



**GUJARAT
SIDHEE CEMENT
LIMITED**

**27 TH ANNUAL REPORT
1999 - 2000**

Board of Directors

As on 29.6.2000

Shri M.N. Mehta	Chairman
Shri Jay Mehta	Executive Vice-chairman
Shri Sanat Mehta	TML Nominee
Shri M.R. Gami	GLC Nominee
Shri Peter Gorm Christiansen	F. L. Smidth & Co. A/S, Denmark, Nominee
Shri Sampath Sridhar	Industrialization Fund for Developing Countries, Denmark, Nominee
Shri K. Lalit	
Shri M.L. Tandon	
Shri A.R. Gandhi	
Shri S.V.S. Raghavan	
Shri Vipin Malik	
Shri B.L. Chadha	Special Director, BIFR
Shri R.K. Bhargava	IDBI Nominee
Shri Manish Bahl	LIC Nominee
Shri Anup Banerji	SBI Nominee
Shri M.S. Gilotra	Managing Director
Shri Raj K. Poddar	Deputy Managing Director

GM & COMPANY SECRETARY

Shri Gaurang Shah

BANKERS

State Bank of India

Dena Bank

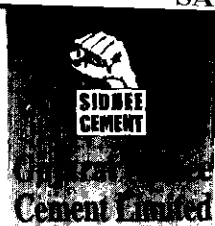
State Bank of Travancore

State Bank of Bikaner & Jaipur

State Bank of Patiala

Union Bank of India

State Bank of Saurashtra



AUDITORS

Messrs. Manubhai & Co.
Chartered Accountants
Ahmedabad

REGISTERED OFFICE & WORKS

"Sidheegram"
Off. Veraval - Kodinar Highway
Pin Code 362 276
District Junagadh
GUJARAT.

CORPORATE OFFICE & SHARE DEPARTMENT

Agrima Business Centre,
N.K. Mehta International House,
178, Backbay Reclamation,
Mumbai 400 020.

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GUJARAT SIDHEE CEMENT LIMITED

Regd. Office : "Sidheegram", Off Veraval-Kodinar Highway
Pin 362 276, Dist. Junagadh, Gujarat.

NOTICE

Notice is hereby given that the Twenty Seventh Annual General Meeting of the Shareholders of the Company will be held on Friday, the 29th September, 2000 at 10 A.M. at the Registered Office of the Company at "Sidheegram", Off Veraval-Kodinar Highway - Pin 362 276, Dist. Junagadh, Gujarat, to transact the following business :

ORDINARY BUSINESS :

1. To receive and adopt the Directors' Report and Audited Profit & Loss Account for the year ended 31st March, 2000 and Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in place of Shri Sanat M. Mehta who retires by rotation, but being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Sampath Sridhar who retires by rotation, but being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri S.V.S. Ragnavan who retires by rotation, but being eligible, offers himself for reappointment.
5. To consider and, if thought fit, to pass with or without modification the following resolution as an Ordinary Resolution :

"RESOLVED THAT M/s. Manubhai & Co., Chartered Accountants, the retiring auditors of the Company, be and are hereby re-appointed as Auditors of the Company for the year ending March 31, 2001 and they shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration to be fixed by the Board of Directors of the Company."

SPECIAL BUSINESS :

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
"RESOLVED THAT Shri Anup Banerji who was appointed as a Director of the Company, by the Board of Directors in the casual vacancy and who in terms of section 262 of the Companies Act, 1956, holds such office until this Annual General Meeting be and is hereby appointed as a Director of the Company."
7. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an Ordinary Resolution :
"RESOLVED THAT Shri Vipin Malik, who was appointed as an Additional Director of the Company, by the Board of Directors and who, in terms of Section 260 of the Companies Act, 1956, holds such office until this Annual General Meeting be and is hereby appointed as a Director of the Company."

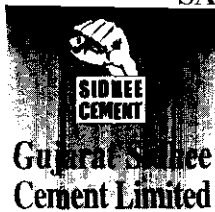
By Order of the Board of Directors

GAURANG SHAH

GM & Company Secretary.

