



SIDHEE CEMENT LIMITED

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28th Annual Report 2000-2001



**Gujarat Sidhee
Cement Limited**

Board of Directors

As on 30.07.2001

Shri M.N. Mehta	<i>Chairman</i>
Shri Jay Mehta	<i>Executive Vice-Chairman</i>
Shri Sanat Mehta	<i>TML Nominee</i>
Shri Jesper Horsholt	<i>F.L. Smidth & Co.A/S, Denmark, Nominee</i>
Shri Sampath Sridhar	<i>Industrialization Fund For Developing Countries, Denmark, Nominee</i>
Shri S.V.S. Raghavan	
Shri K. Lalit	
Shri M.L. Tandon	
Shri S.M. Kanwar	<i>Special Director, BIFR</i>
Shri R.C. Razdan	<i>IDBI Nominee</i>
Shri Anup Banerji	<i>SBI Nominee</i>
Shri M.S. Gilotra	<i>Managing Director</i>
Shri R. K. Poddar	<i>Deputy Managing Director</i>

GM & COMPANY SECRETARY

Shri Gaurang Shah

AUDITORS

Messrs. Manubhai & Co.
Chartered Accountants
Ahmedabad

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

REGISTERED OFFICE & WORKS

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

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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 Eighth Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 20th September, 2001 at 3.30 P. 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, 2001 and Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in place of Shri K. Lalit who retires by rotation, but being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri M.L. Tandon, who retires by rotation, but being eligible, offers himself for reappointment.
4. 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, 2002 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 of Rs. 2,00,000/- p.a. (Rupees Two Lacs only) plus service tax and reimbursement of travelling and out of pocket expenses actually incurred."

SPECIAL BUSINESS :

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

"RESOLVED THAT Shri Jesper Horsholt 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."

By Order of the Board of Directors

GAURANG SHAH
GM & Company Secretary

MUMBAI, dated : 30th July 2001
Registered Office :
"Sidheegram"
Off Veraval-Kodinar Highway
Pin 362 276.
Dist. Junagadh (Gujarat).



Gujarat Sidhee
Cement Limited

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 No.5 is annexed hereto.
3. The Share Transfer Books and Register of Members of the Company shall remain closed on 20th September, 2001 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 notify immediately any change of address.
6. Non-resident Indian Shareholders are requested to inform us immediately the change in the residential status on return to India for permanent settlement.
7. 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.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956.

ITEM NO.5.

Shri Jesper Horsholt, who, was appointed as a Director of the Company on 24th May 2001 by the Board of Directors of the Company in casual vacancy arising out of the withdrawal of nomination of Shri Peter Gorm Christiansen by Messrs. F.L. Smidth & Co. A/S, Copenhagen, Denmark. 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 Jesper Horsholt, 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 Jesper Horsholt none of the other Directors is interested in the said Resolution.

MUMBAI, dated : 30.07.2001
Registered Office :
"Sidheegram"
Off Veraval-Kodinar Highway
Pin 362 276.
Dist. Junagadh (Gujarat).

By Order of the Board of Directors

GAURANG SHAH
GM & Company Secretary

DIRECTORS' REPORT

Dear Members,

The Directors present the 28th Annual Report along with the audited accounts for the year ended 31st March 2001.

The Members are aware that on 26th January 2001, Gujarat was struck by a devastating earthquake. In order to provide a helping hand, the Reserve Bank of India has announced special relief package of measures for persons / business affected by the earthquake. The Government of Gujarat also announced various reliefs and concessions to the earthquake affected units. The Company has been declared as an affected unit by the Government of Gujarat and is entitled for various reliefs and concessions declared by the Reserve Bank of India and Government of Gujarat.

However, as a result of the earthquake the demand has increased as re-building exercise by the State Government and Non-Governmental Organisations have started in the current year. The State Government has also published a new construction code. The demand, at present in Gujarat, has increased quite substantially as compared to the last quarter of the year under review and at present the company is achieving almost 100% capacity utilisation. It is expected that the current year should be much better in view of the increased demand for re-building of earthquake affected areas. The monsoon is also expected to be good which should result in substantial growth in demand.

REVIEW OF OPERATIONS – 2000-2001

Indian Cement Industry

During the year under review, the growth of Indian Economy has been adversely affected as against the plan of 7%. The main driver for cement consumption in the country are : (i) Industrial Development, (ii) Real Estate Development and (iii) Infrastructure Development. The adverse effect of slow down in the economy has resulted in deferment of infrastructure projects, housing development and industrial development. The unfortunate financial irregularities in the banking sector and stock market led to lower confidence level and thus resulted in lower capital inflow. Further, most part of the India during the year under review faced natural calamities like drought conditions in the States of Gujarat, Rajasthan, Tamilnadu, Andhra Pradesh, Haryana, Kerala, Uttar Pradesh and Madhya Pradesh where the lower rainfall of 20% affected the economic growth and thus resulted in lower consumption of cement. The cement consumption in the country was reduced by about 2% as against a Cumulative Annual Growth Rate of 8% over the last 5 years.

