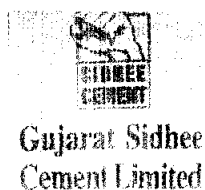




GUJARAT SIDHEE CEMENT LIMITED

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29th Annual Report 2001-2002



Board of Directors

As on 28.06.2002

Shri M.N. Mehta
Shri Jay Mehta
Shri Sanat Mehta
Shri Jesper Horsholt
Shri Erling Frandsen
Shri Sampath Sridhar

Dr. N. R. Desai
Shri Vipin Malik
Shri M.S. Gilotra
Shri Raj K. Poddar
Shri K. Lalit
Shri M.L. Tandon
Shri S.V.S. Raghavan
Shri S.M. Kanwar
Shri P. Niranjana
Shri P.T. Thomas
Shri P.K. Behl

Chairman
Executive Vice-Chairman
Nominee of TML
Nominee of F.L. Smidth & Co.A/S, Denmark
Alternate Director to Shri Jesper Horsholt
Nominee of Industrialization Fund for Developing
Countries, Denmark
Nominee of GIC Limited
Alternate Director to Shri M.N. Mehta.
Managing Director
Dy. Managing Director

Special Director, BIFR
Nominee of SBI
Nominee of IDBI
Nominee of LIC

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 : "Sidheeagram", Off Veraval-Kodinar Highway

Pin 362 276, Dist. Junagadh, Gujarat.

NOTICE

Notice is hereby given that the Twenty Ninth Annual General Meeting of the Shareholders of the Company will be held on Thursday the 19th September, 2002 at 10.00 a.m. at the Registered Office of the Company at "Sidheeagram", 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, 2002 and Balance Sheet as at that date and the Auditors' Report thereon.
2. To appoint a Director in place of Shri Sanat Mehta, who retires by rotation, but being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Sridhar Sampath, who retires by rotation, but being eligible, offers himself for reappointment.
4. To appoint a Director in place of Shri S.V. S. Raghavan, 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, 2003 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 Lakhs only) plus Service Tax and reimbursement of travelling and out of pocket expenses actually incurred."

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 pursuant to the provisions of Section 94(1)(a) and other applicable provisions of the Companies Act, 1956 if any and subject to necessary approvals as may be required, the Authorised Share Capital of the Company be and is hereby increased from Rs. 150,00,00,000 (Rupees One Hundred Fifty Crores only) divided into 15,00,00,000 (Fifteen Crores) Equity Shares of Rs.10/- each to Rs.175,00,00,000 (Rupees One Hundred Seventy Five Crores only) divided into 17,50,00,000 (Seventeen Crores Fifty Lakhs) Equity Shares of Rs.10/- each"

"RESOLVED FURTHER THAT the existing Clause V of the Memorandum of Association of the Company as to share capital be and is hereby altered by deleting the same and substituting in place and stead thereof the following new Clause V

- V The Authorised Share Capital of the Company is Rs. 175,00,00,000 (Rupees One Hundred Seventy Five Crores only) divided into 17,50,00,000 (Seventeen Crores Fifty Lakhs) Equity Shares of Rs.10/- (Rupees Ten each) with power to increase and reduce the capital of the Company and to divide the shares in the capital for the time being to several classes and to attach thereto respectively such preferential, deferred, guaranteed, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Articles of Association of the Company and to carry, modify, amalgamate, or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."



**Gujarat Sidhee
Cement Limited**

7. To consider and if thought fit, to pass with or without modification, the following resolution as Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956 the existing Article (3) of the Articles of Association of the Company be and is hereby altered by deleting Article (3) of the Articles of Association and substituting in place and stead thereof the following new Article (3) :-

The Authorized Share Capital of the Company is Rs.175,00,00,000 (Rupees One Hundred Seventy Five Crores) divided into 17,50,00,000 (Seventeen Crores Fifty Lakhs) Equity Share of Rs.10 (Rupees ten) each. The said Authorized Capital may be divided in any other manner as may be thought expedient by the Company."

The Company may from time to time by Ordinary Resolution increase or decrease the Authorized Share capital by such sum to be divided into shares of such amount as may be specified in the Resolution.

By Order of the Board of Directors

GAURANG SHAH

GM & Company Secretary

MUMBAI, dated : 30.07.2002

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 & 7 is annexed hereto.**
3. Re-appointment of Directors :
At the ensuing Annual General Meeting Shri Sanat Mehta, Shri Sampath Sridhar and Shri S.V.S. Raghavan shall retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement relating to code of Corporate Governance, the profile of the above directors are given under para (iv) (Re-appointment of Directors) of Corporate Governance Report annexed to Directors Report.
4. The Share Transfer Books and Register of Members of the Company shall remain closed on 19th September, 2002 in connection with AGM.
5. 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.
6. (a) Members are requested to notify immediately any change of address :
(i) to their Depository Participants (DPs) in respect of their electronic share accounts, and
(ii) to the Company at its Share Department at the Corporate Office at Mumbai in respect of their physical share folios, if any.
(b) In case the mailing address mentioned on this Annual Report is without the Pincode, members are requested to kindly inform their PINCODE immediately.
7. Non-resident Indian Shareholders are requested to inform us immediately the change in the residential status on return to India for permanent settlement.
8. 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.6 & 7.**

The Authorised Share Capital of the Company at present is Rs.150,00,00,000 divided into 15,00,00,000 Equity Shares of Rs.10/- each. The present issued share capital of the Company stands at Rs.139 Crores.

