

ANNUAL REPORT

2001 - 2002



Priyadarshini
Cement Limited

**BOARD OF DIRECTORS**

T. Subbarami Reddy
 N. Radhakrishna Reddy
 N. Sujith Kumar Reddy
 N. Jagan Mohan Reddy
 K. Ramamurthy
 C.N. Gangadaran
 Thomas Mathew
 V.S.V. Nagesh Kumar
 A.B.Telang

Chairman
 Executive Vice Chairman & Managing Director
 Executive Director

Nominee Director of ICICI
 Nominee Director of IDBI

Auditors

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

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:**Cement:**

<i>Unit - I</i> : Ramapuram Village	<i>Unit-II</i> : Sreepuram Village
Mellacheruvu Mandal	Peapully Mandal
Nalgonda Dist	Kurnool Dist
Andhra Pradesh	Andhra Pradesh

RMC:

<i>Unit - I</i> : B-12/A, IDA, Uppal	<i>Unit-II</i> : Bachupally Village
Hyderabad.	Qutubullapur Mandal
Andhra Pradesh	Miyapur (R.R.Dist)
	Andhra Pradesh

**NOTICE**

Notice is hereby given that the **Twenty Eighth Annual General Meeting** of PRIYADARSHINI CEMENT LIMITED, will be held at Sri Sathya Sai Nigamagadam, (Kalyana Mandapam), Srinagar Colony, Hyderabad - 500 073 on **Monday, the 23rd September, 2002 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, 2002, Profit and Loss Account for financial year ended 31st March, 2002 and the Reports of the Directors and the Auditors thereon.
2. To appoint a Director in place of Sri N. Jagan Mohan Reddy, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Sri Thomas Mathew, 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, the following resolution as a Special Resolution.

RESOLVED THAT in supersession of the Resolution passed by the Company under section 163(1) of the Companies Act, 1956 at its Annual General meeting held on 19th September, 1996, the Register of Members, Index of Members, Copies of Annual Returns etc., together with copies of certificates of documents annexed thereto prepared under Section 159 and 161 of the Companies Act, 1956 or any one or more of them be kept in the Registered Office at Plot No.34, Green Tower, Srinagar Colony, Hyderabad- 500 073 instead of being kept at present address.

By order of the Board

Place : Hyderabad **S.N.S.R. Sekhar**
 Date : 20.07.2002 Vice President (Finance)
 & Company Secretary

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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.5 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 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 16.09.2002 to 23.09.2002 (both days inclusive).
5. Consequent upon amendment in Section 205-A of the Companies Act, 1956 and introduction of Section 205-C, by The Companies (Amendment) Ordinance, 1999, now 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 Vice President (Finance) & Company Secretary, Secretarial Department, Plot No.34, Green Tower, Srinagar Colony, Hyderabad - 500 073, A.P. India.
6. Members holding Shares in the Physical form are requested to inform immediately the change, if any, in their address to the Vice President (Finance) & Company Secretary, Secretarial Department, Plot No.34, Green Tower, Srinagar Colony, Hyderabad - 500 073.
7. Members holding shares in demat form are requested to inform the Changes, if any, in their address, bank account particulars 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 Vice President (Finance) & Company Secretary, Secretarial Department, Plot No.34, Green Tower, Srinagar Colony, Hyderabad - 500 073 enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
12. Members who hold shares in dematerialisation form are requested to bring their client ID and DPID numbers for easy identification of attendance at the meeting.

By order of the Board

Place : Hyderabad

S.N.S.R. Sekhar

Date : 20.07.2002

Vice President (Finance)
& Company Secretary



Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 for Item No.5 of the notice for the Twenty Eighth Annual General Meeting to be held on 23.09.2002.

Item No. 5

Following the take over of share transfer work from M/s S.R.Financial & Management Consultants, Hyderabad in 1996, Statutory records were placed at H. No.8-3-1100/1, Plot No.112, Srinagar Colony, Hyderabad - 500 073 in accordance with Section 163 (1) of the Companies Act, 1956 as approved by the shareholders at the 22nd Annual General meeting held on 19.09.1996.

