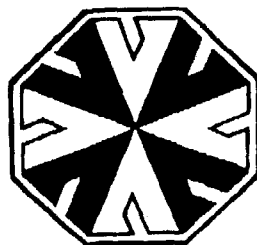


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15TH ANNUAL REPORT 1998-99



VARUN

CEMENTS LTD.

BOARD OF DIRECTORS

V.P. Valecha	Chairman
S.L. Thakur	Managing Director
V.K. Jain	
G.B. Bhadada	
V.B. Rangnekar	
S.S. Saxena	(Nominee of MPSIDC)
Umesh Jain	(Nominee of IDBI)

LEGAL ADVISER

Ashok Kutumbale
Advocate

BANKERS

Canara Bank
Central Bank of India

AUDITORS

R.M. Ajgaonkar & Co.
Chartered Accountants

REGISTRARS AND TRANSFER AGENTS

Premium Financial Services Ltd.
A-2, 477, Shah & Nahar Industrial Estate,
Lower Parel (West)
Mumbai - 400 013

15TH ANNUAL GENERAL MEETING

At 3 P.M.

On

Friday, 25th June 1999

At

Vidhyanidhi Complex

Vidhyanidhi Marg, JVPD Scheme

Mumbai - 400 049

REGISTERED OFFICE

"Keshava"

Bandra-Kurla Commercial Complex,

Bandra (East)

Mumbai - 400 051

HEAD OFFICE

C-16, HIG Colony,

Indore - 452 008

WORKS

Varun Cements Ltd. &

Varun Naveen Unit

Amzera - 454 441

(Dist. Dhar) M.P.

CONTENTS

	P.No.
Director's Report	1
Auditor's Report	2
Balance Sheet	4
Profit & Loss Account.....	5
Schedules	6
Notes on Accounts	10
Cash Flow Statement	13
Balance Sheet Abstract	14

NOTICE

NOTICE IS HEREBY GIVEN THAT the 15th Annual General Meeting of the members of the Company will be held on Friday, the 25th June 1999 at Vidhyanidhi Complex, Vidhyanidhi Marg, JVPD Scheme, Mumbai - 400 049 to transact the following business :-

ORDINARY BUSINESS

(1) To receive consider and adopt the Accounts and Balance Sheet and the Reports of the Directors and Auditors, thereon for the year ended 31st March 1999.

(2) To consider the erosion of networth of the company during the Financial Year 1998-99 as required under section 15(1) of the SICK INDUSTRIAL COMPANIES (SPECIAL PROVISIONS) ACT (SICA) 1985 and if deemed fit to pass with or without modifications. the following resolution as an ordinary resolution :

"RESOLVED THAT since the accumulated losses of the company as on 31.03.99 have risen to Rs.1400.94 lac whereby the entire net worth of the company is eroded, the company has become a sick industrial company within the meaning of the clauses (0) of sub section (1) of section 3 of Sick Industrial Companies (Special Provisions) Act. 1985.

It is further RESOLVED that the required reference as filed with Board for Industrial & Financial Reconstruction (BIFR), New Delhi is hereby approved.

(3) To consider re-appointment of Mr.V.K. Jain on the Board.

(4) To consider re-appointment of Mr.G.B. Bhadada on the Board.

(5) To appoint Auditors to hold office from the conclusion of this 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 the following resolution, with or without modifications, as an ordinary resolution :

"RESOLVED THAT Mr. S.L. Thakur, be and is hereby re-appointed as a Managing Director of the company for a period of Two Years from 1.4.99 on the terms & conditions set-out here below :

1. Period of Agreement : Two Years (W.e.f. 1.4.99)
2. Remuneration : a. Salary : Rs.15,000/- Per Month
b. Perquisites :

PART-A :

a. Housing :

- i) The expenditure by the company on hiring furnished accommodation for Mr. S.L. Thakur will be subject to the following ceiling i.e. 40% of the salary, over and above 10% payable by Mr. S. L. Thakur.
- ii) In case the accommodation provided to Mr. S. L. Thakur is owned by the company 10% of the salary of Mr. S.L. Thakur shall be deducted by the company.

iii) In case no accommodation is provided by the company, Mr. S.L. Thakur shall be entitled to house rent allowance subject to the ceilings as laid down in Housing (i) above.

b. Gas, Electricity, Water : As per Income Tax Rules 1962, subject to a ceiling of 10% of the salary.

c. Medical Reimbursement : For self & family subject to a ceiling of one month salary in a year or 3 month salary over a period of three years.

d. Leave Travel Concession : For self and family once a year in accordance with the rules of the company.

e. Personal Accident : For an amount, the Insurance premium in respect of which shall not exceed Rs.4,000/- per annum.

