



HEMADRI CEMENTS LIMITED

17th ANNUAL REPORT

1998-99



BOARD OF DIRECTORS

SRI S.N.KILARU	MANAGING DIRECTOR
SRI G.V.NAGESWARA RAO	NOMINEE OF IDBI
SRI G.VENKATESWARA RAO	NOMINEE OF APIDC
SRI HEMANSU ROY	NOMINEE OF APIDC
SRI K.KOTESWARA RAO	DIRECTOR
SRI K.GOPI PRASAD	DIRECTOR

AUDITORS

M/s.KARVY & COMPANY
Chartered Accountants
Road No.4, Banjara Hills,
Hyderabad - 500 034.

COST AUDITORS

M/s.NARASIMHA MURTHY & CO.,
104, Pavani Estate,
Y.V.Rao Mansion,
Himayatnagar,
Hyderabad - 500 029.

BANKERS

Bank of Baroda

ADMINISTRATIVE OFFICE

6-3-248/B, Road No.1,
Banjara Hills,
Hyderabad - 500 034.

REGD. OFFICE & FACTORY

Vedadri Village
Jaggaihpeta Mandal
Krishna District
Andhra Pradesh.

CONTENTS

	Page No.
Board of Directors	01
Notice to Share Holders	02
Directors' Report	03
Auditors' Report	08
Balance Sheet	11
Profit & Loss Account	12
Schedules to Accounts	13 to 30

**NOTICE:**

NOTICE is hereby given that the 17th Annual General Meeting of the Company will be held on Thursday the 30th September, 1999 at 2.30 P.M. at the Registered Office of the Company Vedadri Village, Jaggaiahpet Mandal, Krishna District to transact the following business:

ORDINARY BUSINESS:

01. To receive, consider and adopt the Profit and Loss Account for the year ended 31st March 1999, the Balance Sheet as at that date and the Directors' and Auditors' Report thereon.
02. To elect a Director in place Shri G.Venkateswara Rao who retires by rotation and is being eligible offers himself for re-appointment.
03. To elect a Director in place Shri K.Gopi Prasad who retires by rotation and is being eligible offers himself for re-appointment.

04. SPECIAL RESOLUTION:

To appoint auditors for the current year and fix their remuneration and if thought fit to pass the following resolution as a Special Resolution with or without modifications.

"RESOLVED that M/s. KARVY & COMPANY, Chartered Accountants, Hyderabad be and are hereby appointed as the Auditors of the Company to hold office until the conclusion of the next Annual General Meeting on remuneration as may be determined by the Board of Directors in addition to actual travelling and out of pocket expenses."

BY ORDER OF THE BOARD OF DIRECTORS

S.N.KILARU
MANAGING DIRECTOR

Place : HYDERABAD,

Date : 06-09-1999.

NOTES:

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member.
02. The share transfer books of the Company shall remain closed from 22nd September'99 to 30th September'99 both days inclusive.
03. Members/proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.

**DIRECTORS' REPORT :**

To

The Members,

Your Directors have pleasure in presenting the SEVENTEENTH ANNUAL REPORT and the audited accounts for the financial year ended March 31, 1999.

FINANCIAL RESULTS:

	Rs. in lakhs	
	<u>1998-99</u>	<u>1997-98</u>
Sales and other income	2634.52	2494.84
Profit before interest and depreciation	(12.37)	127.35
Interest	400.21	350.02
Loss before depreciation	412.58	222.67
Depreciation	90.68	89.04
Net Loss	503.26	311.71

PERFORMANCE:

The Company produced during the year 153846 MTs of Clinker and 168236 MTs of Cement as against 126972 MTs of Clinker and 126964 MTs of Cement in the previous year.

The Company has incurred a net Loss of 503.26 during the year, as against net Loss of Rs.311.71 lakhs in the previous year.

FUTURE OUTLOOK:

The Cement prices started moving upward direction and the prices will be stabilised. If the present situation continues we hope that the company's performance will improve.

The company had been declared as a sick company by B.I.F.R., and appointed IDBI as the Operating Agent (O.A). The rehabilitation packing is under finalisation.



INDUSTRIAL RELATIONS AND STAFF WELFARE:

Industrial Relations with staff and workmen remained harmonious and cordial.

POLLUTION CONTROL:

The Company has adequate pollution control equipment and also developed various plantations around the factory premises.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUT GO:

Statements containing particulars pursuant to Section 217 (e) of the Companies Act, 1956, read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 are annexed hereto and form part of this report.

DIRECTORS:

Shri G.Venkateswara Rao and Shri K.Gopi Prasad who retires by rotation and are eligible for re-appointment.

PARTICULARS OF EMPLOYEES:

There are no employees falling within the purview of Section 217(2A) of the Companies Act, 1956 during the year.

With respect to comment of Auditors' Report, the Company is confident of realising debts which are more than one year old.

AUDITORS:

M/s. KARVY & COMPANY Chartered Accountants, the present Auditors retire at this meeting and are eligible for re-appointment.

COST AUDITOR :

The Central Government of India ordered Cost Audit for the Company under section 233 B of the Companies Act and M/s.Narasimha Murthy & Company, Cost Accountants, Hyderabad are appointed as Cost Auditors for the year 1998-99.

Y2K COMPLIANCE

Your directors are wish to inform you that steps are taken to ensure that all existing operating



systems, hardware setup machinery & equipments in use are Y2K compliant and the company does not foresee any major impact due to the Y2K problem.

