



**SAGAR CEMENTS LIMITED**



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## BOARD OF DIRECTORS

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

## 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 P.Venkat Reddy	Vice President - Finance
Shri P.S.Prasad	Vice President – Marketing
Shri O.Anji Reddy	Chief General Manager (Electrical & Installations)

### Site:

Shri N.Krishna Reddy	Senior Vice President – Works
Shri K.V.Ramana	Chief General Manager - Mines
Shri S.Venkateswarlu	Chief General Manager – P & QC
Shri A.K.Nagesh	General Manager (Mech. & Development)

## AUDITORS

M/s. PSrinivasan & Co.,  
Chartered Accountants  
2-2-18/8/5, 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

8-2-472/B/2, Road No.1, Banjara Hills  
Hyderabad-500 034. Tel: 040 – 23351571  
Fax: 040 - 23356573

## PLANT

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



## SAGAR CEMENTS LIMITED

### NOTICE

**Notice** is hereby given that the 29th Annual General Meeting of the Members of the Company will be held at 4.00 p.m. on Monday, the 20th September, 2010 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 31<sup>st</sup> March, 2010 and the Balance Sheet as on 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 Shri S.Sreekanth Reddy, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Shri Werner C.R. Poot, 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.

#### Special Business

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

**“Resolved** that Shri Gilbert Noel Claude Natta be and is hereby appointed as a Director of the Company liable to retire by rotation.”

#### 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. The details required to be given under Clause 49 of the Listing Agreement with the Stock Exchanges in respect of Item No.3, 4 and 6 along with the Explanatory Statement pursuant to Sec.173 in respect of the special business in Item No.6 are given in the annexure, which forms part of this Notice.
3. Register of Members and the Share Transfer Books of the company will remain closed during the period from 10.09.2010 to 20.09.2010 (both days inclusive).
4. Members holding shares in physical form are requested to inform the Company or its Registrars about the change, if any, in their addresses.
5. Pursuant to Section 205A 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 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



6. Consequent upon the amendment to 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 31<sup>st</sup> March, 1996 onwards and up to the financial year ended 31<sup>st</sup> March, 2001 were duly transferred to the Investors Education and Protection Fund set up by the Government of India.
7. Members who have not yet encashed their dividend warrants in respect of the dividend declared subsequently as detailed below are requested to make their claims to the Company.

Year	Nature of Dividend
2004-05	Final Dividend
2005-06	Final Dividend
2006-07	Interim and later confirmed as Final
2007-08	Interim and Final
2008-09	Final

8. Dividend for the year 2009-10, if declared at the meeting, will be paid to those members whose names appear on the Company's Register of Members on 20th September, 2010.
9. 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

31st July, 2010  
Registered Office:  
8-2-472/B/2, Road No.1  
Banjara Hills,  
Hyderabad – 500 034, A.P.



**Annexure to the Notice of the 29<sup>th</sup> Annual General Meeting**  
(Explanatory Statement U/s. 173 (2) of the Companies Act, 1956)

**Item No.6 of the Notice**

Shri Gilbert Noel Claude Natta was appointed as an additional director of the Company on 17<sup>th</sup> September, 2009. In accordance with Section 260 of the Companies Act, 1956 he will be holding the said office till the ensuing Annual General Meeting. Notice proposing his re-appointment as director has been received under Section 257 of the Companies Act, 1956.

Shri Gilbert Noel Claude Natta obtained his Scientific baccalauréat in 1966 and MBA ESSEC in 1971. He served in French Military during the period from 1971 to 1973 as Supply Officer. During the period from 1973 to 1988 he served as a banker with Banque Indosuez, a part of Suez Group and held his assignments in South Africa, Saudi Arabia, Holland and France. He has vast experience in Commercial and Merchant Banking areas and held positions in France as Deputy Director of Strategy and Budget and Head of Risks for Asia and Australasia. He joined Vicat in 1988 as Deputy Finance Director.