MUMBAI, dated : 18th August 2000
Registered Office :
"Sidheegram"
Off Veraval-Kodinar Highway
Pin 362 276.
Dist. Junagadh (Gujarat)





NOTES :

1. A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself on a poll and that a proxy need not be a member. Proxies in order to be effective must be received by the company at the Registered Office not less than 48 hours before the meeting.
2. The Explanatory Statement as required under Section 173 of the Companies Act, 1956 setting out material facts in respect of the business under item Nos.6 to 7 is annexed hereto.
3. The Share Transfer Books and Register of Members of the Company shall remain closed on 29th September, 2000 in connection with AGM.
4. Members who have multiple account in identical names or joint accounts in same order are requested to send all the share certificates to the Company for consolidation of all such shareholdings into one account to facilitate better service.
5. Members are requested to inform the Company of any change in their address immediately so as to enable the Company to send any future communication at their correct address.
6. Members desiring any information on the Accounts are requested to write to the Company at least one week before the meeting so as to enable the Management to keep the information ready and replies will be provided only at the meeting.

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EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.**ITEM NO.6.**

Shri Anup Banerji, was appointed as a Director of the Company on 30th October 1998 by the Board of Directors of the Company in casual vacancy arising out of the withdrawal of nomination of Shri A. Datta by State Bank of India. According to the provisions of Section 262 of the Companies Act, 1956 he holds office as Director only up to the date of ensuing Annual General Meeting. As per provisions of Section 257 of the Act, notice has been received from a member signifying his intention to propose appointment of Shri Anup Banerji, as a Director along with a deposit of Rupees Five Hundred. The Board considers it desirable that the Company should continue to avail itself of his services as a Director of the Company.

The Resolution is therefore recommended to the Members for their approval.

Except Shri Anup Banerji none of the other Directors is interested in the said Resolution.

ITEM NO 7.

Shri Vipin Malik was appointed as an Additional Director of the Company on 29th June, 2000 by the Board of Directors of the Company. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as Director only up to the date of the ensuing Annual General Meeting. As per the provisions of Section 257 of the Act, notice has been received from a member signifying his intention to propose the appointment of Shri Vipin Malik as a Director along with a deposit of Rupees Five Hundred. The Board considers it desirable that the Company should continue to avail of the services of Shri Vipin Malik as a Director of the Company.

The resolution is therefore recommended to the Members for their approval.

Except Shri Vipin Malik, none of the other Directors is interested in the said Resolution.

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By Order of the Board of Directors

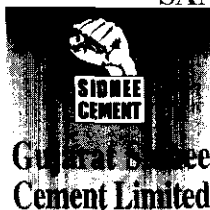
GAURANG SHAH

GM & Company Secretary.

MUMBAI, dated : 18th August 2000

Registered Office :
"Sidheezgram"
Off Veraval-Kodinar Highway
Pin 362 276.
Dist. Junagadh (Gujarat)





DIRECTORS' REPORT

Dear Members,

The Directors present the 27th Annual Report along with the audited accounts for the year ended 31st March 2000.

REVIEW OF OPERATIONS – 1999-2000

Growth in Cement Consumption

During the year under review, the Indian economy has shown positive signs of growth. The cement consumption in the country grew from 79.76 million tonnes to 92.05 million tonnes showing a growth of over 15%. The growth in consumption was led by Northern region with more than 25% growth in many states like Himachal Pradesh, Uttar Pradesh, West Bengal and Assam. Over 20% growth was also recorded in the states of Haryana, Bihar, Andhra Pradesh and healthy growth in most other states.

Unfortunately, due to slow down in construction of big projects in Gujarat as well as the drought condition prevailing in large parts of Gujarat state, the consumption declined by over 9.4%. The areas of Saurashtra were most affected which are our prime markets where the Company sells more than 84% of its cement production.

Demand Supply Gap

The installed capacity in Gujarat increased from 6.35 million tonnes in 1996 to 12.19 million tonnes in the current year. With the consumption at under 7.5 million tonnes, there was a surplus of more than 4.5 million tonnes within the state. Over and above this surplus, about 2.0 million tonnes came from Rajasthan. Due to these factors, sales of our company in Gujarat were also adversely affected by about 20% over the previous year. The Company further decided to increase sales in the States of Maharashtra and Kerala. Our sales in these states were increased by 88% over the previous years. This was possible due to good acceptance of Sidhee brand of cement as a prime quality of cement in the market. The profitability of the Company however continued to remain low due to very high cost of transportation to these outside markets as well as infrastructural constraint at our ports for accessing these markets.

