



GUJARAT AMBUJA CEMENTS LTD.

ANNUAL REPORT | 2002-2003

GUJARAT AMBUJA CEMENTS LIMITED

Registered Office: Ambujanagar P.O., Taluka: Kodinar, District: Junagadh, Gujarat - 362 715

NOTICE

NOTICE is hereby given that the TWENTYFIRST ANNUAL GENERAL MEETING of the Members of the company will be held on Monday, the 6th October, 2003 at 9.00 a.m. at the Registered Office of the company at Ambujanagar (P.O.), Taluka Kodinar, District Junagadh, Gujarat - 362 715, to transact the following business :-

1. To consider and adopt the Profit & Loss Account for the Corporate Financial Year ended 30th June, 2003 and the Balance Sheet as at that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. Suresh Neotia, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Vinod Neotia, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. M. L. Bhakta, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint a Director in place of Mr. M. T. Patel, who retires by rotation and being eligible, offers himself for re-appointment.
7. To appoint a Director in place of Mr. Rajendra P. Chitale, who retires by rotation and being eligible, offers himself for re-appointment.
8. To appoint M/s. Dalal and Shah, retiring Auditors as Auditors of the company, to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the company and to fix their remuneration.

9. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as an Ordinary Resolution:-

"RESOLVED that M/s. S. R. Batliboi & Associates, Chartered Accountants, be and are hereby appointed as Joint Auditors of the company, in place of M/s. N. M. Raiji & Company, retiring Auditors not seeking re-appointment, to hold the office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the company and in respect of whom the company has received a special notice from a member, pursuant to the provisions of Section 190 read with Section 225 of the Companies Act, 1956, signifying his intention to propose the appointment of M/s. S. R. Batliboi & Associates as Joint Auditors on a remuneration to be fixed by the Board of Directors or a committee thereof."

SPECIAL BUSINESS

10. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution:-

"RESOLVED that pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as amended from time to time (the "Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities or bodies and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions which the Board of Directors of the company (the "Board") (which term shall be deemed to include any

committees thereof) be and is hereby authorised to accept, the approval of the company be and is hereby accorded to the Board to create, offer and grant an aggregate of upto 10,00,000 (Ten lac) options to the employees (as defined under the Guidelines) of the company during the company's financial year 2003 - 2004, each option convertible into 1 (one) equity share of the face value of Rs.10/- each on payment of such exercise price as may be decided by the Board and as per the terms and conditions framed/ to be framed by the Board with regard to the Employees Stock Option Scheme of the company for the company's Corporate Financial year 2003-2004 ("ESOS 2003 - 2004")."

"RESOLVED FURTHER that the Board be and is hereby authorised to issue and allot equity shares as and when the options are exercised in accordance with the terms and conditions of the said ESOS 2003 - 2004."

"RESOLVED FURTHER that the Board be and is hereby authorised to modify or amend any of the terms and conditions of the ESOS 2003 - 2004 as and when deemed fit, in its absolute discretion, subject to the condition that such modification/ amendment shall always be in accordance with the provisions of the said Guidelines and the provisions of the Companies Act, 1956."

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the offer/issue, allotment and utilisation of the proceeds and to finalise and execute all documents and writings as may be necessary, desirable or expedient."

11. To consider and if thought fit, to pass, with or without modification(s), the following Resolution as a Special Resolution :-

"RESOLVED that pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of

the Companies Act, 1956 (including any amendment thereto or re-enactment thereof for the time being in force), the Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 as amended from time to time (the "Guidelines") and subject to such approvals, consents, permissions and sanctions as may be necessary from appropriate authorities and bodies and subject to such conditions as may be prescribed by any of them while granting such approvals, consents, permissions and sanctions which the Board of Directors of the company (the "Board") (which term shall be deemed to include any committee thereof) be and is hereby authorised to accept, the approval of the company be and is hereby accorded to the Board to create, offer and grant options to those employees of its subsidiary companies who were erstwhile employees of the company and have been transferred or may be transferred from the company to its subsidiary companies, under the Employees Stock Option Scheme of the company for the company's Financial Year 2003 - 2004 (ESOS 2003 - 2004), in the manner as the Board may deem appropriate subject to the condition that the aggregate of the Options granted to all the employees (including the employees of the company) shall be within the overall limit of 10,00,000 (Ten lac) Options for the year 2003 - 2004 under ESOS 2003 - 2004."

