



HEMADRI CEMENTS LIMITED

27th ANNUAL REPORT

2008-2009

BOARD OF DIRECTORS:

SRI K. GOPI PRASAD
SRI DBN RAO
SRI B. RAMACHANDRA RAO
SRI MUTHUSAMY SUBRAMANIAN
SRI GOPALSAMY RAJAN

MANAGING DIRECTOR (Appointed on 31.03.2009)
DIRECTOR
DIRECTOR
DIRECTOR
DIRECTOR

AUDIT COMMITTEE

SRI B. RAMACHANDRA RAO
SRI DBN RAO
SRI MUTHUSAMY SUBRAMANIAN
SRI K. GOPI PRASAD

AUDITORS

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

BANKERS

Axis Bank
Bank of India
State Bank of India

ADMINISTRATIVE OFFICE:

Suit # 509, V Floor, Model House,
Punjagutta,
Hyderabad- 500 082.

REGD. OFFICE & FACTORY

Vedadri Village
Jaggaihpeta Mandal
Krishna District,
Andhra Pradesh.

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NOTICE:

NOTICE is hereby given that the 27th Annual General Meeting of the Company will be held on 30th day the October 2009 at 3:00 PM at Registered Office of the Company at Vedadri Village, Jaggaiahpet Mandal, Krishna District to transact the following business:

ORDINARY BUSINESS:

01. To receive, consider and adopt the Profit & Loss Account for the year ended 31st March, 2009, the Balance Sheet as at that date and the Director's and Auditors Report thereon.
02. To elect a Director in place of Sri K. Gopi Prasad who retires by rotation and being eligible offers himself for re-appointment.
03. 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 traveling and out of pocket expenses.

SPECIAL BUSINESS:

04. To consider and, if thought fit, to pass with or without modification the following resolution as a Special Resolution.

"RESOLVED THAT Pursuant to the provisions of, Section 269,198, 309,310,311 and read with the Schedule XIII other applicable provisions if any of the Companies Act 1956(including any statutory modification (s) or re-enactment (s) thereof, for the time being in force), Sri K.Gopi Prasad be and is hereby appointed as the Managing Director of the Company for the period of 5 (Five) years with effect from 31.03-2009 upon the following terms and conditions:

I. Remuneration:

Salary: Rs.50,000/- per month.

Commission: As may be decided by the Board of Directors in its absolute discretion for each financial year (of part there perquisites and commission) in any one financial year shall not exceed the limits prescribed from time to time under sections 198 and 309 and other applicable provisions of the companies Act, 1956 read with Schedule XIII to the Acts may for the time being be in force.

Perquisites/Amenities:

- i. Housing: Fully furnished residential accommodation or suitable house rent allowance as may be decided by the Board of Directors, Expenses pertaining to gas, electricity, water and other utilities will be borne / reimbursed by the company.
- ii. Medical Reimbursement: Reimbursement of actual medical expenses incurred in India and / or abroad and including hospitalization, nursing home and surgical charges for himself and family.

- iii. Leave Travel Concession: Reimbursement of actual traveling expenses for proceeding on leave once in a year in respect of himself and family.
- iv. Club Fee: Reimbursement of membership fee for clubs in India or abroad including admission and life membership fee.
- v. Personal Accident Insurance: Personal Accident Insurance Policy of such amount as may be decided by the Board of Directors.
- vi. Contribution to Provident Fund / Superannuation and Annuity Fund: The Company's contribution to provident Fund and Superannuation or Annuity Fund as may be decided by the Board of Directors.
- vii. Gratuity: Gratuity at a rate to be decided by the Board of Directors not exceeding one month's salary for each completed year of service.
- Viii. Leave: Entitled for leave with full pay of encashment there of as per the rules of the company.
- ix. Conveyance Facilities: The Company shall provide suitable conveyance facilities.
- x. Other Perquisites: Subject to overall ceiling on remuneration mentioned herein below the Managing Director may be given any other allowance, benefits and perquisites as the Board of Directors may from time to time decide.

Explanation:

Perquisites shall be evaluated as per Income Tax Rules, whether applicable and in absence of any such rule, perquisites shall be evaluated at actual cost.

II. Overall Remuneration:

The aggregate of salary, commission and perquisites in any one financial year shall not exceed the limits prescribed or to be prescribed from time to time under section 198, 309 and other applicable provisions of the Companies Act 1956 read with Schedule XIII to the said Act as may for the time being be in force.

III. Minimum Remuneration:

In the event of loss or inadequacy or profits in any financial year during the currency of tenure of service of the Managing Director, the payments of 'salary, commission perquisites and other allowances shall be governed by the limits prescribed under Schedule XII of the Companies Act, 1956".

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

"RESOLVED THAT Sri Muthusamy Subramanian who was appointed as an additional director of the company by the Board of Directors and who holds office as per Section 260 of the Companies Act, 1956 up to the date of this Annual General Meeting and in respect of whom the company has, pursuant to Section 257 of the Companies Act, 1956 received a notice in writing proposing his candidature for

the office of director, be and is hereby appointed as a director of the company, liable to retire by rotation”.

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

“RESOLVED THAT Sri Gopalsamy Rajan who was appointed as an additional director of the company by the Board of Directors and who holds office as per Section 260 of the Companies Act, 1956 up to the date of this Annual General Meeting and in respect of whom the company has, pursuant to Section 257 of the Companies Act, 1956 received a notice in writing proposing his candidature for the office of director, be and is hereby appointed as a director of the company, liable to retire by rotation”.

BY ORDER OF THE BOARD OF DIRECTORS

K. GOPI PRASAD
MANAGING DIRECTOR

Place: Hyderabad
Date: 5th October.2009

NOTES:

01. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and voted instead of himself and proxy, need not be a member.
02. The share transfer books of the Company shall remain closed from 24th October, 2009 to 30th October, 2009 both days inclusive.
03. Members/proxies should bring the attendance slip sent herewith duly filled in for attending the Meeting.
04. The explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the Special Business set in item No.s.4 to 6 is annexed hereto.

EXPLANATORY STATEMENT

(Pursuant to Section 173(2) of the Companies Act, 1956)

Item No. 4

Mr. S N Kilaru, Managing Director has expired on 02nd January 2009. So, in that place someone is to be appointed as Managing Director of the Company. Keeping in view the Contribution to the growth and development of the Company, the Board of Directors at their meeting held on 31st March 2009 have appointed Mr. K. Gopi Prasad as Managing Director of the Company for a period of 5 Years w.e.f. 31.03.2009 on the terms and conditions mentioned above.

Members are requested to treat the same as abstract of the terms of appointment under section 302 of the Companies Act, 1956.

The board recommends passing of the proposed resolution.

None of the other Directors of the Company except Mr. K. Gopi Prasad is in any way concerned or interested in this resolution.

Item No. 5

Sri Muthusamy Subramanian was appointed as additional director at the meeting of the Board of Directors of the Company held on 25.11.2008. As per the provisions of the Section 260 of the Companies Act, 1956 he holds office up to the date of the ensuring Annual General Meeting. The Board felt that his experience will be of immense use to the company for effective management and recommended his appointment as Director of the company.

Sri Muthusamy Subramanian may be deemed to be interested in the resolution as it relates to his appointment.

Item No. 6

Sri Gopalsamy Rajan was appointed as additional director at the meeting of the Board of Directors of the Company held on 25.11.2008. As per the provisions of the Section 260 of the Companies Act, 1956 he holds office up to the date of the ensuring Annual General Meeting. The Board felt that his experience will be of immense use to the company for effective management and recommended his appointment as Director of the company.

Sri Gopalsamy Rajan may be deemed to be interested in the resolution as it relates to his appointment.

BY ORDER OF THE BOARD OF DIRECTORS

**K GOPI PRASAD
MANAGING DIRECTOR**

Place: Hyderabad

Date: 5th October.2009

DIRECTORS REPORT:

TO
The Members,

Your Directors have pleasure in presenting the **TWENTY SEVENTH ANNUAL REPORT** and the audited accounts for the financial year ended March 31, 2009.

