



**Andhra Cements Limited**

***DUNCAN GOENKA***

**72<sup>nd</sup> Annual Report 2010-11**

**BOARD OF DIRECTORS**

- |  |                            |
|--|----------------------------|
| 1. Shri. G P GOENKA                                  | - Chairman                 |
| 2. Shri. J JAYARAMAN<br>(upto 07.10.2011)            | - Director                 |
| 3. Shri. K N BHANDARI                                | - Director                 |
| 4. Dr. A L ANANTHANARAYANAN                          | - Director                 |
| 5. Dr. SUSHIL CHANDRA                                | - Director                 |
| 6. Shri. M S RAMAKRISHNA<br>(upto 17.11.2010)        | - Director                 |
| 7. Shri. R. K. BHARGAVA                              | - Director                 |
| 8. Shri. AMITAVA MONDAL<br>(upto 12.07.2011)         | - Director                 |
| 9. Shri. SHRIVARDHAN GOENKA<br>(upto 15.02.2011)     | - Executive Director       |
| 10. Shri. VINAYAK MAVINKURVE<br>( w.e.f. 09.11.2011) | - Nominee Director ( IDFC) |
| 11. Shri. S.D.M. NAGPAL<br>( w.e.f. 15.11.2011)      | - Director                 |
| 12. Shri. R.K. PANDEY<br>( w.e.f. 15.11.2011)        | - Director                 |

**COMPANY SECRETARY  
& GM - LEGAL**

Mr. G. Tirupathi Rao

**AUDITORS**

**Lodha & Co**  
Chartered Accountants  
Secunderabad.

**Chaturvedi & Partneres**  
Chartered Accountants  
New Delhi.

**BANKERS**

Bank of Baroda  
Canara Bank  
Andhra Bank  
Syndicate Bank  
Vijaya Bank

**FINANCIAL INSTITUTIONS**

Housing Development Finance  
Corporation Ltd.

Infrastructure Development  
Finance Company Ltd.

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**REGISTERED OFFICE**

Durga Cement Works  
Durgapuram  
Dachepalli - 522 414  
Guntur Dist. (A.P)  
Ph & Fax : 08649-257429

**PLANTS**

Durga Cement Works  
Durgapuram (A.P)

Visakha Cement Works  
Visakhapatnam (A.P)

**DEMAT REGISTRARS  
& SHARE TRANSFER AGENTS**

CIL Securities Ltd.  
214, Raghav Ratna Towers  
Chirag Ali Lane, Abids  
Hyderabad - 500 001  
Ph: 040-23202465

**NOTICE**

NOTICE is hereby given that the Seventy Second Annual General Meeting of the Members of the Company will be held on Friday 30<sup>th</sup> December, 2011 at 11.30 AM at the Registered Office of the Company at Durga Cement Works, Durgapuram, Dacheipalli – 522 414, Guntur District (AP) to transact the following business.

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Profit and Loss Account for the period of fifteen months ended 30<sup>th</sup> June, 2011 and the Balance Sheet as at that date, together with the Reports of the Directors and Auditors thereon.
2. To appoint a Director in place of Shri K.N. Bhandari, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri R.K. Bhargava, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors and to fix their remuneration.

**SPECIAL BUSINESS:**

5. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a **Ordinary Resolution**:

“RESOLVED THAT Shri Sain Ditta Mal Nagpal, who was appointed as an Additional Director of the Company by the Board of Directors, with effect from 15<sup>th</sup> November, 2011, who holds office upto the date of ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.”

6. To consider and if thought fit, to pass, with or without any modification(s), the following Resolution as a **Ordinary Resolution**:

“RESOLVED THAT Shri Radha Krishna Pandey, who was appointed as an Additional Director of the Company by the Board of Directors, with effect from 15<sup>th</sup> November, 2011, who holds office upto the date of ensuing Annual General Meeting pursuant to the provisions of Section 260 of the Companies Act 1956, and in respect of whom the Company has received a notice from a member under Section 257 of the Companies Act, 1956, in writing proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retirement by rotation.”

By Order of the Board

Place: New Delhi

Date : 27.11.2011

G. TIRUPATHI RAO

Company Secretary & GM – Legal

**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 SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY.
2. The Proxy form duly completed must be lodged at the Registered Office of the Company at least 48 hours before the time fixed for the meeting.
3. Explanatory Statement pursuant to the provisions of section 173 (2) of the Companies Act, 1956 in relation to the resolutions set out in item no.5 & 6, is annexed hereto and forms part of the notice.
4. Pursuant to Clause 49 of the Listing Agreement, the particulars of Directors seeking appointment / reappointment at the meeting are annexed.
5. Members are requested to notify immediately their change of address, if any, to their Depository Participants (DPs) in respect of their shareholding in Demat Accounts and to the Company's Share Transfer Registrars in respect of their shareholding in physical segment by mentioning folio nos. etc.
6. Members/Proxies should bring the attendance slip sent herewith duly filled in for attending the meeting.
7. The Register of Members and Share Transfer Books of the Company will remain closed from 24-12-2011 to 30-12-2011 (both days inclusive) for the purpose of the Annual General Meeting of the Company.
8. Members desiring any information as regards the accounts are requested to write to the Company at least 10 days before the date of the Meeting, so as to enable the Management to keep the information ready.
9. Members are requested to kindly bring their copies of the Annual Report to the Meeting. As a measure of economy, copies of the Annual Report will not be distributed at the Annual General Meeting. No gifts/coupons shall be distributed at the Annual General Meeting.
10. M/s CIL Securities Ltd, 214, Raghava Ratna Towers, Chirag Ali lane, Abids, Hyderabad-500001, Tel No. 040-23202465, Fax No. 040-23203028, continues to act as the Registrar and Share Transfer Agent (RTA) to undertake all investor-servicing activities for the share in demat and physical segments. Investors are requested to write to RTA on all share related matters i.e transfer, transmission, change of address, nomination, power of attorney, demat / remat etc.



**EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2)  
OF THE COMPANIES ACT, 1956**

**Item No. 5 & 6**

Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey were appointed as an Additional Directors of the Company by the Board of Directors w.e.f. 15<sup>th</sup> November, 2011. Pursuant to section 260 of the Companies Act, 1956, both the Directors hold office up to the Annual General Meeting.

The Board is of the view that, having regard to their experience and knowledge, it will be in the interest of the Company to appoint Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey as Independent Directors of the Company.

The approval of the Members is sought in terms of item Nos. 5 & 6 of the Notice in respect of the appointment of Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey.

Details regarding Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey and their brief resume are given in the annexure to this Notice.

The Board recommends the resolutions under the item 5 & 6 for approval of the Members.

None of the directors of the Company except the appointees themselves, is in anyway, concerned or interested in the said Resolutions.

**By Order of the Board**

**Place : New Delhi**

**Date : 27.11.2011**

**G. TIRUPATHI RAO**

**Company Secretary & GM – Legal**

**Registered Office:**

Durga Cement Works

Durgapuram, Dachepalli – 522414

Guntur District (AP)

<b>ANNEXURE</b> <b>Details of Directors seeking appointment at the forthcoming Annual General Meeting of the Company (Pursuant to Clause 49 of the Listing Agreement with the Stock Exchange)</b>					
Particulars	Shri K.N. Bhandari	Shri R.K. Bhargava	Shri Sain Ditta Mal Nagpal	Shri Radha Krishna Pandey	
Date of Birth	01.03.1942	26.10.1935	02.02.1942	20.01.1940	
Date of Appointment	21.08.2007	27.07.2006	15.11.2011	15.11.2011	
Qualifications	BA, LLB,	IAS (Retd)	MA, AICWA.	M.Com, LL.B, FCS, DBA	
Expertise in specific functional area	Finance and Insurance Management.	Finance & Corporate Affairs	Finance & Accounts	Finance, Legal & Corp. Advisory Services	
Directorships held in other public companies	<ul style="list-style-type: none"> <li>Hindalco Inds. Ltd.</li> <li>Suraj Diamonds &amp; Jewellery Ltd</li> <li>Agriculture Insurance Co.Ltd</li> <li>Saurashtra Cements Ltd</li> <li>Shruti Infrastructure Development Corp Ltd</li> <li>Credence Logistics Ltd</li> <li>Magna Fin. Corp Ltd</li> <li>Magna HDI General Insurance Co. Ltd</li> <li>NRC Ltd</li> <li>Krishna Knitwear Technology Ltd</li> <li>Jaybharat Textiles &amp; Real Estate Ltd</li> </ul>	<ul style="list-style-type: none"> <li>Duncans Industries Ltd.</li> <li>Noida Toll Co. Ltd.</li> <li>HB Portfolio Ltd.</li> <li>Kajaria Ceramics Ltd.</li> <li>Asian Hotels (West) Ltd.</li> <li>JCL International Ltd</li> <li>Innova Hotels &amp; Resorts Ltd</li> </ul>	<ul style="list-style-type: none"> <li>Bhilai Jaypee Cement Ltd.</li> <li>Kanpur Fertilizers &amp; Cement Ltd.</li> <li>NTPC-SAIL Power Company Ltd.</li> </ul>	<ul style="list-style-type: none"> <li>PTC Inds. Ltd.</li> <li>Kamdhenu Ispat Ltd.</li> <li>Brishh Drugs &amp; Healthcare Ltd</li> <li>Hanung Toys &amp; Textiles Ltd.</li> <li>Shree Rajasthan Syntax Ltd.</li> <li>Morgan Ventures Ltd.</li> <li>Jindal Poly Films Ltd</li> <li>Metcom Capital Markets Ltd</li> <li>Ricon India Ltd</li> <li>Welcure Drugs &amp; Pharmaceuticals Ltd</li> <li>Sanghi Inds. Ltd</li> <li>Kanpur Fertilizers &amp; Cement Ltd</li> </ul>	
Chairmanship/ Membership of Board Committees of other public companies	Chairmanship - 1 Nos Membership - 1 Nos	Chairmanship - 2 Nos Membership - 8 Nos	Chairmanship - 2 Nos Membership - 5 Nos	Chairmanship - 2 Nos Membership - 2 Nos	
Number of shares held	Nil	Nil	Nil	Nil	

**Directors' Report**

To the Members,

Your Directors have pleasure in presenting the 72nd Annual Report and the Audited Accounts of your Company for the period of fifteen months ended 30<sup>th</sup> June 2011.

**FINANCIAL RESULTS**

(Rs in crores)

	<b>Current Period 2010-11 (15 Months)</b>	<b>Previous Year 2009 – 10 (12 Months)</b>
Gross Sales	<b>70.91</b>	323.27
Net Sales	<b>62.98</b>	294.57
PBITD	<b>(16.50)</b>	12.28
Interest	<b>13.31</b>	5.66
Depreciation	<b>1.28</b>	1.23
Operating Profit /(Loss)	<b>(31.09)</b>	5.40
Deferred Tax (Liability)/Asset	<b>6.49</b>	42.29
Net Profit / (Loss)	<b>(24.60)</b>	47.69

**DIVIDEND**

The plants of the Company have been non-operational for substantial period of the reporting period. In view of the losses incurred during the period under review, the Directors regret their inability to recommend dividend on equity share capital of the Company.

**OPERATIONS**

During the period under review, the Company and the industry have been going through a very challenging phase of slackening demand and expanding capacity leading to reduction in price realization. The DCW plant of the Company was in production primarily till the end of the first quarter of the period and production at VCW plant could not be continued from the beginning of September, 2010 due to disruptions by labour. The production activities remained suspended thereafter and could not have since been resumed. Consequent to this, the Company is facing severe liquidity crisis leading to stoppage of supply of material and services, disconnection of power and termination of agreement thereof, non-payment of employee related costs, statutory and other obligations and thereby affecting the business operation of the Company.

The above plants produced 2.23 lacs tons of cement in aggregate during the period.

**PROPOSED FUND INFUSION BY JAYPEE GROUP AND CHANGE IN MANAGEMENT**

The Company has been going through a severe financial crisis and the production at its plants are suspended since July 2010 at DCW plant and since September 2010 at VCW plant. It requires huge capital infusion and other assistance to revive and restructure its business. In order to overcome the situation and to revive the production of the Company, the promoters have since entered into an agreement on 15th November, 2011 to transfer the controlling stake to Jaypee Development Corporation Limited (JDCL), a company belonging to Jaypee Group. JDCL has also agreed to subscribe for 14,75,00,000 equity shares of Rs.10 each of the Company at a premium of Rs 2 per share aggregating to

Rs.177 crores on preferential basis and the same will be utilized for reviving, restructuring and meeting the requirements of the Company's business. Necessary board resolution for giving effect to said arrangement has been passed on 15th November, 2011 and steps for making the consequential Open Offer etc. have since been taken.

## **OUTLOOK FOR CEMENT INDUSTRY**

The Indian Economy continues to be vibrant and has emerged as a resilient player compared to other countries. The performance of the Cement Industry was a clear reflection of the general sloth prevailing in the Industrial sector as a whole. The cement industry which registered a decent growth over the last few years entered a phase of deceleration with the demand easing during the period under review. According to the experts, this eccentricity in the growth is mainly due to the general slow down in the infrastructure and real estate sectors lead by rising cost of finance. While there has been a decline in the demand, the cement industry has seen a growth in the capacity additions on All India basis and specifically in the Southern Region

The southern region witnessed a decline in growth as compared to previous year and the State of Andhra Pradesh, which is an important market segments for the Company, had witnessed negative growth mainly due to lower infrastructure spending and slow-down in the realty sector.

The industry also had to survive increase in price of fuel and cost of some of raw materials resulting in high production cost. The immediate outlook for cement industry continues to remain sluggish with over capacity wielding pressure on prices.

## **ALLOTMENT OF EQUITY SHARES TO HDFC & IDFC**

The Company has issued and allotted 69,97,077 equity shares of Rs 10 each at a premium of Rs 14 per shares aggregating to Rs. 16.79 crores to M/s. Housing Development Finance Corporation Limited (HDFC) and M/s Infrastructure Development Finance Company Limited (IDFC), upon conversion of outstanding obligation (i.e. interest and other charges) payable to them by the Company, on preferential issue as per the SEBI (ICDR) Regulation 2009.

## **NATIONAL STOCK EXCHANGE (NSE) – LISTING**

During the period under review your Company's Equity Shares enlisted at National Stock Exchange (NSE) w.e.f. 08.11.2010 vide NSE circular Ref. No. NSE/LIST/C/2010/1062, dt. 03.11. 2010. The Equity Shares of the Company (Symbol: ANDHRACEMT) shall be traded in the normal market segment (Rolling Settlement) in compulsory demat for all investors.

## **STATUS OF BIFR**

Your Company implemented the Rehabilitation Scheme(MS-8) and the Hon'ble BIFR discharged the Company from the purview of Sick Industrial Companies (Special Provisions) Act,1985 vide its Order dated 22nd January 2010. In terms of the said order, the unimplemented provisions of MS-8 would be implemented by the concerned agencies.

## **DIRECTORS**

Shri P.K. Goyenka, submitted resignation from the office of Executive Directorship / Directorship of the Company and ceased to be Executive Director of the Company w.e.f. 27.07.2010.

Shri Shrivardhan Goenka, submitted resignation from the office of Executive Directorship w.e.f 08.10.2010 and from Directorship w.e.f 15.02.2011 and ceased to be Director of the Company from that date.





Shri M.S Ramakrishna, submitted resignation from the office of Directorship of the Company and ceased to be Director of the Company w.e.f. 17.11.2010.

Shri Amitava Mondal, submitted resignation from the office of Directorship of the Company and ceased to be Director of the Company w.e.f. 12.07.2011.

Shri J. Jayaraman, submitted resignation from the office of Directorship of the Company and ceased to be Director of the Company w.e.f. 07.10.2011.

Your Directors wish to place on record their sincere appreciation for the valuable services rendered by them during their tenure on the Board.

Shri K.N. Bhandari and Shri R.K. Bhargava, Directors of the Company who retire by rotation and being eligible offer themselves for re-appointment.

Shri Vinayak Mavinkurve was appointed as Nominee Director by IDFC w.e.f 09.11.2011.

Shri Sain Ditta Mal Nagpal and Shri Radha Krishna Pandey were inducted as Additional Directors on the Board with effect from 15.11.2011. They will hold office till the date of Annual General Meeting and are eligible for re-appointment.

## **HEALTH, SAFETY AND ENVIRONMENT**

Since the production at both the plants of the Company being suspended during the substantial period under review, the Health, Safety and Environment measures could not be properly followed by the Company. The Company took anti-pollution measures by installing bag filters and bag house to control the pollution which has substantially reduced the impact of industrial process on the environment.

