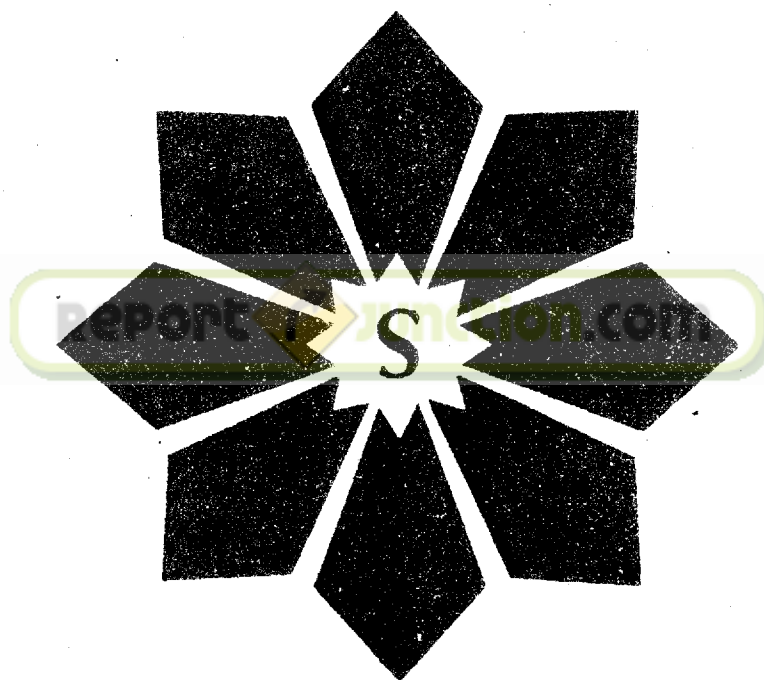


# **23rd Annual Report 2003 - 2004**



**SAGAR PRIYA CEMENT  
SAGAR CEMENTS LIMITED**

**SAGAR CEMENTS LIMITED**

<b>BOARD OF DIRECTORS</b>	:	Shri O.Swaminatha Reddy, Chairman Shri S.Veera Reddy, Managing Director Shri K.Thanu Pillai, Director Shri J.Bapu Reddy, (APIDC Nominee) Shri D.Sudhakar Rao, (IDBI Nominee) Dr.S.Anand Reddy, Executive Director Shri S.Sreekanth Reddy, Director (Technical)
<b>COMPANY SECRETARY</b>	:	Shri R.Soundararajan
<b>GENERAL MANAGER (WORKS)</b>	:	Shri N.Bhasker Reddy
<b>AUDITORS</b>	:	M/s.P.Srinivasan & Co., Chartered Accountants 2-2-647/77/G-9, SBI Colony Bagh Amberpet Hyderabad - 500 013
<b>COST AUDITORS</b>	:	M/s.Narasimha Murthy & Co., Cost Accountants 104, Pavani Estates, Y.V.Rao Mansion Himayathnagar Hyderabad - 500 029
<b>BANKERS</b>	:	State Bank of Hyderabad State Bank of India Punjab National Bank
<b>REGISTERED OFFICE</b>	:	Plot No.205, Road No.14 Jubilee Hills, Hyderabad - 500 033
<b>ADMINISTRATIVE OFFICE</b>	:	8-2-472/B/2, Road No.1, Banjara Hills, Hyderabad - 500 033
<b>FACTORIES</b>	:	1. Mattampally Via Huzurnagar Nalgonda District Andhra Pradesh – 508 024 2. Kharasavalasa Salur Mandal Vizianagaram District Andhra Pradesh – 532 591 3. Bayyavaram Kasimkota Mandal Anakapalle Taluk Visakhapatnam District Andhra Pradesh – 531 031



## NOTICE

**Regd. Office: Plot No.205, Road No..14, Jubilee Hills, Hyderabad - 500 033**

**NOTICE** is hereby given that the 23rd Annual General Meeting of the Members of the Company will be held at 4.00 p.m. on Wednesday, the 29<sup>th</sup> September, 2004 at Hotel Golkonda, Masab Tank, Hyderabad-500 028, to transact the following business:

### ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31<sup>st</sup> March, 2004 and the Balance Sheet as on that date together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri O.Swaminatha Reddy, who retires by rotation and is eligible 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 the following Resolution as an Ordinary Resolution.