ACKNOWLEDGEMENT:

Your Directors would like to place on record their appreciation for the guidance and support received from I.D.B.I., I.F.C.I., I.C.I.C.I., Bank of Baroda and various departments of State and Central Governments.

Your Directors also places on record their appreciation of the services rendered and co-operation extended by all the employees of the Company.

BY ORDER OF THE BOARD OF DIRECTORS

S.N.KILARU
MANAGING DIRECTOR

Place : HYDERABAD.

Date : 06-09-1999.



**ANNEXURE TO DIRECTORS' REPORT
FORM - A**

CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION		1998-99	1997-98
1. ELECTRICITY :			
a) Purchases			
Units		50,45,332	69,66,263
Total amount Rs.		2,07,97,306	3,00,74,525
Rate/Unit Rs.		4.12	4.32
(b) Own Generation			
(i) Through Diesel Generation			
Units		1,71,83,495	1,23,19,101
Units per Ltr. of Diesel Oil		3.46	3.49
Cost/Unit Rs. (Fuel only)		2.77	2.69
2. COAL:			
Quantity (Tonnes)		39,177	36,305
Total Cost Rs.		5,77,78,935	5,15,17,655
Average Rate (Rs.)		1,474.82	1,419.02
3. FURNACE OIL:			
Quantity (K. Ltrs.)			
Total Amount		N.A	N.A
Average Rate			
4. OTHER/INTERNAL GENERATION:			
Quantity			
Total Cost N.A		N.A	
Rate/Unit			
B. CONSUMPTION PER UNIT OF PRODUCTION:			
Standards		1998-99	1997-98
(if any)			
Products (with details unit)	1,68,236 MTs	1,26,964 MTs	
Electricity Consumption per tonne of Cement	140 Units	134.83 Units	145.24 Units
Coal Consumption per tonne of Cement	0.25 MTs	0.2546 MTs	0.2752 MTs.
	at an average	at an average	at an average
Cal. value of 4000 Kcal/Kg.	4760 Kcal/Kg	3600 Kcal/Kg.	3600 Kcal/Kg
	Cal. value of	Cal. value of	coal value of

TECHNOLOGY ABSORPTION FROM FOREIGN COUNTRIES:

During the year the Company had no occasion to absorb any foreign technology.

FOREIGN EXCHANGE EARNINGS AND OUT GO :

During the year the company had no foreign exchange earnings and out go.



FORM - B

	1998-99	1997-98
A. RESEARCH AND DEVELOPMENT (R & D)		
1. Specific areas in which R & D carried out by the Company :	Nil	Nil
2. Benefits derived as a result of the above R & D :	Nil	Nil
3. Future plan of action :	Nil	Nil
4. Expenditure on R & D		
a) Capital		
b) Recurring		
c) Total		
d) Total R & D expenditure as a percentage of total turnover :	Nil	Nil
B. TECHNOLOGY ABSORPTION, ADAPTION AND INNOVATION.		
1. Efforts, in brief, made towards Technology absorption, adaption and innovation :	Nil	Nil
2. Benefits derived as a result of the above efforts e.g., product improvement, cost reduction, product development, import substitution etc. :	Nil	Nil
3. In case of imported technology (Imported during the last 5 years reckoned from the beginning of the financial year). Following information may be furnished.		
a) Technology imported :		
b) Year of import :		
c) Has technology been fully absorbed :		
d) If not fully absorbed, areas where this has not taken place, reasons therefore and future plans of action :		

BY ORDER OF THE BOARD OF DIRECTORS

S.N.KILARU
MANAGING DIRECTOR

Place : HYDERABAD,

Date : 06-09-1999.

**AUDITORS' REPORT**

To

The Members of
M/s. HEMADRI CEMENTS LIMITED

We have examined the attached Balance Sheet of M/s. Hemadri Cements Limited as at 31st March, 1999 and the attached Profit and Loss Account for the year ended on that date with the books of the Company and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we given in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable to the Company.
2.
 - a) We have obtained all the information and explanations which, to the best of our knowledge, and belief, were necessary for the purpose of our audit.
 - b) In our opinion, proper books of accounts as required by law have been kept by the Company, so far as it appears from our examination of such books.
 - c) The Balance Sheet and Profit and Loss Account referred to in this Report are in agreement with the books of account.
 - d) In our opinion the Balance Sheet and Profit and Loss Account dealt with by this report complied with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) In our opinion and to the best of our information and explanations given to us, the said Balance Sheet and Profit and Loss Account read thereon together with the notes gives the information required by the Companies Act, 1956, in the manner so required and subject to Note No.10 of Schedule - O regarding the unsecured debts amounting to Rs. 98.35 lakhs over due for over one year the recoverability of these debts, we are unable to comment give a true and fair view :
 - i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at 31st March, 1999.

AND

- ii) in so far as it relates to the Profit and Loss Account, of the LOSS of the Company for the year ended on that date.

For KARVY & COMPANY
Chartered Accountants

Place : Hyderabad.
Date : 06-09-1999.