## **AUDITORS**

M/s. Lodha & Co, Chartered Accountants and M/s. Chaturvedi & Partners, Chartered Accountants will retire at the ensuing Annual General Meeting. M/s Lodha & Co, and M/s. Chaturvedi & Partners, Chartered Accountants, expressed their willingness and eligibility to continue in office, if appointed by the members as joint auditors for the current year. The proposed auditors have furnished the requisite certificate of eligibility under section 224 (1B) of the Companies Act, 1956. Members are requested to appoint the Auditors and to fix their remuneration.

The observations in para 3 & 4 of the Auditors' Report, which have been explained in the respective notes of Schedule "O", are further explained by the Management as follows: Para 4 - since the production activities were suspended during the substantial part of the period and there being limitation & constraints and non-availability of employees & their support, confirmation/verification, reconciliation of various assets and liabilities could not be carried out. These shall be carried out upon resumption of normal production. Adjustments with respect to advances, debtors, claims, interest and other charges/expenses etc. shall be accounted for after negotiation/settlement/finalisation of the related matters as explained in Note no. 21(a) and 21(b); interest on borrowing has been capitalised and necessary allocation/adjustment shall be carried out on completion of the project and certain bills, claims relating to project supplies/services shall also be accounted for on complete documentation, negotiation, etc as explained in Note no. 23(a) and 23(b); employees' and other personnel expenses, etc shall be accounted for and disclosed in terms of AS-15 on determination of the same on finalization/settlement of amount payable

thereon as stated in Note no. 24 & 39; as stated in Note no. 38, in view of the proposed recommencement of production as mentioned in Note no. 22(a) and emerging certainty with respect to the profitability, there would be sufficient taxable income to claim the deferred tax credit. The statutory dues and delay in making interest payments to financial institution and debenture-holders as given in para 3(ix) and (xi) were due to liquidity crisis. The dues to financial institutions to a certain extent have been discharged by conversion into equity shares of the Company as detailed herein above and partly by transferring shares pledged there against as explained in Note no. 19.

### **COST AUDITOR**

Pursuant to the directives of the Central Government and provisions of section 233 B of the Companies Act 1956, M/s Parankusam & Co. Cost Accountants, have been appointed as Cost Auditor to conduct the Cost Audit for the period of fifteen months ended 30<sup>th</sup> June 2011.

### **INSURANCE**

During the period under review, all the properties of the Company including its buildings, plant and machinery and stocks are adequately insured (except capital work-in-progress)

### **CORPORATE GOVERNANCE**

A report on Corporate Governance together with Management Discussion and Analysis Reports and the certificate of compliance from the Practicing Company Secretary regarding compliance with clause 49 of the Listing Agreement with the Stock Exchange are annexed to this Report.

### **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956, the Directors hereby confirm:

- a. that in the preparation of the accounts in respect of the period under report, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- b. that they have 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 as at the end of the reporting period and of the loss for the period ended 30<sup>th</sup> June, 2011;
- c. that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safe guarding the assets of the Company and for preventing and detecting fraud and other irregularities, and
- d. that the accounts have been prepared on a going concern basis.

### **REDEMPTION OF PREFERENCE SHARES**

Preference Shares of par value of Rs. 1.92 lacs remain unclaimed. It has not been possible to locate the addresses of the shareholders, despite notices being published in daily newspapers. These are being paid as and when claimed. There is no liability for dividend on these shares.

**REPAYMENT OF FIXED DEPOSITS**

In accordance with the Modified Rehabilitation Scheme (MS-08), the Company is settling the claims lodged by fixed deposit holders. During the period Fixed Deposits claims amounting to Rs. 0.20 lacs were settled.

**REDEMPTION OF DEBENTURES**

In terms of MS-08, Debentures amounting to Rs. 0.81 lacs were redeemed during the period. An amount of Rs.196.41 lacs being balance of principal, remain unclaimed and deposited with bank, under lien infavour of Debenture Trustees.

**INVESTOR EDUCATION AND PROTECTION FUND**

As repayment of the matured fixed deposits and debentures are covered by the BIFR Sanctioned Scheme, are not remained unclaimed and unpaid for a period of seven years from the date they became due for payment, and hence, no amounts were required to be transferred to the Investor Education and Protection Fund.

**CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO**

The information required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 with respect to those matters is appended hereto and forms part of this Report.

**EMPLOYEES**

The DCW plant of the Company was in production primarily till the end of the first quarter of the period and operations at VCW plant could not be continued from the beginning of September, 2010 due to disruptions by labour.

Information in accordance with the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 as amended, regarding employees is given in Annexure to this Report.

**ACKNOWLEDGEMENTS**

Your Directors express their sincere gratitude for the continued support and guidance received by the Company from the various State & Central Governments Authorities and other regulatory agencies.

Your Directors would like to acknowledge the continued support and co-operation extended by Government of Andhra Pradesh, Financial Institutions, Banks, Vendors, Distributors, Dealers, valued Customers and the Employees.

**For and on behalf of the Board**

**Place : New Delhi**

**Date : 27.11.2011**

**(K. N. Bhandari) (R.K. Bhargava)**  
**Director Director**

**ANNEXURE TO DIRECTORS' REPORT**

Information under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the fifteen months period ended 30<sup>th</sup> June, 2011

**A) EMPLOYED THROUGHOUT THE FINANCIAL PERIOD AND IN RECEIPT OF REMUNERATION AGGREGATING Rs.60,00,00,000/- OR MORE PER ANNUM.**

Nil

**B) EMPLOYED FOR A PART OF THE FINANCIAL PERIOD AND IN RECEIPT OF REMUNERATION AGGREGATING Rs. 5,00,000/- OR MORE PER MONTH.**

Sr. No.	Name & Age (years)	Designation & Nature of duties	Remuneration (Rs. Lacs)	Qualification	Experience (Years)	Date of Commencement of Employment	Date of end of the Term	Last Employment
1.	P.K.Goyenka (65)	Executive Director	22.82	M.Tech MBA (USA)	41	16.03.2010	27.07.2010	Advisor Al Salam Cement

Notes :

- (i) Remuneration includes salary and perquisites.

**ANNEXURE TO DIRECTORS' REPORT**

Information pursuant to Section 217(l)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

**A. Conservation of Energy :**

- (a) Additional investments and proposals considered for reduction of consumptions of energy
- (i) Conventional fans are replaced with high efficiency fans for power reduction in Cement Mill.
- (ii) Proposed Installation of pre-grinder in cement mill for higher output and lower power consumption
- (iii) Variable Frequency Drives (VFD) for Cement Mill – II, ESP Fan.
- (iv) Installation of fly ash silo and handling system to increase production of PPC.
- (v) Pneumatic transport system is replaced with belt bucket elevators.

The measures for energy conservation could not be fully implemented due to discontinuation of operations at Plants during the period.

(b) *Total energy consumption and energy consumption per unit of production: Given in Form 'A' annexed.*

B. Technology Absorption, Adaptation and Innovation. :

: Given in Form –B annexed.

C. Foreign Exchange Earnings & Outgo : Current Period      Previous Year

i) Total Foreign Exchange outflow (Rs.lacs)	10.36	231.78
Total Foreign Exchange inflow (Rs. lacs)	Nil	00.00

## FORM "A"

## Form for Disclosure of particulars with respect to conservation of energy.

	Current Period (15 Months)	Previous Year (12 Months)
<b>A. Power and Fuel Consumption:</b>		
<b>1. POWER:</b>		
a) Purchased:		
Units (KWH in lacs)	278	869
Total Amount (in Rs. lacs) **	1774	3122
Rate / Unit (in Rs.)	6.37	3.59
** i) Includes Rs. 401.82 lacs towards FSA charges pertaining to 2008-09 billed by APSEB from July 2010		
ii) Includes Rs. 160 lacs towards minimum demand charges from August 2010 to November 2010		
iii) Includes Rs. 95.04 lacs towards minimum units charged by APSEB (i.e. 8 lacs units per month)		
b) Own Generation :		
Through D.G. Sets		
Net Units (KWH in lacs)	Nil	Nil
Unit / Lt of Diesel/Furnace Oil	Nil	Nil
Cost / Unit (in Rs.)	Nil	Nil
<b>2. COAL :</b>		
Quantity (Tonnes)	22927	121419
Total Cost (in Rs. lacs) *	719	4089
Average Rate per MT (Rs.)	3137	3367
* Excluding penalty and other charges		
<b>3. FURNACE OIL :</b>		
Quantity (K.Lts)	Nil	Nil
Total Cost (in Rs./lacs)	Nil	Nil
Average Rate (Rs./K.Ltr)	Nil	Nil
<b>B. Consumption per unit of production:</b>		
Production – OPC/PPC/PSC/GGBS (in MT)	220690	1011599
Power Consumption in Kwh/MT of cement	84.73	78.48
Coal Consumption to Clinker	0.20	0.24
Others (Specify)	-	-

## FORM "B" (See Rule 2)

- The Company has not undertaken any Research and Development activities and no expenditure have been incurred.
- Technology Absorption, Adaptation and Innovation : New technology has been imported in up-gradation cum expansion project.

**Group Companies**

Names of the certain companies the disclosure of which is made in view of the disclosure requirement of the SEBI (Substantive Acquisition of Shares and Takeovers) Regulations, 1997 in relation to inter-se transfer of shares amongst group companies:

1. Albert Trading Company Pvt. Ltd.
2. Bargate Communications Pvt. Ltd.
3. Boydell Media Pvt. Ltd.
4. Continuous Forms (Calcutta) Ltd.
5. Dail Consultants Ltd.
6. Duncans Agro Chemicals Ltd.
7. Duncan Tea House Pvt. Ltd.
8. Duncans Industries Ltd.
9. Duncans Tea Ltd.
10. Gujarat Carbone & Industries Ltd.
11. Infratech Software Services Pvt. Ltd.
12. ISG Traders Ltd.
13. Julex Commercial Co. Ltd.
14. Kavita Marketing Pvt. Ltd.
15. Leyden Leasing & Financial Services Ltd.
16. Marleybone Travels & Resorts Pvt. Ltd.
17. North India Fertilisers Ltd.
18. NRC Ltd.
19. Octave Technologies Pvt. Ltd.
20. Odyssey Travels Ltd.
21. Orchard Holdings Pvt. Ltd.
22. Pentonville Software Ltd.
23. Sewand Investments Pvt. Ltd.
24. Santipara Tea Company Ltd.
25. Shubh Shanti Services Ltd.
26. Silent Valley Investments Co. Ltd.
27. Skylight Trading Company Ltd.
28. Sprint Trading Co. Ltd.
29. Star Paper Mills Ltd.
30. Stone India Ltd.
31. Stone Intermodal Pvt. Ltd.
32. Stone Solar Pvt. Ltd.
33. Unimers India Ltd.

**REPORT ON CORPORATE GOVERNANCE**

(Pursuant to Clause 49 of the Listing Agreement)

**1. Company's Philosophy**

The Company's philosophy of corporate governance is to enhance long term share holders' value, achieve operational efficiencies and business results in all areas of company's operations, with compliance of all statutory and regulatory provisions. The company believes in transparency, openness and disclosure of information consistent with the business environment in which the Company operates.

**2. Board of Directors**

- i) The composition of the Board is in conformity with Clause 49 of the Listing Agreement with the Stock Exchanges.
- ii) The Company has a Non-Executive Chairman and the number of Independent Directors is more than one half of the total number of Directors. The number of Non-Executive Directors is more than half of the total number of Directors.
- iii) None of the Directors on the Board is a Member of more than 10 Committees or Chairman of more than 5 Committees as specified in Clause 49, across all companies in which he is Director.
- iv) The names and categories of the Directors on the Board, their attendance at Board Meetings held during the 15 months period ended 30<sup>th</sup> June 2011 and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies are given below. Other Directorships do not include alternate Directorships, Directorships of Private Limited Companies and of Companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit Committee and Shareholders'/Investors' Grievance Committee.

Name	Category	Board Meeting Attendance	Last AGM Attendance	No. of other Directorships	No. of other Committee positions held	
					Member	Chairman
Mr. G.P. Goenka	NED	06	No	07	01	-
Mr. J.Jayaraman *	NED & ID	06	No	01	-	-
Mr. K.N. Bhandari	NED & ID	04	No	12	01	01
Dr A.L. Ananthanarayanan	NED & ID	03	No	06	01	-
Dr. Sushil Chandra	NED & ID	06	No	01	-	-
Mr. M.S. Ramakrishna*	NED & ID	01	No	11	-	-
Mr. Shrivardhan Goenka*	ED	03	No	08	01	-
Mr. Raj Kumar Bhargava	NED & ID	05	No	07	08	02
Mr. Amitava Mondal *	NED & ID	02	No	02	02	-
Mr. P.K. Goyenka *	ED	02	No	-	-	-

**NED: Non-Executive Director, ID: Independent Director, ED: Executive Director.**





During the 15 Months period ended 30<sup>th</sup> June 2011 Six Meetings of the Board of Directors were held on 05.04.2010, 28.05.2010, 30.07.2010, 11.11.2010, 14.02.2011 and 30.05.2011.

- \* Mr. J. Jayaraman – has resigned and ceased to be a Director of the Company w.e.f 07.10.2011
- \* Mr. M.S. Ramakrishna – has resigned and ceased to be a Director of the Company w.e.f 17.11.2010
- \* Mr. Shrivardhan Goenka – has resigned and ceased to be Executive Director w.e.f.8.10.2010 and ceased to be a Director of the Company w.e.f 15.02.2011.
- \* Mr. Amitava Mondal – has resigned and ceased to be a Director of the Company w.e.f 12.07.2011
- \* Mr. P.K. Goyenka – has resigned and ceased to be Executive Director and Director of the Company w.e.f 27.07.2010

### **3. Details of Directors seeking appointment / re-appointment as required under Clause 49 of the Listing Agreement.**

Pursuant to the requirements of the Listing Agreement of Stock Exchanges on Corporate Governance, the information about the Directors proposed to be appointed / re-appointed is given as an Annexure to the Notice convening the Annual General Meeting.

### **4. Audit Committee**

- (i) The Board constituted an Audit Committee in accordance with the requirements of Section 292A of the Companies Act, 1956. Its terms of reference are in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges. Statutory Auditors and Internal Auditors were regular invitees to the Committee Meetings.

The Chairman of the Audit Committee could not attend the Annual General Meeting held on 30.8.2010 due to illness.

- (ii) The terms of reference of the Audit Committee are broadly as under :

- a. Overview of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b. Recommending the appointment and removal of external auditor, fixation of audit fee and also approval for payment for any other services.
- c. Reviewing with management on the annual financial statements before submission to the Board, focusing primarily on :
  - Any changes in accounting policies and practices
  - Major accounting entries based on exercise of judgment by management
  - Qualifications in draft audit report
  - Significant adjustments arising out of audit
  - The going concern assumption
  - Compliance with accounting standards
  - Compliance with stock exchange and legal requirements concerning financial statements
  - Any related party transactions i.e. transactions of the company of material nature, with promoters or the management, their subsidiaries or relatives etc., that may have potential conflict with the interests of the Company at large.

- d. Reviewing with the management, external and internal auditors and the adequacy of internal control systems.
- e. Reviewing the adequacy of internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit and fixing the remuneration of the Internal Auditors.
- f. Discussion with internal auditors any significant findings and follow up thereon.
- g. Reviewing the findings of any internal investigations by internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- h. Discussion with external auditors before the audit commences, nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- i. Reviewing the company's financial risk management policies.

The Audit Committee presently consists of Dr. A.L. Ananthanarayanan, Mr. K.N. Bhandari, Dr. Sushil Chandra and Mr. R.K. Bhargava, all non-executive and independent directors. Dr A.L. Ananthanarayanan acting as Chairman of the Committee. In the opinion of the Board, all the members of the Audit Committee have accounting or related financial management expertise.

- During the 15 months period ended 30<sup>th</sup> June 2011, the Audit Committee has met 5 times, i.e., on 28.05.2010, 30.07.2010, 11.11.2010, 14.02.2011 and 30.05.2011

The attendance details for the Committee meetings are as follows:

Name	Designation	No. of Audit Committee Meetings attended
Dr. A.L. Ananthanarayanan	Chairman	02
Mr. J. Jayaraman *	Member	04
Mr. K.N. Bhandari	Member	03
Dr. Sushil Chandra	Member	04
Mr. R.K. Bhargava	Member	04

\* Resigned w.e.f 7<sup>th</sup> October, 2011

## 5. Remuneration Committee

- (i) The Board constituted a Remuneration Committee in accordance with the requirements of Schedule XIII of the Companies Act, 1956; its terms of reference being in conformity with Clause 49 of the Listing Agreement entered into with the Stock Exchanges.