FINANCIAL RESULTS:

| | <u>2008 - 2009</u> | <u>2007-2008</u> |
|---|--------------------|------------------|
| Sales and other Income | 5197.56 | 5672.89 |
| Profit/ (Loss) before Interest and Depreciation | 459.08 | 1654.19 |
| Interest | 41.87 | 38.85 |
| Profit/ (Loss) before Depreciation | 417.77 | 1615.34 |
| Depreciation | 93.52 | 82.47 |
| Profit/ (Loss) before Extraordinary Items | 323.69 | 1529.59 |
| Extraordinary Items pursuant to the | | |
| Interest Waiver on OTS scheme of IDBI | — | 5118.65 |
| Profit/ (Loss) after Extraordinary Items | 323.69 | 6651.25 |
| Provisions for Fringe Benefit Tax | 4.79 | 3.28 |
| Tax Expenses | | |
| Current Tax | 61.02 | -- |
| Deferred Tax | 170.36 | -- |
| Profit / (Loss) After Tax | 87.52 | 6648.24 |

CORPORATE GOVERNANCE:

The Securities Exchange Board of India (SEBI) has introduced a code on Corporate Governance for implementation by Company listed on the Stock Exchanges. Accordingly the Stock Exchanges have formulated clause 49 of the listing agreement & stipulated requirement on the said code. The Company has stopped Commercial Production during the month of May 2002 owing to Financial Constraints. The Company is not in a position to comply with the requirement clause 49 of the listing agreement. The Board of Directors are confident to comply with the listing agreement during the Financial Year 2009-10.

PERFORMANCE:

The Company has made a Net Profit before Extraordinary Items of Rs. 323.69 Lakhs during the year, as against Net Profit of Rs. 1529.59 Lakhs in the previous year.

The Company has achieved a Cement Tonnage of 193,392 MT during the year as against a tonnage of 221,724 MT in the previous year.

FUTURE OUTLOOK:

The company has now stabilised its output at around 2 Lakh tons per annum. The company has inducted additional Promoters to add to the financial strength of the company in view of the bleak / poor outlook in the foreseeable future as a result of huge capacity additions of Cement in 2009-2010. However the company will be totally debt free during the first half of 2009-2010 financial year and hence should be able to brave this difficult period better than most of the other companies, who have borrowed heavily to implement their expansions.

INDUSTRIAL RELATIONS AND STAFF WELFARE:

Industrial relations with staff and workmen remained harmonious and cordial.

POLLUTION CONTROL:

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

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

Statement containing particulars pursuant to section 217(1) (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. K.Gopi Prasad, who retire by rotation and being eligible for re-appointment.

During the year Sri Muthusamy Subramanian and Sri Gopalsamy Rajan have been appointed as Directors on 25th November 2008.

Sri S N Kilaru, Managing Director expired on 02nd January 2009. In that place Mr. K. Gopi Prasad was appointed as Managing Director of the Company with effect from 31st March 2009.

EXTENSION UNDER SECTION 166(1) OF THE COMPANYS ACT, 1956 HOLDING THE DATE OF AGM

The company obtained permission from central government vide letter date 18-09-2009 for extenction the date of holding the Anual General Meeting till 30th October 2009.

DIRECTORS RESPONSIBILITY STATEMENT:

Your Directors state that:

1. In the preparation of annual accounts the applicable accounting standards had been followed along with proper explanation relating to material departures.
2. Such accounting policies were selected and applied consistently and judgments and estimates were made that are reasonable and prudent so to give true and fair view of state of affairs and loss of the company for the period.
3. Proper and sufficient care has been taken to safeguard the assets and for preventing and detecting fraud and other irregularities.
4. The annual accounts are prepared on a going concern basis.

AUDIT COMMITTEE:

The Audit Committee comprises of the following members.

1. Sri B. Ramachandra Rao
2. Sri DBN Rao
3. Sri Muthusamy Subramanian
4. Sri K. Gopi Prasad

PARTICULARS OF EMPLOYEES:

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

DEPOSITS AND LOANS/ADVANCES:

Your Company has not invited or accepted any fixed deposits and hence no amount of principal or interest was outstanding as on the date of the Balance Sheet.

AUDITORS:

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

COST AUDITOR:

The Company has appointed Mr. R.Srinivasa Rao as the Cost Auditor for the year 2008-09.

ACKNOWLEDGEMENT:

Your directors would like to place on record their appreciation for the guidance and support received from 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

Place: Hyderabad
Date: 5th October.2009

K GOPI PRASAD
MANAGING DIRECTOR

**ANNEXURE TO DIRECTORS REPORT
FORM- A**

CONSERVATION OF ENERGY

| A. POWER AND FUEL CONSUMPTION | 2008 – 2009 | 2007-2008 |
|---------------------------------------|--------------------|------------------|
| 1. ELECTRICITY: | | |
| a) Purchases | | |
| Units | 229,04,135 | 259,99,050 |
| Total Amount Rs. | 784,80,800 | 901,10,931 |
| Rate / Unit Rs | 3.43 | 3.47 |
| b) Own Generation | | |
| Through Diesel Generation Unit | — | — |
| Units Per Ltr. Of Diesel Generation | — | — |
| Cost / Unit Rs. | — | — |
| 2. COAL: | | |
| Quantity (Tons) | 45,271 | 47,843 |
| Total Cost RS. | 137,380,861 | 110,592,159 |
| Average Rate (Rs) | 3034.63 | 2311.56 |
| 3. FURNACE OIL: | NA | NA |
| Quantity (Tons) | — | — |
| Total Cost RS. | — | — |
| Average Rate (Rs) | — | — |
| 4. OTHER /INTERNAL GENERATION: | NA | NA |
| Quantity | — | — |
| Total Cost RS. | — | — |
| Rate / Unit | — | — |

B. CONSUMPTION PER UNIT PRODUCTION:

| | Standards (If any) | 2008-2009 | 2007-2008 |
|---|--------------------|--------------|--------------|
| Electrical Consumption Per ton of Cement | 140.00 units | 118.43 units | 121.42 units |
| Coal Consumption Per ton of Cement | 0.25 MTS. | 0.24 MTS. | 0.27 MTS |

TECHONOLOGY ABSORPTION FROM FOREGIN COUNTRIES:

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

FOREIGN EXCHANGE EARINGS AND OUT GO:

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

FORM- B

| A. RESEARCH AND DEVELOPMENT (R & D): | 2008 – 2009 | 2007-2008 |
|---|-------------|-----------|
| 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 | NIL | NIL |
| a) Capital | | |
| b) Recurring | | |
| c) Total | | |
| d) Total R&D expenditures as a percentage of total turnover | NIL | NIL |
| B. TECHNOLOGY ABSORPTION, ADOPTION AND INNOVATION: | | |
| 1. Efforts, in brief, made towards Technology absorption, adoption and innovation | NIL | NIL |
| 2. Benefits derived as a result of the above efforts e. q., product Improvement, cost reduction, Products 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 | NIL | NIL |
| 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

Place: Hyderabad

Date: 5th October.2009

K GOPI PRASAD
MANAGING DIRECTOR

AUDITORS' REPORT

To
The Members of
M/s. HEMADRI CEMENTS LIMITED

1. We have audited the attached Balance sheet of M/s. HEMADRI CEMENTS LIMITED as at 31st March 2009, and also the Profit & Loss Account for the year 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 have conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on 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 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, as amended by the Companies (Auditor's Report) (Amendment) Order 2004 (together the 'order'), issued by the Central Government of India, in terms of Section 227 (4A) of the Companies Act, 1956. We enclosed in the Annexure a statement on the matters specified in the paragraphs 4 and 5 of the said order.
4. Further to our comments in the Annexure referred to in paragraph 3 above;
 - 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 the books of the company.
 - c. The Balance Sheet and Profit and Loss Account dealt with by 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 comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;
 - e. On the basis of the written representations received from the Directors as on 31st March, 2009 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2009 from being appointed as Director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956;
 - f. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts, read together with the Company's Accounting Policies and Notes hereto, give the information required by the Companies Act, 1956 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 on 31st March, 2009;
 - ii. In the case of the Profit and Loss Account, of the Profit of the Company for the year ended on that date;And
 - iii. In case of cash flow statement, of the cash flows for the year ended on that date.