"RESOLVED FURTHER that, save as aforesaid, all the features and the terms and conditions framed / to be framed by the Board with regard to ESOS 2003 - 2004 for its own eligible employees shall be applicable for the above mentioned category of the employees of the subsidiary Companies".

"RESOLVED FURTHER that for the purpose of giving effect to this Resolution, the Board be and is hereby authorised to do and perform all such acts, deeds, matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty or doubt that may arise in regard to the grant of the Options, issue & allotment of shares and utilisation of the proceeds and to finalise and execute all documents and writings as may be necessary, desirable or expedient."

12. 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 Sections 198, 269, 309, 310, 311 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act as amended and subject to such permissions, consents and approvals from various authorities as may be required and subject to such conditions, if any, that may be imposed by any authority while granting their permissions, consents and approvals and which the Board of Directors is hereby authorised to accept, the company hereby accords its consent and approval to the re-appointment of Mr. Narotam Sekhsaria as Managing Director of the company for a period of 5 (five) years with effect from 1st April, 2003 on the terms and conditions set out below and incorporated in the Agreement dated 1st April, 2003 entered by the company with the Managing Director :-

I. Remuneration :

a) Salary :

Rs. 3,00,000/- per month in the scale of 3,00,000 - 30,000 - 4,50,000.

b) Commission :

1% of the amount of net profit as appearing in the audited annual Profit & Loss Account for each Corporate financial year of the company, subject, however, that the total remuneration (i.e. salary, perquisites and commission) in any one financial year shall not exceed the limits prescribed or to be prescribed from time to time under Sections 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Act, as may for the time being be in force.

c) Perquisites :

(i) Housing

- 1) Residential accommodation or house rent allowance @ 60% of the salary.
- 2) Expenses pertaining to gas, electricity, water and other utilities will be borne/ reimbursed by the company.

- 3) Company shall provide such furniture and furnishings as may be required by Mr. Narotam Sekhsaria.

(ii) Medical Reimbursement

Reimbursement of actual medical expenses incurred in India and/or abroad and including hospitalisation, nursing home and surgical charges for himself and family.

(iii) Leave Travel Concession

Reimbursement of all the expenses (like travel fare, lodging, boarding, conveyance and other expenses) incurred for self and family during the leave travel holiday periods, whenever undertaken, whether in India or abroad.

(iv) Club Fees

Reimbursement of membership fee for clubs in India or abroad including admission and life membership fees.

(v) Personal Accident Insurance

Personal Accident Insurance Policy for an amount, the annual premium of which shall not exceed Rs. 20,000/- p.a.

(vi) Contribution to Provident Fund, Superannuation and Annuity Fund

The company's contribution to Provident Fund and Superannuation or Annuity Fund as per the rules of the company applicable to other managerial personnel.

(vii) Gratuity

As per the rules of the company applicable to the other managerial personnel.

(viii) Leave

Entitled for leave with full pay or encashment thereof as per the rules of the company applicable to the other managerial personnel.

(ix) Other perquisites

Subject to overall ceiling on remuneration

mentioned hereinbelow, the Managing Director may be given any other allowances, benefits and perquisites as the Board of Directors may from time to time decide.

Explanation :

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

(d) Amenities:

(i) Conveyance facilities

The company shall provide suitable conveyance facilities as may be required by Mr. Narotam Sekhsaria.

(ii) Telephone, telefax and other communication facilities

The company shall provide telephone, telefax and other communication facilities at the Managing Director's residence.

II. Overall remuneration :

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

III. Minimum remuneration :

In the event of loss or inadequacy of profits in any financial year during the currency of tenure of service of the Managing Director, the payment of salary, commission, perquisites and other allowances shall be governed by the limits prescribed under Section II of Part II of Schedule XIII of the Companies Act, 1956 with authority to the Board to pay the salary, commission and perquisites as specified above subject to the requisite approvals being obtained."

"RESOLVED FURTHER that the Managing Director shall be entitled to be paid/reimbursed by the

company all costs, charges and expenses as may be incurred by him for the purpose of or on behalf of the company."