## (ii) Brief description of terms of reference of the Remuneration Committee:

- (a) To determine, on behalf of the Board of Directors, the Company's policies on the remuneration of the Executive Directors.
- (b) To approve all elements of the remuneration package of all the Executive Directors i.e. salary, benefits, bonus, commission, stock options, etc.
- (c) To approve the fixed component and performance-linked incentives, along with the performance criteria.
- (d) To determine the service contracts, notice period, severance fees, etc.

(iii) The Remuneration Committee comprised of Dr. A.L. Ananthanarayanan, Mr. K.N. Bhandari and Mr.M.S. Ramakrishna (resigned w.e.f 17<sup>th</sup> November 2010). Dr. A.L. Ananthanarayanan acting as Chairman of the Committee. All the members are Non-Executive and Independent Directors. The Company Secretary acts as the Secretary to the Committee.

(iv) Remuneration Committee has met three times on 05.04.2010, 27.05.2010 and 29.05.2010 during the 15 months period ended 30<sup>th</sup> June 2011.

**(v) Remuneration of Directors:**

(a) The terms of appointment of the Executive Directors are governed by resolutions passed by the Remuneration Committee, Board of Directors and the Shareholders of the Company and approval of the Central Government and subject to the provisions of the Companies Act 1956. The Company has made an application to Central Government, pending approval.

The details of remuneration to Directors during the 15 months period ended 30<sup>th</sup> June 2011 were as follows:

Sl.No.	Name of Director	Salary/Sitting fee	Benefits	Total (Rs.)
	<b>(Executive Directors)</b>			
1.	Mr. P.K. Goyenka	22,42,581	39,829	22,82,410
2.	Mr. Shrivardhan Goenka	12,51,613	17,06,109	29,57,722
	<b>Total</b>	<b>34,94,194</b>	<b>17,45,938</b>	<b>52,40,132</b>
	<b>(Non- Executive Directors)</b>			
1	Mr. G.P. Goenka	30,000	—	30,000
2	Mr. J. Jayaraman	1,09,000	—	1,09,000
3	Dr. A.L. Ananthanarayanan	54,500	—	54,500
4	Dr. Sushil Chandra	1,09,000	—	1,09,000
5	Mr. K.N. Bhandari	76,000	—	76,000
6	Mr. R.K. Bhargava	97,500	—	97,500
7	Mr. Amitava Mondal	23,000	—	23,000
8	Mr M S Ramakrishna	11,500	—	11,500
	<b>Total</b>	<b>5,10,500</b>		<b>5,10,500</b>
	<b>Grand Total</b>	<b>40,04,694</b>	<b>17,45,938</b>	<b>57,50,632</b>

(b) The remuneration to Non-Executive Directors is restricted only to Sitting Fee for attending the meetings of the Board and its Committees. The Company pays sitting fee of Rs. 7,500/- per meeting to Non-Executive Directors for attending the meetings of the Board / or its Committees, besides reimbursement of traveling and out-of-pocket expenses incurred by the Directors for attending the meetings.

(vi) Non-Executive Directors of the company does not have any share holding in the paid-up capital of the Company.

## 6. Investors' Grievances / Share Transfer Committee

(i) The Board constituted an Investor Grievance & Share Transfer Committee in accordance with the requirements of Clause 49 of the Listing Agreement entered into with the Stock Exchanges. This Committee approves share transfer requests, oversees the redressal of shareholders' and investors' grievances like delay in the transfer of shares, non-receipt of the Annual Report and approves the sub-division, transmission and issue of duplicate shares etc.

(ii) The Investors' Grievance & Share Transfer Committee, which comprised Dr. A.L. Ananthanarayanan, and Mr K.N. Bhandari. Dr. A.L. Ananthanarayanan - acting as Chairman of the Committee. The Company Secretary is the Compliance Officer of the Company and is the Secretary to the above Committee.

(iii) The Company has received 104 complaints during the 15 months period ended 30<sup>th</sup> June 2011 and all of which were redressed.

## 7. General Body Meetings

### (i) Particulars of the last three Annual General Meetings

Year	Date of AGM	Time	Venue
2006-08	20.09.2008	11.30 AM	Registered Office
2008-09	25.08.2009	12.30 PM	Registered Office
2009-10	30.08.2010	02.00 PM	Registered Office

### (ii) Special Resolutions:

(a) At the AGM held on 20<sup>th</sup> September, 2008, Special Resolutions were passed for approving the re-appointment and terms of remuneration to Mr. P.C. Nalwaya, Managing Director and Mr. Shrivardhan Goenka, Executive Director

(b) At the AGM held on 25<sup>th</sup> August 2009, Special Resolutions were passed for the following matters:

- to increase authorized capital from Rs. 140 crores to Rs. 170 crores divided into 16,50,00,000 equity shares of Rs. 10/- each and 5,00,000 cumulative redeemable preference shares of Rs. 100/- each,
- to inserting new articles of 65A to 65D,
- for issue of 65,00,00 - convertible warrants of Rs. 23.93 each,
- 15,00,000 - secured optionally convertible debentures-A of Rs. 100 each (OCD-A) and 15,00,000 - secured optionally convertible debentures-B of Rs. 100/- each (OCD-B),
- 10,00,000 - secured non-convertible debentures of Rs. 100/- each (NCDs) and
- option to convert the IDFC term loan of Rs. 5 crores into equity shares in case of default.



- c) At the AGM held on 30<sup>th</sup> August, 2010, Special Resolutions were passed, approving the appointment of Mr. P.K. Goyenka, and re-appointment of Mr. Shrivardhan Goenka, as Executive Directors and for Issue of 7764401 equity shares of Rs. 10/- each aggregating to Rs. 18.64 crore to IDFC & HDFC by way of preferential issue.

No Special Resolution was passed through postal ballot during the year ended 30<sup>th</sup> June, 2011.

## 8. disclosures

- (i) In the bonafide opinion of the Board of Directors there are no related party transactions that may have potential conflict with the interest of the company at large. Related party transactions in terms of 'AS-18 Related Parties' were disclosed in the Annual Accounts.
- (ii) The company does not have a Whistle Blower Policy since the same is non-mandatory under Clause 49 of the Listing Agreement. However, no employee is denied access to the Audit Committee.
- (iii) The Company has complied with all the mandatory requirements of Clause 49 as detailed herein. As regards adoption of non-mandatory requirements under said clause, a Remuneration Committee of the Directors, as detailed hereinabove, is already in existence.
- (iv) The Company has not complied the requirements of clause 35 & 41 of the listing agreement for the quarter ended 30<sup>th</sup> June, 2011. However, the Company has initiated necessary steps to comply the same.

## 9. Means of Communication

The Quarterly, Half yearly and Annual Financial Results of the Company are normally published in Business Standard (English), Andhra Prabha and Praja Shakti (Telugu) News Papers. The Management Discussion and Analysis Report forms part of this Annual Report to the shareholders of the Company. The company is in the process to develop a website.

## GENERAL SHAREHOLDER INFORMATION

- i). Annual General Meeting:
 

Date and Time	:	30.12.2011, at 11.30 AM
Venue	:	at Regd. Off, Durga Cement Works Dachepalli, Guntur (Dist) AP.
- ii). Book Closure Dates  
(both days inclusive) : 24.12.2011 to 30.12.2011
- iii) Dividend Payment Date : No dividend proposed.
- iv). Financial Calendar 2011 -12
 

For the quarter ended 30.09.2011	:	27 <sup>th</sup> November, 2011
For the quarter ended 31.12.2011	:	2 <sup>nd</sup> week of February, 2012
For the quarter ended 31.03.2012	:	2 <sup>nd</sup> week of May, 2012
For the quarter ended 30.06.2012	:	2 <sup>nd</sup> week of August, 2012
- v). Listing of Equity Shares on  
Stock Exchanges at : **Bombay Stock Exchange Limited**  
P. J. Towers, Dalal Street, Fort  
MUMBAI – 400 001  
**National Stock Exchange of India Ltd**  
Plot No. C/1, G-Block,  
Bandra-Kurla Complex  
Bandra (E), Mumbai – 400051

## vi). Stock Code

Bombay Stock Exchange (BSE) : 532141  
 National Stock Exchange (NSE) : ANDHRACEMT  
 ISIN Numbers in NSDL & CDSL : INE666E01012

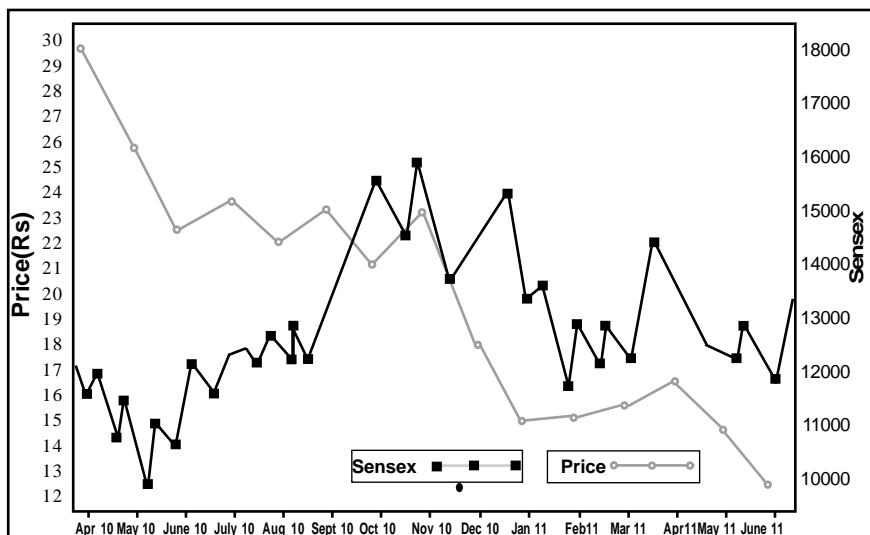
Listing fees for and up to the year 2011-12 have been paid to the BSE and NSE, where shares are listed and also paid the custodian fee for the year 2011-12 to NSDL and CDSL.

## vii). Market Price Data

The following is the data of high and low closing quotations of equity shares of the Company during the period April 2010 to June 2011.

Month & Year	Bombay Stock Exchange (BSE)	
	Month's High Price(Rs.)	Month's Low Price(Rs.)
April, 2010	29.70	25.55
May, 2010	25.70	19.25
June, 2010	22.20	19.10
July, 2010	23.40	18.00
August, 2010	22.00	17.25
September, 2010	23.00	17.30
October, 2010	20.95	18.50
November, 2010	23.45	16.50
December, 2010	18.70	11.00
January, 2011	15.00	8.03
February, 2011	15.18	10.27
March, 2011	15.51	10.46
April, 2011	16.89	13.78
May, 2011	14.99	12.20
June, 2011	12.99	10.70

## Performance in comparison to broad based indices such as BSE Sensex :



**viii). Share Transfer System :**

About 93.94% of shares of the Company were held in electronic form and transfer of these shares is done through the depositories with no involvement of the Company. Share transfer requests received in physical form are processed by the Company's Registrar and Share Transfer Agents (RTA) and after effecting the share transfer the share certificates are returned within a period of 15 days in most cases, and in other cases within 30 days, from the date of receipt, subject to the documents being in order and complete in all respects.

**ix). Reconciliation of Share Capital Audit :**

Reconciliation of Share Capital Audit is being carried out every quarter by a Practicing Company Secretary and the Audit Report is placed before the Board for its perusal and filed with the Stock Exchanges periodically within the stipulated time.

**x). Distribution of Shareholding and Pattern as on 30<sup>th</sup> June 2011:****a) Distribution of shareholding:**

No. of Shares held	No. of Shares	% of share capital	No. of share holders	% of total No. of share holders
Up to 500	3991503	2.73	51538	91.40
501 to 1000	2073654	1.42	2362	4.19
1001 to 2000	1861216	1.27	1146	2.04
2001 to 3000	1032155	0.71	386	0.69
3001 to 4000	707439	0.48	194	0.34
4001 to 5000	1111330	0.76	228	0.40
5001 to 10000	1932417	1.33	249	0.44
10001 and above	133310778	91.30	283	0.50
<b>TOTAL</b>	<b>146020492</b>	<b>100.00</b>	<b>56386</b>	<b>100.00</b>

**b) Shareholding pattern as on 30<sup>th</sup> June, 2011**

Category	No. of Shares(*)	% to total
Promoters	71096580	48.69
Financial Institutions	297620	0.20
FIs	7390000	5.06
Mutual Funds	12753	0.01
Banks	5549	0.0
Body Corporate	46939622	32.15
NRIs	590796	0.40
Resident Individuals	19687572	13.48
<b>Total</b>	<b>146020492</b>	<b>100.00</b>

(\*) Consequent to the allotment of 69,97,077 equity shares of Rs. 10/- each at a premium of Rs. 14/- per share by way of conversion of outstanding obligation (i.e interest and other charges) on 06.09.2010 as per the SEBI guidelines, the number of shares increased from 13,90,23,415 to 14,60,20,492.

The holding of ISG Traders Ltd along with its subsidiary Boydell Media Pvt Ltd falls below 51% of the shares in the company as on 31.05.2011 and consequently the Company ceased to be a subsidiary company of ISG Traders Ltd effective that date.

**xi). Dematerialisation of Shares and liquidity:**

The shares of the Company are traded in dematerialized form with both the depositories, viz. National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited. (CDSL)

As on 30<sup>th</sup> June, 2011 – 13,71,68,523 shares of the Company, comprising 93.94 % of the share capital, had been dematerialized.

The Company's shares were regularly traded on the BSE and NSE. However trading in shares of the Company has been suspended by NSE w.e.f 03.11.2011 due to non-compliance of certain requirements which are being provided.

**(xii) Outstanding GDRs/ADRs/Warrants or any Convertible Instruments, conversion date and likely impact on equity.**

Not Applicable

**xiii). Plant Locations:**

<b><i>Durga Cement Works (DCW)</i></b> Durgapuram, Dachepalli (Mandal) Guntur Dist, (AP). PIN – 522414	<b><i>Visakha Cement Works, (VCW)</i></b> Parlupalem (Village) Durganagar (Post) Visakhapatnam, (AP) PIN - 530029
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**xiv). Registrar & Share Transfer Agent :**

CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad-500001, (Telephone Nos. : 040-23202465, Fax.: 040-23203028)  
e-mail: [cilsec@rediff.com](mailto:cilsec@rediff.com)

**xv). Address for Correspondence:**

The Company Secretary & Compliance Officer  
Andhra Cements Limited, 2nd Floor, Chandralok Complex, C- Block,  
111, Sarojini Devi Road, Secunderabad – 500003, A.P.  
(Telephone Nos. 040-66260110/11/12, Fax No. 040-27810103)  
e-mail: [investorcell@andhracements.com](mailto:investorcell@andhracements.com)

**For and on behalf of the Board**

**Place : New Delhi**  
**Date : 27.11.2011**

**(K. N. Bhandari) (R.K. Bhargava)**  
**Director Director**





## MANAGEMENT DISCUSSION AND ANALYSIS

### 1. Industry Structure and Development

The Indian Economy continues to be vibrant and has emerged as a more mature and resilient player following the Global Economic meltdown and has continued to grow in excess of 8% during the financial year 2010-11 in the face of rising agricultural sector. The matter of concern is the sluggishness in the growth of Industrial sector coupled with high Inflation rate mainly contributed by food inflation.

Cement industry added new capacity of over 25 Million Tons Per Annum during the financial year 2010-11 and achieved the projected target capacity of 298 mtpa set by planning commission for XIth Plan. Increased capacity expansion coupled with low demand growth led to fierce competition for market share which resulted in prices dropping to unremunerative levels in the period under review. Consequently, the capacity utilization of the industry also fell to 76% in Financial Year 2011 from 85% in Financial Year 2010 while in south it was around 66%.

Though, demand for cement is expected to grow at decent pace, the Southern Region will continue to bear the impact of the surplus capacity. With the capacity growth outstripping demand in the Southern Region, the prices would continue to be under pressure. The Cement industry would continue to experience lower capacity utilisation levels.

An analysis of growth in demand regionwise indicate that the Western region and Eastern region continued with a double digit growth at 11.7% and 10.3% respectively; the North registered a growth of 3% and the Central 9.7% while in the South there was a negative growth of 3.4%.

The inflation would also affect the costs of various inputs of production and distribution, thereby affecting the realisation.

### 2. Opportunities and Threats

Government's continuous thrust on infrastructure development is indeed the impetus for expansion of capacity and growth in the cement industry. However, series of recent increase in interest rates, increase in fuel prices and key raw materials are the major constraining factors for increase in demand and have significant impact on the profitability margins of the industry.