K. AJAY KUMAR
PARTNER

**ANNEXURE**

- i) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets. These fixed assets have been physically verified by the management. No material discrepancies have been noticed on such verification.
- ii) None of the fixed assets have been revalued during the year.
- iii) The stock of raw materials, finished goods, stores, spare parts and other materials of the Company have been physically verified at frequent intervals during the year by the management.
- iv) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) No material discrepancies have been noticed on such physical verification as compared to book records.
- vi) In our opinion and on the basis of our examination, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles except that, as per past practice excise duty on stock of finished goods is not considered as part of cost, as recommended by the Institute of Chartered Accountants of India. (Refer to Note No.8 of Schedule-O). The valuation of stocks is on the same basis as in the previous year.
- vii) The Company has taken unsecured loans from parties listed in the register maintained under section 301 of the Companies Act, 1956 (1 to 1956). There is no interest on the said loans. The other terms and conditions of the said unsecured loans are not prima facie prejudicial to the interest of the Company. As explained to us, there are no Companies under the same management as defined under sub-section (1B) of Section 370 of the Companies Act, 1956.
- viii) The company has not granted any loans secured or unsecured to companies, firms or other parties as listed in the register maintained under Section 301 of the Companies Act, 1956. As explained to us there are no companies under the same management defined under sub-section(1B) of section 370 of the Companies Act, 1956.
- ix) The parties to whom the loans or advances have been given by the Company, are in the nature of staff advances which do not bear any interest. The principal amounts are being repaid by the parties as stipulated.
- x) In our opinion and according to the information and explanations given to us there are adequate internal control procedures commensurate with the size and nature of its business with regard to purchase of stores, raw-materials, components, plant and machinery, equipment and other assets and for the sale of goods.
- xi) In our opinion and according to the information and explanations given to us the transactions of purchase of goods and materials and sale of goods, materials and



services made in pursuance of contracts or arrangements entered in Registers maintained under Sec.301 and aggregating during the period to Rs.50,000/- or more in respect of each party have been made at prices which are reasonable having regard to the prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods or services have been made with other parties.

- xii) Unserviceable or damaged stores, raw-materials or finished goods, are determined and provisions for the loss wherever necessary has been made in the accounts.
- xiii) The company has not accepted any deposits from the public under Section 58A of the Companies Act, 1956.
- xiv) The Company has no by-products and it has maintained reasonable records for the sale and disposal of realisable scrap.
- xv) In our opinion, the Company has an Internal Audit System Commensurate with the size of the Company and the nature of its business.
- xvi) We have broadly reviewed the books of accounts maintained by the company in pursuance to the order made by the Central Government for the maintenance of cost records under section 209 (1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been maintained. We have not, however made a detailed examination of these records.
- xvii) The Company is depositing the Provident Fund dues with the appropriate authorities, eventhough there is some delay in payment. There are no over dues as on 31st March, 1999. As explained to us, the provisions of Employees State Insurance Act are not applicable to this Company for the time being.
- xviii) There were no undisputed amounts payable in respect of Income-tax, Wealth-tax, Customs duty, Sales tax and Excise duty as at 31st March, 1999 which were outstanding for a period of more than six months from the date they became payable.
- xix) According to the information and explanations given to us, no personal expenses of employees or directors have been charged to the Profit and Loss Account, other than those payable under contractual obligation or in accordance with generally accepted business practices.
- xx) The Company is a Sick Industrial Company within the meaning of clause (0) of sub-section(1) of section-3 of the Sick Industrial Companies (Special Provisions) Act, 1985 (1 of 1986).

For KARVY & COMPANY
Chartered Accountants

K. AJAY KUMAR
PARTNER

Place : Hyderabad,
Date : 06-09-1999.

**BALANCE SHEET AS AT 31ST MARCH 1999**

	Schedule Ref.	As at 31-3-'99 Rs.	As at 31-3-'98 Rs.
SOURCE OF FUNDS:			
Share Capital	A	56,700,000	56,700,000
Reserves & Surplus	B	61,698,820	65,638,107
Secured Loans	C	218,834,823	186,305,096
Unsecured Loans	D	18,305,653	22,555,653
TOTAL		355,539,296	331,198,856
APPLICATION OF FUNDS:			
Fixed Assets	E		
Gross Block		355,503,959	352,503,869
Less: Depreciation		160,123,200	146,463,154
Net Block		195,380,759	206,040,715
Capital Works-in-Progress	F	950,990	1,856,064
Investments	G	6,032,000	6,032,000
CURRENT ASSETS, LOANS & ADVANCES:			
	H		
I. Inventories		13878932	15473255
II. Sundry Debtors		26599659	35608774
III. Cash and Bank Balance		2978407	741133
IV. Loans & Advances		20005450	22928097
		63462448	74751259
Less: Current Liabilities and Provisions	I	37477282	32711790
Net Current Assets		25,985,167	42,039,469
Misc. expenses not written off (Capital issue expenses)		887,519	887,519
Profit & Loss Account		126,302,862	74,343,089
TOTAL		355,539,296	333,198,856
NOTES ON ACCOUNTS:	O		

As per our Report of even date
for KARVY & COMPANY
Chartered Accountants

K. AJAY KUMAR
PARTNER

Place: HYDERABAD
Date : 06-09-1999

for and on behalf of the Board

S.N.KILARU
MANAGING DIRECTOR

K.GOPI PRASAD
DIRECTOR


PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH 1999

	Schedule Ref	Current year Rs.	Previous year Rs.
INCOME			
Sales		262,573,544	246,304,792
Other Income	J	879,385	3,179,114
Increase/(Decrease) in stock		(2,673,062)	(11,374,631)
TOTAL		260,779,867	238,109,275
EXPENDITURE:			
Materials consumed	L	38,812,431	29,744,526
Power & Fuel		126,201,654	114,681,769
Excise duty		44,210,867	37,482,659
Mfg., Admn. & Selling exps	M	52,016,389	42,812,316
Finance charges	N	40,796,345	35,654,402
Add: Depreciation		13776480	13622464
Less: Transfer from Revaluation reserves		4708537	4718132
		9,067,943	8,904,332
TOTAL		311,105,629	269,280,006
Loss for the Year		50,325,762	31,170,731
Prior year adjustments		1,634,011	15,730
		51,959,773	31,186,461
Add Brought forward Loss		74,343,089	43,156,628
Loss Carried forward to Balance Sheet		126,302,862	74,343,089