"RESOLVED FURTHER that the Agreement dated 1st April, 2003 re-appointing the Managing Director and setting out the remuneration and other terms and conditions entered with Mr. Narotam Sekhsaria, submitted to this meeting be and is hereby specifically approved, with liberty to the Board to alter and vary the terms and conditions thereof as may be agreed by Mr. Narotam Sekhsaria."

13. To consider and if thought fit, to pass, the following Resolution as a Special Resolution **(to be voted only by Postal Ballot):-**

"RESOLVED that pursuant to the provisions of Section 61 and other applicable provisions of the Companies Act, 1956, provisions of the Securities and Exchange Board of India (Delisting of Securities) Guidelines, 2003 (hereinafter referred as 'Delisting Guidelines') and all other applicable laws (including any statutory modification(s) or re-enactment thereof for the time being in force) and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed by any authority while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the company ("the Board") (which term shall be deemed to include any committee thereof), consent of the company be and is hereby accorded to the Board to delist the equity shares of the company from the stock exchanges at Ahmedabad, Delhi and Kolkata."

"RESOLVED FURTHER that the Board be and is hereby authorised to settle all questions, difficulties or doubts that may arise with respect to the aforesaid voluntary delisting of shares as it may in its absolute discretion deem fit without being required to seek any further approval of the members or otherwise to the end and intent that the members shall be deemed to have given their approval expressly by the authority of this resolution."

"RESOLVED FURTHER that the Board be and is hereby authorised to take all necessary steps in this regard in order to comply with all the legal and procedural formalities and further to authorise any of its committees or any of the Directors of the company to do all such acts, deeds or things to give effect to the aforesaid resolution."

By Order of the Board of Directors

B. L. Taparia

Place : Mumbai

Whole-time Director &

Date : 21st August, 2003

Company Secretary

NOTES :

1. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE VALID MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
2. This notice should be regarded as a special notice in respect of item no. 9 pursuant to the provisions of Section 225 read with Section 190 of the Companies Act, 1956.
3. The Register of Members and the Share Transfer Books of the company shall remain closed from 20th August, 2003 to 30th August, 2003 (both days inclusive) for payment of dividend.
4. Final dividend in respect of equity shares held in electronic form will be payable to the beneficial owners of shares as on 20th August, 2003 as per the downloads furnished to the company by Depositories for this purpose.

In case of shares held in physical form, dividend will be paid to the shareholders whose names shall appear on the Register of Members as on 30th August, 2003.

5. Disclosure pursuant to Clause 49 of the Listing agreement with respect to Directors seeking

re-appointment at forthcoming Annual General Meeting is given in the annexure.

6. Members are requested to furnish their Permanent Account Number, Bank Account details, change of address etc. to the Registrars and Transfer Agents in respect of shares held in physical form. If the shares are held in electronic form, then the said particulars should be furnished to their respective Depository Participants. Members are requested to note that submission of Permanent Account Number (PAN) is mandatory (except non-residents) and non-compliance of the same attracts penal consequences under provisions of Income Tax Act, 1961.
7. a) Members holding the shares in electronic mode may please note that their dividend would be paid through Electronic Clearing Services (ECS) wherever available. The dividend would be credited to their bank account as per the mandate given by the members to their DPs. In the absence of availability of ECS facility, the dividend would be paid through warrants and the Bank details as furnished by the respective Depositories to the company will be printed on their dividend warrants as per the applicable regulations.
b) Members are requested to send their Bank Account particulars (viz. Account No., Name & Branch of the Bank and the MICR Code) as per enclosed format to the Share Transfer Agents for printing on dividend warrant to ensure that there is no fraudulent encashment.
8. **With respect to the Resolution at Item No.13 of the Notice, members are required to vote only by postal ballot in terms of Section 192A of the Companies Act, 1956. A postal ballot form along with pre-paid postage envelope is enclosed. Votes cast otherwise than in the enclosed postal ballot form will be rejected. Please read the instructions in the postal ballot form carefully.**

Depending upon the result of the postal ballot, the said Resolution will be confirmed / declared

to have been passed on the date of the Annual General Meeting.

9. Members are requested to send all communications relating to shares and bonds to the Share Transfer Agents at the following address:

SHAREPRO SERVICES

(Unit : Gujarat Ambuja Cements Ltd.)