He was appointed as Development Director for the Vicat group in 1991 and he is now on the Board of its subsidiaries in Turkey, Mauritania, Egypt, Kazakhstan and India, which include Vicat Sagar Cement Private Limited, a company promoted jointly by Sagar Cements Limited and Parficim SAS, a wholly owned subsidiary of Vicat S.A.

The Board of Directors recommend the resolution to appoint Shri Gilbert Noel Claude Natta as director of the Company for approval of the members.

As the resolution relates to the appointment of Shri Gilbert Noel Claude Natta as director, to that extent and to the extent of his association with Vicat S.A., which is holding 10,00,000 Equity Shares in the company through its subsidiary Parficim S.A.S., he may be deemed to be interested in the resolution.



**Annexure to the Notice of the 29<sup>th</sup> Annual General Meeting**  
(Pursuant to Clause 49 of the Listing Agreement)  
**Details of Directors seeking re-appointment at the Annual General Meeting**

Name of the Director	<b>Shri S.Sreekanth Reddy</b>	<b>Shri Werner C.R.Poot</b>	<b>Shri Gilbert Noel Claude Natta</b>
Date of birth	27-08-1971	13-01-1971	24-12-1948
Experience in specific functional areas	Cement Technologist	Chemical Engineering	Banking & Finance
Qualification	B.E. (I & P) and PG Diploma in cement technology	Engineer	ESSEC PARIS
Directorships in other Companies in India	Sagarsoft (India) Ltd. Sagar Power Ltd. Vicat Sagar Cement Pvt. Ltd. Vijaynagar Sugar Pvt. Ltd. Sree Venkateshwara Winery & Distillery Pvt. Ltd. Amareswari Cements Ltd. Sagar Priya Housing and Industrial Enterprises Ltd.	AVH Resources India Pvt.Ltd. Oriental Quarries and Mines Pvt.Ltd.	Bharathi Cement Corporation Ltd., Vicat Sagar Cement Pvt.Ltd.
Membership of Audit / Shareholders / Investors Grievances Committees of other Public Limited Companies	Nil	Nil	Nil
No. of shares held in Sagar Cements Limited	601400	Nil	Nil
Inter-se relationship with other Directors of the Company	Related to Shri S.Veera Reddy, Managing Director and Dr.S.Anand Reddy, Joint Managing Director	None	None

By Order of the Board

R.Soundararajan  
Company Secretary

31st July, 2010  
Registered Office:  
8-2-472/B/2, Road No.1  
Banjara Hills,  
Hyderabad – 500 034, A.P.



## DIRECTORS' REPORT

Dear Members

Your Directors are pleased to present their Twenty Ninth Report together with the audited accounts of the Company for the year ended 31<sup>st</sup> March, 2010.

As you are aware, during the later part of the previous year, your Company had completed a major expansion of its plant's capacity from 0.297 mtpa to 2.35 mtpa and your Directors are pleased to inform you that the production from the said expanded facility has since stabilized.

### Financial Results

Rs. in lakhs

Description	2009-10	2008-09
Net Sales	47957	30654
Other income	679	84
Total Income	48636	30738
Profit before Depreciation, Financial Charges and Tax	8646	5986
Less : Depreciation	2769	1872
Financial Charges	2895	5664
Profit before Tax	2982	2524
Less : Net Provision for Tax	1070	878
Profit After Tax	1912	1646
Add : Profit brought forward	6127	5327
Profit available for appropriation	8039	6973
<b>Appropriations proposed</b>		
Dividend @ 25 % (Rs.2.50 per equity share)	375	385
Dividend Tax	49	61
Transfer to General Reserve	500	400
Balance carried to Balance Sheet	7115	6127
<b>Total</b>	<b>8039</b>	<b>6973</b>
Basic and Diluted Earning Per Share	12.75	11.48

### Dividend

Your Board has recommended for declaration at the forthcoming Annual General Meeting, a dividend @ Rs.2.50 per share (25%) on the 15002300 Equity Shares of Rs.10/- each for the year ended 31<sup>st</sup> March, 2010.