for KARVY & COMPANY
Chartered Accountants

Place: Hyderabad
Date : 29th, September 2009

(K. AJAY KUMAR)
PARTNER
(M.No.21989)

ANNEXURE TO THE AUDIT REPORT:

(Referred to in paragraph 3 of our report of even date)

- i. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.
- (b) A substantial portion of the fixed assets has been physically verified by the management during the year and in our opinion frequency of verification is reasonable having regard to the size of the company and the nature of its assets. No material discrepancies were noticed on such physical verification.
- (c) None of the fixed assets have been disposed off during the year.
- ii. (a) The inventories have been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) In my opinion and according to the information and explanations given to me, the procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) In my opinion and according to the information and explanations given to us and on the basis of our examination of the records of inventory, the Company is maintaining proper records of inventory. The discrepancies noticed on physical verification of inventory as compared to the books of account were not material and have been properly dealt with in the books of account.
- iii. (a) According to the information and explanations given to us, during the year the Company has granted interest free demand loans to two companies covered in the register maintained under Section 301 of the Companies Act, 1956. The maximum amount outstanding during the year is Rs.520 Lakhs and the year-end balance is Rs. 274 Lakhs.
- (b) In our opinion and according to the information and explanations given to us, the aforesaid is interest free and other terms and conditions of the loans given are not prima facie prejudicial to the interest of the company.
- (c) The said interest free loan has no repayment schedule.
- (d) The loan given by the company is repayable on demand.
- (e) According to the information and explanations given to us, during the year the Company has not taken any loans secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the companies act 1956. Accordingly clauses (iii) (f) and (iii)(g) of the paragraph 4 of the order are not applicable.
- iv. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business with regard to the purchase of inventory and fixed assets, and with regard to the sale of goods. During the course of our audit, no major weaknesses have been noticed in the internal controls.
- v. Based on the audit procedures applied by us and according to the information and explanations provided by the management, we are of the opinion that, the transactions that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 are so entered.
- vi. In our opinion and according to the information and explanations given to us, the company has not accepted deposits from the Public within the meaning of Section 58A and 58AA of the Companies Act, 1956 and the rules framed there under.

- vii. In our opinion, the company has internal audit system commensurate with the size and the nature of its business.
- viii. In respect of this company, maintenance of cost records has been prescribed by the Central Government under Section 209 (1) (d) of the Companies Act, 1956, but the company has not maintained the cost records.
- ix. (a). According to the records of the company, information and explanations given to us, the undisputed statutory dues with respect provident fund, investor education and protection fund, employees state insurance, income tax, sales tax, wealth tax, customs duty, excise duty, cess, service tax and other statutory dues, to the extent applicable, have generally been regularly deposited with the appropriate authorities through there has been a slight delay in a few cases. However certain undisputed dues towards provident fund, ESI and sales tax were outstanding for a period exceeding six months from the date they became payable. The extent of such arrears as at the last day of the financial year are as follows.

| Name of the Statute | Nature of Dues | Amount Rs in Lakhs | Period to which the amount relates | Date of Payment * |
|---------------------|----------------|--------------------|------------------------------------|-------------------|
| PFMP, Act | Provident fund | 54.35 | 2001 to 2003 | |
| ESI, Act | ESI | 3.84 | 2007-08 | |
| APGST | Sales tax | 106.96 | 2001-02 | |

* not paid as at 31st March 2009

- (b) According to the information and explanations given to us the following amounts have not been deposited with the appropriate authorities on account of dispute.

| Name of the Statute | Amount Rs. in Lakhs | Prepaid to which the amount relates | Forum where the Case is Pending |
|---------------------|---------------------|-------------------------------------|---|
| APGST | 7.13 | 1992-93 | Sales Tax Appellate Tribunal, Vizag |
| APGST | 15.67 | 1998-99 | Additional Deputy Commissioner, Sales tax Vijayawada |
| CST | 2.12 | 1997-98 | Sales Tax Appellate Tribunal, Vizag. |
| AP VAT | 20.06 | 2006-07 | Sales Tax Appellate Tribunal, Vizag Appeal No. VJA 1/41/08-09 |

- x. In our opinion, the accumulated losses of the Company at the end of the year are more than Fifty Percent of Net worth. However the Company has not incurred any cash losses during the current financial year and in the immediately preceding financial year.
- xi. In our opinion and based on the information available, the Company has defaulted in repayment of dues to the financial institutions and banks. The following table shows the details of the dues to the financial institutions with accumulated interests.

| Name of the Financial Institution | Principle amount due (in Rs.) | Accumulated Interest due (in Rs.) |
|-----------------------------------|-------------------------------|-----------------------------------|
| IFCI ** | 1,43,20,387 | 96,074,714 |
| ICICI ** | 1,69,52,821 | 181,795,425 |
| Total | 3,12,73,208 | 27,78,70,142 |

** till the date of assignment

However IFCI and ICICI have assigned the loans to a company during the year. Accordingly no amounts were due to financial institutions and banks at the end of the year.

- xii. According to the information and explanations given to us, the company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, clause 4(xii) of the companies (Auditor's Report) Order 2003 is not applicable to the company.
- 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 Companies (Auditor's Report) Order 2003 are not applicable to the company.
- xiv. In our opinion, the Company is not dealing in or trading in Shares, Securities, debentures and other investments, accordingly, the provisions of clause 4 (xiv) of the Companies (Auditor's Report) Order 2003 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 banks and financial institutions during the year.
- xvi. According to the information and explanations given to us, no term loans were availed by the Company during the year. Accordingly, clause 4(xvi) of the companies (Auditor's Report) Order 2003 is not applicable to the company.
- xvii. According to the information and explanations given to us and on an overall examination of Balance Sheet, the company has not raised any funds during the year; as such this clause is not applicable.
- xviii. The company has not made any preferential allotment to parties and companies covered under register maintained under section 301 of the Companies Act, 1956, during the year.
- xix. According to the information and explanations given to us and the records examined by us, no debentures were issued by the company.
- xx. The Company has not raised any money through public issue during the year.
- xxi. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year.

for **KARVY & COMPANY**

Chartered Accountants

Place: Hyderabad

Date : 29th, September 2009.

(**K. AJAY KUMAR**)

PARTNER
(M.No.21989)

BALANCE SHEET AS AT 31ST MARCH 2009

| SCHDNO | | As At 31-Mar-2009 Rs. | As At 31-Mar-2008 Rs. |
|---|---|-----------------------------|-----------------------------|
| SOURCES OF FUNDS: | | | |
| Share Capital | A | 66,700,000 | 66,700,000 |
| Reserves & Surplus | B | 18,588,320 | 19,772,128 |
| Secured Loans | C | 313,651,140 | 326,681,252 |
| Unsecured Loans | D | - | 5,802,317 |
| Deferred Tax Liability | | 17,036,330 | - |
| TOTAL | | 415,975,790 | 418,955,697 |
| APPLICATION OF FUNDS: | | | |
| FIXED ASSETS | | | |
| Gross Block | E | 353,907,288 | 346,579,880 |
| Less: Depreciation | | 276,374,822 | 263,453,014 |
| Net Block | | 77,532,466 | 83,126,866 |
| CAPITAL WORK IN PROGRESS | | 7,469,246 | 2,154,324 |
| INVESTMENTS | F | 6,000,000 | 6,000,000 |
| CURRENT ASSETS, LOANS & ADVANCES | | | |
| Inventories | G | 30,138,606 | 23,011,771 |
| Sundry Debtors | | 1,779,235 | 11,340,045 |
| Cash and Bank Balance | | 40,261,496 | 44,287,256 |
| Loans & Advances | | 63,642,516 | 76,555,963 |
| | | 135,821,853 | 155,195,035 |
| Less: Current Liabilities and Provisions | H | 103,188,964 | 128,613,326 |
| Net Current Assets | | 32,632,889 | 26,581,709 |
| PROFIT & LOSS A/c | | 292,341,189 | 301,092,797 |
| TOTAL | | 415,975,790 | 418,955,697 |
| NOTES ON ACCOUNTS: | | | |
| | P | | |

