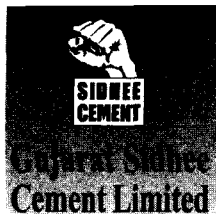


30th ANNUAL REPORT 2002-2003



**GUJARAT SIDHEE
CEMENT LIMITED**



Board of Directors

As on 30.7.2003

| | |
|----------------------|--|
| Shri M.N. Mehta | <i>Chairman</i> |
| Shri Jay Mehta | <i>Executive Vice-Chairman</i> |
| Shri Sanat Mehta | <i>Nominee of The Mehta International Limited</i> |
| Shri Jesper Horsholt | <i>Nominee of F.L. Smidth & Co. A/S, Denmark</i> |
| Dr. Nayan Desai | <i>Nominee of GILC Limited</i> |
| Shri K. Lalit | |
| Shri M.L. Tandon | |
| Shri S.V.S. Raghavan | |
| Shri S.M. Kanwar | <i>Special Director, BIFR</i> |
| Shri P.T. Thomas | <i>Nominee of IDBI</i> |
| Shri R.K. Behl | <i>Nominee of LIC</i> |
| Shri P. Niranjana | <i>Nominee of SBI</i> |
| Shri M.S. Gilotra | <i>Managing Director</i> |
| Shri Raj K. Poddar | <i>Dy. Managing Director</i> |

SR. VICE PRESIDENT (FINANCE) & COMPANY SECRETARY

Shri V.R. Mohnot

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

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

CONTENTS

Page No. (s)

| | |
|-------------------------|----|
| Notice | 3 |
| Directors' Report | 8 |
| Corporate Governance | 16 |
| Auditors' Report | 26 |
| Balance Sheet | 28 |
| Profit and Loss Account | 29 |
| Schedules 1 to 15 | 30 |
| Cash Flow Statement | 42 |



GUJARAT SIDHEE CEMENT LIMITED

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

NOTICE

Notice is hereby given that the Thirtieth Annual General Meeting of the Shareholders of the Company will be held on Thursday, the 25th September, 2003 at 10.00 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, 2003 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 audit of accounts for the financial year 2003-2004 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 :

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

"RESOLVED THAT in supercession of the Resolution passed at the last Annual General Meeting of the company on the subject and 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. 170,00,00,000 (Rupees One Hundred Seventy Crores only) divided into 17,00,00,000 (Seventeen Crores) Equity Shares of Rs. 10/- each"

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

"RESOLVED FURTHER THAT in supercession of the Resolution passed at the last Annual General Meeting of the company on the subject and 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. 170,00,00,000 (Rupees One Hundred Seventy Crores only) divided into 17,00,00,000 (Seventeen Crores only) Equity Shares of Rs. 10/- (Rupees Ten each) 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



**Gujarat Sidhee
Cement Limited**

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."

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

"RESOLVED THAT in supercession of the Resolution passed at the last Annual General Meeting of the company on the subject and 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. 170,00,00,000 (Rupees One Hundred Seventy Crores) divided into 17,00,00,000 (Seventeen Crores) 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."

8. 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 61 and other applicable provisions of the Companies Act, 1956 and Clause 5.2 and 6.1 and other applicable provisions of the Securities & Exchange Board of India (De-listing of Securities) Guidelines 2003 (hereinafter referred to as "de-listing guidelines) 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 de-list the Equity Shares of the company from the Stock Exchanges at Ahmedabad, Calcutta, Delhi and Rajkot."

"RESOLVED FURTHER THAT Board be and is hereby authorized to settle all questions, difficulties or doubts that may arise in regard 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 or 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 its Directors or any of the Officers 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

V. R. Mohnot

Sr. Vice President (Fin.) & Company Secretary

MUMBAI, dated : 30.7.2003

Registered Office :

"Sidheegram"

Off Veraval-Kodinar Highway

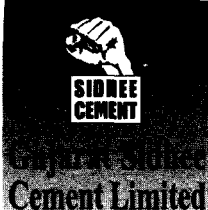
Pin 362 276.

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. 5 to 8 is annexed hereto.
3. Re-appointment of Directors :
At the ensuing Annual General Meeting Shri K. Lalit and Shri M.L. Tandon, 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 15th September, 2003 to 25th September, 2003 (both days inclusive) 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 Registrar and Transfer Agents at : M/s. Intime Spectrum Registry Ltd., C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West) Mumbai 400 078, 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.
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.
9. **Shares of the company are required to be compulsorily traded in demat form from 22nd March, 2000. If you have therefore not demated your shares, you are requested to please do the same at the earliest.**



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

ITEM NOS. 5, 6 & 7.

