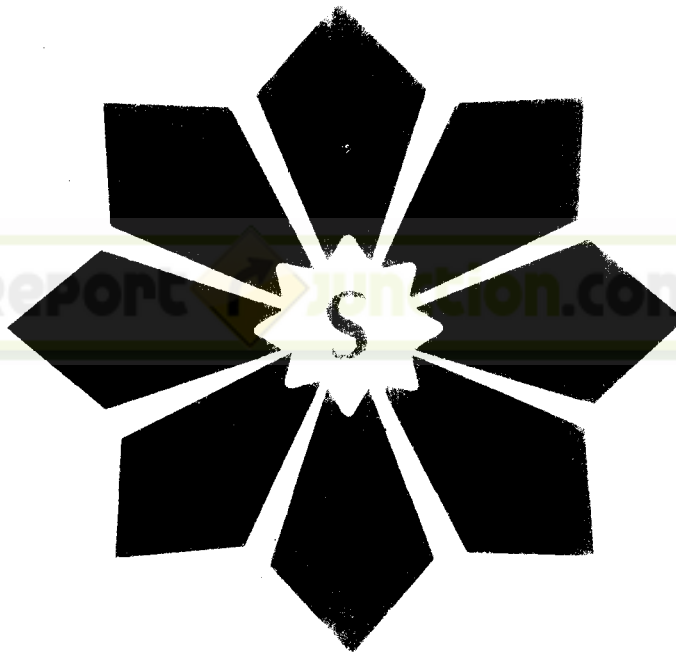


# 24th Annual Report 2004 - 2005



**SAGAR PRIYA CEMENT**  
**SAGAR CEMENTS LIMITED**

**SAGAR CEMENTS LIMITED**

To:

Date:

Karvy Computershare Private Limited  
 Karvy House  
 46, Avenue 4, Road No.1,  
 Banjara Hills, Hyderabad – 500 034

**FORM FOR ECS MANDATE / BANK MANDATE**

(Not to be filled by Shareholders holding shares in dematerialized form)

I / We \_\_\_\_\_ do hereby  
 authorise Sagar Cements Limited to :-

- \* Credit my dividend amount directly to my Bank Account as per details furnished below by Electronic Clearing Service (ECS) – ECS Mandate;
- \* Print the details of my Bank Account as furnished below on my dividend warrant which will be mailed to me – Bank Mandate

(\* Please strike out whichever is not applicable)

Folio No.

A	Bank Name	
B	Branch	
C	Bank Address	
D	Bank Account Number	
E	Account Type (Savings / Current )	
F	9 Digit Code number of the bank and branch as appearing on the MICR cheques (for ECS Mandate only )	
G	Telephone number (with STD code) of the shareholder (optional)	
H	Email ID of the shareholder (optional)	

I / We shall not hold the Company responsible if the ECS mandate cannot be implemented for reasons beyond the control of the Company.

Signature of shareholder (s)  
 (As per specimen lodged with the Company)

Note:

1. Kindly note that ECS facility is currently available to shareholders located at Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Guwahati, Jaipur, Hyderabad, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna, Pune and Trivandrum.
2. You may contact the Company's Share Transfer Agents, Karvy Computershare Private Limited, Karvy House, 46, Avenue 4, Road No.1, Banjara Hills, Hyderabad – 500 034, Tel: 91 40 23312454 / 23320751 / Fax: 91 40 23311968 / 23323049 Email: [mailmanager@karvy.com](mailto:mailmanager@karvy.com)

**SAGAR CEMENTS LIMITED**



**SAGAR CEMENTS LIMITED**

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

Dear Shareholders

27th July, 2005

**Option for ECS / Bank Mandate**

**ECS Mandate**

As facility of electronic credit of dividend directly to the respective bank accounts of our shareholders through Electronic Clearing Services (ECS) is available at Ahmedabad, Bangalore, Bhubaneshwar, Chandigarh, Chennai, Guwahati, Jaipur, Hyderabad, Kanpur, Kolkata, Mumbai, Nagpur, New Delhi, Patna, Pune and Trivandrum, shareholders in these location wishing to opt for the said facility are requested to fill up the mandate form provided on the reverse of this letter and submit the same to the Company's Transfer Agent, namely, Karvy Computershare Private Limited, Karvy House, 46, Avenue 4, Road No.1, Banjara Hills, Hyderabad – 500 034, latest by 21st September, 2005.