As per our report of even date

for and on behalf of the Board

for KARVY & CO
Chartered Accountants

K. AJAY KUMAR
PARTNER
M No: 21989

K GOPI PRASAD
MANAGING DIRECTOR

PLACE: HYDERABAD
DATE : 29 - 09 -2009

B RAMA CHANDRA RAO
DIRECTOR

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST MARCH 2009

| | SCHD NO | For the Period ended 31-Mar-2009 | For the Period ended 31-Mar-2008 |
|---|------------|-------------------------------------|-------------------------------------|
| INCOME: | | | |
| Sales | | 566,999,192 | 635,842,134 |
| Less: Excise Duty Paid | | <u>48,610,841</u> | <u>69,385,011</u> |
| | | 518,388,351 | 566,457,124 |
| Other Income | I | 1,565,574 | 1,097,046 |
| Increase/(Decrease) in stock | J | <u>(197,679)</u> | <u>(265,477)</u> |
| TOTAL | | <u>519,756,246</u> | <u>567,288,692</u> |
| EXPENDITURE: | | | |
| Materials consumed | K | 85,206,657 | 113,161,558 |
| Power & Fuel | | 215,861,661 | 200,703,090 |
| Personnel Cost | L | 32,460,504 | 24,283,193 |
| Manufacturing Expenses | M | 47,997,618 | 36,272,170 |
| Administration and Selling Expenses | N | 92,266,580 | 27,449,414 |
| Finance Charges | O | 4,187,059 | 3,885,111 |
| Depreciation | E | 12,921,809 | 12,926,691 |
| Less: Transfer from Revaluation Reserves | | <u>(3,570,195)</u> | <u>(4,679,368)</u> |
| TOTAL | | <u>487,331,693</u> | <u>414,001,859</u> |
| PROFIT before Extraordinary Items | | <u>32,424,553</u> | <u>153,286,833</u> |
| Extra Ordinary Items: | | | |
| Add: Amount waived off on OTS Scheme Principal - IDBI | | - | 53,573,431 |
| Interest On I D B I | | - | 460,414,554 |
| LESS :Prior Year Adjustment | | <u>55,283</u> | <u>2,122,450</u> |
| PROFIT before Taxes | | 32,369,270 | 665,152,368 |
| Less : Tax Expenses | | | |
| - Current Tax | | 6,102,000 | |
| - Deferred Tax | | 17,036,330 | |
| Provision for F B T | | <u>479,332</u> | <u>328,324</u> |
| PROFIT after Taxes | | <u>8,751,608</u> | <u>664,824,044</u> |
| Add : Brought Forward Loss | | 301,092,797 | 965,916,841 |
| NET PROFIT &(LOSS) Carried to Balance Sheet | | <u>(292,341,189)</u> | <u>(301,092,797)</u> |
| EPS | | | |
| Basic & Diluted (Before Extraordinary Items) | | 4.79 | 22.93 |
| Basic & Diluted (After Extraordinary Items) | | 1.31 | 99.67 |
| NOTES ON ACCOUNTS | | | |
| | P | | |

As per our report of even date
for KARVY & CO
Chartered Accountants

K. AJAY KUMAR
PARTNER, M No: 21989

PLACE: HYDERABAD
DATE : 29-09-2009

for and on behalf of the Board

K GOPI PRASAD
MANAGING DIRECTOR

B RAMA CHANDRA RAO
D I R E C T O R

SCHEDULES FORMING PART OF THE BALANCE SHEET

| | As At 31-Mar-2009 Rs. | As At 31-Mar-2008 Rs. |
|--|-----------------------------|-----------------------------|
| SCHEDULE - A | | |
| SHARE CAPITAL: | | |
| Authorized 10,000,000 (Equity Shares of Rs.10/- each) | 100,000,000 | 100,000,000 |
| Issued, Subscribed and paid up (6,670,000 Equity Shares of Rs.10/- each fully paid up) | 66,700,000 | 66,700,000 |
| TOTAL | 66,700,000 | 66,700,000 |
| SCHEDULE - B | | |
| RESERVES & SURPLUS: | | |
| Capital Reserve | 2,012,000 | 2,012,000 |
| Capital Reserve BOB | 2,386,387 | - |
| Mining Welfare Subsidy | 974,250 | 974,250 |
| Revaluation Reserve: | | |
| Opening Balance | 16,785,878 | 21,465,246 |
| | 22,158,515 | 24,451,496 |
| Less: Additional Depreciation on Revalued Assets | 3,570,195 | 4,679,368 |
| TOTAL | 18,588,320 | 19,772,128 |
| SCHEDULE - C | | |
| SECURED LOANS: | | |
| A. Term Loans from: | | |
| S A S F | - | 85,000,681 |
| Less: O T S Paid | - | 31,427,250 |
| | - | 53,573,431 |
| Loan Waiver transferred to Profit & Loss A/c | - | 53,573,431 |
| | - | - |
| I F C I BANK LTD | - | 14,320,387 |
| I C I C I BANK LTD | - | 16,952,821 |
| Viz Projects Private Limited | 33,352,400 | - |
| B. Funded Interest | 2,428,598 | 2,428,598 |

| | | |
|--|--------------------|--------------------|
| C. Working Capital Loans from BOB | | 15,109,304 |
| | 35,780,998 | 48,811,110 |
| D. Interest Accrued and Due | 277,870,142 | 736,344,876 |
| Less: Interest Waiver transferred to Profit & Loss A/c | - | 458,474,734 |
| | 277,870,142 | 277,870,142 |
| TOTAL | 313,651,140 | 326,681,252 |
| SCHEDULE - D | | |
| <u>UNSECURED LOANS:</u> | | |
| Sales Tax Deferred Arrears | - | 5,802,317 |
| TOTAL | - | 5,802,317 |
| SCHEDULE - F | | |
| <u>INVESTMENTS AT COST</u> | | |
| Trade Investments (Long Term & Unquoted) | | |
| In Associates | | |
| Share Capital | | |
| in HCL Agro Power Ltd (600,000 Equity Shares of | | |
| Rs.10/- each Fully Paid up) | | |
| | 6,000,000 | 6,000,000 |
| SCHEDULE - G | | |
| <u>CURRENT ASSETS, LOANS & ADVANCES</u> | | |
| i) Inventories (As certified by the | | |
| <u>Management)</u> | | |
| Raw Material | 13,851,336 | 9,121,766 |
| Spares & Stores | 14,238,951 | 12,212,195 |
| Packing Material | 964,588 | 333,730 |
| Work-in-Process | 541,431 | 1,002,610 |
| Raw Material in Transit | - | 62,670 |
| Finished Stock - Cement | 542,300 | 278,800 |
| TOTAL | 30,138,606 | 23,011,771 |

