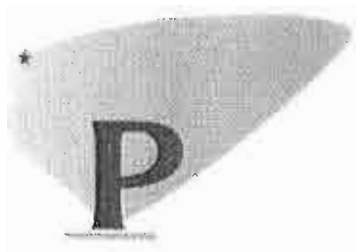


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PENNA CEMENT INDUSTRIES LTD

HYDERABAD



ANNUAL REPORT

2016-17



## PENNA CEMENT INDUSTRIES LTD

### Board of Directors

Chairman and Managing Director	: Shri P. Prathap Reddy : Shri P. Munikrishna : Shri P. Venugopal Reddy : Shri U. R. Rao : Shri Y. Santosh Kumar Reddy : Smt. P. Deepthi Reddy
Executive Director	: Shri Bezawada Vikram
Director (Technical)	: Shri D. Lakshmi Kantham
Director (Finance) & CFO	: Shri Petluru Venugopal Reddy
Company Secretary	: Shri Raj Kumar Singh
Statutory Auditor	: M/s-C. Ramachandram & Co. Chartered Accountants H.No.3-6-237,606 Lingapur La Bulde Complex Himayathnagar, Hyderabad-29.
Internal Auditor	: M/s Deloitte Haskins & Sells LLP Gowra Grand, S.P. Road Begumpet, Secunderabad-03.
Bankers	: State Bank of India IDBI Bank Limited Yes Bank Ltd
Registered Office	: Lakshmi Nivas, Plot No. 705, Road No.3, Banjara Hills Hyderabad – 500 034
Works	: 1. Talaricheruvu Village Tadipatri Mandal Ananthpur District (A.P) 2. Ganeshpahad Village Damarcherla Mandal Nalgonda District.(TS) 3. Boyareddypalli Village Kamalapadu, Yadiki Mandal Ananthpur District (A.P) 4. Belkatur Village, Tandur Mandal R.R. Dist (TS).

PENNA CEMENT INDUSTRIES LTD  
(CIN NO. U26942AP1991PLC013359)

Regd. Office: Lakshmi Nivas, Plot No.705, Road No.3, Banjara Hills, Hyderabad –  
500 034

**NOTICE TO MEMBERS**

Notice is hereby given that the 26<sup>th</sup> Annual General Meeting of the members of Penna Cement Industries Limited will be held on **Wednesday, the 05<sup>th</sup> day of July, 2017** at 11.00 A.M at the Registered Office of the Company to transact the following businesses:-

**ORDINARY BUSINESS:**

1. To receive, consider and adopt the Audited Annual Accounts for the year ended 31<sup>st</sup> March, 2017 and the reports of the Director's and Auditor's thereon.
2. To declare dividend.
3. To appoint a Director in place of Mrs. P. Deepthi Reddy (DIN No. 00264481), who retires by rotation in the ensuing Annual General Meeting and being eligible, offers herself for re-appointment.
4. To appoint a Director in place of Mr. P. Venugopal Reddy (DIN No. 00094146), who retires by rotation in the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.
5. To ratify re-appointment of Statutory Auditors and to fix their remuneration and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

**“RESOLVED THAT** pursuant to Section 139, 142 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014 (including any statutory re-enactment thereof, for the time being in force) with the consent of the Board of Directors, M/s. C. Ramachandram & Co, Chartered Accountants having ICAI Firm Registration No.: 002864S, Hyderabad, be and are hereby ratified to be re-appointed as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at such remuneration as may be fixed by the Board of Directors of the Company.”

**SPECIAL BUSINESS:**

6. **To Re- appoint Mr. P. Prathap Reddy as a Chairman and Managing Director of the company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197,198, 203 and read with all other applicable provisions of the Companies Act, 2013 and the rules made there under( including any statutory modification or re-enactment thereof for the time being in force) read with schedule V of the Companies Act, 2013 and Articles of Association of the Company, pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board, approval of the members of the company are be and hereby accorded for Mr. P. Prathap Reddy (DIN: 00093176), as Chairman and Managing Director of the company for a period of five years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2022 as well as the payment of salary, commission and perquisites ( herein after referred to as “*remuneration* ”), upon the terms and conditions as detailed in the explanatory statement attached hereto, which is hereby approved and sanctioned with authority to Board of Directors to alter and vary the terms and conditions of the said re-appointment in such a manner as agreed to between the Board of Directors and Mr. P. Prathap Reddy.

**RESOLVED FURTHER THAT** the remuneration payable to Mr. P. Prathap Reddy, shall not exceed the overall ceiling limit of the total managerial remuneration as provided under Section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorized to do all such acts, deeds, and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.”

7. **To Re- appoint Mr. B. Vikram as Executive Director of the company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197,198, and read with all other applicable provisions of the Companies Act, 2013 and the rules made there under (including any statutory modification or re-enactment thereof for the time being in force) read with schedule V of the Companies Act, 2013 and Articles of Association of the Company, pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board, approval of the members of the company are be and hereby accorded for Mr. B. Vikram (DIN: 02086809), as Executive Director of the company for a period of five years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2022 as well as the payment of salary, commission and perquisites ( herein after referred to as “*remuneration* ”), upon the terms and conditions as detailed in the explanatory statement attached hereto,

which is hereby approved and sanctioned with authority to Board of Directors to alter and vary the terms and conditions of the said re-appointment in such a manner as agreed to between the Board of Directors and Mr. B. Vikram.

**RESOLVED FURTHER THAT** the remuneration payable to Mr. B. Vikram, shall not exceed the overall ceiling limit of the total managerial remuneration as provided under section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorized to do all such acts, deeds, and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.”

8. **To Re- appoint Mr. D. Lakshmi Kantham as Director (Technical) of the company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:**

“**RESOLVED THAT** pursuant to the provisions of Sections 196, 197,198, and read with all other applicable provisions of the Companies Act, 2013 and the rules made there under( including any statutory modification or re-enactment thereof for the time being in force) read with schedule V of the Companies Act, 2013 and Articles of Association of the Company, pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board, approval of the members of the company are be and hereby accorded for Mr. D. Lakshmi Kantham (DIN: 00822385), as Director (Technical)of the company for a period of four years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2021 as well as the payment of salary, commission and perquisites ( herein after referred to as “*remuneration* ”), upon the terms and conditions as detailed in the explanatory statement attached hereto, which is hereby approved and sanctioned with authority to Board of Directors to alter and vary the terms and conditions of the said re-appointment in such a manner as agreed to between the Board of Directors and Mr. D. Lakshmi Kantham.

**RESOLVED FURTHER THAT** the remuneration payable to Mr. D. Lakshmi Kantham, shall not exceed the overall ceiling limit of the total managerial remuneration as provided under section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorized to do all such acts, deeds, and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.”

9. To Re- appoint Mr. Petluru Venugopal Reddy as Director (Finance) of the company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 196, 197,198, and read with all other applicable provisions of the Companies Act, 2013 and the rules made there under ( including any statutory modification or re-enactment thereof for the time being in force) read with schedule V of the Companies Act, 2013 and Articles of Association of the Company, pursuant to the recommendation of the Nomination and Remuneration Committee and approval of the Board, approval of the members of the company are be and hereby accorded for Mr. Petluru Venugopal Reddy (DIN: 00019878), as Director (Finance) of the company for a period of five years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2022 as well as the payment of salary, commission and perquisites ( herein after referred to as “*remuneration* ”), upon the terms and conditions as detailed in the explanatory statement attached hereto, which is hereby approved and sanctioned with authority to Board of Directors to alter and vary the terms and conditions of the said re-appointment in such a manner as agreed to between the Board of Directors and Mr. Petluru Venugopal Reddy.

**RESOLVED FURTHER THAT** the remuneration payable to Mr. Petluru Venugopal Reddy, shall not exceed the overall ceiling limit of the total managerial remuneration as provided under section 197 of the Companies Act, 2013 or such other limits as may be prescribed from time to time.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorized to do all such acts, deeds, and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.”

10. To Re- appoint Mr. P. Muni Krishna (DIN: 00011580) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, Mr. P. Muni Krishna (DIN: 00011580), Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company, to hold office for 5 (five) consecutive years for a term upto the conclusion of the 31<sup>st</sup> Annual General Meeting of the Company in the calendar year 2022 and whose office shall not be liable to retire by rotation.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorized to do all such acts, deeds, and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.”

11. To Re- appoint Mr. Y. Santosh Kumar Reddy (DIN: 00015092) as an Independent Director and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Special Resolution:

**“RESOLVED THAT** pursuant to the provisions of Sections 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014, Mr. Y. Santosh Kumar Reddy (DIN: 00015092), Independent Director of the Company, who has submitted a declaration that he meets the criteria for independence as provided in Section 149(6) of the Companies Act, 2013 and who is eligible for re-appointment, be and is hereby re-appointed as an Independent Director of the Company, to hold office for 5 (five) consecutive years for a term upto the conclusion of the 31<sup>st</sup> Annual General Meeting of the Company in the calendar year 2022 and whose office shall not be liable to retire by rotation.

**RESOLVED FURTHER THAT** the Board of Directors be and are hereby authorized to do all such acts, deeds, and things and execute all such documents, instruments and writings as may be required to give effect to the aforesaid resolution.”

12. To Increase the Borrowing powers of the Company and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as a Special Resolution:

**“RESOLVED THAT** subject to the provisions of Section 180 (1) (c) and other applicable provisions, if any, and the Companies Act, 2013 including any statutory modifications or re-enactments thereof and in supersession of all the earlier resolutions passed in this regard, the Board of Directors (hereinafter referred to as the Board), including any committee thereof for the time being exercising the powers conferred on them by this resolution, be and are hereby authorized to borrow money, as and when required, from, including without limitation, any Bank and/or Public Financial Institution as defined under Section 2(72) of the Companies Act, 2013 and/or eligible foreign lender and/or any entity/entities and/or authority/ authorities and/ or through suppliers credit, any other securities or instruments, such as floating rate notes, fixed rate notes, syndicated loans, debentures, commercial papers, short term loans or any other instruments etc. and/or through credit from official agencies and/or by way of commercial borrowings from the private sector window of multilateral financial institution, either in rupees or in such other foreign currencies as may be permitted by law from time to time, as may be deemed appropriate by the Board for an aggregate amount not exceeding Rs.3,500 Crores (Rupees Three Thousand Five Hundred Crores Only), notwithstanding that money so borrowed together with the monies already borrowed by the Company, if any (apart from temporary loans obtained from the Company’s bankers in the ordinary course of business) may exceed the aggregate of the paid-up share capital of the Company and its free reserves, that is to say, reserves not set apart for any specified purpose.

**RESOLVED FURTHER THAT** the Board of Directors be and is hereby authorized to take such steps as may be necessary for obtaining approvals, statutory, contractual or otherwise, in relation to the above and to settle all matters arising out of and incidental thereto, and to sign and to execute deeds, applications, documents and writings that may be required, on behalf of the Company and generally to do all such acts, deeds, matters and things as may be necessary, proper, expedient or incidental for giving effect to this resolution.”

**13. To Create Charge on Movable and Immovable properties of the Company both present and future and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as Special Resolution:**

“**RESOLVED THAT** pursuant to the provisions of Section 180 (1) (a) and other applicable provisions , if any, of the Companies Act, 2013 including any statutory modifications or re-enactments thereof the members of the Company hereby accord their consent to the Board of Directors, including any committee thereof for the time being exercising the powers conferred on them by this resolution, to create mortgage and/or charge on all or any of the moveable and/or immovable assets of the Company, both present and future and/or whole or any part of the Company in favour of the lenders, agents, trustees for securing the borrowings of the Company availed/to be availed by way of loans (in foreign currency and/or in Indian currency) and securities (comprising of fully/partly convertible debentures and/or secured premium notes and/or floating rates notes/ bonds or other debt instruments) issued/to be issued by the Company from time to time, in one or more tranches, upto an aggregate limit of Rs. 3,500 Crores (Rupees Three Thousand Five Hundred Crores Only) together with interest as agreed, additional interest in case of default, accumulated interest, liquidated damages and commitment charges, all other costs, charges and expenses and all other monies payable by the Company in terms of respective loan agreement(s) or any other document entered / to be entered into between the Company and the lenders/agents/investors and trustees in respect of enforcement of security as may be stipulated in that behalf and agreed to between the Board of Directors or any committees thereof and the lenders, agents or trustees.

**RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorized to finalise the terms and conditions for creating the aforesaid mortgage and/or charge and to execute the documents and such other agreements and also to agree to any amendments thereto from time to time as it may think fit for the aforesaid purpose and to do all such acts, deeds, matters and things as may be necessary and expedient for giving effect to the above resolution.”




14. To re-appoint Cost Auditors for the Financial Year 2017-18 and in this regard, to consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT subject to such guidelines and approvals as may be required from the Central Government, M/s. Sagar & Associates, Cost Accountants, Hyderabad be and are hereby re-appointed as Cost Auditors of the Company to audit the Cost Records maintained by the Company in respect of production of cement and generation of power for the Financial year 2017-18 at a remuneration of Rs. 1,50,000/-.”

By Order of the Board of Directors

Date: 29<sup>th</sup> May 2017  
Place: Hyderabad

  
Raj Kumar Singh  
Company Secretary  
M. No.: 14265

**NOTES:**

- A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of himself / herself and the proxy need not be a member. The proxy form duly completed and stamped must reach the registered office of the company not less than 48 hours before the time fixed for commencement of the meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

- Members and Proxies attending the Meeting should bring the attendance slip duly filled in for attending the Meeting.
- Corporate Members are requested to send a duly certified true copy of the Board Resolution authorizing their representatives to attend and vote at the Annual General Meeting.
- Members are informed that in case of joint holders attending the Meeting, only such Joint holder who is higher in the order of the names will be entitled to vote.
- The register of members will be closed from 28<sup>th</sup> June, 2017 to 05<sup>th</sup> July, 2017 (both days inclusive). The transfer books of the company will also be closed during the said period.
- The dividend on Equity Shares, if declared at the meeting, will be payable within 30 days from the date of declaration to those members whose names shall appear on the Company's Register of Members on 05<sup>th</sup> July, 2017.

**EXPLANATORY STATEMENT PURSUANT TO SECTION 102(1) OF THE  
COMPANIES ACT, 2013 ("the Act")**

**Item No. 06**

Mr. P Prathap Reddy, 59, founded PCIL in 1991 and has been its Managing Director since its inception. Right after graduating from college, Mr. P Prathap Reddy took up civil engineering contracts under the name of "PIONEER BUILDERS".

Under the able and dynamic leadership of Mr. P. Prathap Reddy, the capacity of the company has expanded from 0.02 mtpa to 7.00 mtpa. The Company is also implementing 2 (Two) Grinding units and 4 (Four) Packing Terminals. This was possible due to sheer hard work, dedication and vision of Mr. P. Prathap Reddy. Being the Promoter of the Company, Mr. P. Prathap Reddy holds 10.19% of shares of the Company. He had attended all the Board Meetings of the Company held during the year under review. Mr. P. Prathap Reddy is a Director in other entities such as Andhra Pradesh Gas Power Corporation Limited, Pioneer Cement Industries Limited, Parasakti Cement Industries Limited, Pioneer Power Limited, Pioneer Genco Limited, Pioneer Power Corporation Limited, Pioneer Holiday Resorts Limited, Anrak Aluminium Limited and he is also a member of Borrowings Committee of the Company.

Keeping in view the company's performance and professional growth, the Board of Directors of the company on the recommendation of the nomination and remuneration committee, re-appointed Mr. P. Prathap Reddy as Managing Director and Chairman of the company for the term of Five years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2022 subject to the approval of the shareholders at the 26<sup>th</sup> Annual General Meeting, on the terms and conditions set out as under:

**TERMS OF REMUNERATION:**

- i. Salary: Rs. 12,50,000/- (Rupees Twelve Lakhs Fifty Thousand only) per month.
- ii. Commission: Not exceeding 3% of net profits of the company calculated in terms of Section 197 of the Companies Act, 2013 and applicable Rules.
- iii. Perquisites:

Perquisites as under shall be restricted to an amount equal to the annual salary. Contribution to Provident Fund and Superannuation fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

Category A:

- i. The expenditure incurred for gas, electricity, water and furnishings shall be reimbursed subject to a ceiling of 10% of the Salary.
- ii. Medical benefits for self and family: For self and family subject to a ceiling of one month's salary in a year or three month's salary over a period of three years.
- iii. Leave Travel Concession: For self and family in accordance with rules of the Company.
- iv. Fees of clubs: Club fees including admission and life membership fees.
- v. Personal Accident Insurance as per the rules of the Company.

Category B:

- i. Company's contribution towards Provident fund subject to a ceiling of 15% of salary.

Category C:

- i. Free use of Company's car with driver.
- ii. Free telephone facility at residence.
- iii. The Chairman and Managing Director shall not be entitled to any sitting fees for attending the Board/Committee Meetings.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 190 of the Companies Act, 2013.

The Board of Directors recommends the resolution set out at item no. 06 in relation to the re-appointment of Chairman and Managing Director, for the approval of the shareholders of the Company.

Notice has been received from a member signifying the intention to propose appointment of Mr. P. Prathap Reddy as Managing Director & Chairman of the Company along with a deposit of Rs. 1,00,000.

Except Mr. P Venugopal Reddy, Mr. B. Vikram and Mrs. P. Deepthi Reddy, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in this resolution set out at Item No.06.

**Item No.07**

Mr. B. Vikram, aged 39 years, is son-in-law of Mr. P. Prathap Reddy, Managing Director & Chairman of the Company. He is a Commerce graduate from Loyola College, Chennai. On completion of graduation he has worked three years in reputed software companies and went to United States for further studies at Carnegie Mellon University, USA. On

completion of studies, he joined Deloitte, USA and worked for three years as a Sr. Consultant. Then he returned to India in the year 2008 and joined PENNA group as a Director, Looking after the Power Group and acted as a Managing Director of Krishna Hydro Energy Limited. He was appointed as Executive Director of the company in the year 2012 for a period of five years ending on 30<sup>th</sup> September, 2017.

Keeping in view of Mr. B. Vikram's qualification and diversified experience and contribution to PENNA group, the Board of Directors on the recommendation of the nomination and remuneration committee approved the re-appointment of Mr. B. Vikram as Executive Director of the Company for a period of five years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2022 subject to the approval of the shareholders at the 26<sup>th</sup> Annual General Meeting, on the terms and conditions set out as under:

**TERMS OF REMUNERATION:**

Salary: Rs. 10,00,000/- (Rupees Ten Lakhs only) per month.

Perquisites: Perquisites as under shall be restricted to an amount equal to the annual salary. Contribution to Provident Fund and Superannuation fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

**Category A:**

- i. The expenditure incurred for gas, electricity, water and furnishings shall be reimbursed subject to a ceiling of 10% of the Salary.
- ii. Medical benefits for self and family: For self and family subject to a ceiling of one month's salary in a year or two month's salary over a period of two years.
- iii. Leave Travel Concession: For self and family in accordance with rules of the Company.
- iv. Fees of clubs: Club fees including admission and life membership fees.
- v. Personal Accident Insurance as per the rules of the Company.

**Category B:**

- i. Company's contribution towards Provident fund subject to a ceiling of 15% of salary.

**Category C:**

- i. Free use of Company's car with driver.
- ii. Free telephone facility at residence.
- iii. The Executive Director shall not be entitled to any sitting fees for attending the Board/Committee Meetings.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 190 of the Companies Act, 2013.

The Board of Directors recommends the resolution set out at item no. 07 in relation to the re-appointment of Executive Director, for the approval of the shareholders of the Company.

Mr. Bezawada Vikram doesn't hold any shares in the Company and he is a Director in following companies: Pioneer Refinery Limited , Pioneer Chemicals Limited, Pioneer Cement Industries Limited, Pioneer Power Limited, Coolrocks Energy Limited, Kameng Energy Limited, Coolroc Technologies Limited and Krishna Hydro Energy Limited. He is also a member of Borrowing Committee of the Company. He had attended all the meetings of Board of Directors of the Company, for the year under review.

Notice has been received from a member signifying the intention to propose appointment of Mr. B. Vikram as Executive Director of the Company along with a deposit of Rs. 1,00,000.

Except Mr. P. Prathap Reddy and Mrs. P. Deepthi Reddy, none of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in this resolution set out at Item No. 07.

#### **Item No. 08**

Mr. D. Lakshmi Kantham aged about 66 years has been associated with PENNA group from the last 25 years. He is a Bachelor of Science having experience of more than 45 years in the cement industry. Mr. D. Lakshmi Kantham was appointed as Director (Technical) in the year 2012 and he is responsible for operations of all the plants of the company. Keeping in view the notable contribution of Mr. D Lakshmi Kantham to the company, the Board on the recommendation of Nomination and remuneration committee approved his re-appointment as Director (Technical) of the company for a period of Four years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2021 subject to the approval of the shareholders at the 26<sup>th</sup> Annual General Meeting, on the terms and conditions set out as under:

#### **TERMS OF REMUNERATION:**

Salary: Rs. 10,00,000/- (Rupees Ten Lakhs only) per month.

Perquisites: Perquisites as under shall be restricted to an amount equal to the 3 month's salary. Contribution to Provident Fund and Superannuation fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

#### **Category A:**

- i. Medical benefits for self and family: For self and family subject to a ceiling of half month's salary in a year or one month salary over a period of two years.
- ii. Leave Travel Concession: For self and family in accordance with rules specified by the Company.
- iii. Personal Accident Insurance as per the rules of the Company.

**Category B:**

- i. Company's contribution towards Provident fund subject to a ceiling of 15% of salary.

**Category C:**

- i. Free use of Company's car with driver.
- ii. Free telephone facility at residence.
- iii. Director (Technical) shall not be entitled to any sitting fees for attending the Board/Committee Meetings.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 190 of the Companies Act, 2013.

Mr. D. L. Kantham doesn't hold any shares in the Company and he is a Director in following companies: Marwar Cement Limited, P R Cement Holdings Limited, Anrak Aluminium Limited and he is a member of CSR Committee of the Company. The Board of Directors recommends the resolution set out at item no. 08 in relation to the re-appointment of Director (Technical), for the approval of the shareholders of the Company.

Notice has been received from a member signifying the intention to propose appointment of Mr. D. L. Kantham as Director (Technical) of the Company along with a deposit of Rs. 1,00,000.

None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in this resolution set out at item no. 08.

**Item No. 09**

Mr. Petluru Venugopal Reddy, Director (Finance) aged about 51 has been associated with Penna Cement Industries Limited for the last one decade. He is a fellow member of the Institute of Chartered Accountants of India and a Law graduate having an experience of more than 2 decades. Keeping in view the notable contribution of Mr. Petluru Venugopal Reddy to the company, the Board on the recommendation of Nomination and remuneration committee approved his re-appointment as Director (Finance) of the company for a period of Five years with effect from 01<sup>st</sup> June, 2017 to 31<sup>st</sup> May, 2022 subject to the approval of the shareholders at the 26<sup>th</sup> Annual General Meeting, on the terms and conditions set out as under:

**Terms of Remuneration:**

Salary: Rs. 5,00,000/- (Rupees Five Lakhs only) per month by way of Salary.

Perquisites: Perquisites as under shall be restricted to an amount equal to the 3 month's salary. Contribution to Provident Fund and Superannuation fund to the extent they are exempted under the Income Tax Act, 1961 and encashment of leave at the end of tenure will not be included in the computation of the ceiling on perquisites.

**Category A:**

- i. Medical benefits for self and family: For self and family subject to a ceiling of half month's salary in a year or one month salary over a period of two years.
- ii. Leave Travel Concession: For self and family in accordance with rules specified by the Company.
- iii. Personal Accident Insurance as per the rules of the Company.

**Category B:**

- i. Company's contribution towards Provident fund subject to a ceiling of 15% of salary.

**Category C:**

- i. Free use of Company's car with driver.
- ii. Free telephone facility at residence.
- iii. Director (Finance) shall not be entitled to any sitting fees for attending the Board/Committee Meetings.

This explanatory statement may also be read and treated as disclosure in compliance with the requirements of Section 190 of the Companies Act, 2013.

Mr. Petluru Venugopa Reddy doesn't hold any shares in the Company and holds Directorship in following companies: Pioneer Holiday Resorts Limited, P R Energy Holding Limited, Lakshmi Sea Foods Limited, Krishna Hydro Energy Limited, Coolrocks Energy Limited, Coolroc Technologies Limited. The Board of Directors recommends the resolution set out at item no. 09 in relation to the re-appointment of Director (Finance), for the approval of the shareholders of the Company.

Notice has been received from a member signifying the intention to propose appointment of Mr. Petluru Venugopal Reddy as Director (Finance) of the Company along with a deposit of Rs. 1,00,000.

None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested, financially or otherwise in this resolution set out at item no. 09.



### Item No. 10 & 11

The Members of the Company, at the 23<sup>rd</sup> Annual General Meeting held on 20<sup>th</sup> August 2014, had approved the appointment of Mr. P. Muni Krishna and Mr. Y. Santosh Kumar Reddy as an Independent Director of the Company, whose term was due to expire on conclusion of the 26<sup>th</sup> AGM.

Mr. P. Muni Krishna is director in Myk Laticrete India Private Limited, Subhadra Investments Private Limited, Myk Holdings Private Limited, Reitz India Limited, Parasakti Cement Industries Limited, Myk Schomburg India Private Limited, Myk Spinning Industries Private Limited, Saktisand Private Limited, Shree Sai Gardens Private Limited. He is a member of following Committees of the Company: Audit Committee, Nomination and Remuneration Committee and CSR Committee of the Company

Mr. Y. Santosh Kumar Reddy hold the position of director in Ennaar Aluminium Limited, Sanvira Industries Limited, Sanvira Chemicals Private Limited, Rain Calcining Limited and he is a member of following Committees of the Company: Audit Committee, Nomination and Remuneration Committee and CSR Committee of the Company.