NOTES ON ACCOUNTS: O

As per our Report of even date
for KARVY & COMPANY
Chartered Accountants

for and on behalf of the Board

S.N.KILARU
MANAGING DIRECTOR

K. AJAY KUMAR
PARTNER

K.GOPI PRASAD
DIRECTOR

Place: HYDERABAD
Date : 06-09-1999



	As at 31-03-1999 Rs.	As at 31-3-98 Rs.
SCHEDULE - A		
SHARE CAPITAL:		
<u>Authorised</u> 1,00,00,000 Equity Shares of Rs.10/- each.	<u>100,000,000</u>	<u>100,000,000</u>
<u>Issued, Subscribed and paid up</u>		
56,70,000 Equity Shares of Rs.10/- each fully paid up	56,700,000	56,700,000
TOTAL	<u>56,700,000</u>	<u>56,700,000</u>
SCHEDULE - B		
RESERVES & SURPLUS:		
<u>Capital Reserve</u> <u>State Subsidy</u>		
Opening balance	1000000	1000000
Additions during the year	<u>753000</u>	<u>—</u>
	1,753,000	1,000,000
<u>Mining Welfare Subsidy</u>		
Opening Balance	958000	939000
Add: Received during the year	<u>16250</u>	<u>19000</u>
	974,250	958,000
<u>Revaluation Reserve:</u>		
Opening Balance	63680107	68398239
Less: Additional Depreciation on Revalued Assets	<u>47,08,537</u>	<u>47,18,132</u>
	58,971,570	63,680,107
TOTAL	<u>61,698,820</u>	<u>65,638,107</u>



	As at 31-03-1999 Rs.	As at 31-3-98 Rs.
SCHEDULE - C		
SECURED LOANS:		
A. Term Loans from:		
Industrial Development Bank of India	85,000,681	85,000,681
Industrial Finance Corporation of India Ltd.	14,320,387	14,320,387
The Industrial Credit & Investment Corpn. of India Ltd.	16,952,821	16,952,821
	<u>116,273,889</u>	<u>116,273,889</u>
B. Funded Interest		
I.D.B.I	1881000	1881000
I.C.I.C.I	<u>2428598</u>	<u>2428598</u>
	4,309,598	4,309,598
C. Cash Credit from BOB	4,822,799	9,725,720
D. Interest accrued and due	93,428,537	55,995,889
TOTAL	<u>218,834,823</u>	<u>186,305,096</u>
SCHEDULE - D		
UNSECURED LOANS:		
From Directors	2204000	2204000
From Shareholders	<u>5796245</u>	<u>5796245</u>
	8,000,245	8,000,245
Interest Free Sales Tax Loan	10,305,408	14,555,408
TOTAL	<u>18,305,653</u>	<u>22,555,653</u>

SCHEDULE - E

FIXED ASSETS

Description of Assets	GROSS BLOCK				DEPRECIATION BLOCK				NET BLOCK	
	As at	Additions	Deductions	TOTAL	As at	For the	Deductions	TOTAL	As at	As at
	01-04-98				01-04-98	Year			31-3-99	31-3-98
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
LAND	3876027	---	---	3876027	---	---	---	---	3876027	3876027
BUILDINGS	39898353	---	---	39898353	10565189	1017639	---	11582828	28315525	29333164
PLANT & MACHINERY	269971927	2549254	---	272521181	116513505	10701823	---	127215328	45305853	153458422
ELECTRICAL INSTALLATIONS	35709631	486750	---	36196381	16969645	1897343	---	18866988	17329393	18739986
FURNITURE & FIXTURES	1111449	87450	---	1198899	860026	72703	---	932729	266170	251423
VEHICLES	1066302	---	123364	942938	772580	74736	116434	730882	212056	293722
CONSTRUCTION MACHINERY	480450	---	---	480450	437380	5991	---	443371	37079	43070
WORKSHOP EQUIPMENT	389730	---	---	389730	344829	6245	---	351074	38656	44901
TOTAL	352503869	3123454	123364	355503959	146463154	13776480	116434	160123200	195380759	206040715
PREVIOUS YEAR	349772395	2731474	---	352503869	132840690	13622464	---	146463154	206040715	216931705

15



	As at 31-03-1999 Rs.	As at 31-3-98 Rs.
SCHEDULE - F		
CAPITAL WORKS-INPROGRESS:		
Plant & Machinery	8,237	913,311
Buildings	130,243	130,243
Advance for land	812,510	812,510
TOTAL	950,990	1,856,064
SCHEDULE - G		
INVESTMENTS		
LONG TERM		
(a) NON TRADE: UNQUOTED		
<u>Govt:-</u>		
National Saving Certificates	2,300	2,300
<u>Others:-</u>		
Investments in equity shares in HCL AGRO POWER LTD (Nos.600000 equity shares of Rs.10/- each fully paid up)	6,000,000	6,000,000
IDBI Deep Discount Bonds 11 Nos. @ Rs.2700/- each fully paid up)	29,700	29,700
TOTAL	6,032,000	6,032,000
SCHEDULE - H		
CURRENT ASSETS, LOANS & ADVANCES:		
i) Inventories		
As certified by the Management		
Raw Material	256,548	830,326
Packing Material	397,988	253,106
Coal	456,950	357,090
Stores & Spares	9,509,985	8,102,210
Work-in-Progress	1,719,068	5,200,083
Finished Goods		
(a) Stock at Factory	1502393	338400
(b) With Consignment Agents	36000	392040
	1,538,393	730,440
TOTAL	13,878,932	15,473,256



