

19th Annual Report 1999 - 2000



SAGAR CEMENT
SAGAR CEMENTS LIMITED



BOARD OF DIRECTORS	: Shri O.Swaminatha Reddy, Chairman Shri S.Veera Reddy, Managing Director Shri Y.Kesava Krishna (APIDC Nominee) Shri K.Thanu Pillai, Director Dr.S.Anand Reddy, Executive Director
CHIEF EXECUTIVE	: Shri M.V.Subba Rao
VICE PRESIDENT (F) AND SECRETARY	: Shri K.Haresh Babu
AUDITORS	: M/s.P.Srinivasan & Co., Chartered Accountants B-46, Durgabai Deshmukh Colony HYDERABAD-500 013
COST AUDITORS	: M/s.Narasimha Murthy & Co., Cost Accountants 104, Pavani Estates Y.V.Rao Mansion Himayatnagar HYDERABAD-500 029
BANKERS	: State Bank of Hyderabad Punjab National Bank
REGISTERED OFFICE	: Plot No.205 Road No.14 Jubilee Hills HYDERABAD-500 033
ADMINISTRATIVE OFFICE	: 8-2-472/B/2 Road No.1 Banjara Hills HYDERABAD-500 034
FACTORIES	: 1. MATHAMPALLY Via Huzurnagar Nalgonda District Andhra Pradesh - 508 024 2. KHARASAVALLASA Salur Mandal Vizianagaram District Andhra Pradesh - 532 591 3. BAYYAVARAM Kasimkota Mandal Anakapally Tq., Vishakhapatnam District Andhra Pradesh - 531 031



NOTICE

NOTICE is hereby given that the 19th Annual General Meeting of the Members of the Company will be held at 3.00 p.m. on Friday, the 15th December, 2000 at Hotel Golkonda, Masab Tank, Hyderabad – 500 028, to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Profit and Loss Account of the Company for the year ended 31st March, 2000 and the Balance Sheet as on that date and the Reports thereon of the Directors and Auditors.
2. To appoint a Director in the place of Dr.S.Anand Reddy, who retires by rotation and, being eligible, offers himself for re-appointment.
3. To appoint Auditors for the company to hold office from the conclusion of the Annual General Meeting till the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

4. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution.

RESOLVED THAT the authorised share capital of the company amounting to Rs.14,00,00,000 (Rupees Fourteen Crores only) be and is hereby divided in to 1,20,00,000 Equity shares of Rs.10/- each and 20,00,000 Preference of Rs.10/- each.

FURTHER RESOLVED that the existing Clause V (a) of the Memorandum of Association of the Company be and is hereby substituted by the following:

V (a) The Authorised Share Capital of the Company is Rs.14,00,00,000/- (Rupees

Fourteen Crores only) divided into 1,20,00,000 (One Crore Twenty Lakhs only) Equity Shares of Rs.10/- each and 20,00,000 (Twenty Lakhs only) Preference Shares of Rs.10/- each to be increased or reduced in accordance with the provisions of the Companies Act, 1956.

FURTHER RESOLVED that the existing Article 3 (a) of the Articles of Association of the Company be and is hereby substituted by the following:

3 (a) The Authorised Share Capital of the Company is Rs.14,00,00,000/- (Rupees Fourteen Crores only) divided into 1,20,00,000 (One Crore Twenty Lakhs only) Equity Shares of Rs.10/- each and 20,00,000 (Twenty Lakhs only) Preference Shares of Rs.10/- each to be increased or reduced in accordance with the provisions of the Companies Act, 1956.

5. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution.

RESOLVED THAT consent be and is hereby accorded under Section 81 (1-A) of the Companies Act, 1956, to the Board of Directors of the Company to issue to the promoters i.e., Shri S.Veera Reddy and his relatives and associates 30,00,000 equity shares of Rs.10/- each at a price as determined under the SEBI guidelines for Preferential issue of equity shares.

6. To consider and, if thought fit, to pass with or without modification, 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 mortgaging and/



or charging by the Board of Directors of the Company of all the immovable and movable properties of the company wheresoever situate, present and future, and / or conferring power to enter upon and to take possession of assets of the company in certain events or in favour of Industrial Development Bank of India (IDBI) to secure:

- (a) a further rupee term loan not exceeding Rs.1200 lakhs (Rupees one thousand two hundred lakhs only) lent and advanced / agreed to be lent and advanced by Industrial Development Bank of India to the company under Project Finance Scheme together with interest thereon at the agreed rate, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, costs, charges, expenses and other monies payable by the company to the Industrial Development Bank of India, under the Loan Agreement entered in to by the company in respect of the said term loan.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorised to finalise with Industrial Development Bank of India and to execute the documents for creating aforesaid mortgage and / or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

7. To consider and, if thought fit, to pass with or without modification, 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 mortgaging and/

or hypothecating by way of second charge of all the immovable and movable properties of the company wheresoever situate, present and future, and the whole or substantially the whole of the undertakings of the company in favour of State Bank of Hyderabad and Punjab National Bank (hereinafter called the SBH and PNB respectively to secure:

- (a) Working capital and other similar credit facilities lent and advanced / agreed to be lent and advanced by SBH and PNB from time to time to the company together with interest, compound / additional interest at the respective agreed rates, premia on prepayment or on redemption, cost, charges, expenses and all other monies payable by the company to SBH and PNB in terms of the sanction of governing such credit facilities.