Gujarat, which is the prime market for the Company has suffered badly due to second consecutive year of drought coupled with the devastating earthquake in January 2001. This has resulted in lower realisation and lower demand. The Government expenditure on development could not take place as the State's resources were diverted to rescue and relief work. Further, the inflation of 6.5% to 7% in the country resulted in increase in the input costs whereas the realisation did not increase in consonance with the increase in the input costs during the first nine months. The price started firming up in the last quarter but the demand was minimal due to the earthquake effect and thus the company could not recoup its losses. The cumulative negative growth in the state of Gujarat was about 23% as against the cumulative growth of 12.8% of the Cement Industry in India in the last 2 years.

The Company decided to despatch its material to other coastal locations in Maharashtra and Kerala where the quality of company's cement was well received by the customers. However, the higher transportation cost due to non availability of captive port facilities and other public infrastructure facilities has resulted in exorbitant high cost which led to erosion of contributions.

The export prices of clinker and cement continued to remain unremunerative but in order to maintain the volume and presence in the export market, the company has exported nearly 32,000 tons bagged cement during the year which is substantially higher than the previous 2 years.

The Company has received ISO 14001 certification from RWTUV, Germany for environmental management system.



Gujarat Sidhee Cement Limited

FINANCIAL RESULTS

The highlights of the Financial Year ended 31.3.2001 are given below :

	2000 - 2001	In Million Rupees 1999 - 2000
Sales & Other Receipts	1485.82	1618.90
Gross Profit/(Loss)	(217.52)	(198.67)
Interest	300.51	246.74
Profit / (Loss) before Depreciation & Misc Expenses Written off	(518.03)	(445.41)
Depreciation & Misc. Expenses Written off	95.91	94.67
Profit/(Loss) before prior period adjustment	(613.94)	(540.30)
Prior Period Adjustment	—	154.17
Profit/(Loss) after tax	(614.13)	(694.47)
Carried forward Profit / (Loss) of earlier years	(2488.83)	(1794.36)
Balance of Profit / (Loss) carried to Balance Sheet	(3102.96)	(2488.83)

PERFORMANCE REVIEW

The clinker production during the year was 6,65,810 metric tonnes compared to 7,86,490 metric tonnes of the previous year. The cement production during the year was 6,44,540 metric tons as compared to 7,79,865 metric tons in the previous year.

The operating loss before interest and depreciation for the year increased from Rs.198.67 million to Rs.217.52 million.

Cost of power (average) purchased from Gujarat State Electricity Board increased from Rs.5.25 Kwh to Rs.5.93 Kwh. The total power consumption for the year ended March 2001 is comparable with that of last year.

The interest cost has increased from 246.74 million to Rs.300.51 million. The net loss after interest and Depreciation for the year has been increased from Rs.540.30 million to Rs.613.94 million.

MARKETING MANAGEMENT

The Company has implemented a plan for joint marketing of its products with Saurashtra Cement Limited. The resources of both the companies have been pooled to improve the efficiency and effectiveness of marketing efforts. The joint marketing activities has resulted in savings in the freight cost, overhead cost and better price realisation.

FUTURE OUTLOOK

Considering the massive reconstruction work post earthquake, re-start of the work of Narmada Canal and expected good rainfall during the current year, the demand of cement in the State of Gujarat is expected to be higher and barring any unforeseen circumstances, should be able to make up loss of cement demand in the last two years due to increase in demand. Further, it is expected that the projects which were deferred in the last two years would re-start which shall further add to the increase in demand. The much awaited reduction in the Sales Tax by the Government from 15% plus additional tax to 8% plus additional tax will add to the bottom line of the Company. The Central and State Governments have exempted the cement used for reconstruction work from Excise Duty and Sales Tax. This should provide faster re-building of the earthquake affected areas and would enable the reduction in demand and supply gap in the State.

FUTURE PLANS

The financial performance of the Company has remained poor due to deferment of the Company's plans of reducing its cost of production by installation of captive power plant, construction of captive jetty close to the plant along with other modernisation jobs in the plant.

Due to scarcity of internal generation of funds, the Company has decided to implement its plans in two phases. The first phase include captive power plant and captive jetty and after that the modernisation plan to improve upon further efficiencies and production de-bottlenecking will be taken up. A detailed cost of each project and financing thereof have now been appraised by the Operating Agency, State Bank of India and shall be submitted to all the existing lenders for their consideration to approve the financing of the capital expenditure plan and to grant certain reliefs and concessions of the notification of the Reserve Bank of India for earthquake affected units including grant of Working Capital Loans to regularise the Working Capital facilities of the Company.

CASH FLOW STATEMENT

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

DEPOSITORY SYSTEM

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.

AUDITORS' OBSERVATIONS

In respect of remarks of Auditors, attention of members is invited to Notes No.2 and 11 in Schedule 15 of Notes on Accounts, which are self explanatory and do not require elucidation.