As per Section 149(10) of the Companies Act, 2013 (CA 2013), an Independent Director shall hold office for a term of upto five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing a special resolution by the Company for another term of upto five consecutive years on the Board of a Company.

In line with the aforesaid provisions of the CA 2013 and in view of long, rich experience, continued valuable guidance to the management and strong Board performance of Mr. P. Muni Krishna and Mr. Y. Santosh Kumar Reddy, it is proposed to re-appoint them for the second term as an independent Director on the Board, for a period of five years upto conclusion of 31<sup>st</sup> AGM.

In the opinion of the Board, Mr. P. Muni Krishna and Mr. Y. Santosh Kumar Reddy fulfills the conditions specified in the Act. Copy of the draft letter for appointment of Mr. P. Muni Krishna and Mr. Y. Santosh Kumar Reddy as an Independent Director setting out the terms and conditions would be available for inspection without any fee by the members at the Registered Office of the Company during normal business hours on any working day, excluding Saturday.

Accordingly, the Board recommends passing of the Resolution at Item No. 10 & 11 of the Notice as a Special Resolution.

Save and except the above, none of the other Directors/Key Managerial Personnel of the Company / their relatives are, in any way, concerned or interested, financially or otherwise, in these resolutions.

### **Item No.12**

As per Section 180 (1) (c) of the Companies Act, 2013, borrowings (apart from temporary loans obtained from the Company's bankers in ordinary course of business) by the Company beyond the aggregate of the paid up capital of the company and its free reserve requires approval from the shareholders of the Company.

With a view to meet the funds requirements of the Company for both short term as well as long term, the Company may require to borrow from time to time by way of loans and/or issue of Bonds, Debentures or other securities and the existing approved limit may likely to be exhausted in near future and it is therefore recommended to enhance the borrowing limits of the Company up to Rs.3,500 Crores (Rupees Three Thousand Five Hundred Crores Only).

The Board of Directors recommends the resolution set out at item no. 12 for members' approval as a Special Resolution.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in this resolution

### **Item No.13**

The Company is required to create security for the said facilities as mentioned under Item No. 12 above in favor of the Lenders/ Trustees for the Non-Convertible Debentures and loans/ financial assistance availed by the Company, by way of creation of mortgage and/ or charge on the assets of the Company, as stated in the resolution.

In furtherance to the Resolution No. 12 of this notice, the said borrowings/ issue of securities may be required to be secured by way of mortgage/ charge over all or any part of the movable and/or immovable assets of the Company and as per provisions of Section 180 (1) (a) of the Companies Act 2013, the mortgage or charge on all or any part of the movable and/or immovable properties of the Company, may be deemed as the disposal of the whole, or substantially the whole, of the undertaking of the Company and hence, requires approval from the shareholders of the Company.

Accordingly, it is proposed to pass an enabling resolution authorizing the Board to create charge on the assets of the Company for a value not exceeding Rs. 3,500 Crores (Rupees Three Thousand Five Hundred Crores Only).

The Board of Directors recommends the resolution set out at item no. 13 for members' approval as a Special Resolution.

None of the Directors, Key Managerial Personnel or their relatives are in any way concerned or interested, financially or otherwise in this resolution.

**Item No.14**

A proposal for re-appointment of Cost Auditor was recommended by Audit Committee to the Board. It was proposed to re-appoint M/s. Sagar & Associates, Cost Accountants, Hyderabad as Cost Auditors.

A Certificate issued by the above firm regarding their eligibility for appointment as Cost Auditors will be available for inspection at the registered office of the Company during 11.00 A.M to 1.00 P.M and shall also available at the meeting.

As per Rule 14 of Companies (Audit and Auditors) Rules 2014, the appointment and remuneration payable to the Cost Auditors is to be ratified by the Shareholders. Hence this resolution is put for the consideration of the shareholders.

Your Directors recommend the resolution for your approval as an Ordinary Resolution.

None of the Directors and Key Managerial Personnel or their relatives are interested in the above resolution.

**By Order of the Board of Directors**

**Date: 29<sup>th</sup> May 2017**

**Place: Hyderabad**



**Raj Kumar Singh  
Company Secretary  
M. No.: 14265**

Additional information as required under Secretarial Standard-2 notified under  
Section 118 (10) of the Companies Act, 2013

Particulars	Mr. P. Prathap Reddy	Mr. B. Vikram	Mr. D. Lakshmi Kantham
Age	59	39	66
Qualification	Bachelors of Arts	M.B.A.	Bachelor of Science
Experience	Since Inception	5	5
Terms and Conditions	As per Explanatory Statement	As per Explanatory Statement	As per Explanatory Statement
Remuneration	12.5 Lakhs p.m.	10 Lakhs p.m.	10 Lakhs p.m.
Remuneration last drawn	10 Lakhs p.m.	7.5 Lakhs p.m.	7.5 Lakhs p.m.
Shareholding	10.19%	NIL	NIL
Relationship with other Directors	P. Venugopal Reddy: Brother P. Deepthi Reddy: Daughter Bezawada Vikram: Son in Law	P. Prathap Reddy: Father in Law  P. Deepthi Reddy: Wife	Not Related
Number of Meetings of the Board attended during the year	7	7	7
Other Directorships	As per Explanatory Statement	As per Explanatory Statement	As per Explanatory Statement
Membership/ Chairmanship of Committees of other Boards	As per Explanatory Statement	As per Explanatory Statement	As per Explanatory Statement

Particulars	Mr. Petluru Venugopal Reddy	Mr. P. Muni Krishna	Mr. Y. Santosh Kumar Reddy
Age	52	73	67
Qualification	Chartered Accountant	B.Sc(Chemistry) & Mechanical Engineer	Mechanical Engineer Graduate
Experience	4	25	10
Terms and Conditions	As per Explanatory Statement	As per Explanatory Statement	As per Explanatory Statement
Remuneration	5 Lakhs p.m.	NA	NA
Remuneration last drawn	4.17 Lakhs p.m.	NA	NA
Date of first appointment	2013	10/02/1992	27/09/2007
Shareholding	NIL	NIL	NIL
Relationship with other Directors	Not Related	Not Related	Not Related
Number of Meetings of the Board attended during the year	7	6	3
Other Directorships	As per Explanatory Statement	As per Explanatory Statement	As per Explanatory Statement
Membership/ Chairmanship of Committees of other Boards	As per Explanatory Statement	As per Explanatory Statement	As per Explanatory Statement

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**PENNACEMENT INDUSTRIES LTD**

**BOARD'S REPORT**

Dear Members,

Your Directors are pleased to present the 26<sup>th</sup> Annual Report and the Company's audited financial statement for the financial year ended 31<sup>st</sup> March, 2017.

**FINANCIAL HIGHLIGHTS**

Particulars	(Rs. In Crores)	
	Year ended 31 <sup>st</sup> March '17	Year ended 31 <sup>st</sup> March '16
Sales & Other Income	1885.49	1946.63
Profit before Interest & Depreciation	376.35	528.61
Less: Interest & Finance Charges	57.53	63.60
Profit after Interest but before Depreciation	318.82	465.01
Less: Depreciation	80.33	75.98
<b>Net Profit before Tax</b>	<b>238.49</b>	<b>389.03</b>
Provision for Tax	80.98	89.72
Provision for Deferred Tax Liability	8.99	52.80
MAT Credit Entitlement	-	(20.78)
<b>Net Profit after Tax</b>	<b>166.50</b>	<b>267.29</b>
Balance brought forward from previous year	618.15	393.91
<b>Profit available for appropriation</b>	<b>784.65</b>	<b>661.20</b>
<b>Appropriations:</b>		
General Reserve	-	35.00
Proposed Dividend	6.69	6.69
Tax on Dividend	1.36	1.36
<b>Balance Retained</b>	<b>776.60</b>	<b>618.15</b>

**STATE OF COMPANY'S AFFAIRS**

During the year under review, the total Turnover of the Company was Rs. 2254 Crores. The Company has earned a Profit after tax of Rs. 166.50 Crores. Segment wise details as follows:

Particulars	(Rs. In Crores)				
	Cement	Thermal Power	Waste Heat Recovery	Investment	Total
Total Turnover	2185	115	24	-	2324
Profit after tax	149	14	04	-	167

The financial year 2016-17 has been successful for the Company. The Company was able to capitalize on the market conditions through its operational excellence, higher efficiency and well executed strategies.

## TRANSFER TO RESERVES IN TERMS OF SECTION 134 (3) (J) OF THE COMPANIES ACT, 2013

For the financial year ended 31<sup>st</sup> March, 2017, the Company proposes to carry Rs.35 Crores to General Reserve Account.

## DIVIDEND

The Board in its meeting held on 29<sup>th</sup> May, 2017, has recommended a dividend of Rs.5 per Share for the Financial Year ended 31<sup>st</sup> March, 2017.

## SHARE CAPITAL

The Paid up Equity Share Capital of the Company as on March 31, 2017 was Rs.13.38 Crores. There has been no change in the Equity Share Capital of the Company during the year. The Company has no other type of securities except equity shares forming part of paid up capital.

**Equity shares with differential rights:** The Company has not issued any equity shares with differential rights during the year under review.

**Buy Back of Securities:** The Company has not bought back any of its securities during the year under review.

**Sweat Equity:** The Company has not issued any Sweat Equity Shares during the year under review.

**Bonus Shares:** No Bonus Shares were issued during the year under review.

**Employees Stock Option Plan:** The Company has not provided any Stock Option Scheme to the employees.

## MATERIAL CHANGES AND COMMITMENTS, IF ANY, AFFECTING THE FINANCIAL POSITION OF THE COMPANY WHICH HAVE OCCURRED BETWEEN THE END OF THE FINANCIAL YEAR OF THE COMPANY TO WHICH THE FINANCIAL STATEMENTS RELATE AND THE DATE OF THE REPORT

No material changes and commitments affecting the financial position of the Company occurred between the end of the financial year to which this financial statements relates and the date of this Report.

## CHANGE IN THE NATURE OF BUSINESS, IF ANY

There is no change in the nature of business of the Company during the financial year ended 31<sup>st</sup> March, 2017.

## CEMENT SECTOR OUTLOOK

India is the second largest producer of cement in the world. No wonder, India's cement industry is a vital part of its economy, providing employment to more than a million

people, directly or indirectly. Ever since it was deregulated in 1982, the Indian cement industry has attracted huge investments, both from Indian as well as foreign investors.

India has a lot of potential for development in the infrastructure and construction sector and the cement sector is expected to largely benefit from it. Some of the recent major government initiatives such as development of 98 smart cities are expected to provide a major boost to the sector.

India's cement demand is expected to reach 550-600 Million Tonnes Per Annum (MTPA) by 2025. The housing sector is the biggest demand driver of cement, accounting for about 67 per cent of the total consumption in India. The other major consumers of cement include infrastructure at 13 per cent, commercial construction at 11 per cent and industrial construction at 9 per cent.

To meet the rise in demand, cement companies are expected to add 56 MT capacity over the next three years. The cement capacity in India may increase to 421 MT by the end of 2017. The country's per capita consumption stands at around 190 kg.

On the back of growing demand, due to increased construction and infrastructural activities, the cement sector in India has seen many investments and developments in recent times.

The Union Budget proposed to assign infrastructure status to affordable housing projects and facilitate higher investments and better credit facilities, in line with the government's aim to provide housing for all by 2022 which will boost cement demand.

The Finance Minister, Arun Jaitley, said that the National Housing Bank will refinance individual housing loans of about Rs 20,000 crore (US\$ 3 billion) in 2017-18. The Finance Minister proposed to complete 1 crore houses by 2019. All these developments are expected to boost cement demand.

The increased allocation to rural low-cost housing under Pradhan Mantri Awaas Yojana-Gramin scheme to Rs 23,000 crore (US\$ 3.45 billion) from Rs 16,000 crore (US\$ 2.4 billion) in FY17 is likely to drive a 2 per cent increase in cement demand.

### **COMPANY OUTLOOK:**

In continuation of the efforts of energy conservation and improvement of environmental equilibrium, your Company has bagged National Energy Conservation Award, 2016.

The Company's efforts to improve the capacity utilization has started taking shape. The company is implementing a cement grinding unit at Pune (Maharashtra) with an annual capacity of 1.00 million ton. The project is expected to be completed by September, 2017 and will help in improving the capacity utilization of Tandur plant. The second cement grinding unit at Krishnapatnam (Andhra Pradesh) with annual capacity of 2.00 million tons along with four new cement packing terminals across the coast line of the country is also in progress.

These two projects will help your Company in reaching full potential in operations and Penna brand can reach new and lucrative markets in other states. Larger presence in the states of Maharashtra, Odisha, Kerala and West Bengal will help the company in reaching higher market share and better pricing leading to higher profits and improved share holders' wealth.

## **DEPOSITS**

The Company has not accepted deposits from public within the meaning of Section 73 of the Companies Act, 2013.

## **DETAILS OF SUBSIDIARIES AND ASSOCIATE COMPANIES**

During the year under review, the following companies listed below are Company's subsidiaries and associate companies.

### **SUBSIDIARY:**

- |                                      |   |      |
|--------------------------------------|---|------|
| 1. Pioneer Cement Industries Limited | - | 100% |
|--------------------------------------|---|------|

### **ASSOCIATE:**

- |  |   |     |
|--|---|-----|
| 2. Parasakti Cement Industries Limited | - | 50% |
|--|---|-----|

## **CONSOLIDATED FINANCIAL STATEMENTS**

The Ministry of Corporate Affairs (MCA), through its notification dated 16<sup>th</sup> February 2015, had notified the Indian Accounting Standards (Ind AS) applicable to certain classes of companies. Ind AS would replace the existing Indian GAAP prescribed under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014. For Penna Cement Industries Limited and its subsidiary, Ind AS would be applicable for the accounting periods beginning from April 1, 2017.

Further there would be a change in the presentation of financial statements including additional disclosures.

## **BOARD OF DIRECTORS AND KEY MANAGERIAL PERSONNEL**

As on 31<sup>st</sup> March, 2017, your Company's Board has a strength of 9 (Nine) Directors including 1 (One) Women Director. The Chairman of the Board is an Executive Director.

The composition of the Board is as below:

<b>Category</b>	<b>No. of Directors</b>	<b>% of Total No of Directors</b>
Executive Director	04	45%
Non Executive Director	01	11%
Non Executive Woman Director	01	11%
Non Executive Independent Director	03	33%

## **KEY MANAGERIAL PERSONNEL**

The Key Managerial Personnel's (KMPs) of the Company in accordance with the provisions of Section 2(51) and Section 203 of the Companies Act, 2013 read with Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 (including any statutory modification(s) or re-enactment(s) for the time being in force) are as follows:



Sl. No.	Name	Designation
1	Mr. P. Prathap Reddy	Chairman & Managing Director
2	Mr. B. Vikram	Executive Director
3	Mr. D. Lakshmi Kantham	Director (Technical)
4	Mr. Petluru Venugopal Reddy	Director (Finance) & CFO
5	Mr. Raj Kumar Singh	Company Secretary

During the year under review, the Directors and Key Managerial Personnel remained the same. Post closure of the financial year on 31<sup>st</sup> March 2017, the term of Mr. P. Prathap Reddy expires on 31.08.2017 and the term of Mr. B. Vikram, Mr. D. Lakshmi Kantham and Mr. Petluru Venugopal Reddy expires on 30<sup>th</sup> September, 2017 and the resolution for proposing their reappointment is put up for motion in the Notice of the forthcoming Annual General Meeting.

In terms of Section 152 of the Companies Act, 2013, it is ascertained that, apart from those directors whose term are getting expired and are proposed to be reappointed in this Board Meeting, Smt. P. Deepthi Reddy and Mr. P. Venugopal Reddy shall retire by rotation at the ensuing Annual General Meeting of the Company and necessary resolutions in this regard have been proposed in the Notice of the forthcoming Annual General Meeting.

#### **AUDIT COMMITTEE**

As on 31<sup>st</sup> March, 2017, the Audit Committee comprises of following Directors:

1	Mr. P. Munikrishna	Chairman	Non-Executive & Independent
2	Mr. Y. Santosh Kumar Reddy	Member	Non-Executive & Independent
3	Mr. U.R. Rao	Member	Non-Executive & Independent
4	Mr. P. Venugopal Reddy	Member	Non-Executive Director

The terms of reference of the Audit Committee include Examination of Financial Statements and Statutory Auditors' report thereon and discussion of any related issues with the Internal & Statutory Auditors and the management of the Company; approval or any subsequent modification of arrangements / transactions of the Company with related parties; evaluation of internal financial controls; evaluation of risk management system; review of Company's financial reporting processes and the disclosure of financial information to ensure that the Financial Statement is correct, sufficient and credible.

During the year ended 31<sup>st</sup> March 2017, three (3) Audit Committee Meetings were held on 27<sup>th</sup> May 2016, 7<sup>th</sup> November 2016 and 23<sup>rd</sup> February 2017.

All the recommendations made by the Audit Committee were accepted by the Board.

## **BORROWINGS COMMITTEE**

The Borrowings Committee is formed comprising of following Directors namely Mr. P. Prathap Reddy, Chairman and Managing Director, Mr. B. Vikram, Executive Director and Mr. Petluru Venugopal Reddy, Director (Finance). The Company Secretary acts as Secretary to the Committee.

## **POLICY ON REMUNERATION OF DIRECTORS, KMPs, SENIOR MANAGEMENT PERSONNEL AND OTHER EMPLOYEES**

### **Nomination and Remuneration Committee:**

The Nomination and Remuneration Committee comprises of following Directors namely Mr. P. Munikrishna, Mr. Y. Santosh Kumar Reddy, Mr. U.R. Rao and Mr. P. Venugopal Reddy, all of them are non-executive Directors. The Company Secretary acts as Secretary to the Committee. All the recommendations made by the Nomination and Remuneration Committee were accepted by the Board.

### **Remuneration to Executive Directors:**

The remuneration paid to the Directors are in accordance with the Nomination and Remuneration Policy of the company formulated in accordance with Section 134(3)(e) and Section 178(3) of the Companies Act, 2013 and approved by Board, subject to the subsequent approval of the shareholders at the General Meeting and such other authorities, as may be required. The remuneration is decided after considering various factors such as qualification, experience, performance, responsibilities shouldered, industry standards as well as financial position of the Company.

### **Remuneration to Non-Executive Directors:**

The Non-Executive Directors are paid remuneration by way of Sitting Fees.

The salient aspects covered in the Nomination and Remuneration Policy have been outlined below:

- i. To identify the persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down, and recommend to the board of directors their appointment and removal.
- ii. To formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy relating to the remuneration of Directors, Key Managerial Personnel and other employees of the Company.
- iii. To formulate the criteria for evaluation of Independent Director and the Board.
- iv. To evaluate the performance of the members of the Board and provide necessary report to the Board for further evaluation of the Board and to determine whether to extend or continue the term of appointment of the Independent Director, on the basis of the report of performance evaluation of Independent Directors.

- v. To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- vi. To provide to Key Managerial Personnel and Senior Management reward linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- vii. To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- viii. To develop a succession plan for the Board and to regularly review the plan.
- ix. To assist the Board in fulfilling responsibilities.
- x. To implement and monitor policies and processes regarding principles of corporate governance.
- xi. Regularly review the Human Resource function of the Company.
- xii. Discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.
- xiii. Make reports to the Board as appropriate.
- xiv) Review and reassess the adequacy of this charter periodically and recommend any proposed changes to the Board for approval from time to time.
- xv) Any other work and policy, related and incidental to the objectives of the committee as per provisions of the Act and rules made there under.

#### **PERFORMANCE EVALUATION OF THE BOARD, ITS COMMITTEES AND INDIVIDUAL DIRECTORS**

As the ultimate responsibility for sound governance and prudential management of a company lies with its Board, it is imperative that the Board remains continually energized, proactive and effective. An important way to achieve this is through an objective stock taking by the Board of its own performance.

The Board evaluated the effectiveness of its functioning and that of the Committees and of individual Directors by seeking their inputs on various aspects of Board/Committee Governance.

The aspects covered in the evaluation included the contribution to and monitoring of corporate governance practices, participation in the long-term strategic planning and the fulfillment of Directors obligations and fiduciary responsibilities, including but not limited to, active participation at the Board and Committee meetings.

The Companies Act, 2013 not only mandates Board and Directors evaluation, but also requires the evaluation to be formal, regular and transparent. Subsequently, SEBI Listing

Regulations has also contained the provisions regarding requirement of performance evaluation of Independent Directors by the entire Board of Directors.

The Nomination and Remuneration Committee has also carried out evaluation of every Director's performance.

The Directors expressed their satisfaction with the evaluation process. It was further acknowledged that every individual Member and Committee of the Board contribute its best in the overall growth of the organization.

### **MEETINGS OF THE BOARD OF DIRECTORS**

The following Meetings of the Board of Directors were held during the Financial Year 2016-17:

<b>S. No.</b>	<b>Date of Board Meeting</b>	<b>No. of Directors Present</b>
1.	27.05.2016	08
2.	30.06.2016	08
3.	06.09.2016	08
4.	07.11.2016	08
5.	30.12.2016	05
6.	23.02.2017	09
7.	31.03.2017	05

### **REMUNERATION RATIO OF THE DIRECTORS / KEY MANAGERIAL PERSONNEL (KMP) / EMPLOYEES:**

The information required under Section 197 of the Companies Act, 2013 read with rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are provided in separate annexure forming part of this Report as **Annexure – I**.

The Non-Executive Directors don't draw any remuneration except sitting fees to attend the Board Meeting and Committee Meeting.

In terms of Section 136 of the Act, the Report and Accounts are being sent to the Members and others entitled thereto, excluding the information on employees' particulars which is available for inspection by the Members at the Registered Office of the Company during business hours on working days of the Company up to the date of the ensuing Annual General Meeting. If any Member is interested in obtaining a copy thereof, such Member shall write to the Company Secretary in advance of 3 days of Annual General Meeting in this regard.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

Pursuant to Section 134(5) of the Companies Act, 2013 the Board of Directors of the Company confirms that-

- (a) in the preparation of the Annual Accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) the directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) the directors had prepared the annual accounts on a going concern basis;
- (e) the directors, in the case of a listed company, had laid down internal financial controls to be followed by the company and that such internal financial controls are adequate and were operating effectively;
- (f) the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

## **DECLARATION BY INDEPENDENT DIRECTORS**

The Board of Directors of the Company hereby confirms that all the Independent directors duly appointed by the Company have given the declaration and they meet the criteria of independence as provided under section 149(6) of the Companies Act, 2013.

## **INDEPENDENT DIRECTORS' MEETING**

The Independent Directors met on 24<sup>th</sup> May 2016, without the attendance of Non-Independent Directors and members of the management. The Independent Directors reviewed the performance of Non-Independent Directors and the Board as a whole; the performance of the Chairman of the Company, taking into account the views of Executive Director and Non-Executive Directors and assessed the quality, quantity and timeliness of flow of information between the Company Management and the Board that is necessary for the Board to effectively and reasonably perform their duties.

## **AUDITORS**

The Board pursuant to the recommendation of Audit Committee of the Company, recommends the ratification for re-appointment of M/s C. Ramachandram & Co., Chartered Accountants, (Registration No. 002864S), Hyderabad as Statutory Auditors who were appointed as Statutory Auditors in the 23<sup>rd</sup> Annual General Meeting up to 27<sup>th</sup> Annual General Meeting subject to ratification by the members for re-appointment at the Annual General Meetings during the intervening period.

The Company has received letter dated 15<sup>th</sup> May, 2017 from them to the effect that their ratification of appointment, if made, would be within the prescribed limits under Section 141(3) (g) of the Companies Act, 2013 and that they are not disqualified for appointment.

### **AUDITORS' REPORT**

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification/ explanation. The Notes on financial statements are self-explanatory, and needs no further explanation.

### **COST AUDITORS**

The Board has re-appointed M/s. Sagar & Associates, Practicing Cost Accountants, Hyderabad (FRN:000118) for conducting the audit of cost records of the Company for various segments for the financial year 2017-18.

The cost audit report would be filed with the Central Government within prescribed timelines.

### **SECRETARIAL AUDITORS**

As per the provisions of Section 204 of the Companies Act, 2013, the Board has appointed M/s BSS & Associates, Practicing Company Secretaries (FRN:P2012AP026600) to conduct Secretarial Audit for the financial year 2017-18. The Secretarial Audit Report for the financial year ended 31<sup>st</sup> March, 2017 is annexed herewith marked as **Annexure: II** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

### **SIGNIFICANT AND MATERIAL ORDERS PASSED BY THE REGULATORS OR COURTS OR TRIBUNALS IMPACTING THE GOING CONCERN STATUS AND COMPANY'S OPERATIONS IN FUTURE:**

During the year under review there has been no such significant and material orders passed by the regulators or courts or tribunals impacting the going concern status and company's operations in future.

### **DISCLOSURES**

#### **Vigil Mechanism:**

The Board of Directors of the Company has adopted Whistle Blower Policy. The Whistle Blower Policy aims for conducting the affairs in a fair and transparent manner by adopting highest standards of professionalism, honesty, integrity and ethical behavior. All permanent employees of the Company are covered under the Whistle Blower Policy.