### Operations review

The total income of your Company grew by 58% to Rs.48636 lakhs during the year under report as compared to Rs.30738 lakhs in the previous year. Operating Profit grew by 44.4 % to Rs.8646 lakhs. Profit after Tax was higher at Rs.1912 lakhs as



compared to Rs.1646 lakhs in the previous year, registering a growth of 16%. Earnings per share for the year were also higher at Rs.12.75 as against Rs.11.48 in the previous year.

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

Particulars	Clinker (MTs)		Cement (MTs)	
	2009-10	2008-09	2009-10	2008-09
Production	1430000	737710	1120351	431250
Sales	350133	307152	1130636	415835
Sale of Traded Cement	-	-	204191	225650

The increase in the production was on account of the expanded capacity having become fully operational during the year under review, which enabled your company to record a sharp rise in sales. The year also saw a marginal increase of Rs.63/- and Rs.126/- in the average net sales realisation per tonne of clinker and packed cement respectively.

### Share Capital

There was no change in the capital structure of your Company during the year under report.

### Future Outlook

The long-term prospects for the cement industry as a whole look bright as the cement consumption, driven by higher off-take by all user segments, is expected to remain robust. However, the capacity additions, which are taking place across the industry and the entry of global cement companies, both through organic and inorganic routes, have intensified the competition within the industry offering little scope for any significant improvement in the realization in the near term. This, coupled with increasing inputs costs, may put the margins under pressure.

While the growth in the cement consumption is generally expected to overcome any possible conflict arising due to excess supply and attendant set backs, your Company, on its part, is confident of maintaining its growth amidst aggressive competition by improving its market share through innovative strategies and by cutting costs and improving efficiency in all areas of its operations.

### Subsidiary Company

Documents and Information pursuant to Sec.212 of the Companies Act, 1956 in respect of Sagar Power Limited, the 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 the two units belonging to this subsidiary continued to be almost non-operational for the second year in succession due to stoppage of flow of water in the relevant canal caused by on-going construction of an aqua-duct across the said canal. With a view to focusing more on the core area of your Company namely the cement business, your Company is divesting its stake in this subsidiary.

### Joint Venture

As you are aware, your Company and Parficim S.A.S., a wholly owned subsidiary of Vicat S.A. of France have jointly promoted Vicat Sagar Cement Private Limited as a special purpose vehicle, to set up a 5.5 mtpa capacity cement plant along with a captive power unit of 60MW capacity in Gulbarga District of Karanataka State. Sagar Cements and the Vicat Group have so far invested a sum of Rs.410 million and Rs.1196 million respectively in the project. This project is implemented in two phases, each phase with a capacity of 2.75 mtpa. The acquisition of land in respect of first phase is nearing completion. This phase, for which financial closure is expected to be achieved soon, is being planned, barring unforeseen circumstances, to go on stream by 2012.



### **Corporate Governance**

Your Company has complied with all the mandatory provisions relating to Corporate Governance as 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 important areas of its operations and effectiveness of these systems is periodically reviewed for possible improvement in them.

### **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**

Your 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**

Your company is committed to keep the pollution at its plant within the acceptable norms and as part of this commitment, it has installed an ESP system at the plant.

### **Directors**

In compliance with Sec.256 of the Companies Act, 1956, Shri S.Sreekanth Reddy and Shri Werner C.R.Poot will be retiring by rotation at the ensuing Annual General Meeting and these retiring directors, being eligible, are proposed for re-appointment. Shri Gilbert Noel Claude Natta, who was appointed as additional directors on the Board on 17<sup>th</sup> September 2009, will be holding his office up to the ensuing Annual General Meeting in accordance with Sec.260 of the Companies Act, 1956 and a notice proposing his re-appointment U/s.257 of the said Act has been received from a member of the Company. Your Board recommends the re-appointment of all the above mentioned directors at the ensuing Annual General Meeting.

### **Sub Committees of the Board**

The Board has Audit Committee, Remuneration Committee, Investment Committee and Investors' Grievances Committee, the composition and details of which have been given in the Report on the Corporate Governance forming part of the Annual Report.