

DELIVERING EXCELLENCE
SINCE 25 YEARS



PENNA CEMENT INDUSTRIES LIMITED

Annual Report 2018-19

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FY 2018-19 highlights

Revenue from operations

₹ 2,164.03 Crore
+21.84% y-o-y

Sales volume

5.29 Mn MT
+24.76% y-o-y

Our time-tested and trusted organic expansion strategy has enabled us to become a consistent performer with a track record of being profitable, for the past two-and-a-half decades. As we gear up for the next leg of our growth journey by riding the wave of emerging opportunities in India's infrastructure and construction space and become a pan-India player, we renew our commitment to creating long-term value for all our stakeholders.

Mr. P Prathap Reddy
Chairman & Managing Director





We started our journey in a watershed year for India, when the nation's economy was opened up to the world. The wave of economic liberalisation also unshackled the cement industry from the licence regime. Since bringing our first facility with just 0.2 Mn MTPA of installed capacity on stream in 1994, we have successfully navigated business cycles and developed in-house expertise and capabilities across the cement industry value chain to emerge as a market leader in south India.

The Indian government's massive infrastructure and housing push, and its resultant effect on construction activities over the next five years, bodes well for cement demand in India. Keeping this in mind, we had rolled out our Strategy 2021 a year ago, which is well on track to address the incremental demand through increased capacities and improved operational efficiencies and expand our presence in north Indian markets. Today, as we cross a significant milestone and embark on our next leg of growth, we renew our commitment to delivering excellence and continue creating value for our stakeholders.



Our Journey

Delivering growth and resilience

Since the commissioning of our first cement manufacturing unit in 1994 to the recent acquisition of our first packing terminal in Colombo, we have relied on building and developing in-house expertise and capabilities to deliver quality and excellence to our diverse customer base.

1994

Commissioned our first plant with 0.20 Mn MTPA capacity at Talaricheruvu, Andhra Pradesh

2001

Installed the second cement manufacturing line at the Tadipatri plant (Andhra Pradesh), increasing production capacity to 1 Mn MTPA

2002

Commissioned our second plant at Ganeshpahad, Telangana (then Andhra Pradesh) with an initial capacity of 0.80 Mn MTPA and subsequently expanded to 1.20 Mn MTPA

2005

Increased production from 1 Mn MTPA to 1.80 Mn MTPA at the Tadipatri plant

2008

Commenced construction of our fourth cement plant with a capacity of 2.0 Mn MTPA at Tandur in Telangana

Commissioned our third cement plant with a capacity of 2 Mn MTPA at Boyareddypalli, in South West Andhra Pradesh with rail head facility

2009

Commenced construction of our first captive coal-based power plant with 77 MW capacity at Ganeshpahad, Telangana

2010

Commissioned the captive power plant at Ganeshpahad

Commissioned the fourth cement plant with a capacity of 2 MTPA at Tandur, Telangana

2013

Created an expansion blueprint for new units at multiple locations across the country

2018

Commissioned our 1 Mn MTPA grinding unit at Patas (near Pune), Maharashtra

Commissioned our 240 TPH* packing terminal at the Cochin port, Kerala

Commissioned our 2.0 Mn MTPA grinding unit at Krishnapatnam, Andhra Pradesh

Commissioned Penna Suraksha, 25,000 MT self-discharging, dedicated cement carrier

Commissioned our second 240 TPH packing terminal at the Gopalpur port, Odisha

*Tonnes Per Hour

2019

Acquired a packing terminal in Colombo, Sri Lanka

Trial runs commenced at Boyareddypalli-2, a 2.50 Mn MTPA clinker line extension



Corporate Identity

Strengthening market leadership

Penna Cement Industries Limited (Penna Cement) is the flagship of the Penna Group, one of the largest privately held conglomerates in India. Founded in 1991, Penna Cement is a leading cement manufacturer in South India by volumes, with an installed capacity of 10 Mn MTPA, Waste Heat Recovery (WHR) of 17 MW and thermal power of 77 MW. Following the completion of capacity expansions currently underway, our installed cement capacity will reach 16.50 Mn MTPA by FY 2020-21.

Our four integrated manufacturing plants and two grinding units are equipped with state-of-the-art technology, which enabled us to deliver quality products to our diverse customer base – homeowners, real estate developers, government agencies and global construction majors. We produce three types of cement — Ordinary Portland Cement (OPC), Portland Pozzolana Cement (PPC) and Portland Slag Cement (PSC) — which enjoy significant presence and strong brand recall in southern and western India. Our team of more than 1,200 enterprising employees helps us in achieving our growth objectives and drive our mission of creating value for stakeholders.

Our vision

To create sustainable value & growth for all stakeholders

Our mission

To create energised, competitive, innovative and a winning environment for all stakeholders

Our values

- Focus on customer
- Act with integrity
- Nurture employees
- Pursue excellence
- Care for safety
- Care for community



Our plants and capacities



Integrated plants



1 Talaricheruvu, Andhra Pradesh

Cement **1.80 Mn MTPA**

OPC, PPC and PSC

2 Boyareddypalli, Andhra Pradesh

Cement **2 Mn MTPA**
WHR **10 MW**

OPC, PPC and PSC

3 Tandur, Telangana

Cement **2 Mn MTPA**
OPC and PPC

4 Ganeshpahad, Telangana

Cement **1.20 Mn MTPA**
WHR **7 MW**

Thermal Power **77 MW**
OPC and PPC



Grinding units



Packing Units

1 Patas, Maharashtra

Cement **1 Mn MTPA**
OPC and PPC

2 Krishnapatnam, Andhra Pradesh

Cement **2 Mn MTPA**
OPC and PPC

1 Cochin, Kerala

Packing **240 TPH**
OPC and PPC

2 Gopalpur, Odisha

Packing **240 TPH**
OPC and PPC

■ Capacity ■ Products manufactured ■ Products packed

Penna Suraksha, 25,000 MT self-discharging,
dedicated cement carrier



Corporate Identity Contd.

Product portfolio

Penna Concrete Guard

In today's times, value conscious consumers are willing to pay more for special products, which exclusively suit their needs. Understanding this consumer behaviour, we developed Penna Concrete Guard (Penna Concrete) as a premium product offering in the market. This cement is specially formulated and based on re-engineered PPC to provide high performance concrete. Superior characteristics of Penna Concrete such as including lower heat of hydration and improved workability (enhanced flow due to fineness of particles) among others, make it ideal for use in diverse concrete applications. The product is packaged in premium tamper proof Biaxially Oriented Polypropylene (BOPP) bags and is specifically targeted at Individual House Builders (IHBs). Dedicated technical support would be provided to the IHBs for construction of their 'dream home'. We expect to introduce this product to the market by end of September 2019.



Penna Premium - OPC

- Available in two varieties — Penna Premium OPC 53 Grade Cement and Penna Premium OPC 43 Grade Cement — of minimum 28 days strength of 530 Kg/CM² (53 Mpa) IS: 269-2015 and 430 Kg/CM² (43 Mpa) IS: 269-2015 respectively
- OPC 53 Grade provides high strength to structures while OPC 43 grade is typically used for civil construction work

Penna Suraksha - PSC

- Made by blending clinker, granulated slag and gypsum in suitable proportions
- Used in mega constructions, water retaining structures, dams and other mass concrete works and marine construction



Penna Power - PPC

- A special blended cement as per Bureau of Indian Standards (BIS) specification, IS: 1489
- Produced by inter-grinding OPC clinker with high-quality processed fly ash, along with gypsum
- Aids in creating corrosion resistant concrete that reduces crack formation, improves workability, inhibits sulphate attacks and reduces the heat of hydration



Core competencies

One of the largest players with a strong brand recall and extensive distribution network

We are a leading player in South India, accounting for 5% of total cement sales volumes. Our operations have expanded organically and our extensive distribution network has enabled wide reach and strong brand recall.

Strategically located manufacturing facilities

Our facilities are strategically located to enable access to markets such as Hyderabad, Bengaluru, Chennai, Vijayawada, Pune, Cochin, Mumbai and Bhubaneswar, which also provide significant logistics cost benefits. Each of our facilities are well connected to the national highway as well as railway network.

Continuous streamlining of logistics

The setup of our grinding unit at Krishnapatnam and two packaging units at Cochin and Gopalpur ports placed us among the few cement manufacturers to have port-based logistics infrastructure and distribution. With dedicated specialised bulk cement carriers and automated port-based packing facilities, it would enhance physical reach and reduce logistics costs significantly vis-à-vis road/rail alternatives.

Secure raw material supply

Our captive long-term mining leases ensure stable and cost-effective supply of limestones. Taking residual reserves in the process of being granted mining lease into account, we have tied up supply requirements for at least 35 years.

Proven track record of operational and financial performance

Our cement sales grew at a CAGR of 7.10 % from 3.75 Mn MT in FY 2013-14 to 5.29 Mn MT in FY 2018-19. EBITDA grew at a CAGR of 11.35% from FY 2013-14 to FY 2018-19.

Rich experience and visionary leadership

We have over two-and-a-half decades of experience in the cement manufacturing industry with our Promoter and senior management team bringing extensive industry knowledge and expertise to the table.

Expansion Strategy

Augmenting capacity and market presence

We earmarked a capital outlay of ₹4,500 Crore as part of our Strategy 2021, rolled out in FY 2015-16 to undertake significant capacity expansions in two phases. These expansion activities, once completed, will enable us to deepen penetration in existing markets and enter newer markets with the objective of becoming a pan-India player.

Our strategy also aims at adopting newer and more advanced methods of cement manufacturing and streamlining our logistics infrastructure to realise cost efficiencies. Post the expansion scheduled to be complete in FY 2020-21, our aggregate cement production capacity will increase to 16.50 Mn MTPA from 10 Mn MTPA currently and our aggregate clinker production capacity will increase to 10.80 Mn MTPA from 5.30 Mn MTPA currently.



Phase-I

This phase is directed towards enhancing our presence in South India, along with penetrating eastern and western markets. We also plan to commence exports to Bangladesh and Sri Lanka.

Completed activities

- Commissioned one of the largest port-based grinding units in Asia at Krishnapatnam, along with port-based packing terminals at Cochin and Gopalpur
- Acquired a 25,500 tonne self-discharging cement carrying vessel to facilitate port-based logistics infrastructure and distribution
- Commissioned a grinding unit in Patas to grow our presence in western India, particularly in Maharashtra
- Acquired a packing terminal in Colombo, Sri Lanka in the first quarter of FY 2019-20 to facilitate export of cement

Work in progress

- Increase clinker production capacity at Boyareddypalli from 1.50 Mn MTPA to 4 Mn MTPA, which is expected to be operational by the second quarter of FY 2019-20
- Setting up an additional WHR unit at Boyareddypalli with a capacity of 10 MW, expected to be operational by the second quarter of FY 2019-20
- Increase Krishnapatnam grinding unit's cement production capacity from 2 Mn MTPA to 4 Mn MTPA by fourth quarter of FY 2019-20
- Commission packing terminals in Kolkata and Karaikal with a 240 TPH packing capacity by second and fourth quarter FY 2019-20 respectively
- Acquiring of self-discharging cement carrying vessels in a phased manner, to feed upcoming packing plants through Krishnapatnam grinding unit
- Setting up of additional WHRs at Tandur and Talaricheruvu with capacities of 10 MW and 7 MW respectively

Phase-II

In this phase, we aim to expand our operations and presence in North India, particularly in Rajasthan, National Capital Region (NCR) and Punjab.

Completed activities

- Acquired land for integrated cement plant in Jodhpur, Rajasthan and a land for another grinding unit in NCR region

Work in progress

- Setting up cement manufacturing facility with a proposed clinker production capacity of 3 Mn MTPA and cement production capacity of 2 Mn MTPA in Jodhpur, Rajasthan
- Setting up two grinding units — one in NCR and the other in Punjab — with a proposed cement production capacity of 1.50 Mn MTPA and 1 Mn MTPA, respectively, expected to be operational by the third quarter of FY 2020-21
- Setting up a WHR unit in our proposed Jodhpur facility with a capacity of 15 MW, expected to be operational by the third quarter of FY 2020-21



Expansion Strategy Contd.

Summary of existing and upcoming capacities

Manufacturing and grinding units (in Mn MTPA)

	Existing capacity		Post expansion capacity	
	Clinker	Cement	Clinker	Cement
Existing				
Integrated manufacturing facility				
Talaricheruvu	1.30	1.80	1.30	1.80
Boyareddypalli	1.50	2.00	4.00	2.00
Ganeshpahad	1.00	1.20	1.00	1.20
Tandur	1.50	2.00	1.50	2.00
Grinding Unit				
Krishnapatnam	-	2.00	-	4.00
Patas	-	1.00*	-	1.00
Total	5.30	10.00	7.80	12.00
Proposed				
Jodhpur	-	-	3.00	2.00
NCR	-	-	-	1.50
Punjab	-	-	-	1.00
Total	5.30	10.00	10.80	16.50

*Approved capacity for Patas is currently for 0.70 Mn MTPA

Packing units (in TPH)

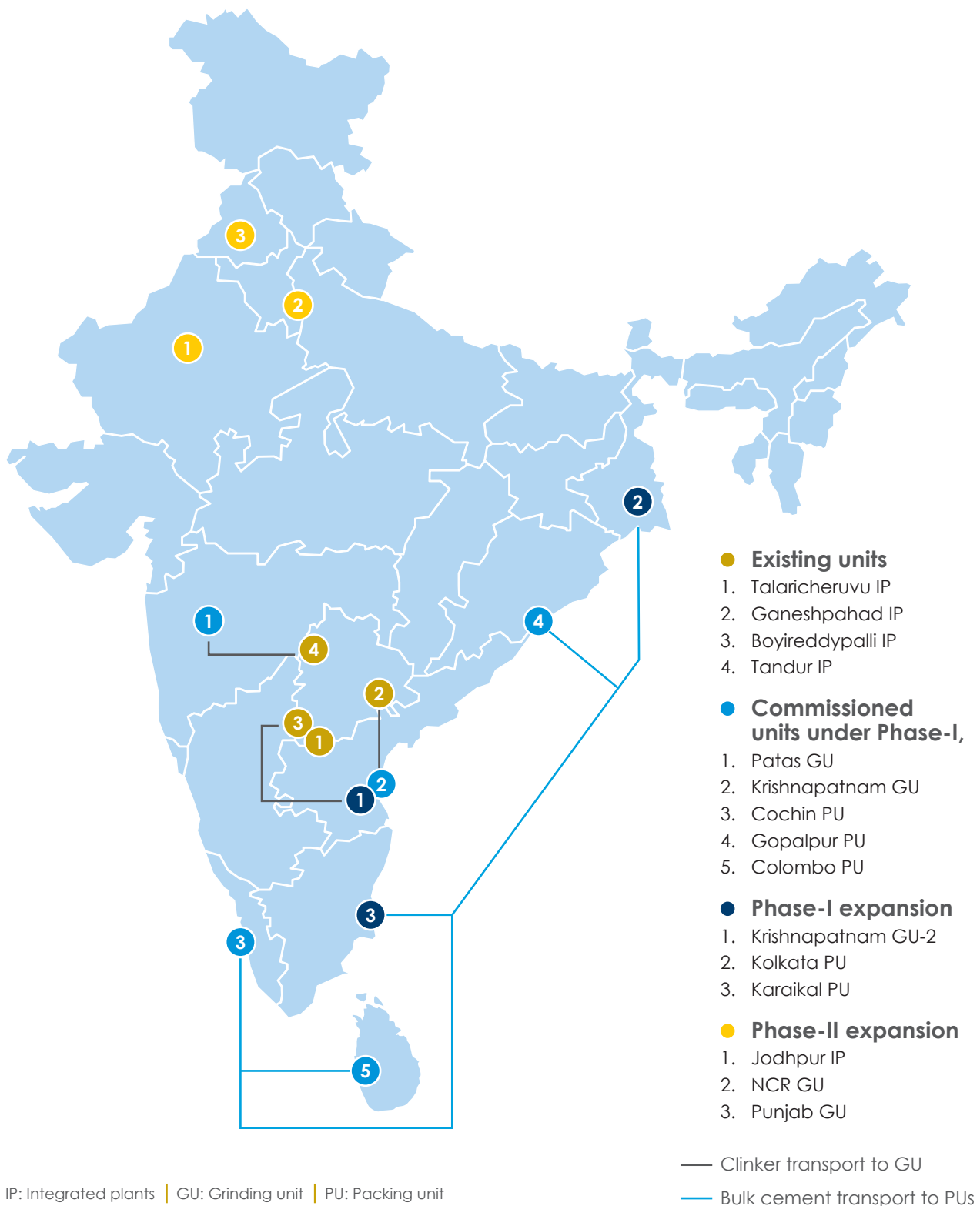
Existing Packing Terminals*	Capacity*	Currently in progress	Capacity*
Cochin	240.00	Kolkata	240.00
Gopalpur	240.00	Karaikal	240.00
Colombo	240.00		

*Our Cochin, Gopalpur, Kolkata and Karaikal packing terminals have an approved capacity of 0.50 Mn MTPA

#The packing capacity is as per the packing machine rated capacity



Our geographic footprint



Chairman's Insight

A portrait of a middle-aged man with grey hair, a mustache, and glasses, wearing a dark suit jacket over a light-colored checkered shirt. He is looking directly at the camera with a neutral expression.

We set our Strategy 2021 in motion in FY 2015-16 to consolidate our position in southern India and strengthen operations in the western region and also make our presence felt in the northern and eastern regions.

**CELEBRATING
25 YEARS
OF PLANNED
PROGRESS**

Dear Shareholders,

Our time-tested and trusted organic expansion strategy has enabled us to become a consistent performer with a track record of being profitable, year after year, for the past two-and-a-half decades. As we gear up for the next leg of our growth journey by riding the wave of emerging opportunities in India's infrastructure and construction space and become a pan-India player, we renew our commitment to creating long-term value for all our stakeholders.

Macroeconomic backdrop

India remained largely insulated from the global slowdown and grew at 6.80% in FY 2018-19. Further, with the short-term blip related to structural reforms, such as demonetisation and Goods and Services Tax (GST) fading, the India growth story now appears fundamentally stronger. Further, the government has set a target of making India a \$5-Trillion economy by FY 2024-25 and outlining massive spending to upgrade and develop commercial and social infrastructure, which has set the stage for a much higher growth trajectory in the next 4-5 years. This will lead to a significant pickup in construction activities, which bodes well for domestic cement demand.

Sectoral overview

Cement demand in India is projected to grow at CAGR of 8.20% between FY 2017-18 and FY 2022-23, significantly above the 3.90% CAGR recorded in the previous five years. During the year under review, cement sales volumes increased 13%, driven by upbeat construction activities on the back of the government's infrastructure push and focus on affordable housing, among others. India's cement exports including cement, clinker and asbestos cement are also increasing at a favourable pace. Cement exports reached \$434.96 Million in February 2019, driven by increased demand for India's clinker and grey cement in overseas markets.

Our performance in progress

We have been a profitable business since inception. Our EBITDA and profit grew at a CAGR of 11.35% and 14.68%, respectively, between FY 2013-14 and FY 2018-19. During the year under review, our total revenue stood at ₹2,167.74 Crore, up 17.27% from ₹1,848.47 Crore in FY 2017-18 (net of excise duty: ₹1,784.82 Crore). We increased our total sales volumes by 24.76% y-o-y to 5.29 Mn MT during the year under review. Our EBITDA margin contracted by 742 bps during the year, due to market conditions.

We set our Strategy 2021 in motion in FY 2015-16 to consolidate our position in southern India and strengthen operations in the western region and make our presence felt in the northern and eastern regions. As part of the strategy, we are well on track to achieve an installed cement manufacturing capacity of 16.5 Mn MTPA by FY 2020-21, up from 10 Mn MTPA at present. Under Phase-I, we also commissioned our port-based grinding unit at Krishnapatnam, along with packing terminals at Cochin and Gopalpur ports. To grow our presence in Maharashtra, we commissioned a grinding unit in Patas, Maharashtra. Land acquisitions in the northern region are largely completed for Phase-II, along with obtaining mining leases in Rajasthan. In addition, we are streamlining our logistics infrastructure and improving our capacity utilisation to ensure competitiveness across markets.

People and planet

We initiated the 'Penna Leadership Exploration and Development Programme' with an aim to identify and train high achievers who also demonstrate leadership capabilities. The first batch of 26 employees

Total Revenue

₹ 2,167.74 Crore

completed this programme and will now be placed in strategic leadership positions. We also continued our efforts towards minimising any adverse impact of our business operations on the environment and worked towards improving the life and livelihood of the local community.

Celebration of our silver jubilee

At Penna Cement, we celebrated our 25th year of operations with great pride and enthusiasm. The celebrations were marked by felicitating and appreciating our channel partners, vendors and employees. During the event, we looked back on the journey since we commenced operations and listed our priorities for the years to come. The celebrations were conducted across all our facilities.

On behalf of the Board of Penna Cement, I thank all our stakeholders — Customers, Employees, Partners, Vendors, Bankers, Government, Communities and most importantly you — our shareholders, for being part of this exciting journey.

Yours sincerely,

P. Prathap Reddy

Chairman & Managing Director

Performance Highlights

Delivering steady growth and profitability

Our continued focus on prudent capital allocation and improving operational efficiency have enabled us to achieve sustained growth.

FY 2018-19 operational achievements

5.29 Mn MT

Volume of cement sold, 25% growth yoy

54%

Average capacity utilisation

230,000 MT

Handled through sea-based logistics

500+

New dealers and distributors added

25,000 MT

Dedicated self-discharging cement carrier operationalised; largest in Asia

Operating revenue (₹ in Crore)

FY 2018-19	2,164.03
FY 2017-18	1,776.18
FY 2016-17	1,650.24
FY 2015-16	1,890.00
FY 2014-15	1,742.30

EBITDA (₹ in Crore)

FY 2018-19	316.55
FY 2017-18	391.62
FY 2016-17	369.65
FY 2015-16	471.05
FY 2014-15	333.50

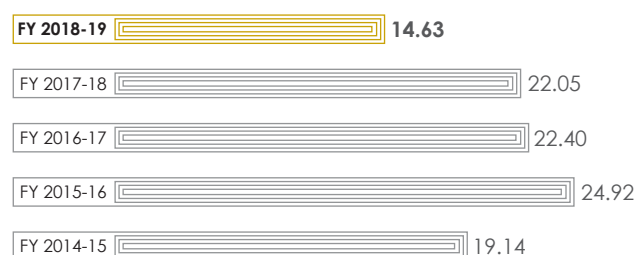
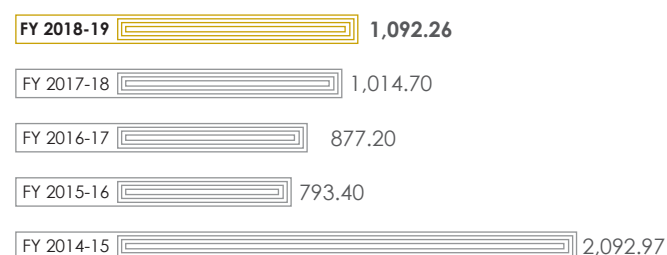
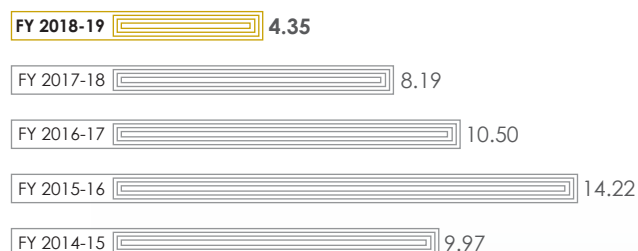
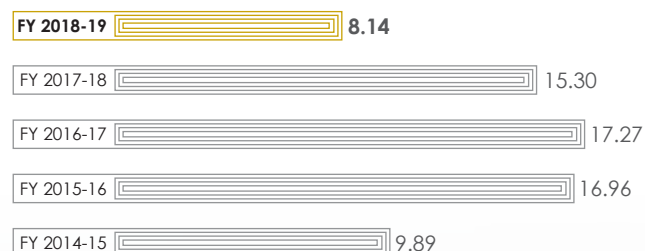
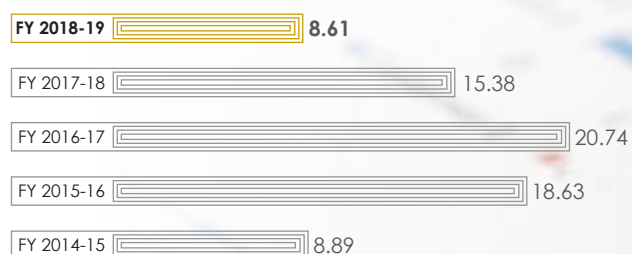
Credit Rating

IND AA-

Our long-term Issuer Credit Rating by India Ratings

Profit after tax (₹ in Crore)

FY 2018-19	94.05
FY 2017-18	145.45
FY 2016-17	173.26
FY 2015-16	268.82
FY 2014-15	173.76

EBITDA margin (%)**Net worth (₹ in Crore)****PAT margin (%)****Return on Capital Employed (RoCE) (%)****Return on Equity (RoE) (%)**

Megatrends

Reshaping future by tapping emerging opportunities

India's cement industry is likely to witness a strong upcycle in the next 4-5 years, driven by buoyant construction activities on the back of the government's continued focus on infrastructure and housing, among others. We are well positioned to capitalise on the emerging trends and continue delivering operational excellence and steady profitability.



India is the second largest cement producer and consumer in the world with a total installed capacity of ~500 Mn MTPA. Further, the cement industry growth has strong correlations with the nation's GDP growth. According to the Economic Survey 2018-19, India needs to grow at 8% to achieve its target of becoming a

\$5-Trillion economy by FY 2024-25, which translates to 8%+ cement demand growth in the foreseeable future. Incremental demand growth in the highly fragmented cement industry is likely to outpace incremental supply additions, which bodes well for cement players with scale and cost-efficient operations.

Macro drivers

Rapid urbanisation

According to the UN Department of Economic and Social Affairs, the world's urban population growth will be concentrated in specific regions such as India and China. India will have the highest urban population by 2050, which points significant growth potential for the real estate and infrastructure industries.

Rising middle-class population

According to a World Economic Forum (WEF) report, ~80% of Indian households will move to the middle-income segment by 2030, from ~50% today.

Commercial and industrial real estate

The commercial real estate sector consisting of office complexes, retail

stores and malls is expected to grow at a CAGR of 7.50%-8% between FY 2017-18 to FY 2022-23.

The industrial segment, which contributed 9% of cement demand in FY 2017-18, is expected to grow at a CAGR of 3-4% from FY 2017-18 to FY 2022-23.

Government's infrastructure push

The infrastructure sector has been one of the major focus areas of the central government. Programmes such as the Pradhan Mantri Gram Sadak Yojana, Bharatmala, Sagarmala, dedicated freight and industrial corridors are expected to drive demand for cement.

New ports and near-coast industrial facilities enabling cement manufacturers

Around 87% of Indian freight use road or rail to transport goods. A strategic shift in transporting industrial commodities such as coal, iron ore, cement and steel to coastal and inland waterways can lead to significant cost saving. Under the Sagarmala programme, the government aims to develop port-proximate industrial clusters and Coastal Economic Zones, set up new ports, improve port infrastructure to reduce logistics cost and reduce time of export-import operations and domestic cargo and increase cement demand.

Sectoral trends

Shift from traditional integrated plants to split grinding units

There is a gradual shift from integrated cement manufacturing to split grinding. In split grinding models, the manufacturing unit of clinker is set up close to limestone reserves while the grinding unit is set up nearer to the consumption centre. Transportation of clinker incurs lower cost and is easier compared to cement, which must be bagged or protected along with subsequent storage. Locating the grinding units closer to the consumption centres would help in lowering logistics cost.

Preference for captive power plant (CPP) and WHR systems

Cement production is energy intensive in nature. This allows cement manufacturers to set up captive power plant, with capacities ranging from 7.5 MW to 100 MW, to curb operating expenses. Another trend is the installation of WHR systems. In clinker manufacturing, it is observed that ~55% of total heat input is utilised for clinkerisation. Waste gases account for ~35% of total heat input. A WHR system enables

the recovery of waste heat from these preheater and cooler gases, which can be converted into electrical energy. Thus, a CPP and a WHR system reduces cost of electricity generation.

87%

Indian freight use road or rail to transport goods.



Megatrends Contd.

Aligning our growth strategies with emerging opportunities

We formed our expansion strategy by leveraging our robust business model. We plan to expand our manufacturing operations to adapt to the new split-grinding manufacturing technique and grow sea-based cement transportation which is one of our major differentiators. Our growth strategy is based on four approaches:

Penna Strategy 2021

- 1 Pan-India presence, through split grinding and unique port-based facilities
- 2 Implement unique, cost-effective logistics solutions
- 3 Targeted product offerings to serve market needs
- 4 Enhance brand proposition and strengthen sales and distribution network

Setting up facilities to expand into newer geographies

We are making significant investments in expanding our production capabilities and to growing our presence in new geographies. During the next year, two more packing terminals (Kolkata and Karaikal) envisaged under Phase-I would be operationalised and catered through our Krishnapatnam facility. We would therefore be able to serve geographically wide-ranging terminals ranging from Kolkata and Gopalpur in the East, Cochin and Karaikal in the South and Colombo in Sri Lanka.

As part of our expansion strategy, we plan to set up a cement manufacturing facility with clinker production capacity in Jodhpur, Rajasthan and two grinding units in Kathuwas (Neemrana), Rajasthan, NCR and Bathinda, Punjab. Our phased expansion will not only establish ourselves as a pan-India player but also significantly reduce our reliance on south Indian markets.

Focus on port-based logistics infrastructure and distribution

Most cement players use road and railways as their mode of transport of raw materials and cement across locations. However, sea transportation is becoming more attractive due to its cost advantages for catering to coastal markets. This has prompted us to develop and streamline our port-based logistics infrastructure and distribution. Through our Krishnapatnam grinding unit, we would be able to effectively target eastern,

far-south and export markets, geographically de-risking our operations. This would be a source of sustainable competitive advantage with logistics cost via sea route being 50% lesser than other alternatives and help to gain market-share in these high-growth, cement- deficit regions.