	As at 31-03-1999 Rs.	As at 31-3-98 Rs.
ii) SUNDRY DEBTORS: (Unsecured)		
For over six months considered good	20,030,702	18,194,994
For over six months considered doubtful	3,249,777	—
Other debts considered good	6,568,957	17,413,780
	<u>29,849,436</u>	<u>35,608,774</u>
Less: Provision for doubtful debts	3,249,777	—
	<u>26,599,659</u>	<u>35,608,774</u>
iii) CASH AND BANK BALANCE:		
Cash in hand	32,341	28,459
Balance With Scheduled Banks:		
In Current Accounts	2,823,866	590,475
In Fixed Deposits	8,000	8,000
In Margin Money Deposit Accounts	114,200	114,200
TOTAL	<u>2,978,407</u>	<u>741,134</u>
iv) LOANS & ADVANCES: (Unsecured, considered good recoverable in cash or in kind or for value to be received)		
Advance to suppliers	3,726,485	4,600,521
Advance for expenses	287,071	247,201
Advance to staff	186,409	67,665
Deposits	12,958,115	15,691,240
Prepaid expenses	2,117,203	1,806,386
Tax deducted at source	730,167	515,084
TOTAL	<u>20,005,450</u>	<u>22,928,097</u>



	As at 31-03-1999 Rs.	As at 31-3-98 Rs.
SCHEDULE - I		
CURRENT LIABILITIES & PROVISIONS:		
Creditors for capital works	700,000	700,000
<u>Creditors for Trade</u>		
a) Due to small scale undertakings	2,938,874	1,387,768
b) Due to others	4,851,091	6,149,139
Creditors for expenses	4,443,631	8,866,382
Creditors for other finance	14,907,035	9,057,967
Deposits	1,526,545	806,627
Advance from customers	7,296,188	5,175,410
Interest accrued but not due	813,918	568,497
TOTAL	<u>37,477,282</u>	<u>32,711,790</u>



	Current Year Rs.	Previous Year Rs.
SCHEDULE - J		
OTHER INCOME:		
Profit on Sale of Assets	36,173	Nil
Scrap sales	354,593	151,611
Profit on sale of investments	—	1,419,223
<i>Interest earned inclusive of TDS Rs.55852</i> (Previous year Rs.97857)	279,260	495,332
Misc., Income	39,869	526,516
Insurance claims received	169,490	586,432
TOTAL	<u>879,385</u>	<u>3,179,114</u>
SCHEDULE - K		
DECREASE IN STOCK:		
1. Work-in-Progress		
Opening Stock	5,200,083	12,590,454
Closing Stock	1,719,068	5,200,083
	<u>3,481,015</u>	<u>7,390,371</u>
2. Finished Goods		
Opening Stock	730,440	4,714,700
Closing Stock	1,538,393	730,440
	<u>807,953</u>	<u>3,984,260</u>
DECREASE (1 + 2)	2,673,062	11,374,631
SCHEDULE - L		
MATERIALS CONSUMED		
A) Raw Material		
Opening Stock	830,326	204,628
Add: Purchases	25,194,878	18,796,687
TOTAL	26,025,204	19,001,315
Less: Closing stock	251,198	830,326
CONSUMPTION:	<u>25,774,006</u>	<u>18,170,989</u>
B) Packing Material		
Opening Stock	287,846	1,545,309
Add: Purchases	13,151,437	10,316,075
TOTAL	13,439,283	11,861,384
Less: 1. Closing stock	397988	253106
2. Packing on Consgrmnt stk	2870	34740
	<u>400,858</u>	<u>287,846</u>
CONSUMPTION	<u>13,038,425</u>	<u>11,573,538</u>
TOTAL CONSUMPTION (A + B)	<u>38,812,431</u>	<u>29,744,527</u>



		Current Year Rs.		Previous Year Rs.
SCHEDULE - M				
MANUFACTURING, ADMINISTRATIVE & SELLING EXPENSES:				
PERSONNEL COST:				
Salaries & Wages and bonus	10888647		9756959	
Contribution to P.F & other funds	1543287		980949	
Staff Welfare	<u>3114489</u>		<u>2720532</u>	
		15,546,423		13,458,440
Consumable Stores		9,893,257		8,589,342
REPAIRS & MAINTENANCE:				
Buildings	158817		158487	
Plant & Machinery	2951436		1294644	
Other Assets	<u>1095835</u>		<u>637443</u>	
		4,206,088		2,090,574
ADMINISTRATIVE EXPENSES:				
Travelling & Conveyance	1013999		1016676	
Insurance	1328230		1318170	
Rent	79805		293074	
Rates & Taxes	206758		98031	
Printing & Stationery	370300		298988	
Postage & Telephones	717482		851843	
Vehicle Maintenance	237075		315407	
Electricity charges	158037		77328	
Office maintenance	37535		8169	
Listing fees	38250		38250	
Service charges	585496		791503	
Material handling	2034836		2012460	
Factory maintenance	125433		115928	
Carriage inwards	721271		716976	
Balance carried forward	<u>7654507</u>	29,645,768	<u>7952803</u>	24,138,356