**"RESOLVED THAT** pursuant to Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 and subject to approvals of the Financial Institutions concerned and such other approvals and permissions as may be required, consent of the Company be and is hereby accorded to its Board of Directors ("the Board") to sell, lease or otherwise dispose of at such consideration and with effect from such date as the Board may think fit, the whole or substantially whole of the Grinding Unit of the company located at Bayyavaram Village in Kasimkota Mandal, Anakapalle Taluk in Visakhapatnam District, AP.

**RESOLVED FURTHER** that the Board be and is hereby authorised to do or cause to be done all such acts, deeds and other things as may be required or considered necessary or incidental thereto for giving effect to the aforesaid Resolution."

### NOTES:

1. As per Section 192 of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2001, consent of the Members for the resolution to be passed under Section 293 (1) (a) of the Companies Act, 1956 and listed out as Item No.4 above is required to be obtained by means of voting by postal ballot. Accordingly, the company will be completing the despatch of the Notice pursuant to Section 192 (a) together with postal ballot form on or before 16.08.2004. The results of this postal ballot will be announced by the Chairman at the time of the Annual General Meeting. Explanatory Statement pursuant to Section 173 (2) in respect of this item has been given in the annexure forming part of the Notice of the AGM.

**SAGAR CEMENTS LIMITED**

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 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.
3. Register of Members and the Share Transfer Books of the company will remain closed during the period from 16.09.2004 to 27.09.2004 (both days inclusive).
4. Members are requested to inform the Company / Registrars, of the change, if any, in their addresses.
5. 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.
6. Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividends up to the financial year ended 31<sup>st</sup> March, 1995 have been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet encashed their dividend warrants for the said period, are requested to forward their claims in the prescribed Form No.II under the Companies Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to:

Office of the Registrar of Companies  
Kendriya Sadan  
Sultan Bazaar  
Koti  
**Hyderabad-500 095**

7. Consequent upon the amendment of Section 205A of the Act and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the amount of dividend for the subsequent years remaining unpaid or unclaimed for a period of 7 years from the date of transfer to the Unpaid Dividend Account of the Company shall be transferred to the Investor Education and Protection Fund set up by the Government of India and no payments shall be made in respect of any such claims from the Fund.
8. Members who have not yet encashed their dividend warrants for the financial year ended 31<sup>st</sup> March, 1997 onwards are requested to make their claims to the Company accordingly, without any delay. It may be noted that the unclaimed dividend for the financial year-ended 31<sup>st</sup> March, 1997 is due for transfer to the above said Fund on 25<sup>th</sup> September, 2004.

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

Hyderabad  
28<sup>th</sup> July, 2004

Sd/-  
**R.Soundararajan**  
Company Secretary

**SAGAR CEMENTS LIMITED****ANNEXURE TO AND FORMING PART OF THE NOTICE CONVENING THE  
23<sup>RD</sup> ANNUAL GENERAL MEETING OF THE COMPANY**

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956  
IN RESPECT OF ITEM NO.4 OF THE NOTICE

Presently the company has a grinding unit at Bayyavaram village in Kasimkota Mandal, Anakapalle Taluk in Visakhapatnam District, Andhra Pradesh, which produces cement by grinding the surplus clinker made available from the company's main cement manufacturing facility at Mattampally in Nalgonda District. As the operating results of this grinding unit has not been encouraging, the company undertook a comprehensive review of its operations and found the increasing input costs and financial charges as major reasons for this state of affair. As the Board does not foresee any reversal of this trend in the near future, with a view to avoiding further burden on the overall profitability of the company and after analyzing various options available, it is satisfied that it would be in the interest of the company and its shareholders to sell, lease or otherwise dispose of this grinding unit as referred to in the Ordinary Resolution and make alternative arrangements for grinding the said surplus clinker near its present cement manufacturing unit at Mattampally.

The Board of Directors of the company accordingly commends the Ordinary Resolution for approval by its Members.

The Directors of the Company may be deemed to be concerned with or interested in the Resolution to the extent of shares held by them in the company.

By Order of the Board  
For **Sagar Cements Ltd.**

Hyderabad  
28<sup>th</sup> July, 2004

Sd/-  
**R.Soundararajan**  
Company Secretary

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

Your Directors have pleasure in presenting their Twenty Third Annual Report together with the audited accounts of the company for the year ended 31<sup>st</sup> March, 2004.