PART-B

a. Contribution to the provident fund, super annuation fund or Annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.

b. Gratuity not exceeding half month's salary for each completed year of service subject to a ceiling of Rs.1,00,000/-.

PART-C

Provision for car for use on company's business and telephone at residence will not be considered perquisites. Personal long distance calls and use of car for private purposes shall be billed by the company to the Managing Director.

By order of the Board of Directors

Place : MUMBAI
Date : 20.05.1999

(S.L. THAKUR)
Managing Director

NOTES :

a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.

b) The Register of Members and the Share Transfer Books of the Company will remain closed from 16.6.99 to 21.6.1999 (both days inclusive).

c) This may also be considered as an abstract under section 302 of the Companies Act, 1956 in connection with re-appointment of Mr. S. L. Thakur as Managing Director of the company.

d) Members intending to require information about accounts to be explained in the Meeting are requested to inform the Company in writing, atleast seven days in advance of their intention to do so, so that the papers relating thereto may be made available.

e) Shareholders are requested to advise, indicating their folio numbers, the changes in their address, if any to the Company.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION

173(2A) OF THE COMPANIES ACT, 1956.**Item No. 2**

"Section 15(1) of the Sick Industrial Companies (Special Provisions), Act, 1985 provides that where an industrial company has become a sick industrial company, the Board of Directors of the Company, shall, within sixty days from the date of finalisation of the duly audited accounts of the company for the financial year as at the end of which the company has become a sick industrial company, make a reference to the Board (i.e. the Board for Industrial & Financial Reconstruction (BIFR).

As more than 100% of the Net Worth of the company has been eroded as at 31.03.99 on account of accumulated losses amounting to Rs.1400.94 lacs as against the Net Worth of Rs.1003.55 lacs as on the aforesaid date, the provisions of Section 15(1) of the said Act have become applicable to the company. Therefore, in order to comply with the provisions of the said Act, this Ordinary Resolution is proposed to be passed.

The report of the Board of Directors as to such erosion and the reasons for such erosion are as under.

Report of Board of Directors :

Audited accounts for the year ended 31st March 1999 were placed before the Board for review of the performance of the Company. It was observed that during the year the company had sustained loss of Rs.1413.88 lacs.

The performance of the company in the year 1998-99 was reviewed by the Directors and the resultant position emerged was as under :

	(Rs./lacs)
	1998-99
Income (including stock adjustments)	412.98
Manufacturing and other expenses	1320.17
	(907.19)
Interest and financial charges	444.86
Cash(Loss)/Profit	(1352.05)
Depreciation	61.83
Net (Loss)/Profit	(1413.88)
Prior year's adjustment	6.40
	<u>1420.28</u>

The position of Net Worth as on 31st March, 1999 was also reviewed by the Directors :

	(Rs./Lacs)
Share Capital	476.89
Reserves & Surplus (Free)	526.66
Total	<u>1003.55</u>
Deduct	
Profit & Loss A/c	<u>1400.94</u>
Net Worth Negative	<u>(-) 397.39</u>

It was observed that as on 31st March, 99 Net Worth had turned negative.

The Directors discussed the position in detail. The causes of sickness were identified as under :

- (1) Extremely Sluggish cement demand, coupled with glut in supply due to several greenfield plants/expansions, flooding the market resulted in pushing down prices to lowest

in last three years. This, coupled with extreme increase in input costs, put tremendous pressure on the margins of all the cement companies including VCL.