Efforts for reducing energy consumption and reducing cost of production were continued in all areas. The electrical energy consumption in the current year was less than 89 units per ton which is the record lowest consumption and all time record in the company as well as one of the best in cement plants of similar vintage.

The ISO 9002 certification of the Company from RWTUV, Germany was renewed for 3 years and the Company maintained its reputation of producing good quality products.

The export prices of clinker and cement continued to remain low in the international market due to over supply position prevailing in far east countries.

FINANCIAL RESULTS

The highlights of the financial results of the corporate Financial Year ended 31.3.2000 are:

	In Million Rupees	
	1999-2000	1998-99
Sales & Other Receipts	1618.90	1630.65
Gross Profit/(Loss)	(198.67)	(241.29)
Interest	246.74	212.70
Profit/(Loss) before Depreciation & Misc. Expenses Written off	(445.41)	(453.98)
Depreciation & Misc. Expenses Written off	94.67	98.40
Profit/(Loss) before prior period adjustment	(540.30)	(552.59)
Prior Period Adjustment	154.17	2.10
Profit/(Loss) after tax	(694.47)	(554.69)
Carried forward Profit/(Loss) of earlier years	(1794.36)	(1239.67)
Balance of Profit/(Loss) carried to Balance Sheet	(2488.83)	(1794.36)

PERFORMANCE REVIEW

The clinker production during the year was 7,86,496 metric tonnes compared to 7,05,600 metric tonnes during the previous year. The cement production during the year was however lower by about 11% as compared to previous year due to market conditions in the State of Gujarat. The operating loss before interest and depreciation came down marginally from Rs. 241.29 million to Rs. 198.67 million.

Cost of power (average) purchased from Gujarat Electricity Board increased from Rs. 4.91 Kwh to Rs. 5.25 Kwh. However, due to reduced power consumption as well as savings in cost of fuel during the year, there has been a reduction in over all cost of production.

The interest cost has increased from Rs. 212.70 million in the previous year to Rs. 246.74 million. The net loss after interest (including interest on Turnover Tax) and Depreciation for the year has marginally reduced from Rs. 552.59 million in the previous year to Rs. 540.30 million.

The request of the Company for exemption of state turnover tax as per the BIFR scheme was not accepted by the Government of Gujarat. However, the Government has granted deferment of Turnover Tax. Accordingly, the Company had to provide turnover tax for earlier years along with the interest thereon aggregating to Rs. 154.17 million. Due to this, net loss after the adjustment comes to Rs. 694.47 million as against the previous year figure of Rs. 554.69 million.

MARKETING MANAGEMENT

The Company engaged services of reputed consultants to study the market conditions and with a view to consolidate market share and reduce the cost of marketing, the Company has implemented a plan for joint marketing of its products with Saurashtra Cement Limited. The resources of both the companies namely Gujarat Sidhee Cement Limited and Saurashtra Cement Limited have been pooled to improve the efficiency and effectiveness of marketing efforts. The market share of the combined companies under the brand of Sidhee and Hathi is now 17.5% in the State of Gujarat.

FUTURE PLANS

The financial performance of the Company has been poor namely on account of —

- (i) High incidence of Sales Tax (16% on selling price)
- (ii) Very high cost of purchased power and
- (iii) High incidence of freight cost for accessing markets outside Gujarat due to Port constraints.

The Company plans to install a captive power plant, construct a captive jetty close to the plant along with other modernisation jobs in the plant. The implementation of these plans would result in substantial savings in cost of production as well as freight cost. These plans have been submitted to the Operating Agency, State Bank of India and the Hon'ble BIFR for consideration.

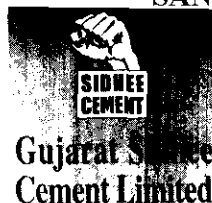
CAPITAL EXPENDITURE

The Company has issued 1.5 Crores Equity Shares of Rs. 10/- each aggregating to Rs. 15 Crores, during the financial year on preferential allotment basis to Promoters and their Associates, 10% of the face value is paid up. The amount will be utilised for implementing proposed capital expenditure plan for installation of Captive Power Plant, construction of Captive Jetty and to carry out Modernisation and upgradation of its existing Plant & Machinery for better operational capacity to increase its productivity.