Satam Estate, 3rd Floor,

(Above Bank of Baroda)

Cardinal Gracious Road, Chakala,

Andheri (East), Mumbai - 400 099

Tel. No.(022) 28215168/ 28348218

10. Members are informed that the dividend amount remaining unclaimed relating to the year ended 30th June, 1996 shall become due for transfer to the Investor Education and Protection Fund established by Central Government in terms of Section 205(A)(5) of the Companies Act, 1956 on expiry of seven years from the date of its declaration. Members are requested to note that the amount of dividend once transferred to the Investor Education and Protection Fund cannot be claimed back and hence are requested to lodge their claims with the company before 1st October, 2003.

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EXPLANATORY STATEMENT

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

The following Explanatory Statement sets out all the material facts relating to the Special business under Item Nos. 10 to 13 of the accompanying Notice dated 21st August, 2003.

In respect of Item Nos. 10 and 11

The Compensation and Remuneration Committee of Directors has approved formulation of Stock Option Scheme for the Corporate Financial Year 2003-2004 ("ESOS 2003-2004"), in accordance with the provisions of the "Securities and Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999" ("the Guidelines"). The same has been approved by the Board of Directors subject to the further approval of the shareholders. The salient features of the Scheme are as under:-

a) Number of Options :

The number of options to be granted shall not exceed 50,000 (Fifty thousand) options per employee and 10,00,000 (Ten lac) options in aggregate.

b) Classes of Employees :

All the Whole-time Directors and all the employees under the management Grade i.e. 'M' Grade of the company and those employees of its subsidiaries who were erstwhile employees of the company and have been transferred/ may be transferred from the company to such subsidiaries (other than such Directors/ employees who are excluded as per the Guidelines) (the "eligible employees") shall be entitled to participate in the ESOS.

c) Vesting of Options :

The options shall be vested with the eligible employees on expiry of one year from the date of the grant of options.

d) Exercise Price / Pricing formula :

The exercise price shall be the average of the two weeks' high and low price of the shares immediately preceding the date of grant of options.

e) Exercise Period :

The options can be exercised within a period of 5 (Five) years from the date of vesting in one or more tranches.

f) Appraisal Process :

The appraisal process and the criteria to be followed in respect of grant of options shall be such as may be decided by the Compensation and Remuneration Committee.

g) Accounting Policy :

The company shall conform to the accounting policies specified in the aforesaid Guidelines of SEBI or any other policy as may be prescribed under the law in respect of the accounting for such options.

h) Adjustments in case of Corporate Actions (e.g. Rights / Bonus issue, merger and sale of division etc) :

A fair and reasonable adjustment in the manner as provided in the said Guidelines shall be made to the number of options and to the exercise price in case of Corporate Actions (e.g. the rights/ bonus issue, merger, sale of division etc.) by the company between the date of grant of options and the exercise of the options.

i) Valuation of Options :

The company shall use intrinsic value method as defined in the said guidelines to value its options.

j) Employee Compensation Cost :

The company shall calculate the employee compensation cost using the intrinsic value of the stock options. The difference between the employee compensation cost so computed and the employee compensation cost that shall have been recognized if it had used the fair value of the options, shall be disclosed in the Directors' report and the impact of this difference on profits and on EPS of the company shall also be disclosed in the Directors' report.

The Compensation and Remuneration Committee of Directors will monitor the administration and

superintendence of ESOS 2003 - 2004 once approved by the shareholders.

The company keeps on transferring certain employees to its subsidiary companies due to various business needs. It was felt by the Committee that such employees should not be deprived of the benefit of ESOS. The Committee, therefore, recommended that ESOS shall also be continued to be extended to such employees subject to the approval of the shareholders.

The aggregate number of options to be offered to the eligible employees of the company's subsidiaries shall be within the overall limit of 10,00,000 (Ten lac) options.

Approval of the shareholders is being sought for the ESOS for the Corporate Financial Year 2003-2004 for all the eligible employees of the company and employees of its subsidiary companies, by way of separate Special Resolutions as required under the SEBI Guidelines.

As the ESOS will entail further shares to be offered to the persons other than existing shareholders of the company, consent of the members is also being sought pursuant to the provisions of Section 81(1A) and all other applicable provisions, if any, of the Companies Act, 1956.