A mechanism has been established for employees to report concerns about unethical behavior, actual or suspected fraud, or violation of our Code of Conduct and Ethics. It also provides for adequate safeguards against the victimization of employees who avail of the mechanism, and allows direct access to the Chairperson of the Audit Committee in exceptional cases.

## DISCLOSURE UNDER THE SEXUAL HARASSMENT OF WOMEN AT WORKPLACE (PREVENTION, PROHIBITION AND REDRESSAL) ACT, 2013

Your Company has always believed in providing a safe and harassment free workplace for every individual working in Penna's premises through various interventions and practices. The Company always endeavor's to create and provide an environment that is free from discrimination and harassment including sexual harassment.

The Company has in place a robust policy on prevention of sexual harassment at workplace. The policy aims at prevention of harassment of employees as well as contractors and lays down the guidelines for identification, reporting and prevention of sexual harassment. There is an Internal Complaints Committee (ICC) which is responsible for redressal of complaints related to sexual harassment and follows the guidelines provided in the policy. ICC has its presence at corporate office as well as at site locations.

During the year ended 31<sup>st</sup> March, 2017, the ICC did not receive any complaints pertaining to sexual harassment.

## CORPORATE SOCIAL RESPONSIBILITY

Penna Cement Industries Ltd (Penna) has always discharged its social responsibility as a part of its Corporate Governance philosophy. Ethically and socially motivated Penna has contributed towards the economic development of the society at large. For Penna, business priorities co-exist with social commitments to drive holistic development of people and communities. It seeks to touch and transform people's lives by promoting healthcare, education and employment opportunities.

As required under Section 135 of the Companies Act, 2013, the Board of Directors has constituted a Corporate Social Responsibility (CSR) Committee to formulate and recommend to the Board, a Corporate Social Responsibility Policy which shall indicate the activities to be undertaken by the company as specified in Schedule VII of the Companies Act, 2013 to recommend the amount of expenditure to be incurred on the activities and to monitor the Corporate Social Responsibility Policy of the Company from time to time. During the year, the Company has contributed a sum of Rs. 7.40 Crores towards Corporate Social Responsibility.

Further the Annual Report on CSR for the financial year ended 31<sup>st</sup> March, 2017 is annexed as **Annexure: III** herewith for your kind perusal and information.

## LOANS, GUARANTEES AND INVESTMENTS

The Company has not given any Loans and Guarantees and not made any investments during the FY 2016-17 under Section 186 of the Companies Act, 2013 for the financial year ended 31<sup>st</sup> March 2017.

## RELATED PARTY TRANSACTIONS

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and on an arm's length basis and do not attract the provisions of Section 188 of the Companies Act, 2013.

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

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act, are provided in **Annexure: IV** to this Report.

## **ANNUAL RETURN**

The Extract of Annual Return as required under Section 92(3) of the Companies Act, 2013 in Form MGT-9 is annexed as **Annexure: V** herewith for your kind perusal and information.

## **CORPORATE GOVERNANCE**

At Penna, it is our firm belief that the quintessence of Good Corporate Governance lies in the phrase 'Your Company'. It is 'Your Company because it belongs to you — the stakeholders. The Chairman and Directors are 'Your fiduciaries and trustees.

Your Company has evolved and followed the corporate governance guidelines and best practices sincerely to not just boost long-term shareholder value, but to also respect minority rights. We consider it our inherent responsibility to disclose timely and accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

Your Company is devoted to benchmarking itself with global standards for providing Good Corporate Governance. The Companies Act, 2013 has strengthened the governance regime in the country. Your Company is in compliance with the governance requirements provided under the new law and listing regulations.

The Board has also evolved and implemented a Code of Conduct based on the principles of Good Corporate Governance and best management practices being followed globally.

## **RISK MANAGEMENT**

Risks are events, situations or circumstances which may lead to negative consequences on the Company's businesses. Risk management is a structured approach to manage uncertainty. A formal enterprise wide approach to Risk Management is being adopted by the Company and key risks will now be managed within a unitary framework. As a formal roll-out, all business divisions and corporate functions will embrace Risk Management Policy and Guidelines, and make use of these in their decision making. Key business risks and their mitigation are considered in the annual/strategic business plans and in periodic management reviews. The risk management process in our multi-business, multi-site operations, over the period of time will become embedded into the Company's business systems and processes, such that our responses to risks remain current and dynamic.



### INTERNAL FINANCIAL CONTROLS

The Company has in place adequate internal financial controls through robust SAP system with reference to financial statements. During the year, such controls were tested and no reportable material weaknesses in the design or operation were observed.

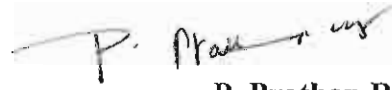
### INDUSTRIAL RELATIONS

The industrial relations continue to be cordial development of human resources at all levels is given utmost importance and continuous training is imparted to improve the productivity, quality, cost control, safety & environment protection.

### ACKNOWLEDGEMENT

Your Directors wish to express their grateful appreciation to the continued co-operation received from the Banks / Financial Institutions, Government Authorities, Customers, Vendors and Shareholders during the year under review. Your Directors also wish to place on record their deep sense of appreciation for the committed service of the Executives, staff and Workers of the Company.

**For and on behalf of the Board of Directors**



**P. Prathap Reddy**  
**Chairman & Managing Director**  
**DIN: 00093176**

**Date: 29<sup>th</sup> May 2017**  
**Place: Hyderabad**

Statement of particulars as per Rule 5 of Companies (Appointment and Remuneration of Managerial personnel) Rules, 2014:

- i. The ratio of the remuneration of each Director to the median remuneration of the employees of the company for the financial year:

Sr. No.	Name of the Director	Ratio of the remuneration to the median remuneration of the employees
	<b>Executive Directors</b>	
1	Mr. P. Prathap Reddy	108.00
2	Mr. B. Vikram Reddy	11.13
3	Mr. D.LakshmiKantham	12.50
4	Mr.PetluruVenugopal Reddy	7.05

- ii. The percentage increase in remuneration of each Director, Chief Financial Officer, Chief Executive Officer, Company Secretary in the Financial Year:

Sr. No.	Name of the Director	Percentage increase in remuneration
1	Mr. P. Prathap Reddy	NIL
2	Mr. B. Vikram Reddy	10%
3	Mr. D.LakshmiKantham	8%
4	Mr.PetluruVenugopal Reddy	14%
5	Mr. Raj Kumar Singh	21%

- iii. The percentage increase in the median remuneration of employees in the Financial Year. 5.75%
- iv. The number of permanent employees on the rolls of company: There are 1023 permanent employees on the rolls of the Company as on 31<sup>st</sup> March 2017.
- v. The explanation on the relationship between average increase in remuneration and company performance:

Sr. No.	Average increase in remuneration	Performance of the Company for the year ended 31 <sup>st</sup> March, 2017
i	5.75%	Net profit of the Company is decreased by 37.71%

- vi. Comparison of the remuneration of the Key Managerial Personnel against the performance of the company:

Sr.No.	Remuneration of Key Managerial Personnel	Performance of the Company for the year ended 31 <sup>st</sup> March, 2017
1	Rs. 11.47 Crores	Rs. 166.50 Crores

- vii. Average percentile increase already made in the salaries of employees other than the managerial personnel in the last financial year and its comparison with the percentile increase in the managerial remuneration and justification thereof and point out if there are any exceptional circumstances for increase in the managerial remuneration. NA
- viii. Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company.

Sr. No.	Name	Remuneration of Key Managerial Personnel	Performance of the Company for the year ended 31 <sup>st</sup> March, 2017
1	Mr. P. Prathap Reddy	8.61	Rs. 166.50 Crores
2	Mr. B. Vikram Reddy	0.90	
3	Mr. D.LakshmiKantham	1.01	
4	Mr.PetluruVenugopal Reddy	0.56	
5	Mr. Raj Kumar Singh	0.24	

- ix. The key parameters for any variable component of remuneration availed by the directors:

Only Salary and allowances are paying on the performance of the Company upon recommendation of Nomination and Remuneration Committee.

- x. The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year. -N.A.-

The Remuneration paid to Key Managerial Personnel is as per the Remuneration policy of the Company.



# B S S & ASSOCIATES COMPANY SECRETARIES

Flat No. 5A, Parameswara Apartments, Beside SBH, Anandnagar, Khairatabad, Hyderabad - 500 004.

Phone : 040 - 40171671, Cell : 9706175099

E-mail : bssass99@gmail.com

Form No. MR-3  
Secretarial Audit Report

For the Financial Year ended on March 31, 2017

[Pursuant to Section 204(1) of the Companies Act, 2013 and  
Rule No. 9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

To,  
The Members,  
Penna Cement Industries Limited,  
H.No.8-2-268/A/1/S & S1, Plot No.705,  
Road No.3, Banjara Hills,  
Hyderabad-500034.

We have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Penna Cement Industries Limited (hereinafter called "the Company"). Secretarial Audit was conducted for the financial year ended on March 31, 2017 in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of Penna Cement Industries Limited's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2017, generally complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by the Company for the period according to the provisions of:

- 1) The Companies Act, 2013 (the Act) and the rules made thereunder;
- 2) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made thereunder;
- 3) The Depositories Act, 1996 and the Regulations and Bye-laws framed thereunder;
- 4) Foreign Exchange Management Act, 1999 and the rules and regulations made thereunder to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings.
- 5) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act')-
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - c. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 - Not applicable as the Company did not issue any security during the period under review;



- d. Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999/ Securities Exchange Board of India (Share Based Employee Benefit) Regulations, 2014 - Not applicable as the Company has not granted any Options to its employees during period under review;
  - e. Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 - Not applicable as the Company has not issued any debt securities during the period under review;
  - f. Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client - Not applicable as the Company is not registered as Registrar to an Issue and Share Transfer Agent during the period under review;
  - g. Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 - Not applicable as the Company equity shares not listed on Recognized stock exchange; and
  - h. Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998 - Not applicable as the Company has not bought back of its securities during the period under review.
- 6) Employees Provident Fund and Miscellaneous Provisions Act, 1952
  - 7) Employees State Insurance Act, 1948
  - 8) Employers Liability Act, 1938
  - 9) Environment Protection Act, 1986 and other environmental laws
  - 10) Equal Remuneration Act, 1976
  - 11) Factories Act, 1948
  - 12) Hazardous Wastes (Management and Handling) Rules, 1989 and Amendment Rule, 2003
  - 13) Maternity Benefits Act, 1961
  - 14) Minimum Wages Act, 1948
  - 15) Negotiable Instruments Act, 1881
  - 16) Payment of Bonus Act, 1965
  - 17) Payment of Gratuity Act, 1972
  - 18) Payment of Wages Act, 1936 and other applicable labour laws
  - 19) Laws specially applicable to the industry to which the Company belongs, as identified by the Management:
    - i. Cement Cess Rules, 1993;
    - ii. Cement (Quality Control) Order, 1995;
    - iii. Environmental (Protection) Act, 1986 Read with Environmental Protection Rules, 1986;
    - iv. The Hazardous Wastes (Managements Handling and Transboundry Movement) Rules, 2008;
    - v. The Water (Prevention & Control of Pollution) Act, 1974 read with Water (Prevention & Control of Pollution) Rules, 1975;
    - vi. Water (Prevention & Control of Pollution) Cess Act, 1977;
    - vii. The Air (Prevention & Control of Pollution) Act, 1981 read with Air (Prevention & Control of Pollution) Rules, 1982;
    - viii. The Noise Pollution (Regulation And Control) Rules, 2000
    - ix. Mines Act, 1952 and Rules issued thereunder.



We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by the Institute of Company Secretaries of India;
- (ii) SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

During the period under review the Company has generally complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

**We further report that** on examination of the relevant documents and records and based on the information provided by the Company, its officers and authorized representatives during the conduct of the audit, and also on the review of compliance reports by respective department heads / Company Secretary of the Company, in our opinion, there are adequate systems and processes and control mechanism exist in the Company to monitor and ensure compliance with applicable general laws.

We further report that, that the compliance by the Company of applicable financial laws, like direct and indirect tax laws, has not been reviewed in this audit since the same have been subject to review by internal auditors and other designated professionals.

**We further report that** the Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There were no changes in the composition of Board of Directors during the period under review.

Adequate notice was given to all Directors to schedule the Meetings of the Board and its Committees. Agenda and detailed notes on agenda were sent to all the directors at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications as may be required on the agenda items before the meeting and for meaningful participation at the meeting.

As per the minutes of the meetings duly recorded and signed by the Chairman, the decisions of the Board were unanimous and no dissenting views have been recorded.

**We further report that** there are adequate systems and processes in the Company commensurate with its size and operations to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We Further report that ,during the audit report no event has occurred during the year which has a major bearing on the Company's affairs.

*Place: Hyderabad*

*Date: 22-05-2017*

This Report is to be read with our letter of even date which is annexed as Annexure A and Forms an integral part of this report.

*For B S S & Associates  
Company Secretaries*

*S Srikanth*  
**S. Srikanth**  
Partner  
ACS No.: 22119  
CP No.: 7999



'Annexure A'

To  
The Members,  
Penna Cement Industries Limited,  
H.No.8-2-268/A/1/S & S1, Plot No.705,  
Road No.3, Banjara Hills,  
Hyderabad-500034.

Our report of even date is to be read along with this letter.

1. Maintenance of Secretarial record is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in Secretarial records. We believe that the process and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the Compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedure on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company.

Place: Hyderabad  
Date: 22-05-2017



For B S S & Associates  
Company Secretaries

S. Srikanth  
S.Srikanth  
Partner  
ACS No.: 22119  
C P No.: 7999

**ANNUAL REPORT ON CORPORATE SOCIAL RESPONSIBILITY (CSR) ACTIVITIES:**

**1. A brief outline of the Company's CSR POLICY, including overview of projects or programmes proposed to be undertaken :**

- To uphold and promote the principles of inclusive growth and equitable development.
- Develop community Development plans based on needs and priorities of host communities and measure the effectiveness of community development programmes.
- Work actively in areas of preventive health and sanitation, education, skills for employability, livelihood and income generation, waste resource management and water conservation for host communities for enhancing Human Development Index.
- Collaborate with likeminded bodies like governments, voluntary organizations and academic institutes in pursuit of our goals.
- Interact regularly with stakeholders, review and publicly report our CSR initiatives.

**2. Composition of the CSR Committee:**

The CSR Committee comprises of following Directors namely Mr. P. Munikrishna, Mr. P. Venugopal Reddy and Mr. D. Lakshmi Kantham. Mr. P. Munikrishna is an Independent Director and act as Chairman of the Committee. Company Secretary of the Company acts as Secretary to the Committee.

**3. Average Net Profit of the Company for last three financial years:**

Rs. 191.39 Crores

**4. Prescribed CSR expenditure (two percent of the amount as in item 3 above):Rs. 3.83 Crores**

**5. DETAILS OF CSR SPEND FOR THE FINANCIAL YEAR:**

- a. Total amount spent for the financial year:Rs. 7.40 Crores.
- b. Amount unspent, if any:NIL.

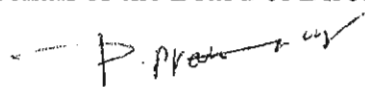


- c. Manner in which the amount spent during the financial year is detailed below:

Manner in which the amount spent during the financial year is detailed below:						
						Rs. In Crores
Sr. No.	CSR Project or Activity Identified	Sector in which the project is covered	Local area or other States / districts, where projects or Programs was undertaken	Amount Outlay (Budget)	Amount Spent	Amount spent through Direct or Implementing agency
1	Healthcare Initiatives	Promoting Healthcare and Sanitation	In the state of Telangana and A.P.	0.02	0.01	Direct
2	Initiatives to promote Education	Promoting Education	In the state of Telangana and A.P.	6.00	5.95	Through "Pioneer Education Trust"
3	Integrated Rural Development	Rural Development Projects	In the state of Telangana and A.P.	1.30	1.44	Direct

*The CSR Committee confirms that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company*

**For and on behalf of the Board of Directors**

  
**P. Prathap Reddy**  
**Chairman & Managing Director**  
**DIN: 00093176**

  
**P. Munikrishna**  
**Chairman of the CSR Committee**

**Place: Hyderabad**  
**Date: 29<sup>th</sup> May 2017**

Annexure – IV

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

(Section 134(3)(m) of The Companies Act, 2013 read with Rule 8 (3) of The  
Companies (Accounts) Rules, 2014)

- 1) The steps taken or impact on conservation of energy: Nil
- 2) The steps taken by the Company for utilizing alternate sources of energy: Nil
- 3) The Capital investment on energy conservation equipments: Nil

The details of the Power and Fuel Consumption and consumption per unit of production for the year under review is given below:

Particulars	Current Year 2016-17	Previous Year 2015-16
<b>A. Power and Fuel Consumption:</b>		
<b>1. Electricity</b>		
<b>a) Purchased:</b>		
Units (kwh)	19,44,91,403	20,45,49,364
Total Amount (Rs. in Crores)	126.59	133.13
Rate/unit (Rs.)	6.51	6.51
<b>b) Own Generation:</b>		
a) Through Diesel Generator	NIL	NIL
Units (kwh)		
Units per liter of oil		
Cost/unit (Rs.)		
b) Through steam turbine/generator		
Units (kwh)	8,64,32,064	8,07,16,959
Total Amount (Rs. In crores)	44.33	47.09
Rate/unit (Rs.)	5.13	5.83
c) Through Waste Heat Recovery		
Units (kwh)	4,79,55,852	1,15,58,566
Total Amount (Rs. In crores)	24.60	6.82
Rate/unit (Rs.)	5.13	5.90
<b>2. Coal and other fuels</b>		
<b>a) Used in Kiln</b>		
Quantity (MTs)	4,19,635	3,77,767
Total Cost (Rs. In crores)	233.34	215.34
Average Rate (Rs.)	5560.51	5700.34
<b>b) Used in Steam Turbine / Generators</b>		
Quantity (MTs)	1,40,326	2,31,507
Total Cost (Rs. In crores)	69.19	115.77
Average Rate (Rs.)	4930.61	5000.71

<b>3. Furnace Oil:</b>	<b>NIL</b>	<b>NIL</b>
Quantity (KL)		
Total Cost (Rs. in lakhs)		
Average Rate (Rs.)		
<b>4. Others/Internal Generation:</b>	<b>NIL</b>	<b>NIL</b>
Quantity (Kwh)		
Total Cost (Rs. in lakhs)		
Rate per unit (Rs.)		
<b>B. Consumption per unit of production</b>		
<b>1. Production ( with details)</b>	<b>Cement</b>	
Electricity ( Kwh)	<b>79.05</b>	<b>81.81</b>
Furnace Oil	--	--
<b>Coal (Ash content 35-45%)(MTs)</b>	<b>0.13</b>	<b>0.13</b>

**Form for disclosure of particulars with respect to Technology Absorption**

**A. Research and Development:** Nil

**B. Technology Absorption, Adoption and Innovation:**

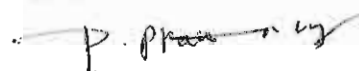
The Company has initially obtained the basic engineering designs and other technical know-how from M/s. Onoda Engineering and Consulting Company Ltd, Japan for the cement plants. Presently, the Company has in-house technical team to handle the projects involving basic and detailed engineering, conceptual plans, layouts etc. The team also handles the ongoing modifications and expansion projects.

**C. Foreign Exchange Earnings and Outgo**

(Rs. In Crores)

Foreign Exchange:	2016-17	2015-16
Foreign Exchange Inflow	2.49	-
Foreign Exchange Outflow	164.14	182.85

For and on behalf of the Board of Directors



**P. Prathap Reddy**  
Chairman & Managing Director  
DIN: 00093176

Date: 29<sup>th</sup> May 2017  
Place: Hyderabad

**PENNA CEMENT INDUSTRIES LTD**

**Annexure- V**

**I. REGISTRATION AND OTHER DETAILS :**

CIN	U26942AP1991PLC013359
Registration Date	24/10/1991
Name of the Company	PENNA CEMENT INDUSTRIES LIMITED
Category / Sub-Category of the Company	Company having share capital / Non Govt. Company
Address of the Registered office and contact details	H.No.8-2-268/A/1/S & S1, Plot No.705, Road No.3, Banjara Hills, Hyderabad- 500034. Telephone : 040-44565100 Email : cs@pennacement.com
Whether listed company	YES
Name and Address of Registrar & Transfer Agents ( RTA )	LINK INTIME INDIA PVT. LTD. Address: C-13, Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup (West), Mumbai – 400 078 Telephone:022 25963838 e-mail id: ganesh.jadhav@linkintime.co.in

**II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY :**

All the business activities contributing 10 % or more of the total turnover of the company shall be stated:-

S.no.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1.	Manufacturing of Cement	26941	96.90%



Sub-total (A) (2):-	-	-	-	-	-	-	-	-	-	-	-	-
Total shareholding of Promoter (A) = (A)(1)+(A)(2)	-	13,355,800	13,355,800	13,355,800	99.82%	-	-	13,355,800	13,355,800	-	99.82%	-
<b>B. Public Shareholding</b>												
1. Institutions												
<b>Sub-total (B)(1):-</b>	-	-	-	-	-	-	-	-	-	-	-	-
2. Non-Institutions												
b) Individuals												
i) Individual shareholders holding nominal share capital upto Rs. 1 lakh		24,200	24,200	24,200	0.18	-	24,200	24,200	24,200	-	0.18	-
<b>Sub-total (B)(2):-</b>	-	24,200	24,200	24,200	0.18	-	24,200	24,200	24,200	-	0.18	-
<b>Total Public Shareholding (B)=(B)(1)+(B)(2)</b>	-	24,200	24,200	24,200	0.18	-	24,200	24,200	24,200	-	0.18	-
<b>C. Shares held by Custodian for GDRs &amp; ADRs</b>												
<b>Grand Total (A+B+C)</b>	-	13,380,000	13,380,000	13,380,000	100.00	-	13,380,000	13,380,000	13,380,000	-	100.00	-

**B. Shareholding of Promoters**

S.no	Shareholder's Name	Shareholding at the beginning of the year			Shareholding at the end of the year			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1.	P. Prathap Reddy	13,58,500	10.15	-	13,58,500	10.15	-	NIL
2.	P. Prathap Reddy (HUF)	45,000	0.34	-	45,000	0.34	-	NIL
3.	P.V. Lakshmi	75,000	0.56	-	75,000	0.56	-	NIL
4.	P. Deepthi Reddy	25,000	0.19	-	25,000	0.19	-	NIL
5.	P. Divya Priyanka Reddy	40,000	0.30	-	40,000	0.30	-	NIL
6.	P. Padmaja	35,000	0.26	-	35,000	0.26	-	NIL
7.	P. Ramesh Reddy	60,000	0.45	-	60,000	0.45	-	NIL
8.	P. Supriya	15,000	0.11	-	15,000	0.11	-	NIL
9.	P. Venugopal Reddy	30,000	0.22	-	30,000	0.22	-	NIL
10	P. Chandana	35,000	0.26	-	35,000	0.26	-	NIL
11.	P. Neelima Reddy	35,000	0.26	-	35,000	0.26	-	NIL

12.	P. Niharika	50,000	0.37	-	50,000	0.37	-	NIL
13.	P. Nirupama	40,000	0.30	-	40,000	0.30	-	NIL
14.	J. C. Samyukta	40,000	0.30	-	40,000	0.30	-	NIL
15.	N. Radha Krishna Reddy	210	0.00	-	210	0.00	-	NIL
16.	P. Prathap Reddy, Managing Partner, Pioneer Builders	70,09,480	52.39	-	70,09,480	52.39	-	NIL
17.	P.R. Cement Holdings Limited	44,60,110	33.33	-	44,60,110	33.33	-	NIL
18.	Apeetha Enterprises Private Limited	2,500	0.02	-	2,500	0.02	-	NIL
	<b>TOTAL</b>	<b>1,33,55,800</b>	<b>99.82</b>	<b>-</b>	<b>1,33,55,800</b>	<b>99.82</b>	<b>-</b>	

**C. Change in Promoters' Shareholding**

Sr. No.	Name	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year		
			No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company	
	NIL						



**D. Shareholding Pattern of top ten Shareholders (other than promoters and holders of GDR's and ADR'S)**

Sr. No.	Name	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	K.Preeti	6,000	0.04	6,000	0.04
2.	R. Prabhakar Reddy	5,000	0.04	5,000	0.04
3.	Sunil Chandra Reddy	2,500	0.02	2,500	0.02
4.	Sanjeev Kumar Gupta	1,900	0.01	1,900	0.01
5.	Sheela Devi	1,100	0.01	1,100	0.01
6.	Anubhav Gupta	1,000	0.01	1,000	0.01
7.	Dalip Kumar Gupta	1,000	0.01	1,000	0.01
8.	Sudhir Kumar Gupta	1,000	0.01	1,000	0.01
9.	Anil Kumar Gupta	1,000	0.01	1,000	0.01
10.	Shankuntla Gupta	1,000	0.01	1,000	0.01

**E. Shareholding of Directors and Key Managerial Personnel**

Sr. No.	Name	Particulars	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
			No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1.	P. Prathap Reddy	Chairman & Managing Director	13,58,500	10.15%	13,58,500	10.15%
2.	P. Deepthi Reddy	Director	25,000	0.19%	25,000	0.19%
3.	P. Venugopal Reddy	Director	30,000	0.22%	30,000	0.22%

V. INDEBTEDNESS:

Particulars	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
<b>Indebtedness at the beginning of the financial year</b>				
i) Principal Amount	454.83	237.39	-	692.22
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.21	-	-	0.21
<b>Total (i+ii+iii)</b>	<b>455.04</b>	<b>237.39</b>	-	<b>692.43</b>
<b>Change in Indebtedness during the financial year</b>				
Addition	267.82	-	-	267.82
Reduction	140.92	17.95	-	158.87
<b>Net Change</b>	<b>126.90</b>	<b>(17.95)</b>	-	<b>108.95</b>
<b>Indebtedness at the end of the financial year</b>				
i) Principal Amount	581.62	219.44	-	801.06
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	0.32	-	-	0.32
<b>Total (i+ii+iii)</b>	<b>581.94</b>	<b>219.44</b>	-	<b>801.38</b>

## VI. REMUNERATION OF DIRECTORS AND KEY MANAGERIAL PERSONNEL :

### A Remuneration to Managing Director, Whole-time Directors and/or Manager

Sr. No.	Name of MD / WTD / Manager	Gross salary			Stock Option	Sweat Equity	Commission as % of profit	Others	Total	Ceiling as per the Act
		(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	(b) Value of perquisites u/s 17(2) of Income-tax Act, 1961	(c) Profits in lieu of salary under section 17(3) of Income-tax Act, 1961						
1.	Mr.. P. Prathap Reddy	1.20	-	7.41	-	3%	-	8.61		
2.	Mr.. B. Vikram	0.90	-	-	-	-	-	0.90		
3.	Mr.. D. Lakshmi Kantham	1.01	-	-	-	-	-	1.01		

### B. Remuneration to other directors

#### 1. Independent Directors

Sr. No.	Name of the Director	Particulars of Remuneration			Total Amount in Rs.
		Fees For Attending Board Meeting/Committee Meeting	Commission	Others, if Any	
1.	Mr..P. Mumukrishna	35,000	-	-	35,000
2.	Mr.. Y. Santosh Kumar Reddy	15,000	-	-	15,000
3.	Mr.. U. R Rao	35,000	-	-	35,000
	<b>Total</b>	<b>85,000</b>	<b>-</b>	<b>-</b>	<b>85,000</b>

2. Other Non-Executive Directors

Sr. No	Name of the Director	Particulars of Remuneration			Total Amount in Rs.
		Fees For Attending Board Meeting/Committee Meeting	Commission	Others, if Any	
1.	Mr. P. Venugopal Reddy	35,000	-	-	35,000
2.	Smt. P. Deepthi Reddy	20,000	-	-	20,000
	<b>Total</b>	<b>55,000</b>	<b>-</b>	<b>-</b>	<b>55,000</b>

C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD

S.No.	Name of Key Managerial Personnel	Gross salary			Stock Option	Sweat Equity	Commission as % of profit	Commission others	Total
		(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	(b) Value of perquisite s u/s 17(2) Income-tax Act, 1961	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961					
1.	Mr. Petluru Venugopal Reddy	0.56	-	-	-	-	-	-	0.56
2.	Mr. Raj Kumar Singh	0.24	-	-	-	-	-	-	0.24

For and on behalf of the Board of Directors

*P Prathap Reddy*

P. Prathap Reddy  
Chairman & Managing Director  
DIN: 00093176

Date: 29<sup>th</sup> May 2017  
Place: Hyderabad



## INDEPENDENT AUDITORS' REPORT

To  
The Members of M/s Penna Cement Industries Limited

### Report on the Standalone Ind AS Financial Statements

We have audited the accompanying standalone Ind AS financial statements of **M/s. Penna Cement Industries Limited** ('the Company'), which comprise the balance sheet as at March 31, 2017, the statement of profit and loss (including other comprehensive income), the statement of cash flows and the statement of changes in equity for the year then ended and a summary of the significant accounting policies and other explanatory information (herein after referred to as "standalone Ind AS financial statements").

### Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone Ind AS financial statements that give a true and fair view of the financial position, financial performance including other comprehensive income, cash flows and changes in equity of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) prescribed under Section 133 of the Act read with relevant rules issued thereunder.

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone Ind AS financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these standalone Ind AS financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the standalone Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the standalone Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances.

An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the standalone Ind AS financial statements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone Ind AS financial statements.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India including the Ind AS, of the financial position of the Company as at 31 March, 2017, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

## Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2016 ("the Order") issued by the Central Government of India in terms of section 143(11) of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

2. As required by Section 143(3) of the Act, we report that:

(a) we have sought and 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 it appears from our examination of those books;

(c) the balance sheet, the statement of profit and loss, the statement of cash flows and the statement of changes in equity dealt with by this Report are in agreement with the books of account;

(d) in our opinion, the aforesaid standalone Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act read with relevant rule issued thereunder;

(e) on the basis of the written representations received from the directors as on March 31, 2017 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2017 from being appointed as a director in terms of Section 164 (2) of the Act;

(f) with respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure B"; and

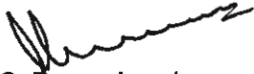
(g) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. the Company has disclosed the impact of pending litigations on its financial position in its standalone Ind AS financial statements – Refer Note 26(A(b)) to the standalone Ind AS financial statements;
- ii. There is no requirement for any provision as required by any act or Accounting Standards for material foreseeable losses, if any, on long term contracts including derivative contracts.
- iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company; and



- iv. the Company has provided requisite disclosures in its standalone Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November, 2016 to 30 December, 2016 and these are in accordance with the books of accounts maintained by the Company. Refer Note 27(N) to the standalone Ind AS financial statements.

**For C.Ramachandram & Co.,**  
Chartered Accountants,  
Firm Registration No. 002864S



**C. Ramachandram**  
Partner  
M.No:025834

Place: Hyderabad  
Date: May 29, 2017



## Annexure A to the Auditors' Report

**Annexure referred to in paragraph under 'Report on Other Legal and Regulatory Requirements' section of our report of the Independent Auditors' Report of even date of Penna Cement Industries Limited, on the standalone financial statements for the year ended March 31, 2017**

- i. In terms of the information and explanations sought by us and given by the company and the books and records examined by us in the normal course of audit and to the best of our knowledge and belief, we state the following:
  - a. The Company has maintained proper records showing full particulars, including quantitative details and situation for all fixed assets.
  - b. The company has a regular programme of physical verification of fixed assets by which fixed assets were verified in a phased manner over a period of three years. In accordance with this programme, certain fixed assets were verified during the year and no material discrepancies were noticed on such verification. In our opinion, this periodicity of physical verification is considered reasonable having regard to the size of the company and its operations.
  - c. According to information and explanation given to us, title deeds of immovable Properties are held in the name of the company.
- ii. Physical verification of inventory has been conducted at reasonable intervals by the management and no material discrepancies were noticed during such physical verification.
- iii. The company has not granted any loans, secured or unsecured to Companies, Firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. Thus, paragraph 3(iii) of the Order is not applicable to the company. However the company has given advances to the companies, firms, other parties covered in the register maintained under section 189 of the Act, and in our opinion and to the best of our examination, the terms are not prejudicial to the interests of the company. The amount outstanding as on the date of Balance sheet is Rs 67.67 crores (three parties)
- iv. The Company has not made any transactions in the nature of loans, investments, guarantees, and security, where provisions of section 185 and 186 of the Companies Act, 2013 are applicable. Thus, paragraph 3(iv) of the Order is not applicable to the Company.
- v. The company has not accepted any deposits, within the meaning of provisions of Sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed there under. Thus, paragraph 3(v) of the Order is not applicable to the company.
- vi. We have broadly reviewed the cost records maintained by the Company pursuant to the Companies (Cost Records and Audit) Rules, 2014, as amended and prescribed by the Central Government under sub-section (1) of Section 148 of the Companies Act, 2013, and are of the opinion that, prima facie, the prescribed cost records have been made and maintained.
- vii. (a)The Company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, cess and any other statutory dues to the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, income tax, duty of customs, service tax, cess and other material statutory dues were in arrears as at March 31, 2017 for a period of more than six months from the date they became payable.

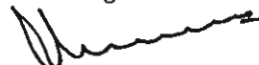
(b)According to the information and explanations given to us, details of dues of sales tax, service tax, excise duty, customs duty and cess which have not been deposited as on March 31, 2017 on account of any dispute is enclosed as Annexure – C.
- viii. In our opinion and according to information and explanations given to us, , the company has not defaulted in payment of dues to Banks, Government, Financial institutions and Debenture holders as on the date of balance sheet.





- i. The company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) during the reporting period. Term loans availed during the reporting period was fully utilised for the purposes for which those were raised.
- ii. According to the information and explanations given to us, no material fraud by the company or on the company by its officers or employees has been noticed or reported during the course of our audit.
- iii. According to information and explanation given to us, the company has provided managerial remuneration in accordance with Section 197 read with schedule V to the Companies Act, 2013.
- iv. In our opinion, the company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable for the company.
- v. In our opinion and according to information and explanations given to us, all transactions with the related parties are in compliance with Sections 177 and 188 of Companies Act, 2013 and the details of such transactions have been disclosed in the Ind AS Financial statements of the company as required by applicable Accounting Standards.
- vi. According to information and explanation given to us, the company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year.
- vii. According to information and explanation given to us, the company has not entered into non-cash transactions with directors or any persons connected with him. Thus, paragraph 3(xiv) of the Order is not applicable to the company.
- viii. In our opinion, the company is not required to be registered under section 45IA of Reserve Bank of India Act 1934. Thus, paragraph 3(xv) of the Order is not applicable to the company.

**For C.Ramachandram & Co.,**  
Chartered Accountants,  
Firm Registration No. 002864S



**C. Ramachandram**  
Partner  
M.No:025834



Place: Hyderabad  
Date: May 29, 2017

## **Annexure - B to the Auditors' Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **M/s. Penna Cement Industries Limited** ("the Company") as of March 31, 2017 in conjunction with our audit of the standalone Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the standalone Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

#### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

A company's internal financial control over financial reporting includes those policies and procedures that

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.




## **Inherent Limitations of Internal Financial Controls Over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

**For C.Ramachandram & Co.,**  
Chartered Accountants,  
Firm Registration No. 002864S

  
**C. Ramachandram**  
Partner  
M.No:025834



Place: Hyderabad  
Date: May 29, 2017

## Annexure - C

Name of the statute	Nature of the dues	Amount in Rs.	Period to which the amount relates	Forum where dispute is pending
Income Tax	Disallowance of ROC fee & Licence fee & foreign travel	42,78,341	Assessment Year 2008-09	Appealed to ITAT
	Disallowance	4,44,467	Assessment Year 2010-11	
	Disallowance	25,57,190	Assessment Year 2011-12	
	Disallowance	3,39,06,244	Assessment Year 2013-14	Appealed to CIT(A)
	Disallowance	6,88,04,650	Assessment Year 2014-15	
<b>TOTAL</b>		<b>10,99,90,892</b>		
Excise	Clinker Supplied to SEZ	73,63,757	Feb -13 to Oct -13	Commissioner of Tirupathi
	Clinker Supplied to SEZ	1,19,12,267	Mar -12 to Jan -13	CESTAT, Hyderabad
	Inputs/Capital Goods	9,59,58,222	Jan -09 to Dec -10	CESTAT, Hyderabad
	Inputs/Capital Goods	3,26,943	Jul -01 to Feb -02	CESTAT, Hyderabad
	Inputs/Capital Goods	2,11,834	May -09 to Nov -11	CESTAT, Hyderabad
	Input credit on Clean Energy Cess	67,50,000	April-10 to Feb-15	CESTAT, Hyderabad
	Industrial/Institutional sale	88,86,579	April -07 to Feb-09	Commissioner, Hyderabad
	Industrial/Institutional sale	1,07,68,730	Mar -07 to Feb -09	CESTAT, Hyderabad
	Industrial/Institutional sale	5,97,79,383	Nov -13 to Mar -16	Commissioner, Tirupathi
	Self Consumption/ Govt. Supplies	1,28,53,639	Mar -07 to Jul -09	CESTAT, Hyderabad
	Self Consumption/ Govt. Supplies	2,80,24,214	Aug -09 to Feb-12	Supreme Court
F.O.R Based Dispatches	4,30,26,921	April -15 to Feb-16	CESTAT, Hyderabad	
Customs Duty	Customs Duty on Coal	22,71,49,964	Mar -12 to Dec -12	Larger Bench -Supreme Court
Service tax	Service Tax Credit on Freight (GTA)	5,47,37,755	Jan -09 to Dec -10	CESTAT, Hyderabad
	Service Tax Credit on Freight (GTA)	1,45,30,310	Aug -06 to Sep-10	Commissioner, Tirupathi
<b>TOTAL</b>		<b>58,22,80,518</b>		
Sales Tax	Disputed tax for 1996-97 Assessment Houser TNGST @16%	1,07,200	1996-97	Appeal pending with T N High Court
	ITC Dispute Tax 2008-09	41,18,956	2008-09	ADC Remanded, AC (CT) Passed Orders, On 01-10-14
	ITC Dispute Tax 2009-10	72,05,627	2009-10	ADC Remanded, AC (CT) Passed Orders, On 01-10-14
	ITC Dispute Tax 2009-10	46,97,089	2009-10	ADC Remanded, AC (CT) Passed Orders, On 01-10-14
<b>TOTAL</b>		<b>1,61,28,872</b>		



PENNA CEMENT INDUSTRIES LTD  
BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2017

Particulars	Notes	As At 31-03-2017 Rs in Crores	As At 31-03-2016 Rs in Crores	As At 01-04-2015 Rs in Crores
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS:</b>				
a) Property, Plant and Equipment	2	1113.85	1182.24	1090.36
b) Capital Work-in-Progress		384.87	179.28	62.73
c) Intangible Assets		1.06	1.73	2.40
d) Investments in Subsidiaries & Associates	3	74.92	74.92	74.92
e) Financial Assets				
i) Investments	3	1.70	1.70	1.70
ii) Others	5	24.30	15.27	33.13
f) Other Non-Current Assets	6	34.94	22.72	22.72
<b>Total Non-Current Assets</b>		<b>1635.64</b>	<b>1477.86</b>	<b>1287.96</b>
<b>CURRENT ASSETS:</b>				
a) Inventories	7	273.51	217.05	167.07
b) Financial Assets				
i) Investments	3	34.43	16.23	17.44
ii) Trade Receivables	4	85.96	111.84	86.55
iii) Cash and Bank Balances	8	20.23	68.77	36.96
iv) Others	5	96.50	15.70	32.40
c) Other Current Assets	6	278.76	207.85	157.99
<b>Total Current Assets</b>		<b>789.39</b>	<b>637.44</b>	<b>498.41</b>
<b>Total Assets</b>		<b>2425.03</b>	<b>2115.30</b>	<b>1786.37</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE HOLDER'S FUNDS</b>				
a) Equity Share Capital	9	13.38	13.38	13.38
b) Other Equity	10	840.26	681.81	422.57
<b>Total Equity</b>		<b>853.64</b>	<b>695.19</b>	<b>435.95</b>
<b>NON-CURRENT LIABILITIES:</b>				
a) Financial Liabilities				
i) Borrowings	11	689.53	453.00	453.98
ii) Trade Payables	12	123.49	79.71	54.40
iii) Other financial liabilities	13	37.80	123.99	76.20
b) Provisions	14	5.19	4.60	3.62
c) Deferred Tax Liabilities (Net)	15	194.47	182.68	144.72
<b>Total Non-Current Liabilities</b>		<b>1050.48</b>	<b>843.98</b>	<b>732.92</b>
<b>CURRENT LIABILITIES:</b>				
d) Financial Liabilities				
i) Borrowings	17	213.03	227.42	186.62
ii) Trade Payables	12	97.14	47.86	103.25
iii) Other financial liabilities	13	107.85	210.48	258.84
iv) Current Tax Liabilities	15	80.64	83.57	68.48
e) Provisions	14	0.58	0.35	0.31
f) Other Current Liabilities	16	21.67	6.45	...
<b>Total Current Liabilities</b>		<b>520.91</b>	<b>576.13</b>	<b>617.50</b>
<b>Total Equity and Liabilities</b>		<b>2425.03</b>	<b>2115.30</b>	<b>1786.37</b>
<b>Significant Accounting Policies</b>				
1				

Accompanying Notes are an integral part of the Financial Statements

As per our Report of even date

for and on behalf of the Board of Directors

For C. Ramachandram & Co.  
Chartered Accountants

C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S

Place: Hyderabad  
Date: 29-05-2017



P. Prathap Reddy  
Chairman and Managing Director  
DIN: 00093176

P. Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878

B. Vikram  
Executive Director  
DIN:02086809

Raj Kumar Singh  
Company Secretary  
M.No:14265



**PENNA CEMENT INDUSTRIES LTD**


**STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017**

Particulars	Notes	Year ended 31-03-2017 Rs in Crores	Year ended 31-03-2016 Rs in Crores
<b>REVENUE</b>			
Revenue from operations	18	1850.50	1889.90
Trade Sale		29.83	...
Other Income	19	5.16	56.73
<b>Total Revenue</b>		<b>1885.49</b>	<b>1946.63</b>
<b>EXPENSES</b>			
Cost of materials consumed	20	255.13	282.15
Other Manufacturing Expenses	21	482.69	454.58
Trade Purchase		28.71	...
Changes in Inventories of Finished Goods & Stock in Process	22	6.96	0.43
Employee benefit expense	23	76.25	65.41
Finance costs	24	57.53	63.60
Other expenses	25	659.40	615.45
Depreciation and amortisation expense	2	80.33	75.98
<b>Total Expenses</b>		<b>1647.00</b>	<b>1557.60</b>
<b>Profit before tax</b>		<b>238.49</b>	<b>389.03</b>
<b>Tax Expense</b>			
Current Tax		80.98	89.72
MAT Credit		...	(20.78)
Deferred Tax	15	(8.99)	52.80
<b>Total tax expense</b>		<b>71.99</b>	<b>121.74</b>
<b>Profit for the period</b>		<b>166.50</b>	<b>267.29</b>
<b>Earnings per equity share</b>			
Basic & Diluted Earnings per share		124.44	199.77
<b>Significant Accounting Policies</b>			
1			
<b>Accompanying Notes are an integral part of the Financial Statements</b>			

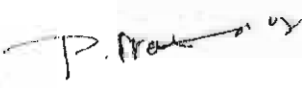
As per our Report of even date

for and on behalf of the Board of Directors

**For C. Ramachandram & Co.  
Chartered Accountants**

  
C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S



  
P. Prathap Reddy  
Chairman and Managing  
Director  
DIN: 00093176

  
Bezawada Vikram  
Executive Director  
DIN:02086809

Place: Hyderabad  
Date: 29-05-2017

  
Petluru Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878

  
Raj Kumar Singh  
Company Secretary  
M.No:14265



**PENNA CEMENT INDUSTRIES LTD**

**STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2017**

**A. EQUITY SHARE CAPITAL**

Particulars	No. of shares	Amount
<b>Equity shares of Rs. 10 each issued, subscribed and paid-up</b>		
As at April 1, 2015	1,33,80,000	13,38,00,000
At March 31, 2016	1,33,80,000	13,38,00,000
At March 31, 2017	1,33,80,000	13,38,00,000

**B. OTHER EQUITY**

Particulars	Reserves & Surplus				Total
	Fair Value Reserve	Debenture Redemption Reserve	General Reserve	Retained Earnings	
<b>As at April 1, 2015</b>	<b>(6.34)</b>	<b>35.00</b>	<b>...</b>	<b>393.91</b>	<b>422.57</b>
Profit for the year	...			267.29	267.29
Proposed Dividend	...			(6.69)	(6.69)
Dividend Distribution Tax	...			(1.36)	(1.36)
Transfer to General Reserve	...		35.00	(35.00)	...
<b>As at April 1, 2016</b>	<b>(6.34)</b>	<b>35.00</b>	<b>35.00</b>	<b>618.15</b>	<b>681.81</b>
Profit for the year	...			166.50	166.50
Proposed Dividend	...			(6.69)	(6.69)
Dividend Distribution Tax	...			(1.36)	(1.36)
<b>As at April 1, 2017</b>	<b>(6.34)</b>	<b>35.00</b>	<b>35.00</b>	<b>776.60</b>	<b>840.26</b>

Rs. In Crores

Significant Accounting Policies


1

Accompanying Notes are an integral part of the Financial Statements


As per our Report of even date

for and on behalf of the Board of Directors

For C. Ramachandram & Co.  
Chartered Accountants


  
C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S




  
P. Prathap Reddy  
Chairman and Managing  
Director  
DIN: 00093176

  
Bezawada Vikram  
Executive Director  
DIN:02086809

Place: Hyderabad  
Date: 29-05-2017

  
Petluru Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878

  
Raj Kumar Singh  
Company Secretary  
M.No:14265

PENNA CEMENT INDUSTRIES LTD

CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017

Particulars	2016-2017 Rs in Crores	2015-2016 Rs in Crores
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax and Extraordinary Items	238.49	389.03
<b>Adjustments for:</b>		
Depreciation	80.33	75.98
Interest Expenses	57.52	63.60
Provision for Retirement Benefits	1.83	0.69
Foreign Exchange (gain/loss)	1.30	1.60
Profit on sale of Assets	(0.02)	(0.01)
Interest Income	(3.90)	(3.25)
Dividend Income	...	(6.60)
<b>Operating Profit before Working Capital Charges</b>	<b>375.55</b>	<b>521.04</b>
Movements in Working Capital		
Increase/(Decrease) in Trade Payable & Other Liabilities	(37.90)	(97.26)
(Increase) / Decrease in Trade Receivables	25.89	(25.30)
(Increase) / Decrease in Inventories	(56.46)	(49.97)
(Increase) / Decrease in Loans & Advances	(100.58)	50.92
<b>Cash Generated from Operations</b>	<b>206.50</b>	<b>399.43</b>
Income Tax	(46.23)	(75.15)
<b>Net Cash from Operating Activities (A)</b>	<b>160.22</b>	<b>324.28</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets (incl. CWIP)	(217.10)	(283.78)
Sale of Fixed Assets	0.24	0.05
Long Term Loans & Advances	(9.03)	17.86
Purchase of Investments	(18.21)	1.21
Interest Income	3.90	3.25
Dividend Income	...	6.60
<b>Net Cash from Investing Activities (B)</b>	<b>(240.20)</b>	<b>(254.81)</b>
<b>C. Cash Flow from Financing Activities</b>		
Repayment of Borrowings	(128.67)	(140.09)
Proceeds from Borrowings	267.49	100.00
Long Term Liabilities & Provisions	(41.81)	74.08
Dividend & Dividend Tax Paid	(8.05)	(8.05)
Interest Paid	(57.52)	(63.60)
<b>Net Cash from Financing Activities (C)</b>	<b>31.44</b>	<b>(37.66)</b>
<b>Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)</b>	<b>(48.54)</b>	<b>31.81</b>
<b>Cash and Cash Equivalents – Opening Balance</b>	<b>68.77</b>	<b>36.96</b>
<b>Cash and Cash Equivalents – Closing Balance</b>	<b>20.23</b>	<b>68.77</b>





## PENNA CEMENT INDUSTRIES LTD

### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

#### a) Basis of Accounting and preparation of financial statements

These financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015. For all periods, up to and including the year ended 31 March 2016, the Company prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of Companies (Accounts) Rules, 2014. These financial statements for the year ended 31 March 2017 are the first the Company has prepared in accordance with Ind AS.

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the statement of financial position:

- certain financial assets are measured at fair value;
- employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation;
- long term borrowings, except obligations under finance leases, are measured at amortized cost using the effective interest rate method; and

#### b) Current and Non-Current classification

All the assets and liabilities have been classified as current or non-current as per the Company's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

##### Assets:

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within twelve months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

##### Liabilities:

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Company's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Company does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

#### c) Use of Estimates

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

**PENNA CEMENT INDUSTRIES LTD**

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements.

**d) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Revenue from Power Supply is accounted for on the basis of billings to consumers/State Transmission Utility and includes unbilled revenues accrued up to the end of the accounting year.

Dividend income on investments is accounted for when the right to receive the same is established.

Interest income is recognized using the time-proportion method, based on rates implicit in the transaction.

Insurance and other claims, where quantum of accruals cannot be ascertained with reasonable certainty, are accounted on acceptance basis.

**e) Inventory:**

- i) Inventory of raw materials are valued at lower of cost or net realizable value. Cost is determined using weighted average cost method.
- ii) Inventory of work-in-progress is valued at cost.
- iii) Inventory of finished goods at factory is valued at lower of cost or net realizable value. Cost includes direct materials, labour, a proportion of manufacturing overheads based on normal operating capacity and all charges incurred in bringing the goods to the point of sale. Stocks with consignment agents / branches are valued at cost inclusive of excise duty and freight. Net realizable value is the estimated selling price in the ordinary course of business; less estimated cost of completion and estimated costs necessary to make the sale.
- iv) Stores and spares, packing materials are valued at cost.

**f) Property, plant and equipment*****Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

## PENNA CEMENT INDUSTRIES LTD

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the statement of profit and loss.

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Incidental Expenditure during construction period is grouped under Capital Work-in-Progress (CWIP). CWIP is stated at the amount expended up to the date of Balance Sheet. Upon commencement of commercial production, the expenditure is allocated to buildings and plant and machinery in the ratio of their direct cost.

CENVAT: With regard to Cement Division, CENVAT claimed on Capital Goods is credited to Plant & Machinery/Capital Work-in-Progress Account. However, with regard to Power Division, no CENVAT is claimed on Capital Goods.