		Current Year Rs.		Previous Year Rs.
Balance brought forward	7654507	29,645,768	7952803	24,138,356
Legal & Professional charges	232733		202155	
Directors' sitting fee	1500		1800	
Directors' remuneration	405484		300000	
Payment to Auditors:				
1. As Auditors	50000		25000	
2. For tax Matters	20000		10000	
3. For other services	30000		10000	
4. For expenses	2250		5520	
		<u>8,396,474</u>		<u>8,507,278</u>
		<u>38,042,242</u>		<u>32,645,634</u>
SELLING EXPENSES:				
Loading charges	502183		756211	
Advertisement	485009		713412	
Commission on Sales	6308897		6844166	
Sales Promotion expenses	210933		47377	
		<u>7,507,022</u>		<u>8,361,666</u>
		<u>45,549,264</u>		<u>41,007,300</u>
Bad Debts Written off		2,262,458		786,045
Provision for Bad Debts		3,249,777		—
General Expenses		954,890		1,018,972
TOTAL		<u>52,016,389</u>		<u>42,812,317</u>
FINANCE CHARGES:				
Interest on fixed loans		37,678,069		30,628,314
Interest on other loans		2,343,029		4,374,215
Bank charges		775,247		651,873
TOTAL		<u>40,796,345</u>		<u>35,654,402</u>

**SCHEDULE - O****NOTES ON ACCOUNTS:****01. SIGNIFICANT ACCOUNTING POLICIES:****Basis of Presentation:**

The Company follows the Mercantile system of Accounting and recognises income and expenditure on accrual basis. The Accounts are prepared on historical cost basis, modified by revaluation of certain fixed Assets as a going concern, and are consistent with generally accepted accounting principles.

Fixed Assets:

Fixed Assets are capitalised at cost including freight, installation charges and other incidental expenses. Fixed Assets are stated at cost together with resultant write-up due to revaluation as there may be.

- a) Land: At Cost
- b) Other Assets: Cost less depreciation

Investments:

Investments being long term in nature are valued at cost of acquisition. (Adjustment for increase/decrease in the value of investment, if any, will be accounted for on realisation of the investment.)

Capital work-in-progress :

The cost incurred for fixed assets under construction/installation are included under capital work-in-progress and the same are classified to the respective assets on the completion

Depreciation :

- i) Depreciation on Buildings, Plant & Machinery and Electrical installations is provided on straight line method and on written down value method on other assets at the rates prescribed in Schedule XIV of the Companies Act, 1956.
- ii) Depreciation on assets added during the year is charged on pro-rata basis from the month in which it is acquired and upto the month in which it is discarded as the case may be.
- iii) In the case of revalued assets the difference between the depreciation based on revaluation and the depreciation charged on historical cost is transferred from revaluation reserve to Profit and Loss account.

Inventories :

- a) Raw Materials, Stores and Spare parts are valued at cost.
- b) Work-in-progress and finished goods are valued at lower of cost or net realisable value.

Sales :

Sale of goods is recognised at the point of despatch of finished goods to customers. Sales are inclusive of excise duty but exclusive of sales tax.

**Retirement Benefits :**

Contribution to provident fund is made through the Regional Provident Fund Commissioner. The Company has an arrangement with Life Insurance Corporation of India to administer its gratuity scheme. Other benefit accounted an actual cost to the company.

Contingencies and events occurring after the balance sheet :

Accounting for contingencies (gains and losses) arising out of contractual obligations, are made only on the basis of mutual acceptances.

Events occurring after the date of the Balance Sheet are considered upto the date of approval of the accounts by the Board where material.

02. Contingent Liabilities not provided for:

a) The Company has purchased the rights for land measuring 2.2 acres valued at Rs.17334/- and was registered in the name of the Company. subsequently it has come to the notice of the Company that the land was assigned by the Andhra Pradesh Government and the party cannot relinquish his right. The Company has made an application to the revenue authorities to assign the land in favour of the Company. As the matter is still pending no provision has been made in the accounts of the Company.

b) On account of Bank Guarantee Rs.1.14 lakhs (previous year Rs.4.60 lakhs).

c) The Company has received a notice from Grama Panchayat Vedadri for Rs.278732/- house tax from 1996-97 to 1998-99 and the Company has paid Rs.149688/- and applied to District Collector, Krish Dist., for waiver of the balance tax amount of Rs.129044/-.

d) (1) The Commercial tax authorities in its revised assessment order for the Asst. Year 1991-92 has demanded an additional tax Rs.524123/- and the Company filed an appeal with Sales Tax Appellate Tribunal. Later the case was referred to The Deputy Commissioner of Commercial Taxes Panjagutta Division for further verification. The Deputy Commissioner reconfirmed the revision and the company filed an appeal against the reconfirmation.

(2) The Commercial Tax authorities in its revised assessment order for the assessment year 1992-93 has demanded an additional tax of Rs.7,13,103/- and the Company filed an appeal with Sales Tax Appellate Tribunal. The Tribunal remanded the case to the Deputy Commissioner.

(3) During the year the Company received an additional demand of Rs.4.28 lakhs for the assessment year 1996-97 from the commercial tax authorities and the company filed an appeal with Sales Tax Appellate Tribunal.