RESOLVED FURTHER that the Board of Directors of the company be and is hereby authorised to finalise the documents for creating aforesaid mortgage and / or the charge and to do all such acts and things as may be necessary for giving effect to the above resolution.

RESOLVED FURTHER that the mortgage/ charge / hypothecation created / to be created and / or all agreements / documents executed / to be executed and all acts done in terms of the above resolution by and with the authority of the Board of Directors be and are hereby confirmed and ratified.

8. To consider and, if thought fit, to pass with or without modification, the following resolution as Special Resolution.

RESOLVED THAT consent be and is hereby accorded under Section 372 A and other applicable provisions, if any, of the



Companies Act, 1956 to the Board of Directors of the company to furnish an unconditional and irrevocable Corporate Guarantee in favour of ICICI Limited for the rupee term loan of Rs.160 million granted by them to M/s. Sagar Power Limited and to execute necessary documents as may be required by them for the purpose.

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

RESOLVED THAT 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 Board of Directors of the Company to dispose off the grinding unit of the company located at Salur, Vizianagaram district, Andhra Pradesh for such consideration and on such terms and conditions as the Board of Directors may deem fit.

Registered Office not less than 48 hours before the commencement of the Meeting.

2. Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of the Special business is given in the annexure, which may be treated as forming part of this Notice.
3. Register of Members and the Share Transfer Books of the company will remain closed during the period from 16-12-2000 to 27-12-2000 (both days inclusive).
4. Members are requested to inform the Company of the change, if any, in their address.
5. In view of the increasing cost of paper, Members are requested to bring their copies of the Annual Report to avoid the distribution of additional copies thereof at the Meeting.
6. Members are also requested to bring the Attendance Slips duly filled in for being handed over at the entrance of the venue for the meeting.

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/herself and the proxy to be so appointed need not be a Member of the Company. However, proxies in order to be effective must be lodged with the company at its

By Order of the Board
For Sagar Cements Limited

K.Haresh Babu
Vice President (Finance)
and Secretary
Hyderabad
28th October, 2000

SAGER CEMENTS LIMITED



ANNEXURE TO AND FORMING PART OF THE NOTICE CONVENING THE 19TH ANNUAL GENERAL MEETING OF THE COMPANY

EXPLANATORY STATEMENT PURSUANT TO SEC.173 (2) OF THE COMPANIES ACT, 1956

On Item No.4 and 5

Your Company has availed of a term loan of Rs.1200 lakhs from IDBI for implementing its Bayyavaram project. One of the terms and conditions stipulated by IDBI at the time of granting the said term loan was that the promoters should bring in a sum of Rs.300 lakhs towards share capital. The promoters having since brought the required sum of Rs.300 lakhs, it is proposed to allot 30,00,000 equity shares of Rs.10/- each in the manner mentioned in the Resolution in Item No.5.

Further, at present the company's authorised equity share capital is Rs.10 crores. As this would not permit to issue of equity shares to the extent mentioned above, it is now proposed to alter the authorised capital in the manner suggested in the Resolution in Item No.4 and alter the capital clauses in Memorandum and Articles of Association of your Company.

As the equity shares are proposed to be allotted to Shri S.Veera Reddy and his relatives and associates, to that extent Shri S.Veera Reddy, Managing Director and Dr.S.Anand Reddy, his relative and Executive Director of the company may be deemed to be interested in the resolutions mentioned in Item No.4 and 5.

On Item No.6

Your company has availed a term loan of Rs.1200 lakhs from IDBI under its Project Finance Scheme. As per the terms and conditions of the sanction of the said term loan, your company is required to mortgage its movable / immovable properties in favour of IDBI to secure the said term loan with power to enter upon and take

possession of the assets of the company in certain events and as this would require the approval of the Shareholders under Sec.293 (1) (a) of the Companies Act, 1956, the necessary resolution is proposed in Item No.6 for their approval.

None of the Directors is interested in the resolution except to the extent of shares, if any, held by him in the share capital of the company.

On Item No.7

With a view to meeting the increased working capital requirements of your company, State Bank of Hyderabad and Punjab National Bank, as consortium, have sanctioned a total working capital of Rs.1350 lakhs and the said limit is likely to be further enhanced in due course. The above said credit facilities are to be secured by way of second charge in their favour on the fixed assets of the company with power to enter upon and take possession of the assets of the company in certain events, which would require approval of the Shareholders under Sec.293 (1) (a) of the Companies Act, 1956. Accordingly, the resolution seeking the approval of the shareholders proposed in Item No.7.