The threats of the Industry arise from rising input costs, restricted availability of coal from domestic market, restricted wagon availability and increase in logistics costs due to increase in fuel cost and railway freight.

#### **Risks and Concerns**

Cement consumption is also a function of macro external factors such as economic growth, Government policies etc. The growth in cement demand is directly co-related to the economic development. In the highly unlikely event of slowdown in economy or infrastructure development activities, cement demand would be adversely affected, which may also impact the cement prices.

Cement being a bulky material, both input and output transportation cost is significant in the industry. With international crude prices firming up, transportation cost is scaling new heights in the country. Another area of concern is transportation bottle-neck due to loading restrictions. The road transportation fleet capacity needs to be increased

substantially to cater to the increasing need of transport of cement and other industries. Further cement sector being directly affected by coal shortage, coal prices too have been climbing up. Freight, power and coal being major components of cost, any increase in their prices adversely affects the profit margins of the industry.

### **3. Product-wise Performance**

Andhra Cements Ltd, is primarily engaged in manufacture and sale of Cement including OPC, PPC, PSC and GGBS. In the domestic market the company operates through a net work of dealers and agents for sale of its products. Its major markets include Andhra Pradesh, Tamilnadu, Orissa, Karnataka and other nearby states.

The Company has two plants at Dachepalli, Guntur District (AP)(DCW) and Visakhapatnam (AP)(VCW) with existing installed capacity of 0.80 mtpa and 0.60 mtpa respectively. Both the plants were undertaken for upgradation/expansion to increase the plant capacity from 1.4 mtpa to 3.5 mtpa.

In respect of upgradation-cum-expansion project undertaken by the Company to increase its production capacity, even though substantial progress has been made, the same is yet to be completed and implemented.

The DCW plant of the Company was in production primarily till the end of the first quarter of the period and production at VCW plant could not be continued from the beginning of September, 2010 due to disruptions by labour. The production activities remained suspended thereafter and could not have since been resumed. The above plants produced 2.23 lacs tons of cement in aggregate during the period.

### **4. Outlook**

Though, demand for cement is expected to grow at decent pace in the years to come, the Southern Region will continue to bear the impact of the surplus capacity. The Cement industry would experience lower capacity utilisation levels.

The expected increase in per capita consumption of cement to reach the global standards and the infrastructure thrust by the Government would indicate the growth potential for the cement industry in medium and long term.

### **5. Internal Control Systems and adequacy**

The Internal Control System is an essential element of the Corporate Governance and plays a key role in identifying, minimizing and managing risks that are significant for the Company, contributing to the safeguarding of stakeholders investments and the Company's assets.

Your Company has established and is maintaining adequate controls within the system to ensure the completeness, accuracy, and authority of all financial information and of all other information that forms the basis for calculation of financial information or is used for management control and accountability. The adequacy and effectiveness of internal controls are monitored regularly by the Internal Auditors and the Audit Committee and remedial measures are being taken, wherever necessary. However during the period due to suspension of production for substantial part of the year, there being limitations and constraints, controls could not be exercised effectively.

The Audit Committee of the Company meets periodically to review and recommend quarterly, half yearly and annual financial statements of the Company. The Audit



Committee reviews the important findings of the Internal Auditors during their audits, periodically. The Committee also holds discussions with the internal auditors, statutory auditors and the management on the matters relating to internal controls, auditing and financial reporting. The Committee also reviews with the statutory auditors, the scope and results of the audits.

## **6. Financial and Operational Performance**

During the period under review the gross sales were Rs.70.91 crores. The detailed financial and operational performance is given in the Annual Accounts and Schedules thereto forming part of this Report.

## **7. Human Resource Development and Industrial Relations**

The Company believes that employees are the key to achieving goals and are the primary source of competitive advantage.

The Company believes that training is an important tool to enhance the capabilities of people and performance of the organization. Therefore, from time to time, on-the-job-training programs are organized through internal and external sources.

The Industrial relations have generally been cordial except at VCW plant where there are disruption by labour during the period under review.

## **8. Health & Safety**

The Company places the highest value on ensuring the health and safety of its employees, contractors, third parties and visitors.

In addition, the company strengthened the plant management teams by providing dedicated safety staff in the plants to advice and support and plant management in establishing the safety management system. Since the production activities have suspended, emphasis could not be given for health and safety.

## **9. Cautionary Statement**

Certain statements made in this Report relating to the Company's objectives, projections, outlook, estimates and expectations may be 'forward looking statements' within the applicable laws and regulations. As these statements are based on certain assumptions and expectations of future events over which the Company exercises no control, the Company cannot guarantee their accuracy. The actual results may differ materially from such estimates, projections, etc. Significant factors that could make a difference to the Company's operations include domestic and international economic conditions affecting demand, supply and price conditions in the industry, changes in government regulations, tax regimes and other statutes, over which the Company does not have any direct control.

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**For and on behalf of the Board**

**Place : New Delhi**  
**Date : 27.11.2011**

**(K. N. Bhandari) (R.K. Bhargava)**  
**Director Director**

**CERTIFICATE ON CORPORATE GOVERNANCE****To the Members of Andhra Cements Limited**

I have examined the compliance of conditions of Corporate Governance by M/s ANDHRA CEMENTS LIMITED for the 15 months period ended June 30, 2011 as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The Compliance of conditions of Corporate Governance is the responsibility of the Management. My examination was limited to procedures and implementation thereof, adopted by the Company for ensuring compliance of conditions of the certificate of Corporate Governance as stipulated in the said Clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In my opinion and to the best of my information and according to the explanations given to me and representation made by the Directors and the Management, I certify that the Company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreement.

I further state that no investor grievances are pending against the Company as per the records maintained by the Share Holders / Investors Grievance Committee.

I further state that such compliance is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

**For Savita Jyoti Associates**  
Company Secretaries

**CS. Savita Jyoti**  
Practicing Company Secretary  
(CP No. 1796)

Place : Secunderabad  
Date : 27.10.2011

**DECLARATION REGARDING COMPLIANCE BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL WITH THE COMPANY'S CODE OF CONDUCT**

This is to confirm that the Company has adopted a Code of Conduct for the Board Members and senior management personnel.

We confirm that the Company has, in respect of the Financial Year 2010-11 (15 months) received from the members of the Board and the senior management personnel of the Company a declaration of compliance with the Code of Conduct as applicable to them.

**(K. N. Bhandari)**  
Director

**(R.K. Bhargava)**  
Director

Place : New Delhi  
Date : 27.11.2011



## AUDITORS' REPORT

### TO THE MEMBERS OF ANDHRA CEMENTS LIMITED

1. We have audited the attached Balance Sheet of ANDHRA CEMENTS LIMITED, as at June 30, 2011, the Profit and Loss Account and also the Cash Flow Statement for fifteen months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 (the Order) issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956 (the Act), and according to the information and explanation given to us and also on the basis of such checks as we considered appropriate, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. *Attention is invited to note nos. 21(a)&(b) regarding non availability of confirmation/reconciliation, etc. and non-ascertainment of adjustments with respect to advances, debtors, interest and other expenses/charges, liabilities, etc., Note no. 23(a)&(b) regarding continuation of capitalisation of borrowing and other cost and non-ascertainment of effect for capital supplies/services pending completion of project, Note no 24 regarding non provision of employee and other personnel expenses during the period of disruption of production pending final settlement & related non-disclosure in note 39 and note 38 regarding continuation of recognition of Deferred Tax Asset realisation whereof as such cannot be commented upon.*
5. Further to our comments in the Annexure referred to in para 3 & para 4 above, we report that:
  - a. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - b. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books.
  - c. The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.



- d. In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report, *subject to those referred to in Notes 23, 24, 38 and 39 of Schedule-"O"*, comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act.
- e. In respect of debentures and fixed deposits as stated in Note 31 of Schedule "O", the Company has received a legal opinion that there is no default in the repayment of amount due to the debenture holders and deposit holders, for which reliance has been placed by us. In view of this, and on the basis of written representations received from the directors and taken on record by the Board of Directors, we report that none of the directors is disqualified as on June 30, 2011 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
- f. In our opinion and to the best of our information and according to the explanations given to us, the said accounts, *subject to para 4 above, impact whereof is presently not ascertainable* and read together with other notes thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
- i. in the case of the Balance Sheet, of the state of affairs of the Company as at June 30, 2011.
  - ii. in the case of the Profit and Loss Account, of the loss for the period ended on that date; and
  - iii. in the case of the Cash Flow Statement, of the cash flows for the period ended on that date.

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For **LODHA & CO.**  
Chartered Accountants  
Firm Registration No.301051E

**K.SOMESWARA RAO**  
Membership No.052061  
Partner

Place : Hyderabad  
Date : 27.11.2011

For **CHATURVEDI & PARTNERS**  
Chartered Accountants  
Firm Registration No.307068E

**R N CHATURVEDI**  
Membership No.092087  
Partner

Place : New Delhi  
Date : 27.11.2011

**ANNEXURE REFERRED TO IN PARAGRAPH 3 OF OUR REPORT OF EVEN DATE**

- i. a. According to the information and explanations furnished to us, *the Company has not updated its records of fixed assets with particulars including quantitative details and situation of its fixed assets.*
- b. We are informed by the company's management that it follows the practice of physical verification of its Fixed Assets once in a period of three years which, in our opinion is reasonable and adequate in relation to the nature and location of the Fixed Assets. *However, as stated in Note no. 21(a)(ii) of Schedule 'O', no such physical verification of its assets was conducted by the management during the period and accordingly discrepancies, if any, arising there from are presently not ascertainable.*
- c. According to the information and explanation given to us, during the period, the Company has not disposed off any part of its fixed assets.
- ii. a. According to the information and explanations furnished to us, the company has physically verified its inventories except for stores & spares. In respect of certain materials stored in heaps, such verification has been done on the basis of volumetric measurement. In our opinion, *except in respect of stores and spares which have not been verified as stated in Note no. 21(a)(iii) of Schedule 'O', the frequency of verification is reasonable.*
- b. In our opinion, the procedures of physical verification of inventories need to be strengthened to make these being reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. According to the information furnished to us, the Company is maintaining proper records of its inventory and the discrepancies noticed on verification during audit, to the extent carried out between the physical stocks and the book records were not material, and have been properly dealt with in the books of account.
- iii. a. According to the information and explanations furnished to us, the Company has not granted any loans to companies, firms or other parties covered by the register maintained under Section 301 of the Act, and consequently reporting under sub-clauses (b), (c) and (d) of clause 4(iii) of the Order is not applicable to the Company.
- b. The Company has taken unsecured loans and advances from five companies covered in the register maintained under section 301 of the Act. The maximum amount involved during the year and outstanding balance of loans taken from such companies was Rs.4230.02 lacs.
- c. In our opinion, based on the information and explanations given to us, the rate of interest, where applicable, and other terms and conditions on which the loans have been taken from companies listed in the register maintained under section 301 of the Act are not, *prima facie*, prejudicial to the interests of the Company.
- d. According to the information and explanations furnished to us, no terms have been stipulated with regard to repayment of the principal and interest on the loans



taken by the Company and are repayable on demand. We have been explained that no such demand has been made with respect to the principal amount and as such requirement on commenting on regularity in this respect is not applicable. *However, the Company has not been regular in repayment of interest.*

- iv. In our opinion and according to the information and explanations given to us, *except during the period of disruption of operation as stated in Note no.20 of Schedule 'O'*, there exists an adequate internal control system commensurate with the size of the company and the nature of its business with regard to purchases of inventory, fixed assets and with regard to the sale of goods and services. During the course of our audit, we have neither observed nor have been informed of any continuing failure to correct major weaknesses in internal control system of the company.
- v. According to the information and explanations given to us and as per the record of the company, there is no transaction that needs to be entered, in the registered maintained under section 301 of the Act. Accordingly, the provisions of clause 4(v)(b) of the Order is not applicable to the Company.
- vi. The Company has not accepted any deposit from public during the period. In respect of deposits accepted in earlier years and lying unclaimed, it has not complied with the provisions of section 58A and 58AA of the Act and Companies (Acceptance of Deposits) Rules, 1975 including maintenance of liquid assets and filing Annual Return in these respect. The BIFR in its Modified Rehabilitation Scheme dated 21st July 2008 directed the fixed deposits holders to accept the outstanding principal amount, in four annual instalments, on interest free basis and payments as claimed by the depositors are accordingly made. Thereby, according to the information furnished to us, no other Order has been passed on the company by the Company Law Board or any other authorities for non-compliance with the provisions of Sections 58A and 58AA of the Act.
- vii. As explained, *due to disruption in operation, no internal audit has been carried out during the period.*
- viii. The company has maintained the books of account and records pursuant to the rules made by the Central Government for the maintenance of Cost Records under section 209 (1) (d) of the Act and we are of the opinion that prima facie the prescribed accounts and records have been made and maintained during the period in which production was done. However, we have not carried out any detailed examination of such records with a view to determine whether they are accurate or complete.
- ix. a. According to the information and explanations given to us, the Company has not been generally regular in depositing with the appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, income-tax, sales-tax, wealth tax, service tax, custom duty, excise duty, and any other statutory dues applicable to it.
- b. According to the information and explanations given to us, *undisputed amounts payable in respect of income tax deducted/ collected at source and cess thereon, value added tax, work contract tax, provident fund, sales-tax, and excise duty, which were in arrears, as at June 30, 2011 for a period of more than six months from the date they became payable are as under:*





Name of statute	Nature of the Dues	Amount (Rs. lacs)	Period to which amount relates
Income Tax Act	TDS	30.31	May 2010-December 2010
A P VAT Act	VAT	81.77	July 2010 and September 2010
Uttarakhand VAT Act	VAT	32.25	September 2010
Orissa VAT Act	VAT	6.68	September 2010 and November 2010
Central Sales Tax Act	CST	9.25	July 2010 and September 2010
Income Tax Act	TCS	0.99	June 2010- October 10
Central Excise Act	Excise	37.51	August 2010
Works Contract Tax	WCT	28.97	August 2010
Provident Fund Act	Provident Fund	9.15	August 2010 –December 2010
Finance Act, 1994	Service Tax	0.48	April 2010 - July 2010

- c. According to information and explanations given to us, the following dues of sales tax, customs duty, excise duty, service tax which have not been deposited by the Company on account of any dispute

S. No	Name of the Statute	Nature of disputed amount	Amount not remitted (Rs in lakhs)	Asst. Year/ Year of demand	Pending before
1	Central Excise Act, 1944	Interest on duty demanded kept in abeyance pursuant to BIFR order.	73.11	2005-06	• Assessing officer
2	Central Excise Act, 1944	Central Excise duty	3.95	2010	• Commissioner (Appeals)
		-do-	8.00	2004	• High Court
		-do-	25.34	2005	• CESAST
		-do-	95.78	2005	• CESAST
3	APGST Act/CST Act	Sales Tax	35.43	1990-91	• High Court
		-do-	37.66	1991-92	• High Court
		-do-	18.34	1992-93	• High Court
		-do-	26.96	1995-96	• Tribunal
		-do-	9.36	2001-02	• Tribunal
		-do-	16.65	1991-92	• Tribunal
		-do-	6.53	1992-93	• Tribunal
4	Orissa Sales tax Act	Sales Tax	0.45	2000-01	• Tribunal
		Sales Tax (ET)	0.46	2001-02	• Tribunal
		Sales Tax (ET)	0.63	2002-03	• Commissioner (Appeals)
		Sales Tax (ET)	2.77	2003-04	• Tribunal
		Sales Tax	1.08	2004-05	• Tribunal
		Sales Tax	0.76	2008-09	• Commissioner (Appeals)
5	Tamilnadu Sales Tax Act	Sales Tax	12.30	1988-89	• Tribunal
		-do-	13.26	1991-92	• Tribunal
		-do-	5.83	1992-93	• Tribunal
		-do-	18.93	1996-97	• Tribunal
		-do-	9.17	1988-89	• Commissioner (Appeals)
		-do-	6.09	1989-90	• Commissioner (Appeals)



- x. According to the information and explanations furnished to us by the Company and *without considering the effect of matters dealt with in para 4 of the said report impact whereof not being ascertainable*, accumulated losses of the company are not more than fifty percent of its net worth. Further, the Company has incurred cash losses during the period covered by our report but did not incur cash losses in the immediately preceding financial year.
- xi. Based on the examination of the books of account and other related records and according to the information and explanations given to us, *14 instances of delays were noted in repayment of dues to financial institutions ranging from 157 days to 194 days with amounts varying from Rs.166.34 lacs to Rs.1075.28 lacs and 14 instances of delays were noted in repayment of dues to debenture holders ranging from 65 days to 201 days with amounts varying from Rs.38.84 lacs to Rs.191.74 lacs.*
- xii. In our opinion and according to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the company is not a chit fund or a nidhi /mutual benefit fund/ society. Therefore the provisions of clause 4 (xiii) of the Order are not applicable to the company.
- xiv. According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable to the company.
- xv. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
- xvi. In our opinion, and according to the information and explanations given to us, the Company has not raised any fresh term loans during the period.
- xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company *without considering the effect of matters dealt with in para 4 of our report impact whereof not being ascertainable*, we report that funds aggregating to Rs.10380.06 lacs raised on a short-term basis have been used for long-term investment i.e. funding of capital work in progress and its losses.
- xviii. The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Act during the year. Accordingly, the provisions of clause 4 (xviii) of the Order are not applicable to the company.
- xix. The Company has not issued any debentures during the year. Accordingly, the provisions of clause 4 (xix) of the Order are not applicable to the company.
- xx. The Company has not raised any money through a public issue during the period. Equity shares have been issued during the period against conversion of Rs.1679.30 lacs fallen due for payment to the lenders.
- xxi. During the course of our examination of the books and records of the Company, carried out in accordance with generally accepted auditing practices in India and according to the information and explanations given to us, we have neither come across any incidence of fraud on or by the Company nor have we been informed of such cases by the management.