(4) Commercial Tax Officer assessed the turnover of the year 1996-97. The tax due as per the assessment orders is Rs.17,66,802/- out of which tax deferment is Rs.11,41,806/- Commercial Tax Officer had not considered the tax deferment in the assessment order for which company filed a rectification petition to Commercial Tax Officer, Nandigama to rectify the arithmetical mistake in respect of tax due (to consider tax deferment). The Company filed the appeals against assessment to Appellate Deputy



Commissioner, Panjagutta Division, Hyderabad in respect of turnover of Rs.91,86,379/- and tax of Rs.7,64,129/-. Pending the appeal before Appellate Deputy Commissioner, Appellate Deputy Commissioner rejected the stay of collection of tax which was appealed to Joint Commissioner (Legal).

- (5) Commercial Tax Officer issued a show-cause notice in respect of assessment year for the year 1997-98 for which company replied. The assessment order is yet to be passed.
03. Estimated amount for contracts remaining to be executed on Capital Account and not provided for Rs.10 lacs (Rupees Ten lacs only) (Previous year Rs.15 lakhs Rupees Fifteen lakhs only).
04. Secured Loans:
- Term Loans of Rs.1205.83 lakhs (Rupees Twelve Crore Five lakhs Eighty Three thousand only) from Industrial Development Bank of India, Industrial Finance Corporation of India and Industrial Credit and Investment Corporation of India Limited are secured by a Joint equitable mortgage by deposit of the title deeds of all immovable properties with Industrial Development Bank of India in favour of the said financial institutions and hypothecation of all movable properties both present and future subject to prior charge on the said movable properties, in favour of the Company's Bankers for working capital.
 - The term loans from all the above said institutions rank pari passu among themselves.
 - Industrial Development Bank of India, Industrial Finance Corporation of India, and Industrial Credit and Investment Corporation of India Limited have the option to convert at par a portion of their term loan into fully paid up equity shares which may be exercised
 - Working Capital limits to the extent of Rs.180 lakhs from Bank of Baroda are secured by hypothecation of raw materials, work-in-progress finished goods, stocks and book debts and the cash credit is further secured by as a second charge by a equitable mortgage by deposit of title deeds of all immovable properties and is guaranteed.
 - Term loan to the extent of Rs.464.01 lakhs included in (a) payable to Industrial Development Bank of India, Industrial Finance Corporation of India Limited, and Industrial Credit and Investment Corporation of India Limited is guaranteed by unconditional and irrevocable guarantee of Shri S.N.Kilaru Managing Director of the Company, Shri G.Mohan Rao and Shri K.V.S. Varma which is joint and several.
 - Term loans of Rs.741.82 lakhs included in (a) payable to Industrial Development Bank of India and the Industrial Credit and Investment Corporation of India Limited are guaranteed by unconditional and irrevocable guarantees of Shri S.N.Kilaru, Managing Director and Shri K.Gopi Prasad, Director of the Company.
05. Particulars of remuneration to Directors :

	Current year Rs.	Previous year Rs.
a) Sri S.N.Kilaru, Managing Director Salary	405484	300000
Other Benefits	Nil	Nil
	<u>405484</u>	<u>300000</u>



06. Details of amounts due to small scale industrial undertakings exceeding Rs.1,00,000/- and outstanding for more than 30 days.

Sl. No.	Name of the Party	Amount (Rs.)	
		Current year	Previous year
(1)	M/s.Associated Engineer.	1,84,399	58,507
(2)	Krishna Products (P) Ltd.	9,47,606	11,81,061
(3)	M/s.Panchavati Poly Fibres Ltd.	4,07,039	1,48,200
(4)	M/s.Pankaj Polymers Ltd.	3,28,929	—
(5)	M/s.International Poly Sacks & Laminations.	5,81,705	—
(6)	M/s.L.N.Poly Packs (P) Ltd.	2,39,609	—
(7)	M/s.Archon Engineering Co. Ltd.	2,49,587	—
TOTAL		29,38,874	13,87,768

07. Information pursuant to the provisions of paragraphs, 3, 4C and 4D of part-II of schedule VI of the companies Act, 1956 (As certified by the Management to the extent applicable).

DESCRIPTION	1998 - 1999		1997 - 1998	
	QTY.IN MTS.	Value (Rs.)	QTY. IN MTS	Value (Rs.)
a) Installed Capacity	181500 MTs per Annum		181500 MTs per Annum	
Actual Production Cement		168236 MTs		126964 MTs
Clinker		153846 MTs		126972 MTs
b) Turnover:				
Cement (including self consumption)	167563 MTs	260734974	131070 MTs	228128412
Clinker Sales	2077 MTs	1838570	13885 MTs	18176380
		<u>262573544</u>		<u>246304792</u>
c) Opening stock of finished goods	609	730440	4715	4714700
Closing stock of finished goods	<u>1282</u>	<u>1538393</u>	<u>609</u>	<u>730440</u>
d) Materials Consumed:				
Lime Stone	216779	15770552	179926	13166865
Iron Ore	1127	413713	136	45611
Gypsum	6863	4165975	4638	2723531
Bauxite	11255	5100361	5651	1833920
Clay	1862	74186	5985	247839
Morram	3036	246680	1946	146086
Fly Ash	14	2539	39	7137
TOTAL		<u>25774006</u>		<u>18170989</u>



Packing Materials (No. of Bags)	3354022	13038425	2557043	11573538
Stores & Spares		9893257		8589342

	%	Value (Rs.)	%	Value(Rs.)
e) Value of imported and indigenous raw materials, components, spare parts and other materials.				
Raw Materials:				
Imported	NIL	NIL	NIL	NIL
Indigenous	100%	2,57,74,006	100%	1,81,70,989
Spare Parts & Other Materials:				
Imported	NIL	NIL	NIL	NIL
Indigenous	100%	2,29,31,682	100%	2,01,62,880

08. As per past practice the excise duty payable on finished goods is accounted for on clearance of goods from factory. The amount of excise duty payable on finished goods not cleared from factory as at 31-3-1999 is estimated at Rs.4,38,200 (previous period Rs.56,400). However, non-accounting of this liability will not effect loss for the year.