Penetrating target markets to capitalise on increased demand for blended cement

Demand for PPC is increasing in India owing to its superior properties in terms of thermal cracking resistance, higher strength and durability. With the shift in consumer preference, per capita blended cement consumption has increased significantly, especially in coastal markets. We plan to capitalise the sales mix of blended cement by entering target markets such as Kerala, Odisha and West Bengal, Rajasthan, NCR and Punjab.

Strengthening sales and distribution capabilities and growing brand 'Penna'

We aim to strengthen our sales and distribution capabilities by improving our customer relationship management and using product experts to better serve our customers, particularly in the trade segment. We are seeking to add additional dealers and retailers, in addition to further strengthening our relationships with the existing distribution network. Also, promotional efforts to enhance our brand presence would be undertaken as part of this effort.

State-wise opportunity



Andhra Pradesh

- Development of the capital city of Amravati with an area of 217 sq km
- The state Government of Andhra Pradesh plans to complete infrastructure in three smart cities by FY 2020-21



Telangana

- Introduction of a 2BHK housing scheme by the state government
- The Telangana State Industrial Infrastructure Corporation plans to introduce several industrial projects by 2020
- Two major smart cities (Greater Warangal and Karimnagar) are under development



Karnataka

- Karnataka State Highways Improvement Project, KSHIP-III, entails building 419 km of roads
- The state government allocated ₹5,600 Crore for Bangalore Metro Rail Corporation Ltd. Phase-II project
- For the 26 Class-I Cities, the AMRUT mission allocated ₹4,950 Crore for urban transformation



West Bengal

- The state government has taken up various road development projects such as Barasat-Krishnanagar section
- At Raghunathpur, three major steel parks are expected to be established



Odisha

- Bhubaneswar has been selected by the Ministry of Urban Development to be developed as a smart city
- Numerous industrial developments



Haryana

- The state government has signed Memoranda of Understanding (MoUs) with several Singapore firms for townships/logistics parks projects



Uttar Pradesh

- The state government plans to construct 18 modern bus terminals in 13 districts between 2018 and 2021.



Raw Materials

Future proofing cost-efficient supply

We have carefully crafted our raw material sourcing strategy to ensure steady supply and minimise wastage.



We operate captive mines with long-term leases and large reserves to meet our requirements for the next 30 years. We also source from domestic and international vendors that are strategically located near or connected to our facilities.

Limestone

Limestone is the key input in cement manufacturing. We operate 11 limestone mines located in Andhra Pradesh, Telangana and Rajasthan. These collectively secure our limestone requirements for the next 35 years. We employ efficient techniques with controlled blasting, robust material handling and custom-built drilling practices to run a highly cost-efficient mining operation.

Gypsum

Gypsum is used to control the setting time of cement and is mixed with clinker and other blending agents to produce cement. We procure gypsum from fertiliser companies located near our facilities.

Fly ash

Fly ash, a pozzolanic material, is obtained as a by-product during the coal burning process at thermal power plants and is required to manufacture PPC cement. We obtain fly ash from our captive power plant at the Ganeshpahad manufacturing facility while for our other facilities we source from nearby thermal power plants.

Slag

Slag is obtained as a by-product during the steel manufacturing process and is mixed with clinker to create slag cement. It is used to manufacture PSC cement. We source slag from steel manufacturing facilities located close to our manufacturing facilities.



Power and coal

Typically, power and fuel expenses constitute a large portion of our operating expenses. Our integrated manufacturing facilities are supplemented by auxiliary infrastructure, including a 77 MW captive power plant at the Ganeshpahad facility primarily used for captive consumption and WHR units with a current aggregate capacity of 17 MW. We plan to increase our WHR capacity to 59 MW by FY 2020-21. We currently import US-origin coal and pet coke from suppliers in Asia and Europe and source coal through coal linkages with The Singareni Colliery Company Limited.

Other raw materials

Bauxite, iron ore, laterite and dolomite are also required in cement manufacturing. We procure these inputs from domestic suppliers located near our manufacturing plants.



Operational Excellence

Ensuring consistent product quality

We have maintained consistent product quality over the years through our state-of-the-art manufacturing facilities, grinding units and extensive research and development activities in our innovation laboratories.



We follow systematic processes and globally benchmarked manufacturing practices. Further, we maintain our cost competitiveness by debottlenecking manufacturing, which also enables us to improve capacity utilisation and increase profitability.

Manufacturing facilities

During the year under review, our cement manufacturing units and grinding units were working at an average capacity utilisation of 68% and 21%, respectively. The strategic location of our facilities and our port-based logistics infrastructure provide us with several competitive advantages such as strategic access to South, West and East India and cost efficiency in transportation to new markets as well as to import coal.



Plant reviews

We undertake periodic reviews of our manufacturing facilities. Our integrated manufacturing facilities are automated and are ISO 9001:2015 certified for quality. In addition, we have received SLSI certification for OPC grade at our Krishnapatnam unit. We are licensed to use the BIS mark for our products. We conduct regular repair and maintenance work at our plants such as relining our kilns to maximise production efficiency and avoid unexpected interruptions. We also schedule periodic shutdowns for maintenance.



Maintaining product quality

We have put in place stringent quality checking parameters based on strength, heat development, workability, volume stability and durability. We have a dedicated team for providing technical services to customers, manage complaints related to quality, provide pre- and post-sales services and coordinate with quality departments and plants.

Research and development

We have an expert Research and Development (R&D) team. Our efforts in R&D are directed towards lowering costs by optimising the raw material mix for producing clinker by utilising raw materials, laterite and iron ore from different sources and utilising lower grade limestone and waste materials as additives in our products.

Recently, we also started focused research on different grinding media for both raw mill and cement mill to increase productivity without altering the physical and chemical properties of the material. We are also trying to shift to alternative fuels such as organic, inorganic, solid and municipal wastes to reduce cost and conserve natural resources and are trying to implement 'alternate fuel firing system' in our integrated manufacturing facility located at Tandur.



Information technology

Our robust Information Technology (IT) infrastructure monitors our operations and manages our supply chain – from procurement, sale of finished goods, payment transactions to vendors and contract suppliers, receivables from customers and distribution. Our integrated business management software helps in planning and managing operations at our production facilities and distribution network. Our integrated SAP enterprise resource planning solution streamlines production planning.

Further, our supplier portal enables tracking of vendor registration, purchase order acknowledgements and invoices. Our customer portal application, CARE, addresses customer requests and our human resource management application, myPORTAL, helps our employees.

Marketing Strategies

Enhancing brand equity and recall





1. Director Marketing addressing the gathering at the Channel partner meet held at Bangalore, Karnataka.
2. 'Maharaja awards' distribution during Dealer meet at Chennai.
3. Dealer Brand promotion awards being distributed in the channel partner Meet at Bangalore.
4. Dealer volume awards being distributed in the channel partner Meet at Kochi, Kerala.
5. State topper awards being distributed in the channel partner Meet at Hyderabad, Telangana.
6. Our dealer being felicitated with the 'Blended Cement Topper' award during a dealer's meet at Coimbatore.
7. Mobile Technical van during a site test.

Realigning our marketing strategy

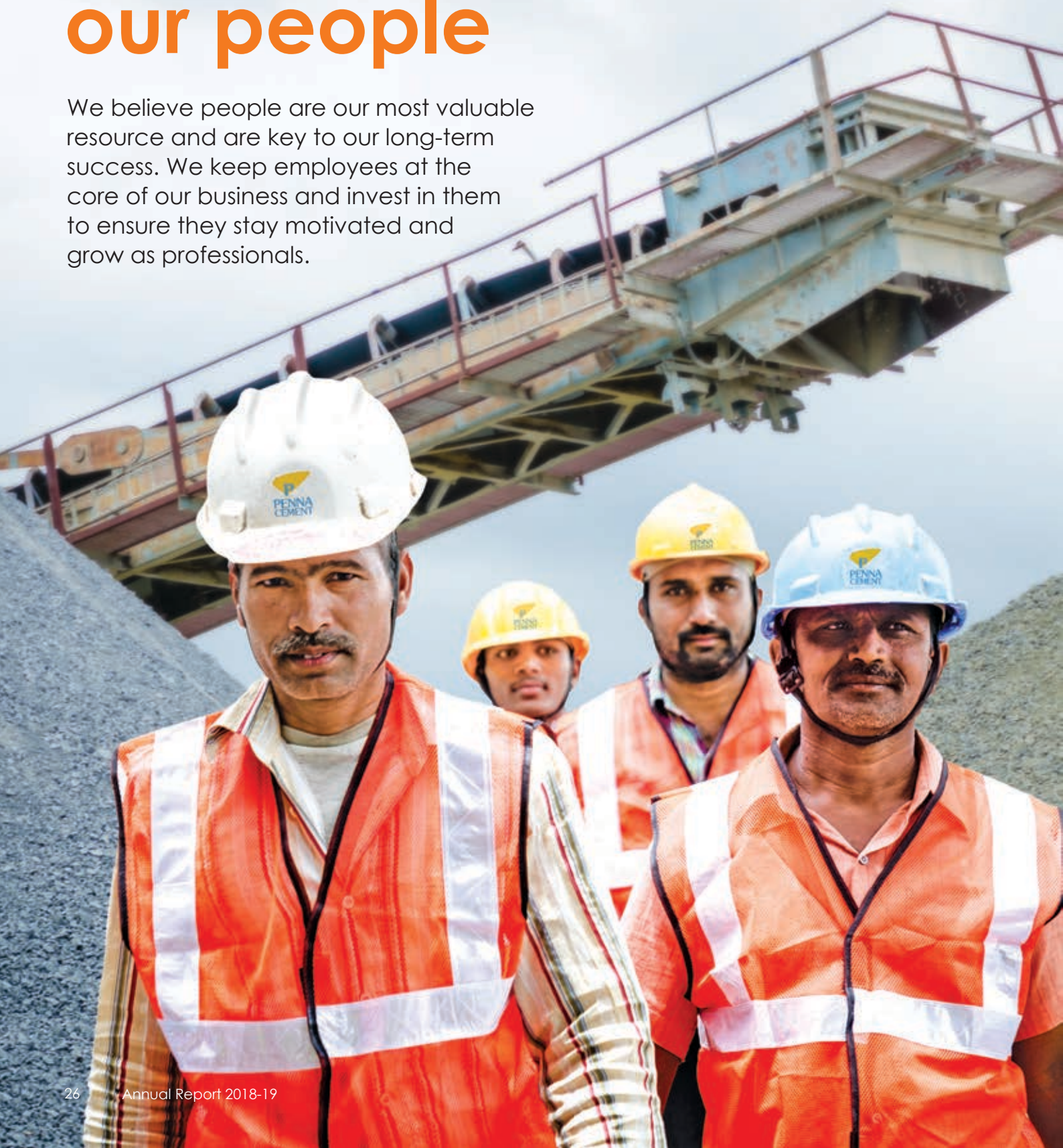
We revamped our marketing strategy in line with our Strategy 2021:

- Expanding channel penetration in existing markets and building up channels in newer markets catered by the port terminals
- Premiumising brand 'Penna' by adding improved products in our basket and launching campaigns to enhance product recall in newer markets
- Organising regular region-wise channel meets to enhance dealer engagement and loyalty; rolling out tailored schemes for sub-dealers and masons in line with our plan of repositioning 'Penna' as a retail brand
- Rewarding top dealers to encourage robust sales and distribution of products; engaging with end-use customers through counter and influencer meets
- Revamping the marketing team by onboarding new and experienced people to add value and make the division more agile
- Ensuring technical and product support to end-consumers through our experienced team of engineers

Human Resources

Investing in our people

We believe people are our most valuable resource and are key to our long-term success. We keep employees at the core of our business and invest in them to ensure they stay motivated and grow as professionals.



Training and development

Our training programmes are focused and systematic to ensure the learnings imparted are impactful and need-based. Training and development at Penna Cement are grouped under two categories. The first one is employee requested and manager endorsed. All employees are encouraged to apply for specific trainings, which they require through our employee management tool. Respective line managers approve their request. Based on the final list, we make various buckets under which trainings are segregated and imparted. The second category is mandatory trainings. Every year, our senior management decides on a list of trainings, which they feel must be conducted and all employees must mandatorily take part in these. These can be department-based or cross-functional trainings. All our soft skill training modules are developed in-house. For specific technical training, we hire external consultants.

During FY 2018-19, we undertook several focused training and development programmes:

- Employees went through a performance analysis based on which their training requirements were suggested and endorsed by their respective managers
- Based on need, we imparted technical training to the marketing team to improve their knowledge on technical aspects of our product and to enhance their communications with prospective clients, leading to higher conversions
- Our managers and leaders were trained to use technology to track and monitor their workforce and derive data-backed insights
- We undertook behavioural safety programmes for our workers in the manufacturing facilities to ensure that they abide by the safety rules and reduce accident rates



- Our Penna Leadership Exploration and Development - Penna Lead programme trains future leaders and inculcates managerial skills in them so that they derive higher value from their respective teams. The first batch completed this leadership development programme
- We conduct regular events to enhance employee engagement and heighten team bonding. We organised an event to celebrate 25 years of our operations in August 2019

Rewards and remuneration

Through our performance management system, we review the quarterly and annual employee performances. We have in place comprehensive and rigorous guidelines on employment, performance appraisal and retention of employees. Our quarterly reward and remuneration framework ensures that all deserving employees are recognised and rewarded. We also have a transparent appraisal framework for determining annual pay increases and bonuses.

Employee engagement

We organise various activities on special events and holidays to enable employee interaction with the leadership. We seek to offer innovative employee engagement solutions to provide a conducive work environment. In addition to medical, accident and general insurance policies, we have created a corpus to compensate the families in the event of death of an employee.



Corporate Social Responsibility

Being better by doing good

We seek to fulfil our social responsibilities and take part in constructive environmental practices to create a positive impact on the society.

In today's changing business environment, the nature of CSR has evolved. It has become much more than just philanthropy. At Penna Cement, we have integrated CSR initiatives into our business activities. We minimise environmental impact from our operations and work towards streamlining our operations towards long-term sustainability.

Our initiatives are primarily focused on environmental sustainability, education, gender equality and empowerment of women, hunger, poverty, malnutrition and health. We received a Certificate of Appreciation from the Government of Telangana for Dedicated Services Rendered in the Nalgonda district in 2016.



Stitching machines provided to Belkatur, Chandravancha & Chittiganapur Village



1. Independence day celebration at Penna High School, Mantampalli, Y.S.R. Kadapa District
2. Health camp
3. Drinking water facility, Rural Development Project
4. Penna College of Cement Sciences, Boyireddypalli Village, Ananthpur District



Board of Directors

Integrated Leadership Team

Mr. P. Prathap Reddy *Chairman and Managing Director*

Mr. Reddy is the Founder Chairman and Managing Director of the Company. He holds a bachelor's degree in Arts. He has more than three decades of experience in cement, power, construction, alumina, logistics, shipping and hospitality sectors. Under his leadership, the Company has delivered consistent growth and has established itself as one of the largest privately held cement companies in India.

Mr. Bezawada Vikram *Executive Director*

Mr. Vikram holds a bachelor's degree in Commerce from the Loyola College, Chennai and also holds a master's degree in Business Administration from the University of Chicago Booth School of Business, USA. He has worked as a consultant with Deloitte, USA for four years before joining his family business in India. He has been a Director of the Company since 2010. He has rich experience in the fields of consulting, cement and hydropower projects. He is currently responsible for the execution of the Company's expansion projects.

Mr. Lakshmi Kantham Dabbara *Director – Technical*

Mr. Dabbara holds a bachelor's degree in Science from Sri Venkateswara University. He has more than four decades of experience in the cement industry. He overlooks the operations in all the Company's plants, including procurement of raw materials, commercial production and manufacturing. He has been associated with the Company since inception and has been Director (Technical) of the Company from 2012. Before joining Penna Cement, he has worked in prestigious positions in Raasi Cement, Sagar Cement and Priyadarshini Cement.

Mrs. P. Deepthi Reddy *Non-Executive Director*

Mrs. Reddy has a bachelor's degree in Business Administration from the University of Wales, Cardiff. She has more than nine years of experience in the field of business administration and implementing power projects. She has been a Director of the Company since 2014.

Mr. P. Venugopal Reddy *Non-Executive Director*

Mr. Reddy holds a bachelor's degree in Commerce from Sri Venkateshwara Arts College, Sri Venkateshwara University. After completing his education, he undertook civil engineering contracts through M/s V.R. Constructions, which has been executing prestigious projects for various state governments. He has more than 40 years of experience in construction, infrastructure management, civil engineering and project administration. He has been Director of the Company since 2001.

Mr. Y. Santosh Kumar Reddy *Independent Director*

Mr. Reddy holds a bachelor's degree in Mechanical Engineering. He has rich experience in manufacturing industry, technical and commercial knowhow in the dry cell, carbon processing and calciner industries. He has served as Whole-Time Director in Rain CII Carbon (Vizag) Limited, which is engaged in the production of Calcined Petroleum Coke (CPC).

Dr. Ravindranath Kancherla *Independent Director*

Dr. Kancherla is a world-renowned expert in surgical gastroenterology and laparoscopic surgery and is heading Global Hospitals Group. He developed India's most comprehensive hospital dedicated to gastroenterology and a centre to efficiently conduct the complicated procedure of organ transplantation. With extensive experience in surgeries, Dr. Kancherla has become an authority in liver, pancreatic and bile duct resections, revision gastric surgeries and reconstructive coloproctology. He has trained over 700 surgeons in laparoscopic procedures.

Mr. Anil Kumar Kutty
Independent Director

Mr. Kutty is an Officer of the 1978 batch of the of Indian Administrative Service (IAS). He has a master's degree in Physics from Delhi University. He has more than three decades of experience in various fields including banking and power sector.

He has vast professional experience and has worked for several prestigious organisations. He served as the Managing Director of KSK Energy Resources Private Limited; Joint Secretary, Ministry of Power, Government of India from 2002 to 2007; the Chairman and Managing Director of Transmission Corporation of Andhra Pradesh (APTRANSCO) and Chairman of the successor distribution companies which came into existence after unbundling of APSEB. In addition to these companies, he was Director In charge of Andhra Pradesh Gas Power Corporation Limited (APGPCL).

Mr. Pradeep Kumar Panja
Independent Director

Mr. Panja has done his master's in Science (Statistics) from the University of Madras and Certified Associate of Indian Institute of Bankers (CAIIB). He has around four decades of rich experience in banking with State Bank of India which encompasses various areas of Corporate, International, Treasury, Information Technology, Retail and Transaction Banking. He also has a hands-on experience in strategic planning, goal setting and business development and a rich Board-level exposure at the numero uno bank of the country and other organisations.

Mr. Sairam Mocherla
Independent Director

Mr. Mocherla is a Fellow Member of Institute of Chartered Accountants of India (FCA) and also an alumnus of Joseph M Katz School of Business Management, University of Pittsburgh (USA). His career spans over three decades. He started out as a partner with M. Bhaskara Rao & Company, a widely respected Chartered Accountancy firm. Thereafter, he founded Capital Fortunes Private Limited, a boutique investment bank, which specialises in project development, partnerships, infrastructure development investor and consulting. He has expertise in the areas of private equity, merger & acquisitions, public private partnerships, governance, risk and reforms, corporate finance, regulatory and taxation. He has served on the Board of several large companies in India in energy, building materials and also a top notch public sector bank. He is closely associated with trade and management bodies as a member and has widely travelled across continents.

Awards and Accolades

Recognition of our brand and quality



Recognised as one of the 'Most Impactful Power Brands of 2018' by the Daily Indian Media



Won three Gold Awards and two Silver Awards at the 32nd Annual Chapter Convention, CCQC from the Quality Circle Forum of India

Golden Peacock - Innovation Management Award.



Inflection award - Supply Chain Innovation of the year Building Material.



Brand award - India's Greatest Brands and Leaders.

Corporate Information

Chairman and Managing Director

Mr. P Prathap Reddy

Executive Director

Mr. B Vikram

Mr. Lakshmi Kantham Dabbara

Non-Executive Director

Mr. P Venugopal Reddy

Mrs. P Deepthi Reddy

Independent Director

Mr. Y Santosh Kumar Reddy

Mr. Anil Kumar Kutty

Dr. Ravindranath Kancherla

Mr. Pradeep Kumar Panja

Mr. Sairam Mocherla

Chief Financial Officer

Mr. Petluru Venugopal Reddy

Company Secretary

Mr. Raj Kumar Singh

Statutory Auditor

M/s C. Ramachandram & Co.

Chartered Accountants

H.No. 3-6-237, 606

Lingapur La Builde Complex,

Himayathnagar, Hyderabad - 500029,
Telangana.

Internal Auditor

M/s Deloitte Haskins & Sells LLP

KRB Tower, Plot No. 1 to 494A, 2nd Floor, A Wing,
Jubilee Enclave Madhapur, Hyderabad - 500081,
Telangana.

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 (Andhra Pradesh)
2. Ganeshpahad Village
Damarcherla Mandal Nalgonda District (Telangana)
3. Boyireddypalli Village
Kamalapadu, Yadiki Mandal Ananthpur District (Andhra Pradesh)
4. Belkatur Village,
Tandur Mandal, Ranga Reddy District (Telangana)
5. Kangaon Village
Dhaund Patas Pune (Maharashtra)
6. Krishnapatnam Port
Nellore District, (Andhra Pradesh)
7. Willingdon Island
Kochi (Kerala)

Board's Report

Dear Members,

Your Directors are pleased to present the 28th Annual Report and the Company's audited financial statements for the financial year ended 31 March 2019.

Financial Highlights

Particulars	(₹ in Crore)	
	Year ended 31 March 2019	Year ended 31 March 2018
Sales & Other Income	2166.92	1860.66
Profit before Interest & Depreciation	320.42	414.50
Less: Interest & Finance Charges	139.46	103.46
Profit after Interest but before Depreciation	180.96	311.04
Less: Depreciation	116.41	81.51
Net Profit before Tax	64.55	229.53
Provision for Tax	17.36	59.66
Provision for Deferred Tax Liability	(30.15)	12.81
MAT Credit Entitlement	(16.94)	...
Net Profit after Tax	94.28	157.06
Total Comprehensive Income for the year	93.92	157.15
Balance brought forward from previous year	866.90	707.75
Profit available for appropriation	961.54	864.45
Appropriations:		
Bonus Issue	120.42	...
Debenture Redemption Reserve	(10.50)	(10.50)
Dividend Paid	13.38	6.69
Tax on Dividend	2.75	1.36
Balance Retained	834.77	866.90

State of company's affairs

During the year under review, the total Turnover of the Company was ₹2164.04 Crore. The Company has earned a Profit after tax of ₹94.28 Crore.

The financial year 2018-19 has been successful for the Company. Though sluggish market demand, the Company was able to capitalise 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 March 2019, the Company has not transferred any amount to General Reserve Account.

Dividend

The Board in its meeting held on 19 August 2019, has recommended a dividend of ₹1/- per Share for the Financial Year ended 31 March 2019.

Debentures

On 12 June 2019, the Company had redeemed entire portion of Non-Convertible Debentures.

Share capital

The Paid up Equity Share Capital of the Company as on 31 March 2019 was ₹133.80 Crore.

The Board of Directors at their meeting held on 9 July 2018 allotted 12,04,20,000 equity shares under Bonus issue.

Initial public offer

The Company had filed Draft Red Herring Prospectus (DRHP) with Securities and Exchange Board of India for the purpose of raising of funds through Initial Public Offer. The Company had received in-principle approval from Securities and Exchange Board of India, BSE Limited and the National Stock Exchange of India Limited.

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 March 2019.

Cement sector outlook

Indian cement industry overview

India is the second-largest cement producer in the world, after China and accounts for a 4.4% capacity share

of global cement production. India's cement industry provides employment to more than a million people, directly or indirectly, with a capacity of ~539 Million Tonnes per Annum (MTPA). The top 30 players with 210 large cement plants together account for 494 Million Tonnes of installed capacity in the country. Of the total 221 large cement plants in India, 94 are located in the states of Andhra Pradesh & Telangana, Rajasthan and Tamil Nadu. Between 2008 and 2018, cement demand has increased at 6.15% CAGR. During 2019, cement sector has witnessed robust volume growth, clocking 13% YoY (highest since FY 2009-10). The housing sector is the biggest demand driver of cement demand, accounting for 65% of the total consumption in India. The other major consumers of cement include public infrastructure (20%), and industrial/commercial development (15%). (Source: Equity master, CRISIL, India Ratings, Survey of Cement Industry & Directory 2019)

Cement industry outlook

The cement production capacity is estimated to increase by 15 to 20 MTPA in 2020. A pick-up in the affordable and rural housing segments along with road, metro and irrigation projects are likely to sustain demand growth of ~6-8% into FY 2019- 20. This is expected to drive utilisations upward to over 70% during the year. Southern, Eastern and Western regions would be driven by infrastructure/ housing, North primarily by infrastructure and Central region by rural housing demand.

Primary drivers of demand continue to be affordable/rural housing; with considerable progress being made under Pradhan Mantri Awas Yojana - Urban (PMAY-U) / Pradhan Mantri Awas Yojana - Gramin (PMAY-G) schemes. Public infrastructure spending continues to be a key driver in overall cement demand.

(Source: ICRA, Hindu Business Line)

Government initiatives

The Government of India seeks to provide a push to infrastructure sector by announcing over 100 Lakh Crore spend on infrastructure over the next five years. The Central Government is targeting to build as many as 1.9 Crore houses under PMAY-G and 2 Crore units under PMAY-U by 2022. Both the schemes together have around 1.5 Crore beneficiaries presently. Through increased execution under Bharatmala, Pradhan Mantri Gram Sadak Yojana (PMGSY), dedicated freight corridors, UDAN, Jal Marg Vikas, Sagarmala and Metro projects, physical connectivity is sought to be enhanced. Continued easing of regulatory policies and encouragement of Public Private Partnerships in the area of infrastructure has added further dimensionality to Government's efforts. (Economic Survey, Moneycontrol)

Deposits

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

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%

As per the provisions of Section 129 of the Companies Act, 2013 read with Rule 5 and Rule 8 of Companies (Accounts) Rules, 2014, a separate statement containing the salient features of the financial statements of the subsidiary Companies/ Associate Companies/Joint Ventures in Form AOC-1 is annexed to this Board's Report (Annexure – I).

Acquisition:

During the First Quarter of Financial Year 2019-20, the Company had acquired 99.64% of equity shares of Singha Cement Private Limited, a Company incorporated under the laws of Sri Lanka.

Names of companies which have become or ceased to be company's subsidiaries, joint ventures or associate companies during the year

During the Financial Year, no Company has become or ceased to be Company's Subsidiaries, Joint Ventures or Associate Company.

Consolidated financial statements

The consolidated financial statements are prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 and other relevant provisions of the Companies Act, 2013. As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate audited accounts of its subsidiaries on its website www.pennacement.com and a copy of separate audited financial statements of its subsidiaries will be provided to shareholders upon their request.

Board of directors and key managerial personnel

As on 31 March 2019, your Company's Board has a strength of 10 (Ten) Directors including 1 (One) Woman Director. The Chairman of the Board is an Executive Director.

The composition of the Board is as below:

Category	No. of Directors	% of Total No of Directors
Executive Director	03	30%
Non Executive Director	01	10%
Non Executive Woman Director	01	10%
Non Executive Independent Director	05	50%

Meetings of the Board of Directors

During the Financial Year 2018-19, Seven (7) Meetings of the Board of Directors were held details of which are as follows:

S. No.	Date of Board Meeting	No. of Directors Present
1	9 May 2018	5
2	7 June 2018	8
3	7 September 2018	6
4	26 September 2018	8
5	10 November 2018	9
6	24 January 2019	9
7	15 March 2019	5

Key Managerial Personnel

As on 19 August 2019, 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. D. Lakshmi Kantham	Director (Technical)
3	Mr. Petluru Venugopal Reddy	Chief Financial Officer
4	Mr. Raj Kumar Singh	Company Secretary

Mr. Sanjeev Kumar Aggarwal has resigned from the position of Chief Financial Officer of the Company w.e.f. 9 February 2019.

Mr. Petluru Venugopal Reddy has been appointed as Chief Financial Officer of the Company w.e.f. 25 May 2019.

In terms of Section 152 of the Companies Act, 2013, it is ascertained that, Mrs. P. Deepthi Reddy and Mr. P. Venugopal Reddy shall retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offered themselves for re-appointment in the forthcoming Annual General Meeting.

Audit committee

The Audit Committee comprises of following Directors:

S. No.	Name of the Member	Designation	Category
1	Mr. Sairam Bhaskar Mocherla	Chairman	Non-Executive - Independent Director
2	Mr. Anil Kumar Kutty	Member	Non-Executive - Independent Director
3	Mr. Pradeep Kumar Panja	Member	Non-Executive - Independent Director
4	Mr. Bezawada Vikram	Member	Executive Director

The terms of reference of the Audit Committee includes 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 Financial Year 2018-19, all the recommendations made by the Audit Committee were accepted by the Board.

During the year ended 31 March 2019, Four (4) Audit Committee Meetings were held and the details of which are as follows:

S. No.	Date of Board Meeting	No. of Directors Present
1	9 May 2018	2
2	26 September 2018	3
3	10 November 2018	3
4	24 January 2019	3

Banking and Borrowing Committee

The Banking and Borrowing Committee of the Company is as follows:

S.No.	Name of the Member	Designation
1	Mr. Puttamreddy Prathap Reddy	Chairman
2	Mr. Bezawada Vikram	Member
3	Mr. Petluru Venugopal Reddy	Member

The Company Secretary of the Company acts as Secretary to the Committee.

During the Financial year ended 31 March 2019, 6 (Six) Banking and Borrowing Committee Meetings were held on 1 June 2018, 30 June 2018, 7 September 2018, 12 November 2018, 11 December 2018 and 24 January 2019.

All the recommendations made by the Banking and Borrowing Committee were accepted by the Board.