It may please be noted that as per directives of the SEBI, in respect of shareholders holding shares in dematerialized form, dividend shall be paid through ECS wherever such facility is available directly into the bank account furnished by the shareholders to their respective Depository participants. Such shareholders therefore **need not** submit the mandate form provided on the reverse of this letter. In case it is desired to receive dividend in a bank account other than the one specified while opening their Demat Account, such shareholders may please inform the same to their respective Depository Participants immediately.

**Bank Mandate**

Shareholders holding shares in physical form and who, for any reason, would not like to avail of the ECS facility being offered to them as mentioned above, are requested to furnish (if not already done) in the mandate form provided on the reverse of this letter, details of their bank account number and the name of the bank and the branch, which would be printed on the dividend warrants to avoid fraudulent encashment thereof.

Kindly note that the ECS / Bank mandate instructions should be under the signature of the shareholder(s) as per specimen lodged with the Company.

Thanking you

Yours Sincerely

**For Sagar Cements Limited**

**R.Soundararajan**

Company Secretary

**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
<b>COMPANY SECRETARY</b>	: Shri R.Soundararajan
<b>AUDITORS</b>	: M/s.P.Srinivasan & Co., Chartered Accountants 2-2-18/18/5, C-31, DD 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 - 500 034
<b>FACTORY</b>	: Mattampally Via Huzurnagar, Nalgonda District, Andhra Pradesh – 508 024

**SAGAR CEMENTS LIMITED****SAGAR CEMENTS LIMITED**

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

**NOTICE**

**NOTICE** is hereby given that the Twenty Fourth Annual General Meeting of the Members of the Company will be held at the K.L.N.Prasad Hall, FAPCCI, 11-6-841, Red Hills, Hyderabad - 500 004 on Wednesday, the 28th September, 2005 at 3.30 p.m. to transact the following business:

1. To receive, consider and adopt the Balance Sheet as at and the Profit and Loss Account for the year ended 31<sup>st</sup> March, 2005 and the Reports of the Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Shri K.Thanu Pillai, who retires by rotation and is eligible for re-appointment;
4. To appoint a Director in place of Dr.S.Anand Reddy, who retires by rotation and is eligible for re-appointment;
5. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

**SPECIAL BUSINESS**

6. To consider and if deemed fit to pass with or without modification the following resolution as a Special Resolution:

Resolved that Article 111 of the Articles of Association of the Company be and is hereby substituted with the following:

"All Directors of the Company other than the Whole-time Directors are eligible to receive sitting fees for each meeting of the Board and Committees thereof attended by them, of such an amount as may be determined by the Board of Directors from time to time, subject to Section 310(1) of the Companies Act, 1956 or any statutory amendment thereto or re-enactment thereof and or under any rules or regulations framed there under. Notwithstanding anything contained in this Article, the Directors may at any time and from time to time, at their absolute discretion resolve, without being bound to do so, for whatsoever reasons, to waive or forego in part or in full the remuneration including the sitting fee payable to them under this Article."

**Notes:**

- a. A Member entitled to attend and vote at the Meeting is entitled to appoint a Proxy to attend and vote on his / her behalf and the proxy to be so appointed need not be a Member of the Company. However, proxies in order to be effective must be duly executed and lodged with the Company at its Registered Office not less than 48 hours before the commencement of the Meeting.
- b. Explanatory Statement pursuant to Sec.173 (2) of the Companies Act, 1956 in respect of Special Business in Item No.6 is given in the annexure, which forms part of this Notice;

## SAGAR CEMENTS LIMITED



- c. Register of Members and the Share Transfer Books of the Company will remain closed during the period from 21<sup>st</sup> September, 2005 to 28<sup>th</sup> September, 2005 (both days inclusive) for purpose of determining the names of shareholders eligible for the dividend, if approved at the Annual General Meeting.
- d. Dividend if approved by the shareholders will be paid within a period of 30 days of its declaration.
- e. Pursuant to Section 205A of the Companies Act, 1956 all unclaimed dividends upto the Financial Year ended 31<sup>st</sup> March, 1995 were transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the dividend warrants for period mentioned above may forward their claims for the said dividend in the Form No.11 prescribed under the Unpaid Dividend (Transfer to General Revenue Account of the Central Government) Rules, 1978 to:

The Office of the Registrar of Companies  
Kendriya Sadan  
Sultan Bazaar  
Koti, Hyderabad – 500 095

Members who have not yet encashed their dividend warrant for the Financial Year ended 31<sup>st</sup> March, 1998 are requested to make their claims to the Company for the same without any delay. It may be noted that the unclaimed dividend for the said financial year is due for transfer to the Investor Education and Protection Fund under Sec.205C of the Companies (Amendment) Act, 1999 on 13<sup>th</sup> November, 2005.

