

## 32nd ANNUAL REPORT 2004-2005

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**GUJARAT SIDHEE CEMENT LIMITED**



**Gujarat Sidhee  
Cement Limited**

## **Board of Directors**

As on 24.5.2005

Mr. M.N. Mehta	<i>Chairman</i>
Mr. Jay Mehta	<i>Executive Vice-Chairman</i>
Mr. Sanat Mehta	<i>Nominee of The Mehta International Limited</i>
Mr. Peter Gorm Christiansen	<i>Nominee of F.L. Smidth A/S, Denmark</i>
Mr. G. C. Murmu	<i>Nominee of GLIC Limited</i>
Mr. M.S. Gilotra	<i>Managing Director</i>
Mr. R. K. Poddar	<i>Deputy Managing Director</i>
Mr. M. L. Tandon	
Mr. S.V.S. Raghavan	
Mr. P. T. Thomas	<i>Nominee of IDBI</i>
Mr. P. K. Behl	<i>Nominee of LIC</i>
Mr. L. Mahapatra	<i>Nominee of SBI</i>

### **SR. VICE PRESIDENT (FINANCE) & COMPANY SECRETARY**

Mr. 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.

<b>CONTENTS</b>	<b>Page No. (s)</b>
Notice	03
Directors' Report	06
Auditors' Report	25
Balance Sheet	30
Profit and Loss Account	31
Cash Flow Statement	32
Schedules 1 to 15	33



## GUJARAT SIDHEE CEMENT LIMITED

Regd. Office : "Sidheeagram", Off Veraval-Kodinar Highway

Pin 362 276, Dist. Junagadh, Gujarat.

### NOTICE

Notice is hereby given that the Thirty Second Annual General Meeting of the Shareholders of the Company will be held on Friday, the 16th September, 2005 at 4.00 P. 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, 2005 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 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 2005-2006 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. 2,25,000/- per annum (Rupees Two Lakhs Twenty Five Thousand 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 with-out modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Shri S.V.S. Raghavan, who was appointed as an Additional Director of the company, by the Board of Directors on 28<sup>th</sup> January, 2005 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

**V. R. Mohnot**

Sr. Vice President (Fin) & Co. Secretary

MUMBAI, dated : 11<sup>th</sup> August, 2005

Registered Office :

"Sidheeagram"

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 No.5 is annexed hereto.
3. Re-appointment of Directors :  
  
*At the ensuing Annual General Meeting Shri Sanat M Mehta 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) (Appointment of Directors) of Corporate Governance Report annexed to Directors Report.*  
  
*Shri S.V.S. Raghavan, who has been appointed as Additional Director of the Company on 28<sup>th</sup> January, 2005, will retire at this Annual General Meeting. The profile of Shri Raghavan is given under para (iv) (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 from 10th September, 2005 to 16th September, 2005 (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 Pin code, members are request 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 22<sup>nd</sup> 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 No. 5 :**

Shri S.V.S. Raghavan was appointed as Additional Director of the company with effect from 28<sup>th</sup> January, 2005. According to the provisions of Section 260 of the Companies Act, 1956 he holds office as a Director only upto 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 S.V.S. Raghavan, 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 S.V.S. Raghavan none of the other Directors is interested in the said Resolution.

By Order of the Board of Directors

**V.R. Mohnot**

Sr. Vice President (Fin) & Co. Secretary

MUMBAI, dated : 11<sup>th</sup> August, 2005.

Registered Office :

"Sidheegram"

Off Veraval-Kodinar Highway

Pin 362 276.

Dist. Junagadh (Gujarat).



**Gujarat Sidhee  
Cement Limited**

## **DIRECTORS' REPORT**

### **Dear Members,**

The Directors present the 32<sup>nd</sup> Annual Report along with the Audited Accounts and Auditors Report for the year ended 31<sup>st</sup> March 2005.

During the year under review, cement consumption on an All India basis increased by 6.33 percent (from 113.86 million tonnes to 121.07 million metric tonnes) and installed capacity increased from 144.30 million tonnes in the year ending March 2004 to 150.14 million tonnes in the year ending March 2005.

The cement consumption in Gujarat increased by about 8 percent to 8.71 million tonnes for the year ending March 2005 as against 7.84 million tonnes in the previous year.

Clinker exports from Gujarat during the year under review declined to 4.4 million tons from 4.71 million tons in the previous year. However, exports of cement increased to 3.08 million tonnes during the year under review as against 2.50 million tonnes in the previous year.