Policy on remuneration of directors, KMPs, senior management personnel and other employees

Nomination and Remuneration Committee:

The Nomination and Remuneration Committee of the Company is as follows:

S. No.	Name of the Member	Designation	Category
1	Mr. Anil Kumar Kutty	Chairman	Non-Executive & Independent
2	Mr. Pradeep Kumar Panja	Member	Non-Executive & Independent
3	Mr. Puttamreddy Venugopal Reddy	Member	Non-Executive Director

All the members of the Nomination and Remuneration Committee 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.

Brief description of the terms of reference:

- Identifying 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 for their appointment and removal;
- Formulation of criteria for evaluation of Independent Directors and the Board;
- Carry on the evaluation of every Director's performance;
- Formulation of the criteria for determining qualifications, positive attributes and independence of a Director; and
- Recommend to the Board, a policy relating to the remuneration of the Directors, Key Managerial Personnel and other Employees.

Meetings and attendance of the Nomination and Remuneration Committee

- During the Financial Year 2018-19, 1 (One) Nomination and Remuneration Committee Meeting was held on 9 May 2018.

All the members of the Nomination and Remuneration Committee attended the meeting.

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:

- 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.
- 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.

- To formulate the criteria for evaluation of Independent Director and the Board.
- 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 determining 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.
- To recommend to the Board on Remuneration payable to the Directors, Key Managerial Personnel and Senior Management.
- 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.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.
- To develop a succession plan for the Board and to regularly review the plan.
- To assist the Board in fulfilling responsibilities.
- To implement and monitor policies and processes regarding principles of corporate governance.
- Regularly review the Human Resource function of the Company.
- Discharge such other function(s) or exercise such power(s) as may be delegated to the Committee by the Board from time to time.
- Make reports to the Board as appropriate.
- Review and reassess the adequacy of this charter periodically and recommend any proposed changes to the Board for approval from time to time.
- 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 energised, 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 includes, 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 organisation.

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 – II**.

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

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 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 stating that they meet the criteria of independence as provided under Section 149(6) of the Companies Act, 2013.

Contracts or arrangements with related parties under section 188(1) of the companies act, 2013

With reference to Section 134(3)(h) of the Companies Act, 2013, all contracts and arrangements with related parties under Section 188(1) of the Act, entered by the Company during the financial year, were in the ordinary course of business and on an arm's length basis. During the year, the Company had not entered into any contract or arrangement with related parties which could be considered 'material' according to the policy of the Company on materiality of Related Party Transactions. Accordingly, there are no transactions that are required to be reported in form AOC-2. However, you may refer to Related Party transactions in Note No. 27 (F) of the Standalone Financial Statements.

Auditors

M/s. C. Ramachandram & Co., Chartered Accountants (ICAI Regn. No. 002864S), were appointed as the Statutory Auditors of the Company for a period of 5 years at the 27th Annual General Meeting of the Company, up to the conclusion of the 32nd Annual General Meeting of the Company.

The Board pursuant to the recommendation of Audit Committee of the Company accepts the continuation of M/s. C. Ramachandram & Co, Chartered Accountants as Statutory Auditors of the Company from the conclusion of 28th Annual General Meeting till the conclusion of 29th Annual General Meeting. In this regard, the Company has received a Certificate from the Auditors to the effect that their continuation as Statutory Auditors, would be in accordance with the provisions of Section 141 of the Companies Act, 2013.

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.

During the year under review, there were no instances of frauds reported by auditors under Section 143(12) of the Companies Act, 2013 in the course of the performance of his duties as statutory auditor.

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 2018-19.

The Company maintains the Cost Auditors and Cost audit report would be filed with the Central Government within prescribed timelines.

During the year under review, there were no instances of frauds/ qualifications/ adverse remarks reported by cost auditor under Section 148 of the Companies Act, 2013 in the course of the performance of his duties as cost auditor.

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 2018-19. The Secretarial Audit Report for the financial year ended 31 March 2019 is annexed herewith marked as **Annexure – III** to this Report.

During the year under review, there were no instances of frauds or any qualification, reservation or adverse remark reported by Secretarial auditor under Section 204 of the Companies Act, 2013 in the course of the performance of his duties as Secretarial auditor.

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 victimisation 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 endeavours 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 March 2019, 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 an amount of ₹4.92 Crore towards Corporate Social Responsibility.

Meeting of the CSR Committee

A meeting of CSR Committee was held on 9 May 2018, all the members of the Committee attended the meeting.

Further the Annual Report on CSR for the financial year ended 31 March 2019 is annexed as **Annexure – IV** herewith for your kind perusal and information.

Loans, Guarantees and Investments

During the Financial Year, the Company has not made investment, has not given any Loans, Guarantees and provided Securities.

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 – V** 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 – VI**.

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.

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.

Independent Directors' Meeting

The Independent Directors met during the Financial year on 9 May 2018, 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.

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.

Risk Management Policy is adopted by the Company. Risk Management Policy of the Company outlines different kinds of risks and risk mitigating measures to be adopted by the Board. The Company has adequate internal control systems and procedures to combat risks. The risk management procedures are reviewed by the Audit Committee and the Board of Directors from time to time.

Risk Management Committee of the Company comprises as follows:

S. No.	Name of the member	Designation	Category
1	Mr. Anil Kumar Kutty	Chairman	Non-Executive & Independent Director
2	Dr. Ravindranath Kancherla	Member	Non-Executive & Independent Director
3	Mr. Bezawada Vikram	Member	Executive Director
4	Mr. Dabbara Lakshmi Kantham	Member	Director (Technical)
5	Mr. Petluru Venugopal Reddy	Member	Director (Finance)- Senior Executive
6	Mr. Krishna Srivastava	Member	Director (Marketing)- Senior Executive

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.

Acknowledgment

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

Date: 19 August 2019

Place: Hyderabad

Chairman & Managing Director

DIN: 00093176

Annexure – I

Form AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)
Statement containing salient features of the financial statement of subsidiaries or
associate companies or joint ventures

Part A Subsidiaries

	Amount in ₹ Crore
1. Name of the subsidiary	Pioneer Cement Industries Limited
2. The date since when subsidiary was acquired	3 September 2014
3. Reporting period for the subsidiary concerned, if different from the holding company's reporting period.	Not Applicable
4. Reporting currency and Exchange rate as on the last date of the relevant Financial year in the case of foreign subsidiaries.	INR
5. Share capital	124.86
6. Reserves and surplus	(0.67)
7. Total assets	152.77
8. Total Liabilities	28.58
9. Investments	97.27
10. Turnover	-
11. Profit before taxation	(0.40)
12. Provision for taxation	-
13. Profit after taxation	(0.41)
14. Proposed Dividend	-
15. Extent of shareholding (in percentage)	100%

PART B: Associates and Joint Ventures

Statement pursuant to Section 129 (3) of the Companies Act, 2013 related to Associate Companies and Joint Ventures

	Amount in ₹ Crore
Name of Associates	Parasakti Cement Industries Limited
1. Latest audited Balance Sheet Date	31 March 2019
2. Shares of Associate or Joint Ventures held by the company on the year end	50%
No. of Shares	1,32,00,000
Amount of Investment in Associates or Joint Venture	16.60
Extent of Holding (in percentage)	50%
3. Description of how there is significant influence	There is significant influence due to 50% of shares held by the Company
4. Reason why the associate/joint venture is not consolidated	N.A.
5. Networth attributable to shareholding as per latest audited Balance Sheet	69.22
6. Profit or Loss for the year	
i. Considered in Consolidation	0.02
ii. Not Considered in Consolidation	N.A.

For and on behalf of the Board of Directors

Date: 19 August 2019
Place: Hyderabad

P. Prathap Reddy
Chairman & Managing Director
DIN: 00093176

Annexure – II

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
Executive Directors		
1	Mr. P. Prathap Reddy	181
2	Mr. B. Vikram Reddy	25
3	Mr. D. Lakshmi Kantham	29
4	Mr. Petluru Venugopal Reddy	14

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	NIL
3	Mr. D. Lakshmi Kantham	NIL
4	Mr. Petluru Venugopal Reddy	NIL
5	Mr. Raj Kumar Singh	18%

iii. The percentage increase in the median remuneration of employees in the Financial Year. 11.7%.**iv. The number of permanent employees on the rolls of company:** There are 1239 permanent employees on the rolls of the Company as on 31 March 2019.**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 March 2019
1	3.33%	Net profit of the Company is ₹93.92 Crore

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 March 2019
1	₹15.8 Crore	Net profit of the Company is ₹93.92 Crore

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 (in Crore)	Performance of the Company for the year ended 31 March 2019
1	Mr. P. Prathap Reddy	8.80	Net profit of the Company is ₹93.92 Crore
2	Mr. B. Vikram Reddy	1.20	
3	Mr. D. Lakshmi Kantham	1.40	
4	Mr. PetluruVenugopal Reddy	0.68	
5	Mr. Raj Kumar Singh	0.30	
6	Mr. Sanjeev Aggarwal*	1.06	

*Relieved from the company on 8 February 2019

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

Only Salary and allowances are being paid 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.

For and on behalf of the Board of Directors

Date: 19 August 2019
Place: Hyderabad

P. Prathap Reddy
Chairman & Managing Director
DIN: 00093176

Annexure – III

Form No. MR-3 Secretarial Audit Report

For the Financial Year ended on 31 March 2019

[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 31 March 2019 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 authorised 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 31 March 2019, 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;
 - d. 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;
 - 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 equity shares not listed on any 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 authorised 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. The changes in the composition of the Board of Directors that took place during the

period under review were carried out in compliance with the provisions of the Act.

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 period the Company had following events which had bearing on the Company's affairs in pursuance of the above referred laws, rules, regulations, guidelines etc.:

- (i) Obtained approval of members by way of special resolution in the Extra-Ordinary General Meeting held on 18 May 2018, to create, issue, offer and allot Equity Shares up to an aggregate amount of ₹2,000 Crore, in the course of the proposed initial public offering of the Company and subsequently, the Equity Shares of Company be listed on one or more Stock Exchanges.
- (ii) Obtained approval of members by way of special resolutions in the Extra-Ordinary General Meeting held on 18 May 2018, to borrow money in excess of the aggregate of the paid-up share capital and free reserves of the Company, but not exceeding a sum of ₹5,000 Crore and to create charge on movable and immovable properties of the Company both present and future for an amount not exceeding ₹5,000 Crore.
- (iii) Obtained approval of members by way of special resolution in the Extra-Ordinary General Meeting held on 14 June 2018, to issue Bonus Shares in proportion of 09 new Equity Shares for every 01 existing Equity Share and allotted 12,04,20,000 Equity Shares on 9 July 2018.

for **B S S & Associates**
Company Secretaries

S. Srikanth
Partner

Date: 9 August 2019
Place: Hyderabad

ACS No.: 22119
C P No.: 7999

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

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.

for **B S S & Associates**
Company Secretaries

Date: 9 August 2019
Place: Hyderabad

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

Annexure – IV

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 and a reference to the web-link to the CSR policy and projects or programmes :**

- 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 organisations and academic institutes in pursuit of our goals.
- Interact regularly with stakeholders, review and publicly report our CSR initiatives.
- Company's CSR Policy is also available on the website of the Company at the following link: <https://pennacement.com/stage/wp-content/uploads/2018/08/Corporate-Social-Responsibility.pdf>

2. Composition of the CSR Committee:

The CSR Committee comprises of following Directors:

S. No.	Name	Designation
1	Mr. Bezawada Vikram	Chairman
2	Mrs. P. Deepthi Reddy	Member
3	Mr. D. Lakshmi Kantham	Member
4	Mr. Sairam Mocherla	Member (Independent Director)

Company Secretary of the Company acts as Secretary to the Committee.

3. Average Net Profit of the Company for last three financial years (as per Section 198 of the Companies Act, 2013):

₹285.83 Crore.

4. Prescribed CSR expenditure (2% of the amount as in item 3 above):

₹5.71 Crore

5. Details of CSR spent for the financial year:

- Total amount spent for the financial year:
₹4.92 Crore.
- Amount unspent, if any: ₹0.79 Crore
- Manner in which the amount spent during the financial year is detailed below:

S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programmes (1) Local area or other (2) Specify the state and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes wise	Amount spent on the projects or programmes Sub heads: (1) Direct expenditure on projects or programmes (2)Overheads	Cumulative expenditure up to the reporting period : Direct (D) to the reporting or through implementing agency (IA)
1	Providing education, food to poor people and financial assistance to local government schools	Promotion of Education	Mandapamapalli, Boayreddypalli, Talaricheruvu, Ganeshpahad, Tandur, Karankote, Kadapa, Ananthapur, Nalgonda, Ranga Reddy, Hyderabad in the States of Telangana and Andhra Pradesh	₹3 Crore	₹2.58 Crore	₹2.58 Crore
						Direct, Pioneer Education Trust, Shakuntala Trust (IA)

S. No.	CSR project or activity identified	Sector in which the project is covered	Projects or programmes (1) Local area or other (2) Specify the state and district where projects or programmes was undertaken	Amount outlay (budget) project or programmes wise	Amount spent on the projects or programmes Sub heads: (1) Direct expenditure on projects or programmes (2)Overheads	Cumulative expenditure up to the reporting period	Amount spent : Direct (D) to the reporting or through implementing agency (IA)
2	Providing basic needs to Poor, Free Accommodation to senior citizens, Construction of Water Tanks, Laying of Road in villages, Water Works, RO Plant construction in Villages, Renovation of Park, Laying of Roads Assistance in library renovation, Contribution to any other fund set up by the Central Government	Welfare and Rural Development	Cuddapah, Hyderabad, Rajanna Sircilla, Tirupathi, Ummayapalli, Abdullapuram, Korumanupalli, Ganeshpahad, Kondrapole, Boyareddypalli, Kangaon in the states of Telangana, Andhra Pradesh, Kerala and Maharashtra.	₹2.50 Crore	₹2.10 Crore	₹2.10 Crore	Direct and Hyderabad Round Table No.8 Charitable Trust (Project 511), Ramkrishna Mission, Mandal Parishad Development Officer (IA)
3	Free Cement supply to Hospital formed with Service objective	Promotion of Health	Kuchipudi	₹0.25 Crore	₹0.22 Crore	₹0.22 Crore	Silicon Andhra Sanjivani Hospital (IA)
Total				₹5.75 Crore	₹4.92 Crore	₹4.92 Crore	-

- d) In case the Company has failed to spend the two per cent of the average net profit of the last three financial years or any part thereof, the company shall provide the reasons for not spending the amount in its Board's Report:

Taking into account the commitments made by the Company for the CSR projects/programmes which are in progress, and considering the project mode of CSR activity, the project at times extends beyond the financial year and CSR initiative of Penna is focused on the sustainability and long-term impact of these initiatives.

In fact, the Company had spent surplus of ₹1.13 Crore then the mandatory CSR expenditure during the previous financial year 2017-18.

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

Mr. Bezwada Vikram
Chairman of the CSR Committee
DIN: 02086809

Date: 19 August 2019
Place: Hyderabad

Annexure – V

Form No. MGT-9

Extract of Annual Return of Penna Cement Industries Limited

As on the Financial Year ended on 31 March 2019

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and other details

CIN	U26942TG1991PLC013359
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, Telangana, India. Telephone : 040-44565100 Email : cs@pennacement.com
Whether Listed Company	YES (Debt Listed)
Name, Address and Contact details of Registrar and Transfer Agent, if any	For Non Convertible Debentures : 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 For Equity Shares: Karvy Fintech Private Limited Karvy Selenium, Tower – B Plot 31 and 32, Gachibowli, Financial District, Nanakramguda, Hyderabad 500 032 Telangana, India Tel: +91 40 6716 2222 Fax: +91 40 2343 1551 E-mail: einward.ris@karvy.com

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:-

Sl. No	Name and Description of main products/services	NIC Code of the product/ services	% to total turnover of the Company
1.	Manufacturing of Cement	23941	99.86%

* As per NIC Code 2008

III. Particulars of holding, Subsidiary and Associate Companies

[No. of Companies for which information is being filled = 2]

Sl. No	Name and Address of the Company	CIN/GLN	Holding/ Subsidiary/ Associate	% of shares held	Applicable section
1.	Pioneer Cement Industries Limited Address: Plot No. 705, Road No. 03, Banjara Hills, Hyderabad- 500034.	U26941TG2010PLC070651	Subsidiary	100.00%	2(87)
2.	Parasakti Cement Industries Limited Address: Plot # 8-3-214/21, Srinivasa Nagar Colony (West), Hyderabad- 500038	U26942TG1993PLC015764	Associate	50.00%	2(6)

IV Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity) :**i Category-wise Share Holding**

Category of shareholder	No. of shares held at the beginning of the year				No. of shares held at the end of the year				% Change during the year
	Demat	Physical	Total	% of total Shares	Demat	Physical	Total	% of total Shares	
A. Promoters									
(1) Indian									
(a) Individuals / HUF	40,14,000	46,33,980	86,47,980	64.62	8,64,79,800	-	8,64,79,800	64.63	-
(b) Central Government	-	-	-	-	-	-	-	-	-
(c) State Government(s)	-	-	-	-	-	-	-	-	-
(d) Bodies Corporate	-	44,70,110	44,70,110	33.41	4,47,01,100	-	4,47,01,100	33.41	-
(e) Banks/FI	-	-	-	-	-	-	-	-	-
(f) Any Other	-	-	-	-	-	-	-	-	-
Sub - Total (A) (1):-	40,14,000	91,04,090	1,31,18,090	98.04	13,11,80,900	-	13,11,80,900	98.04	-
(2) Foreign									
(a) NRIs-Individuals	-	-	-	-	-	-	-	-	-
(b) Other - Individuals	-	-	-	-	-	-	-	-	-
(c) Bodies Corporates	-	-	-	-	-	-	-	-	-
(d) Banks/FI	-	-	-	-	-	-	-	-	-
(e) Any other	-	-	-	-	-	-	-	-	-
Sub - Total (A) (2):-	-	-	-	-	-	-	-	-	-
Total Shareholding of Promoter (A) = (A) (1)+(A)(2)	40,14,000	-	1,31,18,090	98.04	13,11,80,900	-	13,11,80,900	98.04	-
B. Public Shareholding									
1. Institutions									
(a) Mutual Funds	-	-	-	-	-	-	-	-	-
(b) Banks/FI	-	-	-	-	-	-	-	-	-
(c) Central Government	-	-	-	-	-	-	-	-	-
(d) State Government(s)	-	-	-	-	-	-	-	-	-
(e) Venture Capital Funds	-	-	-	-	-	-	-	-	-
(f) Insurance Companies	-	-	-	-	-	-	-	-	-
(g) FIs/FPI	-	-	-	-	-	-	-	-	-
(h) Foreign Venture Capital Funds	-	-	-	-	-	-	-	-	-
(i) Others (Specify)	-	-	-	-	-	-	-	-	-
Sub - Total (B) (1):-	-	-	-	-	-	-	-	-	-
2. Non-Institutions									
a) Bodies Corp.									
i) Indian	-	2,500	2,500	0.02	25,000	-	25,000	0.02	-
ii) Overseas	-	-	-	-	-	-	-	-	-
b) Individuals									
i) Individual Shareholders holding nominal share capital up to ₹2 Lakh.	-	-	-	-	-	-	-	-	-
ii) Individual Shareholders holding nominal share capital in excess of ₹2 Lakh.	-	2,59,410	2,59,410	1.94	24,82,000	1,12,100	25,94,100	1.94	-
c) Others (Specify)									
i. Non Resident Individuals	-	-	-	-	-	-	-	-	-
ii. Trusts	-	-	-	-	-	-	-	-	-
iii. Clearing Members	-	-	-	-	-	-	-	-	-
iv. NBFC	-	-	-	-	-	-	-	-	-
v Rain Industries Limited Unclaimed Suspense Account	-	-	-	-	-	-	-	-	-
vi Investor Education And Protection Fund Authority (IEPF)	-	-	-	-	-	-	-	-	-
Sub - Total (B) (2)	-	2,61,910	2,61,910	1.96	24,82,000	1,12,100	26,19,100	1.96	-
Total Public Shareholding (B)=(B)(1)+(B)(2)	-	2,61,910	2,61,910	1.96	24,82,000	1,12,100	26,19,100	1.96	-
C Shares held by Custodian for GDRs & ADRs	-	-	-	-	-	-	-	-	-
Grand Total (A+B+C)	40,14,000	2,61,910	1,33,80,000	100.00	13,36,62,900	1,12,100	13,38,00,000	100.00	-

ii. Shareholding of Promoters

Sl No.	Shareholder's Name	No. of Shares held at the beginning of the year			No. of Shares held at the end of the year			% change in share holding during the year
		No. of Shares	% to total Shares of the Company	% to Shares Pledged / encumbered to total Shares	No. of Shares	% to total Shares of the Company	% to Shares Pledged / encumbered to total Shares	
1.	P. Prthap Reddy	1,363,500	10.19	6.01	13,635,000	10.19	6.01	-
2.	P. Prathap Reddy (HUF)	45,000	0.34	-	450,000	0.34	-	-
3.	P.V. Lakshmi	75,000	0.56	-	750,000	0.56	-	-
4.	P. Deepthi Reddy	25,000	0.19	-	250,000	0.19	-	-
5.	P. Divya Priyanaka	40,000	0.30	-	400,000	0.30	-	-
6.	P. Venugopal Reddy	30,000	0.22	-	300,000	0.22	-	-
7.	P. Prathap Reddy, Managing partner - Pioneer Builders	7,009,480	52.39	30.00	70,094,800	52.39	30.00	-
8.	P.R.Cement Holdings Limited	4,470,110	33.41	-	44,701,100	33.41	-	-
9.	P. Ramesh Reddy	60,000	0.45	-	600,000	0.45	-	-
Total		13,118,090	98.04	36.01	131,180,900	98.04	36.01	-

iii. Change in Promoters Shareholding

Sl No.	Particulars	Shareholding at the beginning of the year		Date	Reason	Increase / Decrease in shareholding		Cumulative Shareholding during the year	
		No. of Shares	% to total Shares of the Company			No. of Shares	% to total Shares of the Company*	No. of Shares	% to total Shares of the Company
	At the beginning of the year (1 April 2018)	13118090	98.04						
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):								
1	P. Prathap Reddy	1363500	10.19	09.07.2018	Bonus allotment	12271500	-	13635000	10.19
2	P. Prathap Reddy (HUF)	45000	0.34	09.07.2018	Bonus allotment	405000	-	450000	0.34
3	P.V.Lakshmi Reddy	75000	0.56	09.07.2018	Bonus allotment	675000	-	750000	0.56
4	P. Deepthi Reddy	25000	0.19	09.07.2018	Bonus allotment	225000	-	250000	0.19
5	P.V. Divya Priyanka	40000	0.30	09.07.2018	Bonus allotment	360000	-	400000	0.30
6	P. Venugopal Reddy	30000	0.22	09.07.2018	Bonus allotment	270000	-	300000	0.22
7	P. Ramesh Reddy	60000	0.45	09.07.2018	Bonus allotment	540000	-	600000	0.45
8	P. Prathap Reddy, Managing Partner - Pioneer Builders	7009480	52.39	09.07.2018	Bonus allotment	63085320	-	70094800	52.39
9	P. R. Cement Holdings Limited	4470110	33.41	09.07.2018	Bonus allotment	40230990	-	44701100	33.41
	At the end of the Year (31 March 2019)							131,180,900	98.04

* The issue of bonus equity shares was in the ratio of 9:1 to all shareholders. Consequently, there was no change in the percentage shareholding post issue of bonus equity shares.

iv. Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of ADRs):

Sl No.	Particulars	Shareholding at the beginning of the year		Date	Reason	Increase / Decrease in shareholding		Cumulative Shareholding during the year	
		No. of Shares	% to total Shares of the Company			No. of Shares	% to total Shares of the Company*	No. of Shares	% to total Shares of the Company
	At the beginning of the year (1 April 2018)	261,000	1.95						
	Date wise Increase / Decrease in Promoters Share holding during the year specifying the reasons for increase/ decrease (e.g. allotment / transfer / bonus/ sweat equity etc):								
1	P. Niharika	50,000	0.37	09.07.2018	Bonus allotment	450000	-	500000	0.37
2	P. Nirupama	40,000	0.30	09.07.2018	Bonus allotment	360000	-	400000	0.30
3	J.C.Samyukta	40,000	0.30	09.07.2018	Bonus allotment	360000	-	400000	0.30
4	P. Padmaja	35,000	0.26	09.07.2018	Bonus allotment	315000	-	350000	0.26
5	P. Chandana	35,000	0.26	09.07.2018	Bonus allotment	315000	-	350000	0.26
6	P. Neelima Reddy	35,000	0.26	09.07.2018	Bonus allotment	315000	-	350000	0.26
7	P. Supriya	15,000	0.11	09.07.2018	Bonus allotment	135000	-	150000	0.11
8	Preeti	6,000	0.04	09.07.2018	Bonus allotment	54000	-	60000	0.04
9	Sunil Chandra Reddy	2,500	0.02	09.07.2018	Bonus allotment	22500	-	25000	0.02
10	Apeetha Enterprises Private Limited	2,500	0.02	09.07.2018	Bonus allotment	22500	-	25000	0.02
	At the end of the Year (31 March 2019)							2610000	1.95

* The issue of bonus equity shares was in the ratio of 9:1 to all shareholders. Consequently, there was no change in the percentage shareholding post issue of bonus equity shares.

v. Shareholding of Directors and Key Managerial Personnel

Sr. No.	For each of the Director	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
	Directors				
1	P. Prathap Reddy				
	At the beginning of the Year	13,63,500	10.19	-	-
	Date wise increase/decrease in shareholding during the year				
	09-07-2018 (Bonus Allotment)	1,22,71,500		1,36,35,000	10.19
	At the end of the year	-	-	1,36,35,000	10.19
2	P. Venugopal Reddy				
	At the beginning of the Year	30,000	0.22	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	09-07-2018 (Bonus Allotment)	2,70,000		3,00,000	
	At the end of the year	-	-	3,00,000	0.22
3	Y. Santosh Kumar Reddy				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
4	P. Deepthi Reddy				
	At the beginning of the Year	25,000	0.19	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	09-07-2018 (Bonus Allotment)	2,25,000		2,50,000	
	At the end of the year	-	-	2,50,000	0.19
5	Bezawada Vikram				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
6	D. Lakshmi Kantham				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
7	Petturu Venugopal Reddy*				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
8	P. Munikrishna**				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
9	Anil Kumar Kutty#				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
10	Sairam Bhaskar Mocherla#				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-

Sr. No.	For each of the Director	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
11	Pradeep Kumar Panja#				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
12	Ravindranath Kancherla##				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
	** Mr. P. Munikrishna resigned from the position of Director of the Company w.e.f. 7 June 2018				
	# Mr. Anil Kumar Kutty, Mr. Pradeep Kumar Panja and Mr. Sairam Bhaskar Mocherla appointed as Directors of the Company at the EGM held on 18 May 2018				
	## Mr. Ravindranath Kancherla is appointed as Director of the Company at the EGM held on 14 June 2018.				
	Key Managerial Personnel				
	For each of the KMP	Shareholding at the beginning of the year		Cumulative Shareholding during the year	
1	P. Prathap Reddy	No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
	At the beginning of the Year	13,63,500	10.19	-	-
	Date wise increase/decrease in shareholding during the year				
	09-07-2018 (Bonus Allotment)	1,22,71,500	9.17	1,36,35,000	10.19
	At the end of the year	-	-	1,36,35,000	10.19
2	Raj Kumar Singh, Company Secretary				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
3	Sanjeev Kumar Aggarwal, Chief Financial Officer*				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-
4	Pelturu Venugopal Reddy, Director (Finance) & Chief Financial Officer#				
	At the beginning of the Year	-	-	-	-
	Date wise increase/decrease in shareholding during the year	-	-	-	-
	At the end of the year	-	-	-	-

#Mr. Sanjeev Kumar Aggarwal was appointed as Chief Financial Officer of the Company on 7 May 2018 and resigned on 9 February 2019.

*Mr. Pelturu Venugopal Reddy resigned from the position of Director (Finance) and CFO of the Company w.e.f. 9 May 2018 and was appointed as CFO w.e.f. 25 May 2019.

V. Indebtedness

(₹ in Crore)

Indebtedness	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year i.e., 01 April 2018				
i) Principal amount	906.55	195.19	-	1,101.74
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	2.02			2.02
Total (i+ii+iii)	908.57	195.19	-	1,103.77
Change in indebtedness during the financial year				
Addition	295.38	-	-	295.38
Reduction	18.10	26.18	-	44.28
Net change	277.28	(26.18)		251.10
Indebtedness at the end of the financial year i.e., 31 March 2019				
i) Principal amount	1,182.77	169.01	-	1,351.79
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	3.08			3.08
Total (i+ii+iii)	1,185.85	169.01	-	1,354.87

VI. Remuneration of Directors and Key Managerial Personnel :

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

(₹ in Crore)

Sr. No.	Name of MD / WTD / Manager	Gross salary			Stock Option	Sweat Equity	Commission		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) Income-tax Act, 1961	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961			as % of profit	others			
1.	Mr. P. Prathap Reddy	1.50	0.12	1.55*	-	-	3%	-	-	3.17	6.69 (being 10% of the net profit of the Company calculated as per Section 198 of Companies Act, 2013)
2.	Mr. B. Vikram	1.20	-	-	-	-	-	-	-	1.20	
3.	Mr. D. Lakshmi Kantham	1.41	-	-	-	-	-	-	-	1.41	

*Commission for Financial Year 2018-19.