At the 29th Annual General Meeting of the Company held on 19.9.2002, Shareholders approval for increase in Authorised Share Capital from Rs. 150,00,00,000 (Rupees One Hundred Fifty Crores) 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 was obtained. However, pursuant to the Rehabilitation Scheme sanctioned by the Hon'ble AAIFR resting with its order dated 21.11.2002, the company is required to issue shares to the maximum extent of Rs. 28,34,00,000/- (Rupee Twenty Eight Crores Thirty Four Lakhs only) to the Promoters. The present issued share capital of the company stands at Rs. 139 Crores. Because of pendency of the Scheme and financial constraint at relevant time, the Company could not act upon the Resolution passed at the last Annual General Meeting, which is now placed before the shareholders for approval.

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, thus leaving a balance of unissued capital of Rs. 11 Crores.

Pursuant to the Rehabilitation Scheme sanctioned by the Hon'ble AAIFR, resting with its Order dated 21.11.2002, interalia, provides for setting up of Captive Power by installation of D.G. Sets and Captive Jetty. The said Rehabilitation Scheme 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. 170 Crores by creation of 2,00,00,000 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 (5) 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 and Clause V of the Memorandum of Association in the items 6 and (7) of the Notice is intended to reflect the increased Authorised Capital of the Company.

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 10.00 a.m. & 12.00 noon.

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.

ITEM NO. 8.

In order to provide liquidity to the shareholders and investors, the Company's equity shares were listed on the Stock Exchanges at Mumbai, Delhi, Calcutta, Ahmedabad, Rajkot and National Stock Exchange. The Bulk of the trading in the Company's Equity takes place on BSE and NSE.

It has been observed that since the last few years, trading in equity shares of the Company on the Stock Exchanges at Calcutta, Delhi, Ahmedabad and Rajkot are negligible and is disproportionate to the listing fees payable by the Company to the said Stock Exchanges. Owing to expansion of BSE and emergence of NSE and their extensive networking and extension of their terminals to various cities, investors have access to on-line dealing in the Company's Equity shares on such terminals across the country.

The Company has been spending considerable amount of money on listing fees, advertisement in newspapers in respect of various provisions of the Listing Agreements, facsimile communication etc. and

no particular benefit is available to the shareholders of the Company by continuing the listing of the Equity Shares on the said Stock Exchanges.

In the above circumstances, it is considered desirable to delist the equity shares of the Company at Calcutta, Delhi, Ahmedabad and Rajkot Stock Exchanges subject to the company complying with various provisions of SEBI (Delisting of Securities) Guidelines, 2003 ('the Delisting Guidelines') and obtaining requisite approvals, permissions and sanctions if required in this regard.

The Company's Equity Shares, however, will continue to be listed on BSE and NSE.

In terms of the Delisting Guidelines, a public announcement regarding the proposed delisting will be published. The delisting will take effect only after all approvals, sanctions and permissions as may be required have been received. The exact date thereof will be suitably notified at that time.

Due to availability of trading facilities on the connectivity of BSE and NSE in most of the cities across the country, the proposed delisting of the company's equity shares on the aforesaid Stock Exchanges will not be prejudicial to, or effect the interest of the investors/shareholders.

The Directors recommend the Special Resolution for the approval of the members.

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

By Order of the Board of Directors

V. R. Mohnot

Sr. Vice President (Fin.) & Company Secretary

MUMBAI, dated : 30.7.2003

Registered Office :
"Sidheegram"

Off Veraval-Kodinar Highway

Pin 362 276.

Dist. Junagadh (Gujarat).

DIRECTORS' REPORT

Dear Members,

The Directors present the 30th Annual Report along with the Audited Accounts and Auditors Report for the year ended 31st March 2003.

During the year under review, cement consumption in India increased by 8.67 percent (from 99.01 million metric tonnes to 107.59 million metric tonnes) and installed capacity increased from 129.76 million metric tonnes in 2001-2002 to 136.97 million metric tonnes in 2002-2003.