### **Depreciation:**

Depreciation is recognized in the income statement on a straight line basis over the estimated useful lives of property, plant and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not depreciated. Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

<b>Particulars</b>	<b>Life in No. of Years</b>
Buildings - Factory	30
Buildings - Non-Factory	61
Plant and Machinery	19
Railway Siding	21
Furniture & Fixtures	16
Office Equipment - Others	21
Office Equipment - Computers	6
Vehicles	11
Software	6

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## PENNA CEMENT INDUSTRIES LTD

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Company believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Company are different from those prescribed in the Schedule.

### g) Foreign Currency Transactions:

#### **Functional currency**

The financial statements are presented in Indian rupees, which is the functional currency of our company. Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the statement of Profit and Loss. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

### h) Government Grants/Subsidies:

The Company recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented in the balance sheet by setting up the grant as deferred income.

Revenue Government Grants or Subsidies relating to an expense item are recognized as income over the period to match them on a systematic basis to the costs for which they are intended to compensate.

### i) Employee benefits:

#### **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### **Defined contribution plans**

The Company's contributions to defined contribution plans are charged to the income statement as and when the services are received from the employees.

#### **Defined benefit plans**

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation

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## PENNA CEMENT INDUSTRIES LTD

### **Compensated absences**

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilized compensated absences and utilize them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at the statements of financial position date. Such measurement is based on actuarial valuation as at the statements of financial position date carried out by a qualified actuary.

### **j) Segment Reporting :**

Primary Segment is identified based on the nature of products and services, the different risks and returns and the internal business reporting system.

Secondary and Third segment is identified based on geography in which major operating divisions of the Company operate.

The accounting policies adopted for segment reporting are in line with the accounting policies of the company. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of relationship to the operating activities of the segment. Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market/fair value factors.

### **k) Taxes on Income:**

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the State of Profit and Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Company will pay normal income tax. Accordingly, MAT is recognised as a deferred tax asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Company.

**P PENNA CEMENT INDUSTRIES LTD**

**l) Leases:**

Lease payments under an operating lease are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit of the company.

**m) Earnings Per Share (EPS):**

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**n) Impairment of non-financial Assets:**

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

**o) Provisions:**

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**p) Contingent liabilities & contingent assets**

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 a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

**q) Financial instruments**

**Initial recognition**

The Company recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities that are not at fair value through profit or loss, are added to the fair value on initial recognition.

**Subsequent measurement**

**Non-derivative financial instruments**

**(i) Financial assets carried at amortized cost**

A financial asset is subsequently measured at amortized cost if it is held with a business model whose objective to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**PENNA CEMENT INDUSTRIES LTD**

- (ii) **Financial assets at fair value through other comprehensive income**  
A financial asset is subsequently measured at fair value through other comprehensive income if it is held with a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further in cases where the Company had made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.
- (iii) **Investment in subsidiaries and associates**  
Investment in subsidiaries and associates are carried at cost in the separate financial statements.
- (iv) **Financial liabilities**  
Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to short maturity of these instruments.

**r) First-time adoption of Ind-AS**

These financial statements have been prepared in accordance with Ind AS. For the purpose of transition to Ind AS, the Company followed the guidelines prescribed in Ind AS 101, First time adoption of Indian Accounting Standards, with April 1, 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended 31 March 2017, and the comparative information.

Exemptions on the first time adoption of Ind AS availed in accordance with Ind AS 101 have been set out below:

- (i) **Fixed Assets:** Freehold land and buildings (properties) were carried in the balance sheet prepared in accordance with Indian GAAP on the basis of carrying cost (cost model) on 31 March 2015. The company has elected to regard those carrying costs of property as deemed cost at the date of transition. Accordingly, the Company has not revalued the property at 1 April 2015 again.
- (ii) **Estimates:** The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation.
- (iii) **FVTOCI financial assets:** Under Indian GAAP, the Company accounted for long term investments in unquoted equity shares as investment measured at cost less provision for other than temporary diminution in the value of investments. Under Ind AS, the company has designated such investments as FVTOCI investments. Ind AS 109 requires FVTOCI investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the FVTOCI reserve, net of related deferred taxes.

- (iv) **Trade receivables:** Under Indian GAAP, the company has created provision for impairment of receivables consists only in respect of specific amount for incurred losses. Under Ind AS, impairment allowance has been determined based on Expected Loss model (ECL).

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## Reconciliation of equity as on April 1, 2015, the date of transition:

Particulars	Rs. In Crores
Reserves as on April 1, 2015 (Indian GAAP)	1398.05
<b>Adjustments: (Items that increase the equity)</b>	
Reversal of proposed dividend and associated taxes thereon	8.05
Discounting of Sales Tax Deferment	106.22
Amortization of Processing & Upfront Fees	0.72
Discounting of Capital Creditors	33.57
Discounting of Long Term Liabilities	45.72
Actuary valuation of Leave Encashment	1.50
Deferred Tax on Ind As Adjustments	22.62
<b>Adjustments: (Items that reduce the equity)</b>	
Impact of equity due to transfer on account of Scheme of Arrangement	(1187.30)
Fair valuation of investments in Un-quoted equity shares (APGPCL)	(6.35)
Depreciation on Mining Lease	(0.01)
Actuary valuation of Gratuity	(0.22)
<b>Reserves as on April 1, 2015 (Ind AS)</b>	<b>422.57</b>

## Reconciliation of profit for the year ended March 31, 2016

Particulars	Rs. In Crores
Net profit under previous GAAP	269.14
Discounting of Sales Tax Deferment	(14.99)
Discounting of Capital Creditors	4.03
Discounting of Long Term Liabilities	11.06
Amortization of Processing & Upfront Fees	0.32
Actuary valuation of Gratuity	(0.21)
Actuary valuation of Leave Encashment	(0.50)
Mines Closure Expenditure Recognised	(0.02)
Deferred Tax on Ind As Adjustments	(1.54)
<b>Net profit under Ind AS</b>	<b>267.29</b>

**P PENNA CEMENT INDUSTRIES LTD**

Rs. In Crores

NOTE - 2

**PROPERTY, PLANT & EQUIPMENT**

Particulars	TANGIBLE ASSETS							INTANGIBLE ASSETS			
	Freehold Land	Buildings	Plant & Machinery	Railway Siding	Furniture & Fixtures	Office Equipment	Vehicles	Total	Software	Mining Lease	Total
Cost											
As at 01-04-2015	88.33	287.22	1148.77	84.77	1.23	6.38	11.17	1627.87	4.03	0.18	4.21
Additions	6.30	5.99	151.54	...	0.02	1.43	1.98	167.26	...	...	...
Disposals	...	...	...	...	...	...	0.23	0.23	...	...	...
As at 31-03-2016	94.63	293.21	1300.31	84.77	1.25	7.81	12.92	1794.90	4.03	0.18	4.21
Additions	6.98	...	0.34	...	0.08	1.51	2.61	11.52	...	...	...
Disposals	...	...	...	...	...	...	0.69	0.69	...	...	...
As at 31-03-2017	101.61	293.21	1300.65	84.77	1.33	9.32	14.84	1805.73	4.03	0.18	4.21
Depreciation											
As at 01-04-2015	...	66.16	442.00	18.98	0.79	4.31	5.27	537.51	1.80	0.01	1.81
Charge for the year	...	7.95	61.98	4.03	0.06	0.34	0.97	75.33	0.66	0.01	0.67
Disposals	...	...	...	...	...	...	0.18	0.18	...	...	...
As at 31-03-2016	...	74.11	503.98	23.01	0.85	4.65	6.06	612.66	2.46	0.02	2.48
Charge for the year	...	8.03	65.92	4.03	0.05	0.44	1.20	79.67	0.66	0.01	0.67
Disposals	...	...	...	...	...	...	0.45	0.45	...	...	...
As at 31-03-2017	...	82.14	569.90	27.04	0.90	5.09	6.81	691.88	3.12	0.03	3.15
Net Block											
As At 01-04-2015	88.33	221.06	706.77	65.79	0.44	2.07	5.90	1090.36	2.23	0.17	2.40
As At 31-03-2016	94.63	219.10	796.33	61.76	0.43	3.14	6.86	1182.24	1.57	0.16	1.73
As At 31-03-2017	101.61	211.07	730.75	57.73	0.43	4.23	8.03	1113.85	0.91	0.15	1.06

Rs. in Crores

**CAPITAL WORK-IN-PROGRESS**

Particulars	Civil Work-in-Progress	Plant & Machinery Under Installation	Pre-Operative Expenses	Total
As At 01-04-2015	25.47	37.04	0.22	62.73
As At 31-03-2016	11.97	161.83	5.48	179.28
As At 31-03-2017	62.32	312.81	9.74	384.87

\*Includes Borrowing cost of Rs. 13.71 crores capitalized during the year 2015-16 (Previous year: 14.26 crores )

PENNA CEMENT INDUSTRIES LTD

Rs. In Crores

NOTE - 3	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>NON CURRENT INVESTMENTS - UNQUOTED</b> (valued at cost, unless stated otherwise)			
<b>A. Equity Investment in Govt. or Trust Securities:</b> 5,36,000 Equity Shares of Rs.10/- each in APGPCL	1.70	1.70	1.70
<b>Total</b>	1.70	1.70	1.70
<b>A. Equity Investment in Subsidiaries:</b> 5,83,19,047 Equity Shares of Rs.10/- each in Pioneer Cement Industries Ltd	58.32	58.32	58.32
<b>C. Equity Investments in Associate Companies:</b> 1,32,00,000 Equity Share of Rs.10/- each in Parasakti Cement Industries Ltd	16.60	16.60	16.60
<b>Total</b>	74.92	74.92	74.92
<b>CURRENT INVESTMENTS</b>			
Fixed Deposits with Banks (Margin Money against BG & LC)	34.43	16.23	17.44
<b>Total</b>	34.43	16.23	17.44

Rs. In Crores

NOTE - 4	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>TRADE RECEIVABLES</b> (Unsecured unless otherwise specified)			
<b>CURRENT</b>			
<b>Trade Receivables*</b>			
- Unsecured, considered good	85.96	111.84	86.55
<b>Total</b>	85.96	111.84	86.55

\*Debtors considered good are secured to the extent of Rs.3.45 Crores (previous year Rs.3.67 Crores) by dealer Deposits with the Company.

Rs. In Crores

NOTE – 5	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHER FINANCIAL ASSETS (Unsecured Considered good)</b>			
<b>NON - CURRENT</b>			
Security Deposits	24.30	15.27	33.13
<b>Total</b>	<b>24.30</b>	<b>15.27</b>	<b>33.13</b>
<b>CURRENT</b>			
Advances for Investment	83.28	2.08	23.41
Advances due by Directors or Officers of the Company or any of them either severally or jointly with others or by firms or private companies respectively in which any director is a partner or a Director or Member	13.22	13.62	8.99
<b>Total</b>	<b>96.50</b>	<b>15.70</b>	<b>32.40</b>

Rs. In Crores

NOTE – 6	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHERS</b>			
<b>NON-CURRENT</b>			
Prepaid Expenses	34.94	22.72	22.72
<b>Total</b>	<b>34.94</b>	<b>22.72</b>	<b>22.72</b>
<b>CURRENT</b>			
Advances to Suppliers (recoverable in cash or kind)*	93.48	67.41	72.45
Prepaid Expenses	3.62	4.48	4.03
Govt. Deposits	83.24	80.16	50.36
Cenvat Credits	21.09	10.41	8.76
Advances to Others	6.18	3.55	2.44
Deposit - Others	71.15	41.84	19.95
<b>Total</b>	<b>278.76</b>	<b>207.85</b>	<b>157.99</b>

\* Includes related parties of Rs.67.66 Crores.

Rs. In Crores

NOTE – 7	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>INVENTORIES</b> (Valued at lower of Cost or net realizable value, unless otherwise stated)			
<b>In Stock</b>			
Raw Materials	16.22	6.33	12.97
Fuel	138.27	101.33	61.33
Work-in-Progress	15.93	16.91	24.78
Finished Goods	11.90	17.88	10.44
Stores & Spares	88.05	72.27	53.25
Packing Material	3.14	2.33	4.30
<b>Total</b>	<b>273.51</b>	<b>217.05</b>	<b>167.07</b>

Rs. In Crores

NOTE – 8	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>CASH AND BANK BALANCES</b>			
Cash in Hand	0.11	0.10	0.09
Balance with Banks			
- In Current Account	20.11	68.66	36.87
- In Unpaid Dividend Bank Account	0.01	0.01	...
<b>Total</b>	<b>20.23</b>	<b>68.77</b>	<b>36.96</b>

Rs. In Crores

NOTE – 9	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>SHARE CAPITAL:</b>			
<b>Authorised:</b>			
7,50,00,000 Equity Shares of Rs.10/- each	75.00	75.00	90.00
*(Previous year 7,50,00,000 Equity Shares of Rs.10/- each)			
<b>Issued, Subscribed and Paid Up:</b>			
1,33,80,000 Equity Shares of Rs.10/- each fully paid up (previous year 1,33,80,000 Equity Shares of Rs.10/- each)	13.38	13.38	13.38
<b>Total</b>	<b>13.38</b>	<b>13.38</b>	<b>13.38</b>

- a) The Company has a single class of equity shares. Accordingly, all equity shares rank pari passu with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as and when declared from time to time.
- b) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is set out below:

PENNA CEMENT INDUSTRIES LTD

Particulars	As At 31-03-2017		As At 31-03-2016	
	No. of Shares	Amount	No. of Shares	Amount
Outstanding at the beginning of the year	1,33,80,000	13,38,00,000	1,33,80,000	13,38,00,000
Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Outstanding at the end of the year	1,33,80,000	13,38,00,000	1,33,80,000	13,38,00,000

c) The details of shareholders holding more than 5% equity shares is set below:

Name of the Share Holder	As At 31-03-2017		As At 31-03-2016	
	No. of Shares held in the Company	% of Shares	No. of Shares held in the Company	% of Shares
1. Shri. P. Prathap Reddy	13,58,500	10.15	13,58,500	10.15
2. M/s P. R. Cement Holdings Ltd	44,60,110	33.33	44,60,110	33.33
3. Shri. P. Prathap Reddy, Partner, Pioneer Builders	70,09,480	52.39	70,09,480	52.39

Rs. In Crores

NOTE -10	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>RESERVES &amp; SURPLUS</b>			
<b>General Reserve</b>			
Opening Balance	35.00	...	...
Add: Additions during the year	...	35.00	...
Closing Balance - a	35.00	35.00	...
<b>Debenture Redemption Reserve</b>			
Opening Balance	35.00	35.00	35.00
Add: Additions during the year	...	...	...
Less: Deductions during the year	...	...	...
Closing Balance - b	35.00	35.00	35.00
<b>Profit and Loss account</b>			
Opening Balance	618.15	393.91	278.53
Add: Profit after tax for the year	166.50	267.29	158.43
Sub-total	784.65	661.20	436.96
<b>Appropriations:</b>			
Proposed Dividend on Equity Capital	6.69	6.69	6.69
Dividend Distribution Tax	1.36	1.36	1.36
Transfer to General Reserve	...	35.00	35.00
Sub-total	8.05	43.05	43.05
Closing Balance - c	776.60	618.15	393.91
<b>Items of Other comprehensive income</b>			
<b>Fair Value Reserve</b>			
Opening Balance	(6.34)	(6.34)	(6.34)
Add: Additions during the year	...	...	...
Less: Deductions during the year	...	...	...
Closing Balance - d	(6.34)	(6.34)	(6.34)
<b>Total - Reserves &amp; Surplus (a+b+c+d)</b>	<b>840.26</b>	<b>681.81</b>	<b>422.57</b>

PENNA CEMENT INDUSTRIES LTD

Rs. In Crores

NOTE - 11	Repayment Schedule/ Redemption	Long-Term			Current Maturity of Long-Term Borrowings*		
		As At 31-03-2017	As At 31-03-2016	As At 01-04-2015	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>NON-CURRENT Secured Term Loans from Banks &amp; Financial Institutions</b>							
Non-Convertible Debentures**	June-17 to June-19	24.50	35.00	35.00	10.50	...	....
<b>BANKS:</b>							
1. Bank of Maharashtra	June-15 to Mar-19	42.17	42.18	56.25	...	18.75	18.75
2. Dhanalaxmi Bank Ltd	June-17 to Mar-23	24.00	24.00	15.00	...		
3. The South Indian Bank Ltd	June-17 to Mar-23	50.00	50.00	15.78	...		
4. State Bank of India	June-14 to Sept-16	...	...	19.78	...	19.78	40.00
5. Yes Bank Ltd	June-17 to Mar-23	26.00	26.00	26.00	...		
6. Yes Bank Ltd	June-17 to Mar-23	130.00	35.00	24.00	...		
7. Yes Bank Ltd	June - 19 to May-25	50.00	...	...	...	...	...
8. Syndicate Bank	Nov-11 to Aug-16	...	...	6.84		6.69	15.00
<b>OTHERS:</b>							
9. L&T Fin. Corp. Ltd	Jan-13 to Feb-18	12.47	13.07	43.24	...	29.53	31.00
10. L&T Infrastructure Finance Corporation Ltd	Jan-13 to Feb-18	30.41	30.41	40.26		29.53	31.00
11. L&T Infrastructure Finance Corporation Ltd	Sept-14 to Dec-20	11.97	11.37	41.44		11.02	4.34
12. L&T Infrastructure Finance Corporation Ltd	June-16 to May-20	50.10	25.73	...		6.77	...
13. L&T Infrastructure Finance Corporation Ltd	June-17 to Mar-23	50.00	...	...	...	...	...
14. L&T Infrastructure Finance Corporation Ltd		35.33	...	...	...	...	...
15. Hero Finance Corporation Ltd	Aug-16 to Apr-20	34.16	33.39	...		6.60	...
Prepaid Process Charges Amortized		(1.65)	(1.35)	(0.77)			
<b>Total-a</b>		<b>569.46</b>	<b>324.80</b>	<b>322.82</b>	<b>10.50</b>	<b>128.67</b>	<b>140.09</b>
<b>Unsecured</b>							
Sales Tax Deferment Loan	Mar-15 to Mar-24	120.07	128.20	131.16	24.21	17.95	5.12
<b>Total-b</b>		<b>120.07</b>	<b>128.20</b>	<b>131.16</b>	<b>24.21</b>	<b>17.95</b>	<b>5.12</b>
<b>Total- (a + b)</b>		<b>689.53</b>	<b>453.00</b>	<b>453.98</b>	<b>34.71</b>	<b>146.62</b>	<b>145.21</b>
* Amount disclosed under the head "Other Current Liabilities" (Note 14 & 16)							
**Non-Convertible Debentures are issued with the coupon rate of 12.25% per annum.							

**Long-Term Borrowings:**

All Secured Long-Term Borrowings are secured by first charge by way of joint equitable mortgage on the immovable and movable assets of the Company present and future subject to prior charge on the movable assets in favour of Sate Bank of India, IDBI Bank Ltd and YES Bank Ltd for their working capital facilities. All secured long term borrowings except NCDs are further secured by personal guarantee of Shri P. Prathap Reddy, Chairman and Managing Director.

PENNA CEMENT INDUSTRIES LTD

Rs. In Crores

NOTE – 12	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>TRADE PAYABLES</b>			
<b>NON - CURRENT</b>			
Creditors for Goods	123.49	79.71	54.40
<b>Total</b>	<b>123.49</b>	<b>79.71</b>	<b>54.40</b>
<b>CURRENT</b>			
Creditors for Goods	36.23	24.18	44.07
Creditors for Services	60.91	23.68	59.18
<b>Total</b>	<b>97.14</b>	<b>47.86</b>	<b>103.25</b>

Rs. In Crores

NOTE – 13	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHER FINANCIAL LIABILITIES</b>			
<b>NON-CURRENT</b>			
Deposits received from Dealers	37.57	123.79	76.02
Liability towards Mines Closure	0.23	0.20	0.18
<b>Total</b>	<b>37.80</b>	<b>123.99</b>	<b>76.20</b>
<b>CURRENT</b>			
Current maturities of long-term debt	10.50	128.67	140.09
Other Payables (incl. Power, Sales Commissions etc.)	15.16	18.59	37.61
Interest Accrued but not due	0.32	0.21	0.09
Advances from Related Parties	8.95	18.52	33.40
Unclaimed Dividend	0.01	0.01	0.01
Salary and Bonus payable	0.05	0.03	...
Duties & Taxes Payable	72.86	44.45	47.64
<b>Total</b>	<b>107.85</b>	<b>210.48</b>	<b>258.84</b>

Rs. In Crores

NOTE – 14	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>PROVISIONS</b>			
<b>NON - CURRENT</b>			
Employee Benefits			
- Leave Encashment	3.86	3.05	2.85
- Gratuity	1.33	1.55	0.77
<b>Total</b>	<b>5.19</b>	<b>4.60</b>	<b>3.62</b>
<b>CURRENT</b>			
Employee Benefits			
- Leave Encashment	0.12	0.10	0.09
- Gratuity	0.46	0.25	0.23
<b>Total</b>	<b>0.58</b>	<b>0.35</b>	<b>0.31</b>



Rs. In Crores

NOTE – 15	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>CURRENT TAX DEFERRED TAX</b>			
<b>CURRENT TAX</b>			
Current Income Tax Charge	80.64	83.57	68.48
Adjustments in respect of prior years	...	...	...
<b>Total</b>	<b>80.64</b>	<b>83.57</b>	<b>68.48</b>
<b>DEFERRED TAX</b>			
In respect of current year origination and reversal of temporary differences.	194.47	182.68	144.72
<b>Total</b>	<b>194.47</b>	<b>182.68</b>	<b>144.72</b>

Rs. In Crores

NOTE – 16	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHER LIABILITIES</b>			
<b>CURRENT</b>			
Advances received from customers	21.67	6.45	...
<b>Total</b>	<b>21.67</b>	<b>6.45</b>	<b>...</b>

Rs. In Crores

NOTE – 17	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>CURRENT BORROWINGS</b>			
<b>Secured and Loans Repayable on Demand</b>			
From Banks	213.03	227.42	186.62
<b>Total</b>	<b>213.03</b>	<b>227.42</b>	<b>186.62</b>

**Short Term Borrowings**

An amount of Rs.213.03 Crores towards Working Capital loan from State Bank of India, IDBI Bank Ltd and YES Bank Ltd is repayable on demand and is secured by hypothecation of inventories and book debts, present, future and second charge on the fixed assets of the Company.

Short Term Borrowings includes an amount of Rs. 78.15 Crores (previous year Rs. 61.88 Crores) related to Buyer's Credit denominated in foreign currency (unhedged).

Rs. In Crores

NOTE – 18	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>REVENUE FROM OPERATIONS</b>		
Revenue from sale of goods (including excise duty)	1787.47	1727.50
Revenue from sale of Power	63.03	162.40
<b>Total Revenue from Operations</b>	<b>1850.50</b>	<b>1889.90</b>

P PENNA CEMENT INDUSTRIES LTD

Rs. In Crores

NOTE – 19	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>OTHER INCOME</b>		
Dividend Income	...	6.60
Profit/(Loss) on Sale of Fixed Assets	(0.02)	0.01
Scrap Sale	1.29	0.12
Interest Income	3.89	3.25
Incentive from Govt.	...	46.75
<b>Total</b>	<b>5.16</b>	<b>56.73</b>

Rs. In Crores

NOTE – 20	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>COST OF RAW MATERIALS CONSUMED</b>		
- Limestone	82.56	67.49
- Bauxite	28.80	24.65
- Iron Ore	10.73	13.35
- Gypsum	25.78	24.41
- Slag	12.68	10.73
- Fly Ash	25.40	25.74
- Coal for Power Generation	69.18	115.78
<b>Total</b>	<b>255.13</b>	<b>282.15</b>

Rs. In Crores

NOTE – 21	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>OTHER MANUFACTURING EXPENSES</b>		
Power & Fuel	366.45	350.00
Stores & Spares Consumed	39.42	31.83
Packing Material Consumed	55.41	51.49
Repairs & Maintenance – Machinery	15.77	15.72
Repairs & Maintenance – Buildings	1.30	2.16
Repairs & Maintenance – Others	4.34	3.38
<b>Total</b>	<b>482.69</b>	<b>454.58</b>

PENNA CEMENT INDUSTRIES LTD

NOTE – 22	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>(INCREASE)/DECREASE IN FINISHED GOODS &amp; STOCK IN PROCESS</b>		
<b>Closing Stock</b>		
- Finished Goods	11.90	17.88
- Stock in Process	15.93	16.91
	27.83	34.79
<b>Opening Stock</b>		
- Finished Goods	17.88	10.44
- Stock in Process	16.91	24.78
	34.79	35.22
<b>Total (Increase)/Decrease in Stock</b>	<b>6.96</b>	<b>0.43</b>

NOTE – 23	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>EMPLOYEE BENEFITS EXPENSES</b>		
Salaries and Wages, bonus, gratuity and allowances	67.01	57.42
Contribution to PF, ESI	4.58	4.26
Staff Welfare Expenses	4.66	3.73
<b>Total</b>	<b>76.25</b>	<b>65.41</b>

NOTE – 24	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>FINANCE COSTS</b>		
Interest on Term Loans	45.69	39.66
Interest on Debentures	4.28	4.29
Interest on Working Capital	15.94	14.36
Bank Charges	8.56	3.56
Other Borrowing Cost (Ind AS Adjustment)	(14.76)	0.12
(Gain)/Loss on Exchange Fluctuation	(2.18)	1.61
<b>Total</b>	<b>57.53</b>	<b>63.60</b>

PENNA CEMENT INDUSTRIES LTD

s. In Crores

NOTE – 25	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>OTHER EXPENSES</b>		
Excise Duty Paid	230.09	225.68
Rents	10.98	11.02
Insurance	5.08	4.13
Directors' Remuneration	11.10	15.52
Auditors' Remuneration	0.14	0.12
Printing & Stationery	0.31	0.23
Communication Cost	1.08	0.90
Directors Travelling Expenses	1.20	1.04
Others Travelling Expenses	3.09	3.02
Conveyance Expenses	4.63	3.23
Professional & Legal Expenses	7.24	8.03
Rates & Taxes	5.11	3.31
Security Service Charges	5.13	4.45
Office Maintenance	6.68	5.80
Other Expenses	9.62	5.81
Corporate Social Responsibility	7.39	5.99
Advertisement & Publicity	11.47	11.27
Freight & Forwarding Charges	331.28	299.67
Commission on Sales	7.78	6.23
<b>Total</b>	<b>659.40</b>	<b>615.45</b>

NOTE – 26

A. Contingent liabilities/claims not provided for:

Rs. In Crores

a)	2016-17	2015-16
i) In respect of Bank Guarantees	29.27	21.79
ii) In respect of Inland Letter of Credits	7.45	5.29
iii) In respect of Foreign Letter of Credits	0.28	14.79
iv) In respect of Unexecuted Capital Contracts	228.85	152.34

b) Taxes, which are under Appeal, not provided for:

- 1) Sales Tax : Rs. 1.61 Crores.
- 2) Excise Duty/Service Tax : Rs.58.23 Crores.
- 3) Income Tax : Rs. 11.00 Crores

c) A demand for Rs. 4.56 crores was raised by APCPDCL, towards power consumed from APGPCL. The Company is of the opinion that the surplus power from APGPCL is distributable among shareholders of APGPCL, which is under dispute and appeal is pending with High Court of Telangana & Andhra Pradesh. Till the disposal of the appeal, the company is not accepting the said liability.

d) There are no major pending litigations, which have material impact on the financial statements of the Company.