To avoid unnecessary expenditure like Rent of the Building etc., the Management thought it

fit to keep the statutory records and documents as mentioned in the resolution in accordance with the Section 159 and 161 of the Companies Act, 1956 at the Registered Office referred to above.

The approval of the shareholders is sought in terms of Section 163 of the Companies Act, 1956 to keep the Registers, documents etc, at the Registered Office.

Your Directors commend the resolution for approval.

None of the Directors is interested in the resolution.

By order of the Board

Place : Hyderabad

Date : 20.07.2002 Vice President (Finance)
& Company Secretary

S.N.S.R. Sekhar

& Company Secretary

**DIRECTORS' REPORT**

To
The Members,

Your Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the financial year ended 31st March, 2002.

Financial Results	(Rs. Lakhs)	
	Year Ended 31.03.2002	Year Ended 31.03.2001
Sales	29,086	26,938
Profit before interest & Depreciation (after adjusting prior Year Income/Expenses	1,557	4,685
Less: Interest & Finance Charges	3,120	3,399
Profit after interest but before Depreciation	(1,563)	1,286
Less: Depreciation	999	1,000
Profit before Tax	(2,562)	286
Less: Provision for Taxation		
- Current Tax	—	25
- Deferred Tax	1,358	—
Profit after Tax	(1,204)	261
Balance brought forward	1,570	1,309
	366	1,570
Appropriations		
Transferred to General Reserve	—	—
Balance Carried to Balance Sheet	366	1,570
Total	366	1,570

Operations

The sales and production recorded for the year 2001-2002 were 11,38,661 and 11,28,787 Metric Tonnes respectively.

The Company has achieved a turnover of Rs.290.86 Crores during the year under review and has made a Loss before tax of Rs.25.62 Crores.

The loss of Rs 25.62 Crores comprises of reversal of earlier years Sales Tax deferment of Rs. 8.13 Crores as per Item 16 of the Notes to the accounts and Rs 2.87 Crores of sales tax for the current year that was not considered for deferred treatment. The consequent operational loss suffered by the company during the year was Rs 14.62 Crores. This loss is on account of the recession in the Cement Industry coupled with low selling prices prevailing in the market. Further during the year under consideration two new plants came up in the Nalgonda cluster with additional capacities of about 2 million tons. The additional capacity thus created in the State has led to further deterioration in the prices that has led to the loss.

Due to inadequacy of profits, the Board of Directors is constrained in not being able to recommend dividend for the year under review.

Capacity Utilisation

The Capacity utilisation for the year 2001-2002 is 80.62% on the increased capacity. It may be noted that unit 2 that was acquired in 1999, has registered a production of 4.1 lakh tons in 2001/02 as against 3.47 lakh tons the earlier year which is a growth of 18 percent and a capacity utilization of above 100%. Whereas Unit 1 has recorded a production of 7.19 lakh tons during 2001/02 against 7.12 lakh tons the earlier year on a capacity of 1 million tons.

Review and Prospects

As mentioned already above, the pressure on competition in view of the addition of new capacities in the region has adversely affected the prices during the year under consideration. However despite this adverse situation, the



Company maintained its market share and could push the sales volume slightly higher than previous year by about 77,374 tons.

With its deep penetration into the neighboring markets of Karnataka, Tamilnadu, Pondicherry it is expected that the sales volumes of the company would further improve to these States. Even in AP in view of the thrust on infrastructure projects the demand has already started moving upward and with the wide market network that your company has, it is expected that the sales would improve further during the current year for the company to be on its way to turnaround and operate on profits once again.

The company is constantly & keenly keeping its attention in the areas of Cost reduction, Quality of the product and economy in all levels of expenditure. The company is also planning strategically to meet the product requirements of the customers in the market and accordingly planning to schedule the product mix. The company is studying the various alternative mix of final products to get the highest economic advantage which will support in increasing the realisation.

Your Directors wish to inform you that the performance at both the Ready Mix Concrete plants is satisfactory. The company is putting consistent efforts to improve the demand for RMC in and around the twin cities of Hyderabad and Secunderabad.

Directors' Responsibilities Statement:

The Board of Directors states:

- 1) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;

- 2) that the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- 3) that the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- 4) that the Directors had prepared the annual accounts on a going concern basis.

Management Discussion & Analysis

A report on Management Discussion & Analysis is annexed and forms part of the Annual Report.