For **LODHA & CO.**  
Chartered Accountants  
Firm Registration No.301051E  
**K.SOMESWARA RAO**  
Membership No.052061  
Partner  
Place : Hyderabad  
Date : 27.11.2011

For **CHATURVEDI & PARTNERS**  
Chartered Accountants  
Firm Registration No.307068E  
**R N CHATURVEDI**  
Membership No.092087  
Partner  
Place : New Delhi  
Date : 27.11.2011

**BALANCE SHEET AS AT 30<sup>th</sup> JUNE 2011**

(Rs. Lakhs)

Schedule	As at 30.06.2011	As at 31.03.2010
<b>I. SOURCES OF FUNDS:</b>		
1. Shareholders' Funds:		
a. Capital	A <b>14,602.44</b>	13,902.73
b. Reserves and Surplus	B <b>11,614.92</b>	11,416.38
	<b>26,217.36</b>	25,319.11
2. Loan Funds:		
a. Secured Loans	C <b>40,098.07</b>	39,202.34
b. Unsecured Loans	D <b>5,842.37</b>	1,795.36
	<b>45,940.44</b>	40,997.70
<b>TOTAL</b>	<b>72,157.80</b>	66,316.81
<b>II. APPLICATION OF FUNDS:</b>		
1. Fixed Assets:		
Gross Block	E <b>24,937.52</b>	24,930.95
Less: Depreciation	<b>18,151.43</b>	17,242.45
Net Block	<b>6,786.09</b>	7,688.50
Capital Work-in-progress	<b>52,539.44</b>	44,331.30
(Refer Note No.23 of Schedule "O")		
	<b>59,325.53</b>	52,019.80
2. Investments	F <b>0.02</b>	0.02
3. Deferred Tax Asset (Net)	G <b>8,367.03</b>	7,718.19
4. Current Assets, Loans and Advances		
Inventories	H1 <b>1,190.18</b>	2,847.07
Sundry Debtors	H2 <b>634.56</b>	856.71
Cash & Bank Balances	H3 <b>357.63</b>	452.67
Other Current Assets	H4 <b>35.27</b>	43.99
Loans & Advances	I <b>4,929.00</b>	6,400.33
	<b>7,146.64</b>	10,600.77
Less: Current Liabilities & Provisions		
a) Liabilities	J <b>10,523.26</b>	9,403.71
b) Provisions	K <b>640.52</b>	640.52
Net Current Assets	<b>(4,017.14)</b>	556.54
5. Profit & Loss Account	<b>8,482.36</b>	6,022.28
<b>TOTAL</b>	<b>72,157.80</b>	66,316.81
6. Notes on accounts	O	
The Schedules, notes and statement on accounting policies form an integral part of the Balance Sheet		

As per our report of even date

For and on behalf of the Board

For **Lodha & Co.**  
Chartered Accountants  
Firm Registration No. 301051E

For **Chaturvedi & Partners**  
Chartered Accountants  
Firm Registration No. 307068E

**K.N. Bhandari** - Director  
**R.K. Bhargava** - Director

**K. Someswara Rao**  
Memb. No. 052061  
Partner

**R. N. Chaturvedi**  
Memb. No. 092087  
Partner

**G. Tirupathi Rao**  
Company Secretary

Place: Hyderabad  
Date : 27.11.2011

Place: New Delhi  
Date : 27.11.2011

Place : New Delhi  
Date : 27-11-2011

**PROFIT AND LOSS ACCOUNT**for the Period of Fifteen Months ended 30<sup>th</sup> June 2011

(Rs. Lakhs)

Schedule	Current Period	Previous Year
<b>INCOME:</b>		
Gross Sales	<b>7091.45</b>	32327.09
Less: Excise Duty	<b>793.35</b>	2869.91
Net Sales	<b>6298.10</b>	29457.18
Other Income	<b>314.47</b>	1613.70
L	<b>6612.57</b>	31070.88
<b>EXPENDITURE:</b>		
Raw Materials Consumed	<b>1556.26</b>	7287.17
Payments and Benefits to Employees	<b>590.89</b>	2492.15
Manufacturing, Selling, Administration and Other Expenses	<b>5648.77</b>	20085.56
Excise Duty	<b>21.17</b>	3.06
Interest	<b>1330.94</b>	565.51
Depreciation	<b>127.94</b>	123.15
	<b>9275.97</b>	30556.60
Decrease / (Increase) in Stocks	<b>445.52</b>	(25.31)
N	<b>9721.49</b>	30531.29
<b>Profit/(Loss) before Tax</b>	<b>(3108.92)</b>	539.59
Less: Provision for Taxation	-	104.14
Add/(Less): Deferred Tax Asset	<b>648.84</b>	4228.95
Add: MAT Credit Entitlement	-	104.14
<b>Profit/(Loss) after Tax for the Year</b>	<b>(2460.08)</b>	4768.54
Less: Transfer to Debenture Redemption Reserve	-	250.00
Less: Transfer to Capital Redemption Reserve	-	1.94
	<b>(2460.08)</b>	4516.60
Loss Brought Forward	<b>6022.28</b>	10538.88
<b>Balance Loss Carried Forward to Next Year</b>	<b>8482.36</b>	6022.28
Earnings/(Loss) per Share (Refer Note No:37 of Schedule "O")		
Basic Rs.	<b>(1.71)</b>	3.57
Diluted Rs.	<b>(1.71)</b>	3.57
The Schedules, notes on accounts and statement on accounting policies form an integral part of the Profit and Loss Account.		

As per our report of even date

For **Lodha & Co.**  
Chartered Accountants  
Firm Registration No. 301051E  
**K. Someswara Rao**  
Memb. No. 052061  
Partner

For **Chaturvedi & Partners**  
Chartered Accountants  
Firm Registration No. 307068E  
**R. N. Chaturvedi**  
Memb. No. 092087  
Partner

For and on behalf of the Board

**K.N. Bhandari** - Director  
**R.K. Bhargava** - Director  
**G. Tirupathi Rao**  
Company Secretary

Place: Hyderabad  
Date : 27.11.2011

Place: New Delhi  
Date : 27.11.2011

Place : New Delhi  
Date : 27-11-2011


**SCHEDULE "A" : SHARE CAPITAL**

(Rs. Lakhs)

	As at 30.6.2011		As at 31.03.2010	
<b>AUTHORISED:</b>				
5,00,000 (5,00,000) Cumulative Redeemable Preference Shares of Rs.100/-each	<b>500.00</b>		500.00	
16,50,00,000 (16,50,00,000) Equity Shares of Rs 10/- each	<b>16,500.00</b>		16,500.00	
		<b>17,000.00</b>		<b>17,000.00</b>
<b>ISSUED:</b>				
14,60,20,492 (13,90,23,415)- Equity Shares of Rs 10/- each	<b>14,602.05</b>	<b>14,602.05</b>	13,902.34	<b>13,902.34</b>
<b>SUBSCRIBED AND FULLY PAID:</b>				
14,60,20,492 (13,90,23,415)- Equity Shares of Rs 10/- each		<b>14,602.05</b>		<b>13,902.34</b>
Add: Forfeited Shares (amount originally paid up)		<b>0.39</b>		<b>0.39</b>
		<b>14,602.44</b>		<b>13,902.73</b>

Note: of the above

1. 8,879 Shares were allotted as fully paid-up by way of bonus shares out of the Share Premium and General Reserve during the year 1967.
2. 69,97,077 Equity Shares allotted during the year at a premium of Rs.14/- per share.

**SCHEDULE "B" : RESERVES & SURPLUS**

(Rs. Lakhs)

	As at 31.03.2010	Additions During the Period	Deductions During the Period	As at 30.06.2011
Securities Premium	5,124.45	979.59	-	<b>6,104.04</b>
Debenture Redemption Reserve	250.00	-	-	<b>250.00</b>
(Refer Note No.27 of Schedule "O")				
Capital Redemption Reserve	1.94	-	-	<b>1.94</b>
Quarry Land Amortisation Reserve	0.29	-	-	<b>0.29</b>
Capital Reserve *	10.00	-	-	<b>10.00</b>
Asset Revaluation Reserve **	6,029.69	-	781.04	<b>5,248.65</b>
	<b>11,416.37</b>	<b>979.59</b>	<b>781.04</b>	<b>11,614.92</b>

\* Investment subsidy in respect of Visakha Unit received during the accounting year ended 31.03.1981

\*\* See Note No.2 under Schedule E


**SCHEDULE "C" : SECURED LOANS (Refer Note No.18 of Schedule "O")** (Rs. Lakhs)

<b>I. DEBENTURES:</b>		<b>As at 30.06.2011</b>		<b>As at 31.03.2010</b>	
<b>(a)</b> 15,00,000 Secured Optionally Convertible Debentures-A (OCD-A) of Rs.100/- each 15,00,000 Secured Optionally Convertible Debentures-B (OCD-B) of Rs.100/- each 10,00,000 Secured Non Convertible Debentures (NCD) of Rs.100/- each - Interest accrued and due		<b>1,500.00</b>		1,500.00	
		<b>1,500.00</b>		1,500.00	
		<b>1,000.00</b>		1,000.00	
		<b>137.50</b>	<b>4,137.50</b>	-	4,000.00
<b>(b)</b> 1,45,287 (1,45,897)-13.5% Secured Redeemable Debentures of Rs 160/-each (part-B) fully paid i. 75% of the above ii. Z.I.B. - I (representing balance 25%)  Less: Redeemed portion of Rs.12 per Debenture i.e., 10% of (i) above on 1,27,807 (1,28,407) Debentures. Less: Adhoc part payment made against 1,27,807 (1,28,407) Debentures. (Refer Note No.31 (b) of Schedule "O")		<b>174.34</b>		175.08	
		<b>58.12</b>		58.36	
		<b>232.46</b>		233.44	
		<b>15.34</b>		15.41	
		<b>20.71</b>		20.80	
			<b>196.41</b>		197.22
<b>II. TERM LOANS FROM:</b>					
<b>(a)</b> Financial Institutions - Infrastructure Development Finance Corporation Limited			<b>16,250.00</b>		16,250.00
<b>(b)</b> Others - Housing Development Finance Corporation Limited Interest Accrued & Due on above.			<b>15,750.00</b> <b>1,459.22</b>		15,750.00 -
<b>III. OTHER LOANS FROM BANKS:</b> Working Capital Loan			<b>2,304.94</b>		3,005.11
			<b>40,098.07</b>		39,202.34
Repayable with in one year			<b>1,500.00</b>		-

**SCHEDULE "D" : UNSECURED LOANS**

A. Fixed Deposits(Unclaimed) (Refer Note No.31 (c) of Schedule "O")	<b>102.89</b>		103.09
B. Sales Tax Loan from Andhra Pradesh Govt.	<b>7.23</b>		7.23
C. Loans from Companies - Interest Free	<b>1,685.04</b>		1,685.04
- Others	<b>3,814.92</b>		-
- Interest accrued and due on above	<b>232.29</b>		-
(Loans from companies - Others and Interest accrued thereon are repayable on demand)	<b>5,842.37</b>		1,795.36

# SCHEDULE "E" - FIXED ASSETS

(Rs. lakhs)



Andhra Cements Limited

Annual Report 2010-11

Name of Asset	GROSS BLOCK			DEPRECIATION				NET BLOCK	
	Cost As at 31.03.2010	During the Period		Cost upto 30.06.2011	upto 31.03.2010	for the Period	on Deductions	Total upto 30.06.2011	As at 30.06.2011
		Additions	Deductions						
1. Land	679.90	-	-	679.90	-	-	-	-	679.90
2. Buildings	3,746.29	-	-	3,746.29	1,660.18	126.06	-	1,786.24	1,960.05
3. Plant & Machinery	16,833.83	-	-	16,833.83	12,722.03	635.21	-	13,357.24	3,476.59
4. Electrical Installations	2,928.55	-	-	2,928.55	2,261.88	109.15	-	2,371.03	557.52
5. Railway Siding	190.44	-	-	190.44	180.91	-	-	180.91	9.52
6. Laboratory Equipment	34.12	-	-	34.12	18.90	1.71	-	20.61	13.51
7. Transport Vehicles	65.77	-	-	65.77	56.27	2.87	-	59.14	6.63
8. Furniture & Office Equipment	452.06	6.57	-	458.63	342.29	33.97	-	376.26	82.37
<b>T O T A L</b>	<b>24,930.95</b>	<b>6.57</b>	<b>-</b>	<b>24,937.52</b>	<b>17,242.46</b>	<b>908.97</b>	<b>-</b>	<b>18,151.43</b>	<b>6,786.09</b>
Previous Year	30,118.81	82.80	5,270.03	24,930.95	20,149.08	747.27	3,653.90	17,242.46	7,688.50
<b>NOTE:</b>									
1. Transport Vehicles includes 6 nos. of cars which are not in possession of the company, and the ownership of these cars is not verifiable.									
2. Gross Block includes increase in value of Land, Buildings, Plant and Machinery, Electrical Installations, and Railway Siding consequent to revaluation by an approved valuer as on 31-03-1998 at the then replacement values aggregating to Rs.208.34 Crores. Depreciation for the period amounting to Rs.781.04 lakhs (Rs.624.12 lakhs) on the revalued depreciable assets has been withdrawn from the Asset Revaluation Reserve and reduced from the depreciation charged to the Profit and Loss Account. Further, revaluation reserve in respect of the assets sold/ discarded during the year has been adjusted appropriately in the above schedule to the extent of Rs.Nil (Rs.1465.26 lacs) against WDV of Plant & Machinery.									