### **FINANCIAL RESULTS**

The highlights of the financial results for the year ended 31<sup>st</sup> March 2005 are given below:

	In Million Rupees	
	<b>Current Year (2004 - 2005)</b>	<b>Previous Year (2003 - 2004)</b>
Sales & Other Receipts (Net of Excise)	<b>1786.51</b>	1428.55
Profit / (Loss) before interest, Depreciation and Misc. Expenses Written Off	<b>(34.44)</b>	(81.69)
Interest	<b>75.71</b>	64.64
Profit/(Loss) before Depreciation & Misc. Expenses Written Off.	<b>(110.15)</b>	(146.33)
Depreciation and Misc. Expenses written off	<b>91.25</b>	98.14
Profit/(Loss) before Extra Ordinary items and Deferred Tax Assets	<b>(201.40)</b>	(244.47)
Deferred Tax Assets	<b>7.19</b>	84.49
Profit/(Loss) after tax	<b>(194.31)</b>	(159.98)
Carried forward Profit/(Loss) of earlier years	<b>(1934.06)</b>	(1774.08)
Balance of Profit/(Loss) carried to Balance Sheet	<b>(2128.37)</b>	(1934.06)

### **PERFORMANCE REVIEW**

#### **Production and Despatches**

The production of cement during the year under review was 0.55 million tonnes as against 0.60 million tonnes in the previous year. The production of clinker during the year under review was 1.07 million tonnes as against 1.04 million tonnes in the previous year. The sale of cement during the year was 0.55 million tonnes as against 0.63 million tonnes in the previous year. The Company exported 0.65 million tonnes of clinker and sold 0.08 million tonnes in the local market as compared to 0.49 million tonnes and 0.04 million tonnes respectively in the previous year.

#### **Cost Reduction**

The Company continued to use indigenously available pet coke mixed with imported coal to the extent of 46.28 percent of fuel used, thereby offsetting the high cost of imported coal. However, during the year the cost of raw materials, coal, pet coke and fuel increased substantially resulting in lower contribution. The inward and outward freight also increased due to substantial hike in prices of petroleum products.

**Marketing**

During the year under review, the total sales, including exports, were 1.28 million tonnes as against 1.16 million tonnes, an increase of about 10 percent over the previous year. Out of the total sales, about 34 percent were sold in the international markets. The prices were under pressure for major part of the year but firmed up from January 2005 onwards.

**Exports**

The Company exported 0.65 million metric tonnes of clinker during the year under review as against 0.49 million metric tonnes in the previous year. There has been a continued growth in demand for cement and clinker in the Gulf region and cement companies located in Gujarat are well placed to meet this demand. It is expected that a growth in consumption of cement in the Gulf region will continue for the next 2-3 years.

**Rehabilitation**

A Revival Scheme was sanctioned by the Hon'ble AAIFR in November 2002 envisaging setting up of a captive Power Plant and construction of Jetty with mechanised loading and unloading facilities near the factory, relief and concessions from the Banks/Financial Institutions & Government of Gujarat and further equity infusion. Further, the sanctioned rehabilitation scheme inter alia provides for restructuring of debts, grant of fresh loans and subscription to share capital for financing the cost of the scheme.

The Government of Gujarat filed a Writ Petition in the Gujarat High Court challenging the order of the Hon'ble AAIFR contending that the parity in sacrifice should be observed in absolute amounts and not in terms of percentage of outstandings. The petition has not yet been admitted by the Hon'ble High Court of Gujarat. The Financial Institutions and Banks decided not to disburse the loans pending the disposal of the petition. This has resulted in delays in the sanction and documentation procedures and no funds have been disbursed by the Banks/Financial Institutions. As a result, the company could not implement the cost saving projects.

The DG sets as envisaged in the rehabilitation scheme could not be acquired since the party could not supply it free from encumbrance as envisaged in the MOU. In view of the substantial delay in clearance, the company started looking for similar other sets and has finally located 6 Nos of 5.2 MW each DG sets at a considerably lower cost compared to as envisaged in the scheme and has imported the same. The said sets are under installation and is likely to be operational before end of the year.

**Future Outlook**

During the year 2004-2005, the economy achieved an impressive GDP growth of 8 percent. In the current year, considering the prediction of a satisfactory monsoon throughout the country, the tempo of GDP growth is likely to be maintained which is expected to result in growth in demand of cement, a basic material for housing and infrastructure development.

Long term prospects of the cement industry in India as well as in Gujarat continue to remain bright. The growth in the infrastructure sector especially roads and irrigation, is expected to result in demand growing up over 8 percent per annum. Moreover, the construction boom in the U.A.E. and other Gulf countries will help the plants to Gujarat export their surplus production, ensuring full capacity utilization.

