

22nd Annual Report 2002 - 2003



**SAGAR PRIYA CEMENT
SAGAR CEMENTS LIMITED**

SAGAR CEMENTS LIMITED**BOARD OF DIRECTORS**

: Shri O.Swaminatha Reddy, Chairman
 Shri S.Veera Reddy, Managing Director
 Shri I.Seshagiri Rao (APIDC Nominee)
 Shri K.Thanu Pillai, Director
 Dr.S.Anand Reddy, Executive Director
 Shri S.Sreekanth Reddy, Director (Technical)

VICE PRESIDENT (F) & SECRETARY
GENERAL MANAGER (WORKS)
GENERAL MANAGER (MARKETING)

: Shri K.Haresh Babu
 : Shri N.Bhasker Reddy
 : Shri P.S.Prasad

AUDITORS

: M/s.P.Srinivasan & Co.,
 Chartered Accountants
 2-2-647/77/G-9, SBI Colony
 Bagh Amberpet
 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
 State Bank of India
 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. MATTAMPALLY
 Via Huzurnagar
 Nalgonda District
 Andhra Pradesh - 508 024
2. KHARASAVALASA
 Salur Mandal
 Vizianagaram District
 Andhra Pradesh - 532 591
3. BAYYAVARAM
 Kasimkota Mandal
 Anakapally Tq.,
 Vishakhapatnam District
 Andhra Pradesh - 531 031

SAGAR CEMENTS LIMITED**NOTICE**

NOTICE is hereby given that the 22nd Annual General Meeting of the Members of the Company will be held at 4.00 p.m. on Saturday, the 27th September, 2003 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, 2003 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 Shri K.Thanu Pillai, 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 re-appoint Dr.S.Anand Reddy as Executive Director of the company.

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

RESOLVED THAT subject to the approval of the Financial Institutions concerned, consent be and is hereby accorded under Schedule XIII to the Companies Act, 1956 read with Sections 198, 269 and 309 and other applicable Sections, if any, thereof for the re-appointment of Dr.S.Anand Reddy as Executive Director of the company for a period of five years with effect from 21st November, 2002 on the following remuneration, which shall also be the minimum remuneration payable to him in the event of non-availability or inadequacy of profits.

PART A

For the period from 21-11-2002 to 22-07-2003

- a) Salary: Rs.50,000/- p.m.
- b) Perquisites:

As may be determined by the Board in consultation with the Executive Director and restricted to 75% of the salary.

In addition to the above, the Executive Director is also eligible for the following:

Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

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

- c) Commission: 2% of the net profit.

SAGAR CEMENTS LIMITED**PART B**

For the period from 23-07-2003 to 20-11-2007

a) Salary: Rs.60,000/- p.m. in the scale of Rs.60000-5000-100000.

b) Perquisites:

As may be determined by the Board in consultation with the Executive Director and restricted to 75% of the salary.

In addition to the above, the Executive Director is also eligible for the following:

Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

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

c) Commission: 2% of the net profit.

5. To appoint Sri S.Sreekanth Reddy as Director of the company and fix his remuneration.

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

RESOLVED THAT subject to the approval of the Financial Institutions concerned, consent be and is hereby accorded under Schedule XIII to the Companies Act, 1956 read with Sections 198, 269 and 309 and other applicable Sections, if any, of the Companies Act, 1956, Sri S.Sreekanth Reddy be appointed as Director and designated as Director (Technical) of the company with effect from 26th June, 2003 on the following remuneration, which shall also be the minimum remuneration payable to him in the event of non-availability or inadequacy of profits.

a) Salary: Rs.50,000/- p.m. in the scale of Rs.50000-5000-80000.

b) Perquisites:

As may be determined by the Board in consultation with the Director and restricted to 75% of the salary.

In addition to the above, the Director is also eligible for the following:

Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961.

Gratuity payable at a rate not exceeding half a month's salary for each completed year of service.

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

c) Commission: 2% of the net profit.

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

"Resolved that consent be and is hereby accorded under Section 163(1) of the Companies Act, 1956 to keep the Register of Members and the Share Transfer Books of the Company at the Office of M/s. Karvy Consultants Limited, 'Karvy House', 46, Avenue 4, Street No.1, Banjara Hills, Hyderabad - 500 034, who are the Registrars and Share Transfer Agents for the Company".