**Schedule “F” : INVESTMENTS (At Cost, Non Trade)**

	As at 30.06.2011		As at 31.03.2010	
	No. of Shares	Rs.Lakhs	No. of Shares	Rs.Lakhs
I. Shares of Companies:				
A. Unquoted equity shares fully paidup The Andhra Pradesh Heavy Machinery & Engineering Ltd, Rs. 10/- each	2,500	0.25	2,500	0.25
II. National Saving Certificates (Lodged as security with Govt.departments)		0.02		0.02
		0.27		0.27
Less : Provison for diminution in value of Investments		0.25		0.25
		0.02		0.02
Aggregate of Un-quoted investments: (at cost)		0.27		0.27
Note: All the above are long term investments				

**Schedule “G” : DEFERRED TAX ASSET (NET)**

(Rs.Lakhs)

	As at 30.06.2011	As at 31.03.2010
Deferred Tax Asset	8,733.67	8,106.71
Less: Deferred Tax Liability	366.64	388.52
	8,367.03	7,718.19




**Schedule "H" : CURRENT ASSETS**

(Rs. Lakhs)

	As at 30.06.2011		As at 31.03.2010	
1. Inventories (Including stock-in-transit)				
Stores & Spares - Others	893.11		1,467.59	
Less: Provision for obsolete stores	7.02		7.02	
	886.09		1,460.57	
Finished Goods	-		84.69	
(including depot stocks, duty and freight thereon)				
Process Stocks	66.00		439.15	
Raw Materials	238.09		862.66	
		1,190.18		2,847.07
2. Sundry Debtors				
a. Debts outstanding for a period exceeding six months				
Considered doubtful	862.46		862.46	
Less: Provision	862.46		862.46	
Considered good				
- Secured	-		31.55	
- Unsecured	630.31		393.23	
	630.31		424.78	
b. Other debts considered good				
- Secured	-		57.55	
- Unsecured	4.25		374.38	
	4.25		431.93	
		634.56		856.71
3. Cash and Bank Balances				
In Current Accounts with Scheduled banks	28.16		48.38	
In Post office savings bank account (maximum balance Rs.0.80 lakhs) (pledged with ADMG of AP)	0.80		0.80	
In fixed deposit account including Margin Money against guarantee. (Includes Rs.5000/-pledged with Sales Tax Authorities of Tamilnadu)	325.92		395.83	
Cash and cheques on hand	2.75		7.66	
		357.63		452.67
4. Other Current Assets				
Accrued Interest		35.27		43.99
		2,217.64		4,200.44

i) Cash and Bank Balances includes amounts under lien in favour of Debenture Trustees for repayment of principal amount of debentures on receipt of claim:

- in Current Accounts Rs.1.06 lakhs;
- in Fixed Deposits Rs.195.00 lakhs


**Schedule "I" : LOANS AND ADVANCES**

(Rs. Lakhs)

	As at 30.06.2011		As at 31.03.2010	
Advances (recoverable in cash or in kind or for value to be received - unsecured)				
Advances - Project - Considered Good	<b>3,322.00</b>		3,988.47	
Others				
Considered Doubtful	<b>357.54</b>		357.54	
Less: Provision	<b>357.54</b>		357.54	
Considered good	<b>687.53</b>	<b>4,009.53</b>	467.69	4,456.16
Deposits recoverable:				
Considered Doubtful	<b>30.77</b>		30.77	
Less: Provision	<b>30.77</b>		30.77	
Considered good	<b>37.66</b>	<b>37.66</b>	769.15	769.15
Claims Recoverable:				
Considered Doubtful	<b>49.50</b>		49.50	
Less: Provision	<b>49.50</b>		49.50	
Considered good	<b>13.96</b>	<b>13.96</b>	24.55	24.55
Pre-paid Expenses		<b>3.52</b>		16.19
Excise Duty, Royalty etc., paid in advance		<b>446.22</b>		693.58
MAT Credit available for Set-off		<b>137.14</b>		137.14
Advance Income Tax & Tax Deducted at Source		<b>206.94</b>		228.17
Excise Duty, Electricity, P F etc. demands paid under protest		<b>74.03</b>		75.38
		<b>4,929.00</b>		6,400.32

**Schedule "J" : CURRENT LIABILITIES**

(Rs. Lakhs)

	As at 30.06.2011	As at 31.03.2010
Sundry Creditors		
Dues to - Micro Enterprises and Small Enterprises	-	-
- Other than Micro Enterprises and Small Enterprises	<b>8,855.93</b>	7,599.30
Deposits/ Advances from Contractors, Customers and others	<b>1,450.40</b>	1,560.37
Dues to Trustees of Employees PF	-	9.88
Interest Accrued but not due on loans	<b>215.01</b>	232.24
Unclaimed Redeemable Cumulative First Preference Shares (Note No 17 of Schedule "O")	<b>1.92</b>	1.94
	<b>10,523.26</b>	9,403.72

**Schedule “K” : PROVISIONS**

(Rs. Lakhs)

	As at 30.06.2011	As at 31.03.2010
For Provision for Income Tax	137.14	137.14
Gratuity	402.92	402.92
Leave Encashment	100.46	100.46
	<b>640.52</b>	<b>640.52</b>

**Schedule “ L” OTHER INCOME**

(Rs. Lakhs)

	Current Period	Previous Year
Rents Received	3.02	6.79
Interest Received (TDS.Rs.5.29 lakhs, PY Rs.11.42 lakhs)	58.63	93.09
Claims Received	1.70	160.05
Scrap Sales/Miscellaneous Receipts	182.81	50.09
Provisions no longer required and unclaimed credit balances written-back	68.31	910.68
Profit on sale of Fixed Assets	-	393.00
	<b>314.47</b>	<b>1,613.70</b>

**Schedule “M1” - PAYMENTS AND BENEFITS TO EMPLOYEES**

(Refer Note No.24 of Schedule “O”)		
Salaries, Wages and Bonus	432.03	1,955.58
Contribution to Provident and Other Funds	36.51	118.70
Gratuity Paid/Provided	20.19	64.10
Workmen & Staff Welfare Expenses	102.16	353.77
	<b>590.89</b>	<b>2,492.15</b>



Schedule "M2" - EXPENSES		(Rs. Lakhs)
Manufacturing, Selling, Administration and Other Expenses:	Current Period	Previous Year
<b>Manufacturing:</b>		
Stores Consumed	83.48	1,033.48
Packing Material	329.60	1,424.38
Power & Fuel etc.,	2,800.73	7,210.55
Insurance	19.78	19.44
Repairs & Maintenance to:		
Buildings	0.02	16.43
Machinery	437.82	3,994.35
Other Assets	2.98	140.96
	<b>3,674.41</b>	<b>13,839.60</b>
<b>Selling</b>		
Advertisement & Sales Promotion	6.92	71.15
Commission on Sales	78.85	181.02
Freight, Loading etc. on Sales	1,446.83	4,921.34
	<b>1,532.60</b>	<b>5,173.51</b>
<b>Administration:</b>		
Rent	33.41	56.78
Rates and Taxes	67.40	116.04
Directors' Sitting Fee	3.90	4.13
Managerial Remuneration (Note No.12 of Schedule "O")	52.40	140.29
Payments to Auditors (Note No. 10 & 11 of Schedule "O")	13.79	14.06
Miscellaneous Expenses	270.82	659.78
	<b>441.72</b>	<b>991.08</b>
<b>Other Expenses:</b>		
Irrecoverable Debts and Claims written off	-	3.38
Stores written off	-	3.16
Investments Written off	-	0.02
Less: Provision	-	(0.02)
Provision for Doubtful Debts	-	46.54
Provision for Doubtful Advances	-	26.65
Prior Year Adjustments (Net)	0.04	0.38
Loss on sale of assets	-	1.24
	<b>0.04</b>	<b>81.37</b>
<b>Total</b>	<b>5,648.77</b>	<b>20,085.56</b>



## Schedule "N" - INCREASE/DECREASE IN STOCKS:

(Rs. Lakhs)

	Current Period	Previous Year
<b>Opening Stocks :</b>		
Work-in-progress	<b>439.15</b>	353.21
Finished Goods	<b>84.69</b>	149.62
	<b>523.84</b>	502.83
<b>Closing Stocks :</b>		
Work-in-progress	<b>66.00</b>	439.15
Finished Goods	-	84.69
	<b>66.00</b>	523.84
	<b>457.84</b>	(21.01)
Less: (Increase)/Decrease in Excise Duty on Stocks	<b>12.32</b>	4.30
(Increase)/Decrease in Stocks	<b>445.52</b>	(25.31)

**SCHEDULE "O"****1. SIGNIFICANT ACCOUNTING POLICIES****a) GENERAL****Method of Accounting**

The financial statements are based on historical cost convention (except for revaluation of certain Fixed Assets) and prepared in accordance with Generally Accepted Accounting Principles prevalent in India (Indian GAAP) and in compliance with the mandatory Accounting Standards notified by the Companies (Accounting Standards) Rules, 2006 and the provisions of the Companies Act, 1956.

**Use of Accounting Estimates**

The preparation of the financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the balances of assets and liabilities and disclosures relating to contingent liabilities as at the reporting date of the financial statements and amounts of income and expenses during the year of account. Examples of such estimates include provision for doubtful debts, income taxes and future obligations under employee retirement benefit plans. Management periodically assesses whether there is an indication that an asset may be impaired and makes provision in the accounts for any impairment losses estimated. Actual results could differ from those estimates and are given effect to as and when determine.

**b) FIXED ASSETS**

Fixed Assets are stated at cost/valuation less accumulated depreciation and amortisation. Direct costs inclusive of inward freight, duties and taxes, incidental expenses including interest relating to acquisition and cost of improvements thereon are capitalised until fixed assets are ready for its intended use. Capital Work in Progress indicates the cost of fixed assets not ready for their intended use as at the reporting date of the financial statements.

**c) INVESTMENTS**

Long term Investments are stated at cost with appropriate provision for diminution in value and the carrying value is reduced accordingly. Current Investments are stated at lower of cost and fair value.

**d) INVENTORIES**

Inventories are valued at cost or estimated net realizable value whichever is lower.

Cost for the purpose of Raw materials and stores and spares comprise of the respective purchase costs including non-reimbursable duties and taxes.

Costs in respect of work-in progress and finished goods comprises of their respective costs including appropriate overheads and excise duty wherever applicable. Cost of inventories is determined on weighted average basis.



Machinery spares which can be used only in connection with an item of fixed assets and whose use is expected to be irregular are amortised over the life of the principal assets.

Scrap is valued at estimated net realisable value.

**e) SALES**

Sales are inclusive of Excise duty, packing charges and freight recovered thereon and exclusive of sales tax, rebates and discounts.

**f) FOREIGN EXCHANGE TRANSACTIONS**

- A. Transactions in foreign currency are initially accounted at the exchange rate prevailing on the date of the transaction, and adjusted appropriately, with the difference in the rate of exchange arising on actual receipt/payment during the year.
- B. At each Balance Sheet date
- i) Foreign currency monetary items are reported using the closing rate of exchange on the balance sheet date
  - ii) Foreign currency non-monetary items are reported using the exchange rate at which they were initially recognized

In respect of forward exchange contracts

- iii) Premium or discount on the contract is amortised over the term of the contract
- iv) Exchange differences on the contract are recognized as profit or loss in the period in which they arise

**g) DEPRECIATION:**

- A. Depreciation on fixed assets is provided at the rates specified in Schedule XIV of the Companies Act, 1956, as per the following method:
- a) Under Straight line method in respect of  
All assets (excepting Transport vehicles, Furniture and office Equipment) at Visakha Cement Works (VCW), Durga Cement Works (DCW) and Assets acquired under modernisation scheme at Jayanthipuram Mines.
  - b) In respect of assets other than those mentioned above, under written down value method.
- B. Depreciation on increase in value of fixed assets due to revaluation is provided under the straight line method at the rates prescribed in Schedule XIV and is transferred from Asset Revaluation Reserve to the Profit and Loss Account.
- C. Plant and Machineries have been considered as continuous process plant on the basis of technical assessment.
- D. In respect of inter unit transfer of assets, depreciation is computed on the same basis as in the Transferor unit.



## h) IMPAIRMENT OF ASSETS

At the date of each Balance Sheet, the company evaluates internally, indications of the impairment if any, to the carrying amount of its fixed and other assets. If any indication does exist, the recoverable amount is estimated at the higher of the realizable value and value in use, as considered appropriate. If the estimated recoverable amount is less than the carrying amount, an impairment loss is recognized.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. However, the increase in carrying amount of an asset due to reversal of an impairment loss is recognized to the extent the carrying amount would have been determined (net of depreciation) had no impairment loss being recognized for the asset in prior years.

## i) EMPLOYEES BENEFITS

### a) Short Term Employee Benefits:

All employee benefits payable wholly within twelve months of rendering the service are classified as short term employee benefits. Benefits such as salaries, wages, short term compensated absences, etc., and the expected cost of bonus, ex-gratia are recognized in the period in which the employee renders the related service.

### b) Post-Employment Benefits:

1. *Defined Contribution Plans:* Contributions to Provident Fund Scheme and Employees State Insurance Scheme which are in the nature of defined contribution plans are charged to the Profit and Loss account as and when incurred during the year in which the employee renders the related service.

2. *Defined Benefit Plans:*

(i) Provident Fund contributions are also made by the company to a Trust under a defined benefit plan. The amount of contribution by the company and the employees, together with interest thereon at a rate not lower than the rate fixed by the Government on similar funds administered by it, is payable to the employees on cessation of their service with the company. The contribution to be made by the company is determined each year based on the Fund available and the liability at each Balance Sheet date as per the calculations made by an independent Actuary. Such contribution is accounted on accrual accordingly.

(ii) The company also provides for retirement/post-retirement benefits in the form of gratuity and leave encashment. Such benefits are provided for based on valuations, as at the Balance Sheet date, made by independent actuaries. Termination benefits are recognized as an expense as and when incurred.

Actuarial gains and losses are recognized immediately in Profit and Loss Account as income or expense.





**j) TAXES ON INCOME**

- a) Provision for current tax is made on estimated taxable income using the applicable tax rates and the provisions specified under the Income Tax Act, 1961.
- b) The deferred tax arising on account of timing differences between the taxable income and accounting income which are capable of reversal in one or more subsequent periods is recognised using the tax rates and laws that have been enacted or substantively enacted as of the Balance Sheet date.
- c) Deferred tax asset is recognised to the extent there is reasonable certainty that these would be realised in future against sufficient future taxable income
- d) In case of unabsorbed depreciation and carried forward tax losses, deferred tax asset is recognised only if there is virtually certainty that such deferred tax asset can be realized against future taxable profits.

**k) BORROWING COSTS**

Borrowing costs incurred in connection with the funds borrowed for acquisition/ erection of assets that necessarily take a substantial period of time to get ready for intended use are capitalized as part of cost of such assets. All other borrowing costs are charged to revenue.

**l) PROVISIONS, CONTINGENCIES AND CONTINGENT ASSETS**

Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past events, and it is probable that there will be an outflow of resources and a reliable estimate can be made of the amount of the obligation. Contingent assets are neither recognized nor disclosed in the financial statements. Contingent liabilities are not provided for and are disclosed by way of notes after a careful evaluation of the concerned facts and issues involved thereon.



		Current Period		Previous Year	
Sl. No.	Particulars	Quantity (MT)	Value (Rs. Lakhs)	Quantity (MT)	Value (Rs. Lakhs)
2	Turnover:				
	(A) Cement	220,629	7027.11	992,361	31836.65
	(B) Clinker	600.00	11.61	-	-
	(C) GGBS	2,695	52.73	20,698	490.44
			7091.45		32327.09
	The above turnover includes :				
	i) Cement used for company's works Rs.6.14 lakhs (Rs. 148.35 lakhs)				
	ii) Excise Duty of Rs.793.35 lakhs (Rs.2869.91 lakhs)				
	iii) Freight outwards of Rs 1253.89 lakhs (Rs.4327.03 lakhs) and does not include				
	i) Sales Tax of Rs.843.21 lakhs (Rs.3675.18 lakhs)				
3	Raw Materials Consumed:				
	i) Limestone	147,403	83.50	660,296	924.10
	ii) Slag	102,356	585.52	311,775	1536.93
	iii) Gypsum	10,807	130.01	44,976	556.52
	iv) Pozzolona Materials and Others	19,978	164.57	148,524	1204.52
	v) Clinker	8,945	592.66	103,574	3065.10
			1556.26		7287.17
	Inter Unit transfer of Clinker 47550.78 MTs (59,608.94 MTs) valued at Rs1021.90 lakhs (Rs.1281.04 lakhs) is not included in (v) above. However, the freight and handling charges of Rs.372.01 lakhs ( Rs.494.22 lakhs) and Clinker purchased from outside sources 8986 MTs (103574 MTs) valued at Rs. 221.67 lakhs (Rs.2570.75 lakhs) incurred in connection with the above are included in (v) above.  None of the above raw materials consumed during the year is imported.				