- (2) Under-utilisation of the Plant & Machinery because of recession in the cement sector.
- (3) Sudden reduction in Grid Power Supply since Sept.95 and its erratic quality constrained the Company to depend on costly Captive Power.
- (4) High debt content of the funding pattern of the project leading to high interest burden.
- (5) Delayed implementation of the project which could be implemented in Oct. 1995 as against the scheduled implementation in March, 1995 due to enlargement of scope of expansion.
- (6) Delay in streamlining the production. In 1995-96 only six months production was possible at lower than targetted capacity. During 1996-97 also production was less than targetted.
- (7) Scarcity of Working Capital leading to the Company's heavy dependence on high cost funds.

The Directors thereby formed opinion that in pursuance of the provision of subsection (1) of section 15 of the Sick Industrial Companies (Special Provision) Act, 1985 reference be made to Board for Industrial Reconstruction to formulating a scheme of rehabilitation after making necessary enquiries and that Form 'A' duly filled-in as prescribed under the Board for Industrial & Financial Reconstruction regulation 1987 be submitted to the BIFR. It was further decided to authorise Shri S.L. Thakur Managing Director to sign the Form 'A' for and on behalf of the company and to take all steps and actions for making appropriate representation before BIFR immediately.

Further Resolved that Reference as filed with the Board for (BIFR) be submitted to the ensuing Annual General Meeting of the Company for Approval".

Item No.5

Mr. S.L. Thakur was appointed as a Managing Director of the company for a term of 5 years w.e.f. 1.4.94. His tenure as such expired on 31.3.99.

The Board of Directors at its meeting held on 30.1.99 has re-appointed Mr. S.L. Thakur as the Managing Director of the company for a further period of Two Years w.e.f 1.4.99 on the same terms & conditions and remuneration.

As per the requirement of the provisions of Section 269 & Schedule XIII of the Companies Act, 1956, managerial appointment in terms of the said provisions, without approval of Central Govt, is required to be approved by shareholders at General Meeting. The resolution at item No.5 is accordingly placed before the shareholders for their approval. Directors recommends the passing of the same.

None of the Directors of the company except Mr. S.L. Thakur is interested in passing of the resolution.

By order of the Board of Directors

Place : MUMBAI
Date : 20.05.1999

(S.L.THAKUR)
Managing Director



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It is further RESOLVED that the required reference as filed with Board for Industrial & Financial Reconstruction (BIFR), New Delhi is hereby approved.

- (3) To consider re-appointment of Mr.V.K. Jain on the Board.
- (4) To consider re-appointment of Mr.G.B. Bhadada on the Board.
- (5) To appoint Auditors to hold office from the conclusion of this 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 the following resolution, with or without modifications, as an ordinary resolution :

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2. Remuneration : a. Salary : Rs.15,000/- Per Month
b. Perquisites :

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a. Housing :

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- ii) In case the accommodation provided to Mr. S. L. Thakur is owned by the company 10% of the salary of Mr. S.L. Thakur shall be deducted by the company.

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- b. Gas, Electricity, Water : As per Income Tax Rules 1962, subject to a ceiling of 10% of the salary.
- c. Medical Reimbursement : For self & family subject to a ceiling of one month salary in a year or 3 month salary over a period of three years.
- d. Leave Travel Concession : For self and family once a year in accordance with the rules of the company.
- e. Personal Accident : For an amount, the Insurance premium in respect of which shall not exceed Rs.4,000/- per annum.

PART-B

- a. Contribution to the provident fund, super annuation fund or Annuity fund will not be included in the computation of the ceiling on perquisites to the extent these either singly or put together are not taxable under the Income Tax Act.
- b. Gratuity not exceeding half month's salary for each completed year of service subject to a ceiling of Rs. 1,00,000/-.

PART-C

Provision for car for use on company's business and telephone at residence will not be considered perquisites. Personal long distance calls and use of car for private purposes shall be billed by the company to the Managing Director.

By order of the Board of Directors

Place : MUMBAI

(S.L. THAKUR)

Date : 20.05.1999

Managing Director

NOTES :

- a) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
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- c) This may also be considered as an abstract under section 302 of the Companies Act, 1956 in connection with re-appointment of Mr. S. L. Thakur as Managing Director of the company.
- d) Members intending to require information about accounts to be explained in the Meeting are requested to inform the Company in writing, atleast seven days in advance of their intention to do so, so that the papers relating thereto may be made available.
- e) Shareholders are requested to advise, indicating their folio numbers, the changes in their address, if any to the Company.

