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SAGAR CEMENTS LIMITED



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**BOARD OF DIRECTORS**

Shri O.Swaminatha Reddy	Chairman – Independent & Non Executive
Shri S.Veera Reddy	Managing Director
Shri K.Thanu Pillai	Independent & Non Executive
Shri P.Rajeswara Rao	APIDC Nominee
Dr.S.Anand Reddy	Joint Managing Director
Shri S.Sreekanth Reddy	Executive Director
Shri V.V.S.Ravindra	IDBI Nominee & Independent
Shri Werner C.R.Poot	Non Executive

COMPANY SECRETARY

Shri R.Soundararajan

SENIOR MANAGEMENT TEAM**Corporate Office:**

Shri M.S.A.Narayana Rao	Group President
Shri M.V.Subba Rao	Senior Vice President
Shri K.Ganesh	Vice President - Projects
Shri K.Vijay Vardhan Rao	Vice President - Mktg.
Shri P.Venkat Reddy	Chief General Manager - Finance
Shri P.S. Prasad	Chief General Manager - Mktg.

Site:

Shri N.Krishna Reddy	Senior Vice President - Works
Shri K.V.Ramana	General Manager - Mines
Shri O.Anji Reddy	General Manager - Elec. & Instrnt.
Shri S.Venkateshwarlu	General Manager - P & QC

AUDITORS

M/s.P.Srinivasan & Co.,
Chartered Accountants
2-2-18/18/5,
C-31, Near Ahobhila Mutt, DD Colony,
Hyderabad - 500 013

COST AUDITORS

M/s.Narasimha Murthy & Co.,
Cost Accountants
104, Pavani Estates, Y.V.Rao Mansion
Himayathnagar
Hyderabad - 500 029

BANKERS

State Bank of Hyderabad,
State Bank of India
Punjab National Bank
IDBI Bank Limited

REGISTERED OFFICE ADMINISTRATIVE OFFICE

8-2-472/B/2, Road No.1, Banjara Hills
Hyderabad - 500 034.Tel: 040-23351571

FACTORY

Mattampally, Via Huzurnagar, Nalgonda District,
Andhra Pradesh 508 204.Tel: 08683-247039

NOTICE

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

Notice is hereby given that the 28th Annual General Meeting of the Members of the Company will be held at 3.30 p.m. on Thursday the 17th September, 2009 at Hotel Golkonda, Masab Tank, Hyderabad – 500 028, to transact the following business:

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended 31st March, 2009 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare dividend.
3. To appoint a Director in place of Dr.S.Anand Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri K.Thanu Pillai, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

NOTES:

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.

The details required to be given under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Item No.3 and 4 are given in the annexure, which forms part of this Notice.

Register of Members and the Share Transfer Books of the company will remain closed during the period from 11th September 2009 to 17th September, 2009 (both days inclusive).

Members holding shares in physical form are requested to inform the Company or its Registrars about the change, if any, in their addresses.

Pursuant to Section 205 of the Companies Act, 1956, all unclaimed/unpaid dividends up to the financial year ended 31st March 1995 had been transferred to the General Revenue Account of the Central Government. Shareholders, who have not yet en-cashed 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



Consequent upon the amendment of Section 205A of the Act and the introduction of Section 205C by the Companies (Amendment) Act, 1999, the un-claimed dividends for the financial year ended 31st March, 1996 onwards and up to the financial year ended 31st March, 2001 were duly transferred to the Investors Education and Protection Fund set up by the Government of India.

Members who have not yet en-cashed their dividend warrants in respect of the dividend declared for the financial years ended 31st March, 2005 and 2006 and the two interim dividends paid and later confirmed as final dividend for the year ended 31st March, 2007 and the interim and the final dividend paid for the year ended 31st March, 2008 are requested to make their claims to the Company.

Dividend for the year 2008-09, if declared at the meeting, will be payable to those members whose names appear on the Company's Register of Members on 17th September, 2009.

Section 109A of the Companies Act, 1956 provides for Nomination by the shareholders of the Company in the prescribed Form No.2B and the shareholders are requested to avail this facility.

By Order of the Board

R.Soundararajan
Company Secretary

23rd July, 2009

Registered Office:

8-2-472/B/2, Road No. 1

Banjara Hills

Hyderabad – 500 034, A.P.