B. Remuneration to other directors**1. Independent Directors**

Sr. No.	Name of the Director	Particulars of Remuneration			Total Amount in ₹
		Fees For Attending Board Meeting/Committee Meeting	Commission	Others, if Any	
1.	Mr. Y. Santosh Kumar Reddy	1,15,000	-	-	1,15,000
2.	Dr. Ravindranath Kancherla	1,00,000	-	-	1,00,000
3.	Mr. Anil Kumar Kutty	1,00,000	-	-	1,00,000
4.	Mr. Sairam Mocherla	1,75,000	-	-	1,75,000
5.	Mr. P. Pradeep Kumar	1,75,000	-	-	1,75,000
Total		6,65,000	-	-	6,65,000

2. Other Non-Executive Directors

Sr. No.	Name of the Director	Particulars of Remuneration			Total Amount in ₹
		Fees For Attending Board Meeting/Committee Meeting	Commission	Others, if Any	
1.	Mr. P. Venugopal Reddy	1,15,000	-	-	1,15,000
2.	Mrs. P. Deepthi Reddy	80,000	-	-	80,000
Total		1,95,000	-	-	1,95,000

Note: The Company paid only sitting fees to the independent Directors and Non-Executive Directors for attending the Meetings of the Board of Directors and Committees thereof.

C. Remuneration To Key Managerial Personnel other than MD/Manager/WTd

Sr. No.	Name of Key Managerial Personnel	Gross salary			Stock Option	Sweat Equity	Commission		Others	Total
		(a) Salary as per provisions contained in Section 17(1) of the Income-tax Act, 1961	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	(c) Profits in lieu of salary under Section 17(3) Income-tax Act, 1961			as % of profit	others		
1.	Mr. Petluru Venugopal Reddy, Director (Finance) Chief Financial Officer [#]	0.05	...	...	...	...	...	...	...	0.05
2.	Mr. Raj Kumar Singh, Company Secretary	0.30	...	...	...	...	...	...	...	0.30
3.	Mr. Sanjay Aggarwal, Chief Financial Officer [*]	1.06	...	...	...	...	...	...	...	1.06

[#]Mr. Petluru Venugopal Reddy resigned from the position of Director (Finance) and CFO of the Company w.e.f. 9 May 2018 and was appointed as CFO w.e.f. 25 May 2019.

^{*}Mr. Sanjeev Kumar Aggarwal was appointed as Chief Financial Officer of the Company on 7 May 2018 and resigned on 9 February 2019.

For and on behalf of the Board of Directors

Date: 19 August 2019
Place: Hyderabad

P. Prathap Reddy
Chairman & Managing Director
DIN: 00093176

Annexure – VI

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 utilising 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 2018-19	Previous Year 2017-18
A. Power and Fuel Consumption:		
1. Electricity		
a) Purchased:		
Units (kwh)	12,93,96,503	8,93,14,194
Total Amount (₹ in Crore)	107.81	71.80
Rate/unit (₹)	8.33	8.04
b) Own Generation:		
a) Through Diesel Generator		
Units (kwh)	298,848	NIL
Units per liter of oil	3	
Cost/unit (₹)	23.87	
b) Through steam turbine/generator		
Units (kwh)	24,37,40,675	20,82,22,205
Total Amount (₹ in Crore)	136.37	115.86
Rate/unit (₹)	5.60	5.56
c) Through Waste Heat Recovery		
Units (kwh)	6,87,77,590	5,92,90,738
Total Amount (₹ in Crore)	38.32	32.54
Rate/unit (₹)	5.57	5.49
2. Coal and other fuels		
a) Used in Kiln		
Quantity (MTs)	5,40,056	4,31,719
Total Cost (₹ in Crore)	447.05	295.57
Average Rate (₹)	8278.01	6846.24
b) Used in Steam Turbine / Generators		
Quantity (MTs)	1,89,932	1,54,006
Total Cost (₹ in Crore)	121.84	85.84
Average Rate (₹)	6415.29	5573.95
3. Furnace Oil:	NIL	NIL
Quantity (KL)		
Total Cost (₹ in Lakh)		
Average Rate (₹)		
4. Others/Internal Generation:	NIL	NIL
Quantity (Kwh)		
Total Cost (₹ in Lakh)		
Rate per unit (₹)		
B. Consumption per unit of production		
1. Production (with details)	Cement	
Electricity (Kwh)	81.99	77.68
Furnace Oil		
Coal (Ash content 35-45%)(MTs)	0.13	0.13

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

	(₹ in Crore)	
Foreign Exchange:	2018-19	2017-18
Foreign Exchange Inflow	25.53	...
Foreign Exchange Outflow	257.91	217.35

For and on behalf of the Board of Directors

Date: 19 August 2019
Place: Hyderabad

P. Prathap Reddy
Chairman & Managing Director
DIN: 00093176

Independent Auditor's Report

To
The Members of
M/s Penna Cement Industries Limited

Report on the Standalone Ind AS Financial Statements

Opinion

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, 2019, 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").

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 Companies Act, 2013 in the manner so required and give a true and fair view in conformity with the Indian Accounting Standards Prescribed under section 133 of the Act read with Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS"), and other accounting principles generally accepted in India, of the financial position of the Company as at 31 March 2019, and its financial performance including other comprehensive income, its cash flows and the changes in equity for the year ended on that date.

Basis for Opinion

We conducted our audit of the standalone financial statements in accordance with the Standards on Auditing specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence obtained by us is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Key Audit Matters:

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period. Those matters were addressed in the context of our audit of standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matter	Auditor's Response
1	Revenue Recognition – Refer to Note 18 of the standalone financial statements. The Company recognises revenue based on terms of sales agreement, which varies with the customer i.e. upon transfer of control over goods sold. For sale transactions in a certain period of time around the balance sheet date, it is essential to ensure the control of goods have been transferred to the customers. As Revenue recognition is subject to management's judgement on whether the control of goods have been transferred, we consider cut off of revenue as key audit matter.	Principal Audit Procedures We Obtained an understanding of the revenue recognition process and tested the company's controls around the timely and accurate recording of sale transactions. We have obtained an understanding of sample of customer contracts. We tested the access and change management controls of the relevant information technology system in which shipments are recorded. Our test of revenue samples focused on sales recorded immediately before the year end, obtaining evidence to support the appropriate timing of revenue recognition, based on the terms set out in sales orders and delivery documents.

Information Other than the Standalone Financial Statements and Auditor's Report Thereon

- The Company's Board of Directors is responsible for the preparation of the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report

including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's Information, but does not include the standalone financial statements and our auditor's report thereon.

- Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
- In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.
- If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard. Management's Responsibility for the Standalone 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, statement of 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.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud

or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Materiality is the magnitude of misstatements in the standalone financial statements that, individually or

in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. 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 accounts required by law have been kept by the Company.
- c) The Balance Sheet, the Statement of Profit and Loss including Other Comprehensive Income, 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 Indian 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, 2019 taken on record by the Board of Directors, none

of the directors is disqualified as on March 31, 2019 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 A". Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the Company's internal financial controls over financial reporting.
- g) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended, in our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the company to its directors during the year is in accordance with the provisions of section 197 of the Act.
- h) 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 to the standalone Ind AS financial statements;
 - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses,
 - iii) There are no amounts required to be transferred to the Investor Education and Protection Fund by the Company.

2. 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 B, a statement on the matters specified in the paragraph 3 and 4 of the order.

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

C. Ramachandram
Partner
Membership No: 025834

Place: Hyderabad
Date: 9th May, 2019

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 Penna Cement Industries Limited ("the Company") as of March 31, 2019 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, to the best of our information and according to the explanations given to us, 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, 2019, based on the 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

Place: Hyderabad
Date: 9th May, 2019

C. Ramachandram
Partner
Membership No: 025834

Annexure B 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, 2019.

- 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 of property, plant and equipment.
 - b. The company has a regular program of physical verification of property, plant and equipment to cover all the items in a phased manner over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program, certain property, plant and equipment were physically verified by the management during the year. According to the information and explanations given to us, no material discrepancies were noticed on such verification.
 - c. According to information and explanation given to us and the records examined by us and based on the examination of the registered sale deed/ transfer deed provided to us, we report that, the title deeds, comprising all the immovable properties of land and buildings which are freehold, are held in the name of the Company as at the balance sheet date. Immovable properties of land and buildings whose title deeds have been pledged as security for loans are held in the name of the Company based on the confirmations directly received by us from lenders.
- ii. As explained to us, the inventories were physically verified during the year by the management at reasonable intervals and no material discrepancies were noticed on 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 ₹28.21 Crore (One Party)
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of the Companies Act, 2013 in respect of grant of loans, investments, guarantees, and security, as applicable.
- v. According to the information and explanations given to us, the Company has not accepted any deposit falling under the purview of provisions of Sections 73 to 76 of the Companies Act, 2013 during the year and does not have any unclaimed deposits, and hence reporting under clause(v) of the Order is not applicable to the Company.
- vi. The maintenance of cost records has been specified by the Central Government under section 148(1) of the Companies Act, 2013. 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 and are of the opinion that, prima facie, the prescribed cost records have been made and maintained. We have, however, not made a detailed examination of the cost records with a view to determine whether they are accurate or complete.
- vii. According to the information and explanations given to us, in respect of statutory dues:
 - a. The Company is regular in depositing undisputed statutory dues, including Provident fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Customs Duty, Value Added Tax, GST, Cess and other material statutory dues applicable to it to the appropriate authorities.

There were no undisputed amounts payable in respect of provident fund, duty of customs, service tax, cess and other material statutory dues were in arrears as at March 31, 2019 for a period of more than six months from the date they became payable.
 - b. Details of dues of income tax sales tax, service tax, excise duty, customs duty and cess which have not been deposited as on March 31, 2019 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 repayment of loans or borrowings to the Banks, Government, Financial Institutions and Debenture holders.
- ix. The company has not raised any moneys by way of initial public offer or further public offer (including debt instruments) during the reporting period. According to information provided to us term loans availed during the reporting period was applied for the purposes for which those were raised.
- x. 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 year.
- xi. According to information and explanation given to us, the company has paid/provided managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with schedule V to the Companies Act, 2013.
- xii. The company is not a Nidhi Company. Accordingly, paragraph 3(xii) of the Order is not applicable for the company.
- xiii. In our opinion and according to information and explanations given to us, the Company is in compliance with Sections 177 and 188 of Companies Act, 2013, where applicable, for all the transactions with the related parties and the details of related party transactions have been disclosed in the Ind AS Financial statements of the company as required by applicable Accounting Standards.
- xiv. 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.
- xv. According to information and explanation given to us, the company has not entered into non-cash transactions with directors or directors of its subsidiary company or persons connected with them. Thus, paragraph 3(xiv) of the Order is not applicable to the company.
- xvi. In our opinion, the company is not required to be registered under section 451A 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
Membership No: 025834

Place: Hyderabad
Date: 9th May, 2019

Annexure-C

Name of the statute	Nature of the dues	Amount ₹ in Crore*	Period to which the amount relates	Forum where dispute is pending
Income Tax Department	Disallowance of additional depreciation on Air Pollution Equipment	0.17	Assessment year 2010-11	ITAT-Hyderabad
	Disallowance under Section 37 and 14A	3.79	Assessment year 2013-14	High Court-Hyderabad (A)
	Disallowance under Section 37 and 14A	4.91	Assessment year 2014-15	High Court-Hyderabad (A)
Excise Duty	Input credit on Clean Energy Cess	0.51	Apr-10 to June-17	CESTAT, Hyderabad
	Industrial/Institutional sale	0.89	April -07 to Feb-09	Commissioner, Hyderabad
		0.35	Mar-12 to Jan-13	CESTAT, Hyderabad
		6.44	Dec-08 to Jan-13	Supreme Court
		10.28	Feb-13 to Jun-17	Commissioner, Tirupati
Customs Duty	Customs Duty on Coal	22.72	Mar-12 to Dec-12	Commissioner, Guntur
	Freight Not Inclusive in Assessable Value	4.13	Apr-10 to Feb-16	CESTAT, Hyderabad
Service Tax	Service Tax Credit on Freight (GTA)	1.45	Aug -06 to Sep -10	Commissioner, Tirupati
	Cenvat Credit of Excise & Service Tax	19.90	Feb-09 to Mar-10	Jurisdiction of High court, Hyderabad.
	Service tax on Royalty	0.54	Apr-16 to Jun-17	Commissioner, Hyderabad
	Service tax credits on demurrage charges	0.42	Apr-13 to Mar-16	Commissioner, Hyderabad
Sales Tax	Penalty for Entry Tax on Dumper 2006-07 & 2007-08	0.80	2006-07, 2007-08	High court of AP
	TNGST 1996-97- Excess of Stock transfer price over sale price	0.01	1996-97	High court of Tamilnadu
	Entry Tax on goods	0.62	2014-15 to 2017-18	High court of AP.
	Interest on Sales Tax Deferment	1.07	2001-02	High court of AP
Total		79.01		

*The above figures are disputed statutory dues after adjustment of amount paid under protest.

Standalone Balance Sheet

as at 31 March 2019

₹ in Crore			
Particulars	Notes	As at 31 March 2019	As at 31 March 2018
ASSETS			
NON-CURRENT ASSETS:			
a) Property, Plant and Equipment	2	1894.72	1699.77
b) Capital Work-in-Progress		630.61	242.04
c) Intangible Assets		0.15	0.42
d) Financial Assets			
i) Investments	3	143.62	143.61
ii) Loans	5	100.34	107.92
e) Other Non-Current Assets	6	116.33	204.78
Total Non-Current Assets		2885.77	2398.54
CURRENT ASSETS:			
a) Inventories	7	371.11	178.95
b) Financial Assets			
i) Trade Receivables	4	145.99	90.24
ii) Cash and Cash Equivalents	8	63.08	23.97
iii) Bank Balance other than Cash and Cash Equivalents	8	18.69	16.86
c) Other Current Assets	6	178.92	171.33
Total Current Assets		777.79	481.35
Total Assets		3663.56	2879.89
EQUITY AND LIABILITIES			
Share Holder's Funds			
a) Equity Share Capital	9	133.80	13.38
b) Other Equity	10	877.87	920.51
Total Equity		1011.67	933.89
NON-CURRENT LIABILITIES:			
a) Financial Liabilities			
i) Borrowings	11	1136.21	1011.20
ii) Other Financial Liabilities	13	532.04	238.87
b) Provisions	14	4.81	6.34
c) Deferred Tax Liabilities (Net)	15	245.81	275.96
Total Non-Current Liabilities		1918.87	1532.37
CURRENT LIABILITIES:			
a) Financial Liabilities			
i) Borrowings	17	226.92	178.60
ii) Trade Payables	12	207.30	78.30
iii) Other Financial Liabilities	13	217.68	59.49
b) Provisions	14	3.19	0.24
c) Other Current Liabilities	16	60.88	46.44
d) Current Tax Liabilities		17.05	50.56
Total Current Liabilities		733.02	413.63
Total Equity and Liabilities		3663.56	2879.89
Significant Accounting Policies	1		

The Accompanying Notes form an integral part of the Financial Statements

As per our Report of even date

For **C. Ramachandram & Co.**

Chartered Accountants

F.R. No. 002864S

C. Ramachandram

Partner

Membership No: 025834

Place: Hyderabad

Date: 25-05-2019

for and on behalf of the Board of Directors

P. Prathap Reddy

Chairman and Managing Director

DIN: 00093176

Petluru Venugopal Reddy

CFO

Bezawada Vikram

Executive Director

DIN:02086809

Raj Kumar Singh

Company Secretary

M.No:14265

Standalone Statement of Profit and Loss

for the year ended 31 March 2019

₹ in Crore			
Particulars	Notes	Year ended 31 March 2019	Year ended 31 March 2018
REVENUE			
Revenue from Operations	18	2164.04	1839.83
Other Income	19	2.88	20.83
Total Revenue		2166.92	1860.66
EXPENSES			
Cost of Materials Consumed	20	392.20	295.45
Other Manufacturing Expenses	21	701.54	491.40
Changes in Inventories of Finished Goods & Stock in Process	22	(34.25)	7.70
Employee Benefit Expense	23	105.49	79.26
Finance Costs	24	139.46	103.46
Depreciation and Amortisation Expense	2	116.41	81.51
Freight & Forwarding Expense		581.00	404.88
Excise Duty		...	63.65
Other Expenses	25	100.52	103.82
Total Expenses		2102.37	1631.13
Profit before Tax Expense		64.55	229.53
Tax Expense			
Current Tax		17.36	59.66
MAT Credit Entitlement		(16.94)	...
Deferred Tax		(30.15)	12.81
Total Tax Expense		(29.73)	
Profit for the Year		94.28	157.06
Other Comprehensive Income			
Items that will not be re-classified to Profit/(Loss)			
Re-measurement of gain/(loss) on defined benefit plan		(0.37)	(0.52)
Fair value changes on Equity Instruments through OCI (FVTOCI)		0.02	0.45
Tax Effect		(0.01)	0.16
Other Comprehensive Income/(loss) for the year, net of tax		(0.36)	0.09
Total Comprehensive Income for the year		93.92	157.15
Earnings Per Equity Share (Face value ₹10/- each)			
Basic		7.05	11.74
Diluted		7.05	11.74
Significant accounting policies	1		

The Accompanying Notes form an integral part of the Financial Statements

As per our Report of even date

For **C. Ramachandram & Co.**

Chartered Accountants

F.R. No. 002864S

C. Ramachandram

Partner

Membership No: 025834

Place: Hyderabad

Date: 25-05-2019

for and on behalf of the Board of Directors

P. Prathap Reddy

Chairman and Managing Director

DIN: 00093176

Petluru Venugopal Reddy

CFO

Bezawada Vikram

Executive Director

DIN:02086809

Raj Kumar Singh

Company Secretary

M.No:14265

Standalone Statement of Changes in Equity

for the year ended 31 March 2019

i. EQUITY SHARE CAPITAL

For the year ended 31 March 2018

Particulars	No. of shares	₹ in Crore
Balance as At 1 April 2018	1,33,80,000	13.38
Bonus issue made during the year	12,04,20,000	120.42
Balance as At 31 March 2019	13,38,00,000	133.80

ii. OTHER EQUITY

Particulars	Reserves & Surplus			Items of Other Comprehensive Income	Total
	Debtore Redemption Reserve	General Reserve	Retained Earnings	Equity Instruments through OCI	
At 31 March 2017	35.00	35.00	707.75	(6.34)	771.41
Profit for the year	...	...	157.06	...	157.06
Dividend paid (including Dividend Distribution Tax)	...	...	(8.05)	...	(8.05)
Transfer of Debtore redemption reserve to retained earnings	(10.50)	...	10.50	...	...
Other comprehensive income	...	...	...	...	...
Re-measurement of gain/(loss) on defined benefit plans	...	...	(0.52)	...	(0.52)
Fair value changes on equity instruments through OCI	...	...	...	0.45	0.45
Income tax effect	...	...	0.16	...	0.16
At 31 March 2018	24.50	35.00	866.90	(5.89)	920.51
Profit for the year	...	...	94.28	...	94.28
Dividend paid (including Dividend Distribution Tax)	...	...	(16.13)	...	(16.13)
Bonus issue	...	...	(120.42)	...	(120.42)
Transfer of Debtore redemption reserve to retained earnings	(10.50)	...	10.50	...	...
Other comprehensive income	...	...	...	...	...
Re-measurement of gain/(loss) on defined benefit plans	...	...	(0.36)	...	(0.36)
Fair value changes on equity instruments through OCI	...	...	...	(0.02)	(0.02)
Income tax effect	...	...	...	0.01	0.01
At 31 March 2019	14.00	35.00	834.78	(5.90)	877.87
Significant accounting policies	1	...	...	...	...

The Accompanying Notes form an integral part of the Financial Statements

As per our Report of even date

For **C. Ramachandram & Co.**

Chartered Accountants

F.R. No. 002864S

C. Ramachandram

Partner

Membership No: 025834

Place: Hyderabad

Date: 25-05-2019

for and on behalf of the Board of Directors

P. Prathap Reddy

Chairman and Managing Director

DIN: 00093176

Pelluru Venugopal Reddy

CFO

Bezawada Vikram

Executive Director

DIN:02086809

Raj Kumar Singh

Company Secretary

M.No:14265

Standalone Cash Flow Statement

for the year ended 31 March 2019

Particulars	₹ in Crore	
	Year ended 31 March 2019	Year ended 31 March 2018
A. Cash Flow from Operating Activities		
Profit before Tax	64.55	229.53
Adjustments for:		
Depreciation	116.41	81.51
Interest Expenses	114.51	63.94
Unwinding of Interest	32.96	39.52
Provision for Doubtful receivables	0.56	0.90
Provision for Retirement Benefits	2.13	2.32
Foreign Exchange gain (unrealised)	(2.37)	(1.84)
(Profit) / Loss on sale of Assets	0.01	(0.08)
Gain on fair valuation of Investments	(0.01)	(0.45)
Interest Income	(2.12)	(2.92)
Dividend Income	...	(13.20)
Operating Profit before Working Capital Charges	326.63	399.23
Movements in Working Capital		
Increase/(Decrease) in Trade Payable & Other Liabilities	167.15	(101.81)
(Increase) / Decrease in Trade Receivables	(56.31)	(5.18)
(Increase) / Decrease in Inventories	(192.16)	94.56
Increase/(Decrease) in Non-Current liabilities & Provisions	283.15	39.20
(Increase) / Decrease in Non-Current Loans given	96.03	(83.42)
(Increase) / Decrease in Other Current Assets	7.50	138.23
Cash Generated from Operations	631.99	480.81
Income Tax paid, net	(14.75)	(65.60)
Net Cash from Operating Activities (A)	617.24	415.21

Standalone Cash Flow Statement

for the year ended 31 March 2019

Particulars	₹ in Crore	
	Year ended 31 March 2019	Year ended 31 March 2018
B. Cash Flow from Investing Activities		
Capital expenditure on Property, Plant & Equipment and Intangible Assets	(699.76)	(610.84)
Sale of Property, Plant & Equipment	0.09	0.11
Investment in Subsidiary	0.01	(66.54)
Interest received	2.12	2.92
Dividend Income	...	13.20
Net Cash from Investing Activities (B)	(697.54)	(661.15)
C. Cash Flow from Financing Activities		
Proceeds from Long term Borrowings (Net)	250.05	321.67
Dividend & Dividend Tax Paid	(16.13)	(8.05)
Interest Paid	(114.51)	(63.94)
Net Cash from Financing Activities (C)	119.41	249.68
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)	39.11	3.74
Cash and Cash Equivalents – Opening Balance	23.97	20.23
Cash and Cash Equivalents – Closing Balance (refer note 8)	63.08	23.97

Reconciliations of liabilities from financing activities:

Particulars	₹ in Crore		
	Long Term Borrowings (including current portion)	Short Term Borrowings	Total
As on 31 March 2018	1,051.76	178.60	1,230.36
Proceeds during the year	292.30	48.32	340.62
Repayment	(42.25)	-	(42.25)
Fair value changes	23.88	-	23.88
As on 31 March 2019	1,325.69	226.92	1,552.61

As per our Report of even date

For **C. Ramachandram & Co.**

Chartered Accountants

F.R. No. 002864S

C. Ramachandram

Partner

Membership No: 025834

Place: Hyderabad

Date: 25-05-2019

for and on behalf of the Board of Directors

P. Prathap Reddy

Chairman and Managing Director

DIN: 00093176

Petluru Venugopal Reddy

CFO

Bezawada Vikram

Executive Director

DIN:02086809

Raj Kumar Singh

Company Secretary

M.No:14265

Notes to the Financial Statements

for the year ended 31 March 2019

A. General Information

Penna Cement Industries Limited ('the Company') is a Public Limited Company incorporated in India having its registered office at Hyderabad, Telangana, India. The Company is primarily engaged in the manufacturing and selling of Cement, Cement related products and Power.

B. Basis of preparation of financial statements

B.1 Statement of Compliance

These financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 and the relevant provisions of the Companies Act, 2013.

Except for the changes below, the company has consistently applied accounting policies to all the periods.

- The Company has adopted Ind AS 115 'Revenue from Contracts with Customers', with the date of initial application being 1 April 2018. Ind AS 115 establishes a comprehensive framework on revenue recognition. Ind AS 115 replaces Ind AS 18 – Revenue and Ind AS 11 Construction Contracts. The application of Ind AS 115 did not have material impact on the financial statements. As a result, the comparative information has not been restated.
- Appendix B to Ind AS 21 – The Effect of changes in Foreign Exchange Rates: On March 28, 2018, Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards) Amendments Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance considerations which clarifies the date of transaction for the purpose of determining the exchange rates to be used on initial recognition of the related asset, expenses or income, when an entity has received or paid advance consideration in foreign currency. The amendment is effective from 1 April 2018. The company has evaluated the effect of this amendment on the financial statements and concluded that the impact is not material.

The financial statements were authorised for issue by the Company's Board of Directors on 25 May 2019.

Details of the accounting policies are included in Note 1.

B.2 Basis of preparation and presentation

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 and liabilities are measured at fair value;
- Employee defined benefit assets/(liability) are recognised 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 are measured at amortised cost using the effective interest rate method.

B.3 Functional and presentation currency

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

All amounts are in Indian Rupees Crore except share data, unless otherwise stated.

B.4 Operating Cycle

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:

- it is expected to be realised in, or is intended for sale or consumption in, the Company's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within twelve months after the reporting date; or
- 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:

- it is expected to be settled in the Company's normal operating cycle;

Notes to the Financial Statements

for the year ended 31 March 2019

- 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.

B.5 Critical accounting judgements and key sources of estimation uncertainty.

In the application of the Company's accounting policies, which are described in Note 1, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the areas of estimation uncertainty and critical judgements that the management has made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provision and contingent liability

On an ongoing basis, Company reviews pending cases, claims by third parties and other contingencies. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss Contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the financial statements. Contingencies the likelihood of which is remote are not disclosed in the financial statements. Gain contingencies are not recognised until the contingency has been resolved and amounts are received or receivable.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. As at 31 March 2019 the management assessed that the useful lives represent the expected utility of the assets to the Company. Further, there is no significant change in the useful lives as compared to previous year.

Investment in equity instruments of subsidiary and associate companies

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

During the year, the Company assessed the investment in equity instrument of subsidiary and associate companies carried at cost for impairment testing. These companies are expected to generate positive cash flows in the future years. Detailed analysis has been carried out on the future projections and the Company is confident that the investments do not require any impairment.

Mines restoration obligation

In determining the fair value of the Mines Restoration Obligation, assumptions and estimates are made in relation to discount rates, the expected cost of mines restoration and the expected timing of those costs.

B.6 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

Notes to the Financial Statements

for the year ended 31 March 2019

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

1. Significant accounting Policies

1.1 Revenue recognition

The Company derives revenue from the sale of cement and Power. Revenue is measured based on the consideration specified in a contract with a customer. The company recognises revenue when it transfers control over the product to a customer.

The Five step model which is the focal point for revenue recognition as per Ind As 115 is as follows:

i) Identify contract with the customer:

The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) which has commercial substance and are committed to perform their respective obligations. The rights to goods or services and payment terms can be distinctly identified and collection of consideration is considered probable.

ii) Identify the performance obligations in the contract:

The goods or services promised in a contract shall be assessed to identify the performance obligation for each promise to transfer either (a) Goods or services, or (b) a series of distinct goods or services that are similar and have the same pattern of transfer.

iii) Determine the transaction price:

The transaction price is the amount of consideration to which an entity expects to be entitled in exchange after transferring goods or services to a customer. The entity should consider the following when determining the transaction price (a) Variable consideration and constraints (b) Significant financing component, (c) Non-cash considerations, (d) Consideration payable to a customer.

iv) Allocate the transaction price to the performance obligations in the contract:

The transaction price is required to be allocated to each performance obligation in proportion to its standalone selling prices i.e., the price at which entity would sell the promised goods (or) services apparently to the customer.

v) Recognise revenue when (or as) the entity satisfies a performance obligation:

It is probable that the entity will collect the consideration to which it will be entitled in

exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances. Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government which are levied on sales such as sales tax, value added tax, goods and services tax, etc.

Sale of goods

As per Ind AS 115, - An entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Sale of Power

Revenue from Generation, Transmission and Distribution of power is recognised on an accrual basis and includes unbilled revenues accrued upto the end of the accounting year. The Company determines surplus/deficit (i.e. excess/shortfall of/in aggregate gain over Return on Equity entitlement) for the year in respect of its regulated operations based on the principles laid down under the relevant Tariff Regulations/Tariff Orders as notified by respective State Regulatory Commissions. In respect of such surplus/deficit, appropriate adjustments as stipulated under the regulations are made during the year. Further, any adjustment that may arise on annual performance review by respective State Regulatory Commissions under the aforesaid Tariff Regulations/Tariff Orders is made after the completion of such review take or pay

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Company and the amount of income can

Notes to the Financial Statements

for the year ended 31 March 2019

be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.2 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as Operating Leases.

Operating Lease: Lease rentals are charged or recognised in the Statement of Profit and Loss on a straight-line basis over the lease term, except where the payment are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increase.

Finance Lease: Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to the Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Company's policy on borrowing costs.

Further, at the inception of above arrangement, the Company determines whether the above arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Company separates a payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Company's incremental borrowing rate. Minimum lease payments made under finance leases are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.3 Foreign currencies

In preparing the financial statements of the Company, transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

1.4 Borrowing costs

Specific borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of such asset till such time the asset is ready for its intended use and borrowing costs are being incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing cost includes interest expense, amortisation of discounts, ancillary costs incurred in connection with borrowing of funds and exchange difference arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

1.5 Taxation

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

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

Deferred tax is recognised 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 recognised 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

Notes to the Financial Statements

for the year ended 31 March 2019

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 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 realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 realised.

1.6 Earnings per share

The Company presents basic and diluted earnings per share ("EPS") data for its ordinary shares. The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share.

1.7 Property, plant and equipment (PPE)

The initial cost of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use, including relevant borrowing costs and any expected costs of decommissioning, less accumulated depreciation and accumulated impairment losses, if any. Expenditure incurred after the PPE have been put into operation, such as repairs and maintenance, are charged to the Statement of Profit and Loss in the period in which the costs are incurred.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Material items such as spare parts, stand-by equipment and service equipment are classified as PPE when they meet the definition of PPE as specified in Ind AS 16 – Property, Plant and Equipment.