FUTURE OUTLOOK

With the continued emphasis on the housing construction sector as well as priority given by the Government for undertaking large infrastructure projects like roads, ports and power plants, the long term outlook of the industry continues to remain good. The additional capacities of cement in the pipeline are limited and therefore the demand supply situation is expected to become favourable by end of the year. The prospects for the Company to turnaround and make profits remain reasonably good due to the improvement of cement market as well as successful completion of the proposed projects.





CASH FLOW STATEMENT

Cash flow statement pursuant to Clause 32 of the listing agreement is attached herewith.

Y2K STATUS

All internal systems, procedures and operations of the Company which were made Y2K complaint have transitioned smoothly into the new millennium on 1st January 2000 and have been performing normally.

DEPOSITORY SYSTEM

As per directions of the Securities & Exchange Board of India (SEBI) the Company's equity shares held by the Institutional Investors and Overseas Corporate Bodies will be required to be compulsorily traded in dematerialised form with effect from 26th June, 2000. Your Company has entered into an agreement with National Securities Depository Ltd.(NSDL) and Central Depository Services (India) Ltd. (CDSL) for dematerialization of your Company's securities in accordance with the provisions of Depositories Act, 1995. The members have the option/ discretion of holding their dematerialised shares in Company through NSDL and CDSL.

DIVIDEND

In the absence of profit during the year the Directors express their inability to recommend payment of any dividend for the year.

PUBLIC DEPOSITS

The Company has not invited and/or accepted any deposits.

DIRECTORS

Shri Sanat Mehta, Shri Sampat Sridhar and Shri S.V.S. Raghavan shall retire by rotation and being eligible offer themselves for reappointment. Shri Anup Banerji shall retire at the ensuing general meeting in terms of Section 262 of the Companies Act 1956. Shri Vipin Malik was appointed as an Additional Director on the Board of Directors of the Company w.e.f. 29th June, 2000. Shri Vipin Malik shall retire at the ensuing General Meeting in terms of Section 260 of the Companies Act, 1956. Notices have been received from the shareholders proposing their names for appointment as Directors.

AUDITORS

Messrs. Manubhai & Co., Chartered Accountants, Ahmedabad, the auditors of the Company are due to retire in accordance with the provisions of the Companies Act, 1956 and being eligible, offer themselves for reappointment.

COST AUDITORS

In pursuance to Order No. 52/58/CAB-98 dated 30th October, 1998 issued under section 233-B of the Companies Act 1956, your Directors have appointed M/s. K.G. Goyal & Co. as Cost Auditor of the Company for the year 2000-2001 subject to the approval of the Central Government.

PARTICULARS OF EMPLOYEES

Particulars of Employees as required under Section 217(2A) of the Companies Act, 1956 are set out in the statement attached hereto (Annexure II) and forming part of this Report.

ENERGY, TECHNOLOGY AND FOREIGN EXCHANGE

As required under Section 217(1)(c) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 the relevant particulars are enclosed herewith in Annexure I, forming part of the Report.



INDUSTRIAL RELATIONS

The Company continued to maintain harmonious and cordial relations with its workers which enabled it to achieve improved performance levels.

BOARD FOR INDUSTRIAL & FINANCIAL RECONSTRUCTION

Significant operational improvements achieved by the Company in previous years have resulted in the Company having paid over Rs.3250 million to the various Financial Institutions. Comprehensive plans for further modernisation and investments to make the Company competitive due to change in business environment has been submitted to Hon'ble BIFR which has been forwarded to State Bank of India, Operating Agency, for consideration.

ACKNOWLEDGEMENTS

The Directors wish to thank the Board for Industrial & Financial Reconstruction (BIFR), Government authorities, financial institutions, bankers, shareholders, employees, stockists, dealers and all others associated with its operations for the co-operation and encouragement extended to the Company.

On behalf of the Board of Directors

PLACE : MUMBAI
DATE : 29th June, 2000.

Raj K. Poddar
Dy. Managing Director

M. S. Giotra
Managing Director