FIXED ASSETS

SCHEDULE: E

| SL NO | Description of Assets | GROSS BLOCK | | | | DEPRECIATION BLOCK | | | | NET BLOCK | |
|-------|-----------------------------|-----------------------------|------------------|-----------------|--------------------|-----------------------------|---------------------|-----------------|--------------------|-----------------------------|-----------------------------|
| | | As At 31-Mar-2008 Rs. | Addition Rs. | Deletion Rs. | Total Rs. | As At 31-Mar-2008 Rs. | For the Year Rs. | Deletion Rs. | Total Rs. | As at 31-Mar-2009 Rs. | As at 31-Mar-2008 Rs. |
| 1 | LAND | 4,562,242 | - | - | 4,562,242 | - | - | - | - | 4,562,242 | 4,562,242 |
| 2 | BUILDINGS | 42,010,328 | 116,004 | - | 42,126,332 | 20,755,254 | 1,088,178 | - | 21,843,432 | 20,282,900 | 21,255,073 |
| 3 | PLANT & MACHINERY | 256,296,880 | 1,214,625 | - | 257,511,505 | 203,369,814 | 9,459,391 | - | 212,829,205 | 44,682,300 | 52,927,065 |
| 4 | ELECTRICAL INSTALLATIONS | 37,360,281 | - | - | 37,360,281 | 35,514,918 | 712,888 | - | 36,227,806 | 1,132,475 | 1,845,362 |
| 5 | FURNITURES & FIXTURES | 2,249,711 | 412,349 | - | 2,662,060 | 1,488,148 | 226,465 | - | 1,714,613 | 947,447 | 761,563 |
| 6 | VEHICLES | 3,230,258 | 5,584,430 | - | 8,814,688 | 1,474,373 | 1,432,001 | - | 2,906,374 | 5,908,314 | 1,755,885 |
| 7 | CONSTRUCTION MACHINERY | 480,450 | - | - | 480,450 | 470,820 | 1,446 | - | 472,266 | 8,184 | 9,630 |
| 8 | WORK SHOP EQUIPMENT | 389,730 | - | - | 389,730 | 379,688 | 1,442 | - | 381,130 | 8,600 | 10,042 |
| | | 346,579,880 | 7,327,407 | - | 353,907,288 | 263,453,014 | 12,921,809 | - | 276,374,822 | 77,532,465 | 83,126,866 |
| | Previous Year | 334,801,820 | 13,034,828 | 1,256,769 | 346,579,880 | 250,526,324 | 12,926,691 | - | 263,453,015 | 83,126,865 | 85,475,498 |
| | CAPITAL WORK IN PROGRESS | 2,154,324 | 5,314,922 | - | 7,469,246 | 2,154,324 | - | - | - | 7,469,246 | 2,154,324 |

| | | |
|--|-------------------|--------------------|
| ii) SUNDRY DEBTORS: (Unsecured, Considered good) | | |
| Exceeding six months | | - |
| Others | 1,779,235 | 11,340,045 |
| TOTAL | 1,779,235 | 11,340,045 |
| iii) CASH AND BANK BALANCE: | | |
| Cash in Hand | 4,589,442 | 2,122,238 |
| Balance with Scheduled Banks: | | |
| In Current Accounts | 32,536,147 | 42,050,818 |
| In Lien Accounts | 3,135,907 | 114,200 |
| TOTAL | 40,261,496 | 44,287,256 |
| iv) LOANS & ADVANCES: | | |
| (Unsecured considered good recoverable in cash or in kind or for value to be received) | | |
| Advance for Material | 16,831,124 | 11,163,988 |
| Advance for Expenses | 1,024,379 | 22,342,136 |
| Other Advances | 27,556,148 | 28,416,912 |
| Deposits | 15,355,284 | 12,842,329 |
| Prepaid Expenses | 866,118 | 500,641 |
| CENVAT Credit Receivable | 1,385,506 | 1,122,891 |
| TDS Receivable | 310,637 | 167,063 |
| TCS Receivable | 148,320 | - |
| Advance Tax - F B T | 165,000 | - |
| TOTAL | 63,642,516 | 76,555,962 |
| SCHEDULE - H | | |
| CURRENT LIABILITIES & PROVISIONS: | | |
| Creditors for Capital Works | - | 700,000 |
| Trade Creditors | | |
| Due to Micro, Small, Medium, etc.. | - | - |
| Others | 17,197,902 | 11,559,727 |
| Creditors for Expenses | 19,040,903 | 45,004,358 |
| Statutory Liabilities | 24,254,833 | 23,570,107 |
| Advance from Customers | 31,514,044 | 47,192,362 |
| | 92,007,682 | 128,026,554 |
| PROVISIONS: | | |
| Taxation | | |
| Provision for F B T | 499,188 | 128,324 |
| Provision for Income Tax | 6,102,000 | - |

| | | |
|---|--------------------|--------------------|
| Retirement Benefits | | |
| Provision for Gratuity | 529,563 | 458,448 |
| Provision for Earned Leaves | 4,050,531 | |
| TOTAL | 103,188,964 | 128,613,326 |
| SCHEDULE - I | | |
| OTHER INCOME: | | |
| Interest - (Gross) | 995,814 | 566,580 |
| (Tax Deducted at Source - Rs.183,798 Previous Year Rs.116,715) | | |
| Scrap Sales (net of Excise Duty) | 569,760 | 530,466 |
| TOTAL | 1,565,574 | 1,097,046 |
| SCHEDULE - J | | |
| INCREASE/(DECREASE) IN STOCK: | | |
| 1. Work-in-Process | | |
| Opening Stock | 1,002,610 | 706,927 |
| Closing Stock | 541,431 | 1,002,610 |
| (1) | (461,179) | 295,683 |
| 2. Finished Goods | | |
| Opening Stock | 278,800 | 839,960 |
| Closing Stock | 542,300 | 278,800 |
| (2) | 263,500 | (561,160) |
| INCREASE / (DECREASE) (- 1) + (2) | (197,679) | (265,477) |
| SCHEDULE- K | | |
| MATERIALS CONSUMED | | |
| A) Raw Material | | |
| Opening Stock | 9,121,766 | 3,650,604 |
| Add: Purchases | 66,698,590 | 94,739,339 |
| TOTAL | 75,820,356 | 98,389,943 |
| Less: Closing Stock | 13,851,336 | 9,121,766 |
| CONSUMPTION: (A) | 61,969,020 | 89,268,177 |
| B) Packing Material | | |
| Opening Stock | 333,730 | 529,668 |
| Add: Purchases | 23,868,495 | 23,697,443 |
| TOTAL | 24,202,225 | 24,227,111 |
| Less: Closing Stock | 964,588 | 333,730 |
| CONSUMPTION: (B) | 23,237,637 | 23,893,381 |
| TOTAL CONSUMPTION (A + B) | 85,206,657 | 113,161,558 |

| | | |
|---|-------------------|-------------------|
| SCHEDULE-L | | |
| <u>PERSONAL COST:</u> | | |
| Salaries, Wages and Bonus | 22,788,802 | 17,214,444 |
| Contribution to P.F. & other funds | 1,159,715 | 1,086,801 |
| Staff Welfare | 8,511,987 | 5,981,948 |
| TOTAL | 32,460,504 | 24,283,193 |
| SCHEDULE-M | | |
| <u>MANUFACTURING EXPENSES:</u> | | |
| Consumable Stores | 30,778,025 | 24,560,936 |
| <u>REPAIRS & MAINTENANCE:</u> | | |
| Repairs to Buildings | 1,442,106 | 471,800 |
| Repairs to P & M | 7,282,334 | 1,007,050 |
| Factory Maintenance | 5,475,872 | 6,673,816 |
| Others | 2,285,505 | 2,867,410 |
| Freight Coolie & Cartage | 733,776 | 691,158 |
| TOTAL | 47,997,618 | 36,272,170 |
| SCHEDULE-N | | |
| <u>ADMINISTRATIVE & SELLING EXPENSES</u> | | |
| Rates & Taxes | 1,134,977 | 1,033,143 |
| Communication Expenses | 904,860 | 647,954 |
| Travelling & Conveyance | 4,249,853 | 3,938,024 |
| Printing & Stationery | 382,813 | 515,964 |
| <u>Repairs & Maintenance:</u> | | |
| Vehicles | 633,886 | 507,821 |
| Others | 227,364 | 237,451 |
| Electricity Charges | 1,064,737 | 575,232 |
| Legal & Professional Charges | 9,398,618 | 4,771,761 |
| Liquidated Demurrages | 35,059,243 | -- |
| Debt: Settlement Charges | 27,680,000 | -- |
| Security Charges | 1,013,880 | 790,813 |
| Service Tax | 108,840 | 89,676 |
| Survey Expenses | 1,124,360 | 1,625,832 |
| <u>Payment to Auditors:</u> | | |
| As Auditors | 300,000 | 150,000 |
| As Tax Audit | 50,000 | -- |
| For Expenses | 29,574 | 26,282 |
| Donations | 111,000 | 1,050,000 |
| Bad Debts Written off | 1,769,920 | 1,732,009 |
| General Expenses | 1,314,862 | 860,921 |
| TOTAL | 86,558,787 | 18,552,883 |