**Financial Performance**

The financial results of the company are summarised below:

(Rupees in Lakhs)

Particulars	For the year ended			
	31-3-2004		31-3-2003	
Sales and Other Income		11134.25		8119.60
Profit before Depreciation and Interest		950.10		64.43
Less: Depreciation	368.79		385.65	
Interest	569.24		459.61	
		938.03		845.26
<b>Profit / (Loss) before Tax</b>		12.07		(780.83)
<b>Less: Provision for Tax (MAT)</b>		0.00		0.00
<b>Deferred Tax Liability (Asset)</b>		52.51		134.82
<b>Profit for the year</b>		64.58		(646.01)
<b>Less: Previous year adjustments</b>		0.00		80.63
<b>Profit / (Loss) after Tax</b>		64.58		(726.64)
<b>Add: Profit brought forward from previous years</b>		527.40		1254.04
<b>Profit available for appropriation.</b>		591.98		527.40
<b>Appropriations:</b>				
Proposed Dividend		0		0
Transfer to General Reserve		0		0
Balance carried forward		591.98		527.40
<b>Total</b>		591.98		527.40

**Performance**

The clinker production at the Mattampally unit during the year under review stands at 4,34,000 MTs showing an increase of 40.52 per cent against the previous year production of 3,08,850 MTs.

The Mattampally Unit had produced 2,45,000 MTs and sold 2,47,656 MTs of cement during the year under review, registering an increase of 19.11 per cent and 22.21 per cent respectively over the previous year. This Unit earned a net profit of Rs.275.39 lakhs during the year under review as compared to the previous year net loss of Rs.349.14 lakhs, thanks to increase in sales realization\* and cost reduction achieved. In terms of power consumption, this unit continues to be highly cost effective among the mini cement units.

**SAGAR CEMENTS LIMITED**

The production and sale of Slag Cement at your Unit in Bayyavaram had also shown a marginal increase of 2.62 per cent and 5.20 per cent at 1,10,004 MTs and 1,11,491 MTs respectively over the previous year. Despite this increased production and sale, this Unit had incurred a net loss of Rs.235.95 lakhs due to high cost of inputs and financial charges. As your directors do not foresee any improvement in the operations of this unit in the near future, with a view to avoid further burden on the overall profitability of your company, they have decided to sell, lease or otherwise dispose of this Grinding Unit.

**Dividend**

With a view to conserving the resources of the company for its future operations, your Directors do not recommend any dividend for the year ended 31<sup>st</sup> March, 2004.

**Subsidiary Company**

Sagar Power Limited (SPL), your Company's subsidiary that has two mini hydel power units in Andhra Pradesh, is regularly supplying power to your company. Statement pursuant to Section 212 of the Companies Act, 1956 in respect of this subsidiary has been separately given in this Report and Accounts have also been annexed.

**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 Mattampally plant continues to achieve higher capacity utilization and is becoming more cost effective in terms of power and coal consumption. As your directors had mentioned in their previous report, your 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, the company has also installed Stacker Reclaimer along with other equipment such as impact crusher for limestone, new kiln feed system and electronic packing machine to improve the quality and to further reduce the power and coal consumption.

However, the operations of your company's slag grinding unit at Bayyavaram, thought to be cost effective because of the imported VRM technology, have turned to be otherwise, because of increasing clinker transportation cost and financial charges. Your Board has, as earlier mentioned, decided to sell, lease or otherwise dispose of this Unit so that further strain on the overall profitability of your company could be avoided. After selling this Unit, your directors propose to make alternative arrangements to grind the surplus clinker in the vicinity of your plant at Mattampally itself.

During the year under review, the price of cement was highly volatile. Though it has resulted in temporary set back in the financial results of your company, yet the broad outlook appears to be promising one, with the new Government's thrust to spend more on infrastructure and the industry getting more and more consolidated due to mergers and alliances. Your Directors feel that the outlook of your company is positive as the company has already become cost effective and the performance would improve with the stabilization on the price front. With the proposed sale of the Grinding Unit at Bayyavaram materializing, strain on the overall profitability of your company would also get substantially reduced.

**Corporate Governance, Management Discussion and Analysis and Shareholder Information**

In accordance with Clause 49 of the listing agreement, a report on the Corporate Governance, Auditors' Certificate, Management Discussion and Analysis and Shareholder information have been included in the Annual Report.

**Internal Control Systems**

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

**SAGAR CEMENTS LIMITED****Directors Responsibility Statement**

Pursuant to Section 217 (2 AA) of the Companies 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 departures;
- ii) 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 or loss of the company for that period;
- iii) 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;
- iv) that the directors had prepared the annual accounts for the financial year ended 31<sup>st</sup> March, 2004 on a 'going concern' basis;

**Insurance**

The properties of the company including its buildings, plant and machinery and stocks have been adequately insured.

**Directors**

Pursuant to Section 256 of the Companies Act, 1956, Shri O.Swaminatha Reddy, is retiring by rotation at the Annual General Meeting and is eligible for re-appointment.