Annexure to the Notice of the 28th Annual General Meeting

Details of Directors seeking re-appointment at the Annual General Meeting
(Pursuant to Clause 49 of the Listing Agreement)

Name of the Director	Dr.S.Anand Reddy	Shri K.Thanu Pillai
Date of birth	10th June, 1964	14th May, 1935
Experience in specific functional areas	Marketing and Project Management	Banking and Finance
Qualification	M.B.B.S.	MBA, CAIIB
Directorships in other Public Limited Companies	Sagar Power Limited., Amareswari Cements Ltd., Satwik Drugs Ltd., Sagar Priya Housing and Industrial Enterprises Ltd.	State Bank of Travancore BSCPL Infrastructure Ltd., LVS Power Ltd., Sathavahana Ispath Ltd., Bollineni Castings & Steel Ltd., Amar Biotech Ltd., Aishu Projects Ltd., Bollineni Developers Ltd., BSCPL Realty Ltd., BSCPL Infra Projects Ltd.
Membership of Audit / Shareholders / Investors Grievances Committees of other Public Limited Companies	Member – Audit Committee of Sagar Power Ltd	Member of Audit Committee of: State Bank of Travancore BSCPL Infrastructure Limited Sathavahana Ispath Limited LVS Power Limited
No. of shares held in Sagar Cements Limited	584950	Nil
Inter-se relationship with other Directors of the Company	Related to Shri S.Veera Reddy, Managing Director and Shri S.Sreekanth Reddy, Executive Director	Not related to any of the directors of Sagar Cements Limited.



DIRECTORS' REPORT

Dear Members

Your Directors are pleased to present their Twenty Eighth Report together with the audited accounts of the Company for the year ended 31st March, 2009.

Your Directors are also pleased to inform you that your Company crossed a milestone on 28th January, 2009 when it successfully commenced the production at its expanded plant of 2.35 million tones capacity per annum, transforming itself into a large cement plant. This expansion was implemented at a cost of around Rs.2000/- per M.T. cement capacity as against the prevailing norm of Rs.4,000/- per M.T. capacity. This was accomplished by effective utilization of the infrastructure available at the existing plant and by resorting to procurement of capital equipments needed for the expansion from different sources at competitive rates instead of sourcing all of them through a single package on a turn-key basis. Production at the plant is getting stabilized and the full benefit of the expanded capacity is expected to flow from the year 2009-10.

Financial Results

A summarized financial performance of your company during the year under review is given below:

Rs. In lakhs

Description	2008-09	2007-08
Sales	33427	27462
Other Income	80	100
Total Income	33507	27562
Profit before Depreciation, Financial Charges and Tax	5986	5759
Less : Depreciation	1872	413
Financial Charges	1590	340
Profit before Tax	2524	5006
Less: Net provision for Income-tax	878	1910
Profit after Tax	1646	3096
Add: Profit brought forward from previous years	5327	2939
Profit available for appropriation	6973	6035
Appropriations:		
Proposed Dividend	385	340
Corporate Dividend Tax	61	58
Transfer to General Reserve	400	310
Total Appropriation	846	708
Balance carried to Balance Sheet	6127	5327
Total	6973	6035



Dividend

Financial results achieved by your Company on a satisfactory note amidst adverse conditions, have enabled your Board to recommend a dividend @ Rs. 2.50 (25%) per share on its equity shares for the year ended 31st March, 2009.

Production and Sales Performance

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

Particulars	Clinker		Cement	
	2008-09	2007-08	2008-09	2007-08
Production	737710	520710	431250	282242
Sales	307152	252536	415835	282443
Sale of Traded Cement	-	-	225650	266277

The increase in the production was on account of the expanded capacity becoming operational, though partially, during the year under review. The year also saw a marginal increase of Rs.63/- and Rs.126/- in the average sales realisation per tonne of clinker and packed cement respectively.

Share Capital

During the year under report, your Board allotted 6,65,000 equity shares of Rs.10/- each at a premium of Rs.72/- per share against similar number of warrants offered for conversion and made a further allotment of 10,00,000 equity shares on a preferential basis at a premium of Rs.690/- per share, as a result of both of which, the paid up share capital stood increased to Rs.15,00,23,000 as on 31st March, 2009. With the conversion of the warrants mentioned above, all the 18,50,000 warrants previously issued to the promoter group in accordance with the approval given by the shareholders at their 25th Annual General Meeting have been converted into equity shares as contemplated in the terms of their issue.

The funds mobilized on allotment of the above shares have been fully spent for the intended purpose.