1.8 Expenditure during construction period

Expenditure during construction period (including financing cost related to borrowed funds for construction or acquisition of qualifying PPE) is included under Capital Work-in-Progress, and the same is allocated to the respective PPE on the completion of their construction. Advances given towards acquisition or construction of PPE outstanding at each reporting date are disclosed as Capital Advances under "Other non-current Assets".

1.9 Depreciation

Depreciation is the systematic allocation of the depreciable amount of PPE over its useful life and is provided on a straight-line basis over the useful lives as prescribed in Schedule II to the Act or as per technical assessment.

Depreciable amount for PPE is the cost of PPE less its estimated residual value. The useful life of PPE is the period over which PPE is expected to be available for use by the Company, or the number of production or similar units expected to be obtained from the asset by the Company.

The Company has componentised its PPE and has separately assessed the life of major components.

In case of certain classes of PPE, the Company uses different useful lives than those prescribed in Schedule II to the Act. The useful lives have been assessed based on technical advice, taking into account the nature of the PPE and the estimated usage of the asset on the basis of management's best estimation of obtaining economic benefits from those classes of assets.

Such classes of assets and their estimated useful lives are as under:

Particulars	Useful life
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
Vessel	25

Notes to the Financial Statements

for the year ended 31 March 2019

Depreciation on additions is provided on a pro-rata basis from the month of installation or acquisition and in case of Projects from the date of commencement of commercial production. Depreciation on deductions/disposals is provided on a pro-rata basis up to the date of deduction/disposal.

1.10 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective estimated useful lives on a straight-line basis, from the date that they are available for use.

Amortisation

The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Computer software is amortised on straight line basis over a period of Six years.

1.11 Inventories

Inventories are valued as follows:

- **Raw materials, fuel, stores & spare parts and packing materials:**

Valued at lower of cost and net realisable value (NRV). However, these items are considered to be realisable at cost, if the finished products, in which they will be used, are expected to be sold at or above cost. Cost is determined on weighted average basis.

- **Work-in- progress (WIP), finished goods and stock-in-trade:**

Valued at lower of cost and NRV. Cost of Finished goods and WIP includes cost of raw materials, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is computed on weighted average basis.

1.12 Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with banks that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

1.13 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Company are segregated. Bank overdrafts are classified as part of cash and cash equivalent, as they form an integral part of an entity's cash management.

1.14 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the Company receives non-monetary grants, the asset and the grant are accounted at fair value and recognised in the statement of profit and loss over the expected useful life of the asset.

1.15 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, 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.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use those are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised in the statement of Profit & Loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of

Notes to the Financial Statements

for the year ended 31 March 2019

depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognised in the statement of Profit & Loss and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

1.16 Investments in Subsidiaries and associates

The Company's investment in its Subsidiaries and Associates are carried at cost.

1.17 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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 statement of profit and loss 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and

settlements. Past service costs are recognised immediately in statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Company is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Company has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other long-term employee benefits

The Company's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the statement of profit and loss in the period in which they arise.

1.18 Provisions

A provision is recognised 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 recognised as a finance cost.

1.19 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.

Notes to the Financial Statements

for the year ended 31 March 2019

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.

1.20 Mines restoration provision

An obligation for restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or ongoing extraction from mines. Costs arising from restoration at closure of the mines and other site preparation work are provided for based on their discounted net present value, with a corresponding amount being capitalised at the start of each project. The amount provided for is recognised, as soon as the obligation to incur such costs arises. These costs are charged to the Statement of Profit and Loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The costs are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown under "Other Expenses" in the Statement of Profit and Loss.

1.21 Financial instruments

a. Recognition and Initial recognition

The Company recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognised 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. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and Subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

Notes to the Financial Statements

for the year ended 31 March 2019

- how managers of the business are compensated
- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable interest rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset

acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities: Classification, Subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

C. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Notes to the Financial Statements

for the year ended 31 March 2019

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

d. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

e. Impairment

The Company recognises loss allowances for expected credit losses on financial assets measured at amortised cost;

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income (FVOCI) are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Company measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life

of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward-looking information.

Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the trade receivable does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

Notes to the Financial Statements

for the year ended 31 March 2019

Note – 2 Property, Plant & Equipment **

											₹ in Crore		
Particulars	Freehold Land	Buildings	Plant & Equipment	Vessel	Railway Siding	Furniture & Fixtures	Office Equipment	Vehicles	Total	Intangible Assets			
										Software	Mining Rights	Total	
Cost													
As at 31 March 2018	116.52	558.14	1,664.71	-	101.65	1.40	10.19	19.39	2,472.01	4.03	0.18	4.22	
Additions	1.51	53.70	99.74	147.81	-	0.02	0.97	7.45	311.20	-	-	-	
Disposals	-	-	-	-	-	-	-	0.26	0.26	-	-	-	
As at 31 March 2019	118.04	611.85	1,764.45	147.81	101.65	1.41	11.15	26.58	2,782.95	4.03	0.18	4.22	
Depreciation													
As at 31 March 2018	-	90.30	636.47	-	31.19	0.97	5.58	7.73	772.23	3.78	0.02	3.80	
Charge for the year	-	17.02	88.17	3.63	4.83	0.05	0.54	1.90	116.15	0.25	0.01	0.26	
Disposals	-	-	-	-	-	-	-	0.16	0.16	-	-	-	
As at 31 March 2019	-	107.32	724.63	3.63	36.02	1.03	6.12	9.47	888.22	4.03	0.03	4.06	
Net Block													
As At 31 March 2018	116.52	467.85	1,028.25	-	70.46	0.42	4.61	11.66	1,699.77	0.26	0.16	0.42	
As At 31 March 2019	118.04	504.53	1,039.82	144.18	65.63	0.39	5.03	17.11	1,894.72	0.00	0.15	0.15	

Capital Work-In-Progress

Particulars	Civil Work-in-Progress	Plant & Equipment Under Installation	Pre-Operative Expenses@	Total**
As at 31 March 2017	32.35	205.50	4.19	242.04
As at 31 March 2018	7.58	612.02	11.01	630.61

@ Details of Preoperative Expenses

	As at 31 March 2019	As at 31 March 2018
Salary & Wages	2.92	2.95
Consultancy	0.04	0.08
Rents	0.07	0.67
Others	7.98	0.49
Total	11.01	4.19

**Includes borrowing cost of ₹51.19 Crore capitalised during the year 2018-19 (Previous year: ₹57.64 Crore)

All Property, plant and equipment are subject to a first charge to the Company's Secured Long-Term Borrowings and second charge to the company's current borrowings.

Note – 3 Non-Current Investments

	₹ in Crore	
	As at 31 March 2019	As at 31 March 2018
Investments carried at cost		
Unquoted equity shares		
<i>Investments in subsidiaries</i>		
124,861,078 (31 March 2018: 124,861,078) equity shares of ₹10 each in Pioneer Cement Industries Limited (100%)	124.86	124.86
<i>Investments in associates</i>		
13,200,000 (31 March 2017: 13,200,000) equity shares of ₹10 each in Parasakti Cement Limited (50%)	16.60	16.60
Investments carried at Fair Value Through Other Comprehensive Income (FVTOCI)1243		
Unquoted equity shares		
536,000 (31 March 2018: 536,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	2.16	2.15
Total	143.82	143.61
Investments carried at cost - Unquoted equity shares in Subsidiaries and Associates	141.46	141.46
Investments carried at (FVTOCI) - Unquoted equity shares in Others	2.16	2.15

Notes to the Financial Statements

for the year ended 31 March 2019

Note – 4 Trade Receivables

	As at 31 March 2019	As at 31 March 2018
Secured, considered good	2.85	1.31
Unsecured, considered good*	144.61	89.83
	147.46	91.14
Less: Provision for doubtful receivables	(1.47)	(0.90)
Total	145.99	90.24

*Includes related parties of ₹4.88 Crore (Previous year; ₹4.48 Crore)

Note –5 Loans

	As at 31 March 2019	As at 31 March 2018
(Unsecured, Considered good)		
Non – Current		
- Security Deposits	17.57	25.15
- Advances for Investment	82.77	82.77
Total	100.34	107.92

Note – 6 Other Assets

	As at 31 March 2019	As at 31 March 2018
Non – Current		
(Unsecured, considered good)		
Capital advances	82.26	169.85
Advances other than capital advances		
- Prepaid Expenses	34.07	34.93
Total	116.33	204.78
Current		
(Unsecured, considered good)		
Advances other than capital advances		
- Advances to Suppliers*	78.52	86.69
- Advances to Employees & Others	9.38	6.39
- Prepaid Expenses **	16.28	8.15
- Balances with Government Authorities	74.74	70.10
Total	178.92	171.33

*Includes related parties of ₹40.08 Crore (Previous year: ₹8.22 Crore)

** Includes expenses of ₹8.53 Crore (Previous year: ₹ Nil) incurred towards the proposed IPO (Initial Public Offering) and the same to be adjusted against the equity upon the completion of IPO. The company has file Draft Red Herring Prospectus (DRHP) with the stock exchanges / SEBI and awaiting necessary clearance for the IPO.

Notes to the Financial Statements

for the year ended 31 March 2019

Note – 7 Inventories

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
(Valued at lower of Cost or net realisable value, unless otherwise stated)		
Raw Materials **	87.56	18.29
Fuel	78.13	41.81
Work-in-Progress	45.31	14.57
Finished Goods	9.07	5.56
Stores & Spares	145.55	93.77
Packing Material	5.49	4.95
Total	371.11	178.95

- a) The above Raw material include stock in transit of ₹16.22 Crore (Previous year: ₹ Nil)
- b) All the inventories are subject to a first charge to the Company's Secured Short Term Borrowings and second charge to the company's Secured Non-Current borrowings with Yes Bank Ltd, L&T Finance Ltd, and Hero FinCorp Ltd.

Note – 8 Cash and Cash Equivalents

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Balance with Banks		
- In Current Account	62.80	23.83
Cash on Hand	0.28	0.14
Total	63.08	23.97
Bank Balance Other than Cash & Cash Equivalents		
Deposits held as Margin Money for Bank Guarantees	18.69	16.86
Total	18.69	16.86

Note – 9 Share Capital

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Authorised:		
20,00,00,000 (As at 31 March 2018; 15,00,00,000) Equity Shares of ₹10/- each	200.00	150.00
Issued, Subscribed and Paid Up:		
13,38,00,000 (As at 31 March 2018; 1,33,80,000) Equity Shares of ₹10/- each fully paid up	133.80	13.38
Total	133.80	13.38

- a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is set out below:

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of Shares	₹ in Crore	No. of Shares	₹ in Crore
Outstanding at the beginning of the year	1,33,80,000	13.38	1,33,80,000	13.38
Bonus shares Issued during the year	12,04,20,000	120.42	-	-
Outstanding at the end of the year	13,38,00,000	133.80	1,33,80,000	13.38

b) Terms / rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to the Financial Statements

for the year ended 31 March 2019

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

Name of the Share Holder	As at 31 March 2019		As at 31 March 2018	
	No. of Shares held in the Company	% of Shares	No. of Shares held in the Company	% of Shares
1. Shri. P. Prathap Reddy	1,36,35,000	10.19	13,63,500	10.19
2. M/s P. R. Cement Holdings Ltd	4,47,01,100	33.41	44,70,110	33.41
3. Shri. P. Prathap Reddy, Partner, Pioneer Builders	7,00,94,800	52.39	70,09,480	52.39

Note – 10 Other Equity

	₹ in Crore	
	As at 31 March 2019	As at 31 March 2018
Debenture Redemption Reserve		
Opening Balance	24.50	35.00
Add: Additions during the year	...	...
Less: Transferred to Retained earnings	(10.50)	(10.50)
Closing Balance – a	14.00	24.50
General Reserve		
Opening Balance	35.00	35.00
Add: Additions during the year	...	...
Closing Balance – b	35.00	35.00
Equity Investment through OCI		
Opening Balance	(5.89)	(6.34)
Add: Profit during the year	(0.01)	0.45
Closing Balance – c	(5.90)	(5.89)
Retained earnings		
Opening Balance	866.90	707.75
Add: Profit for the year	94.28	157.06
Less: Bonus Issue during the year	(120.42)	
Add: Transferred from Debenture Redemption Reserve	10.50	10.50
Less: Dividend Paid	(16.13)	(8.05)
Other comprehensive income, net of tax	0.36	(0.36)
Closing balance – d	834.77	866.90
Total – Reserves & Surplus (a+b+c+d)	877.87	920.51

Note – 11 NON-CURRENT BORROWINGS

		₹ in Crore			
		Long-Term		Current Maturity of Long-Term Borrowings*	
Secured	Repayment Schedule/ Redemption	As at 31 March 2019	As at 31 March 2018	As at 31 March 2019	As at 31 March 2018
12.25% - Non-Convertible Debentures	Jun-17 to Jun-19		14.00	14.00	10.50
Term Loans From Banks					
1. Yes Bank Ltd	Jun- 19 to Mar-27	701.76	512.48	97.65	...
2. Yes Bank Ltd	Sep-18 to Dec-20	2.25	5.25	3.00	2.25
Other Loans From Financial Institutions					
3. L&T Finance Ltd	Jun - 19 to Mar-27	236.25	270.00	33.75	...
4. Hero Fincorp Ltd	Jun - 19 to Mar-27	87.50	100.00	12.50	...
5. Srei Equipment Finance Ltd	Nov-18 to Aug -22	8.49		3.05	
6. Icici Bank Ltd	Oct-17 to Sept-19		0.66	0.80	1.63
Total-a		1036.25	902.39	164.75	14.38
Unsecured					
Sales Tax Deferment Loan	Mar-15 to Mar-24	99.96	108.81	24.73	26.18
Total-b		99.96	108.81	24.73	26.18
Total- (a + b)		1136.21	1011.20	189.48	40.56

* Amount Disclosed Under The Head "Other Current Liabilities" (Note 13).

Notes to the Financial Statements

for the year ended 31 March 2019

Long-Term Borrowings:

All Secured Long-Term Borrowings except ICICI Bank Ltd, SREI Equipment Finance Limited and Non-Convertible Debentures are secured by way of first charge, having paripassu rights, on the Company's movable and immovable assets (save and except stocks and book debt), both present and future, in favour of Company's lenders/trustees, 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. They are further secured by personal guarantee of Shri P. Prathap Reddy, Chairman and Managing Director of the Company.

Note – 12 Trade Payables

	As at 31 March 2019	As at 31 March 2018
Current		
Total outstanding dues of creditors other than micro enterprises and small enterprises*	207.30	78.30
Total	207.30	78.30

*a) The above trade payables includes an amount of ₹155.71 Crore (previous year ₹29.16 Crore) in respect of which Letter of credits denominated in foreign currency (unhedged) has been issued.

b) includes related parties of ₹ Nil Crore (previous year ₹0.18 Crore)

Note – 13 Other Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
Non-current		
Security Deposits received	147.31	131.47
Capital creditors	384.73	107.40
Total	532.04	238.87
Current		
Current maturities of long-term debt	189.48	40.56
Interest accrued but not due on borrowings	3.08	2.02
Other payables *	23.11	16.86
Payable to employees	2.01	0.05
Total	217.68	59.49

* includes related parties of ₹1.56 Crore (previous year ₹7.15 Crore)

Note – 14 Provisions

	As at 31 March 2019	As at 31 March 2018
Non-current		
Employee Benefits - Leave Encashment	4.21	4.32
- Gratuity	0.22	1.68
Mines Restoration*	0.38	0.34
Total	4.81	6.34
Current		
Employee Benefits		
- Leave Encashment	1.40	0.03
- Gratuity	1.79	0.21
Total	3.19	0.24

*Movement of Provisions during the year as required by Ind AS 37

Notes to the Financial Statements

for the year ended 31 March 2019

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Mines Restoration Fund		
Opening Balance	0.34	0.23
Add: Unwinding of Interest for the year	0.04	0.12
Closing Balance	0.38	0.34

Note – 15 Deferred Tax Asset

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Unwinding interest on long term liabilities	(5.54)	(11.80)
Provision allowed under income tax on payment basis	(0.28)	(1.11)
Losses under IT Act	(10.83)	...
IPO Expenses	(2.98)	...
Fair valuation of investments	0.01	(2.04)
Provision for doubtful debts	...	(0.31)
Total	19.62	(15.29)
DEFERRED TAX LIABILITIES		
-Tangible and Intangible Assets	265.43	291.25
Total		
Net Deferred Tax Liability	245.81	275.96

Note – 16 Other Current Liabilities

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Advances received from customers	5.89	4.35
Statutory liabilities	54.99	42.09
Total	60.88	46.44

Note – 17 Current Borrowings

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Secured and Loans Repayable on Demand		
From Banks	226.92	178.60
Total	226.92	178.60

The above current borrowings availed from State Bank of India, IDBI Bank Ltd and Yes Bank Ltd are repayable on demand and are secured by hypothecation of inventories and book debts, present, future and second charge on the fixed assets of the Company.

Note – 18 Revenue from Operations

	For the Year ended 31 March 2019	For the Year ended 31 March 2018
₹ in Crore		
Revenue from sale of goods	2141.02	1800.86
Revenue from sale of Power**	23.02	38.97
Total	2164.04	1839.83

** During the previous year, the sale of power Includes ₹18.35 Crore towards compensation received under Power Purchase agreement (take or pay) with M/s Telangana State Power Co-ordination Committee.

Notes to the Financial Statements

for the year ended 31 March 2019

Note – 19 Other Income

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Dividend Income	...	13.20
Profit/(Loss) on Sale of Fixed Assets	(0.01)	(0.08)
Net Gain on Foreign Currency Transactions		3.19
Scrap Sale	0.77	1.60
Interest Income	2.12	2.92
Total	2.88	20.83

Note – 20 Cost of Materials Consumed

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
- Limestone	114.79	93.19
- Bauxite	48.96	33.20
- Iron Ore	10.87	9.90
- Gypsum	37.64	28.30
- Slag	7.94	12.83
- Fly Ash	50.15	32.19
- Coal for Power Generation	121.85	85.84
Total	392.20	295.45

Note – 21 Other Manufacturing Expenses

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Power & Fuel	537.10	371.50
Stores & Spares Consumed	49.15	34.30
Packing Material Consumed	74.99	59.98
Repairs & Maintenance – Machinery	24.81	16.14
Repairs & Maintenance – Buildings	5.70	4.28
Repairs & Maintenance – Others	9.79	5.20
Total	701.54	491.40

Note – 22 Change in Inventories of Finished Goods & Stock in Process

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Closing Stock		
- Finished Goods	9.07	5.56
- Stock in Process	45.31	14.57
	54.38	20.13
Opening Stock		
- Finished Goods	5.56	11.90
- Stock in Process	14.57	15.93
	20.13	27.83
(Increase) / Decrease in Inventories	(34.25)	7.70

Notes to the Financial Statements

for the year ended 31 March 2019

Note – 23 Employee Benefit Expense

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Salaries, Wages and Bonus	89.64	69.26
Contribution to PF, ESI	6.50	5.29
Staff Welfare Expenses	9.35	4.71
Total	105.49	79.26

Note – 24 Finance Costs

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Interest on Term Loans	77.29	33.76
Interest on Debentures	1.98	3.27
Interest on Working Capital	20.87	16.13
Bank Charges	13.27	10.78
Other Borrowing Cost	24.95	39.52
Net Loss on Foreign Currency Transactions	1.10	...
Total	139.46	103.46

Note – 25 Other Expenses

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Rent	12.29	10.56
Insurance	5.16	4.20
Directors' Remuneration	5.72	11.66
Auditors' Remuneration	0.18	0.18
Printing & Stationery	0.38	0.23
Communication Cost	1.05	1.09
Directors Travelling Expenses	1.09	1.27
Others Travelling Expenses	5.53	3.49
Conveyance Expenses	4.88	3.16
Professional & Legal Expenses	13.25	8.64
Rates & Taxes	5.02	4.87
Security Service Charges	8.55	4.58
Office Maintenance	8.36	9.72
Provision for doubtful receivables	0.57	0.90
Other Expenses	3.84	12.27
Corporate Social Responsibility Expenses	4.92	6.45
Advertisement & Publicity	10.80	12.55
Commission on Sales	8.93	8.00
Total	100.52	103.82

Notes to the Financial Statements

for the year ended 31 March 2019

Note – 26 Contingent Liabilities (IndAS-37)

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
a) Contingent liabilities/claims not provided for:		
i) In respect of Bank Guarantees	38.01	35.97
ii) In respect of Inland Letter of Credits	23.23	24.32
iii) In respect of Foreign Letter of Credits	...	54.18
iv) In respect of Unexecuted Capital Contracts	280.67	452.68
b) Claims against the Company not acknowledged as Debt:*		
i) Sales Tax	2.50	3.80
ii) Excise Duty/Service Tax/ Customs	67.63	45.36
iii) Income Tax	8.88	12.25
iv) Disputes in respect of purchase of power	41.67	41.67

* Net of amounts paid under protest.

Cash outflows for the above are determinable only on receipt of judgments pending at various forums / authorities.

c) A demand for ₹4.56 Crore 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 Honorable High Court of Judicature at Hyderabad for the state of Telangana and Andhra Pradesh. The Company backed by a legal opinion believes that it has a good case and accordingly no provision has been made in the accounts.

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

	₹ in Crore			
	For the Year 2018-2019		For the Year 2017-2018	
	Value	%	Value	%
Raw Materials				
- Indigenous	156.37	58	239.89	81
- Imported	115.54	42	55.56	19
Total	271.91	100	295.45	100
Fuel				
- Indigenous	70.40	16	53.54	18
- Imported	376.60	84	242.03	82
Total	447.00	100	295.57	100
Stores, Spares and Packing Materials				
- Indigenous	121.02	97	92.54	98
- Imported	3.12	3	1.64	2
Total	124.14	100	94.18	100

B) Value of Import on CIF basis:

	₹ in Crore	
	For the Year 2018-19	For the Year 2017-18
Spares & Bags	3.11	1.20
Fuel	332.28	255.30
Capital Goods	10.51	...

Notes to the Financial Statements

for the year ended 31 March 2019

C) Expenditure in Foreign Currency

	For the Year 2018-19	For the Year 2017-18
Travel expenses	1.59	1.31
Consultancy & License Fees	8.94	0.98
Fuel	247.38	215.06
Total	257.91	217.35

₹ in Crore

D) Auditors Remuneration:

	For the Year 2018-19	For the Year 2017-18
a) Statutory Auditor		
Audit Fee	0.15	0.15
Certification & Fees for other Services	0.03	0.02
b) Cost Auditor	0.01	0.01
Total	0.19	0.18

₹ in Crore

E) Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.

There are no Micro and Small enterprises to whom the company owes dues, which are outstanding for more than 45 days as at 31 March 2019. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

F) Related Party disclosures under IND AS - 24.

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

a) Subsidiaries of the Company	
1 Pioneer Cement Industries Limited	2 Marwar Cement Limited
b) Associates of the Company	
Parasakti Cement Industries Limited	
c) Parties having Significant Influence	
1. Pioneer Builders Limited	2. Pioneer Genco Limited
3. Pioneer Holiday Resorts Limited	4. Krishna Hydro Energy Limited
5. Pioneer Power Corporation Limited	6. Lakshmi Jalavidyut (Krishna) Limited
7. Pioneer Power Limited	8. Anrak Aluminum Limited
8. Pioneer Builders (Firm)	10. Pioneer Education Trust
9. Penna Shipping Limited	
d) Key Management Personnel (KMP) of the Company	
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 –CFO (from 1 April 2018 to 9 May 2018)
5. Shri Raj Kumar Singh – Company Secretary	6. Shri. Sanjeev Aggarwal – CFO (from 9 May 2018 to 9 February 2019)
e) Relative of KMP, having transactions with the Company	
1. Smt. P.V. Lakshmi	2. Smt. B. Deepthi Reddy
3. Shri P. Ramesh Reddy	

Notes to the Financial Statements

for the year ended 31 March 2019

Following transactions were carried out with related parties in the ordinary course of business:

₹ in Crore						
S. no	Description	Subsidiaries	Parties having Significant Influence	KMP	Relative of KMP	Total
1	Managerial Remuneration			7.21		7.21
2	Services Received		103.63	0.17	2.47	106.26
3	Advance paid for Expenses	28.16	0.88			29.04
4	Sale of Cement		0.77	0.01		0.78
5	Corporate Social Responsibility Expenses		1.72			1.72

Balance as at 31 March 2019:

₹ in Crore							
S. no	Description	Subsidiaries	Associates	Parties having Significant Influence	KMP	Relative of KMP	Total
1	Managerial Remuneration				(1.56)		(1.56)
2	Investments	124.86	16.60				141.46
3	Advance paid for Expenses	28.21		10.87		1.00	40.08
4	Sale of Cement			4.83		0.05	4.88

Based on the recommendation of the Nomination, Remuneration and Compensation Committee, all decisions relating to the remuneration of the Directors of the Company being taken in accordance with shareholder's approval, wherever necessary.

Terms and Conditions of transactions with Related Parties:

The sale to and services from related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

For the year ended 31 March 2019, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

A) Segment Reporting: (IndAS-108)

The Board of Directors (The Chief Operating Decision Maker ("CODM")) evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by operating segments. The CODM reviews revenue and gross profit as the performance indicator for all of the operating segments, and does not review the total assets and liabilities of an operating segment.

The Company has two reportable operating segments namely Cement & Thermal Power. Segment wise Revenue, Results and other information as follows:

₹ in Crore						
Particulars	Cement		Thermal Power		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Revenue						
External Sale	2,141.02	1,800.86	23.02	38.97	2,164.04	1,839.83
Inter Segment Revenue			131.33	116.65	131.33	116.65
Total Revenue					2,295.37	1,956.48
Less: Inter-Segment Eliminations					131.33	116.65
Net Total Revenue					2,164.04	1,839.83
Results						
Segment Results (Profit before Interest, Exceptional items & Tax)	191.14	264.62	9.89	47.54	201.03	312.16
Add: Un-allocated Income					2.88	20.83

Notes to the Financial Statements

for the year ended 31 March 2019

₹ in Crore

Particulars	Cement		Thermal Power		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Less: Interest & Financial Expenses (Net)					139.36	103.46
Profit before exceptional items & Tax					64.55	229.53
Less: Exceptional Items					-	-
Profit before Tax					64.55	229.53
Tax Expenses					(29.73)	72.47
Profit after Tax					94.28	157.06
Other Information					-	-
Segment Assets	3,438.83	2,657.83	224.74	222.06	3,663.57	2,879.89
Un-allocated Assets					-	-
Total Assets	3,438.83	2,657.83	224.74	222.06	3,663.57	2,879.89
Segment Liabilities	2,603.29	1,893.05	48.60	52.95	2,651.89	1,946.00
Un-allocated Liabilities & Provisions					-	-
Total Liabilities	2,603.29	1,893.05	48.60	52.95	2,651.89	1,946.00
Depreciation & Amortisation	106.56	71.67	9.85	9.85	116.41	81.52
Capital Work in Progress	630.61	242.04			630.61	242.04
Additions in Property, Plant & Equipment during the year	699.76	610.84			699.76	610.84
Significant Non-Cash Expenses other than Depreciation & Amortisation						

Information about geographical areas:

The major operations of the company are carried out in India. The operations are managed by product area and no geographical information is disclosed as the necessary information is not available and the cost to develop it would be excessive.

B) Employee Benefits:

The employee benefit schemes are as under:

i) Defined contribution plan:

Provident Fund

The Company makes provident fund contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the Fund administered and managed by the Government of India. The Company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. Total expense recognised during the year aggregated ₹6.22 Crore (Previous year: ₹5.06).