The Draft Rehabilitation Scheme (DRS) under consideration of Hon'ble AAIFR, inter-alia, provides for setting up of Captive Power by installation of D.G. Sets and Captive Jetty. The said DRS provides for issue of further shares as source of funds for the project. Therefore to take care of the future issue of Shares as and when deemed fit and appropriate, the Board of Directors of the Company recommends increase in the Authorised Capital of the Company to Rs.175 Crores by the creation of 2,50,00,000 new Equity Shares of Rs.10/- each.

The proposal for increase in the Authorised Capital will require approval of the members in General Meeting in accordance with Section 94 of the Companies Act, 1956. The Ordinary Resolution set out at item (6) in the Notice convening the meeting is intended to obtain such approval and the Board recommend the acceptance of the aforesaid Resolution.

The new Article (3) of the Articles of Association indicated in the item (7) of the Notice is intended to reflect the increased Authorised Capital of the Company. The Board recommends the acceptance of the Special Resolution.

A copy of the Memorandum and Articles of Association of the Company is available for inspection at the Registered Office of the Company on any working day upto the date of the Annual General Meeting between 11.00 a.m. and 1.00 p.m.

None of the Directors of the Company is interested or concerned in the proposed Resolution.

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

By Order of the Board of Directors

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GAURANG SHAH

GM & Company Secretary

MUMBAI, dated : 30.07.2002
Registered Office :
"Sidheegram"
Off Veraval-Kodinar Highway
Pin 362 276.
Dist. Junagadh (Gujarat).



Gujarat Sidhee
Cement Limited

DIRECTORS' REPORT

Dear Members,

Your Directors present the 29th Annual Report along with the Audited Accounts and Auditors Report for the year ended 31st March 2002.

Despite difficult economic conditions, the cement consumption in India went up by 10% during the year under review over the corresponding period of last year. The cement consumption in the State of Gujarat also posted a healthy growth after two years of declining consumption.

Since most of the Company's operations are in the State of Gujarat, the improvement in cement consumption in Gujarat has resulted in increase in despatch of cement by your company by almost 25% in the State of Gujarat. The Company has also made gross profit during the year under review.

However, the Cement Industry in Gujarat continues to suffer in terms of profitability on account of very large surplus capacity over the demand in the State of Gujarat. The cement capacity in Gujarat has now become 13 million tons whereas the consumption of cement in the State has been 7.5 million tons during the year despite the growth. Due to the overall surplus capacity, your company has also started exporting clinker to other neighbouring countries. During the year, the company exported about 21,000 tons of clinker and this is likely to increase in the coming years.

FINANCIAL RESULTS

The highlights of the Financial Year ended 31.3.2002 are given below :

	2001 - 2002	In Million Rupees 2000 - 2001
Sales & Other Receipts	1774.25	1485.82
Profit/(Loss) before Interest, Depreciation & Misc. Expenses Written off.	66.87	(217.52)
Interest	288.81	300.51
Profit / (Loss) before Depreciation & Misc Expenses Written off	(221.94)	(518.03)
Depreciation & Misc. Expenses Written off	97.11	95.91
Profit/(Loss) before prior period adjustment	(319.05)	(613.94)
Prior Period Adjustment - Credit	11.33	—
Profit/(Loss) after tax	(307.82)	(614.13)
Carried forward Profit / (Loss) of earlier years	(3102.96)	(2488.83)
Balance of Profit / (Loss) carried to Balance Sheet	(3410.78)	(3102.96)

PERFORMANCE REVIEW

The clinker production during the year was 7,87,055 metric tonnes compared to 6,65,810 metric tonnes in the previous year, registering a growth of 18%. The cement production during the year was 7,28,322 metric tons as compared to 6,44,740 metric tons of the previous year, registering a growth of 13%.

The Company has earned a Profit of Rs.66.87 Million before interest, depreciation & Misc. Expenses written off for the year as against the Loss of Rs. 217.52 Million in the previous year.

The Consortium of bankers have sanctioned relief in rate of interest in terms of RBI circular dated 12th February 2001 and hence the interest cost has reduced for the year as compared to previous year from 300.51 million to Rs.288.81 million. The net loss before Interest, Depreciation and Tax was Rs.319.05 million and net loss after Tax was Rs.307.82 million as against Rs.613.94 Million and Rs.614.13 million respectively, in the previous year.

DIVIDEND

In the absence of profit during the year and carry forward loss, the Directors express their inability to recommend payment of any dividend for the year.