The Gujarat market witnessed a reduction in consumption of 2 percent (7.38 million metric tonnes from 7.53 million metric tonnes), whereas the installed capacity increased from 13.88 million metric tonnes to 14.38 million metric tonnes. Supplies from neighbouring states (mainly Rajasthan) increased to 26.7 percent of consumption of cement in Gujarat (from 1.89 million metric tonnes in 2001-2002 to 1.97 million metric tonnes in 2002-2003).

The State of Gujarat has suffered a series of setbacks including droughts in three out of the last four years, the devastating earthquake and the civil riots. These factors have resulted in reduced demand and pressure on the price of cement in the Gujarat market.

Exports, on the other hand witnessed a considerable surge during the year under review enabling the company to produce close to capacity. Prices in the export markets have also improved during the year. The reconstruction of Iraq and the booming demand in the Gulf abode well for exports of cement and clinker from Gujarat.

FINANCIAL RESULTS

The highlights of the financial results for the year ended 31st March 2003 are given below:

| | Current Year (2002-2003) | Previous Year (2001-2002) |
|---|-----------------------------|------------------------------|
| Sales & Other Receipts | 1772.01 | 1749.17 |
| Profit/(Loss) before interest, Depreciation and Misc. Expenses Written Off and extraordinary items. | 30.63 | 66.87 |
| Interest | 66.82 | 288.81 |
| Profit/(Loss) before Depreciation & Misc. Expenses Written Off. | (36.19) | (221.94) |
| Depreciation and Misc. Expenses written off | 97.51 | 97.11 |
| Profit/(Loss) before Extra Ordinary items and Deferred Tax Assets | (133.69) | (319.05) |
| Extra Ordinary Items | 805.20 | NIL |
| Deferred Tax Assets | 965.29 | NIL |
| Prior Period adjustment - Credit | NIL | 11.33 |
| Profit/(Loss) after tax | 1636.70 | (307.82) |
| Carried forward Profit/(Loss) of earlier years | (3410.78) | (3102.96) |
| Balance of Profit/(Loss) carried to Balance Sheet | (1774.08) | (3410.78) |

The results for the year ended 31.3.2003 are not strictly comparable with the previous year, in view of the accounting of reliefs and concessions in accordance with sanctioned scheme by Hon'ble Appellate Authority for Industrial & Financial Reconstruction (AAIFR) resting with their order dated 21.11.2002 and recognising of tax credit assets for the year under report.

PERFORMANCE REVIEW

Production and Despatches

The volume of cement production during the year was 540,240 metric tonnes compared to 728,322 metric tonnes in the previous year. The clinker production during the year was 1,067,450 metric tonnes

compared to 787,055 metric tonnes in the previous year. The total sale of cement during the year was 591,290 metric tonnes as compared to 800,927 metric tonnes in the previous year, while the clinker sale during the year was 653,224 metric tonnes compared to 90,319 metric tonnes in the previous year. Cement production and sales during the year were lower by 26 percent and 26 percent respectively compared to the previous year due to self restrictions in cement despatches to low realisation markets.

The production of cement had to be restricted to the extent of demand for cement in Gujarat. Clinker production went up substantially on account of the substantial increase in the export of clinker. Clinker production and sale were higher by 36 percent and 623 percent respectively as compared to the previous year.

Cost Reduction

The company increased the use of Pet Coke (which is cost effective and available indigenously as against high cost imported coal) to over 50 percent of fuel used thereby resulting in significant savings in manufacturing costs.

Tight controls coupled with productivity improvements and close monitoring saw decrease in power consumption from 91 kwh/metric tonne in the previous year to 84.2 kwh/metric tonne during the year under review. The fuel consumption during the year was slightly higher at 813 Kcal/kg as compared to 808 Kcal/kg in the previous year. However, the Company could save Rs. 8/- per ton of Clinker by usage of Petcoke.

MARKETING

Gujarat

The Company's major thrust this year was to revitalize its position in the primary market of Gujarat. For the year under review, the consumption of cement in Gujarat has been 7.38 million metric tonnes compared to 7.53 million metric tonnes during 2001-2002, registering a decrease of nearly 2 percent.

The Company's despatches within Gujarat during the same period April 2002 – March 2003 have been 519,000 metric tonnes as compared to 594,000 metric tonnes during the corresponding period last year registering a decrease of 13 percent since the company has withdrawn from certain markets that continue to give lower realisation.

Maharashtra

For the year April 2002 to March 2003, the consumption of cement in Maharashtra has been 14.2 million metric tonnes compared to 13.2 million metric tonnes during 2001-2002, registering a growth of 7 percent.