Employee State Insurance

The Company makes employee state insurance contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the funds administered and managed by the Government of India. The company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. The total expense recognised during the year aggregated ₹0.28 Crore (Previous year: 0.22 Crore).

ii) Defined contribution plan:

The Company provides its employees with benefits under a defined benefit plan, referred to as the "Gratuity Plan". The Gratuity Plan entitles an employee, who has rendered at least five years of continuous service, to receive 15 days salary for each year of completed service (service of six months and above is rounded off as one year) at the time of retirement/exit, restricted to a sum of ₹20,00,000.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the amounts recognised in the balance sheet for the plan:

Notes to the Financial Statements

for the year ended 31 March 2019

Reconciliation of opening and closing balances of the present value of the defined benefit obligations:

		₹ in Crore	
		Gratuity (Funded Plan)	
		As at 31 March 2019	As at 31 March 2018
I	Change in Obligation		
1	Present Value of defined benefit obligation at the beginning of the year	11.65	10.22
2	Current service cost	1.50	1.20
3	Past service cost	...	1.05
4	Interest cost	0.88	0.80
5	Actuarial (gain) / loss on obligation	...	...
6	Benefits paid	(1.34)	(0.51)
7	Remeasurements – Due to Financial Assumptions	0.19	...
8	Remeasurements – Due to Experience Assumptions	0.51	(1.11)
9	Present Value of defined benefit obligation at the end of the year	13.40	11.65
II	Change in the Fair Value of Plan Assets		
1	Fair Value of Plan assets at the beginning of the year	10.33	8.86
2	Expected return on plan assets	0.80	0.74
3	Contributions by employer	1.26	1.29
4	Remeasurements – Return on Assets	0.33	(0.05)
5	Benefit Payments from Plan Assets	(1.34)	(0.51)
6	Fair Value of Plan assets at the end of the year	11.39	10.33
III	Expenses recognised in the Profit and Loss Account		
1	Current service cost	1.51	1.21
2	Past service cost	...	1.05
3	Interest cost	0.88	0.80
4	Expected return on plan assets	(0.80)	(0.74)
5	Net actuarial loss / (gain) recognised in the current year	...	...
6	Expenses recognised in the Profit and Loss Account	1.59	2.32
IV	Re-measurements recognised in Other Comprehensive Income (OCI)		
1	Changes in Financial Assumptions	0.19	...
2	Changes in Demographic Assumptions	0.51	(1.11)
3	Experience Adjustments	...	...
4	Actual return on Plan assets less interest on plan assets	(0.33)	0.05
5	Amount recognised in Other Comprehensive Income (OCI)	0.37	(1.06)
V	Expenses recognised in the Balance Sheet as at the end of the year		
1	Present value of defined benefit obligation	13.40	11.65
2	Fair Value of plan assets at the end of the year	11.39	10.33
3	Funded status [Surplus / (Deficit)]	2.02	1.32
4	Net assets / (liability) as at the end of the year	2.02	1.32
VII	Sensitivity analysis for significant assumptions: *		
	Increase/(Decrease) on present value of defined benefit obligation at the end of the year		
	Salary escalation-up by 1%	7.30	0.85
	Salary escalation-down by 1%	(6.60)	0.77
	Discount Rates-up by 1%	(6.1)	(0.71)
	Discount Rates-down by 1%	6.8	0.80
	Withdrawal Rates-up by 1%	1.5	0.20
	Withdrawal Rates-down by 1%	(1.7)	(0.22)
VIII	The major categories of plan assets as a percentage of total plan		
1	Qualifying Insurance Policy	100%	100%
IX	Actuarial Assumptions		
1	Discount rate	7.77%	8%
2	Mortality rate	IALM (2006-08 Ultimate)	IALM (2006-08 Ultimate)
3	Withdrawal rate	3%	3%
4	Return on plan assets	8.20%	8.20%
5	Salary Escalation	4%	4%

Notes to the Financial Statements

for the year ended 31 March 2019

iii) Earnings per Share (EPS)

Particulars	Year Ended 31 March 2019	Year Ended 31 March 2018
a) Profit attributable to the Equity Share Holders (₹ in Crore)- A	94.05	145.45
b) No. of Equity Shares	13,38,00,000	1,33,80,000
c) Nominal Value of the Share (₹)	10	10
d) Weighted average number of Equity Shares - B	13,38,00,000	1,33,80,00,000
e) Earnings per Share (₹) – A/B*	7.03	11.74

The Board of Directors in its meeting held on 14 June 2018 had recommended issue of bonus shares in the ratio of 9 Equity shares of ₹10/- each for every one existing equity share of ₹10/- each held. The issue of bonus share approved by the Shareholders on 30 September 2018 and accordingly the Company allotted 12,04,20,000 number of fully paid equity shares of ₹10/- each. The Earnings Per Share (both basic and diluted) for the year ended 31 March 2018 have been restated to give effect to the aforesaid bonus shares as per Ind AS-33.

iv) Reconciliation of Effective Tax rate:

Particulars	Year Ended 31 March 2019	Year Ended 31 March 2018
Applicable tax rate	34.94	34.61
Effect of tax exempt income	(26.87)	(1.99)
Effect of non-deductible expenses	0.81	0.69
Effect of allowances for tax purposes	(4.20)	(5.83)
Effect of previous year adjustments	4.32	3.96
Others	0.01	0.07
MAT Credit Entitlement	(55.07)	...
Effective tax rate	(46.06)	31.51

v) 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.

vi) Operating Lease (Ind AS 17)

The Company has taken various office premises / godowns under operating leases. Operating lease payments recognised in statement of profit and loss amounting to ₹12.29 Crore (previous year ₹10.56 Crore)

vii) Financial risk management objectives and policies

The Company's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance and support Company's operations. The Company's principal financial assets include inventory, trade and other receivables, cash and cash equivalents and refundable deposits that derive directly from its operations.

The Company is exposed to market risk, credit risk and liquidity risk. The Company's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and other price risk, such as equity price risk and commodity/ real estate risk. Financial instruments affected by market risk include loans and borrowings and refundable deposits. The sensitivity analysis in the following sections relate to the position as at 31 March 2019 and 31 March 2018. The sensitivity analyses have been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt.

The analysis excludes the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions.

Notes to the Financial Statements

for the year ended 31 March 2019

The below assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Company does not enter into any interest rate swaps.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on floating rate borrowings, as follows:

		₹ in Crore
	Increase / decrease in interest rate	Effect on profit before tax
31 March 2019		
INR	+1%	12.13
INR	-1%	12.13
31 March 2018		
INR	+1%	4.89
INR	-1%	4.89

ii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The credit risk arises principally from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions and other financial instruments.

Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom credit has been granted after obtaining necessary approvals for credit. The collection from the trade receivables are monitored on a continuous basis by the receivables team.

The Company establishes an allowance for credit loss that represents its estimate of expected losses in respect of trade and other receivables based on the past and the recent collection trend. The trade receivables as on 31 March 2019 is ₹147.46 Crore (31 March 2018: ₹91.14 Crore). The movement in allowance for credit loss in respect of trade and other receivables during the year was as follows:

	31 March 2019	31 March 2018
Allowance for credit loss		
Opening balance	0.90	...
Credit loss provided/ (reversed)	0.57	0.90
Closing balance	1.47	0.90

The Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as per the provision matrix.

No single customer accounted for more than 3% of the revenue as of 31 March 2019 and 31 March 2018 and there is no significant concentration of credit risk.

Notes to the Financial Statements

for the year ended 31 March 2019

Credit risk on cash and cash equivalent is limited as the Company generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

iii) Liquidity risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans

The table below summarises the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

₹ in Crore				
Particulars	Less than 1 year	1 to 5 years	More than 5 years	Total
Year ended 31 March 2019				
Borrowings (including Current maturities of long term debt)	186.81	887.68	287.80	1,362.29
Other noncurrent financial liabilities	...	638.31	...	638.31
Trade payables	207.30	...	...	207.30
Other Payables	23.11	...	...	23.11
Interest Accrued but not due	3.08	...	...	3.08
Salary and Bonus payable	2.01	...	...	2.01
Year ended 31 March 2018				
Borrowings (including Current maturities of long term debt)	40.56	811.97	249.21	1101.74
Other noncurrent financial liabilities	...	346.21	...	346.21
Trade payables	78.30	...	...	78.30
Other Payables	16.86	...	...	16.86
Interest Accrued but not due	2.02	...	...	2.02
Salary and Bonus payable	0.05	...	...	0.05

viii) Capital management

The Company's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio.

- i) **Financial assets and liabilities:** The carrying value of financial instruments by categories as at 31 March 2019 and 31 March 2018 is as follows:

₹ in Crore		
Particulars	31 March 2019	31 March 2018
Financial assets		
Measured at amortised cost		
Investments	143.62	143.61
Loans	100.34	107.92
Trade Receivables	145.99	90.24
Cash and Cash Equivalents	63.08	23.97
Bank Balance other than Cash and Cash Equivalents	18.69	16.86
Total Financial assets	471.72	382.60

₹ in Crore		
Particulars	31 March 2019	31 March 2018
Financial liabilities		
Measured at amortised cost		
Long term borrowings	1,136.21	1,011.20
Short term borrowings	226.92	178.60
Trade Payables	207.30	78.30
Other financial liabilities (including current maturities of long term borrowings)	217.68	59.49
Total Financial liabilities	1,788.11	1,327.59

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for the year ended 31 March 2019

- ii) For the purpose of debt to total equity ratio, debt considered is long-term and short-term borrowings. Total equity comprises of issued share capital and all other equity reserves.
- iii) The capital structure as of 31 March 2019 and 31 March 2018 as follows:

Particulars	₹ in Crore	
	31 March 2019	31 March 2018
Total equity attributable to the equity shareholders of the Company	1,011.67	958.39
As a percentage of total capital	39.45	41.63
Long term borrowings including current maturities	1325.69	1051.76
Short term borrowings	226.92	178.6
Total borrowings	1552.61	1309.5
As a percentage of total capital	60.55	58.37
Total capital (equity and borrowings)	2564.28	2267.89

ix) Corporate Social Responsibility:

Expenditure incurred on Corporate Social Responsibility activities, included in different heads of expenses in the Statement of Profit and Loss is ₹4.92 Crore (31 March 2018 ₹6.45 Crore).

Details of CSR Project or Activity	31 March 2019	31 March 2018
Initiatives to promote Education	2.59	1.08
Welfare and Rural Development	2.10	4.97
Health Care Initiatives	0.23	0.40
Total	4.92	6.45

The amount required to be spent under Section 135 of the Companies Act, 2013 for the year ended 31 March 2019 is ₹5.72 Crore (31 March 2018 ₹5.33 Crore) i.e. 2% of average net profits for last three financial years, calculated as per section 198 of the Companies Act, 2013.

x) The Company has certain mining leases granted by the Government for limestone mining in the states Andhra Pradesh and Telangana.

xi) Standards issued but not effective

Ind AS 116 Leases: On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after 1 April 2019. The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

- Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or

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for the year ended 31 March 2019

- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised under Ind AS 17 immediately before the date of initial application.

Certain practical expedients are available under both the methods. The Company is currently evaluating the effect of this amendment on the financial statements.

Amendment to Ind AS 19 – plan amendment, curtailment or settlement - On March 30, 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The company is currently evaluating the effect of this amendment on the financial statements.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments: On March 30, 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition –

- i) Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- ii) Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after 1 April 2019.

As per our Report of even date
For **C. Ramachandram & Co.**
Chartered Accountants
F.R. No. 002864S

C. Ramachandram
Partner
Membership No: 025834
Place: Hyderabad
Date: 25-05-2019

for and on behalf of the Board of Directors

P. Prathap Reddy
Chairman and Managing Director
DIN: 00093176

Petluru Venugopal Reddy
CFO

Bezawada Vikram
Executive Director
DIN:02086809

Raj Kumar Singh
Company Secretary
M.No:14265

Independent Auditor's Report

To
The Members of
M/s Penna Cement Industries Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of M/s. Penna Cement Industries Limited ("the Company") and its subsidiaries (the Company, its subsidiaries & associates together referred to as "the Group"), which comprise the Consolidated Balance Sheet as at March 31, 2019, the Consolidated Statement of Profit and Loss (including Other Comprehensive Income), the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows for the year ended on that date, and a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 (the "Act") in the manner so required and give a true and fair view in conformity with Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015, as amended ("Ind AS") and other accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2019, the consolidated profit, consolidated total comprehensive income, consolidated

changes in equity and its consolidated cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit of the consolidated financial statements in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the independence requirements that are relevant to our audit of the consolidated financial statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

S. No.	Key Audit Matter	Auditor's Response
1	Revenue Recognition – Refer to Note 18 of the consolidated financial statements. The Company recognises revenue based on terms of sales agreement, which varies with the customer i.e. upon transfer of control over goods sold. For sale transactions in a certain period of time around the balance sheet date, it is essential to ensure the control of goods have been transferred to the customers. As Revenue recognition is subject to management's judgement on whether the control of goods have been transferred, we consider cut off of revenue as key audit matter.	Principal Audit Procedures We Obtained an understanding of the revenue recognition process and tested the company's controls around the timely and accurate recording of sale transactions. We have obtained an understanding of sample of customer contracts. We tested the access and change management controls of the relevant information technology system in which shipments are recorded. Our test of revenue samples focused on sales recorded immediately before the year end, obtaining evidence to support the appropriate timing of revenue recognition, based on the terms set out in sales orders and delivery documents.

Information Other than the Consolidated Financial Statements and Auditor's Report Thereon

The Company's Board of Directors is responsible for the preparation of the other information. The other information

comprises the information included in the Management Discussion and Analysis, Board's Report including Annexures to Board's Report, Business Responsibility Report, Corporate Governance and Shareholder's

Information, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the course of our audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's Responsibility for the Consolidated Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated total comprehensive income, consolidated changes in equity and consolidated cash flows of the Group in accordance with the Ind AS and other accounting principles generally accepted in India. The respective Board of Directors of the companies included in the Group are responsible for maintenance of the adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group 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 consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error..

In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group are also responsible for overseeing the financial reporting process of the Group.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal financial controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Company and its subsidiary companies which are companies incorporated in India, has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements.

Materiality is the magnitude of misstatements in the consolidated financial statements that, individually or in aggregate, makes it probable that the economic decisions of a reasonably knowledgeable user of the financial statements may be influenced. We consider quantitative materiality and qualitative factors in (i) planning the scope of our audit work and in evaluating the results of our work; and (ii) to evaluate the effect of any identified misstatements in the financial statements.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

We did not audit the financial statements of one subsidiary, whose financial statements reflect total assets of ₹129.59 Crore as at March 31, 2019, total income of ₹0.83 Crore and net cash flows amounting to ₹(0.77) Crore for the year ended on that date, as considered in the consolidated Ind AS 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.

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, based on our audit 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 of the aforesaid consolidated financial statements. In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books.
- b) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss including (including Other Comprehensive Income), Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
- c) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.
- d) On the basis of the written representations received from the directors of the Company as on March 31, 2019 taken on record by the Board of Directors of the Company and its subsidiaries incorporated in India and the reports of the statutory auditors of its subsidiary companies incorporated in India, none of the directors of the Group companies incorporated in India is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.
- e) With respect to the adequacy of the internal financial controls over financial reporting and the operating effectiveness of such controls, refer to our separate Report in "Annexure A" which is based on the auditor's reports of the Company and its subsidiary companies incorporated in India. Our report expresses an unmodified opinion on the adequacy and operating effectiveness of the internal financial control over financial reporting of those companies, for reasons stated therein.

- f) With respect to the other matters to be included in the Auditor's Report in accordance with the requirements of section 197(16) of the Act, as amended:

In our opinion and to the best of our information and according to the explanations given to us, the remuneration paid by the Company to its directors during the year is in accordance with the provisions of section 197 of the Act.

- 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, as amended in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose impact of pending litigations on the consolidated financial position of the Group.
- ii. Provision has been made in the consolidated financial statements, as required under the applicable law or accounting standards, for material foreseeable losses,

if any, on long term contracts including derivative contracts.

- iii. There are no amounts required to be transferred, to the Investor Education and Protection Fund by the Company and its subsidiary companies incorporated in India.

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

C. Ramachandram
Partner
M. No: 025834

Place: Hyderabad
Date: May 25th, 2019.

Annexure "A" To The Independent Auditor's Report

(Referred to in paragraph 1 (f) under 'Report on Other Legal and Regulatory Requirements' section of our report to the Members of **M/s. Penna Cement Industries Limited** of even date)

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

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2019, we have audited the internal financial controls over financial reporting of **M/s. Penna Cement Industries Limited** (hereinafter referred to as "Company") and its subsidiary companies & associates, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The Board of Directors of the Company and its subsidiary companies, which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the respective Companies 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 ("the 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 the respective 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 Act.

Auditor's Responsibility

Our responsibility is to express an opinion on the internal financial controls over financial reporting of the Company and its subsidiary companies, which are companies incorporated in India, 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") issued by the Institute of Chartered Accountants of India and the Standards on Auditing, prescribed under Section 143(10) of the Companies Act, 2013, to the extent applicable to an

audit of internal financial controls. 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 judgement, including the assessment of the risks of material misstatement of the 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 internal financial controls system over financial reporting of the Company and its subsidiary companies, which are companies incorporated in India.

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 and to the best of our information and according to the explanations given to us, the Company and its subsidiary companies, which are companies incorporated in India, have, 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, 2019, based on the internal control over financial reporting criteria established by the respective companies 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 in so far it relates to one subsidiary company & associates 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 25th, 2019.

Consolidated Balance Sheet

as at 31 March 2019

₹ in Crore			
Particulars	Notes	As at 31 March 2019	As at 31 March 2018
ASSETS			
NON-CURRENT ASSETS:			
a) Property, Plant and Equipment	2	1957.98	1759.58
b) Capital Work-in-Progress		666.89	275.38
c) Goodwill		0.18	0.18
d) Other Intangible Assets		0.76	1.04
e) Financial Assets			
i) Investments	3	74.80	74.76
ii) Loans	5	100.34	107.92
iii) Others	8	14.41	15.19
f) Deferred Tax asset		0.14	0.17
g) Other Non-Current Assets	6	176.74	242.00
Total Non-Current Assets		2992.24	2476.22
CURRENT ASSETS:			
a) Inventories	7	371.11	178.95
b) Financial Assets			
i) Trade Receivables	4	145.99	90.24
ii) Cash and Cash Equivalents	8	64.89	26.61
iii) Bank Balance other than Cash and Cash Equivalents	8	18.69	16.86
iv) Loans		0.01	0.01
c) Other Current Assets	6	151.82	173.40
Total Current Assets		752.51	486.07
Total Assets		3744.75	2962.29
EQUITY AND LIABILITIES			
Share Holder's Funds			
a) Equity Share Capital	9	133.80	13.38
b) Other Equity	10	932.80	975.69
Total Equity		1066.60	989.07
Non-Controlling Interest		25.66	25.63
NON-CURRENT LIABILITIES:			
a) Financial Liabilities			
i) Borrowings	11	1136.21	1011.20
ii) Other Financial Liabilities	13	532.04	238.87
b) Provisions	14	4.85	6.37
c) Deferred Tax Liabilities (Net)	15	245.81	275.97
Total Non-Current Liabilities		1918.91	1532.41
CURRENT LIABILITIES:			
a) Financial Liabilities			
i) Borrowings	17	226.92	178.60
ii) Trade Payables	12	207.30	78.30
iii) Other Financial Liabilities	13	218.09	61.05
b) Other current liabilities	16	61.02	46.43
c) Provisions	14	3.19	0.24
d) Current tax liabilities, net		17.06	50.56
Total Current Liabilities		733.58	415.18
Total Equity and Liabilities		3744.75	2962.29
Significant Accounting Policies	1		

The Accompanying Notes form an integral part of the Consolidated Financial Statements

As per our Report of even date
For **C. Ramachandram & Co.**
Chartered Accountants
F.R. No. 002864S

C. Ramachandram
Partner
Membership No: 025834

Place: Hyderabad
Date: 25 May 2019

for and on behalf of the Board of Directors

P. Prathap Reddy
Chairman and Managing Director
DIN: 00093176

Petluru Venugopal Reddy
CFO

Bezawada Vikram
Executive Director
DIN:02086809

Raj Kumar Singh
Company Secretary
M. No: 14265

Consolidated Statement of Profit and Loss

for the year ended 31 March 2019

₹ in Crore			
Particulars	Notes	Year ended 31 March 2019	Year ended 31 March 2018
REVENUE			
Revenue from Operations	18	2164.04	1839.83
Other Income	19	3.71	8.64
Total Revenue		2167.75	1848.47
EXPENSES			
Cost of Materials Consumed	20	392.20	295.45
Other Manufacturing Expenses	21	702.09	492.15
Purchase of Stock in Trade		...	...
Changes in Inventories of Finished Goods & Stock in Process	22	(34.25)	7.71
Employee Benefit Expense	23	105.49	79.34
Finance Costs	24	139.46	103.48
Depreciation and Amortisation Expense	2	116.46	81.55
Freight & Forwarding Expense		581.02	404.89
Excise Duty		...	63.65
Other Expenses	25	100.95	105.02
Total Expenses		2103.41	1633.24
Profit before Tax and Share in Profit / (Loss) of associates		64.33	215.23
Share of Profits from Associates		0.02	2.72
Profit Before Tax		64.35	217.95
Tax Expense			
Current Tax		17.36	59.67
MAT Credit		(16.94)	...
Deferred Tax		(30.12)	12.91
Total Tax Expense		(29.70)	72.58
Profit for the Year		94.05	145.45
Profit / (Loss) attributable to Non-Controlling Interest		(0.03)	0.08
Profit / (Loss) attributable to Owner of the Parent		94.02	145.53
Other Comprehensive Income			
Items that will not be re-classified to Profit/(Loss)			
Re-measurement of gain/(loss) on defined benefit plan		(0.37)	(0.52)
Fair value changes on Equity Instruments through OCI (FVTOCI)		0.02	0.45
Tax Effect		(0.01)	0.16
Share in Other Comprehensive income of Associate		...	...
Other Comprehensive Income for the year, net of tax		(0.36)	0.01
Total Comprehensive Income for the year		93.66	145.53
Earnings Per Equity Share (Face value ₹10/- each)			
Basic & Diluted (Face value ₹10/- each)		7.03	10.87
Significant accounting policies	1		
The Accompanying Notes form an integral part of the Consolidated Financial Statements			

As per our Report of even date
For **C. Ramachandram & Co.**
Chartered Accountants
F.R. No. 002864S

C. Ramachandram
Partner
Membership No: 025834

Place: Hyderabad
Date: 25 May 2019

for and on behalf of the Board of Directors

P. Prathap Reddy
Chairman and Managing Director
DIN: 00093176

Pelluru Venugopal Reddy
CFO

Bezawada Vikram
Executive Director
DIN:02086809

Raj Kumar Singh
Company Secretary
M. No: 14265

Consolidated Statement of Changes in Equity

for the period ended 31 March 2019

i. EQUITY SHARE CAPITAL

For the year ended 31 March 2018

Particulars	No. of shares	₹ in Crore
Balance as At 1 April 2018	1,33,80,000	13.38
Bonus issue made during the year	12,04,20,000	120.42
Balance as At 31 March 2019	13,38,00,000	133.80

ii. OTHER EQUITY

					₹ in Crore
Particulars	Reserves & Surplus			Items of Other Comprehensive Income	Total
	Debtore Redemption Reserve	General Reserve	Retained Earnings	Equity Instruments through OCI	
At 31 March 2017	35.00	35.00	774.47	(6.35)	838.12
Profit for the year	...	...	146.26	...	146.26
Dividend paid (including Dividend Distribution Tax)	...	...	(8.05)	...	(8.05)
Transfer of Debtore redemption reserve to retained earnings	-10.50		10.50		-
Other comprehensive income					-
Re-measurement of gain/(loss) on defined benefit plans	...	...	(0.52)	...	(0.52)
Fair value changes on equity instruments through OCI	...	...	0.45	0.44	0.89
Share of Profits from associates			(1.16)		(1.16)
Income tax effect			0.16		0.16
At 31 March 2018	24.50	35.00	922.11	(5.91)	975.70
Profit for the year			94.02		94.02
Dividend paid (including Dividend Distribution Tax)			(16.13)		(16.13)
Transfer of Debtore redemption reserve to retained earnings	-10.50		10.50		-
Issue of Bonus shares			(120.42)		(120.42)
Other comprehensive income					-
Re-measurement of gain/(loss) on defined benefit plans			(0.37)		(0.37)
Fair value changes on equity instruments through OCI				0.01	0.01
Share of Profits from associates			0.01		0.01
Income tax effect			(0.01)	(0.01)	(0.02)
At 31 March 2019	14.00	35.00	889.71	(5.91)	932.80
Significant accounting policies	1				
The Accompanying Notes form an integral part of the Consolidated Financial Statements					

As per our Report of even date
For **C. Ramachandram & Co.**
Chartered Accountants
F.R. No. 002864S

C. Ramachandram
Partner
Membership No: 025834

Place: Hyderabad
Date: 25 May 2019

for and on behalf of the Board of Directors

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Executive Director
DIN:02086809

Raj Kumar Singh
Company Secretary
M. No: 14265

Consolidated Cash Flow Statement

for the year ended 31 March 2019

Particulars	₹ in Crore	
	2018-19	2017-18
A. Cash Flow from Operating Activities		
Profit before Tax	64.35	217.95
Adjustments for:		
Depreciation	116.46	81.55
Interest Expenses	114.51	63.96
Unwinding of interest	32.96	39.52
Share of (Profit) / loss from the associates	(0.02)	(2.72)
Provision for Doubtful receivables	0.56	0.90
Provision for Retirement Benefits	2.13	2.31
Foreign Exchange (gain/loss)	0.01	(1.84)
Profit on sale of Assets	(0.01)	(0.08)
Fair valuation of Investments	(2.37)	(0.45)
Interest Income	(2.95)	(3.92)
Operating Profit before Working Capital Charges	325.63	397.18
Movements in Working Capital		
Increase/(Decrease) in Trade Payable & Other Liabilities	165.58	(101.08)
(Increase) / Decrease in Trade Receivables	(28.99)	(5.76)
(Increase) / Decrease in Inventories	(192.16)	94.56
Increase/(Decrease) in Non-Current liabilities& Provisions	7.51	39.23
(Increase) / Decrease in Non-Current Loans given	283.15	(83.42)
(Increase) / Decrease Other Non-Current assets	76.02	(0.90)
(Increase) / Decrease in Other Current Assets	...	80.35
Cash Generated from Operations	636.74	420.16
Income Tax paid, net	(14.75)	(65.61)
Net Cash from Operating Activities (A)	621.99	354.55

Consolidated Cash Flow Statement

for the year ended 31 March 2019

Particulars	₹ in Crore	
	2018-19	2017-18
B. Cash Flow from Investing Activities		
Capital expenditure on Property, Plant & Equipment and Intangible Assets	(706.19)	(615.23)
Sale of Property, Plant & Equipment	0.10	0.11
Interest received	2.95	3.92
Dividend Income	...	13.20
Net Cash from Investing Activities (B)	(703.13)	(598.00)
C. Cash Flow from Financing Activities		
Proceeds from Long term Borrowings (Net)	250.05	321.68
Dividend & Dividend Tax Paid	(16.13)	(8.05)
Interest Paid	(114.51)	(63.96)
Net Cash from Financing Activities (C)	119.41	249.67
Net Increase / (Decrease) in Cash and Cash equivalents (A+B+C)	38.27	6.22
Cash and Cash Equivalents – Opening Balance	26.61	20.39
Cash and Cash Equivalents – Closing Balance (refer note no 8)	64.88	26.61

Reconciliations of liabilities from financing activities:

Particulars	₹ in Crore		
	Long Term Borrowings (including current portion)	Short Term Borrowings	Total
As on 31 March 2018	1,051.76	178.60	1,230.36
Proceeds during the year	292.30	48.32	340.62
Repayment	(42.25)	-	(42.25)
Fair value changes	23.88	-	23.88
As on 31 March 2019	1,325.69	226.92	1,552.61

As per our Report of even date
For **C. Ramachandram & Co.**
Chartered Accountants
F.R. No. 002864S

C. Ramachandram
Partner
Membership No: 025834

Place: Hyderabad
Date: 25 May 2019

for and on behalf of the Board of Directors

P. Prathap Reddy
Chairman and Managing Director
DIN: 00093176

Petluru Venugopal Reddy
CFO

Bezawada Vikram
Executive Director
DIN: 02086809

Raj Kumar Singh
Company Secretary
M. No: 14265

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

A. General Information

Penna Cement Industries Limited (the Holding Company) is a Public Limited Company incorporated in India having its registered office in Hyderabad, Telangana, India. its subsidiaries and associate are together known as "the Company" or "the Group". The Group is primarily engaged in the manufacturing and selling of Cement, Cement related products and Power.

B. Basis of preparation of financial statements

B.1 Statement of Compliance

These financial statements are prepared in accordance with the Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended by the Companies (Indian Accounting Standards) (Amendment) Rules, 2017 and the relevant provisions of the Companies Act, 2013.

Except for the changes below, the company has consistently applied accounting policies to all the periods.

- The group has adopted Ind AS 115 "Revenue from Contracts with Customers", with the date of initial application being 1 April 2018. Ind AS 115 establishes a comprehensive framework on revenue recognition. Ind AS 115 replaces Ind AS 18 – Revenue and Ind AS 11 Construction Contracts. The application of Ind AS 115 did not have material impact on the financial statements. As a result, the comparative information has not been restated.
- Appendix B to Ind AS 21** – The Effect of changes in Foreign Exchange Rates: On 28 March 2018, Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards) Amendments Rules, 2018 containing Appendix B to Ind AS 21, Foreign currency transactions and advance considerations which clarifies the date of transaction for the purpose of determining the exchange rates to be used on initial recognition of the related asset, expenses or income, when an entity has received or paid advance consideration in foreign currency. The amendment is effective from 1 April 2018. The group has evaluated the effect of this amendment on the financial statements and concluded that the impact is not material.

The financial statements were authorised for issue by the Company's Board of Directors on 25 May 2019.

Details of the accounting policies are included in Note 1.

B.2 Basis of preparation and presentation

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 and liabilities are measured at fair value;
- employee defined benefit assets/(liability) are recognised 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 are measured at amortised cost using the effective interest rate method.

B.3 Functional and presentation currency

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

All amounts are in Indian Rupees Crore except share data, unless otherwise stated.

B.4 Operating Cycle

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:

- it is expected to be realised in, or is intended for sale or consumption in, the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is expected to be realised within twelve months after the reporting date; or
- 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:

- it is expected to be settled in the Group's normal operating cycle;
- it is held primarily for the purpose of being traded;
- it is due to be settled within twelve months after the reporting date; or

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

- 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.

B.5 Critical accounting judgements and key sources of estimation uncertainty.

In the application of the Group's accounting policies, which are described in Note 1, the management of the Group are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the areas of estimation uncertainty and critical judgements that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Provision and contingent liability

On an ongoing basis, Group reviews pending cases, claims by third parties and other contingencies. For contingent losses that are considered probable, an estimated loss is recorded as an accrual in financial statements. Loss Contingencies that are considered possible are not provided for but disclosed as Contingent liabilities in the financial statements. Contingencies the likelihood of which is remote are not disclosed in the financial statements. Gain contingencies are not recognised until the contingency has been resolved and amounts are received or receivable.

Useful lives of depreciable assets

Management reviews the useful lives of depreciable assets at each reporting date. As at 31 March 2018 the management assessed that the useful lives

represent the expected utility of the assets to the Group. Further, there is no significant change in the useful lives as compared to previous year.

Investment in equity instruments of subsidiary and associate companies

During the year, the Group assessed the investment in equity instrument of subsidiary and associate companies carried at cost for impairment testing. These companies are expected to generate positive cash flows in the future years. Detailed analysis has been carried out on the future projections and the Group is confident that the investments do not require any impairment.

Mines restoration obligation

In determining the fair value of the Mines Restoration Obligation, assumptions and estimates are made in relation to discount rates, the expected cost of mines restoration and the expected timing of those costs.

B.6 Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2:** inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

1. Significant accounting Policies

The Group derives revenue from the sale of cement and Power. Revenue is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over the product to a customer.