S. No.	Particulars	Current Period		Previous Year	
		Quantity (MT)	Value (Rs. Lakhs)	Quantity (MT)	Value (Rs. Lakhs)
4	Opening and Closing Stock of Finished Goods: Opening Stock of Cement GGBS Closing Stock of Cement GGBS  (After adjusting 144.57 MTs (381.041 MTs) Cement and 00.00 MT (0.097 MTs) of GGBS as Net Damages/ Shortages/Samples	4,024 106   3,940 591	83.31 1.38  - -	5,828 384  4,024 106	143.36 6.26  83.31 1.38
5	Particulars of Capacity and Production: Cement Licensed Capacity Installed Capacity* As certified by the Management Actual Production - Cement GGBS  *The Installed Capacity indicated above is after considering the scrapping of Vijayawada Unit and recognition of installed capacity as per Sanctioned Scheme of Hon'ble BIFR.	N.A   1,422,000 220,690 3,180	      	N.A   1,422,000 990,938 20,419	      
6	CIF Value of Imports during the financial year Components and Spare Parts Capital Goods		- 21.08		291.90 -
		Value (Rs. Lakhs)	Percentage	Value (Rs. Lakhs)	Percentage
7	Consumption of Spare Parts and Components (included in appropriate heads) Imported Indigenous	- 537.31	- 100.00	29.83 4,988.35	0.60 99.40
8	Expenditure incurred during the year in Foreign Currency. Travelling Expenses Consultants Stores and spares Business Promotion Subscriptions	- - 10.36 - -	     	6.98 - 206.80 - -	     



S. No.	Particulars	Current Period		Previous Year	
		Quantity (MT)	Value (Rs. Lakhs)	Quantity (MT)	Value (Rs. Lakhs)
9	Earnings in Foreign Exchange - Exports of GGBS on FOB basis		-		-
10	Payment to Statutory Auditors: Statutory Audit		5.00		4.00
	Taxation Matters Including Tax Audit Certification etc.,		-		-
	Out of pocket expenses		7.42		6.93
			0.73		2.53
			13.15		13.46
11	Payment to Cost Auditors: Cost Audit		0.44		0.35
	Certification etc.,		0.20		0.15
	Out of pocket expenses		-		0.10
			0.64		0.60
12	Managerial Remuneration: Managing Director (Upto 26.03.2010)				
	i) Salary		-		43.38
	ii) HRA		-		8.88
	iii) Contribution to Provident and other funds		-		2.49
	iv) Perquisites		-		16.29
	v) Leave encashment		-		3.97
			-		75.01
	Executive Directors				
	i) Salary		42.99		39.60
	ii) HRA		5.01		9.60
	iii) Contribution to Provident and other funds		1.50		2.88
	iv) Perquisites		2.90		12.43
	v) Provision for leave encashment		-		0.77
			52.40		65.28
	(Refer Note No. 28)				
13	Interest includes : a) On Fixed Loans		253.92		203.25
14	Consumption and closing stock of Lime Stone include among others :				
	Salaries, Wages and bonus		21.83		81.28
	Contribution to P.F etc.,		1.21		4.56
	Staff Welfare Expenses		0.77		8.77
	Repairs and Maintenance to:				
	Machinery		2.58		56.25
	Other Assets		9.19		0.18
	Royalty & Cess		30.19		391.07
	Stores consumed		0.38		34.80
	Loading and unloading		16.81		344.46
	Others		0.54		2.71



Sl. No.	Particulars	Current Period		Previous Year	
		Quantity (MT)	Value (Rs. Lakhs)	Quantity (MT)	Value (Rs. Lakhs)
15	Estimated amount of contracts remaining to be executed on Capital Accounts and not provided for		7826.50		6862.00
16	Contingent liabilities not provided for (To the extent ascertained from available information refer note no. 21)				
	(i) Claims against the company not acknowledged as debts including contractual obligations:				
	Govt. Claims for Non statutory dues		234.70		234.70
	Electricity Claims		116.83		116.83
	Claims of various project suppliers		1553.22		-
	Other claims - suppliers claims etc.		274.27		223.65
	(ii) Provision not made for disputed demands as detailed below pending final legal decision:				

(Rs. Lakhs)

Nature of Demand	Demand as on 30.06.2011	Demand as on 31.03.2010	Amount paid under protest if any, as on 30.06.2011
APGST/VAT	181.65	188.59	45.71
CST	23.18	23.18	-
TNGST	67.29	67.29	1.71
OST	8.25	14.83	2.10
CENTRAL EXCISE	133.07	70.22	-
SERVICE TAX	268.65	69.33	-

- (iii) Probable liability, if any, that may arise as a result of non-compliance with the requirements of Jute Packaging Materials (Compulsory Use of Packaging Commodities) Act, 1987 upto the Year 1997-98, consequent on differing divergent decisions of different courts and also the representations of industry before the Government, as the same is not ascertainable at this stage.
- (iv) Excise authority, although accepted payment of their dues in installments in terms of the BIFR Order (MS-08), has subsequently filed an appeal in AAIFR against the said order in respect of reliefs for interest etc. granted to the Company. The Company has challenged the same and the matter is pending before Hon'ble High Court at Delhi. Pending this, the amount is presently not ascertainable in this respect.

Note: In the opinion of the Management, the above claims/demands are not tenable and future cash outflows in respect of the same are determinable on final decisions of the matter.

#### 17) Unredeemed First Preference Shares:

The Redeemable Cumulative First Preference Shares remain unclaimed aggregating to Rs.1.92 lacs (Rs.1.94 lacs). The payments against said shares are being made as and when claimed. The Company has been legally advised that in the absence of profits upto the date of redemption (i.e. 15<sup>th</sup> June, 1993), it has no obligation to pay any dividend on the said preference shares.



18) Secured Loans (Schedule "C") :

- i) OCD-A, OCD-B and NCD under I(a) and Term Loan under II are secured by first charge by way of mortgage on immovable properties and hypothecation of all movable properties, machinery, machinery spares, tools and accessories, present and future, and second charge on current assets including inventories, stores and spares, book debts, operating cash flows, receivables, etc. Further secured by first charge on Trust and Retention Account, Debt Service Reserve Account and other reserve relating to the project, pledge of 1,11,85,802 equity shares of the Company held by the promoters and personal guarantee of the Chairman.
- ii) Debentures under I(b) are secured to the extent of Rs196.06 lacs against deposit in a separate bank account with lien thereon in favour of Debenture Trustee. As per MS-08, principal amount is payable as and when claimed by the debenture holders after adjusting the repayments made earlier, if any.
- iii) Working Capital Loans under III are secured by first charge by way of hypothecation of inventories and book debts and second charge on fixed assets of the Company. Further secured by corporate guarantee of Duncans Industries Ltd and personal guarantee of the chairman.
- iv) Terms of redemption/conversion of OCD-A, OCD-B and NCD :
  - a. The holders have the right to convert, the whole or part of the OCDs/NCD into fully paid-up equity shares of the Company at any time before the expiry of 18 months from the date of allotment i.e. from 9<sup>th</sup> September, 2009
  - b. The holders have the right to convert the whole or part of the OCD-B into fully paid up equity share capital of the Company at the end of 12<sup>th</sup>, 15<sup>th</sup> and 18<sup>th</sup> month from the date of allotment i.e. from 9<sup>th</sup> September, 2009.
  - c. The Company has the right to prepay OCD-B, in full and not in Part with internal accruals or any additional borrowings at the end of 12<sup>th</sup>, 15<sup>th</sup> and 18<sup>th</sup> month from the date of allotment by giving at least 21 days prior notice.
  - d. The holders have the right to convert, in the event of default committed by the Company, at its option the whole or part of the any unconverted OCDs/NCD into fully paid-up equity shares of the Company, at a price per equity share determined in accordance with the appropriate Regulatory framework (SEBI regulations) extant at the time of such default.
  - e. The outstanding OCDs/NCD, if conversion option not exercised/ prepaid, shall be redeemed in 24 equal quarterly installments commencing from April 15, 2012.
- v) In the event of default in compliance of loan agreement by the Company, the lenders have right to convert 100% of the defaulted amount into fully paid up equity shares of the Company at any time during the tenure of loan at a price determined in accordance with the appropriate Regulatory framework (SEBI regulations).
- 19. In order to discharge company's obligations for repayment of the dues of the term lenders, shares of the Company pledged by other companies against these dues have been transferred in favour of lenders and Rs.3314.77 lacs being the amount so appropriated against said dues have been shown as loan from companies.



20. The DCW plant of the Company was in production primarily till the end of the first quarter of the period and production at VCW plant could not be continued from the beginning of September, 2010 due to disruptions by labour. The production activities remained suspended thereafter and could not have since been resumed. Consequent to this, the Company is facing severe liquidity crisis leading to stoppage of supply of material and services, disconnection of power and termination of agreement thereof, non-payment of employee related costs, statutory and other obligations and thereby, affecting the business operation of the Company.
- 21 (a) In view of the above, there being limitation and constraints to certain extent, account closing exercises including with respect to the following have been undertaken as follows:
- (i) Confirmation of various debit and credit balances including with respect to loan and advances, deposits, liabilities, debtors could not be obtained and consequential reconciliation/ adjustments, if any, could not be given effect to in the accounts.
  - (ii) Physical verification of fixed assets and reconciliation thereof with the records containing individual assets could not be carried out.
  - (iii) Physical verification of Stores and Spares and adjustments on account of discrepancies, obsolescence if any etc. could not be ascertained.
  - (iv) To the extent information were available with the Company, there were no outstanding as at the end of the period to the parties registered under the Micro, Small & Medium Enterprises Development Act, 2006.
- (b) Further, for the purpose of these accounts:
- (i) Advance-Project includes Rs.2795 lacs given for various Project supplies and related services, etc, status of which pending completion of the project is presently not ascertainable. Certain such parties have intimated to forfeit the amounts lying with them and/or made claims for charges and compensations etc on account of delay in completion of projects. Further, Advance Recoverable includes Rs.324 lacs which even though are outstanding for long pending steps for recovery since been taken has been considered good and recoverable. Adjustment with respect to the above will be given effect to on final settlement with the parties.
  - (ii) In respect of balances of the sundry debtors lying outstanding at the end of the period pending necessary confirmation, etc. the amount finally recoverable there against is presently not ascertainable. Necessary legal and other steps to be taken in this respect are being examined and as such no provision there against has been considered necessary.
  - (iii) Liabilities for energy charges have been provided till the date of termination of the agreement by the respective power supply companies. Pending negotiation and determination of amount thereof, additional charges etc on reconnection of power and fixation of rates, levy of fuel surcharge etc have not been given effect to in these accounts.
  - (iv) Claim for interest and other charges amounting to Rs.413.20 lacs relating to the project to the extent ascertained from available information have not been accounted for pending finalization of amount payable.



- (v) Various claims including interest, penal and additional charges on statutory and other liabilities pending final negotiation, etc. and ascertainment of amount thereof has not been recognized in these accounts.
- 22 (a) In order to overcome the liquidity crises as given in Note no. 20 and to revive the production of the Company, the promoter of the Company has since entered into an agreement on 15th November, 2011 to transfer the controlling stake to Jaypee Development Corporation Limited (JDCL), a company belonging to Jaypee Group. JDCL has also agreed to subscribe for 14,75,00,000 equity shares of Rs.10/- each of the Company at a premium of Rs.2/- per share aggregating to Rs.177 crores on preferential basis and the same will be utilized for reviving, restructuring and meeting the requirements of the Company's business. Necessary board resolution for giving effect to said arrangement has been passed on 15th November, 2011 and steps for making the consequential Open Offer etc. in this respect have since been taken. In view of this and considering the business prospects, the accounts of the Company have been prepared on going concern basis.
- (b) In terms of the agreement, mentioned hereinabove, Rs.7,509 lacs payable to various promoter and other companies in respect of money advanced by them preceding the date of agreement will be settled for Rs.2,000 lacs. Consequential adjustments arising in this respect will be given effect to on conclusion of preferential allotment and consequential steps and procedures in terms of the agreement.
- 23 (a) In respect of upgradation-cum-expansion project undertaken by the Company to increase its production capacity, even though substantial progress have been made, the same is yet to be completed and implemented. Although physical progress slowed down during the period, the Company has undertaken technical assessment and certain administrative activities to achieve the desired results including engagement of reputed technical consultant for the purpose. Pending completion of the project, the following pre-operative expenses including interest on the borrowing have been capitalised and shown under Capital Work in Progress:

	<b>30.06.2011</b>	<b>31.03.2010</b>
Balance brought forward	<b>10,710.02</b>	5,900.69
Salaries	<b>5.92</b>	90.34
Interest and upfront fees	<b>5,979.30</b>	4,392.14
Consultancy Charges	-	258.48
Others	<b>79.26</b>	68.37
Total	<b>16,774.50</b>	10,710.02

Necessary allocation/adjustment with respect to above including as required in terms of Accounting Standard 16 on Borrowing Costs shall be carried out on ascertainment of amount thereof on completion of project.





- (b) Capital Work in Progress does not include Rs.2017.98 lacs in respect of claims made/ bills raised towards cost of civil and other services and supplies pending complete documentation, negotiation, etc. These as dealt with in the Accounting Standard 10 on Accounting for Fixed Assets, shall be accounted for on finalization of amount payable with the respective parties.
24. Pending resumption of normal production and in the absence of finalization/settlement of amount payable, employees' and other personnel expenses (including retirement and other benefits) as dealt with in Accounting Standard 15 on Employee Benefits have not been provided. In the normal course, the estimated liability would have been Rs.2390 lacs and will be given effect to in the accounts on determination of the amount thereof on conclusion of negotiations with the employees.
- 25 (a) Sundry creditors include Rs.96.15 lacs being arrears of AP VAT (including interest thereon) for the year 2010-11 for which recovery proceedings as arrears of Land Revenue have been initiated and direction has been issued in this respect to one of the bank to pay the same from the cash credit facility provided by them.
- (b) The claims made by creditors, employees include matters which are pending before various courts. In one of the litigation by a creditor, the Company has been restrained from alienating any of its assets or creating encumbrances over the same pending disposal of the matter by the relevant court.
26. The Company has export obligation in connection with import of machineries under Export Promotion Capital Goods Scheme (EPCG). In the event of non-fulfillment of the export obligation, the company may be held liable for differential custom duty of Rs.838.16 lacs (approximately) and interest thereon.
27. The Company has not created a Debenture Redemption Reserve to the extent of Rs 120.97 lacs due to non-availability of profits during the period.
28. Remuneration amounting to Rs.39.51 lacs (including Rs.34.77 lacs for the period) to ex-Wholtime Directors and ex-Managing Director are pending approval of Central Government.
29. Considering the proposed recommencement of production on completion of expansion scheme, as given in Note 22(a), in view of the management, no material loss necessitating adjustment in terms of Accounting Standard 28 on Impairment of Assets, in respect of impairment in the value of the fixed assets is required to be carried out in the accounts.
30. Some of the records of the company like agreements with suppliers/agents, statements of Bank Accounts including those at some of the branches/depots have still not been restored by the erstwhile promoters/ management. The matter being pending since considerably long time, no material adjustment, in this respect, is likely to arise.
- 31 (a) The Hon'ble BIFR has discharged the Company from the purview of Sick Industrial Companies (Special Provisions) Act, 1985 vide its Order dated 22nd January 2010. In terms of the said Order, the unimplemented provisions of MS-08 (Modified Rehabilitation Scheme sanctioned by BIFR vide its Order dated 21<sup>st</sup> July 2008) would be implemented by the concerned agencies.
- (b) In terms of MS-08, 13.5% Secured Redeemable Debentures are required to be settled by payment of principal amount only and interest stand waived. The



Company has deposited an amount equivalent to the principal amount of these debentures marking a lien in favour of the Debenture Trustees. The unclaimed debentures at period end are continued to be shown as liability.

(c) Since the repayment of the matured fixed deposits and debentures are covered by MS-08, the provisions of Section 205 (C) of the Companies Act 1956 requiring transfer to Investor Education and Protection Fund, do not apply to the said amount. In terms of the said Scheme, the fixed deposit holders are to accept outstanding principal amount in four annual installments commencing from financial year 2007-08 onwards, on interest-free basis.

32 (a) The Company does not have any outstanding derivative contract as on 30<sup>th</sup> June, 2011 (PY Rs. NIL)

(b) Unhedged foreign currency exposures of the company as on 30<sup>th</sup> June, 2011 are as follows

Nature	30.06.2011	31.03.2010
Creditors (Import)	<b>Rs. 63.04 Lacs</b>	Rs. 43.22 Lacs

33. The Company has certain cancellable operating lease arrangement for office accommodation taken/given on lease with a lease period of up to 3 year further extendable with mutual consent and agreement. The lease agreement can be terminated after giving notice as per terms of the lease by either of the party. Terms of certain lease arrangement include clauses relating to deposit/refund of security deposit etc.

34. As the Company is engaged in the manufacture of cement within India only, it operates in single primary business segment and single secondary geographical segment and therefore disclosure requirement of Accounting Standard 17 on Segment Reporting are not applicable to it.

