on Monday, the 28th September, 1998 at 4.30 p.m. at Sri Sathya Sai Nigamagaram (Kalyana Mandapam), Srinagar colony, Hyderabad - 500 073 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at 31st March, 1998, and Profit and Loss Account for financial year ended 31st March, 1998 and the Reports of the Directors and the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint a Director in place of Sri N. Sujith Kumar Reddy, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint a Director in place of Sri C. N. Gangadaran, who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors who will hold office till the conclusion of the next Annual General Meeting of the Company and to fix their remuneration. The retiring Auditors M/s Prayaga & Company, Secunderabad are eligible for reappointment.

SPECIAL BUSINESS

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

"RESOLVED that in supersession of the Ordinary Resolution passed at the 10th Annual General Meeting of the Company held on 15th December, 1984, consent of the Company be and is hereby accorded pursuant to Section 293 (1) (d) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company for borrowing from time to time, any sum or sums of money for the purposes of the Company upon such terms and conditions and with or without security as the Board of Directors may in its discretion think fit, notwithstanding, that the money or monies to be borrowed by the Company (apart from the temporary loans obtained or to be obtained from time to time from the Company's bankers in the ordinary course of business) together with the money already borrowed, may exceed the aggregate of the paid-up share capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose(s), provided however that the sums so borrowed shall not, at any time exceed Rs.450 crores (Rupees Four hundred and Fifty Crores only)".

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

RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to the creation by the Board of Directors of the Company of such mortgage(s), charge(s) and hypothecation(s) in addition to the existing mortgage(s), charge(s) and hypothecation(s) created by the Company as the Board may direct, on such of the assets of the Company, both present and future, in



such manner as the Board may direct, together with power to take over the management of the Company in certain events, to or in favour of all or any of the financial institutions/banks/any other investing agencies in connection with availing of term loans, Foreign Currency loans, as the case may be from any of the financial institutions, banks, any other investing agencies or any other person, bodies corporate to secure rupee, foreign currency loan(s) the value of which, not to exceed Rs.450 crores (Rupees Four hundred and Fifty crores only) together with interest thereon at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on pre-payment, or on redemption, costs, charges, expenses and all other monies payable by the Company to the concerned lenders or any of them under the Agreement(s) /Arrangement(s) entered into/to be entered into by the Company in respect of the said loan(s), Foreign Currency loan(s)"

"RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorised to finalise with the concerned Financial Institutions/Banks or other investing agencies, the documents for creating the mortgages/charges/Hypothecations and accepting or making any alterations, changes, variations to or in the terms and conditions and to do all such acts, deeds, matters and things and to execute all such documents and writings as it may consider necessary, for the purpose of giving effect to this Resolution".

8. 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 16, 94 and other applicable provisions, if any, of the Companies Act, 1956 the Memorandum of Association of the Company be altered by deleting the existing clause V and substituting the following in its place:

V. The Authorised Share Capital of the Company is Rs.106,00,00,000/- (Rupees One hundred and Six crores) divided into 6,60,00,000 (Six crores Sixty lakhs) equity shares of Rs.10/- each and 40,00,000 (Forty lakhs) 12% Cumulative Redeemable preference shares of Rs.100/- each. The Company has power from time to time to increase or reduce its capital and to divide the shares in the original or increased capital into several classes and to attach thereto respectively such preferential rights, privileges or conditions as may be determined by or in accordance with the regulations of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as maybe permitted by the Companies Act, 1956 or provided by the regulations of the Company for the time being."

9. To consider and, if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution:

"RESOLVED that Pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be altered by deleting the existing Article 6 and substituting the following in its place:

6. The Authorised Share Capital of the Company is Rs.106,00,00,000/- (Rupees One hundred and Six crores) divided into 6,60,00,000 (Six crores Sixty lakhs) equity shares of Rs.10/- each and 40,00,000 (Forty lakhs) 12% Cumulative Redeemable Preference Shares of Rs.100/- each."

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



PRIYADARSHINI CEMENT LIMITED

Secretarial Department, Plot No.112, No.8-3-1100/1,
Near Capri Towers, Srinagar Colony, Hyderabad - 500 073.
Ph. No. 3744094 & 3745415 Fax No. (040) 3740770

August 20, 1998

Dear Shareholder,

Subject : Payment of dividend for the year 1997-98 by Electronic Clearing Service
(Credit Clearing) - Furnishing of Bank account particulars - Reg.

We are pleased to inform you that Reserve Bank of India has developed a new method of payment of dividend by way of Electronic Clearing Service (Credit Clearing) for direct credit of dividend to your Bank account without instrument of dividend warrant which will save your time and effort and also avoid misplacement of dividend warrant in transit. There will not be any need for revalidation of dividend warrant in these cases.

You have to send a reply by filling in the particulars in the proforma (enclosed) to the Secretarial Department, Plot No.112, No.8-3-1100/1, Near Capri Towers, Srinagar Colony, Hyderabad - 500 073.

On receipt of your Bank account particulars the same will be submitted to the concerned bank for crediting the dividend amount to your account directly.

The information provided by you will be kept confidential and will be utilised only for the purpose of effecting the payment of dividend amount to your Bank Account.

Please note: In case the response from the shareholders for this facility is not quite encouraging or for other reason(s), instead of paying dividend under "ECS" the Company will pay the dividend (if declared) by issue of dividend warrants with Bank account details and send the same to share holder's address.

Thanking you,

Yours faithfully,
for **PRIYADARSHINI CEMENT LIMITED**

Sd/-
N. SUJITH KUMAR REDDY
Executive Director

Encl: As above

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