Future Outlook

Disproving the fears expressed over the prospects of the cement industry in the current scenario of economic slow down, the industry ended the financial year 2008-09 on a somewhat satisfying note. Concerned with the global meltdown which is impacting the core sectors in India with all its attendant ill effects, the government is also according the utmost importance to the urban development and improvement in the infrastructure in a big way. With the increased spending by the Government on these growth drivers, there is unlikely to be any slow down in the demand for cement in the near future, which augurs well for the industry and your company.

As the members are aware, your Company has entered into a Joint Venture with Vicat S.A. of France to set up a green field cement plant of 5.5 million ton capacity at Chatrasala Village in Chincholi Taluk, Gulbarga District of the Karnataka State. The implementation of this project, being carried out through Vicat Sagar Cement Private Limited, a special purpose vehicle formed for the purpose, is in progress.

Though at present there is a lull in the global demand for cement, your Board nevertheless believes that as the world economy stabilizes and construction activity picks up across the countries, the demand for cement will also get a boost at the global level. Encouraged by this, your Company is drawing up plans to expand its operations beyond the country and is more particularly eyeing for opportunities for growth through appropriate modes in African and Gulf regions.



Subsidiary Company

Documents and Information pursuant to Sec.212, of the Companies Act, 1956 in respect of Sagar Power Limited, a subsidiary of your Company, have been provided as attachment to the Balance Sheet, together with the consolidated financial statements. The performance of this subsidiary would have been much better, but for the fact that one of its two units had become almost non-operational during the year under review due to non-release of water to the relevant canal to facilitate the completion of the on-going construction of an aqua-duct across the canal. In order to reduce its dependence exclusively on hydel power generation, this subsidiary has plans to diversify its activities into other modes of power generation and has already made a modest beginning by setting up a wind mill power unit of 1.65 MW capacity in Theni District of Tamil Nadu, in technical association with Vestas, a world leader in the wind mill technology. It is hoped that this will lead to the setting up of a few more similar projects over a period of time.

Corporate Governance

Your Company has complied with all the mandatory provisions of the Corporate Governance prescribed under Clause 49 of the Listing Agreement with the Stock Exchanges. A separate report detailing such compliance together with the mandatory Certificate obtained from the Statutory 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 both at its plant at Mattampally and at its Registered Office in Hyderabad. Effectiveness of these systems is periodically reviewed for possible improvement.

Insurance

All the properties of the Company have been adequately insured.

Particulars of Employees

Particulars of employees required to be furnished in this Report pursuant to Sec.217 (2A) of the Companies Act, 1956 are given in the annexure.

Industrial Relations

Company continues to enjoy cordial relationship with all its personnel at the Plant, Office and on the field.

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

As the shareholders are aware, your Company has an ESP system in place at its plant, which keeps the pollution 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 these retiring directors are eligible for re-appointment.

Audit Committee

The Audit Committee of the Board, constituted pursuant to Sec.292 (A) of the Companies Act, 1956 read with Clause 49 of the Listing Agreement, consists of the following directors as its members as on 23rd July, 2009:

Shri O.Swaminatha Reddy	Chairman of the Committee (Non-Executive and Independent Director)
Shri K.Thanu Pillai	Member (Non-Executive and Independent Director)
Shri V.V.S.Ravindra	Member (Independent Director – IDBI Nominee)
Shri P.Rajewara Rao	Member (Non-Executive and Nominee of APIDC)

Company Secretary is the Secretary of the Committee. The Committee had met four times during the year ended 31st March, 2009 and, inter-alia, reviewed the quarterly financial results of the Company.

Remuneration Committee

The Remuneration Committee of the Board, constituted pursuant to Schedule XIII to the Companies Act 1956 read with Clause 49 of the Listing Agreement has the following Non-Executive / Independent Directors as its members:

Shri K.Thanu Pillai	Chairman - Non-Executive and Independent Director
Shri O.Swaminatha Reddy	Member – Non-Executive and Independent Director
Shri P.Rajeswara Rao	Member – Non-Executive and Non-Independent

This Committee met once during the year to recommend a suitable remuneration to the Managing and other Whole-Time Directors of the company and these recommendations were later approved by the shareholders.

Investment Committee

With a view to evaluating investment opportunities available to the Company from time to time, your Board has constituted an Investment Committee, which has the following directors as its members:

Shri O.Swaminatha Reddy	Chairman
Shri S.Veera Reddy	Member
Shri K.Thanu Pillai	Member