**PENNA CEMENT INDUSTRIES LTD**

**NOTE – 27**

**A) Value of imported and indigenous raw materials, fuel and spare parts consumed**

**Rs. In crores**

	For the Year 2016-2017		For the Year 2015-2016	
	Value	%	Value	%
<b>Raw Materials</b>				
-- Indigenous	220.61	86	225.94	80
-- Imported	34.53	14	56.21	20
<b>Total</b>	<b>255.14</b>	<b>100</b>	<b>282.15</b>	<b>100</b>
<b>Fuel</b>				
-- Indigenous	65.73	28	69.29	32
-- Imported	167.61	72	146.05	68
<b>Total</b>	<b>233.34</b>	<b>100</b>	<b>215.34</b>	<b>100</b>
<b>Stores, Spares and Packing Materials</b>				
-- Indigenous	93.38	98	82.37	99
-- Imported	1.45	2	0.95	1
<b>Total</b>	<b>94.83</b>	<b>100</b>	<b>83.32</b>	<b>100</b>

**B) Value of Import on CIF basis:**

	For the Year 2016-17 Rs. In crores	For the Year 2015-16 Rs. In crores
Spares & Bags	1.52	0.95
Capital Goods	...	7.00
<b>Fuel</b>	<b>193.47</b>	<b>180.55</b>

**C) Expenditure in Foreign Currency**

	For the Year 2016-17 Rs. In crores	For the Year 2015-16 Rs. In crores
Travel expenses	1.09	0.51
License Fees	0.50	0.04
Fuel	162.55	182.30
<b>Total</b>	<b>164.14</b>	<b>182.85</b>

**D) Auditors Remuneration:**

	For the Year 2016-17 Rs. In crores	For the Year 2015-16 Rs. In crores
a) Statutory Auditor		
Audit Fee	0.10	0.10
Certification & Fees for other Services	0.03	0.01
b) Cost Auditor	0.01	0.01
<b>Total</b>	<b>0.14</b>	<b>0.12</b>

## PENNA CEMENT INDUSTRIES LTD

## E) Related Party disclosures under Accounting Standards – 18.

The List of Related Parties as identified by the management is as under:

<b>a) Subsidiary of the Company</b>	
1. Pioneer Cement Industries Ltd	2. Marwar Cements Ltd
<b>b) Associates of the Company</b>	
1. Parasakti Cement Industries Ltd	2. Pioneer Builders Ltd
3. Pioneer Builders	4. P R Energy Holdings Ltd
5. Pioneer Genco Ltd	6. P.R. Cement Holdings Ltd
7. Pioneer Holiday Resorts Limited	8. Pioneer Refinery Ltd
9. Pioneer Power Corporation Limited	10. Pioneer Power Ltd
11. E-Vision Softech India Limited	12. Lakshmi Sea Foods Limited
<b>c) Key Management Personnel (KMP) of the Company</b>	
1. Shri P. Prathap Reddy – Chairman and Managing Director	2. Shri Bezawada Vikram – Executive Director
3. Shri D.Lakshmi Kantham – Director (Technical)	4. Shri Petluru Venugopal Reddy – Director (Finance) & CFO
5. Shri Rajkumar Singh – Company Secretary	
<b>d) Relative of KMP, having transactions with the Company</b>	
1. Smt. P.V. Lakshmi	2. Smt. B. Deepthi Reddy
3. Shri P. Ramesh Reddy	

## Transactions with Related Parties:

Rs. In Crores						
S.no	Description	Subsidiaries	Associates	Key Management Personnel	Relative of KMP	Total
1	Managerial Remuneration			11.32		11.32
2	Services	...	76.06	0.03	2.21	78.30
3	Purchase of Spares	...	0.20	...	...	0.20
4	Advance for Expenses	3.50	3.74	...	...	7.24
5	Sale of Cement	...	4.62	...	0.01	4.63

Balance as at 31<sup>st</sup> March, 2017:

Rs. In Crores						
S.no	Description	Subsidiaries	Associates	Key Management Personnel	Relative of KMP	Total
1	Long Term Liabilities	...	(8.37)	...	...	(8.37)
2	Managerial Remuneration	...	...	(7.41)	...	(7.41)
3	Services	...	7.85	(0.01)	(0.13)	7.71
4	Purchase of Shares	...	(0.60)	...	...	(0.60)
5	Investments	58.32	16.60	...	...	74.92
6	Advance for Expenses	58.50	2.74	...	1.00	62.24
7	Sale of Cement	...	7.36	...	0.05	7.41



**PENNA CEMENT INDUSTRIES LTD**

- G) The Company has sent letters during the year seeking confirmations from its suppliers whether they fall under the category of micro, small and medium enterprises as mentioned under the Micro, Small and Medium Enterprises Development Act 2006. Based on the information available, the company believes that it does not have any dues to micro, small and medium enterprises.
- H) Letters have been sent to the parties for confirmation of balances either to confirm or revert back within a stipulated time period, if there is any disagreement with the balance stated, failing which balance has stated in the letter would be taken as confirmed.
- I) Gratuity: The Company has taken a policy from Life Insurance Corporation of India for the gratuity amount as per the actuarial valuation.

Rs. In Crores

		Gratuity (Funded Plan)	
		As at 31-03-2017	As at 31-03-2016
<b>I</b>	<b>Change in Obligation</b>		
	1 Present Value of defined benefit obligation at the beginning of the year	9.59	8.18
	2 Current service cost	0.72	0.70
	3 Interest cost	0.77	0.65
	4 Actuarial (gain) / loss on obligation	0.04	0.83
	5 Benefits paid	(0.90)	(0.77)
	6 Present Value of defined benefit obligation at the end of the year	10.22	9.59
<b>II</b>	<b>Change in the Fair Value of Plan Assets</b>		
	1 Fair Value of Plan assets at the beginning of the year	7.78	7.18
	2 Expected return on plan assets	0.67	0.60
	3 Contributions by employer	1.30	0.76
	4 Actuarial gain / (loss) on plan assets	-	-
	5 Benefits paid	(0.90)	(0.77)
	6 Fair Value of Plan assets at the end of the year	8.86	7.78
<b>III</b>	<b>Expenses recognized in the Profit and Loss Account</b>		
	1 Current service cost	0.72	0.70
	2 Interest cost	0.77	0.65
	3 Expected return on plan assets	(0.67)	(0.60)
	4 Net actuarial loss / (gain) recognized in the current year	0.04	0.82
	5 Expenses recognized in the Profit and Loss Account	0.86	1.58
<b>IV</b>	<b>Expenses recognized in the Balance Sheet as at the end of the year</b>		
	1 Present value of defined benefit obligation	10.22	9.59
	2 Fair Value of plan assets at the end of the year	(8.86)	(7.78)
	3 Funded status [Surplus / (Deficit)]	1.36	1.80
	4 Net assets / (liability) as at the end of the year	1.36	1.80
<b>V</b>	<b>The major categories of plan assets as a percentage of total plan</b>		
	1 Qualifying Insurance Policy	100%	100%
<b>VI</b>	<b>Actuarial Assumptions</b>		
	1 Discount rate	8%	8%
	2 Mortality rate	LIC (2006-08 Ultimate)	LIC (2006-08 Ultimate)
	3 Withdrawal rate	3%	3%
	4 Actual return on plan assets	(0.67)	(0.60)



**PENNA CEMENT INDUSTRIES LTD**

**J) Earnings per Share (EPS) –**

		Year Ended 31-03-2017	Year Ended 31-03-2016
a)	Profit attributable to the Equity Share Holders (Rs in Cr) - A	166.50	267.29
b)	No. of Equity Shares	1,33,80,000	1,33,80,000
c)	Nominal Value of the Share (Rs.)	10	10
d)	Basic / Weighted average number of Equity Shares - B	1,33,80,000	1,33,80,000
e)	Earnings per Share (Rs.) – A/B*	124.44	199.77

**K) Income Tax:**

- a) **Current Tax:** Provision for current tax has been made on taxable profits in accordance with the provisions of Income Tax Act, 1961. The Income Tax Department has raised certain demands on the Company which has been disputed and paid under protest.
- b) **Deferred Tax:** The liability/ (asset) as computed under IndAS – 12 for the year 2016-17 is Rs.(8.99) crores (previous year Rs.52.80 Crores) and the same has been debited to the Profit and Loss Account.
- L) As stipulated in IndAS–36, the Company has assessed its potential of economic benefits of its business units, and is of the view of that the assets employed in continuing business are capable of generating adequate returns over their useful life in the usual course of its business. There is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.
- M) 1) Operating lease payment recognized in the statement of Profit and Loss amounts to Rs.10.98 Crores (previous year Rs.11.02 Crores)
- 2) General Description of leasing agreements:
- Leased Assets: Godowns, Offices & Others.
  - Future Lease rentals are determined on the basis of agreed terms.
  - At the expiry of lease terms, the Company has an option to return the assets or extend the term by giving notice in writing.

**N) Details of Specified Bank Notes (SBNs) held and transacted during the period November 8, 2016 to December 30, 2016 is provided in the table below:**

Particulars	SBNs	Rs. In Crores	
		Other Denomination Notes	Total
Closing Cash in hand as on November 8, 2016	0.14	0.20	0.34
(+) Withdrawal from Bank Accounts	-	0.36	0.36
(+) Permitted Receipts	-	0.04	0.04
(-).Permitted Payments	0.03	0.44	0.47
(-) Amount deposited in Banks	0.11	-	0.11
Closing Cash in hand as on December 30, 2016	-	0.16	0.16

**O) Previous figures have been re-grouped / re-classified / re-cast wherever necessary to confirm to current years' presentation.**

As per our Report of even date  
For C. Ramachandram & Co.  
Chartered Accountants

C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S

Place: Hyderabad  
Date: 29-05-2017



for and on behalf of the Board of Directors

P. Prathap Reddy  
Chairman and Managing Director  
DIN: 00093176

P. Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878

Bezawada Vikram  
Executive Director  
DIN:02086809

Raj Kumar Singh  
Company Secretary  
M.No:14265

P

**PENNA CEMENT INDUSTRIES LTD**

STATEMENT CONTAINING THE SALIENT FEATURES OF FINANCIAL STATEMENTS OF SUBSIDIARY / ASSOCIATES / JOINT VENTURES AS PER COMPANIES ACT, 2013

**PART A : SUBSIDIARIES**

Rs. In Crores

1.	Name of the Subsidiary	** Pioneer Cement Industries Ltd
2.	Reporting Currency	INR
3.	Exchange Rate in Rs.	
4.	Share Capital	58.32
5.	Reserves & Surplus	(0.14)
6.	Total Assets	142.65
7.	Total Liabilities	84.47
8.	Investments	...
9.	Profit before taxation	(0.51)
10.	Profit after taxation	(0.36)
11.	% of Share holding	100%

**Note:** Which is yet to commence the operations.

**PART B : ASSOCIATES**

STATEMENT PURSUANT TO SECTION 129 (3) OF THE COMPANIES ACT , 2013  
RELATED TO ASSOCIATE COMPANIES

Rs. In Crores

Name of the Associate	Parasakti Cement Industries Ltd
1. Latest audited balance sheet date	31-03-2017
2. Shares of Associate held by the company on the year end	
No. of shares	1,32,00,000
Amount of Investment in Associate	16.60
Extent of holding in %	50%
3. Description of how there is significant influence	There is significant influence due to 50% of shares held by the Company.
4. Net worth attributable to Shareholding as per latest audited balance sheet	94.33
5. Profit / (Loss) for the year (considered in consolidation)	6.89



## INDEPENDENT AUDITORS' REPORT

To

The Members of Penna Cement Industries Limited

### Report on the Consolidated Ind AS Financial Statements

We have audited the accompanying consolidated Ind AS financial statements of **M/s. Penna Cement Industries Limited**, ("the Holding Company") and its subsidiaries (the holding company and subsidiaries together referred as "Group"), which comprise the consolidated Balance Sheet as at March 31, 2017, the consolidated Statement of Profit and Loss for the year ended, the consolidated Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Ind AS Financial Statements

The Holding Company's Board of Directors is responsible for the preparation of these consolidated Ind AS financial statements in terms of the requirements of the Companies Act, 2013 that give a true and fair view of the consolidated Ind AS financial statements of the Group including its associates in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated Ind AS financial statements by the Directors of the Holding Company, as aforesaid.

### Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated Ind AS financial statements based on our audit.

We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the rules made thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Ind AS financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the



An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the consolidated Ind AS financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant Holding Company's preparation of the consolidated Ind AS financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on whether the Holding Company has an adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Board of Directors, as well as evaluating the overall presentation of the consolidated Ind AS financial statements.

We believe that the audit evidence we have obtained by us and the audit evidence obtained by other auditor's in terms of their reports referred to in subparagraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated Ind AS financial statements.

### **Opinion**

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated Ind AS financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India,

- (a) In the case of the consolidated Balance Sheet, of the state of affairs of the group as at March 31, 2017;
- (b) In the case of the consolidated Statement of Profit and Loss, of the profit of the group for the year ended on that date; and
- (c) In the case of the consolidated Cash Flow Statement, of the consolidated cash flows of the group for the year ended on that date.

### **Other Matters**

We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of Rs.114.20 Crores as at March 31, 2017, total revenues of 0.94 Crores for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of the subsidiary, and our report in terms of sub-section (3) and (11) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiary is based solely on the reports of the other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.



## Report on Other Legal and Regulatory Requirements

As required by Section 143 (3) of the Act, we report that:

- (a) We have sought and 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 y so far as it appears from our examination of those books and the reports of other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with in this report are in agreement with the books of accounts.
- (d) In our opinion, the aforesaid consolidated Ind AS financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- (e) Based on the Written Representation received from the directors of the Holding company as on March 31, 2017, and taken on record by the Board of Directors, and the reports of the statutory auditors of subsidiary companies incorporated in India, we report that none of the directors are disqualified as on March 31, 2017 from being appointed as a director in terms of Sub-section 2 of Section 164 of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate report in "Annexure A"; and.
- (g) With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated Ind AS financial statements disclose the impact of pending litigations on the consolidated financial position of the group. Refer Note No. 26((A)(b)) of consolidated Ind AS financial statements.
  - ii. The holding company and its subsidiary did not have any material foreseeable losses on long term contracts including derivative contracts.
  - iii. There are no amounts which are required to be transferred to Investor Education and protection fund.



- iv. The company has provided requisite disclosures in its consolidated Ind AS financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8 November 2016 to 30 December 2016 and those are in accordance with the books maintained by the company. Refer to Note No. 27(N) to the consolidated Ind AS financial statements.

**For C.Ramachandram & Co.,**  
Chartered Accountants,  
Firm Registration No. 002864S



**C. Ramachandram**  
Partner  
M.No:025834  
Place: Hyderabad  
Date: May 29, 2017



## **Annexure -A to the Auditors' Report**

### **Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ("the Act")**

We have audited the internal financial controls over financial reporting of **M/s. Penna Cement Industries Limited**, ("the Holding Company"), and its subsidiary companies, in conjunction with our audit of the consolidated Ind AS financial statements of the Company for the year ended on that date.

#### **Management's Responsibility for Internal Financial Controls**

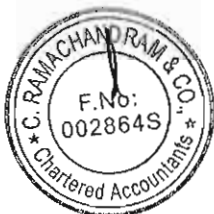
The Respective Board of Directors of the Holding company and its subsidiary companies are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI'). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013.

#### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls over Financial Reporting (the "Guidance Note") and the Standards on Auditing, issued by ICAI and deemed to be prescribed under section 143(10) of the Companies Act, 2013, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Ind AS financial statements, whether due to fraud or error.

We believe that the audit evidence which we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.



### **Meaning of Internal Financial Controls over Financial Reporting**

A company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of Ind AS financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial control over financial reporting includes those policies and procedures that

- (1) Pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company;
- (2) Provide reasonable assurance that transactions are recorded as necessary to permit preparation of Ind AS financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and
- (3) Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the Ind AS financial statements.

### **Inherent Limitations of Internal Financial Controls over Financial Reporting**

Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Opinion**

In our opinion, the Holding Company and its Subsidiary companies incorporated in India, has in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2017, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.





**Other Matters**

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting insofar as it relates to one subsidiary company is based on the corresponding reports of the auditors of such company.

**For C.Ramachandram & Co.,**

Chartered Accountants,  
Firm registration No. 002864S

  
**C.Ramachandram**  
Partner  
M.No:025834



Place: Hyderabad  
Date: May 29, 2017.

**PENNA CEMENT INDUSTRIES LTD**  
**CONSOLIDATED BALANCE SHEET AS AT 31<sup>ST</sup> MARCH, 2017**

Particulars	Notes	As At 31-03-2017 Rs in Crores	As At 31-03-2016 Rs in Crores	As At 01-04-2015 Rs in Crores
<b>ASSETS</b>				
<b>NON-CURRENT ASSETS:</b>				
a) Property, Plant and Equipment	2	1170.22	1236.78	1122.51
b) Capital Work-in-Progress		454.45	246.36	129.91
c) Intangible Assets		1.73	2.39	3.09
d) Investments in Subsidiaries & Associates	3	97.73	88.90	93.26
e) Financial Assets				
i) Investments	3	15.98	14.99	4.87
ii) Others	5	24.30	15.27	33.13
f) Other Non-Current Assets	6	34.94	22.72	22.72
Goodwill on consolidation		0.01	0.01	0.01
<b>Total Non-Current Assets</b>		<b>1799.36</b>	<b>1627.42</b>	<b>1409.50</b>
<b>CURRENT ASSETS:</b>				
a) Inventories	7	273.51	217.05	167.07
b) Financial Assets				
i) Investments	3	34.43	16.23	17.44
ii) Trade Receivables	4	85.96	111.84	86.55
iii) Cash and Bank Balances	8	20.40	72.21	44.84
iv) Others	5	96.50	15.70	32.40
c) Other Current Assets	6	221.62	152.94	131.85
<b>Total Current Assets</b>		<b>732.42</b>	<b>585.97</b>	<b>480.15</b>
<b>Total Assets</b>		<b>2531.78</b>	<b>2213.39</b>	<b>1889.65</b>
<b>EQUITY AND LIABILITIES</b>				
<b>SHARE HOLDER'S FUNDS</b>				
a) Equity Share Capital	9	13.38	13.38	13.38
b) Other Equity	10	921.52	754.18	499.41
<b>Total Equity</b>		<b>934.90</b>	<b>767.55</b>	<b>512.79</b>
Minority Interest		25.71	25.85	25.93
<b>NON-CURRENT LIABILITIES:</b>				
a) Financial Liabilities				
i) Borrowings	11	689.53	453.00	453.98
ii) Trade Payables	12	123.49	79.71	54.40
iii) Other financial liabilities	13	37.81	123.99	76.20
b) Provisions	14	5.19	4.60	3.62
c) Deferred Tax Liabilities (Net)	15	194.18	182.42	144.56
<b>Total Non-Current Liabilities</b>		<b>1050.20</b>	<b>843.72</b>	<b>732.76</b>
<b>CURRENT LIABILITIES:</b>				
d) Financial Liabilities				
i) Borrowings	17	213.03	227.42	186.62
ii) Trade Payables	12	97.14	47.86	103.25
iii) Other financial liabilities	13	108.13	210.72	259.55
iv) Current Tax Liabilities	15	80.43	83.46	68.44
e) Provisions	14	0.58	0.35	0.31
f) Other Current Liabilities	16	21.67	6.45	...
<b>Total Current Liabilities</b>		<b>520.98</b>	<b>576.26</b>	<b>618.17</b>
<b>Total Equity and Liabilities</b>		<b>2531.78</b>	<b>2213.39</b>	<b>1889.65</b>

Significant Accounting Policies 1

Accompanying Notes are an integral part of the Financial Statements

As per our Report of even date

for and on behalf of the Board of Directors

For C. Ramachandram & Co.  
Chartered Accountants

C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S



Place: Hyderabad  
Date: 29-05-2017

*P. Prathap Reddy*  
P. Prathap Reddy  
Chairman and Managing Director  
DIN: 00093176

*P. Venugopal Reddy*  
Petluru Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878

*Bezawada Vikram*  
Bezawada Vikram  
Executive Director  
DIN:02086809

*Raj Kumar Singh*  
Raj Kumar Singh  
Company Secretary  
M.No:14265

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## PENNA CEMENT INDUSTRIES LTD

CONSOLIDATED STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017


Particulars	Notes	Year ended 31-03-2017 Rs in Crores	Year ended 31-03-2016 Rs in Crores
<b>REVENUE</b>			
Revenue from operations	18	1850.50	1889.90
Trade Sale		29.83	...
Other Income	19	6.11	57.38
<b>Total Revenue</b>		<b>1886.44</b>	<b>1947.28</b>
<b>EXPENSES</b>			
Cost of materials consumed	20	255.13	282.15
Other Manufacturing Expenses	21	483.68	455.39
Trade Purchase		28.71	...
Changes in Inventories of Finished Goods & Stock in Process	22	6.96	0.43
Employee benefit expense	23	76.25	65.41
Finance costs	24	57.53	63.61
Other expenses	25	672.46	615.50
Depreciation and amortisation expense	2	80.38	76.03
<b>Total Expenses</b>		<b>1648.08</b>	<b>1558.52</b>
<b>Profit before tax</b>		<b>238.36</b>	<b>388.76</b>
<b>Tax Expense</b>			
Current Tax		80.64	83.58
MAT Credit		...	(20.78)
Deferred Tax	15	(9.02)	52.70
<b>Total tax expense</b>		<b>71.62</b>	<b>115.50</b>
<b>Profit after tax</b>		<b>166.74</b>	<b>273.26</b>
Share of Profits of the Associates		8.80	(4.36)
Share of Minority Interest		0.15	0.08
<b>Profit for the period</b>		<b>175.39</b>	<b>268.82</b>
<b>Earnings per equity share</b>			
Basic & Diluted Earning per share		131.08	200.91
<b>Significant Accounting Policies</b>			
1			
<b>Accompanying Notes are an integral part of the Financial Statements</b>			

As per our Report of even date


for and on behalf of the Board of Directors

For C. Ramachandram & Co.  
Chartered Accountants


C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S

P. Prathap Reddy  
Chairman and Managing  
Director  
DIN: 00093176




Bezawada Vikram  
Executive Director  
DIN:02086809

Place: Hyderabad  
Date: 29-05-2017



Petluru Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878



Raj Kumar Singh  
Company Secretary  
M.No:14265

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## PENNA CEMENT INDUSTRIES LTD

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31<sup>ST</sup> MARCH, 2017

## A. EQUITY SHARE CAPITAL

Particulars	No. of shares	Amount
Equity shares of Rs. 10 each issued, subscribed and paid-up		
As at April 1, 2015	1,33,80,000	13,38,00,000
At March 31, 2016	1,33,80,000	13,38,00,000
At March 31, 2017	1,33,80,000	13,38,00,000


## B. OTHER EQUITY

Rs. In Crores

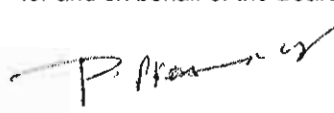
Particulars	Reserves & Surplus				Total
	Fair Value Reserve	Debenture Redemption Reserve	General Reserve	Retained Earnings	
As at April 1, 2015	(6.34)	35.00	...	470.75	499.41
Profit for the year	...			262.82	262.82
Proposed Dividend	...			(6.69)	(6.69)
Dividend Distribution Tax	...			(1.36)	(1.36)
Transfer to General Reserve	...		35.00	(35.00)	-
As at April 1, 2016	(6.34)	35.00	35.00	690.52	754.18
Profit for the year	...			175.39	175.39
Proposed Dividend	...			(6.69)	(6.69)
Dividend Distribution Tax	...			(1.36)	(1.36)
As at April 1, 2017	(6.34)	35.00	35.00	857.86	921.52
Significant Accounting Policies		1			
Accompanying Notes are an integral part of the Financial Statements					