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 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 16-09-2003 to 27-09-2003 (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.

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

Hyderabad
23rd July, 2003

K.Haresh Babu
Vice President (Finance) & Secretary

SAGAR CEMENTS LIMITED

**ANNEXURE TO AND FORMING PART OF THE NOTICE CONVENING THE
22nd ANNUAL GENERAL MEETING OF THE COMPANY**

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

On Item No.4

The Board of Directors at their Meeting held on 26th October, 2002 had re-appointed Dr.S.Anand Reddy as Executive Director of the company for a period of five years with effect from 21st November, 2002 on a remuneration, as proposed in Part A of the resolution and increased the remuneration as per Part B of the resolution on 26th June, 2003. The said appointment and remuneration both of which are in conformity with the Schedule XIII of the Companies Act, 1956 are subject to approval of the members and the institutions. The Remuneration Committee has approved the increased remuneration proposed in Part B of the resolution. Having regard to the experience of Dr.S.Anand Reddy in the industry, your Board recommends the approval of the members for his re-appointment.

None of the Directors is interested in the resolution excepting Dr.S.Anand Reddy himself and Shri S.Veera Reddy and Shri S.Sreekanth Reddy who are related to Dr.S.Anand Reddy.

On Item No.5

Shri S.Sreekanth Reddy was earlier appointed as Technical Consultant for the company. The company has obtained the approval from the Central Government under Section 314 (1B) of the Companies Act, 1956. His appointment as Technical Consultant is valid for a period of one year i.e., up to 25th September, 2003.

Shri S.Sreekanth Reddy is a graduate in Industrial Engineering with a post graduate diploma in cement technology. He has 7 years of industrial experience. Under his guidance as technical consultant, the company has successfully completed the Clinker capacity expansion at Mattampally plant. Since the company needs an experienced technical personnel to co-ordinate the operations of the plants, the board of directors at their meeting held on 26th June, 2003 had appointed him as a Director of the company and designated him as Director (Technical) effective from 26th June, 2003 for a period of 5 years on a remuneration, as proposed in the resolution. The said appointment and remuneration both of which are in conformity with the Schedule XIII of the Companies Act, 1956 are subject to approval of the members and the institutions Notice under Section 257 of the Companies Act, 1956 was received from a member proposing Shri S. Sreekanth Reddy as Director. The Remuneration Committee at its meeting held on 26th June, 2003 has approved the remuneration proposed in the resolution. Your Board recommends the approval of the members for his appointment.

None of the Directors is interested in the resolution excepting Shri S.Sreekanth Reddy himself and Shri S.Veera Reddy and Dr.S.Anand Reddy, who are related to Shri S.Sreekanth Reddy.

On Item No.6

As it is felt convenient for administrative reasons to keep the Register of Members and the Share Transfer Books of the Company with M/s. Karvy Consultants Limited, who are the Registrars and Share Transfer Agents for the Company in respect of shares held both in physical and electronic mode, necessary approval from the shareholders is sought for the purpose as required under Section 163(1) of the Companies Act, 1956. None of the directors of the Company is interested in the Resolution.

By Order of the Board
For Sagar Cements Limited

Hyderabad
23rd July, 2003

K.Haresh Babu
Vice President (Finance) & Secretary

SAGAR CEMENTS LIMITED**DIRECTORS' REPORT****Dear Members**

Your Directors present their Twenty Second Annual Report together with the audited accounts of the company for the year ended 31st March, 2003.