Directors

Sri N. Jagan Mohan Reddy and Sri Thomas Mathew, retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for reappointment.

Corporate Governance

Your company confirms to norms of Corporate Governance. As a listed company necessary measures are taken to comply with the listing agreements with the stock exchanges. A report on Corporate Governance along with a certificate of compliance from the auditors, form part of this report.

**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.

Fixed Deposits

The Company has not invited any deposits from the public in terms of Section 58 (A) of the Companies Act, 1956.

Conservation of Energy, Technology absorption, Foreign Exchange earnings and out go.

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 is given in Annexure-I and forms part of this report.

Particulars of Employees

There are no employees whose particulars are required to be furnished in accordance with provisions of 217 (2A) (a) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended.

Acknowledgement

Your Directors place on record their appreciation of continued assistance and cooperation extended to the company by the participating Financial Institutions and commercial Banks, Central and State Government Departments and thank the shareholders, Dealers, Stockists and Consumers for the confidence reposed in the Company.

Your Directors thank all the employees of the company for their valuable service and support during the year.

For and on behalf of the Board

Place : Hyderabad
Date : 20.07.2002

T.Subbarami Reddy
Chairman

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Management Discussion and Analysis Report

Management Discussion and Analysis Report on the Business of the Company as applicable and to the extent relevant is given below:

Industry Structure and Development

Priyadarshini Cement Limited (PCL) is primarily engaged in manufacture and sale of cement with different product mix including OPC, PPC and slag Cement. In the domestic market the Company operates through a net work of Dealers for sale of its products. Cement sales depends upon the demand and supply in the market. Demand is largely based on infrastructure projects like Roads and Buildings etc., of the Government of India and the States and the other Governmental organization besides the housing sector.

Cement is a decontrolled product. However the input cost components namely limestone, fuel viz., power, coal are all controlled by the Government, the increase in the price of which the Company does not have any control.

Presently there is an over supply of cement in the market and therefore demand supply mismatch exists.

In view of the high cost of transportation export of cement in general has not been a very attractive proposition.

Opportunities and Challenges:

Basically the cement sector is witnessing consolidations by way of mergers/amalgamation/strategic investments by one Company in another to retain/improve its market share.

All round efforts are being taken by the cement players in order to meet the competitive market situation for economics of scale/cost reduction techniques and pricing strategy.

Outlook:

The aftermath of the 11th September, 2001 event and prolonged recession globally has affected the manufacturing sector as a whole and cement industry too has suffered in particular due to demand supply mismatch.

The Prime Minister's Grameena Sadak Yojana and the accelerated pace with which the Government is trying to implement the Golden Quadrilateral and the infrastructure development that is taking place in 2002 may result in an increase in the demand for the cement.

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 stand the competition from any increases in the inflow of imported cement caused by the recent reduction of customs duty on imported cement. The present capacity of the two plants needs to be relooked and increased in view of the market challenges.

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.

Discussion on Financial Performance with respect to Operations Performance

There are Two units which are manufacturing cement of the company. Unit - I and Unit - II as follows:

Unit - I situated at Ramapuram, Mellacheruvu Mandal, Nalgonda Dist., the capacity of the unit is 10 lacs MTPA.

Unit - II situated at Sreepuram, Peapully Mandal, Kurnool Dist., the capacity of the unit is 4 lacs MTPA. This unit has been acquired from M/s. Nagarjuna Construction Company Ltd. in 1999.

The Loss before tax is Rs.2,562.15 lacs.

There has been no change in paid-up share capital during the Financial Year 2001-2002.

Industrial Relations & Human Resources Management

The Company is maintaining cordial relations with the workers and employees as it is conscious of the fact that good human resources management will add to the inherent strength of the company paving the way to increased productivity and production in the coming years. The Company has 617 employees on its rolls.

Cautionary Statement

Statement in this "Management Discussion & Analysis" may be considered to be "forwarded looking statements" within the meaning of applicable securities laws or regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand-supply conditions, increased installed capacity, finished goods prices, raw materials availability and prices, cyclical demand and pricing in the Company's markets, changes in Government regulations, tax regimes, besides other factors, such as litigations and labour negotiations.