As per our Report of even date

for and on behalf of the Board of Directors

For C. Ramachandram & Co.  
Chartered Accountants



C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S

Place: Hyderabad  
Date: 29-05-2017



P. Prathap Reddy  
Chairman and Managing  
Director  
DIN: 00093176



P. Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878



Bezawada Vikram  
Executive Director  
DIN:02086809



Raj Kumar Singh  
Company Secretary  
M.No:14265

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH, 2017

Particulars	2016-2017 Rs in Crores	2015-2016 Rs in Crores
<b>A. Cash Flow from Operating Activities</b>		
Net Profit before Tax and Extraordinary Items	238.40	388.75
<b>Adjustments for:</b>		
Depreciation	80.37	76.04
Interest Expenses	57.52	63.60
Provision for Retirement Benefits	1.83	0.71
Foreign Exchange (gain/loss)	1.28	1.61
Profit on sale of Assets	(0.02)	(0.01)
Interest Income	(3.90)	(3.25)
Dividend Income	...	(6.60)
<b>Operating Profit before Working Capital Charges</b>	<b>375.48</b>	<b>520.85</b>
Movements in Working Capital		
Increase/(Decrease) in Trade Payable & Other Liabilities	(37.89)	(97.73)
(Increase) / Decrease in Trade Receivables	24.54	(25.44)
(Increase) / Decrease in Inventories	(56.46)	(49.97)
(Increase) / Decrease in Loans & Advances	(97.07)	79.77
<b>Cash Generated from Operations</b>	<b>208.60</b>	<b>427.48</b>
Income Tax	(46.28)	(75.16)
<b>Net Cash from Operating Activities (A)</b>	<b>162.32</b>	<b>352.32</b>
<b>B. Cash Flow from Investing Activities</b>		
Purchase of Fixed Assets (incl. CWIP)	(221.48)	(306.09)
Sale of Fixed Assets	0.24	0.05
Long Term Loans & Advances	(9.03)	17.86
Purchase of Investments	(18.21)	1.21
Interest Income	3.90	3.25
Dividend Income	...	6.60
<b>Net Cash from Investing Activities (B)</b>	<b>(244.58)</b>	<b>(277.12)</b>
<b>C. Cash Flow from Financing Activities</b>		
Repayment of Borrowings	(128.67)	(140.09)
Proceeds from Borrowings	267.49	100.00
Long Term Liabilities & Provisions	(41.81)	74.07
Dividend & Dividend Tax Paid	(8.05)	(8.05)
Interest Paid	(57.52)	(63.60)
<b>Net Cash from Financing Activities (C)</b>	<b>31.44</b>	<b>(37.67)</b>
<b>Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)</b>	<b>(50.82)</b>	<b>37.53</b>
<b>Cash and Cash Equivalents – Opening Balance</b>	<b>72.21</b>	<b>44.82</b>
<b>Cash and Cash Equivalents – Closing Balance</b>	<b>20.40</b>	<b>72.21</b>

## NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

**a) Basis of Accounting and preparation of financial statements**

These financial statements have been prepared and presented in accordance with the Indian Accounting Standards ("Ind AS") notified under the Companies (Indian Accounting Standards) Rules 2015. For all periods, up to and including the year ended 31 March 2016, the Group prepared its financial statements in accordance with accounting standards notified under Section 133 of the Companies Act 2013, read with Rule 7 of Companies (Accounts) Rules, 2014. These financial statements for the year ended 31 March 2017 are the first the Group has prepared in accordance with Ind AS.

These financial statements have been prepared on the historical cost convention and on an accrual basis, except for the following material items in the statement of financial position:

- certain financial assets are measured at fair value;
- employee defined benefit assets/(liability) are recognized as the net total of the fair value of plan assets, plus actuarial losses, less actuarial gains and the present value of the defined benefit obligation;
- long term borrowings, except obligations under finance leases, are measured at amortized cost using the effective interest rate method; and

**b) Current and Non-Current classification**

All the assets and liabilities have been classified as current or non-current as per the Group's normal operating cycle and other criteria set out in the Schedule III to the Companies Act, 2013.

**Assets:**

An asset is classified as current when it satisfies any of the following criteria:

- a) it is expected to be realised in, or is intended for sale or consumption in, the Group's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is expected to be realised within twelve months after the reporting date; or
- d) it is cash or cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

**Liabilities:**

A liability is classified as current when it satisfies any of the following criteria:

- a) it is expected to be settled in the Group's normal operating cycle;
- b) it is held primarily for the purpose of being traded;
- c) it is due to be settled within twelve months after the reporting date; or
- d) the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Current assets/ liabilities include the current portion of non-current assets/ liabilities respectively. All other assets/ liabilities are classified as non-current.

**c) Use of Estimates**

The preparation of financial statements in conformity with Ind AS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

## PENNA CEMENT INDUSTRIES LTD

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements.

### d) Consolidation of Subsidiaries & Associates

Penna Cement Industries Limited ("PCIL" or the "parent company") together with its subsidiaries (collectively, "the Group") is one of leading cement manufacturing company headquartered and having its registered office in Hyderabad, Telangana, India.

Subsidiaries, step-down subsidiaries and Associates of the parent company are listed below:

Details of the Group	Percentage of holding (%)
<b><u>Subsidiaries</u></b>	
Pioneer Cement Industries Limited	100.00%
Marwar Cements Limited	60.17%
<b><u>Associate</u></b>	
Parasakti Cement Industries Limited	50.00%

The consolidated financial statements have been prepared on the following basis:

- i) The consolidated financial statements of the Company and its subsidiaries are combined on a line-by-line basis by adding together the book values of the like items of assets, liabilities, income and expenses, after fully eliminating intra-group balances and intra-group transactions in accordance with Ind - AS 110 "Consolidated Financial Statements".
- ii) Subsidiaries are the entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases.
- iii) **Non-controlling interests (NCI):** NCI are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.
- iv) **Transactions eliminated on consolidation:** Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions, net of deferred taxes, are eliminated.
- v) The Consolidated Financial Statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances and are presented in the same manner as the Company's separate financial statements.
- vi) The difference between the cost of investment in the subsidiaries, over the net assets at the time of acquisition of shares in the subsidiaries are recognized in the Consolidated Financial Statements as Goodwill, which is not being amortised but tested for impairment periodically.
- vii) Investments in Associate Company have been accounted under the equity method as per Ind - AS 28 - "Investments in Associates and Joint Ventures".
- viii) The differences between the cost of investment in the associates and the share of net assets at the time of acquisition of shares in associates are identified in the Consolidated Financial Statements as Goodwill or Capital Reserve as the case may be.

**e) Revenue Recognition**

Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. Revenue from the sale of goods includes excise duty and is measured at the fair value of the consideration received or receivable, net of returns, sales tax and applicable trade discounts and allowances. Revenue includes shipping and handling costs billed to the customer.

Revenue from Power Supply is accounted for on the basis of billings to consumers/State Transmission Utility and includes unbilled revenues accrued up to the end of the accounting year.

Dividend income on investments is accounted for when the right to receive the same is established.

Interest income is recognized using the time-proportion method, based on rates implicit in the transaction.

Insurance and other claims, where quantum of accruals cannot be ascertained with reasonable certainty, are accounted on acceptance basis.

**f) Inventory:**

- i) Inventory of raw materials are valued at lower of cost or net realizable value. Cost is determined using weighted average cost method.
- ii) Inventory of work-in-progress is valued at cost.
- iii) Inventory of finished goods at factory is valued at lower of cost or net realizable value. Cost includes direct materials, labour, a proportion of manufacturing overheads based on normal operating capacity and all charges incurred in bringing the goods to the point of sale. Stocks with consignment agents / branches are valued at cost inclusive of excise duty and freight. Net realizable value is the estimated selling price in the ordinary course of business; less estimated cost of completion and estimated costs necessary to make the sale.
- iv) Stores and spares, packing materials are valued at cost.

**g) Property, plant and equipment*****Recognition and measurement***

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and other costs directly attributable to bringing the asset to a working condition for its intended use. Borrowing costs that are directly attributable to the construction or production of a qualifying asset are capitalized as part of the cost of that asset.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses upon disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognized net within "other (income)/expense, net" in the statement of profit and loss.



## PENNA CEMENT INDUSTRIES LTD

The cost of replacing part of an item of property, plant and equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of repairs and maintenance are recognized in the statement of profit and loss as incurred.

Items of property, plant and equipment acquired through exchange of non-monetary assets are measured at fair value, unless the exchange transaction lacks commercial substance or the fair value of either the asset received or asset given up is not reliably measurable, in which case the asset exchanged is recorded at the carrying amount of the asset given up.

Incidental Expenditure during construction period is grouped under Capital Work-in-Progress (CWIP). CWIP is stated at the amount expended up to the date of Balance Sheet. Upon commencement of commercial production, the expenditure is allocated to buildings and plant and machinery in the ratio of their direct cost.

CENVAT: With regard to Cement Division, CENVAT claimed on Capital Goods is credited to Plant & Machinery/Capital Work-in-Progress Account. However, with regard to Power Division, no CENVAT is claimed on Capital Goods.

### Depreciation:

Depreciation is recognized in the income statement on a straight line basis over the estimated useful lives of property, plant and equipment.

Leased assets are depreciated over the shorter of the lease term and their useful lives. The depreciation expense is included in the costs of the functions using the asset. Land is not depreciated. Leasehold improvements are depreciated over the period of the lease agreement or the useful life, whichever is shorter.

Depreciation methods, useful lives and residual values are reviewed at each reporting date. The estimated useful lives are as follows:

Particulars	Life in No. of Years
Buildings - Factory	30
Buildings - Non-Factory	61
Plant and Machinery	19
Railway Siding	21
Furniture & Fixtures	16
Office Equipment - Others	21
Office Equipment - Computers	6
Vehicles	11
Software	6

Schedule II to the Companies Act, 2013 ("Schedule") prescribes the useful lives for various classes of tangible assets. For certain class of assets, based on the technical evaluation and assessment, the Group believes that the useful lives adopted by it best represent the period over which an asset is expected to be available for use. Accordingly, for these assets, the useful lives estimated by the Group are different from those prescribed in the Schedule.

**h) Foreign Currency Transactions:****Functional currency**

The financial statements are presented in Indian rupees, which is the functional currency of our Group. Functional currency of an entity is the currency of the primary economic environment in which the entity operates.

Foreign currency denominated monetary assets and liabilities are translated into the relevant functional currency at exchange rates in effect at the Balance Sheet date. The gains or losses resulting from such translations are included in the statement of Profit and Loss. Non-monetary assets and liabilities denominated in a foreign currency and measured at historical cost are translated at the exchange rate prevalent at the date of the transaction.

Transaction gains or losses realized upon settlement of foreign currency transactions are included in determining net profit for the period in which the transaction is settled. Revenue, expense and cash flow denominated in foreign currencies are translated into the relevant functional currencies using the exchange rate in effect on the date of the transaction.

**i) Government Grants/Subsidies:**

The Group recognizes government grants only when there is reasonable assurance that the conditions attached to them will be complied with, and the grants will be received. Government grants received in relation to assets are presented in the balance sheet by setting up the grant as deferred income.

Revenue Government Grants or Subsidies relating to an expense item are recognized as income over the period to match them on a systematic basis to the costs for which they are intended to compensate.

**j) Employee benefits:****Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**Defined contribution plans**

The Group's contributions to defined contribution plans are charged to the income statement as and when the services are received from the employees.

**Defined benefit plans**

The liability in respect of defined benefit plans and other post-employment benefits is calculated using the projected unit credit method consistent with the advice of qualified actuaries. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related defined benefit obligation.

**Compensated absences**

The Group's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilized compensated absences and utilize them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Group measures the expected cost of accumulating compensated absences as the additional amount that the Group incurs as a result of the unused entitlement that has accumulated at the statements of financial position date. Such measurement is based on actuarial valuation as at the statements of financial position date carried out by a qualified actuary.

**PENNA CEMENT INDUSTRIES LTD****k) Segment Reporting :**

Primary Segment is identified based on the nature of products and services, the different risks and returns and the internal business reporting system.

Secondary and Third segment is identified based on geography in which major operating divisions of the Group operate.

The accounting policies adopted for segment reporting are in line with the accounting policies of the Group. Segment revenue, segment expenses, segment assets and segment liabilities have been identified to segments on the basis of relationship to the operating activities of the segment. Inter-segment revenue is accounted on the basis of transactions which are primarily determined based on market/fair value factors.

**l) Taxes on Income:**

Income tax expense consists of current and deferred tax. Income tax expense is recognized in the State of Profit and Loss except to the extent that it relates to items recognized directly in equity, in which case it is recognized in other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising upon the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Minimum Alternate Tax (MAT) paid in accordance with the tax laws, which gives future economic benefits in the form of adjustment to future income tax liability, is considered as an asset if there is convincing evidence that the Group will pay normal income tax. Accordingly, MAT is recognised as a deferred tax asset in the Balance Sheet when it is probable that future economic benefit associated with it will flow to the Group.

**m) Leases:**

Lease payments under an operating lease are recognized as an expense in the statement of profit and loss on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the benefit of the Group.

**n) Earnings Per Share (EPS):**

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss

attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

**o) Impairment of non-financial Assets:**

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

**p) Provisions:**

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost.

**q) Contingent liabilities & contingent assets**

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 a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

**r) Financial instruments**

**Initial recognition**

The Group recognizes financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognized at fair value on initial recognition, except for trade receivables which are initially measured at transaction price. Transaction costs that are directly attributable to the acquisition or issues of financial assets and financial liabilities that are not at fair value through profit or loss, are added to the fair value on initial recognition.

**Subsequent measurement**

**Non-derivative financial instruments**

**i) Financial assets carried at amortized cost**

A financial asset is subsequently measured at amortized cost if it is held with a business model whose objective to hold the asset in order to collect contractual cash flows, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

**ii) Financial assets at fair value through other comprehensive income**

A financial asset is subsequently measured at fair value through other comprehensive income if it is held with a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Further in cases where the Group had made an irrevocable election based on its business model, for its investments which are classified as equity instruments, the subsequent changes in fair value are recognized in other comprehensive income.

**iii) Investment in subsidiaries and associates**

Investment in subsidiaries and associates are carried at cost in the separate financial statements.

**iv) Financial liabilities**

Financial liabilities are subsequently carried at amortized cost using the effective interest method. For trade and other payables maturing within one year from the Balance Sheet date, the carrying amounts approximate fair value due to short maturity of these instruments.

**s) First-time adoption of Ind-AS**

These financial statements have been prepared in accordance with Ind AS. For the purpose of transition to Ind AS, the Group followed the guidelines prescribed in Ind AS 101, First time adoption of Indian Accounting Standards, with April 1, 2015 as the transition date and IGAAP as the previous GAAP.

The transition to Ind AS has resulted in changes in the presentation of the financial statements, disclosures in the notes thereto and accounting policies and principles. The accounting policies set out in Note 1, have been applied in preparing the financial statements for the year ended 31 March 2017, and the comparative information.

Exemptions on the first time adoption of Ind AS availed in accordance with Ind AS 101 have been set out below:

- i) Fixed Assets:** Freehold land and buildings (properties) were carried in the balance sheet prepared in accordance with Indian GAAP on the basis of carrying cost (cost model) on 31 March 2015. The Group has elected to regard those carrying costs of property as deemed cost at the date of transition. Accordingly, the Group has not revalued the property at 1 April 2015 again.
- ii) Estimates:** The estimates at 1 April 2015 and at 31 March 2016 are consistent with those made for the same dates in accordance with Indian GAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of Indian GAAP did not require estimation.
- iii) FVTOCI financial assets:** Under Indian GAAP, the Group accounted for long term investments in unquoted equity shares as investment measured at cost less provision for other than temporary diminution in the value of investments. Under Ind AS, the Group has designated such investments as FVTOCI investments. Ind AS 109 requires FVTOCI investments to be measured at fair value. At the date of transition to Ind AS, difference between the instruments fair value and Indian GAAP carrying amount has been recognised as a separate component of equity, in the FVTOCI reserve, net of related deferred taxes.
- iv) Trade receivables:** Under Indian GAAP, the Group has created provision for impairment of receivables consists only in respect of specific amount for incurred losses. Under Ind AS, impairment allowance has been determined based on Expected Loss model (ECL).



PENNA CEMENT INDUSTRIES LTD

Reconciliation of equity as on April 1, 2015, the date of transition:

Particulars	Rs. In Crores
Reserves as on April 1, 2015 (Indian GAAP)	2053.64
<b>Adjustments: (Items that increase the equity)</b>	
Reversal of proposed dividend and associated taxes thereon	8.05
Discounting of Sales Tax Deferment	106.22
Amortization of Processing & Upfront Fees	0.72
Discounting of Capital Creditors	33.57
Discounting of Long Term Liabilities	45.72
Actuary valuation of Leave Encashment	1.5
Deferred Tax on Ind As Adjustments	22.62
<b>Adjustments: (Items that reduce the equity)</b>	
Impact of equity due to transfer on account of Scheme of Arrangement	(1766.05)
Fair valuation of investments in Un-quoted equity shares (APGPCL)	(6.35)
Depreciation on Mining Lease	(0.01)
Actuary valuation of Gratuity	(0.22)
<b>Reserves as on April 1, 2015 (Ind AS)</b>	<b>499.41</b>

Reconciliation of profit for the year ended March 31, 2016

Particulars	Rs. In Crores
Net profit under previous GAAP	266.97
Discounting of Sales Tax Deferment	(14.99)
Discounting of Capital Creditors	4.03
Discounting of Long Term Liabilities	11.06
Amortization of Processing & Upfront Fees	0.32
Actuary valuation of Gratuity	(0.21)
Actuary valuation of Leave Encashment	(0.50)
Mines Closure Expenditure Recognised	(0.02)
Deferred Tax on Ind As Adjustments	(1.54)
<b>Net profit under Ind AS</b>	<b>268.82</b>

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Rs. In Crores

NOTE - 2

**PROPERTY, PLANT & EQUIPMENT**

Particulars	TANGIBLE ASSETS						INTANGIBLE ASSETS				
	Freehold Land	Buildings	Plant & Machinery	Railway Siding	Furniture & Fixtures	Office Equipment	Vehicles	Total	Software	Mining Lease	Total
<b>Cost</b>											
As at 01-04-2015	120.22	287.49	1,148.77	84.77	1.25	6.37	11.18	1,660.05	4.03	0.95	4.98
Additions	28.72	5.99	151.54	-	0.01	1.41	1.98	189.65		0.02	0.02
Disposals							0.23	0.23		0.02	0.02
As at 31-03-2016	148.94	293.48	1,300.31	84.77	1.26	7.78	12.93	1,849.47	4.03	0.95	4.98
Additions	8.81		0.34		0.09	1.51	2.61	13.36			-
Disposals							0.69	0.69			-
As at 31-03-2017	157.75	293.48	1,300.65	84.77	1.35	9.29	14.85	1,862.14	4.03	0.95	4.98
<b>Depreciation</b>											
As at 01-04-2015		66.18	442.00	18.98	0.82	4.30	5.26	537.54	1.80	0.09	1.89
Charge for the year		7.95	61.98	4.03	0.06	0.34	0.97	75.33	0.66	0.04	0.70
Disposals							0.18	0.18			-
As at 31-03-2016	-	74.13	503.98	23.01	0.88	4.64	6.05	612.69	2.46	0.13	2.59
Charge for the year		8.05	65.92	4.03	0.05	0.43	1.20	79.68	0.66	0.04	0.70
Disposals							0.45	0.45		0.04	0.04
As at 31-03-2017	-	82.18	569.90	27.04	0.93	5.07	6.80	691.92	3.12	0.13	3.25
<b>Net Block</b>											
As At 01-04-2015	120.22	221.31	706.77	65.79	0.43	2.07	5.92	1,122.51	2.23	0.86	3.09
As At 31-03-2016	148.94	219.35	796.33	61.76	0.38	3.14	6.88	1,236.78	1.57	0.82	2.39
As At 31-03-2017	157.75	211.30	730.75	57.73	0.42	4.22	8.05	1,170.22	0.91	0.82	1.73

Rs. In Crores

**CAPITAL WORK-IN-PROGRESS**

Particulars	Civil Work-in-Progress		Plant & Machinery Under Installation	Pre-Operative Expenses	Total
As At 01-04-2015	25.47	37.04		67.40	129.91
As At 31-03-2016	11.97	161.83		72.56	246.36
As At 31-03-2017	62.32	312.81		79.32	454.45

\*Includes Borrowing cost of Rs. 13.71 crores capitalized during the year 2015-16 (Previous year: 14.26 crores )

Rs. In Crores

NOTE – 3	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>NON CURRENT INVESTMENTS – UNQUOTED</b> (valued at cost, unless stated otherwise)			
<b>A. Equity Investment in Govt.:</b> 5,36,000 Equity Shares of Rs.10/- each in APGPCL	1.70	1.70	1.70
<b>B. Others:</b> Investment in M/s Sunder Chemicals & Minerals	...	...	0.02
Fixed Deposits with Banks (Margin Money against BG & LC) having maturity more than 12 months	14.28	13.29	3.15
<b>Total A+B</b>	<b>15.98</b>	<b>14.99</b>	<b>4.87</b>
<b>B. Equity Investments in Associate Companies:</b>			
1,32,00,000 Equity Share of Rs.10/- each in Parasakti Cement Industries Ltd (includes Goodwill of Rs.81.12 Crores)	97.73	88.90	93.26
<b>Total B</b>	<b>97.73</b>	<b>88.90</b>	<b>93.26</b>
<b>Total A+B</b>	<b>113.71</b>	<b>103.89</b>	<b>98.13</b>
<b>CURRENT INVESTMENTS</b>			
Fixed Deposits with Banks (Margin Money against BG & LC) having maturity less than 12 months	34.43	16.23	17.44
<b>Total</b>	<b>34.43</b>	<b>16.23</b>	<b>17.44</b>

Rs. In Crores

NOTE – 4	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>TRADE RECEIVABLES</b> (Unsecured unless otherwise specified)			
<b>CURRENT</b>			
<b>Trade Receivables*</b>			
- Unsecured, considered good	85.96	111.84	86.55
<b>Total</b>	<b>85.96</b>	<b>111.84</b>	<b>86.55</b>

\*Debtors considered good are secured to the extent of Rs.3.45 Crores (previous year Rs.3.67 Crores) by dealer Deposits with the Group.



Rs. In Crores

NOTE -5	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHER FINANCIAL ASSETS (Unsecured Considered good)</b>			
<b>NON - CURRENT</b>			
Security Deposits	24.30	15.27	33.13
<b>Total</b>	<b>24.30</b>	<b>15.27</b>	<b>33.13</b>
<b>CURRENT</b>			
Advances for Investment	83.28	2.08	23.41
Advances due by Directors or Officers of the Company or any of them either severally or jointly with others or by firms or private companies respectively in which any director is a partner or a Director or Member	13.22	13.62	8.99
<b>Total</b>	<b>96.50</b>	<b>15.70</b>	<b>32.40</b>

Rs. In Crores

NOTE - 6	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHERS</b>			
<b>NON-CURRENT</b>			
Prepaid Expenses	34.94	22.72	22.72
<b>Total</b>	<b>34.94</b>	<b>22.72</b>	<b>22.72</b>
<b>CURRENT</b>			
Advances to Suppliers (recoverable in cash or kind)*	36.34	12.50	46.31
Prepaid Expenses	3.62	4.49	4.03
Govt. Deposits	83.24	80.16	50.36
Cenvat Credits	21.09	10.41	8.76
Advances to Others	6.18	3.55	2.44
Deposit - Others	71.15	41.83	19.95
<b>Total</b>	<b>221.62</b>	<b>152.94</b>	<b>131.85</b>

\* Includes related parties of Rs.9.16 Crores.