The areas of concern remain the high cost of energy, fuel and transport. The Installation of a captive power plant as per the rehabilitation scheme will help in reducing the cost of production in the future.

**Dividend**

In view of the carried forward losses, the Directors express their inability to recommend any dividend for the year.

**Auditors' Observations**

In respect of remarks of Auditors, attention of members is invited to Note No.1 of Schedule 15 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, during the year.



**Gujarat Sidhee  
Cement Limited**

### **Cash Flow Statement**

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

### **Common Share Transfer Agency**

The company has appointed M/s. Intime Spectrum Registry Limited, pursuant to the directions from the SEBI as Common Share Transfer Agency.

### **Directors**

Mr. Sanat M. Mehta and Mr. M. L. Tandon, shall retire by rotation and being eligible offer themselves for reappointment.

Mr. S. V. S. Raghavan appointed as Additional Director pursuant to Section 260 of the Companies Act, 1956 on 28.1.2005. The aforesaid director shall retire at the ensuing Annual General Meeting of the Company and in respect of which the Company received requisite notice together with prescribed deposit proposing his appointment.

The Board regrets to inform that during the course of the year, the Company lost two senior most Directors namely Mr. S. M. Kanwar and Mr. K. Lalit who passed away on 11.7.2004 and 20.2.2005 respectively. Both the gentlemen were Directors of the Company since 30.1.2001 and 6.11.1986 respectively. The Board places on record its appreciation of the valuable services rendered by the aforesaid directors during their tenure as a member of the Board.

### **Listing of Equity Shares**

The company's equity shares are listed on the Stock Exchanges at Mumbai and National Stock Exchange.

### **Auditors**

M/s. Manubhai & Company, 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 30<sup>th</sup> October, 1998 issued under section 233-B of the Companies Act, 1956, your Directors have appointed M/s. K.G.Goyal & Co., as Cost Auditors of the company for the year 2004-2005 subject to the approval of the Central Government.

### **Particulars of Employees**

Particulars of the employees as required under section 217(2A) of the Companies Act, 1956 are not given, since none of the employees employed through out the year or for part of the financial year 2003-2004 was 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)(e) 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 1, 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**

A separate report on the compliance with Clause 49 of the Listing Agreement with the Stock Exchanges on Corporate Governance and the Auditors' Certificate on its compliance forms part of this Report.



**Management Discussion and Analysis Report**

The Management Discussion and Analysis Report on the Operations of the Company is provided in a separate section and forms part of this Report.

**Directors' Responsibility Statement**

Your Directors confirm:

- 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.

**ACKNOWLEDGEMENT**

The Directors wish to thank the Hon'ble Board for Industrial & Financial Reconstruction (BIFR), The Hon'ble 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 24th May, 2005



Gujarat Sidhee  
Cement Limited

## 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 31.03.2005.**

### A. CONSERVATION OF ENERGY :

#### (a) ENERGY CONSERVATION MEASURES TAKEN :

1. Increase in volume of precalciner & Riser Duct for reduction in pressure loss and subsequent improvement in throughput.
2. Retrofit of ESP Fan (Kiln ESP) impeller to improve efficiency from 35 to 75%.
3. Replacement of all generated static separator with dynamic classifier for Coal Mill.
4. Modification to Cone and Inlet Duct of top cyclone PH string to reduce return dust.
5. Commissioning of DCS system for Plant operation to replace FLS 500 that in turn improved operational efficiency.
6. Conventional Insulation is replaced with improved quality to reduce radiation in entire pyro processing system for thermal energy conservation.
7. Modification / Improvement in system to reduce electrical energy (Logic modification, Reorientation & speed reduction of drives etc.

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

1. The Company proposed to implement investment proposals viz. installation of Captive Power Plant as envisaged under the Rehabilitation Scheme sanctioned by the Hon'ble AAIFR.
2. Replacement of low efficiency machinery by high efficiency machinery.
3. Installation of down comer water spray system for PH & PC string to reduced gas volume and subsequent reduction in power for these fans.
4. Upgradation in terms of throughput and replacement of lower efficiency equipment through assimilation of technology.

#### (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 fuel as well as electrical power.

#### (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.  
The Company has **exported 552986 MT** Clinker during the year to various countries.

2. Total foreign exchange used and earned : (Rs. in Lacs)
- |        |                  |                  |
|--------|------------------|------------------|
|        | <b>2004-2005</b> | <b>2003-2004</b> |
| Used   | <b>773.36</b>    | 585.71           |
| Earned | <b>6523.10</b>   | 3532.63          |

On behalf of the Board Directors

**R. K. Poddar**  
Dy. Managing Director

**M. S. Gilotra**  
Managing Director

Mumbai, dated 24th May, 2005