- f. The details required to be given under the Code of Corporate Governance in respect of Dr.S.Anand Reddy and Shri K. Thanu Pillai, who are retiring by rotation and are eligible for reappointment, have been furnished in the Report on Corporate Governance which forms part of the 23<sup>rd</sup> Annual Report.

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

Hyderabad  
27<sup>th</sup> July, 2005

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

**SAGAR CEMENTS LIMITED**



**Annexure to the Notice convening the Twenty Fourth Annual General Meeting**

**Explanatory Statement on Item No.6 of the Notice**

**(Pursuant to Sec.173 (2) of the Companies Act, 1956)**

The present Article 111 of the Articles of Association of the company, which deals with payment of sitting fee to the directors for attending the meetings of the Board or Committees thereof, authorises the Board to fix the same subject to a ceiling mentioned therein. It is now proposed to substitute the said Article with a new Article as contained the Resolution which would enable the Board of Directors to fix the sitting fee from time to time, taking into account the industry practice and other relevant factors, subject to restrictions, if any, imposed by the Statute for the time being in force.

All the non-executive Directors of the Company are deemed to be concerned or interested in the Resolution, since it relates to the payment of Sitting Fee for the Board / Committee Meetings attended by them.

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

Hyderabad  
27<sup>th</sup> July, 2005

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

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

Your Directors hereby present their Twenty Fourth Annual Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2005.

**Performance**

A summarised financial performance of your company during the year 2004-05 is given below:

(Rs. In lakhs)

Particulars	For the year ended	
	31 <sup>st</sup> March, 2005	31 <sup>st</sup> March, 2004
Sales	<b>11203.59</b>	11118.31
Sales Tax deferment written back	<b>1100.81</b>	0
Other income	<b>73.27</b>	15.94
Total Income	<b><u>12377.67</u></b>	<u>11134.25</u>
Profit before Depreciation, Financial Charges and Tax and prior period adjustments	<b>1155.85</b>	950.10
Less: Financial Charges	<b>464.71</b>	569.24
Depreciation	<b><u>321.60</u></b>	<u>368.79</u>
	<b><u>786.31</u></b>	<u>938.03</u>
Profit before tax and prior period adjustments	<b>369.54</b>	12.07
Less: Prior Period Adjustments	<b>66.78</b>	--
Provision for Income-tax (MAT)	<b>28.97</b>	--
	<b><u>95.75</u></b>	--
Add / (Less) Deferred Tax Asset / (Liability)	<b>(101.37)</b>	52.51
Profit after Tax	<b><u>172.42</u></b>	<u>64.58</u>
Add: Profit brought forward from previous year	<b>591.98</b>	527.40
Profit available for appropriation	<b><u>764.40</u></b>	<u>591.98</u>
Proposed dividend at 10 % (Including dividend tax)	<b><u>127.16</u></b>	<u>0</u>
Balance carried to Balance Sheet	<b><u>637.24</u></b>	<u>591.98</u>

The performance of your company in terms of production and sale of cement / clinker is given below:

Particulars	Clinker		Cement	
	2004-05	2003-04	2004-05	2003-04
Production in MTs	<b>403000</b>	434000	<b>341118</b>	355005
Sales in MTs	<b>153959</b>	143243	<b>343170</b>	359148
Average Sales realisation per MT( in Rs.)	<b>1167</b>	1171	<b>2047</b>	1987

**Dividend**

In view of meagre profit earned by your company coupled with a desire to strengthen the liquidity of your company to meet its future operational needs, your directors recommend dividend at 10% only for the year ended 31<sup>st</sup> March, 2005.