Financial Performance

The financial results of the company are summarised below:

(Rupees in Lakhs)

Particulars	For the year ended			
	31-3-2003		31-3-2002	
Sales and Other Income		811.96		10,073.55
Profit before Depreciation and Interest		64.43		1,090.16
Less: Depreciation	385.65		356.08	
Interest	459.61		433.44	
		845.26		789.52
Profit / (Loss) before Tax		(780.83)		300.64
<u>Less: Provision for Tax (MAT)</u>		<u>0.00</u>		<u>23.38</u>
Deferred Tax Liability (Asset)		134.82		37.74
Profit / (Loss) for the year		(646.01)		239.52
<u>Less: Previous year adjustments</u>		<u>80.63</u>		<u>16.60</u>
Profit / (Loss) after Tax		(726.64)		222.92
<u>Add: Profit brought forward from previous years</u>		<u>1,254.04</u>		<u>1,031.12</u>
Profit available for appropriation		527.40		1,254.04
Appropriations:				
Proposed Dividend		0		0
Transfer to General Reserve		0		0
Balance carried forward		527.40		1,254.04
Total		527.40		1,254.04

In view of the lower realization in the current year resulting in losses, your Directors regret their inability to recommend any dividend on equity shares.

Performance

The clinker production at the Mattampally unit during the year under review stands at 3,08,850 MTs showing a decrease of 16.97 per cent against previous year i.e., 3,72,000 MTs.

The Mattampally plant had produced 2,05,694 MTs and sold 2,02,648 MTs of cement during the year under review, registering a decline of 19.17 per cent and 20.09 per cent respectively (Previous year: Production and sale of cement 2,54,490 MTs and 2,53,626 MTs).

The production and sale of Slag Cement at Bayyavaram had also shown a fall of 18.82 per cent and 19.70 per cent at 1,07,193 MTs and 1,05,984 MTs respectively (Previous year: Production and sale of cement 1,32,055 MTs and 1,31,882 MTs).

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Your Mattampally plant incurred a net loss of Rs.349.14 lakhs as compared to the previous year net profit of Rs.354.45 lakhs, mainly due to steep fall in sales realisation.

The Bayyavaram unit had also incurred a net loss of Rs.371.17 lakhs during the year under review.

In terms of power consumption, your Mattampally unit has been highly cost effective among the mini cement units.

Sagar Power Limited

Sagar Power Limited (SPL), a subsidiary of your company and which has two mini hydel power units in Andhra Pradesh, is regularly supplying power to your company. Under Section 212 of the Companies Act, 1956, the Balance Sheet of SPL is annexed to this Annual Report.

Consolidated Financial Accounts

The consolidated Balance Sheet and Profit and Loss Account together with relative schedules there on as per the Accounting Standards 21 are annexed to this Annual Report.

Future Outlook

Your company's continuous thrust on cost reduction through modernization of equipment has placed it as one of the most cost effective units in the industry. Your company's slag grinding unit at Bayyavaram using VRM technology, imported from Germany, has proved more cost effective, as expected. Your Mattampally plant continues to achieve higher capacity utilization and is more cost effective in terms of power and coal consumption. The company has installed at its Mattampally unit, a new six stage pre-heater and increased the cooler capacity to increase the clinker production capacity to 1500 tons per day. Further, with the installation of stacker reclaimer along with other equipment such as impact crusher for limestone, new kiln feed system and electronic packing machine, the power and coal consumption have been reduced with improved quality of production.

During the year under review, the prices of cement have been highly volatile with variation ranging from 35 - 40 per cent. Though it has resulted in temporary set back in the financial results of the companies for the financial year 2002-03, the broad outlook appears to be promising with the Government's thrust to spend more on infrastructure and the industry is getting consolidated due to mergers and alliances between the major players. However, the demand for cement is showing signs of revival to show a growth rate of 8 - 10 per cent per annum. Your Directors opined that the outlook of your company is positive as the company has already become cost effective and the performance would improve once the prices stabilize in the years to come.

Corporate Governance, Management Discussion and Analysis and Shareholder Information

In accordance with Clause 49 of the listing agreement, the Corporate Governance, Management Discussion and Analysis and Shareholder information are attached to the Directors Report and forms part of this report.

Internal Control Systems

The company has adequate internal control system in all the areas of its cement plant at Mattampally, the two grinding units at Salur and Bayyavaram and the branch at Visakhapatnam. All these are properly linked to the Administrative Office to ensure up to date information to the Management.