09. The Company has revalued its fixed assets as at 14 February, 1993 at depreciated replacement value which resulted in a net increase of Rs.8,79,78,174 in gross block. Depreciation on such revalued assets is calculated on straight line method on buildings, plant & machinery and electrical installations and on written down value method on other fixed assets at rates given in the schedule XIV of the Companies Act, 1956. The difference between depreciation on Assets based on revaluation and that on original cost amounting to Rs.47,08,537/- is transferred from Revaluation reserve to Profit & Loss Account.

10. Sundry Debtors amounting to Rs.98.35 lakhs outstanding for more than one year old.

11. Schedule A to O form an integral part of accounts.

12. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

13. ADDITIONAL INFORMATION REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMAPNIES ACT, 1956.

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS

A) Registration No.	-	2995
B) State code	-	01
C) Balance sheet date	-	31-03-99

II. CAPITAL RAISED DURING THE YEAR

		RUPEES
A) Public issue		NIL
B) Rights issue		NIL
C) Bonus issue		NIL



D)	Private placement of Non convertible Debentures	NIL
III.	POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS	RUPEES
A)	Total liabilities	35,55,39,296
B)	Total Assets	35,55,39,296
C)	Sources of funds:	
	1) Paid-up capital	5,67,00,000
	2) Reserves and surplus	6,16,98,820
	3) Secured loans	
	a) Debentures	—
	b) Term loans and working capital facilities	21,88,34,823
	c) Short term loans for new projects	
	4) Unsecured loans	1,83,05,653
D)	Application of funds:	
	1) Net fixed assets (including capital w.i.p)	19,63,31,749
	2) Investments	60,32,000
	3) Net current assets	2,59,85,167
	4) Miscellaneous expenditure	8,87,519
	5) Accumulated losses	12,63,02,861
IV.	PERFORMANCE OF COMPANY	
A)	Turnover	26,07,79,867
B)	Total Expenditure	31,27,39,640
C)	Loss	5,19,59,773
D)	Earning per share	—
E)	Dividend rate	—
V.	GENERIC NUMBERS OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY	
A)	1) Item code	25231000
	2) Product description	CEMENT
B)	1) Item code	25231000
	2) Product description	CLINKER

As per our Report of even date
For KARVY & COMPANY
Chartered Accountants

for and on behalf of the Board

K.AJAY KUMAR
Partner

S.N.KILARU
Managing Director

Place : Hyderabad,
 Date : 06-9-1999.

K. GOPI PRASAD
DIRECTOR



CASH FLOW STATEMENT FOR 31-03-1999

Rs.

A. CASH FLOW FROM OPERATING ACTIVITIES

NET PROFIT BEFORE TAX AND EXTRAORDINARY ITEMS (5,19,59,773)

ADJUSTMENTS FOR:

Depreciation 90,67,943

Interest 4,00,21,098

Profit on sale of asset (36,173)

Operating profit before working capital changes (29,06,905)

ADJUSTMENTS FOR

Trade and other receivables 1,19,31,762

Inventories 15,94,323

Trade payables 45,20,071

Cash generated from operations 1,51,39,251

Interest paid (23,43,029)

Direct taxes paid —

Cash flow before extraordinary items 1,27,96,222

Extraordinary items —

Net cash from operating activities 1,27,96,222

B. CASH FLOW FROM INVESTING ACTIVITIES:

Purchase of fixed assets (22,18,380)

Sale of fixed assets 43,103

Sale of investments Nil

Interest received Nil

Dividend received Nil

Net cash used in investing activities (21,75,277)



C. CASH FLOW FROM FINANCING ACTIVITIES:

Proceeds from issue of share capital	—
Proceeds from welfare subsidy	7,69,250
Proceeds from long term borrowings	(42,50,000)
Proceeds from short term borrowings	(49,02,921)
Share issue expenses	Nil
<i>Net cash used in financing activities</i>	<u>(83,83,671)</u>
 Net increase in cash and cash equivalents	 22,37,274
 Cash and cash equivalents as at 01.04.98 (Opening balance)	 741133
 Cash and cash equivalents as at 31.03.99 (Closing balance)	 <u>2978407</u>

for and on behalf of the Board

S.N.KILARU
Managing Director

K. GOPI PRASAD
DIRECTOR

Place : Hyderabad,
Date : 06-9-1999.

AUDITORS CERTIFICATE

We have verified the above cash flow statement of **Hemadri Cements Limited** derived from the audited annual financial statements for the year ended March 31, 1999 and found the same to be drawn in accordance therewith and also with the requirements of Clause 32 of the listing agreements with stock exchanges.

As per our Report of even date
For KARVY & COMPANY
Chartered Accountants

Place: Hyderabad.
Date : 06-09-1999.

K.AJAY KUMAR
Partner