ANNEXURE TO THE NOTICE

EXPLANATORY STATEMENT PURSUANT TO SECTION



DIRECTORS' REPORT

Dear Members,

The Directors are placing herewith the 15th Annual Report together with Audited statement of Accounts for year ended 31st March, 1999.

01. Financial Results :	1998-99 (Rs.)	1997-98 (Rs.)
Total Income	4,12,98,043	26,00,49,988
Profit/(Loss) before Depreciation and Taxes	(13,52,05,337)	(2,66,36,349)
Less : Depreciation	61,83,144	1,43,57,241
Profit/(Loss) before Taxes	(14,13,88,481)	(4,09,93,590)
Less : Taxes	--	--
Profit/(Loss) after taxes	(14,13,88,481)	(4,09,93,590)
Balance brought forward from previous year	--	1,07,61,298
Prior year's adjustment	(6,39,472)	(2,83,384)
Amount available for Appropriation	(14,20,27,953)	(3,05,15,676)
Appropriation :		
1. General Reserves	(19,34,324)	(3,05,15,676)
2. Proposed Dividends	--	--
3. Balance Carried forward to Balance-Sheet	(14,00,93,629)	--
	(14,20,27,953)	(3,05,15,676)

02. Operating Results :

During the year, the Company achieved a turnover of Rs.413 Lacs, as against Rs.2600 Lacs in the previous year, thus representing a decrease of 84.11% mainly due to under utilisation of plant capacity consequent upon unprecedented recessionary trends in the Industry. The Net Loss is Rs.1413.88 Lacs as compared to previous year's Net Loss of Rs.409.93 Lakhs. As the Net Worth of the company has become negative to the extent of Rs.397.39 lakhs, the Board has formed the opinion that the company has become "Sick" in terms of Section 3(1)(O) of the Sick Industrial Companies (Special Provision) Act, 1985. Accordingly, a reference is being made to the Board for Industrial & Financial Reconstruction, under Section 15(1) 7 of Sick Industrial Companies (Special Provision) Act, 1985.

03. Environment Compliance :

Most upto date Pollution Control Equipment installed in the Rotary operations, have enabled the company to control the Pollution and safe guard environment.

04. Directors :

In accordance with the requirement of Companies Act 1956 and the Articles of Association of the Company Shri V. K. Jain and Shri G.B. Bhadada are liable to retire by rotation.

05. Market :

The company is focussing its attention on speedy revival of the plant activity so as to continue its Market presence.

06. Particulars of Employees :

There was no employee of the Company whose remuneration was Rs.6,00,000/- or more for the year or Rs.50,000/- or more per month if employed in any part of the year.

07. Auditors :

M/s R.M. Ajgaonkar & Co, the Auditors of the Company will retire at the conclusion of the forthcoming Annual General Meeting & are eligible for re-appointment. They have given their consent to be re-appointed for the current year. Members are requested consider re-appointing them as Auditors & fix their remuneration.

08. Conservation of Energy, technology, absorption and foreign exchange earning and outgo :

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988, are given in Annexure A which forms part of the Directors Report.

09. Acknowledgements :

The Company has been fortunate to have an excellent & dedicated team of workers, Staff and managerial personnel, who have borne the burnt of difficult situation.

The Board places on record, its gratitude to them all and also to the members for their support & confidence.

For and on behalf of the Board

Mumbai,
20-05-1999

V.P. Valecha
Chairman

ANNEXURE A : DIRECTORS' REPORT

Information pursuant to the Companies (Disclosure of particulars in of the Report of the Board of Directors) Rules, 1988.

A. Conservation of energy :

During the year under review, all possible efforts were made to ensure optimum conservation of electricity and fuel at the plants of the company.

Consumption	1998-99 Amount (Rs.Lacs)	1997-98 Amount (Rs.Lacs)
Electricity	205.95	478.67

B. Technology Absorption : Nothing significant to report

C. Foreign Exchange Earnings and outgo

(including deemed exports and sales through Export House)	: Nil
Outgo	: Nil

D. Expenditure on Research and Development : Nil

For and on behalf of the Board

Mumbai,
20-05-1999

V.P. Valecha
Chairman