DIRECTORS

Shri K. Lalit and Shri M.L. Tandon shall retire by rotation and being eligible offer themselves for reappointment. Shri Jesper Horsholt shall retire at the ensuing general meeting in terms of Section 262 of the Companies Act, 1956. Notice has been received proposing his name for appointment as Director.

CHANGE IN DIRECTORS

Since the last Directors' Report there has been changes in the Directorship of the Company. Shri A.R. Gandhi and Shri Vipin Malik have resigned from the Board of Directors of the Company. The nominations of Shri R.K. Bhargava, Shri B.L. Chadha, Shri Manish Bahl and Shri Peter Gorm Christiansen have been withdrawn by IDBI, BIFR, LIC and F.L. Smidth & Co., A/S respectively.

The Board places on record its appreciation to the valuable services rendered by Shri A.R. Gandhi, Shri R.K. Bhargava, Shri B.L. Chadha, Shri Vipin Malik, Shri Manish Bahl and Shri Peter Gorm Christiansen during their tenure on the Board of Directors of the Company.

LISTING OF EQUITY SHARES

The Company's equity shares are listed on the Stock Exchanges at Rajkot, Ahmedabad, Mumbai, Delhi, Calcutta and National Stock Exchange.

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 2001-2002 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 not given since none of the employees employed throughout the year or for part of the Financial Year 2000-2001 is drawing remuneration exceeding the limit specified in Section 217 (2A) of the Companies Act, 1956 as amended from time to time.

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.3265 million to the various Financial Institutions. Comprehensive Proposal for Modification in Rehabilitation Scheme has been submitted to State Bank of India, Operating Agency, for consideration.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors have fulfilled their responsibility for the preparation of the accompanying financial statements by taking all reasonable steps to ensure that :

- ❖ These statements have been prepared in conformity with generally accepted accounting principles and appropriate accounting standards. Judgements and estimates are reasonable and prudent have been made where necessary.
- ❖ The accounting policies selected and applied consistently give a true and fair view of the financial statements.
- ❖ The Company has implemented internal controls to provide reasonable assurances of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties. The company's internal auditors conduct regular internal audits, which complement the internal controls.
- ❖ The Directors had prepared the annual accounts on a going concern basis.

The Company's statutory auditors, Messrs. Manubhai & Co., Chartered Accountants, have audited the financial statements in accordance with generally accepted auditing standards and practices as indicated in their report.

ACKNOWLEDGEMENTS

The Directors wish to thank the Board for Industrial & Financial Reconstruction (BIFR), Government of Gujarat, 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 : 24th May , 2001.

M.S. Gilotra
Managing Director

Jay M Mehta
Executive Vice Chairman

ANNEXURE - 1

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.3.2001.

A. CONSERVATION OF ENERGY :**(a) ENERGY CONSERVATION MEASURES TAKEN :**

1. Use of Hysil – a better insulating material in Preheater cyclone in place of conventional bricks which has resulted into savings of thermal energy.
2. Providing guide vanes in the immersion tube of Preheater top stage cyclones, and coal mill precollecting cyclone, for reducing the pressure drop and thereby saving in terms of electrical energy.
3. Retrofitting of high efficiency impellers in the cooler ID fan No.13, 14 and 15 thereby saving electrical energy.
4. Replacement of coal transport air compressor with blower in the coal mill section thereby saving in electrical energy consumption.
5. Enlargement of Kiln Inlet riser duct area by 20% for reducing the pressure drop (i.e. reduction in electrical energy) and to facilitate kiln smooth operation.

(b) ADDITIONAL INVESTMENT AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY.

Comprehensive plans for modernisation include specific proposals for reduction in consumption of electrical energy namely modification in the Raw Mill, Preheater and clinker cooler systems.

(c) IMPACT OF THE MEASURES AT (a) AND (b) ABOVE FOR REDUCTION OF ENERGY CONSUMPTION AND SUBSEQUENT IMPACT ON THE COST OF PRODUCTION OF GOODS.

1. Enhancement of Production Capacity with reduction in Thermal and Electrical energy consumption.
2. More stable Plant Operation with the new Control System resulting in enhanced productivity of the Plant.
3. Saving in terms of electrical energy and maintenance cost and elimination of electrical energy wastage due to measures taken at (a) (1) to (5) above.

(d) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM "A" OF THE ANNEXURE.**B. TECHNOLOGY ABSORPTION:**

Efforts made in Technology absorption are given in prescribed Form B annexed.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

1. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and export plans.
2. Total foreign exchange used and earned:-

	2000-2001	(Rs in Million) 1999-2000
Used	43.57	85.22
Earned	73.16	0.00

On behalf of the Board of Directors

PLACE: MUMBAI
DATE : 24th May , 2001.

M.S. Gilotra
Managing Director

Jay M Mehta
Executive Vice Chairman