None of the Directors is interested in the resolution except to the extent of shares, if any held by him in the share capital of the company.

On Item No.8

With a view to reducing the interest cost, M/s.Sagar Power Limited, a company promoted by M/s.Sagar Cements Limited, has recently availed a rupee term loan from

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ICICI Limited to the extent of Rs.160 million which would help M/s.Sagar Power Limited to repay the term loan earlier availed by it from IREDA. One of the terms and conditions governing the said loan is that, M/s.Sagar Cements Limited shall give a Corporate Guarantee to ICICI Limited for the due repayment of the said loan. A formal request has been made by M/s.Sagar Power Limited to M/s.Sagar Cements Limited to furnish the Corporate Guarantee in favour of ICICI Limited and the same was considered by your Directors, who recommend the furnishing of the same.

The approval as contemplated under Section 372 A of the Companies Act, 1956 is now sought from the shareholders through a suitable resolution as submitted in Item No.8 of the Notice of the Annual General Meeting for furnishing the above Corporate Guarantee.

As Shri S.Veera Reddy and Dr.S.Anand Reddy are also Directors of M/s.Sagar Power Limited, to that extent they may be deemed to be interested in that resolution.

On Item No.9

Despite the continuous efforts made to improve the performance of the Salur unit, the operations of the said unit do not show much progress. After a careful examination, your Board of Directors feel that it would be in the best interest of the company to dispose of the said unit if any better offer is received and to concentrate on other units of your Company. A suitable resolution seeking the approval of the shareholders as contemplated in Sec.293 (1)(a) of the Companies Act, 1956 has been included in the Notice.

None of the Directors is interested in the resolution.

By Order of the Board
For **Sagar Cements Limited**

Hyderabad
28th October, 2000

K.Haresh Babu
Vice President (Finance)
and Secretary

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SAGER CEMENTS LIMITED



DIRECTORS' REPORT

Dear Members

Your Directors have pleasure in presenting their Nineteenth Annual Report together with the audited accounts of the company for the year ended 31st March, 2000.

Financial Performance

The financial results of the company are summarised below:

(Rs. in Lakhs)

Particulars	For the year ended	
	31-3-2000	31-3-1999
Sales and Other Income	7574.53	6766.06
Profit before Depreciation and Interest	543.00	707.90
Less: Depreciation	252.76	268.18
Interest	236.77	272.75
	489.53	540.93
Profit before Tax	53.47	166.97
Less: Provision for Tax	2.00	17.24
Profit for the year	51.47	149.73
Less: Previous year adjustments	1.45	25.78
Profit after Tax	50.02	123.95
Add: Profit brought forward from		
Previous years	752.35	428.40
Investment Allowance Reserve	0.00	200.00
Profit available for appropriation	802.37	752.35
APPROPRIATIONS:		
Proposed Dividend	0	0
Transfer to General Reserve	0	0
Balance carried forward	802.37	752.35
Total	802.37	752.35

Dividend

In view of the insufficient profits made during the year and utilisation of the existing funds for funding the grinding unit set-up at Bayyavaram, your Directors regret their inability to recommend any dividend on equity shares.

Performance

The year under review has been a testing time for the cement industry. However, your company

could produce 3,54,720 MTs of clinker, thus showing an increase of 15.35 per cent against previous year i.e., 3,07,512 MTs.

While your Mathampally plant had produced 2,44,680 MTs during the year under review, showing an increase of 11.60 per cent (Previous year: 2,19,226 MTs), the production of Slag Cement at Salur has shown an improvement of 23.61 per cent from 76,883 MTs during the previous year to 95,037 MTs in the current year.

The new grinding unit with VRM technology from Germany was completed in the month of March, 2000 and the unit had commenced its operations on 22nd March, 2000 and has overcome the teething troubles. The unit is operating at rated capacity. The project was completed with a cost of Rs.18.09 crores without any cost over run and the company has availed a term loan of Rs.12.00 crores from IDBI, the lead financial institution, for the project.

The profit at your Mathampally has come down to Rs.228.44 lakhs (Previous year: Rs.284.44 lakhs) mainly due to fall in realisation and the loss at your Salur plant has gone up to Rs.172.68 lakhs (Previous year: Rs.160.49 lakhs) for the year under review.

Your unit has been highly cost effective in terms of power consumption.

Mini Hydel Power Projects

Sagar Power Limited, a company promoted by Sagar Cements Limited has completed two mini hydel power projects and is regularly supplying power to your company.

Future Outlook

The company was able to reduce the cost of production by adopting modern technology to reduce the power and coal consumption. The new slag grinding unit at Bayyavaram near Anakapally is more cost effective in terms of power consumption as it uses the VRM technology imported from Germany. The unit is eligible for Sales Tax deferment for 14 years. The unit is expected to realise savings in terms of transportation, power consumption and maintain high quality which will definitely improve the performance of your company in the years to come.