The Five step model which is the focal point for revenue recognition as per Ind As 115 is as follows:

- i) **Identify contract with the customer:**
The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) which has commercial substance and are committed to perform their respective obligations. The rights to goods or services and payment terms can be distinctly identified and collection of consideration is considered probable.
- ii) **Identify the performance obligations in the contract:**
The goods or services promised in a contract shall be assessed to identify the performance obligation for each promise to transfer either (a) Goods or services, or (b) a series of distinct goods or services that are similar and have the same pattern of transfer.
- iii) **Determine the transaction price:**
The transaction price is the amount of consideration to which an entity expects to be entitled in exchange after transferring goods or services to a customer. The entity should consider the following when determining the transaction price (a) Variable consideration and constraints (b) Significant financing component, (c) Non-cash considerations, (d) Consideration payable to a customer.
- iv) **Allocate the transaction price to the performance obligations in the contract:**
The transaction price is required to be allocated to each performance obligation in proportion to its standalone selling prices i.e., the price at which entity would sell the promised goods (or) services apparently to the customer.
- v) **Recognise revenue when (or as) the entity satisfies a performance obligation:**
It is probable that the entity will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due. The amount of consideration to which the entity will be entitled may be less than the price stated in the contract if the consideration is variable because the entity may offer the customer a price concession.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated rebates and other similar allowances. Revenue is measured at fair value of the consideration received or receivable, after deduction of any trade discounts, volume rebates and any taxes or duties collected on behalf of the government which are levied on sales such as sales tax, value added tax, goods and services tax, etc.

Sale of goods

As per Ind AS 115, - An entity shall recognise revenue when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset.

Sale of Power

Revenue from Generation, Transmission and Distribution of power is recognised on an accrual basis and includes unbilled revenues accrued upto the end of the accounting year. The Group determines surplus/deficit (i.e. excess/shortfall of/in aggregate gain over Return on Equity entitlement) for the year in respect of its regulated operations based on the principles laid down under the relevant Tariff Regulations/Tariff Orders as notified by respective State Regulatory Commissions. In respect of such surplus/deficit, appropriate adjustments as stipulated under the regulations are made during the year. Further, any adjustment that may arise on annual performance review by respective State Regulatory Commissions under the aforesaid Tariff Regulations/Tariff Orders is made after the completion of such review take or pay

Dividend and interest income

Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

1.2 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as Operating Leases.

Operating Lease: Lease rentals are charged or recognised in the Statement of Profit and Loss on a straight-line basis over the lease term, except where

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the payment are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increase.

Finance Lease: Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if

lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Balance Sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the Statement of Profit and Loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's policy on borrowing costs.

Further, at the inception of above arrangement, the Group determines whether the above arrangement is or contains a lease. At inception or on reassessment of an arrangement that contains a lease, the Group separates a payments and other consideration required by the arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the Group's incremental borrowing rate. Minimum lease payments made under finance leases are apportioned between the finance charge

and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

1.3 Foreign currencies

In preparing the financial statements of the Group, transactions in currencies other than the Group's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing

at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are

not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

1.4 Borrowing costs

Specific borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of such asset till such time the asset is ready for its intended use and borrowing costs are being incurred. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use. All other borrowing costs are recognised as an expense in the period in which they are incurred.

Borrowing cost includes interest expense, amortisation of discounts, ancillary costs incurred in connection with borrowing of funds and exchange difference arising from foreign currency borrowings to the extent they are regarded as an adjustment to the Interest cost.

1.5 Taxation

Income tax expense consists of current and deferred tax. Income tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax

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

Deferred tax is recognised 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 recognised 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 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

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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 realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. 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 realised.

1.6 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. The basic earnings per share is computed by dividing the net profit attributable to equity shareholders for the period by the weighted average number of equity shares outstanding during the year.

Diluted earnings per share is computed by dividing the net profit attributable to equity shareholders for the year relating to the dilutive potential equity shares, by the weighted average number of equity shares considered for deriving basic earnings per share and the weighted average number of equity shares which could have been issued on the conversion of all dilutive potential equity shares. Potential equity shares are deemed to be dilutive only if their conversion to equity shares would decrease the net profit per share.

1.7 Property, plant and equipment (PPE)

The initial cost of PPE comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing an asset to working condition and location for its intended use, including relevant borrowing costs and any expected costs of decommissioning, less accumulated depreciation and accumulated impairment losses, if any. Expenditure incurred after the PPE have been put into operation, such as repairs and maintenance, are charged to the Statement of Profit and Loss in the period in which the costs are incurred.

If significant parts of an item of PPE have different useful lives, then they are accounted for as separate items (major components) of PPE.

Material items such as spare parts, stand-by equipment and service equipment are classified as PPE when they meet the definition of PPE as specified in Ind AS 16 – Property, Plant and Equipment.

1.8 Expenditure during construction period

Expenditure during construction period (including financing cost related to borrowed funds for construction or acquisition of qualifying PPE) is included under Capital Work-in-Progress, and the same is allocated to the respective PPE on the completion of their construction. Advances given towards acquisition or construction of PPE outstanding at each reporting date are disclosed as Capital Advances under "Other non-current Assets".

1.9 Depreciation

Depreciation is the systematic allocation of the depreciable amount of PPE over its useful life and is provided on a straight-line basis over the useful lives as prescribed in Schedule II to the Act or as per technical assessment.

Depreciable amount for PPE is the cost of PPE less its estimated residual value. The useful life of PPE is the period over which PPE is expected to be available for use by the Group, or the number of production or similar units expected to be obtained from the asset by the Group.

The Group has componentised its PPE and has separately assessed the life of major components.

In case of certain classes of PPE, the Group uses different useful lives than those prescribed in Schedule II to the Act. The useful lives have been assessed based on technical advice, taking into account the nature of the PPE and the estimated usage of

the asset on the basis of management's best estimation of obtaining economic benefits from those classes of assets.

Such classes of assets and their estimated useful lives are as under:

Particulars	Useful life
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
Vessel	25

Depreciation on additions is provided on a pro-rata basis from the month of installation or acquisition and in case of Projects from the date of commencement of commercial production. Depreciation on deductions/disposals is provided on a pro-rata basis up to the date of deduction/disposal.

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1.10 Intangible assets and amortisation

Intangible assets are stated at cost less accumulated amortisation and impairment. Intangible assets are amortised over their respective estimated useful lives on a straight-line basis, from the date that they are available for use.

Amortisation

The estimated useful life of an identifiable intangible asset is based on a number of factors including the effects of obsolescence, demand, competition and other economic factors (such as the stability of the industry and known technological advances) and the level of maintenance expenditures required to obtain the expected future cash flows from the asset.

Computer software is amortised on straight line basis over a period of Six years.

1.11 Inventories

Inventories are valued as follows:

- Raw materials, fuel, stores & spare parts and packing materials:

Valued at lower of cost and net realisable value (NRV). However, these items are considered to be realisable at cost, if the finished products, in which they will be used, are expected to be sold at or above cost. Cost is determined on weighted average basis.
- Work-in- progress (WIP), finished goods and stock-in-trade:

Valued at lower of cost and NRV. Cost of Finished goods and WIP includes cost of raw materials, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is computed on weighted average basis.

1.12 Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand and short-term deposits with banks that are readily convertible into cash which are subject to insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments.

1.13 Cash flow statement

Cash flows are reported using the indirect method, whereby net profit before tax is adjusted for the effects of transactions of a non-cash nature and any deferrals or accruals of past or future cash receipts or payments. The cash flows from operating, investing and financing activities of the Group are segregated.

Bank overdrafts are classified as part of cash and cash equivalent, as they form an integral part of an entity's cash management.

1.14 Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the Group receives non-monetary grants, the asset and the grant are accounted at fair value and recognised in the statement of profit and loss over the expected useful life of the asset.

1.15 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, 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.

The recoverable amount of an asset or cash-generating unit (as defined below) is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or the cash-generating unit. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use those are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised in the statement of Profit & Loss if the estimated recoverable amount of an asset or its cash-generating unit is lower than its carrying amount. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

An impairment loss in respect of equity accounted investee is measured by comparing the recoverable amount of investment with its carrying amount. An impairment loss is recognised in the statement of Profit & Loss and reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

1.16 Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised 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 statement of profit and loss 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. In countries where there is no deep market in such bonds, the market rates on government bonds are used. The current service cost of the defined benefit plan, recognised in the statement of profit and loss in employee benefit expense, reflects the increase in the defined benefit obligation resulting from employee service in the current year, benefit changes, curtailments and settlements. Past service costs are recognised immediately in statement of profit and loss. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

Other long-term employee benefits

The Group's net obligation in respect of other long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and previous periods. That benefit is discounted to determine its present value. Re-measurements are recognised in the statement of profit and loss in the period in which they arise.

A provision is recognised 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 recognised as a finance cost.

1.18 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.

1.19 Mines restoration provision

An obligation for restoration, rehabilitation and environmental costs arises when environmental disturbance is caused by the development or

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for the year ended 31 March 2019

ongoing extraction from mines. Costs arising from restoration at closure of the mines and other site preparation work are provided for based on their discounted net present value, with a corresponding amount being capitalised at the start of each project. The amount provided for is recognised, as soon as the obligation to incur such costs arises. These costs are charged to the Statement of Profit and Loss over the life of the operation through the depreciation of the asset and the unwinding of the discount on the provision. The costs are reviewed periodically and are adjusted to reflect known developments which may have an impact on the cost or life of operations. The cost of the related asset is adjusted for changes in the provision due to factors such as updated cost estimates, new disturbance and revisions to discount rates. The adjusted cost of the asset is depreciated prospectively over the lives of the assets to which they relate. The unwinding of the discount is shown under "Other Expenses" in the Statement of Profit and Loss.

1.20 Segment reporting: Identification of segments:

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, whose operating results are regularly reviewed by the company's Chief Operating Decision Maker ("CODM") to make decisions for which discrete financial information is available. Based on the management approach as defined in Ind AS 108, the CODM evaluates the Company's performance and allocates resources based on an analysis of various performance indicators by business segments and geographic segments.

1.21 Goodwill:

Goodwill arising out of Consolidation of financial statements of subsidiaries and associate entities are tested for impairment at each reporting date

1.22 Financial instruments

a. Recognition and Initial recognition

The Group recognises financial assets and financial liabilities when it becomes a party to the contractual provisions of the instrument. All financial assets and liabilities are recognised 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. The transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are incremental costs directly

attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit and loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue.

b. Classification and Subsequent measurement Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost;
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets 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.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income,

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for the year ended 31 March 2019

maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

- how the performance of the portfolio is evaluated and reported to the Group's management;

- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

- how managers of the business are compensated
- e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable interest rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets: Subsequent measurement and gains and losses

Financial assets at FVTPL: These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Financial assets at amortised cost: These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities: Classification, Subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

C. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all

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for the year ended 31 March 2019

of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

d. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

e. Impairment

The Group recognises loss allowances for expected credit losses on financial assets measured at amortised cost;

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income (FVOCI) are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

The Group measures loss allowances at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12 month expected credit losses:

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

– debt securities that are determined to have low credit risk at the reporting date; and

– other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

In all cases, the maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable

and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Measurement of expected credit losses

Expected credit losses are a probability weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Presentation of allowance for expected credit losses in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the trade receivable does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Note – 2 Property, Plant & Equipment **

										₹ in Crore		
Particulars	Freehold Land	Buildings	Plant & Equipment	Vessel	Railway Siding	Furniture & Fixtures	Office Equipment	Vehicles	Total	Intangible Assets		
										Software	Mining Rights	Total
Cost												
As at 31 March 2018	176.10	558.41	1664.72	0.00	101.65	1.41	10.19	19.39	2531.86	4.03	0.94	4.98
Additions	4.46	54.06	99.79	147.81	...	0.04	0.98	7.53	314.67	...	...	...
Disposals	...	...	...	...	...	...	...	0.26	0.26	...	...	...
As at 31 March 2019	180.56	612.47	1764.51	147.81	101.65	1.45	11.17	26.67	2846.28	4.03	0.94	4.98
Depreciation												
As at 31 March 2018	...	90.32	636.47	...	31.19	0.98	5.59	7.73	772.28	3.78	0.16	3.93
Charge for the year	...	17.03	88.17	3.63	4.83	0.06	0.55	1.91	116.18	0.26	0.03	0.29
Disposals	...	...	...	...	...	...	...	0.16	0.16			
As at 31 March 2019	...	107.36	724.64	3.63	36.02	1.04	6.13	9.48	888.30	4.03	0.19	4.22
Net Block												
As At 31 March 2018	176.10	468.08	1028.25	0.00	70.46	0.42	4.61	11.66	1759.58	0.26	0.79	1.04
As At 31 March 2019	180.56	505.11	1039.87	144.18	65.63	0.41	5.04	17.19	1957.98	...	0.76	0.76

Capital Work-In-Progress

Particulars	Civil Work-in-Progress	Plant & Equipment Under Installation	Pre-Operative Expenses@	Total**
As At 31 March 2018	65.69	205.50	4.19	275.38
As At 31 March 2019	54.87	601.01	11.01	666.89

@ Details of Preoperative Expenses

	As at 31 March 2019	As at 31 March 2018
Salary & Wages	2.92	2.95
Consultancy	0.04	0.08
Rents	0.07	0.67
Others	7.98	0.49
Total	11.01	4.19

* Includes borrowing cost of ₹51.19 Crore capitalised during the year 2018-19 (Previous year: ₹57.64 Crore)

Note – 3 Non-Current Investments

	As at 31 March 2019	As at 31 March 2018
Non-current investments		
Investments accounted for using equity method		
Unquoted equity shares		
Investments in associates		
13,200,000 (31 March 2018: 13,200,000) equity shares of ₹10 each in Parasakti Cement Limited (50%)	72.63	72.62
Investments in partnership firm		
Investment with Sunder Chemicals and Minerals	0.01	0.01
Investments carried at Fair Value Through Other Comprehensive Income (FVTOCI)		
Unquoted equity shares		
536,000 (31 March 2018: 536,000) equity shares of ₹10 each in Andhra Pradesh Gas Power Corporation Limited	2.16	2.15
Total	74.80	74.76
Investments accounted for using equity method	72.63	72.62
Investments carried at (FVTOCI) - Unquoted equity shares in Others	2.17	2.15

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Note – 4 Trade Receivables

	As at 31 March 2019	As at 31 March 2018
Secured, considered good	2.85	1.31
Unsecured, considered good*	144.61	89.83
	147.46	91.14
Less: Provision for doubtful receivables	(1.47)	(0.90)
Total	145.99	90.24

*Includes related parties of ₹4.88 Crore (31 March 2018; ₹4.48 Crore)

Note –5 Loans

	As at 31 March 2019	As at 31 March 2018
(Unsecured, Considered good)		
Non – Current		
- Security Deposits	17.57	25.15
- Advances for Investment	82.77	82.77
Total	100.34	107.92
Current		
Other Receivables	0.01	0.01
Total	0.01	0.01

Note – 6 Other Assets

	As at 31 March 2019	As at 31 March 2018
Non – Current		
(Unsecured, considered good)		
Capital advances	136.02	207.07
Advances other than capital advances	6.65	...
- Prepaid Expenses	34.07	34.93
Total	176.74	242.00
Current		
(Unsecured, considered good)		
Advances other than capital advances		
- Advances to Suppliers*	50.31	91.15
- Advances to Employees & Others	9.38	6.38
- Prepaid Expenses	16.28	8.17
- Balances with Government Authorities	75.85	67.70
Total	151.82	173.40

*Includes related parties of ₹11.87 Crore (31 March 2018; ₹8.17 Crore)

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Note – 7 Inventories

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
(Valued at lower of Cost or net realisable value, unless otherwise stated)		
Raw Materials	165.69	18.29
Fuel	...	41.82
Work-in-Progress	45.31	14.57
Finished Goods	9.07	5.55
Stores & Spares	145.55	93.77
Packing Material	5.50	4.96
Total	371.11	178.95

Note – 8 Others

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Bank balance other than cash & cash equivalents – non current		
Fixed deposits with original maturity of more than 12 months	14.41	15.19
Total	14.41	15.19
Current		
Deposits held as Margin Money for Bank Guarantees	18.69	16.86
Total	18.69	16.86
Cash and Cash Equivalents		
Balance with Banks		
- In Current Account	64.55	26.41
Cash on Hand	0.34	0.20
Total	64.89	26.61

Note – 9 Share Capital

	As at 31 March 2019	As at 31 March 2018
₹ in Crore		
Authorised:		
20,00,00,000 (As at 31 March 2018; 15,00,00,000) Equity Shares of ₹10/- each	200.00	150.00
Issued, Subscribed and Paid Up:		
13,38,00,000 (As at 31 March 2018; 1,33,80,000) Equity Shares of ₹10/- each fully paid up	133.80	13.38
Total	133.80	13.38

a) Reconciliation of equity shares outstanding at the beginning and at the end of the reporting period is set out below:

Particulars	As at 31 March 2019		As at 31 March 2018	
	No. of Shares	₹ in Crore	No. of Shares	₹ in Crore
Outstanding at the beginning of the year	1,33,80,000	13.38	1,33,80,000	13.38
Issued during the year	12,04,20,000	120.42	-	-
Outstanding at the end of the year	13,38,00,000	133.80	1,33,80,000	13.38

b) Terms / rights attached to the equity shares

The Company has only one class of equity shares having a par value of ₹10/- per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividend in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the Shareholders in the ensuing Annual General Meeting, except in case of interim dividend. In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

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

Name of the Share Holder	As at 31 March 2019		As at 31 March 2018	
	No. of Shares held in the Company	% of Shares	No. of Shares held in the Company	% of Shares
1. Shri. P. Prathap Reddy	13,63,500	10.19	13,63,500	10.19
2. M/s P. R. Cement Holdings Ltd	44,70,110	33.41	44,70,110	33.41
3. Shri. P. Prathap Reddy, Partner, Pioneer Builders	70,09,480	52.39	70,09,480	52.39

Note – 10 Other Equity

	₹ in Crore	
	As at 31 March 2019	As at 31 March 2018
Debenture Redemption Reserve		
Opening Balance	24.50	35.00
Add: Additions during the year	...	...
Less: Transferred to Retained earnings	(10.50)	(10.50)
Closing Balance – a	14.00	24.50
General Reserve		
Opening Balance	35.00	35.00
Add: Additions during the year	...	...
Closing Balance – b	35.00	35.00
Equity Investment through OCI		
Opening Balance	(5.89)	(6.35)
Add: Profit during the year	(0.01)	0.44
Closing Balance – c	(5.91)	(5.91)
Retained earnings		
Opening Balance	922.11	774.47
Add: Profit for the year	94.02	146.26
Less: Bonus Issue during the year	(120.42)	...
Add: Transferred from Debenture Redemption Reserve	10.50	10.50
Less: Dividend Paid	(16.13)	(8.05)
Other comprehensive income	(0.37)	(0.07)
Share of Profits from Associates	0.01	(1.16)
Income-tax effect	(0.01)	0.16
Closing balance - d	889.71	922.11
Total – Reserves & Surplus (a+b+c+d)	932.80	975.70

Note – 11 NON-CURRENT BORROWINGS

		₹ in Crore			
Secured	Repayment Schedule/ Redemption	Long-Term		Current Maturity of Long-Term Borrowings*	
		As at 31 March 2019	As at 31 March 2018	As at 31 March 2019	As at 31 March 2018
12.25% - Non-Convertible Debentures	Jun-17 to Jun-19	...	14.00	14.00	10.50
Term Loans From Banks					
1. Yes Bank Ltd	Jun- 19 to Mar-27	701.76	512.48	97.65	...
2. Yes Bank Ltd	Sep-18 to Dec-20	2.25	5.25	3.00	2.25
OTHER Loans from Banks and Financial Institutions					
3. L&T Finance Ltd	Jun - 19 to Mar-27	236.25	270.00	33.75	...
4. Hero Fincorp Ltd	Jun - 19 to Mar-27	87.50	100.00	12.50	...
5. SREI Equipment Finance Ltd	Nov-18 to Aug -22	8.49	...	3.05	...
6. ICICI Bank Ltd	Oct-17 to Sept-19	...	0.66	0.80	1.63
Total-a		1036.25	902.39	164.75	14.38
Unsecured					
Sales Tax Deferment Loan	Mar-15 to Mar-24	99.96	108.81	24.73	26.18
Total-b		99.96	108.81	24.73	26.18
Total- (a + b)		1136.21	1011.20	189.48	40.56

* Amount disclosed under the head "Other Current Liabilities" (Note 13).

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Long-Term Borrowings:

All Secured Long-Term Borrowings except ICICI Bank Ltd (Vehicle Loan) and Non-Convertible Debentures are secured by way of first charge, having paripassu rights, on the Company's movable and immovable assets (save and except stocks and book debt), both present and future, in favour of Company's lenders/trustees, 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. They are further secured by personal guarantee of Shri P. Prathap Reddy, Chairman and Managing Director of the Company.

Note – 12 Trade Payables

	As at 31 March 2019	As at 31 March 2018
Current		
Total outstanding dues of creditors other than micro enterprises and small enterprises*	207.30	78.30
Total	207.30	78.30

*a) The above trade payables includes an amount of ₹155.71 Crore (previous year ₹29.16 Crore) in respect of which Letter of credits denominated in foreign currency (unhedged) has been issued.

b) includes related parties of ₹ Nil Crore (previous year ₹0.18 Crore)

Note – 13 Other Financial Liabilities

	As at 31 March 2019	As at 31 March 2018
Non-current		
Security Deposits received	147.31	131.47
Capital creditors	384.73	107.40
Total	532.04	238.87
Current		
Current maturities of long-term debt	189.48	40.56
Interest accrued but not due on borrowings	3.08	2.02
Other payables *	23.11	18.42
Payable to employees	2.42	0.05
Total	218.09	61.05

* includes related parties of ₹1.56 Crore (previous year ₹7.15 Crore)

Note – 14 Provisions

	As at 31 March 2019	As at 31 March 2018
Non-current		
Employee Benefits - Leave Encashment	4.21	4.32
- Gratuity	0.22	1.68
Mines Restoration	0.41	0.37
Total	4.85	6.37
Current		
Employee Benefits		
- Leave Encashment*	1.40	0.03
- Gratuity	1.79	0.21
Total	3.19	0.24

*Movement of Provisions during the year as required by Ind AS 37

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Particulars	₹ in Crore	
	As at 31 March 2019	As at 31 March 2018
Mines Restoration Fund		
Opening Balance	0.37	0.25
Add: Unwinding of Interest for the year	0.04	0.12
Closing Balance	0.41	0.37

Note – 15 Deferred Tax Asset

	₹ in Crore	
	As at 31 March 2019	As at 31 March 2018
Provision allowed under tax on payment basis	(5.82)	(12.94)
Depreciation Loss under IT Act	(10.83)	...
IPO Expenses	(2.98)	...
Fair valuation of investments	0.01	(2.04)
Provision for doubtful debts	...	(0.31)
Total	19.62	(15.29)
DEFERRED TAX LIABILITIES		
-Tangible and Intangible Assets	265.43	291.25
Total		
Net Deferred Tax Liability	245.81	275.97

Note – 16 Other Current Liabilities

	₹ in Crore	
	As at 31 March 2019	As at 31 March 2018
Advances received from customers	5.89	4.35
Statutory liabilities	55.13	42.08
Total	61.02	46.43

Note – 17 Current Borrowings

	₹ in Crore	
	As at 31 March 2019	As at 31 March 2018
Secured and Loans Repayable on Demand		
From Banks	226.92	178.60
Total	226.92	178.60

The above current borrowings availed from State Bank of India, IDBI Bank Ltd and YES Bank Ltd are repayable on demand and are secured by hypothecation of inventories and book debts, present, future and second charge on the fixed assets of the Company.

Note – 18 Revenue from Operations

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Revenue from sale of goods (including excise duty)	2141.02	1800.86
Revenue from sale of Power*	23.02	38.97
Trade Sale	...	...
Total Revenue from Operations	2164.04	1839.83

** During the previous year, the sale of power includes ₹18.35 Crore towards compensation received under Power Purchase agreement (take or pay) with M/s Telangana State Power Co-ordination Committee.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Note – 19 Other Income

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Profit/(Loss) on Sale of Fixed Assets	(0.01)	(0.08)
Net Gain on Foreign Currency Transactions	...	3.19
Scrap Sale	0.77	1.60
Interest Income	2.95	3.93
Total	3.71	8.64

Note – 20 Cost of Materials Consumed

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
- Limestone	114.79	93.19
- Bauxite	48.96	33.20
- Iron Ore	10.87	9.90
- Gypsum	37.64	28.30
- Slag	7.94	12.83
- Fly Ash	50.15	32.19
- Coal for Power Generation	121.85	85.84
Total	392.20	295.45

Note – 21 Other Manufacturing Expenses

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Power & Fuel	537.10	371.50
Stores & Spares Consumed	49.15	34.30
Packing Material Consumed	74.99	59.98
Repairs & Maintenance – Machinery	25.36	16.89
Repairs & Maintenance – Buildings	5.70	4.28
Repairs & Maintenance – Others	9.79	5.20
Total	702.09	492.15

Note – 22 Change in Inventories of Finished Goods & Stock in Process

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Closing Stock		
- Finished Goods	9.07	5.56
- Stock in Process	45.31	14.57
	54.38	20.13
Opening Stock		
- Finished Goods	5.56	11.90
- Stock in Process	14.57	15.93
	20.13	27.83
Total (Increase)/Decrease in Inventories	(34.25)	7.71

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Note – 23 Employee Benefit Expense

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Salaries, Wages and Bonus	89.64	69.35
Contribution to PF, ESI	6.50	5.29
Staff Welfare Expenses	9.35	4.70
Total	105.49	79.34

Note – 24 Finance Costs

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Interest on Term Loans	77.29	33.76
Interest on Debentures	1.98	3.27
Interest on Working Capital	24.41	16.13
Bank Charges	9.72	10.80
Other Borrowing Cost	24.95	39.52
Net Loss on Foreign Currency Transactions	1.10	
Total	139.46	103.48

Note – 25 Other Expenses

	₹ in Crore	
	For the Year ended 31 March 2019	For the Year ended 31 March 2018
Rent	12.29	10.58
Insurance	5.17	4.20
Directors' Remuneration	5.72	11.67
Auditors' Remuneration	0.25	0.18
Printing & Stationery	0.38	0.23
Communication Cost	1.05	1.09
Directors Travelling Expenses	1.09	1.27
Others Travelling Expenses	5.53	3.49
Conveyance Expenses	4.88	3.16
Professional & Legal Expenses	13.28	8.65
Rates & Taxes	5.42	6.00
Security Service Charges	8.55	4.58
Office Maintenance	8.36	9.72
Provision for doubtful receivables	...	0.91
Other Expenses	4.31	12.26
Corporate Social Responsibility Expenses	4.92	6.44
Advertisement & Publicity	10.82	12.59
Commission on Sales	8.93	8.00
Total	100.95	105.02

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Note – 26 Contingent Liabilities (Ind AS-37)

	₹ in Crore	
	2018-19	2017-18
a) Contingent liabilities/claims not provided for:		
i) In respect of Bank Guarantees	38.01	35.97
ii) In respect of Inland Letter of Credits	23.23	24.32
iii) In respect of Foreign Letter of Credits	...	54.18
iv) In respect of Unexecuted Capital Contracts	280.67	452.68
b) Claims against the Group not acknowledged as Debt:*		
i) Sales Tax	2.50	3.50
ii) Excise Duty/Service Tax	67.60	45.36
iii) Income Tax	8.88	12.25
iv) Disputes in respect of purchase of Power	41.67	41.67

* Net of amounts paid under protest

Cash outflows for the above are determinable only on receipt of judgments pending at various forums/authorities

- c) A demand for ₹4.56 Crore 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 Honorable High Court of Judicature at Hyderabad for the state of Telangana and Andhra Pradesh. The Company backed by a legal opinion believes that it has a good case and accordingly no provision has been made in the accounts.
- d) There are no major pending litigations, which have material impact on the financial statements of the Company.

Note – 27

Principles of consolidation:

These Consolidated Financial Statements (CFS) are prepared on the following basis in accordance with Ind AS on "Consolidated Financial Statements" (Ind AS – 110), "Investments in Associates and Joint Ventures" (Ind AS – 28) and "Disclosure of interest in other entities" (Ind AS – 112), specified under Section 133 of the Companies Act, 2013.

(i) Subsidiaries:

Subsidiaries are entities controlled by the Holding Company. The Holding 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.

(ii) Non-controlling interest (NCI):

NCI are measured at their proportionate share of the acquiree's net identifiable assets at the date of acquisition. Changes in the Holding Company's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control:

When the Holding Company loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any interest retained in the former subsidiary is measured at fair value at the date the control is lost. Any resulting gain or loss is recognised in profit or loss.

(iv) Equity accounted investees:

The Holding Company's interests in equity accounted investees comprise interest in associates. An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interest in associates is accounted for using equity method. They are initially recognised at cost which includes transaction costs. Subsequent to initial recognition, consolidated financial statements include the Group's share of profit or loss and OCI of equity accounted investees until the date on which significant influence or joint control ceases.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

(v) Transactions eliminated on consolidation:

The financial statements of the Holding Company, its Subsidiaries and Associates used in the consolidation procedure are drawn upto the same reporting date i.e. 31 March 2018.

The financial statements of the Holding Company and its subsidiary companies are combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses. Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

The Consolidated Financial Statements are comprised of the financial statements of the members of the Group as under:

Name of the Company	% of Shareholding and voting power	
	As at 31 March 2019	As at 31 March 2018
a) Subsidiaries:		
Pioneer Cement Industries Limited	100	100
Marwar Cement Limited	78.91	78.91
b) Associates		
Parasakti Cement Industries Ltd	50	50

NOTE – 28 Goodwill on consolidation:

Goodwill represents the difference between the Holding Company's share in the net worth of subsidiaries and the cost of acquisition at each point of time of making the investment in the subsidiaries. For this purpose, the Holding Company's share of net worth is determined on the basis of the latest financial statements prior to the acquisition after making necessary adjustments for material events between the date of such financial statements and the date of respective acquisition.