Directors Responsibility Statement

Pursuant to Section 217 (2 AA) of the Companies (Amendment) Act, 1956, your Directors declare:

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

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- ii) 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 state of affairs of the company at the end of the financial year and of the profit or loss of the company for the year under review;
- iii) that the directors had 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;
- iv) that the directors had prepared the annual accounts for the financial year ended 31st March, 2003 on a 'going concern' basis;

Insurance

The properties of the company including its buildings, plant and machinery and stocks wherever necessary and to the extent required have been adequately insured.

Directors

Pursuant to Section 256 of the Companies Act, 1956, Shri K.Thanu Pillai, is retiring by rotation at the Annual General Meeting, whereat, being eligible, offers himself for re-appointment.

Particulars of Employees

There are no employees in the company whose particulars are required to be provided in this Report pursuant to Section 217 (2A) of the Companies Act, 1956.

Conservation of Energy, Technology absorption and Foreign Exchange Earnings and Outgo

These particulars have been provided in the Annexure-II, which forms part of this report.

Pollution Control

The company has already installed necessary ESP system and the pollution at the factory continues to be kept under acceptable levels.

Industrial Relations

Industrial relations continued to be cordial throughout the year under review.

Auditors

M/s.P.Srinivasan & Co., Chartered Accountants, Hyderabad, the Statutory Auditors of your company will be retiring at the ensuing Annual General Meeting and are eligible for re-appointment.

Acknowledgements

Your Directors wish to place on record their appreciation of the valuable services rendered by the Officers, Staff and Workmen of your company. They also wish to express their thanks to IDBI, ICICI Bank Ltd., State Bank of Hyderabad, Punjab National Bank, State Bank of India, and the Co-promoters, the Andhra Pradesh Industrial Development Corporation Limited and various departments of State and Central Government for their continuous support to the operations of your company.

Hyderabad
23rd July, 2003

O.Swaminatha Reddy
Chairman

SAGAR CEMENTS LIMITED**ANNEXURE - I**

(Forming part of the Directors' Report)

FORM A

[Pursuant to Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988]

Form for disclosure of particulars with respect to Conservation of Energy**A. POWER AND FUEL CONSUMPTION**

Particulars		Current Year 1.4.2002 to 31.03.2003	Previous Year 1.4.2001 to 31.03.2002
1.	Electricity		
a)	Purchased Units	301.08 lakhs	348.27 lakhs
	Total Amount (Rs.)	1,240.27 lakhs	1,532.79 lakhs
	Rate / Unit (Rs.)	4.12 per unit	4.40 per unit
b)	Own Generation (Units)	1.84 lakhs	2.79 lakhs
	Units / Ltr. Of Diesel Oil	3.20 units	3.20 units
	Rate / Unit (Rs.)	6.25 per unit	5.40 per unit
2.	Coal (C & D Grade used as fuel in kiln)		
	Quantity	58,494.MTs	67,650 MTs
	Total Cost (Rs.)	1,065.86 lakhs	1,170.43 lakhs
	Average Rate (Rs.)	1,822.17	1,730.20

B. CONSUMPTION PER UNIT OF PRODUCTION

Particulars			Standards	Current Year	Previous Year
Products	MT	OPC	-	2,05,694	2,54,490
		Cement - Bayyavaram	-	1,11,233	1,32,055
Electricity	KWH	OPC	140.00	93.17	91.00
		Cement - Bayyavaram	-	41.82	40.00
Coal	MT	Clinker	0.28	0.18	0.18

FORM B

[See Rule 2]

[Pursuant to Rule 2 of the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988]

Form for disclosure of particulars with respect to Absorption, Research and Development**1. Research and Development:**

The Company makes the annual contribution to National Council for Cement and Building Materials for R & D activities.

2. Technology absorption, adaptation and innovation:**a) Mattampally plant:**

The company has installed Impact Crusher as primary crusher for limestone, Stacker Reclaimer new kiln feed system, electronic packer, VFD drives earlier. Further, the company has now installed a 6 stage pre-heater with pre-calciner in place of 4 stage pre-heater. The company has also installed CFG high efficiency cooler in place of conventional grate cooler. The 6 stage pre-heater with pre-calciner and CFG cooler is procured from M/s.L&T Limited, Mumbai. These installations have reduced the power and fuel consumption and plant capacity has been enhanced considerably.