SELLING EXPENSES

| | | |
|--------------------------------|-------------------|-------------------|
| Commission on Sales | 2,151,259 | 3,241,370 |
| Advertisement Expenses | 1,236,175 | - |
| Transportation on cement | 58,380 | 3,021,060 |
| Sales Promotion Expenses | 468,233 | 267,602 |
| Vat Arrears Paid | 246,667 | - |
| Sales Tax on Consignment sales | 793,272 | 1,708,592 |
| Loading Charges | 753,808 | 657,907 |
| TOTAL | 92,266,580 | 27,449,414 |

SCHEDULE- O

FINANCE CHARGES:

| | | |
|--------------------------|------------------|------------------|
| Interest - on Term Loans | 1,479,104 | 2,577,600 |
| - on Others | 2,349,722 | 623,357 |
| Bank Charges | 358,233 | 684,154 |
| TOTAL | 4,187,059 | 3,885,111 |

SCHEDULE - P

SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

I. SIGNIFICANT ACCOUNTING POLICIES:

a. **Basis of Accounting.**

The financial statements are prepared to comply in all material aspects with all the applicable accounting principles in India, the accounting standards notified under section 211(3C) of the Companies Act, 1956 of India (the Act) and the relevant provisions of the Act.

b. **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported value of assets and liabilities on the date of the financial statements and reported amount of revenue and expenditure for the year. Actual results could differ from these estimates. Any revision to accounting estimates is recognized prospectively in the current and future periods.

c. **Revenue recognition:**

Revenue from sales is recognised on dispatch to customers and is recorded net of Excise Duty and Sales tax.

d. **Fixed assets:**

All the Fixed Assets are stated at cost together with resultant write-up due to revaluation as there may be reducing depreciation, wherever applicable. Cost comprises the purchase price and any other attributable costs of bringing the assets to its working condition for its intended use.

e. **Depreciation:**

a) 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.

b) The company follows the policy of charging depreciation on pro-rata basis on the assets acquired or disposed off during the year.

c) 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.

f. **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.

g. **Investments:**

Long term investments are stated at cost and provision for diminution is made if the decline in value is other than temporary in nature. Investments other than Long Term Investments are stated at cost or market value whichever is less. Any increase/reduction in the carrying cost is credited/charged to the Profit and Loss account.

h. Inventories:

- a) Stock of raw materials are stated at cost and valued on weighted average basis.
- b) Stores & Spare parts are stated at cost and valued on FIFO basis.
- c) Work-in-progress is stated at cost.
- d) Finished goods are valued at the lower of costs or net realizable value.

i. Retirement Benefits:

The company has Defined Contribution Plan for its employees' retirement benefits comprising of Provident Fund. The Company contributes to State Plans namely Employees' State Insurance Fund and Employees Pension Scheme, 1995.

The Company has Defined Benefit Plan comprising of Gratuity Fund. The liability for the Gratuity Fund is determined on the basis of an independent actuarial valuation done at the year-end. Actuarial Gains and Losses comprise experience adjustments and the effect of changes in the actuarial assumptions and are recognized immediately in the Profit and Loss Account as income or expense. The Company's Leave encashment policy entitles the employees to accumulate leave for future encashment or availment. The liability is provided based on the number of days of unavailed leave at each balance sheet date on the basis of an independent actuarial valuation.

j. Borrowing cost:

Borrowing Costs that are directly attributable to the acquisition of a fixed asset are capitalised as part of the cost of the asset till the date the asset is ready for commercial use. All other borrowing costs are charged to revenue.

k. Income Tax:

- a) The current charge for tax is calculated in accordance with relevant tax regulation applicable to the company.
- b) The deferred tax for the timing difference between the book and tax profits for the year is accounted for using tax rates and laws that have been substantially enacted as of the Balance Sheet date.
- c) Deferred tax Assets arising from timing difference are recognized and carried forward only if there is reasonable certainty that they will be realized in future and reviewed for the appropriateness of their respective carrying value at each Balance Sheet date.

l. Earning Per Share:

The basic Earning Per Share (EPS) is computed by dividing Net Profit after tax for the year by the weighted average number of Equity Shares out standing during the year.

m. Impairment of Assets:

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the asset or the recoverable amount of the cash-generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognized in the profit and loss account. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount.

n. Provisions and Contingent Liabilities:

The company recognizes a provision when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is possible obligation of a present obligation that the likelihood of outflow of resources is remote, no provision or disclosure is made.

II. NOTES TO ACCOUNTS :

1. Contingent Liabilities not provided for

| Particulars | As on 31.03.2009 Rs. in Lakhs | As on 31.03.2008 Rs. in Lakhs |
|--|----------------------------------|----------------------------------|
| Sales Tax demand under Andhra Pradesh General Sales Tax Act. | 25.92 | 60.47 |
| Interest on Sales Tax Arrears. | 337.97 | 337.97 |

- 2. Capital commitments not provided for on account of pending execution (net of advance) – Rs. NIL (Previous Year Rs. NIL).**
- 3. There are no delays in payments to Micro and Small enterprises as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006. The information regarding Micro and Small enterprises has been determined to the extent such parties have been identified on the basis of information available with the Company. This has been relied upon by the Auditors.**
- 4. Secured Loans:**
- a) Term loans of Rs.16,952,821/- from ICICI and interest accrued thereon is assigned by the said lender to Viz Projects Private Limited during the year through a deed of assignment. Accordingly all the charges created on above said assets in favour of ICICI stands transferred in favour of Viz Projects Private Limited.
- b) Term Loan of Rs.14,320,387/- the from IFCI and interest accrued there on has been assigned by the said lender to Viz Projects Private Limited through a deed of assignment accordingly all the charges created on the above said assets in favour of IFCI stands modified in favour of Viz Projects Private Limited.
- c) The above loans from Viz Projects Private Limited (assigned by IFCI and ICICI Limited during the year) are secured by a joint equitable mortgage by deposit of the title deeds of all immovable properties in favour of the said financial institutions and hypothication of all movable properties both the present and future and the personal guarantee of the directors
- 5. During the year the company's proposal for One Time Settlement of the out standing working capital limits has been accepted by Bank of Baroda. As per the said scheme, against the out standing working capital limits of Rs.13,686,386/- an amount of Rs. 11,300,000/- has been paid by the company. Consequent to this, an amount of Rs.2,386,386/- has been transferred to Capital Reserve account.**

6. Excise Duty amounting to Rs. 47,643/- on Closing Stock of finished Goods has been provided during the year to comply with 'Guidance Note on Accounting treatment for Excise duty' issued by Institute of Chartered Accountants of India.

7. Managerial Remuneration:

Details of amounts paid/payable to Managing Director:

| Particulars | For the Year Ended 31.03.2009 Rupees | For the Year Ended 31.03.2008 Rupees |
|-----------------------|---|---|
| Salary & Allowances | 450,000 | 510,000 |
| Medical Reimbursement | 362,000 | |
| Total | 812,000 | 510,000 |

8. Employee Benefits:

In accordance with Accounting Standard 15 "Employees Benefits", the Company has classified various benefits provided to employees as under:

i. Defined Contribution Plans:

Contribution to defined Contribution Plan, recognized as expense for the year are as under.

| Particulars | Employer's contribution debited to P&L A/C | |
|---|--|---------------------------------|
| | Year Ended 31.03.2009 Rupees | Year Ended 31.03.2008 Rupees |
| a Employer's Contribution to Provident Fund | 345,016 | 450,812 |
| b Employer's Contribution to Pension Scheme | 813,867 | 620,052 |

ii. Defined Benefit Plans:

Provision for Gratuity & Leave Encashment has been provided in accordance with AS-15(Revised). Actuarial valuation was performed in respect of the Gratuity based on the following assumptions:

Reconciliation of opening and closing balances of the present value of the defined benefit obligation

| Particulars | For The Year Ended 31.03.2009 Rupees | For The Year Ended 31.03.2008 Rupees |
|---|---|---|
| Changes in Present Value of Obligation | | |
| Opening defined benefit obligation | 458,448 | 213,957 |
| Current services cost | 217,315 | 236,338 |
| Interest cost | 36,676 | 17,117 |
| Past Service Cost | — | — |
| Benefits paid | — | — |
| Actuarial losses/ (gain) on obligation | (182,876) | (8,934) |
| Closing defined benefit obligation | 529,563 | 458,448 |
| Changes in the Fair Value of Plan Assets | | |

| Particulars | For The Year Ended | For The Year Ended |
|-----------------------------------|--------------------|--------------------|
| | 31.03.2009 Rupees | 31.03.2008 Rupees |
| Opening fair value of plan assets | — | — |
| Expected return on plan assets | — | — |
| Actuarial gains/ (losses) | — | — |
| Contributions by employer | — | — |
| Benefits paid | — | — |
| Closing fair value of plan assets | — | — |

Amount Recognised in the Balance Sheet

| Particulars | For The Year Ended | For The Year Ended |
|--|--------------------|--------------------|
| | 31.03.2009 Rupees | 31.03.2008 Rupees |
| Present Value of Obligation as at the end of the year | 529,563 | 458,448 |
| Fair Value of Plan Assets as at the end of the year | — | — |
| Liability/(Asset) recognized in the Balance Sheet | 529,563 | 458,448 |

Expense recognized in statement of Profit and Loss Account

| Particulars | For The Year Ended | For The Year Ended |
|---|--------------------|--------------------|
| | 31.03.2009 Rupees | 31.03.2008 Rupees |
| Current services cost | 217,315 | 236,338 |
| Interest on Defined Benefit Obligation | 36,676 | 17,117 |
| Past Service Cost | — | — |
| Expected return on plan assets | — | — |
| Curtailment Cost/(Credit) | — | — |
| Settlement Cost/(Credit) | — | — |
| Net actuarial losses/ (gains) recognized for the period | (182,876) | (8,934) |
| Total Expenses Recognised in the Profit and Loss Account | 71,115 | 244,491 |

Summary of Actuarial Assumptions
Financial assumptions at the valuation date:

| Particulars | For The Year Ended | For The Year Ended |
|--|--------------------|--------------------|
| | 31.03.2009 Rupees | 31.03.2008 Rupees |
| Discount Rate | 7.00% | 8.00% |
| Expected Rate of Return on Plan Assets | — | — |
| Rate of increase in Compensation levels | 3.00% | 3.00% |
| Expected Average remaining working lives of employees (In years) | 9.50 | 13.19 |

9. Amount of borrowing costs capitalized during the year Rs. Nil.

10. Segmental Information:

Since the company has only one segment, i.e.; Cement Manufacturing, Separate information on Segment reporting as per the Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants is not required.

11. Related Party Disclosures:

As required under Accounting Standard 18 "Related party Disclosures", following are details of transactions during the year with the related parties of the Company as defined in AS 18:

a. Name of the related parties and description of their relationship:

- | | | |
|-----------------------------|---|-----------------------------|
| 1. Key Managerial Personnel | : | MR. K. Gopi Prasad |
| | : | MR. S .N.Klilaru |
| 2. Associate Companies | : | M/s. HCL Agro Power Limited |

b. Related Party Transactions for the year ended 31st March, 2009.

| Transactions | Associate Companies | | Key Management Personal | |
|--------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Year Ended 31.03.2009 Rupees | Year Ended 31.03.2009 Rupees | Year Ended 31.03.2009 Rupees | Year Ended 31.03.2009 Rupees |
| Remuneration | - | - | 812,000 | 510,000 |
| Loans Given | 27,435,106 | 26,661,663 | - | - |

12. Earnings Per Share is calculated as follows:

| Particulars | For the Year Ended 31.03.2009 Rupees | For the Year Ended 31.03.2008 Rupees |
|---|---|---|
| Net Profit after Tax and before extraordinary items | 31,945,221 | 152,958,509 |
| Add: Extraordinary Items | - | 511,378,496 |
| Net Profit after tax available for Equity shareholders | 8,751,607 | 664,665,329 |
| Weighted average of number of Equity shares outstanding during the year | 6,670,000 | 6,670,000 |
| Basic and Diluted Earnings per Equity share(in Rs.) | | |
| - Before Extraordinary Items | 4.79 | 22.93 |
| - After Extraordinary Items | 1.31 | 99.67 |
| (Rs.10/- Face Value) | | |

13. Deferred tax Liabilities / Deferred tax Assets :

| Particulars | For the Year Ended 31.03.2009 Rupees | For the Year Ended 31.03.2008 Rupees |
|--|---|---|
| Deferred Tax Assets | | |
| Carry Forward Losses | — | 1,516,788 |
| Provision for Gratuity and Leave Encashment | 107,190 | 83,102 |
| Disallowances U/s 43B | 130,654 | 130,654 |
| Interest Accrued and Due | — | 94,448,061 |
| TOTAL | 2,378,44 | 96,178,606 |
| Deferred Tax Liabilities | | |
| Difference between book and tax depreciation | 17,274,174 | 20,443,747 |
| TOTAL | 17,274,174 | 20,443,747 |
| NET DEFERED TAX ASSET / (Liability) | (17,036,330) | 75,734,859 |

* Deferred tax asset was not recognised as there was no virtual certainty of business profits to absorb the asset

14. 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).

a. Production

| Description | Current Year Quantity MT. | Previous Year Quantity MT. |
|-----------------------------|---------------------------------|----------------------------------|
| a) Installed Capacity | 247,500 Mts Per Annum | 247,500 Mts Per Annum |
| b) Cement Actual Production | 193,392.63 | 221,428.21 |

b. Turnover

Rupees in Lakhs

| Description | Current Year | | Previous Year | |
|--|-------------------|----------------|-------------------|----------------|
| | Quantity MT. | Value Rs. | Quantity MT. | Value Rs. |
| a) Cement (including self consumption) | 193,237.63 | 5,185.87 | 221,724.21 | 5,608.33 |
| b) Clinker Sales | 60.32 | 1.25 | 3,047.25 | 56.23 |
| Total | 193,297.95 | 5187.12 | 224,771.46 | 5664.56 |

c. Stocks - Finished Goods

Rupees in Lakhs

| Description | Current Year | | Previous Year | |
|------------------------------------|-----------------|--------------|-----------------|--------------|
| | Quantity MT. | Value Rs. | Quantity MT. | Value Rs. |
| a) Opening Stock of Finished Goods | 164.00 | 2.79 | 460.00 | 8.40 |
| b) Closing Stock of Finished Goods | 319.00 | 5.42 | 164.00 | 2.79 |

d. Material Consumed

Rupees in Lakhs

| Description | Current Year | | Previous Year | |
|---------------|-------------------|---------------|-------------------|---------------|
| | Quantity MT. | Value Rs. | Quantity MT. | Value Rs. |
| a) Lime Stone | 239,837.00 | 260.46 | 267,110.00 | 283.42 |
| b) Gypsum | 8,351.00 | 105.72 | 10,010.00 | 113.29 |
| c) Lateriate | 10,438.00 | 105.70 | 16,065.18 | 130.14 |
| d) Others | 20,282.00 | 147.81 | 18,650.00 | 65.09 |
| Total | 278,908.00 | 619.69 | 311,835.18 | 591.94 |

e. Packing Materials and Stores & Spares

Rupees in Lakhs

| Description | Current Year | | Previous Year | |
|----------------------|-------------------------|--------------|-------------------------|--------------|
| | Quantity No. of Bags | Value Rs. | Quantity No. of Bags | Value Rs. |
| a) Packing Materials | 3,865,553 | 232.38 | 4,389,957 | 238.93 |
| b) Stores & Spares | - | 307.78 | - | 245.24 |

f. Value of Imported and indigenous Raw Materials Stores and Spares consumed and percentage of each to total consumption.