The Board of Directors recommends the passing of Special Resolutions at Item Nos. 10 and 11 of the Notice.

Such of the Whole-time Directors of the company as would be eligible to avail the benefit of ESOS, may be deemed to be concerned or interested in the Resolution at Item No. 10 only to the extent of grant of options and allotment of equity shares to them. Save as aforesaid, none of the other Directors of the company is, in any way, concerned or interested in the said Resolutions.

In respect of Item No. 12

The Board of Directors at its meeting held on 29th January, 2003 had re-appointed Mr. Narotam Sekhsaria as Managing Director of the company for a further period of five years w.e.f. 1st April, 2003 at the remuneration and perquisites as stated in the resolution. An Agreement recording the terms of re-appointment has been executed with the Managing Director on 1st April, 2003. The re-appointment was made, subject to necessary approval of the shareholders at the General Meeting of the company.

The said remuneration and the perquisites are in consonance with the provisions of Schedule XIII of the Companies Act, 1956.

The company under the leadership of Mr. Narotam Sekhsaria as Managing Director has climbed new heights on all spheres of performance and continuously progressing year after year. The company has over the years achieved excellence in many operational parameters, which are comparable with the highest international standards of efficiencies. During his tenure as Managing Director, the company has been awarded many prestigious awards, which have been informed to the shareholders through the Directors' Report from time to time. Considering his efforts, dynamism, dedication and leadership qualities, Board is pleased to recommend the proposed resolution for re-appointment and payment of the remuneration to the Managing Director for the approval of the shareholders.

Copy of the Agreement dated 1st April, 2003 executed with Mr. Narotam Sekhsaria is available for inspection during the business hours on any working day at the registered office of the company.

Abstract of the Agreement carrying the terms contained in the resolution as required under Section 302 of the Companies Act, has already been sent to the shareholders within the prescribed time limit.

Except Mr. Narotam Sekhsaria and Mr. Pulkit Sekhsaria, who is the son of Mr. Narotam Sekhsaria, none of the other Directors is, in any way, concerned or interested in the said resolution.

In respect of Item No. 13

The equity shares of the company are presently listed on the Stock Exchanges at Ahmedabad (ASE), Kolkata (CSE), Delhi (DSE), Mumbai (BSE) and National Stock Exchange of India Ltd. (NSE), Mumbai.

It has been observed that the bulk of the trading in the company's equity shares takes place on BSE & NSE. The trading in other stock exchanges viz; at ASE, CSE & DSE ('the said stock exchanges') is very nominal because of expansion of BSE, emergence of NSE and their extensive

networking. The investors/members have access to on-line dealings in the company's equity shares on the trading terminals provided by NSE & BSE.

The company has been spending considerable amount on listing fees, advertisement in newspapers pursuant to listing agreements. Further, the compliances, reportings and approvals under the listing agreements get multiplied and because of these multiple requirements to be complied with for each Stock Exchange separately, some of the Corporate Actions, get delayed. The investors or the shareholders of the company do not get any additional benefit by continuing the listing of the equity shares on the said stock exchanges.

SEBI has recently issued guidelines permitting the companies for voluntary delisting of its equity shares where the companies have multiple listings provided that the shares are listed at least at one or more stock exchanges having nationwide trading terminals.

Therefore, the company proposes to continue the listing of company's equity shares only at NSE & BSE and to delist the same from the stock exchanges at Ahmedabad, Delhi & Kolkata subject to the company's complying the

various provisions of SEBI (Delisting of Securities) Guidelines, 2003 and obtaining requisite approvals, permissions and sanctions from appropriate authorities.

Under the SEBI (Delisting of Securities) Guidelines, 2003, the aforesaid proposal requires approval of shareholders. Accordingly, a Special Resolution for the same is proposed for approval of the shareholders through voting by way of postal ballot as per provisions of Section 192 A of the Companies Act, 1956 read with related rules framed thereunder. The requisite postal ballot form and pre-paid addressed envelope are enclosed.

The Board of Directors recommends the passing of the Special Resolution at Item no. 13 of the Notice.

None of the Directors of the company is, in anyway, concerned or interested in the said Special Resolution.

By Order of the Board of Directors

B. L. Taparia

*Whole-time Director &
Company Secretary*

Place : Mumbai

Date : 21st August, 2003