The Company's despatches to Maharashtra during the year have been 11,000 metric tonnes as compared to 123,000 metric tonnes during last year registering a reduction of 91 percent due to lower price.

Kerala

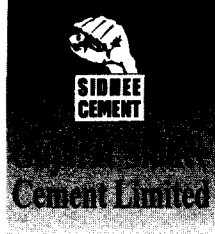
For the year, April 2002 – March 2003, the consumption of cement in Kerala has been 5.36 million metric tonnes compared to 4.56 million metric tonnes in 2001-2002, a growth of 17.5 percent compared to last year. No despatches were carried out to Kerala during the year under review, in view of lower contribution as compared to contribution from export due to higher cost of freight.

Rajasthan

For the year, April 2002 – March 2003, the consumption of cement in Rajasthan has increased to 6.16 million metric tonnes compared to 5.21 million metric tonnes during 2001-2002, registering a growth of more than 18 percent.

The Company's despatches to Rajasthan during the year under review has reduced to 5,000 metric tonnes compared to 23,000 metric tonnes during the corresponding period of last year registering a reduction of 78 percent.

The low prices prevalent in Rajasthan make despatches to Rajasthan unremunerative.



Exports

A total of 563,732 metric tonnes of clinker has been exported during the year under review as compared to 21,000 metric tonnes in the previous year. Clinker was exported to Qatar, Mozambique, Sri Lanka and the UAE. Progress has been made to increase the load rates at the ports. During the year, a maximum load rate of 25000 metric tonnes per day (average load rate 15,962) was achieved.

REHABILITATION

During the year, the Honorable AAIIR has sanctioned a Rehabilitation Scheme for the company as prepared by the Monitoring Agency, the State Bank of India. The Rehabilitation Scheme interalia include following material concessions and reliefs:

From Financial Institutions

1. Reduction in rate of interest on existing term loans w.e.f. 1.4.1997
2. Waiver of compound and penal interest w.e.f. 1.4.1997
3. Grant of fresh term loans of Rs. 28.27 crores for captive power plant.
4. Funding of interest upto 31.3.2004
5. Existing Term Loans to be repaid in 7 years starting from 1.4.2004

From Banks

1. Working Capital Term Loan comprising Drawing Power shortfall/devolved L.Cs outstanding
2. Working Capital Term Loan (WCTL) comprising interest paid on working capital facilities from 1.2.1997 to 31.3.2001
3. Funded Interest Term Loan (FITL) comprising unpaid interest from 1.4.1997 to 31.3.2001 on Working Capital facilities
4. Waiver of Penal Interest
5. Moratorium upto March 2004 on WCTL/FITL and on interest charged on WCTL/FITL from 1.4.2001 to 31.3.2004. Repayment of WCTL/FITL and interest thereon will be made in 7 years from 1.4.2004.
6. Grant of fresh term loan of Rs. 9.40 Crores for Captive Power Plant and construction of Jetty carrying interest at PLR with moratorium upto March 2004. Repayment in 7 years from 1.4.2004.
7. WCTL & FITL to carry interest at 1% and 2% below PLR respectively.
8. Reduction in margin on Stocks and debtors.

From Gujarat Government

1. Waiver of past interest on Sales Tax, Electricity Duty and Sales Tax thereon, Turnover Tax and Royalty dues.
2. Moratorium upto 31.3.2004 for payments of deferred Sales Tax.
3. Further interest free deferment of Electricity Duty and Sales Tax thereon on the power drawn from the State Electricity Board from 1.10.2000 till one year from the sanction of the scheme i.e. upto 20.11.2003.
4. Repayment of all deferments, interest free, over a period of 7 years starting from 1.4.2004.
5. Exemption of Electricity Duty on Captive Power for a period of 10 years, considering it as a pipeline project

The aforesaid waivers have resulted in write back of excess provision to the extent of Rs. 805.20 million. The scheme is under implementation and the banks & FIs have formally sanctioned the aforesaid loans. The Promoters have brought in Rs. 200 lakhs as their part contribution to the scheme.

Civil contracts have already been awarded for installation of two DG Sets and a Captive Jetty to handle Bulk Cement, Clinker and coal.

The installation of DG Sets and subsequent generation of captive power is expected to result in savings in cost of Production and Cost of Sales.