**Particulars of Employees**

There were no employees covered under Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975.

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

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

**Pollution Control**

The company has an ESP system and the pollution at the factory is within the acceptable levels.

**Industrial Relations**

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

**Auditors**

M/s.P.Srinivasan & Co., Chartered Accountants, Auditors of your company will be retiring at the ensuing Annual General Meeting and, being eligible for re-appointment, have communicated their consent for the same.

**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 Limited, 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 and Dealers, Stockists and Consignment Agents for their continuous support to the operations of your company.

Hyderabad  
28th July, 2004

**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 1.4.2003 to 31.03.2004	Previous Year 1.4.2002 to 31.03.2003
1. Electricity		
a) Purchased Units	359.81 lakhs	301.08 lakhs
Total Amount (Rs.)	1,358.56 lakhs	1,240.27 lakhs
Rate / Unit (Rs.)	3.78 per unit	4.12 per unit
b) Own Generation (Units),	0.32 lakhs	1.84 lakhs
Units / Ltr. Of Diesel Oil	3.20 units	3.20 units
Rate / Unit (Rs.)	6.90 per unit	6.25 per unit
2. Coal (C & D Grade used as fuel in kiln)		
Quantity	72,330 MTs	58,494.MTs
Total Cost (Rs.)	1206.08 lakhs	1065.86 lakhs
Average Rate (Rs.)	1667.48	1822.17

**B. CONSUMPTION PER UNIT OF PRODUCTION**

Particulars	Standards	Current Year	Previous Year
Products - OPC	-	2,45,000	2,05,694
Cement - Bayyavaram	-	1,10,004	1,07,193
Electricity - OPC	140.00	86.93	93.17
Cement - Bayyavaram	-	41.05	41.82
Coal - Clinker	0.28	0.17	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:**

Collaborates with the 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, stacker reclaimer for limestone, new kiln feed system, high efficiency six stage pre-heater with In Line Pre-calciner, high efficiency grate cooler with combination of IKN Kids and CFG and conventional cooler, RTKM separator for coal mill, VFD drives for process fans and electronic six spout packing plant earlier.

Further, the company has installed bag filters for Raw Mill No.1 and 2, Fly ash handling system for producing Pozzalana Portland Cement. These installations have reduced the power and fuel consumption and plant capacity has been enhanced considerably.

**SAGAR CEMENTS LIMITED**b) Bayyavaram unit:

The company has adopted VRM technology imported from Germany for the first time in India for its slag grinding unit at Bayyavaram. The technology has been adopted from M/s.GEBR Pfeiffer AG, Germany. Compared to the conventional ball mill, this new technology is highly energy efficient and is giving quality production. The company has now installed automatic bag loading machine in packing plant to improve the handling of cement bags in to trucks.

3. Foreign Exchange Earnings and Outgo: Nil

**Details of the Director seeking re-appointment at the forthcoming Annual General Meeting**  
 [In pursuance of Clause 49(VI)(A) of the Listing Agreement]

Name of the Director	<b>Shri O. Swaminatha Reddy</b>
Date of birth	25 <sup>th</sup> December 1930
Date of appointment	5 <sup>th</sup> September 1983
Expertise in specific functional area	Shri Swaminatha Reddy is a financial and management consultant, known for his acumen in corporate finance. Earlier he served as the Chairman of Andhra Bank. He is on the Board of several reputed corporate bodies, apart from being the Chairman of the Governing Body of Indian Institute of Economics, Hyderabad. He has been associated with this Company for more than 20 years.
Qualifications	B.Com.(Hons.), A.C.A.
Directorship held in other Companies	SwanVacuum Systems Ltd. T.C.I. Finance Ltd. Golkonda Hospitality Services & Resorts Ltd. Sagar Power Ltd. V.B.C. Industries Ltd. K.C.P.Ltd. Transport Corporation of India Ltd. Surana Telecom Ltd. Bhagyanagar Metals Ltd. Khaitan Tiberwals Electricals Ltd. H.B.C.,Flex Tech Ltd. K.M.Power Ltd. (Nominee of IREDA) E.P.R.Pharmaceuticals Pvt Ltd.
Committee position held in other companies	Member of the Audit Sub Committee of the Board of the following Companies:  <u>As Chairman:</u> Transport Corporation of India Ltd. Khaitan Tiberwals Elec.Ltd. Bhagyanagar Metals Ltd. Surana Telecom Ltd.  <u>As Member:</u> V.B.C. Industries Ltd. K.C.P.Ltd.