Rupees in Lakhs

| Description | Current Year | | Previous Year | |
|--|--------------|-------------------|---------------|-------------------|
| | Value Rs. | % to Total Rs. | Value Rs. | % to Total Rs. |
| a) Raw Materials: | | | | |
| i) Imported | Nil | Nil | Nil | Nil |
| ii) Indigenous | 852.07 | 100% | 1,131.61 | 100% |
| b) Spare Parts & Other materials: | | | | |
| i) Imported | Nil | Nil | Nil | Nil |
| ii) Indigenous | 307.78 | 100% | 245.60 | 100% |

15. Schedule A to P form an integral part of accounts.
16. Previous year's figures have been regrouped wherever necessary to conform to the current year's classification.

ADDITIONAL INFORMATION REQUIRED UNDER PART IV OF SCHEDULE VI TO THE COMPANIES ACTS, 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 | 31st March, 2009 |

II. CAPITAL RAISED DURING THE YEAR

Rupees

| | |
|--|-----|
| A. Public issue | Nil |
| B. Right issue | Nil |
| C. Bonus issue | Nil |
| D. Private placement of non Convertible debentures | Nil |

III. POSITION OF MOBILISATION AND DEVELOPMENTS OF FUNDS

| | Current Year Rs. | Previous Year Rs. |
|---|---------------------|----------------------|
| A. Total Liabilities | 415,975,790 | 418,955,697 |
| B. Total Assets | 415,975,790 | 418,955,697 |
| C. Sources of funds: | | |
| 1. Paid-up capital | 66,700,000 | 66,700,000 |
| 2. Reserves and surplus | 18,588,320 | 19,772,128 |
| 3. Secured loans | | |
| a. Debentures | - | - |
| b. Term loans and working Capital facilities | 313,651,140 | 326,681,252 |
| 4. Unsecured loans | - | 5,802,317 |
| 5. Deferred tax liability | 17,036,330 | -- |
| D. Application of Funds: | | |
| 1. Net fixed assets (including capital WIP) | 85,001,712 | 85,281,190 |
| 2. Investments | 6,000,000 | 6,000,000 |
| 3. Net Current assets | 32,632,889 | 26,581,709 |
| 4. Miscellaneous expenditure | - | - |
| 5. Accumulated losses | 292,341,189 | 301,092,797 |

IV. PERFORMANCE OF COMPANY

| | | |
|----------------------------|-------------|-------------|
| A. Turnover | 519,756,246 | 567,288,692 |
| B. Total Expenditure | 504,423,306 | 414,001,859 |
| C. Provision for FBT | 479,332 | 328,324 |
| D. Provision for Incom Tax | 6,102,000 | -- |
| E. Profit / (Loss) | 8,751,608 | 664,824,044 |
| F. Earning per share | 4.79 | 22.93 |
| G. Dividend rate | - | - |

V. GENERIC NUMBERS OF THREE PRINCIPAL PRODUCTS / SERVICES OF COMPANY:

- A.
1. Item Code 252329-10
 2. Product Description CEMENT
- B.
1. Item Code 252910-00
 2. Product Description : CLINKER

As per our report of even date

for and on behalf of the Board

For KARVY & CO
Chartered Accountants

K AJAY KUMAR
PARTNER
M No: 021989

K GOPI PRASAD
MANAGING DIRECTOR

PLACE: HYDERABAD
DATE : 29th September-2009

B RAMACHANDRA RAO
DIRECTOR

CASH FLOW STATEMENT FOR 31-03-2009

| SNo | Particulars | 31-Mar-09 In Rupees | 31-Mar-08 In Rupees |
|----------|---|-------------------------|------------------------|
| A | CASH FLOW FROM OPERATING ACTIVITIES | | |
| | NET PROFIT / (LOSS) BEFORE TAX AND EXTRAORDINARY ITEMS | 32,369,270 | 665,152,368 |
| | ADJUSTMENTS FOR: | | |
| | Capital issue expenses written back | - | 887,519 |
| | Amount Written off On IDBI OTS Scheme | - | (513,987,985) |
| | Depreciation | 9,351,614 | 8,247,323 |
| | Interest Paid | - | 2,588,225 |
| | Interest Income | (995,814) | (566,580) |
| | Operating Profit before Working Capital Changes | 40,725,070 | 162,320,870 |
| | Adjustments for changes in Working Capital | | |
| | Trade and other receivables | 22,467,075 | (49,033,593) |
| | Inventories | (7,126,836) | (2,266,893) |
| | Trade payable | (25,758,065) | (14,163,271) |
| | Cash generated from operations | 24,205,244 | 96,857,113 |
| | Tax paid | (6,240,448) | (338,022) |
| | Net cash from / (used in) Operating Activities | (A) (24,066,796) | 96,519,091 |
| B | CASH FLOW FROM INVESTING ACTIVITIES: | | |
| | Purchase of fixed Assets | (12,642,329) | (14,459,005) |
| | Advances for Land | - | - |
| | Sale of Investments | - | - |
| | Sale of Fixed Assets | - | - |
| | Interest Income | 995,814 | 566,580 |
| | Net cash (used in) Investing Activities | (B) (11,646,515) | (13,892,425) |
| C | CASH FLOW FROM FINANCING ACTIVITIES: | | |
| | Interest paid | - | (2,588,225) |
| | Repayment of Long Term Loan | (10,643,725) | (23,641,482) |
| | Repayment of Unsecured Loan | (5,802,317) | (20,908,118) |
| | Net cash (used in) / Generated financing activities | (C) (16,446,041) | (47,137,825) |
| D | Net increase / (decrease) in cash and cash equivalents (A+B+C) | (4,025,760) | 35,488,840 |
| | Cash and cash equivalents (Opening Balance) | 44,287,256 | 8,798,416 |
| | Cash and cash equivalents (Closing Balance) | 40,261,496 | 44,287,256 |
| | | (4,025,760) | 35,488,840 |

For KARVY & CO
Chartered Accountants

K.AJAY KUMAR
PARTNER
M No : 021989

For and on behalf of the Board

K GOPI PRASAD
MANAGING DIRECTOR

B RAMA CHANDRA RAO
DIRECTOR

PLACE : HYDERABAD
DATE : 29.09.2009

HEMADRI CEMENTS LIMITED
Regd. Office & Factory : Vedadri Village,
Jaggaiahpet Mandal, Krishna District, Andhra Pradesh.

PROXY FORM

I / We _____ in the district
of _____ being a member(s) of the above named Company,
hereby
appoint _____ of _____ in the district
as my / our proxy to attend and vote for me/us on my/our behalf of the Annual
General Meeting of the Company to be held on 30th October, 2009 at 3.00 p.m. and at any
adjournment thereof.

Signed _____

Date _____

Folio No. _____

Affix
1 Rupee
Revenue
Stamp

Note : Proxies must reach the company's Registered Office not less than 48
hours before the time fixed for the meeting.

HEMADRI CEMENTS LIMITED
Regd. Office & Factory : Vedadri Village,
Jaggaiahpet Mandal, Krishna District, Andhra Pradesh.

ATTENDANCE SLIP

PLEASE COMPLETE THIS ATTENDANCE SLIP AND HAND IT OVER AT THE ENTRANCE OF
THE MEETING HALL, JOINT SHARE HOLDERS MAY OBTAIN ADDITIONAL ATTENDANCE
SLIP ON REQUEST.

Name & Address of the Share Holder

Folio No. _____

I hereby record my presence at the ANNUAL GENERAL MEETING of the company held at the
Registered Office of the Company Vedadri Village, Jaggaiahpet Mandal, Krishna District
at 3.00 p.m. on 30th October, 2009

SIGNATURE OF THE SHAREHOLDER OR PROXY.

BOOK-POST

PRINTED MATTER

If undelivered, please return to :



HEMADRI CEMENTS LIMITED
Regd. Office & Factory : Vedadri Village,
Jaggaiahpet Mandal,
Krishna District, Andhra Pradesh.

PLEASE NOTE :
No gift/coupons
will be given at the
AGM