MARKETING MANAGEMENT

As you are aware, the Company had implemented a plan for joint marketing of its products with Saurashtra Cement Limited. The marketing resources of both the companies have been pooled to improve the efficiency and effectiveness of marketing efforts. After detailed study, an action plan was drawn up for improving the efficiency and logistics for marketing of the product of both the companies. Arrangement has also been made to use Brand of both the companies to take maximum advantage of the Brand image in respective market.

FUTURE PLANS

To improve the financial performance, the Company proposed to implement the following investment proposals as envisaged under the Draft Rehabilitation Scheme (DRS) :-

- Ø Installation of Captive Power Plant.
- Ø Construction of Captive Jetty close to Plant.

With the above measures, the Company will be able to improve its financial performance.

DRAFT REHABILITATION SCHEME (DRS)

The Company had submitted its comprehensive plan for modification in the sanctioned scheme to reduce its cost of production. The State Bank of India, Operating Agency circulated their appraisal report on the proposal submitted by the company to all the secured lenders and Government of Gujarat stating that the scheme is drawn under RBI parameters and is a viable scheme. The said report was under active consideration of all the parties. However, in the meantime, the Hon'ble BIFR passed order dated 29.11.2001, directing, inter-alia, for issue of advertisement for change of management and to prepare a Draft Rehabilitation Scheme (DRS). The Company challenged the aforesaid order of Hon'ble BIFR before the Hon'ble Appellate Authority for Industrial & Financial Reconstruction (AAIFR) and the Hon'ble AAIFR had admitted the appeal and stayed the impugned order passed by the Hon'ble BIFR.

The Hon'ble AAIFR in its order dated 19.2.2002 had concluded that in view of repayments made by the Company and the scheme prepared by SBI, Monitoring Agency (MA) being viable, an opportunity should be given to GSCL's promoters to implement the scheme. Accordingly, Hon'ble AAIFR had circulated the said scheme to all the lenders and other concerned agencies inviting their comments by 30th April, 2002, under section 19(2) read with 18(3) of Sick Industries (Special Provisions) Act, 1985. In the last hearing before the Hon'ble AAIFR held on 27.5.2002 wherein all the objections from various lenders, Government of Gujarat and other concerned parties were discussed. The Hon'ble AAIFR directed the SBI (MA) to re-work the DRS in accordance with the decision taken in the hearing held on 27.5.2002 and circulate the same to all concerned at least 5 days before the next hearing scheduled to be held on 4.7.2002.

AUDITORS' OBSERVATIONS

In respect of remarks of Auditors, attention of members is invited to Note No.2 in Schedule 14 of Notes on Accounts, which are self explanatory and do not require elucidation.

PUBLIC DEPOSITS

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

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



Gujarat Sidhee
Cement Limited

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.

DIRECTORS

Shri Sanat Mehta, Shri Sampath Sridhar and Shri S.V. S. Raghavan shall retire by rotation and being eligible offer themselves for reappointment.

Since the last Directors' Report there has been changes in the Directorship of the Company. The nominations of Shri R.C. Razdan, has been withdrawn by IDBI and Shri P.T. Thomas has been nominated in his place. Shri P.K. Behl has been appointed as Nominee Director of LIC. Government of Gujarat / GIC has withdrawn the nomination of Shri M.R. Gami and Dr. N. R. Desai has been nominated in his place. Shri P. Niranjani has been appointed as a Nominee Director of SBI, in place of Shri Anup Banerji.

Shri Vipin Malik has been appointed as Alternate Director to Shri M.N. Mehta, Chairman.

The Board places on record its appreciation to the valuable services rendered by Shri R.C. Razdan, Shri M.R. Gami and Shri Anup Banerji, 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 Exchange 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 2002-2003 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 2001-2002 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.

CORPORATE GOVERNANCE

The Company has complied with the mandatory provisions of Corporate Governance as prescribed under the Listing Agreement of the Stock Exchanges on which the company is listed. A separate report on Corporate Governance is produced as part of this Annual Report along with the Auditors' Certificate on its compliance.

The Management Discussion and Analysis Report on the operations of the company is provided in a separate section and forms parts of this Report.

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.
- ❖ 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 have 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), The Appellate Authority for Industrial & Financial Reconstruction (AAIFR), 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

R.K. Poddar
Dy. Managing Director

M.S. Gilotra
Managing Director

Mumbai, dated 28.6.2002.

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Gujarat Sidhee
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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 31.3.2002.

A. CONSERVATION OF ENERGY :

(a) ENERGY CONSERVATION MEASURES TAKEN :

1. Installation of Variable Frequency Drives in Cooler Fan to save electrical energy.
2. Installation of Capacitor Bank for Improvement of power factor.
3. Pet coke introduced as alternate fuel to reduce the cost of imported coal.

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

The Company proposed to implement investment proposals viz. installation of Captive Power Plant as envisaged under the DRS.

(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.

There is an improvement in consumption of thermal energy as well as electrical energy.

(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.

	2001-2002	2000-2001
Used	6.30	43.57
Earned	17.91	73.16

On behalf of the Board of Directors

Mumbai, dated : 28.6.2002.

R. K. Poddar
Dy. Managing Director

M.S. Gilotra
Managing Director