35. Related Parties and transactions with them, as identified by the management in accordance with the Accounting Standard 18, as notified by the Companies Accounting Standard Rules, 2006, are as follows:



1.Key Managerial Personnel	<p>Shri P.C. Nalwaya, Managing Director (Up to 26.03.2010)</p> <p>Shri P.K. Goyenka Executive Director ( w.e.f. 05.04.2010 to 27.07.2010)</p> <p>Shri Shrivardhan Goenka, Executive Director (up to 08.10.2010)</p>
2.Relatives of Key Managerial Personnel	<p>Shri G.P. Goenka, Father of Shri Shrivardhan Goenka, Executive Director</p> <p>Smt. Indu Goenka, Mother of Shri Shrivardhan Goenka, Executive Director</p>
3.Holding Company/ Associate	ISG Traders Ltd (Up to 31.05.2011) and became associate thereafter
4. Fellow Subsidiary Company / Associate	Boydell Media Pvt. Ltd (Up to 31.05.2011) and became associate thereafter
5. Enterprise over which, persons stated at S.No. (1) and (2) above have significant influence.	<p>Orchard Holdings Pvt. Ltd., in which Shri G.P Goenka has substantial interest</p> <p>M/s. ISG Traders Ltd., in which Smt. Indu Goenka is Whole Time Director and Shri Shrivardhan Goenka is Director.</p> <p>Boydell Media Pvt. Ltd., being subsidiary of M/s. ISG Traders Ltd</p> <p>Kavita Marketing Pvt. Ltd., in which Smt. Indu Goenka has substantial interest</p>



The aggregate amount of transactions with each type of the above related parties

(Rs.Lakhs)

Transactions during the Period from 01.04.2010 to 30.06.2011	Key Managerial Personnel (KMP)	Holding Company/ Associate	Fellow Subsidiary/ Associates	Enterprises over which KMP and their relatives having significant influence
<b>Remuneration to:</b>				
P C Nalwaya	— (75.00)			
Shrivardhan Goenka	29.58 (65.28)			
P. K. Goyenka	22.82 (—)			
<b>Sitting fee paid to</b>				
Shri G P Goenka	0.30 (0.30)			
Shrivardhan Goenka	0.08 (—)			
<b>Interest expense</b>				
ISG Traders Limited		72.49 (—)		
Boydell Media Pvt Limited			122.27 (—)	
<b>Loans taken (Net)</b>				
ISG Traders Limited		1600.95 (—)		
Boydell Media Pvt Limited			939.80 (—)	
<b>Balances at the end of the period</b>				
<b>Loans taken/other payables</b>				
ISG Traders Limited		1666.19 (—)		
Boydell Media Pvt Limited			1049.84 —	
<b>Remuneration payable to:</b>				
P C Nalwaya	4.49 (9.53)			
Shrivardhan Goenka	34.96 (18.96)			
P.K.Goyenka	12.54 (—)			
<b>Other Payable</b>				
Kavita Marketing Pvt. Ltd		—	—	3.01 (3.01)
Orchard Holdings Pvt. Ltd				1.23 (1.23)

(During the period Rs. 7.30 lacs has been written back on account of remuneration of ex-Managing Director since not payable)



36. The Company has not made any loans or advances in the nature of loans whose particulars are required to be disclosed in terms of clause 32 of the listing agreement.

37. Working for the earnings per share in terms of AS 20 – “Earnings Per Share”

Particulars	Period ended 30.06.2011	Year ended 31.03.2010
Net Profit/(loss) attributable to shareholders (Rs. Lacs)	<b>(2460.08)</b>	4768.54
Weighted average number of equity shares outstanding		
For Basic EPS	<b>143596066</b>	133485059
For Diluted EPS	<b>143596066</b>	133485059
Earnings Per Share (Face Value of Rs. 10 each)		
Basic (Rupees)	<b>(1.71)</b>	3.57
Diluted (Rupees)	<b>(1.71)</b>	3.57

38. Keeping in view the proposed recommencement of production of the Company as per note 22(a) above and emerging certainty with respect to the profitability of the Company and considering that time limit for carry forward of losses in case of Company has been extended in terms of the Scheme sanctioned by BIFR, the Deferred Tax Asset in respect of the carry forward business losses and depreciation has been continued to be recognized during the period. The details in this respect as required in terms of the Accounting Standard 22 on Accounting for Taxes on Income, are as follows:

Particulars	As at June 30, 2011	As at March 31, 2010
Tax impact of differences between carrying amount of the fixed assets in the financial statements and the income tax	<b>(366.64)</b>	(388.52)
Tax impact of expenses charged in the financial statements but allowable as deductions in future years under income tax	<b>859.68</b>	819.29
Tax Impact of Carry Forward Business Losses	<b>4959.14</b>	4040.36
Tax Impact of Unabsorbed Depreciation under Income Tax Act	<b>2914.85</b>	3247.06
<b>Deferred Tax Asset /(Liability)</b>	<b>8367.03</b>	7718.19

39. Employee Benefit:

The disclosures as required by Accounting Standard 15 relating to employees benefits notified in the Companies (Accounting Standards) Rules 2006 (Other than the period of disruption of operations as given in note 20 above) are given below:

Defined contribution Scheme

Particulars	30.06.2011	31.03.2010
Employer's Contribution to Provident Fund	<b>16.20</b>	56.51
Employer's Contribution to Pension Fund	<b>12.47</b>	59.53
Employer's Contribution to Employees State Insurance Fund	<b>7.15</b>	7.20

**Defined benefit Scheme:**

The employees Gratuity scheme are defined benefit plans. The present value of obligation are determined based on actuarial valuation using Projected Unit Credit method, which recognizes each period of services as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation. The obligation for compensated absence is recognized in the same manner as gratuity.

Disclosure for defined benefit plan based on actuarial reports as on 31<sup>st</sup> March, 2010 is as follows. Details with respect to the current period in view of Note no 24 could not be compiled and disclosed.

Particulars	As on 30.06.2011		As on 31.03.2010	
	Gratuity	Leave encashment	Gratuity	Leave encashment
<b>Changes in Benefit obligation</b>				
Liability at the beginning of the year	<b>402.92</b>	<b>100.47</b>	356.81	80.86
Interest cost			28.55	6.47
Current Service Cost			23.52	5.84
Benefits paid			(16.65)	(8.67)
Past Service Cost				
Actual (gain)/loss on obligation			10.69	15.97
Liability at the end of the year	<b>402.92</b>	<b>100.47</b>	402.92	100.47
<b>Expenses recognised in the Income Statement</b>				
Current Service Cost			23.52	5.84
Interest cost			28.55	6.47
Net Actuarial (gain). Loss to be recognized			10.69	15.97
Past Service cost			-	-
Expense recognised in the Profit & Loss Account			62.76	28.28
<b>Balance Sheet reconciliation</b>				
Opening net liability	<b>402.92</b>	<b>100.47</b>	356.81	80.86
Expense as above			62.76	28.28
Employers contribution			(16.65)	(8.67)
Amount recognised in the Balance Sheet	<b>402.92</b>	<b>100.47</b>	402.92	100.47
<b>Assumptions</b>				
Discount Rate			8	8
Salary rise			4	4
Attrition rate			1	1
Av Balance Service			11.96 Yrs	11.96 Yrs



The employees benefit liability of the company is not funded. Accordingly disclosures related to return on planned assets and fair value thereof is not applicable.

Notes: Assumptions relating to future salary increases, attrition, interest rate for discount have been considered based on relevant economic factors such as inflation, market growth & other factors applicable to the period over which the obligation is expected to be settled.

40. Current year figures relate to the period of fifteen months from 1st April 2010 to 30th June 2011 and therefore corresponding previous year's figures as such are not comparable.
41. All amounts in the financial statements are presented in Rupees in Lacs except per share data and as other wise stated. Figures in brackets represent corresponding previous year figures in respect of Profit and Loss items, and in respect of Balance Sheet items as on the Balance Sheet date of the previous year. Figures for the previous year have been regrouped /rearranged wherever considered necessary to conform to the figures presented in the current year.

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As per our report of even date

For **Lodha & Co.**  
Chartered Accountants  
Firm Registration No. 301051E

**K. Someswara Rao**  
Memb. No. 052061  
Partner

Place: Hyderabad  
Date : 27.11.2011

For **Chaturvedi & Partners**  
Chartered Accountants  
Firm Registration No.307068E

**R. N. Chaturvedi**  
Memb. No. 092087  
Partner

Place: New Delhi  
Date : 27.11.2011

For and on behalf of the Board

**K.N. Bhandari** - Director

**R.K. Bhargava** - Director

**G. Tirupathi Rao**  
Company Secretary

Place : New Delhi  
Date : 27-11-2011


**BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE**

(Additional Information as per part IV of Schedule VI to the Companies Act 1956)

(Rs. Thousands)

**Registration Details**

a) Registration No:	<b>2379</b>	2379
b) State Code	<b>1</b>	1
c) Balance Sheet Date	<b>30-06-2011</b>	31-03-2010

**Capital raised during the year**

a) Public Issue	<b>NIL</b>	NIL
b) Rights Issue	<b>NIL</b>	NIL
c) Bonus Issue	<b>NIL</b>	NIL
d) Private placement	<b>69971</b>	65000

**Position of Mobilisation & Deployment of funds**

a) Total Assets	<b>8332158</b>	7636106
b) Total Liabilities	<b>8332158</b>	7636106
Source of Funds		
a) Paid-up Capital	<b>1460244</b>	1390273
b) Reserves and Surplus	<b>1161492</b>	1141638
c) Secured Loans	<b>4009807</b>	3920234
d) Unsecured Loans	<b>584237</b>	179536
<b>TOTAL</b>	<b>7215780</b>	6631681

**Application of Funds**

a) Net Fixed Assets	<b>5932553</b>	5201980
b) Investments	<b>2</b>	2
c) Net Current Assets	<b>(401714)</b>	55652
d) Deferred Tax Asset (net)	<b>836703</b>	771819
e) Accumulated losses	<b>848236</b>	602228
<b>TOTAL</b>	<b>7215780</b>	6631681

**Performance of Company**

a) Turnover	<b>629810</b>	2945718
b) Other Income	<b>31447</b>	161370
c) Total Expenditure	<b>972149</b>	3053129
d) Profit Before Tax	<b>(310892)</b>	53959
e) Profit after Tax	<b>(246008)</b>	476854
f) Basic Earnings per share in Rs.	<b>(1.71)</b>	3.57
Diluted Earnings per share in Rs.	<b>N/A</b>	N/A
g) Dividend Rate	<b>-</b>	-

**Generic Names of Three Principal Products/  
Services of Company (as per monetary terms)**

Item Code No. (ITC Code)	<b>252329.01</b>	252329.01
Product description	<b>CEMENT</b>	CEMENT





**CASH FLOW STATEMENT FOR THE PERIOD OF FIFTEEN MONTHS ENDED 30<sup>TH</sup> JUNE 2011**  
(Rs. Lakhs)

	Period ended <b>30.06.2011</b>	Year ended 31.03.2010
<b>A. CASH FLOW FROM OPERATING ACTIVITIES:</b>		
<b>PROFIT (LOSS) AS PER PROFIT AND LOSS ACCOUNT</b>	<b>(2460.08)</b>	4768.54
Add/(Less): Adjustment for:		
Depreciation	<b>127.94</b>	123.15
Extraordinary items (Deferred Tax Asst (net))	<b>(648.84)</b>	(4228.95)
Credit balance written back	<b>(68.30)</b>	(910.68)
Claims Received	-	(160.05)
Interest received	<b>(58.63)</b>	(93.09)
Loss on sale of assets	-	1.24
Interest paid	<b>1330.94</b>	565.51
Provision for doubtful debts	-	46.54
Provision for doubtful advances	-	26.65
Irrecoverable Debts and Claims written off	-	3.38
Profit on sale of assets	-	(393.00)
Stores Written off	-	3.16
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>(1776.99)</b>	(247.60)
Adjustment for:		
Inventories	<b>1656.89</b>	1051.07
Trade and other receivables	<b>1672.25</b>	5448.10
Trade Payables & provisions	<b>1205.06</b>	1611.44
	<b>4534.20</b>	8110.61
<b>CASH GENERATED FROM OPERATIONS</b>	<b>2757.21</b>	7863.01
Less: Tax paid	<b>21.23</b>	(156.41)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>2778.44</b>	7706.60
<b>B. CASH FLOW FROM INVESTING ACTIVITIES:</b>		
Purchase of Fixed Assets (net after transfer from Capital Work in Progress, adjustment of Foreign Exchange Fluctuations and deletions)	<b>(6.57)</b>	(82.80)
Capital Work in Progress	<b>(5203.26)</b>	(19507.50)
Interest Received	<b>67.35</b>	116.68
Sale of Fixed Assets	-	542.67
<b>Net Cash used in Investing activities</b>	<b>(5142.48)</b>	(18930.95)



(Rs. Lakhs)

	Period ended <b>30.06.2011</b>	Year ended 31.03.2010
<b>C. CASH FLOW FROM FINANCING ACTIVITIES:</b>		
Interest Paid	<b>(844.73)</b>	(509.86)
Unsecured Loans	<b>3814.72</b>	(0.36)
Share Capital raised	-	650.00
Share Premium received	-	905.45
Secured Loan raised	<b>(700.99)</b>	9579.59
<b>Net Cash from financing activities</b>	<b>2269.00</b>	10624.82
Net increase in cash and cash equivalents A+B+C	<b>(95.04)</b>	(599.53)
Add: Cash and cash equivalents as at 31.03.10	<b>452.67</b>	1052.20
Cash and cash equivalents as at 30.06.11	<b>357.63</b>	452.67

This is Cash Flow Statement referred to  
in our report of even date

For and on behalf of the Board

For **Lodha & Co.**  
Chartered Accountants  
Firm Registration No. 301051E

For **Chaturvedi & Partners**  
Chartered Accountants  
Firm Registration No.307068E

**K.N. Bhandari** - Director

**R.K. Bhargava** - Director

**K. Someswara Rao**  
Memb. No. 052061  
Partner

**R. N. Chaturvedi**  
Memb. No. 092087  
Partner

**G. Tirupathi Rao**  
Company Secretary

Place : Hyderabad  
Date : 27.11.2011

Place : New Delhi  
Date : 27.11.2011

Place : New Delhi  
Date : 27-11-2011

### AUDITORS' CERTIFICATE

To  
The Board of Directors  
ANDHRACEMENTSLIMITED

We have examined the attached Cash Flow Statement of ANDHRACEMENTS LIMITED for the period of Fifteen Months ended 30<sup>th</sup> June 2011. The Statement has been prepared by the Company in accordance with the requirements of listing agreement with Stock Exchanges where the Company's shares are listed and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet covered by our Report of even date to the members of the Company.

For **Lodha & Co.**  
Chartered Accountants  
Firm Regn. No. 301051E

**K. Someswara Rao**  
Memb. No. 052061  
Partner Partner

Place : Hyderabad  
Date : 27.11.2011

For **Chaturvedi & Partners**  
Chartered Accountants  
Firm Regn. No.307068E

**R. N. Chaturvedi**  
Memb. No. 092087

Place : New Delhi  
Date : 27.11.2011



## Andhra Cements Limited

**Durga Cement Works, Durgapuram, Dachepalli - 522 4141, Guntur Dist. A.P.**

### FROXY FORM

I / We \_\_\_\_\_  
 of \_\_\_\_\_  
 being member(s) of the Andhra Cements Limited bearing folio No. \_\_\_\_\_  
 DP-ID NO. \_\_\_\_\_ Client ID No. \_\_\_\_\_  
 No. of Shares held \_\_\_\_\_ hereby appoint \_\_\_\_\_  
 of \_\_\_\_\_ or failing him / her \_\_\_\_\_  
 of \_\_\_\_\_ or failing him / her \_\_\_\_\_  
 of \_\_\_\_\_ as my / our proxy to attend and vote for me / us  
 and on my / our behalf as indicated below at the 72<sup>nd</sup> Annual General Meeting of the Company  
 to be held on Friday, the 30<sup>th</sup> December, 2011 at 11.30 AM at Durga Cement Works,  
 Durgapuram, Dachepalli - 522 414, Guntur District, A.P. and at any adjournment thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2011.

Signature \_\_\_\_\_

Affix  
15 Paise  
Revenue  
Stamp

#### Note :

A member entitled to attend and vote is entitled to appoint a Proxy to attend and vote instead of himself/herself and the Proxy need not be a member of the Company. Proxies should be lodged with the company at least 48 hours before the time fixed for the meeting.



## Andhra Cements Limited

**Durga Cement Works, Durgapuram, Dachepalli - 522 4141, Guntur Dist. A.P.**

### ATTENDANCE SLIP

Particulars to be completed by Member / Proxy :

Name of the Member \_\_\_\_\_  
 Member's Regd. folio No. \_\_\_\_\_ Client ID No. \_\_\_\_\_  
 DPID No. \_\_\_\_\_ No. of shares held \_\_\_\_\_ Name  
 of Proxy, if attending on behalf of a Member \_\_\_\_\_

I hereby record my presence at the 72<sup>nd</sup> Annual General Meeting of the Company to be held on Friday, the 30<sup>th</sup> December, 2011 at 11.30 AM at Durga Cement Works, Durgapuram, Dachepalli - 522 414, Guntur District, A.P.

Signature of Member / Proxy

#### Note :

- Members/ proxies attending must fill in this attendance slip and hand it over at the entrance of the venue of the meeting.
- Members/ Proxies are requested to bring their copy of the Annual Report for the meeting and no copy of Notice / Attendance slip will be supplied at the meeting.

**BOOK POST  
PRINTED MATTER**

If Undelivered, please return to :



The Secretarial Department  
**Andhra Cements Limited**  
Chandralok Complex, 2<sup>nd</sup> Floor,  
111, Sarojini Devi Road,  
Secunderabad - 500 003.(A.P)