Rs. In Crores

NOTE – 7	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>INVENTORIES</b> (Valued at lower of Cost or net realizable value, unless otherwise stated)			
<b>In Stock</b>			
Raw Materials	16.22	6.33	12.97
Fuel	138.27	101.33	61.33
Work-in-Progress	15.93	16.91	24.78
Finished Goods	11.90	17.88	10.44
Stores & Spares	88.05	72.27	53.25
Packing Material	3.14	2.33	4.30
<b>Total</b>	<b>273.51</b>	<b>217.05</b>	<b>167.07</b>

Rs. In Crores

NOTE – 8	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>CASH AND BANK BALANCES</b>			
Cash in Hand	0.17	0.15	0.64
Balance with Banks			
- In Current Account	20.21	72.05	44.20
- In Unpaid Dividend Bank Account	0.01	0.01	...
<b>Total</b>	<b>20.40</b>	<b>72.21</b>	<b>44.84</b>

Rs. In Crores

NOTE – 9	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>SHARE CAPITAL:</b>			
<b>Authorised:</b>			
7,50,00,000 Equity Shares of Rs.10/- each	75.00	75.00	90.00
*(Previous year 7,50,00,000 Equity Shares of Rs.10/- each)			
<b>Issued, Subscribed and Paid Up:</b>			
1,33,80,000 Equity Shares of Rs.10/- each fully paid up (previous year 1,33,80,000 Equity Shares of Rs.10/- each)	13.38	13.38	13.38
<b>Total</b>	<b>13.38</b>	<b>13.38</b>	<b>13.38</b>

- a) The Company has a single class of equity shares. Accordingly, all equity shares rank pari passu with regard to dividends and share in the company's residual assets. The equity shares are entitled to receive dividend as and when declared from time to time.
- b) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is set out below:

Particulars	As At 31-03-2017		As At 31-03-2016	
	No. of Shares	Amount	No. of Shares	Amount
Outstanding at the beginning of the year	1,33,80,000	13,38,00,000	1,33,80,000	13,38,00,000
Issued during the year	-	-	-	-
Shares bought back during the year	-	-	-	-
Outstanding at the end of the year	1,33,80,000	13,38,00,000	1,33,80,000	13,38,00,000

c) The details of shareholders holding more than 5% equity shares is set below:

Name of the Share Holder	As At 31-03-2017		As At 31-03-2016	
	No. of Shares held in the Company	% of Shares	No. of Shares held in the Company	% of Shares
1. Shri. P. Prathap Reddy	13,58,500	10.15	13,58,500	10.15
2. M/s P. R. Cement Holdings Ltd	44,60,110	33.33	44,60,110	33.33
3. Shri. P. Prathap Reddy, Partner, Pioneer Builders	70,09,480	52.39	70,09,480	52.39

NOTE -10	Rs. In Crores		
	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>RESERVES &amp; SURPLUS</b>			
<b>General Reserve</b>			
Opening Balance	35.00	...	...
Add: Additions during the year	...	35.00	...
Closing Balance - a	35.00	35.00	...
<b>Debenture Redemption Reserve</b>			
Opening Balance	35.00	35.00	35.00
Add: Additions during the year	...	...	...
Less: Deductions during the year	...	...	...
Closing Balance - b	35.00	35.00	35.00
<b>Profit and Loss account</b>			
Opening Balance	690.52	470.75	340.05
Add: Profit for the year	175.39	262.82	173.75
Sub-total	865.91	733.57	513.81
<b>Appropriations:</b>			
Proposed Dividend on Equity Capital	6.69	6.69	6.69
Dividend Distribution Tax	1.36	1.36	1.36
Transfer to General Reserve	...	35.00	35.00
Sub-total	8.05	43.05	43.05
Closing Balance - c	857.86	690.52	470.75
<b>Items of Other comprehensive income</b>			
<b>Fair Value Reserve</b>			
Opening Balance	(6.34)	(6.34)	(6.34)
Add: Additions during the year	...	...	...
Less: Deductions during the year	...	...	...
Closing Balance - d	(6.34)	(6.34)	(6.34)
<b>Total - Reserves &amp; Surplus (a+b+c+d)</b>	<b>921.52</b>	<b>754.18</b>	<b>499.41</b>

P PENNA CEMENT INDUSTRIES LTD

Rs. In Crores

NOTE - 11	Repayment Schedule/ Redemption	Long-Term			Current Maturity of Long-Term Borrowings*		
		As At 31-03-2017	As At 31-03-2016	As At 01-04-2015	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>NON-CURRENT Secured Term Loans from Banks &amp; Financial Institutions</b>							
Non-Convertible Debentures**	June-17 to June-19	24.50	35.00	35.00	10.50	...	...
<b>BANKS:</b>							
1. Bank of Maharashtra	June-15 to Mar-19	42.17	42.18	56.25	...	18.75	18.75
2. Dhanalaxmi Bank Ltd	June-17 to Mar-23	24.00	24.00	15.00	...		
3. The South Indian Bank Ltd	June-17 to Mar-23	50.00	50.00	15.78	...		
4. State Bank of India	June-14 to Sept-16	...	...	19.78	...	19.78	40.00
5. Yes Bank Ltd	June-17 to Mar-23	26.00	26.00	26.00	...		
6. Yes Bank Ltd	June-17 to Mar-23	130.00	35.00	24.00	...		
7. Yes Bank Ltd	June - 19 to May-25	50.00	...	...	...	...	...
8. Syndicate Bank	Nov-11 to Aug-16	...	...	6.84		6.69	15.00
<b>OTHERS:</b>							
9. L&T Fin. Corp. Ltd	Jan-13 to Feb-18	12.47	13.07	43.24	...	29.53	31.00
10. L&T Infrastructure Finance Corporation Ltd	Jan-13 to Feb-18	30.41	30.41	40.26		29.53	31.00
11. L&T Infrastructure Finance Corporation Ltd	Sept-14 to Dec-20	11.97	11.37	41.44		11.02	4.34
12. L&T Infrastructure Finance Corporation Ltd	June-16 to May-20	50.10	25.73	...		6.77	...
13. L&T Infrastructure Finance Corporation Ltd	June-17 to Mar-23	50.00	...	...	...	...	...
14. L&T Infrastructure Finance Corporation Ltd		35.33	...	...	...	...	...
15. Hero Finance Corporation Ltd	Aug-16 to Apr-20	34.16	33.39	...		6.60	...
Prepaid Process Charges Amortized		(1.65)	(1.35)	(0.77)			
<b>Total-a</b>		<b>569.46</b>	<b>324.80</b>	<b>322.82</b>	<b>10.50</b>	<b>128.67</b>	<b>140.09</b>
<b>Unsecured</b>							
Sales Tax Deferment Loan	Mar-15 to Mar-24	120.07	128.20	131.16	24.21	17.95	5.12
<b>Total-b</b>		<b>120.07</b>	<b>128.20</b>	<b>131.16</b>	<b>24.21</b>	<b>17.95</b>	<b>5.12</b>
<b>Total- (a + b)</b>		<b>689.53</b>	<b>453.00</b>	<b>453.98</b>	<b>34.71</b>	<b>146.62</b>	<b>145.21</b>

\* Amount disclosed under the head "Other Current Liabilities" (Note 14 & 16)

\*\*Non-Convertible Debentures are issued with the coupon rate of 12.25% per annum.

**Long-Term Borrowings:**

All Secured Long-Term Borrowings are secured by first charge by way of joint equitable mortgage on the immovable and movable assets of the Company present and future subject to prior charge on the movable assets in favour of Sate Bank of India, IDBI Bank Ltd and YES Bank Ltd for their working capital facilities. All secured long term borrowings except NCDs are further secured by personal guarantee of Shri P. Prathap Reddy, Chairman and Managing Director.

Rs. In Crores

NOTE – 12	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>TRADE PAYABLES</b>			
<b>NON - CURRENT</b>			
Creditors for Goods	123.49	79.71	54.40
<b>Total</b>	<b>123.49</b>	<b>79.71</b>	<b>54.40</b>
<b>CURRENT</b>			
Creditors for Goods	36.23	24.18	44.07
Creditors for Services	60.91	23.68	59.18
<b>Total</b>	<b>97.14</b>	<b>47.86</b>	<b>103.25</b>

Rs. In Crores

NOTE – 13	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHER FINANCIAL LIABILITIES</b>			
<b>NON-CURRENT</b>			
Deposits received from Dealers	37.57	123.79	76.02
Liability towards Mines Closure	0.24	0.20	0.18
<b>Total</b>	<b>37.81</b>	<b>123.99</b>	<b>76.20</b>
<b>CURRENT</b>			
Current maturities of long-term debt	10.50	128.67	140.10
Other Payables (incl. Power, Sales Commissions etc.)	15.39	18.61	38.28
Interest Accrued but not due	0.32	0.21	0.10
Advances from Related Parties	8.95	18.53	33.41
Unclaimed Dividend	0.01	0.01	0.01
Salary and Bonus payable	0.05	0.05	0
Duties & Taxes Payable	72.91	44.64	47.65
<b>Total</b>	<b>108.13</b>	<b>210.72</b>	<b>259.55</b>

Rs. In Crores

NOTE – 14	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>PROVISIONS</b>			
<b>NON - CURRENT</b>			
Employee Benefits			
- Leave Encashment	3.86	3.05	2.85
- Gratuity	1.33	1.55	0.77
<b>Total</b>	<b>5.19</b>	<b>4.60</b>	<b>3.62</b>
<b>CURRENT</b>			
Employee Benefits			
- Leave Encashment	0.12	0.10	0.09
- Gratuity	0.46	0.25	0.23
<b>Total</b>	<b>0.58</b>	<b>0.35</b>	<b>0.31</b>



**PENNA CEMENT INDUSTRIES LTD**

**Rs. In Crores**

NOTE – 15	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>CURRENT TAX DEFERRED TAX</b>			
<b>CURRENT TAX</b>			
Current Income Tax Charge	80.43	83.46	68.44
Adjustments in respect of prior years	...	...	...
<b>Total</b>	<b>80.43</b>	<b>83.46</b>	<b>68.44</b>
<b>DEFERRED TAX</b>			
In respect of current year origination and reversal of temporary differences.	194.18	182.42	144.56
<b>Total</b>	<b>194.18</b>	<b>182.42</b>	<b>144.56</b>

**Rs. In Crores**

NOTE – 16	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>OTHER LIABILITIES</b>			
<b>CURRENT</b>			
Advances received from customers	21.67	6.45	...
<b>Total</b>	<b>21.67</b>	<b>6.45</b>	<b>...</b>

**Rs. In Crores**

NOTE – 17	As At 31-03-2017	As At 31-03-2016	As At 01-04-2015
<b>CURRENT BORROWINGS</b>			
<b>Secured and Loans Repayable on Demand</b>			
From Banks	213.03	227.42	186.62
<b>Total</b>	<b>213.03</b>	<b>227.42</b>	<b>186.62</b>

**Short Term Borrowings**

An amount of Rs.213.03 Crores towards Working Capital loan from State Bank of India, IDBI Bank Ltd and YES Bank Ltd is repayable on demand and is secured by hypothecation of inventories and book debts, present, future and second charge on the fixed assets of the Company.

Short Term Borrowings includes an amount of Rs. 78.15 Crores (previous year Rs. 61.88 Crores) related to Buyer's Credit denominated in foreign currency (unhedged).

**Rs. In Crores**

NOTE – 18	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>REVENUE FROM OPERATIONS</b>		
Revenue from sale of goods (including excise duty)	1787.47	1727.50
Revenue from sale of Power	63.03	162.40
<b>Total Revenue from Operations</b>	<b>1850.50</b>	<b>1889.90</b>

NOTE – 19	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>OTHER INCOME</b>		
Dividend Income	...	6.60
Profit/(Loss) on Sale of Fixed Assets	(0.02)	0.01
Scrap Sale	1.29	0.17
Interest Income	4.84	3.85
Incentive from Govt.	...	46.75
<b>Total</b>	<b>6.11</b>	<b>57.38</b>

NOTE – 20	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>COST OF RAW MATERIALS CONSUMED</b>		
- Limestone	82.56	67.49
- Bauxite	28.80	24.65
- Iron Ore	10.73	13.35
- Gypsum	25.78	24.41
- Slag	12.68	10.73
- Fly Ash	25.40	25.74
- Coal for Power Generation	69.18	115.78
<b>Total</b>	<b>255.13</b>	<b>282.15</b>

NOTE – 21	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>OTHER MANUFACTURING EXPENSES</b>		
Power & Fuel	366.45	350.00
Stores & Spares Consumed	39.42	31.83
Packing Material Consumed	55.41	51.49
Repairs & Maintenance – Machinery	15.77	15.72
Repairs & Maintenance – Buildings	1.30	2.16
Repairs & Maintenance – Others	5.33	4.19
<b>Total</b>	<b>483.68</b>	<b>455.39</b>

NOTE – 22	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>(INCREASE)/DECREASE IN FINISHED GOODS &amp; STOCK IN PROCESS</b>		
<b>Closing Stock</b>		
- Finished Goods	11.90	17.88
- Stock in Process	15.93	16.91
	27.83	34.79
<b>Opening Stock</b>		
- Finished Goods	17.88	10.44
- Stock in Process	16.91	24.78
	34.79	35.22
<b>Total (Increase)/Decrease in Stock</b>	<b>6.96</b>	<b>0.43</b>

NOTE – 23	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>EMPLOYEE BENEFITS EXPENSES</b>		
Salaries and Wages, bonus, gratuity and allowances	67.01	57.42
Contribution to PF, ESI	4.58	4.26
Staff Welfare Expenses	4.66	3.73
<b>Total</b>	<b>76.25</b>	<b>65.41</b>

NOTE – 24	Rs. In Crores	
	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>FINANCE COSTS</b>		
Interest on Term Loans	45.69	39.66
Interest on Debentures	4.28	4.29
Interest on Working Capital	15.94	14.36
Bank Charges	8.56	3.56
Other Borrowing Cost (Ind AS Adjustment)	(14.76)	0.12
(Gain)/Loss on Exchange Fluctuation	(2.18)	1.62
<b>Total</b>	<b>57.53</b>	<b>63.61</b>



s. In Crores

NOTE – 25	For the Year ended 31-03-2017	For the Year ended 31-03-2016
<b>OTHER EXPENSES</b>		
Excise Duty Paid	230.10	225.68
Rents	10.99	11.03
Insurance	5.08	4.13
Directors' Remuneration	11.10	15.52
Auditors' Remuneration	0.15	0.12
Printing & Stationery	0.31	0.23
Communication Cost	1.08	0.90
Directors Travelling Expenses	1.20	1.04
Others Travelling Expenses	3.09	3.02
Conveyance Expenses	4.63	3.23
Professional & Legal Expenses	7.26	8.05
Rates & Taxes	11.65	3.32
Security Service Charges	5.13	4.45
Office Maintenance	6.68	5.80
Other Expenses	16.12	5.82
Corporate Social Responsibility	7.39	5.99
Advertisement & Publicity	11.47	11.27
Freight & Forwarding Charges	331.25	299.67
Commission on Sales	7.78	6.23
<b>Total</b>	<b>672.46</b>	<b>615.50</b>

## NOTE – 26

## A. Contingent liabilities/claims not provided for:

Rs. In Crores

	2016-17	2015-16
a)		
i) In respect of Bank Guarantees	29.27	21.79
ii) In respect of Inland Letter of Credits	7.45	5.29
iii) In respect of Foreign Letter of Credits	0.28	14.79
iv) In respect of Unexecuted Capital Contracts	228.85	152.34

## b) Taxes, which are under Appeal, not provided for:

- 1) Sales Tax : Rs. 1.61 Crores.
- 2) Excise Duty/Service Tax : Rs.58.23 Crores.
- 3) Income Tax : Rs. 11.00 Crores

c) A demand for Rs. 4.56 crores was raised by APCPDCL, towards power consumed from APGPCL. The Company is of the opinion that the surplus power from APGPCL is distributable among shareholders of APGPCL, which is under dispute and appeal is pending with High Court of Telangana & Andhra Pradesh. Till the disposal of the appeal, the company is not accepting the said liability.

d) There are no major pending litigations, which have material impact on the financial statements of the Company.

## NOTE – 27

## A) Value of imported and indigenous raw materials, fuel and spare parts consumed

Rs. In crores

	For the Year 2016-2017		For the Year 2015-2016	
	Value	%	Value	%
<b>Raw Materials</b>				
-- Indigenous	220.61	86	225.94	80
-- Imported	34.53	14	56.21	20
<b>Total</b>	<b>255.14</b>	<b>100</b>	<b>282.15</b>	<b>100</b>
<b>Fuel</b>				
-- Indigenous	65.73	28	69.29	32
-- Imported	167.61	72	146.05	68
<b>Total</b>	<b>233.34</b>	<b>100</b>	<b>215.34</b>	<b>100</b>
<b>Stores, Spares and Packing Materials</b>				
-- Indigenous	93.38	98	82.37	99
-- Imported	1.45	2	0.95	1
<b>Total</b>	<b>94.83</b>	<b>100</b>	<b>83.32</b>	<b>100</b>

## B) Value of Import on CIF basis:

	For the Year 2016-17 Rs. In crores	For the Year 2015-16 Rs. In crores
Spares & Bags	1.52	0.95
Capital Goods	...	7.00
Fuel	193.47	180.55

## C) Expenditure in Foreign Currency

	For the Year 2016-17 Rs. In crores	For the Year 2015-16 Rs. In crores
Travel expenses	1.09	0.51
License Fees	0.50	0.04
Fuel	162.55	182.30
<b>Total</b>	<b>164.14</b>	<b>182.85</b>

## D) Auditors Remuneration:

	For the Year 2016-17 Rs. In crores	For the Year 2015-16 Rs. In crores
a) Statutory Auditor		
Audit Fee	0.11	0.11
Certification & Fees for other Services	0.03	0.01
b) Cost Auditor	0.01	0.01
<b>Total</b>	<b>0.15</b>	<b>0.14</b>

## PENNA CEMENT INDUSTRIES LTD

### E) Related Party disclosures under Accounting Standards – 18.

The List of Related Parties as identified by the management is as under:

a) Associates	
1. Parasakti Cement Industries Ltd	2. Pioneer Builders Ltd
3. Pioneer Builders	4. P R Energy Holdings Ltd
5. Pioneer Genco Ltd	6. P.R. Cement Holdings Ltd
7. Pioneer Holiday Resorts Limited	8. Pioneer Refinery Ltd
9. Pioneer Power Corporation Limited	10. Pioneer Power Ltd
11. E-Vision Softech India Limited	12. Lakshmi Sea Foods Limited
b) Key Management Personnel (KMP)	
1. Shri P. Prathap Reddy – Chairman and Managing Director	2. Shri Bezawada Vikram – Executive Director
3. Shri D.Lakshmi Kantham – Director (Technical)	4. Shri Petluru Venugopal Reddy – Director (Finance) & CFO
5. Shri Rajkumar Singh – Company Secretary	
c) Relative of KMP,	
1. Smt. P.V. Lakshmi	2. Smt. B. Deepthi Reddy
3. Shri P. Ramesh Reddy	

### Transactions with Related Parties:

Rs. In Crores

S.no	Description	Associates	Key Management Personnel	Relative of KMP	Total
1	Managerial Remuneration		11.32		11.32
2	Services	76.06	0.03	2.21	78.30
3	Purchase of Spares	0.20	...	...	0.20
4	Advance for Expenses	3.74	...	....	3.74
5	Sale of Cement	4.62	...	0.01	4.63

### Balance as at 31<sup>st</sup> March, 2017:

Rs. In Crores

S.no	Description	Associates	Key Management Personnel	Relative of KMP	Total
1	Long Term Liabilities	(8.37)	...	...	(8.37)
2	Managerial Remuneration	...	(7.41)	...	(7.41)
3	Services	7.85	(0.01)	(0.13)	7.71
4	Purchase of Shares	(0.60)			(0.60)
5	Investments	16.60	...	...	16.60
6	Advance for Expenses	2.74	...	1.00	3.74
7	Sale of Cement	7.36	...	0.05	7.41



**PENNA CEMENT INDUSTRIES LTD**

- G) The Group has sent letters during the year seeking confirmations from its suppliers whether they fall under the category of micro, small and medium enterprises as mentioned under the Micro, Small and Medium Enterprises Development Act 2006. Based on the information available, the group believes that it does not have any dues to micro, small and medium enterprises.
- H) Letters have been sent to the parties for confirmation of balances either to confirm or revert back within a stipulated time period, if there is any disagreement with the balance stated, failing which balance has stated in the letter would be taken as confirmed.
- I) Gratuity: The Group has taken a policy from Life Insurance Corporation of India for the gratuity amount as per the actuarial valuation.

Rs. In Crores

		Gratuity (Funded Plan)	
		As at 31-03-2017	As at 31-03-2016
<b>I</b>	<b>Change in Obligation</b>		
	1 Present Value of defined benefit obligation at the beginning of the year	9.59	8.18
	2 Current service cost	0.72	0.70
	3 Interest cost	0.77	0.65
	4 Actuarial (gain) / loss on obligation	0.04	0.83
	5 Benefits paid	(0.90)	(0.77)
	6 Present Value of defined benefit obligation at the end of the year	10.22	9.59
<b>II</b>	<b>Change in the Fair Value of Plan Assets</b>		
	1 Fair Value of Plan assets at the beginning of the year	7.78	7.18
	2 Expected return on plan assets	0.67	0.60
	3 Contributions by employer	1.30	0.76
	4 Actuarial gain / (loss) on plan assets	-	-
	5 Benefits paid	(0.90)	(0.77)
	6 Fair Value of Plan assets at the end of the year	8.86	7.78
<b>III</b>	<b>Expenses recognized in the Profit and Loss Account</b>		
	1 Current service cost	0.72	0.70
	2 Interest cost	0.77	0.65
	3 Expected return on plan assets	(0.67)	(0.60)
	4 Net actuarial loss / (gain) recognized in the current year	0.04	0.82
	5 Expenses recognized in the Profit and Loss Account	0.86	1.58
<b>IV</b>	<b>Expenses recognized in the Balance Sheet as at the end of the year</b>		
	1 Present value of defined benefit obligation	10.22	9.59
	2 Fair Value of plan assets at the end of the year	(8.86)	(7.78)
	3 Funded status [Surplus / (Deficit)]	1.36	1.80
	4 Net assets / (liability) as at the end of the year	1.36	1.80
<b>V</b>	<b>The major categories of plan assets as a percentage of total plan</b>		
	1 Qualifying Insurance Policy	100%	100%
<b>VI</b>	<b>Actuarial Assumptions</b>		
	1 Discount rate	8%	8%
	2 Mortality rate	LIC (2006-08 Ultimate)	LIC (2006-08 Ultimate)
	3 Withdrawal rate	3%	3%
	4 Actual return on plan assets	(0.67)	(0.60)

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**J) Earnings per Share (EPS) –**

		Year Ended 31-03-2017	Year Ended 31-03-2016
a)	Profit attributable to the Equity Share Holders (Rs in Cr) - A	175.39	268.82
b)	No. of Equity Shares	1,33,80,000	1,33,80,000
c)	Nominal Value of the Share (Rs.)	10	10
d)	Basic / Weighted average number of Equity Shares - B	1,33,80,000	1,33,80,000
e)	Earnings per Share (Rs.) – A/B*	131.08	200.91

**K) Income Tax:**

- a) **Current Tax:** Provision for current tax has been made on taxable profits in accordance with the provisions of Income Tax Act, 1961. The Income Tax Department has raised certain demands on the Group which has been disputed and paid under protest.
- b) **Deferred Tax:** The liability/ (asset) as computed under IndAS – 12 for the year 2016-17 is Rs.(9.02) crores (previous year Rs.52.70 Crores) and the same has been debited to the Profit and Loss Account.
- L) As stipulated in IndAS–36, the Group has assessed its potential of economic benefits of its business units, and is of the view of that the assets employed in continuing business are capable of generating adequate returns over their useful life in the usual course of its business. There is no indication to the contrary and accordingly the management is of the view that no impairment provision is called for in these accounts.
- M) 1) Operating lease payment recognized in the statement of Profit and Loss amounts to Rs.10.99 Crores (previous year Rs.11.03 Crores)
- 2) General Description of leasing agreements:
- Leased Assets: Godowns, Offices & Others.
  - Future Lease rentals are determined on the basis of agreed terms.
  - At the expiry of lease terms, the Group has an option to return the assets or extend the term by giving notice in writing.

**N) Details of Specified Bank Notes (SBNs) held and transacted during the period November 8, 2016 to December 30, 2016 is provided in the table below:**

Particulars	SBNs	Rs. In Crores	
		Other Denomination Notes	Total
Closing Cash in hand as on November 8, 2016	0.13	0.25	0.38
(+) Withdrawal from Bank Accounts	-	0.36	0.36
(+) Permitted Receipts	-	0.05	0.05
(-) Permitted Payments	0.03	0.44	0.47
(-) Amount deposited in Banks	0.11	0.01	0.12
Closing Cash in hand as on December 30, 2016	-	0.21	0.21

**O) Previous figures have been re-grouped / re-classified / re-cast wherever necessary to confirm to current years' presentation.**

As per our Report of even date  
For C. Ramachandram & Co.  
Chartered Accountants

C. Ramachandram  
Partner  
Membership No: 025834  
F.R. No. 002864S

Place: Hyderabad  
Date: 29-05-2017



for and on behalf of the Board of Directors

P. Prathap Reddy  
Chairman and Managing Director  
DIN: 00093176

P. Venugopal Reddy  
Director (Finance) & CFO  
DIN:00019878

Bezawada Vikram  
Executive Director  
DIN:02086809

Raj Kumar Singh  
Company Secretary  
M.No:14265

Form No. MGT-11  
Proxy form

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3)  
of the Companies (Management and Administration) Rules, 2014]

CIN: U26942AP1991PLC013359

Name of the company: P ENNA CEMENT INDUSTRIES LIMITED

**Registered office:** H.No. 8-2-268/A/1/S & S1, Lakshmi Nivas, Plot No. 705, Road No. 3, Banjara Hills, Hyderabad – 500 034.

Name of the member (s):

Registered address:

E-mail Id:

Folio No/ Client Id:

DP ID:

I/We, being the member (s) of ..... shares of the above named company, hereby appoint

1. Name: .....

Address:

E-mail Id:

**Signature:....., or failing him**

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the .....Annual general meeting/ Extraordinary general meeting of the company, to be held on the ..... day of..... At..... a.m. / p.m. at.....(place) and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.

1.....

2.....

3.....

**Signed this..... day of..... 20....**

Signature of shareholder

Signature of Proxy holder(s)

**Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.**