Note – 29

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

	For the Year 2018-2019		For the Year 2017-2018	
	Value	%	Value	%
Raw Materials				
- Indigenous	156.37	58	239.89	81
- Imported	115.54	42	55.56	19
Total	271.91	100	295.45	100
Fuel				
- Indigenous	70.40	16	53.54	18
- Imported	376.60	84	242.03	82
Total	447.00	100	295.57	100
Stores, Spares and Packing Materials				
- Indigenous	121.02	97	92.54	98
- Imported	3.12	3	1.64	2
Total	124.14	100	94.18	100

B) Value of Import on CIF basis:

	For the Year 2018-19	For the Year 2017-18
Spares & Bags	3.11	1.20
Fuel	332.28	255.30
Capital Goods	10.51	...

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

C) Expenditure in Foreign Currency

	For the Year 2018-19	For the Year 2017-18
Travel expenses	1.59	1.31
License Fees	8.94	0.98
Fuel	247.38	215.06
Total	257.91	217.35

₹ in Crore

D) Auditors Remuneration:

	For the Year 2018-19	For the Year 2017-18
a) Statutory Auditor		
Audit Fee	0.21	0.15
Certification & Fees for other Services	0.03	0.02
b) Cost Auditor	0.01	0.01
Total	0.25	0.18

₹ in Crore

E) Disclosures required under Section 22 of the Micro, Small and Medium Enterprises Development Act, 2006.

There are no Micro and Small enterprises to whom the Group owes dues, which are outstanding for more than 45 days as at 31 March 2018. This information as required to be disclosed under the Micro, Small and Medium Enterprises Development Act, 2006 has been determined to the extent such parties have been identified on the basis of information available with the Company.

F) Related Party disclosures under IND AS - 24.

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

a) Associates of the Company

1. Parasakti Cement Industries Limited

b) Parties having Significant Influence

- | | |
|--------------------------------------|---|
| 1. Pioneer Builders Limited | 2. Pioneer Genco Limited |
| 3. Pioneer Holiday Resorts Limited | 4. Krishna Hydro Energy Limited |
| 5. Pioneer Power Corporation Limited | 6. Lakshmi Jalavidyut (Krishna) Limited |
| 7. Pioneer Power Limited | 8. Anrak Aluminum Limited |
| 9. Pioneer Builders (Firm) | 10. Pioneer Education Trust |
| 11. Penna Shipping Limited | |

d) Key Management Personnel (KMP) of the Company

- | | |
|---|--|
| 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 –CFO (from 1 April 2018 to 9 May 2018) |
| 5. Raj Kumar Singh – Company Secretary | 6. Shri. Sanjeev Aggarwal – CFO (from 9 May 2018 to 9 February 2019) |

e) Relative of KMP, having transactions with the Company

- | | |
|-------------------------|--------------------------|
| 1. Smt. P.V. Lakshmi | 2. Smt. B. Deepthi Reddy |
| 3. Shri P. Ramesh Reddy | |

Following transactions were carried out with related parties in the ordinary course of business:

S. no	Description	Parties having Significant Influence	KMP	Relative of KMP	Total
1	Managerial Remuneration		7.21		7.21
2	Services Received	103.63	0.17	2.47	106.26
3	Advance paid for Expenses	0.88			0.88
4	Sale of Cement	0.77	0.01		0.78
5	Corporate Social Responsibility Expenses	1.72			1.72

₹ in Crore

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Balance as at 31 March 2019:

₹ in Crore						
S. no	Description	Associates	Parties having Significant Influence	KMP	Relative of KMP	Total
1	Managerial Remuneration			(1.56)		(1.56)
2	Investments	16.60				16.60
3	Advance paid for Expenses		10.87		1.00	11.87
4	Sale of Cement		4.83		0.05	4.88

Based on the recommendation of the Nomination, Remuneration and Compensation Committee, all decisions relating to the remuneration of the Directorates of the Company, in accordance with shareholder's approval, wherever necessary.

Terms and Conditions of transactions with Related Parties:

The sale to and services from related parties are made in the normal course of business and on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free.

For the year ended 31 March 2019, the Group has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

A) Segment Reporting: (Ind AS-108)

The Board of Directors (The Chief Operating Decision Maker ("CODM")) evaluates the Group's performance and allocates resources based on an analysis of various performance indicators by operating segments. The CODM reviews revenue and gross profit as the performance indicator for all of the operating segments, and does not review the total assets and liabilities of an operating segment.

The Group has three reportable operating segments namely Cement & Thermal Power. Revenue, Results and other information as follows.

₹ in Crore					
Particulars	Cement		Thermal Power		Total
	2018-19	2017-18	2018-19	2017-18	2018-19
Revenue					
External Sale	2,141.02	1800.86	23.02	38.97	2,164.04
Inter Segment Revenue			131.33	116.65	131.33
Total Revenue					2,295.37
Less: Inter-Segment Eliminations					131.33
Net Total Revenue					2,164.04
Results					
Segment Results (Profit before Interest, Exceptional items & Tax)	190.21	262.54	9.89	47.54	200.10
Add: Un-allocated Income	-	-	-	-	3.71
Less: Interest & Financial Expenses (Net)	-	-	-	-	139.46
Profit before exceptional items & Tax	-	-	-	-	64.35
Less: Exceptional Items	-	-	-	-	-
Profit before Tax	-	-	-	-	64.35
Tax Expenses	-	-	-	-	-29.70
Profit after Tax	-	-	-	-	94.05
Other Information	-	-	-	-	-
Segment Assets	3,520.01	2740.23	224.74	222.06	3,744.75
Un-allocated Assets					-
Total Assets	3,520.01	2740.23	224.74	222.06	3,744.75
Segment Liabilities	2,603.82	1894.64	48.60	52.95	2,652.49
Un-allocated Liabilities & Provisions	-	-	-	-	-
Total Liabilities	2,603.89	1894.64	48.60	52.95	2,652.42

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

₹ in Crore

Particulars	Cement		Thermal Power		Total	
	2018-19	2017-18	2018-19	2017-18	2018-19	2017-18
Depreciation & Amortisation	106.61	71.7	9.85	9.85	116.46	81.55
Capital Work in Progress	666.89	275.38	-	-	666.89	275.38
Additions in Property, Plant & Equipment	706.19	615.24	-	-	706.19	615.24
Significant Non-Cash Expenses other than Depreciation & Amortisation	-	-	-	-	-	-

Information about geographical areas:

The major operations of the company are carried out in India. The operations are managed by product area and no geographical information is disclosed as the necessary information is not available and the cost to develop it would be excessive.

A) Employee Benefits:

The employee benefit schemes are as under:

i) Defined contribution plan:

Provident Fund

The Company makes provident fund contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the Fund administered and managed by the Government of India. The Company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. Total expense recognised during the year aggregated ₹6.22 Crore (Previous year: ₹5.06).

Employee State Insurance

The Company makes employee state insurance contributions which are defined contribution plans for qualifying employees. Under the scheme, the Company is required to contribute a specified percentage of the payroll costs to fund the benefits. These contributions are made to the funds administered and managed by the Government of India. The company's monthly contributions are charged to the Statement of Profit and Loss in the period they are incurred. The total expense recognised during the year aggregated ₹0.28 Crore (Previous year: 0.22 Crore).

ii) Defined contribution plan:

The Company provides its employees with benefits under a defined benefit plan, referred to as the "Gratuity Plan". The Gratuity Plan entitles an employee, who has rendered at least five years of continuous service, to receive 15 days salary for each year of completed service (service of six months and above is rounded off as one year) at the time of retirement/exit, restricted to a sum of ₹20,00,000.

The following tables summarise the components of net benefit expense recognised in the statement of profit or loss and the amounts recognised in the balance sheet for the plan:

Reconciliation of opening and closing balances of the present value of the defined benefit obligations:

	₹ in Crore	
	Gratuity (Funded Plan)	
	As at 31-03-2019	As at 31-03-2018
I Change in Obligation		
1 Present Value of defined benefit obligation at the beginning of the year	11.65	10.22
2 Current service cost	1.50	1.20
3 Past service cost	...	1.05
4 Interest cost	0.88	0.80
5 Actuarial (gain) / loss on obligation	...	...
6 Benefits paid	(1.34)	(0.51)
7 Remeasurements – Due to Financial Assumptions	0.19	...
8 Remeasurements – Due to Experience Assumptions	0.51	(1.11)
9 Present Value of defined benefit obligation at the end of the year	13.40	11.65

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

₹ in Crore

		Gratuity (Funded Plan)	
		As at 31-03-2019	As at 31-03-2018
II	Change in the Fair Value of Plan Assets		
	1 Fair Value of Plan assets at the beginning of the year	10.33	8.86
	2 Expected return on plan assets	0.80	0.74
	3 Contributions by employer	1.26	1.29
	4 Remeasurements – Return on Assets	0.33	(0.05)
	5 Benefit Payments from Plan Assets	(1.34)	(0.51)
	6 Fair Value of Plan assets at the end of the year	11.39	10.33
III	Expenses recognised in the Profit and Loss Account		
	1 Current service cost	1.51	1.21
	2 Past service cost	...	1.05
	3 Interest cost	0.88	0.80
	4 Expected return on plan assets	(0.80)	(0.74)
	5 Net actuarial loss / (gain) recognised in the current year	...	...
	6 Expenses recognised in the Profit and Loss Account	1.59	2.32
IV	Re-measurements recognised in Other Comprehensive Income (OCI)		
	1 Changes in Financial Assumptions	0.19	...
	2 Changes in Demographic Assumptions	0.51	(1.11)
	3 Experience Adjustments	...	...
	4 Actual return on Plan assets less interest on plan assets	(0.33)	0.05
	5 Amount recognised in Other Comprehensive Income (OCI)	0.37	(1.06)
V	Expenses recognised in the Balance Sheet as at the end of the year		
	1 Present value of defined benefit obligation	13.40	11.65
	2 Fair Value of plan assets at the end of the year	11.39	10.33
	3 Funded status [Surplus / (Deficit)]	2.02	1.32
	4 Net assets / (liability) as at the end of the year	2.02	1.32
VII	Sensitivity analysis for significant assumptions: *		
	Increase/(Decrease) on present value of defined benefit obligation at the end of the year		
	Salary escalation-up by 1%	7.30	0.85
	Salary escalation-down by 1%	(6.60)	0.77
	Discount Rates-up by 1%	(6.1)	(0.71)
	Discount Rates-down by 1%	6.8	0.80
	Withdrawal Rates-up by 1%	1.5	0.20
	Withdrawal Rates-down by 1%	(1.7)	(0.22)
VIII	The major categories of plan assets as a percentage of total plan		
	1 Qualifying Insurance Policy	100%	100%
IX	Actuarial Assumptions		
	1 Discount rate	7.77%	8%
	2 Mortality rate	IALM (2006-08 Ultimate)	IALM (2006-08 Ultimate)
	3 Withdrawal rate	3%	3%
	4 Return on plan assets	8.20%	8.20%
	5 Salary Escalation	4%	4%

iii) Earnings per Share (EPS)

Particulars	Year Ended 31 March 2019	Year Ended 31 March 2018
a) Profit attributable to the Equity Share Holders (₹ in Crore)- A	94.05	145.45
b) No. of Equity Shares	13,38,00,000	1,33,80,000
c) Nominal Value of the Share (₹)	10	10
d) Weighted average number of Equity Shares - B	13,38,00,000	1,33,80,00,000
e) Earnings per Share (₹) – A/B*	7.03	10.87

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

The Board of Directors in its meeting held on 14 June 2018 had recommended issue of bonus shares in the ratio of 9 Equity shares of ₹10/- each for every one existing equity share of ₹10/- each held. The issue of bonus share approved by the Shareholders on 30 September 2018 and accordingly the Company allotted 12,04,20,000 number of fully paid equity shares of ₹10/- each. The Earnings Per Share (both basic and diluted) for the year ended 31 March 2018 have been restated to give effect to the aforesaid bonus shares as per Ind AS-33.

iv) Reconciliation of Effective Tax rate:

Particulars	Year Ended 31 March 2019	Year Ended 31 March 2018
Applicable tax rate	34.94	34.61
Effect of tax exempt income	(26.87)	(1.99)
Effect of non-deductible expenses	0.81	0.69
Effect of allowances for tax purposes	(4.20)	(5.83)
Effect of previous year adjustments	4.21	3.96
Others	0.01	0.07
MAT Credit Entitlement	(55.07)	...
Effective tax rate	(46.17)	31.51

v) 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.

vi) Operating Lease (Ind AS 17)

The Company has taken various office premises / godowns under operating leases. Operating lease payments recognised in statement of profit and loss amounting to ₹12.29 Crore (previous year ₹10.58 Crore)

vii) Financial risk management objectives and policies

The Group's principal financial liabilities comprise loans and borrowings, trade and other payables. The main purpose of these financial liabilities is to finance and support Group's operations. The Group's principal financial assets include inventory, trade and other receivables, cash and cash equivalents and refundable deposits that derive directly from its operations.

The Group is exposed to market risk, credit risk and liquidity risk. The Group's senior management oversees the management of these risks. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

i) Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises two types of risk: interest rate risk and other price risk, such as equity price risk and commodity/ real estate risk. Financial instruments affected by market risk include loans and borrowings and refundable deposits. The sensitivity analysis in the following sections relate to the position as at 31 March 2019 and 31 March 2018. The sensitivity analyses have been prepared on the basis that the amount of net debt and the ratio of fixed to floating interest rates of the debt.

The analysis excludes the impact of movements in market variables on: the carrying values of gratuity and other post retirement obligations; provisions.

The below assumption has been made in calculating the sensitivity analysis:

The sensitivity of the relevant profit or loss item is the effect of the assumed changes in respective market risks. This is based on the financial assets and financial liabilities held at 31 March 2019 and 31 March 2018.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate loans and borrowings. The Group does not enter into any interest rate swaps.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

		₹ in Crore
	Increase / decrease in interest rate	Effect on profit before tax
31 March 2018		
INR	+1%	4.89
INR	-1%	4.23
31 March 2017		
INR	+1%	6.06
INR	-1%	5.92

ii) Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The credit risk arises principally from its operating activities (primarily trade receivables) and from its investing activities, including deposits with banks and financial institutions and other financial instruments.

Credit risk is controlled by analysing credit limits and creditworthiness of customers on a continuous basis to whom credit has been granted after obtaining necessary approvals for credit. The collection from the trade receivables are monitored on a continuous basis by the receivables team.

The Group establishes an allowance for credit loss that represents its estimate of expected losses in respect of trade and other receivables based on the past and the recent collection trend. The trade receivables as on 31 March 2019 is ₹145.99 Crore (31 March 2018: ₹90.24 Crore). The movement in allowance for credit loss in respect of trade and other receivables during the year was as follows:

		₹ in Crore
Allowance for credit loss	31 March 2019	31 March 2018
Opening balance	0.90	...
Credit loss provided/ (reversed)	0.57	0.90
Closing balance	1.47	0.90

No single customer accounted for more than 3% of the revenue as of 31 March 2019 and 31 March 2018 and there is no significant concentration of credit risk.

Credit risk on cash and cash equivalent is limited as the Group generally transacts with banks and financial institutions with high credit ratings assigned by international and domestic credit rating agencies.

iii) Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank deposits and loans.

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

₹ in Crore				
Particulars	Less than 1 year	1 to 5 years	More than 5 years	Total
Year ended 31 March 2019				
Borrowings (including Current maturities of long term debt)	186.81	887.68	287.80	1,362.29
Other noncurrent financial liabilities	...	638.31	...	638.31
Trade payables	207.30	...	...	207.30
Other Payables	23.11	...	...	23.11
Interest Accrued but not due	3.08	...	...	3.08
Salary and Bonus payable	2.42	...	...	2.42
Year ended 31 March 2018				
Borrowings (including Current maturities of long term debt)	40.56	811.97	249.21	1101.75
Other noncurrent financial liabilities	...	342.44	...	342.44
Trade payables	78.30	...	...	78.30
Other Payables	18.42	...	...	18.42
Interest Accrued but not due	2.02	...	...	2.02
Salary and Bonus payable	0.05	...	...	0.05

viii) Capital management

The Group's policy is to maintain a stable capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Management monitors capital on the basis of return on capital employed as well as the debt to total equity ratio.

For the purpose of debt to total equity ratio, debt considered is long-term and short-term borrowings. Total equity comprise of issued share capital and all other equity reserves.

The capital structure as of 31 March 2019 and 31 March 2018 as follows:

₹ in Crore		
Particulars	31 March 2019	31 March 2018
Total equity attributable to the equity shareholders of the Group	1,066.60	989.07
As a percentage of total capital	40.72	41.63
Long term borrowings including current maturities	1,325.69	1051.76
Short term borrowings	226.92	178.6
Total borrowings	1,552.61	1309.5
As a percentage of total capital	59.28	58.37
Total capital (equity and borrowings)	2,619.21	2298.57

ix) Corporate Social Responsibility:

Expenditure incurred on Corporate Social Responsibility activities, included in different heads of expenses in the Statement of Profit and Loss is ₹4.92 Crore (31 March 2018 ₹6.45 Crore).

₹ in Crore		
Details of CSR Project or Activity	31 March 2019	31 March 2018
Initiatives to promote Education	2.59	1.08
Welfare and Rural Development	2.10	4.97
Health Care Initiatives	0.23	0.40
Total	4.92	6.45

- x) The group has certain mining leases granted by the Government for limestone mining in the states Andhra Pradesh, Telangana and Rajasthan.

xi) Standards issued but not effective

Ind AS 116 Leases: On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 116, Leases. Ind AS 116 will replace the existing leases Standard, Ind AS 17 Leases, and related Interpretations. The Standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract i.e., the lessee and the lessor. Ind AS 116 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. Currently, operating lease expenses are charged to the statement of Profit & Loss. The Standard

Notes to the Consolidated Financial Statements

for the year ended 31 March 2019

also contains enhanced disclosure requirements for lessees. Ind AS 116 substantially carries forward the lessor accounting requirements in Ind AS 17.

The effective date for adoption of Ind AS 116 is annual periods beginning on or after 1 April 2019. The standard permits two possible methods of transition:

- Full retrospective – Retrospectively to each prior period presented applying Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- Modified retrospective – Retrospectively, with the cumulative effect of initially applying the Standard recognised at the date of initial application.

Under modified retrospective approach, the lessee records the lease liability as the present value of the remaining lease payments, discounted at the incremental borrowing rate and the right of use asset either as:

- Its carrying amount as if the standard had been applied since the commencement date, but discounted at lessee's incremental borrowing rate at the date of initial application or
- An amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments related to that lease recognised under Ind AS 17 immediately before the date of initial application.

Certain practical expedients are available under both the methods. The Company is currently evaluating the effect of this amendment on the financial statements.

Amendment to Ind AS 19 – plan amendment, curtailment or settlement - On 30 March 2019, Ministry of Corporate Affairs issued amendments to Ind AS 19, 'Employee Benefits', in connection with accounting for plan amendments, curtailments and settlements.

The amendments require an entity:

- to use updated assumptions to determine current service cost and net interest for the remainder of the period after a plan amendment, curtailment or settlement; and
- to recognise in profit or loss as part of past service cost, or a gain or loss on settlement, any reduction in a surplus, even if that surplus was not previously recognised because of the impact of the asset ceiling.

Effective date for application of this amendment is annual period beginning on or after 1 April 2019. The company is currently evaluating the effect of this amendment on the financial statements.

Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments: On 30 March 2019, Ministry of Corporate Affairs has notified Ind AS 12 Appendix C, Uncertainty over Income Tax Treatments which is to be applied while performing the determination of taxable profit (or loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under Ind AS 12. According to the appendix, companies need to determine the probability of the relevant tax authority accepting each tax treatment, or group of tax treatments, that the companies have used or plan to use in their income tax filing which has to be considered to compute the most likely amount or the expected value of the tax treatment when determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

The standard permits two possible methods of transition –

- Full retrospective approach – Under this approach, Appendix C will be applied retrospectively to each prior reporting period presented in accordance with Ind AS 8 – Accounting Policies, Changes in Accounting Estimates and Errors, without using hindsight and
- Retrospectively with cumulative effect of initially applying Appendix C recognised by adjusting equity on initial application, without adjusting comparatives.

The effective date for adoption of Ind AS 12 Appendix C is annual periods beginning on or after 1 April 2019.

As per our Report of even date

For **C. Ramachandram & Co.**

Chartered Accountants

F.R. No. 002864S

C. Ramachandram

Partner

Membership No: 025834

Place: Hyderabad

Date: 25 May 2019

for and on behalf of the Board of Directors

P. Prathap Reddy

Chairman and Managing Director

DIN: 00093176

Petturu Venugopal Reddy

CFO

Bezawada Vikram

Executive Director

DIN:02086809

Raj Kumar Singh

Company Secretary

M. No: 14265

Penna Cement Industries Ltd

(CIN NO. U26942TG1991PLC013359)

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

Notice to Members

Notice is hereby given that the **28th Annual General Meeting** of the Members of Penna Cement Industries Limited (the Company) will be held on **Monday, the 30 September 2019** 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 Standalone Audited Financial Statements of the Company for the Financial Year ended 31 March 2019 and reports of Board and Auditors thereon.
2. To receive, consider and adopt the Consolidated Audited Financial Statements of the Company for the Financial Year ended 31 March 2019 and Report of Auditors thereon.
3. To declare dividend for the financial year ended 31 March 2019.
4. 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.
5. 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.

Special Business:

6. **To ratify the remuneration of Cost Auditors 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 the provisions of Section 148(3) and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Audit and Auditors) Rules, 2014 (including any statutory modification(s) or re-enactment(s) thereof, for the time being in force), the remuneration payable to M/s Sagar & Associates., Cost Accountants, having Firm Registration No. 000118, appointed by the Board of Directors of the Company as Cost Auditors to conduct the audit of the cost records of production of cement and generation of power of the Company for the financial year 2019-20, be paid the Remuneration of ₹2,00,000 /- (Rupees Two Lakh only) plus applicable taxes and reimbursement of out

of pocket expenses incurred by them in connection with the aforesaid audit.

RESOLVED FURTHER THAT the board of directors of the company be and are hereby authorised to do all such acts, matters, deeds and things as may be necessary to give effect to the above resolution".

By Order of the Board of Directors
For **Penna Cement Industries Limited**

Raj Kumar Singh
Company Secretary
M. No.: A14265

Date: 19 August 2019
Place: Hyderabad

NOTES:

- The Explanatory Statement setting out all material facts as required under Section 102 of the Companies Act, 2013 in respect of special business of the Company is appended and forms part of the Notice.
- **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 authorising 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 23 September 2019 to 30 September 2019. 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 23 September 2019.
- Register of Directors and their shareholding Under Section 170 of the Companies Act, 2013 and the rules made thereunder and Register of Contracts maintained under Section 189 of the Companies Act, 2013 and the rules made thereunder are available for inspection at the registered office of the Company.
- As required under Secretarial Standard-2 on General Meetings details in respect of directors seeking re-appointment at the AGM, is separately annexed hereto. Directors seeking re-appointment have furnished requisite declarations under section 164(2) and other applicable provisions of the Companies Act, 2013 including rules framed thereunder.
- Route Map showing directions to reach to the venue of the 28th AGM is attached to this Annual Report as per the requirement of the Secretarial Standard - 2 on "General Meetings" issued by the Institute of Company Secretaries of India and the venue of the Annual General Meeting is situated at Lakshmi Nivas, Plot No.705, Road No.3, Banjara Hills, Hyderabad -500 034, Telangana, India.

Explanatory Statement Pursuant to Section 102(1) of the Companies act, 2013 ("the act")

Item No.6

The Board of Directors of the Company on the recommendation of Audit Committee, approved the re-appointment and remuneration of M/s. Sagar & Associates, Cost Accountants, to conduct the audit of the cost records of the Company with respect to production of cement and generation of power for the Financial Year 2019-20.

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 be available at the meeting.

In terms of the provisions of Section 148(3) of the Companies Act, 2013 read with Rules made thereunder, the remuneration payable to the Cost Auditor is required to be ratified by the members of the Company. Accordingly, the members are requested to ratify the remuneration payable to the Cost Auditors for audit of

cost records of the Company with respect to production of cement and generation of power for the financial year 2019-20 as set out in the resolution for the aforesaid services to be rendered by them.

None of the Directors and Key Managerial Personnel of the Company (including relatives of Directors and Key Managerial Personnel) are in any way, whether financially or otherwise, concerned or interested, in the said resolution.

The Board of Directors recommends the above item as the Ordinary Resolution, as set out at Item No. 6 of the Notice for approval by the members.

By Order of the Board of Directors
For **Penna Cement Industries Limited**

Date: 19 August 2019
Place: Hyderabad

Raj Kumar Singh
Company Secretary
M. No.: A14265

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

Particulars	Mrs. P. Deepthi Reddy	Mr. P. Venugopal Reddy
DIN	00264481	00094146
Date of Birth and Age	29 November 1983 (35 years)	1 July 1952 (67 years)
Qualification	Bachelors Degree in Business Administration.	Bachelors Degree in Commerce.
Experience and expertise in specific functional areas	A decade experience in the fields of Administration and implementing Power Projects business.	More than 4 decades of experience in the fields of Construction, infrastructure management, civil engineering and project administration.
Brief resume	Mrs. P Deepthi Reddy has a bachelor's degree in Business Administration from the University of Wales, Cardiff. She has a decade of experience in the fields of business administration and implementing power projects. She has been a Director of the Company since 2014. She is Managing Director of Pioneer Genco Limited and Krishna Hydro Energy Limited.	Mr. P Venugopal Reddy is a Non-Executive Director of the Company. He holds a bachelor's degree in Commerce from Sri Venkateshwara Arts College, Sri Venkateshwara University. After completing his education, he undertook civil engineering contracts through M/s V.R. Constructions, which has been executing prestigious projects for various state governments. He has more than 40 years of experience in construction, infrastructure management, civil engineering and project administration. He has been Director of the Company since 2001.
Terms and Conditions of appointment/ reappointment	Liable to retire by rotation. Offered herself for re-appointment	Liable to retire by rotation. Offered himself for re-appointment
Remuneration last drawn by such person, if applicable and remuneration sought to be paid	An amount of ₹80,000/- paid towards sitting fees for attending the meetings.	An amount of ₹1,15,000/- paid towards sitting fees for attending the meetings.
Date of first appointment on the Board	20 August 2014	1 January 2001
Shareholding in the Company	Holds 2,50,000 equity shares	Holds 3,00,000 equity shares
Relationship with other Directors, Manager and other Key Managerial Personnel of the Company	P. Prathap Reddy: Father B. Vikram: Spouse	P.Prathap Reddy : Brother
Nature of appointment (appointment/ reappointment)	Re-appointment	Re-appointment
Number of Meetings of the Board attended during the year	5	6
Other Directorships	Director in: - P R Cement Holdings Limited - Pioneer Holiday Resorts Limited - Pioneer Genco Limited - Pioneer Builders Limited - Krishna Hydro Energy Limited - Penna Foundation	Director in: - Parasakti Cement Industries Limited - Pioneer Power Limited - Pioneer Builders Limited - P R Energy Holding Limited - Lakshmi Jalavidyut (Krishna) Limited - Pioneer Cement Industries Limited - Trishul Cement Industries India Limited
Membership/ Chairmanship of Committees of other Boards	Member Audit Committee: Pioneer Genco Limited Nomination and Remuneration Committee: Pioneer Builders Limited	Member: Pioneer Power Limited - Nomination and Remuneration Committee Chairman: Pioneer Builders Limited - Audit Committee

Penna Cement Industries Ltd

Regd. Office: H.No.8-2-268/A/1/S & S1, plot No.705 Road No.3,
Banjara Hills, Hyderabad - 500034, Telangana, India.

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 : U26942TG1991PLC013359
Name of the company : Penna Cement Industries Limited
Registered office : H.No.8-2-268/A/1/S & S1, Plot No. 705 Road No. 3,
Banjara Hills, Hyderabad - 500034, Telangana, India.

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/her

2. Name:

Address:

E-mail Id: Signature: or failing him/her

3. Name:

Address:

E-mail Id: Signature:

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 28th Annual General Meeting of the Company, to be held on Monday, the 30 September 2019 at 11.00 A.M. at the Registered Office of the Company situated at H.No.8-2-268/A/1/S & S1, plot No.705 Road No.3, Banjara Hills, Hyderabad - 500034, Telangana, India and at any adjournment thereof in respect of such Resolutions as are indicated below:

Resolution No.	Particulars
ORDINARY BUSINESS:	
1.	To receive, consider and adopt the Standalone Audited Financial Statements of the Company for the Financial Year ended 31 March 2019 and reports of Board and Auditors thereon.
2.	To receive, consider and adopt the Consolidated Audited Financial Statements of the Company for the Financial Year ended 31 March 2019 and Report of Auditors thereon.
3.	To declare dividend.
4.	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.
5.	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.
SPECIAL BUSINESS:	
6.	To ratify the remuneration payable to Cost Auditors

Signed this day of 2019

Signature of shareholder

Signature of Proxy holder(s)

Please Affix
₹1/- Revenue
Stamp and sign

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.

Penna Cement Industries Ltd

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

(CIN NO. U26942TG1991PLC013359)

ATTENDANCE SLIP

Annual General Meeting on 30 September 2019 at 11:00 A.M.

Regd. Folio No.		DP ID:*	
No. of Equity Shares held		Client ID *	

Name of the Shareholder	
Name of Proxy	

I/We hereby record my / our presence at the Annual General Meeting of the Company, to be held on Monday, 30 September 2019 at 11:00 A.M. at the Registered Office of the Company situated at H.No.8-2-268/A/1/S & S1, plot No.705 Road No.3, Banjara Hills, Hyderabad - 500034, Telangana, India.

Signature of the Member or the Proxy attending the Meeting.

.....
If Member, Please sign here

.....
If Proxy, Please sign here

Note:

This form should be signed and handed over at the Meeting Venue.

*Applicable for investors holding shares in electronic form.

Route Map for the Meeting venue



PENNA CEMENT INDUSTRIES LIMITED

Lakshmi Nivas, Plot No. 705,

Road No. 3, Banjara Hills

Hyderabad – 500 034

Website: www.pennacement.com