**SAGAR CEMENTS LIMITED****Future Outlook**

While with the continued emphasis on the development of infrastructure, the demand for cement is growing at an All India level, the picture is somewhat different in the State of Andhra Pradesh, which is the main market for your Company's products and where the price of cement is highly volatile. With the entry of new units and expansion of the existing units, there has been built an excess capacity in the State as a result of which your Company is unable to achieve a comfortable sales realisation. Under these circumstances, the focus on cost reduction seems to be the only choice left for your company to pull through the present situation. It is in this connection that we wish to inform you that the Mattampally unit of your company has become one of the most cost effective units in the industry, thanks to the thrust your Company continues to place on cost reduction through modernization of equipment and other means.

In accordance with the approval given by the shareholders at their previous meeting, the loss making grinding unit at Bayyavaram has since been disposed off. With the sale of this unit, there will be fewer burdens on the profitability of the operations of your company.

**Subsidiary Company**

Statement pursuant to Sec.212 of the Companies Act, 1956 in respect of Sagar Power Limited, a subsidiary of your Company, has been given in this Report and accounts pertaining to the said company have also been given in the annexure. This subsidiary has had to face severe set back in its operations due to poor generation of power caused by inadequate water flow in the related canals for the past few years. As SPL faced problems in honouring its repayment commitments against the term loan availed by it from the ICICI Bank due to the above said natural calamity, your Company which had given a Corporate Guarantee for due repayment of the said term loan, has since taken over these repayment obligations amounting to Rs.10 crores, which will be recovered by your Company from the subsidiary in due course against power supply together with reimbursement from the subsidiary, of additional expenditure, if any to be incurred by your Company on account of the said take over of the repayment obligations. There has since been some improvement in the water flow enabling this subsidiary to improve its power generation and, your directors are confident that if the present trend continues, this subsidiary will be able to stabilize itself financially and will become viable on a stand-alone basis.

**Corporate Governance**

Your Company has complied with the mandatory provisions of the Corporate Governance prescribed in the presently applicable Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report detailing such compliance together with the Certificate from the Auditors in connection therewith is included as part of the Annual Report.

**Internal Control Systems**

Your Company has adequate internal control systems in all areas of its operations at its plant at Mattampally, Administrative Office at Hyderabad and its Branch at Visakhapatnam. Effectiveness of these systems is being reviewed at periodic intervals for possible improvement.

**Insurance**

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

**Particulars of Employees**

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

**SAGAR CEMENTS LIMITED****Industrial Relations**

Industrial relations continued to be cordial throughout the year under review at factory as well as at other places of business of your Company.

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

The particulars required under Sec.217 (1)(e) of the Companies Act, 1956 have been provided in the annexure, which forms part of the Report.

**Pollution Control**

Your Company has an ESP system in place and pollution at the factory is within the acceptable levels.

**Directors**

In compliance with Sec.256 of the Companies Act, 1956, Dr.S. Anand Reddy and Shri K.Thanu Pillai will be retiring by rotation at the ensuing Annual General Meeting and are eligible for re-appointment, which your Board recommends.

**Auditors**

Shareholders are requested to appoint Auditors to the Company to hold office from the conclusion of the ensuing Annual General Meeting. Messrs. P.Srinivasan & Co., Chartered Accountants, the Auditors of your Company will be retiring at the ensuing Annual General Meeting and are eligible for re-appointment. They have confirmed that their re-appointment, if approved by the shareholders, would be in accordance with the limits specified in Sub Section (1B) of Section 224 of the Companies Act, 1956.

**Directors' Responsibility Statement**

Pursuant to Section 217 (2AA) of the Companies Act, 1956, we state:

- (i) that in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material developments; if any;
- (ii) that the directors had selected such accounting policies and applied them consistently and made judgment 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 the period;
- (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 on a going concern basis.

**Acknowledgement**

We wish to place on record our appreciation of the valuable co-operation extended by the Industrial Development Bank, ICICI Bank, SBH, SBI and Punjab National Bank to the Company as well as the State and Central Government Authorities. We also thank our Distributors, Dealers, Consignment Agents and other business associates for their continued support to the operations of your Company. We also take this opportunity to place on record our appreciation of the contributions made by the employees at all levels and the last but not least, the continued confidence reposed by you in the Management.

For and on behalf of the Board

Hyderabad  
27<sup>th</sup> July, 2005

**O.Swaminatha Reddy**  
Chairman