

33rd ANNUAL REPORT 2005-2006

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CEMENT

GUJARAT SIDHEE CEMENT LIMITED



Board of Directors

As on 31.5.2006

Mr. M. N. Mehta

Mr. Jay Mehta

Mr. Sanat Mehta

Mr. G. C. Murmu

Mr. M. S. Gilotra

Mr. R. K. Poddar

Mr. M. L. Tandon

Mr. S. V. S. Raghavan

Mr. P. T. Thomas

Mr. P. K. Behl

Mr. T.M.N. Singh

Chairman

Executive Vice-Chairman

Nominee of The Mehta International Limited

Nominee of GILC Limited

Managing Director

Deputy Managing Director

Director

Director

Nominee of IDBI

Nominee of LIC

Nominee of SBI

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 of 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.

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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 Thirty Third Annual General Meeting of the Members of the Company will be held on Thursday, the 28th September, 2006 at 09.30 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 :

1. To consider and adopt the Audited Profit & Loss Account for the year ended 31st March, 2006 and Balance Sheet as at that date and Reports of Directors' and Auditors.
2. To appoint a Director in place of Shri G.C. Murmu, who retires by rotation, but being eligible, offers himself for reappointment.
3. To appoint a Director in place of Shri Sanat M. Mehta, who retires by rotation, but being eligible, offers himself for reappointment.
4. To consider and, if thought fit, to pass with or without modification(s), 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 2006-2007 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/- (Rupees Two Lakhs, Twenty Five Thousand only) plus Service Tax as applicable and reimbursement of travelling and out of pocket expenses actually incurred."

By Order of the Board of Directors

V. R. Mohnot
President (Fin) & Co. Secretary

MUMBAI, 27th July, 2006.

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. Re-appointment of Directors :At the ensuing Annual General Meeting Shri G.C. Murmu and Shri Sanat M Mehta, shall retire by rotation and being eligible, offer themselves for re-appointment. Pursuant to Clause 49 of the Listing Agreement, the profile of the above directors are given under para (iv) (Re-appointment of Directors) in Corporate Governance Report annexed to Directors Report.
3. The Share Transfer Books and Register of Members of the Company shall remain closed from 21st September, 2006 to 28th September, 2006 (both days inclusive) for the purpose of AGM.
4. Members who have multiple accounts 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 :
 - (i) To the Depository Participants (DPs) in respect of their electronic share accounts, or
 - (ii) To the Registrar and Transfer Agents at : M/s. Intime Spectrum Registry Ltd., C-13 Pannalal Silk Mills Compound, L.B.S. Marg, Bhandup, (West) Mumbai 400 078, in respect of their physical share folios, if any.
6. Non-resident Indian Shareholders are requested to inform us immediately the change in the residential status.
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.
8. Shares of the company are compulsorily traded in demat w.e.f. 22nd March, 2000. If you have, not demated your shares, you are requested to have the same demated at the earliest.

By Order of the Board of Directors

V.R. Mohnot
President (Fin) & Co. Secretary

MUMBAI, 27th July, 2006.
 Registered Office :
 "Sidheegram"
 Off Veraval-Kodinar Highway
 Pin 362 276.
 Dist. Junagadh (Gujarat).

DIRECTORS' REPORT

Dear Members,

The Directors present the 33rd Annual Report along with the Audited Accounts and Auditors Report for the year ended 31st March 2006.

Cement consumption on an All India basis increased by 10.14% i.e. from 123.08 million tonnes to 135.56 million tonnes and installed capacity increased from 151.61 million tonnes to 157.15 million tonnes during the year 2005-2006.

Cement consumption in Gujarat increased by about 0.41 million tonnes to 9.12 million tonnes for the year ended March 2006 as against 8.71 million tonnes in the previous year. Exports of cement increased to 4.72 million tonnes as against 3.08 million tonnes in the previous year.

FINANCIAL RESULTS

The highlights of the financial results for the year ended 31st March 2006 are given below:

In Million Rupees

	Current Year (2005 – 2006)	Previous Year (2004-2005)
Sales & Other Receipts (Net of Excise)	2903.22	1786.51
Profit / (Loss) before Interest and Depreciation	426.89	(34.44)
Interest	90.81	75.71
Profit / (Loss) before Depreciation	336.08	(110.15)
Depreciation	88.86	91.25
Profit / (Loss) before Taxation and Deferred Tax Liabilities / (Assets)	247.22	(201.40)
Income Tax / Fringe Benefit Tax / Wealth tax	3.38	0.10
Deferred Tax Liabilities / (Assets)	117.17	(7.19)
Profit / (Loss) after tax	126.67	(194.31)
Carried forward (Loss) of earlier years	(2128.37)	(1934.06)
Balance of (Loss) carried to Balance Sheet	(2001.70)	(2128.37)

PERFORMANCE REVIEW

Production and Despatches

Cement production during the year was 0.93 million tonnes as against 0.55 million tonnes in the previous year, an increase of 69%. Clinker production during the year was 1.21 million tonnes as against 1.07 million tonnes in the previous year.

Cement sales during the year in domestic market was 0.71 million tonnes as against 0.55 million tonnes in the previous year. The Company exported 0.39 million tonnes of cement during the year as against nil export in previous year.

The Company exported 0.30 million tonnes of clinker and sold 0.13 million tonnes in the local market, as compared to 0.55 million tonnes and 0.18 million tonnes respectively in the previous year.

The Company continued to use indigenously available pet coke mixed with imported coal to the extent of 48% 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 and restriction on loading of material on trucks.



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Marketing and Exports.

During the year under review, the total sales including exports, were 1.53 million tonnes as against 1.28 million tonnes, an increase of about 19.5% over the previous year. Out of the total sales, about 45.5% were sold in the international market.

The Company exported 0.69 million metric tonnes of cement and clinker during the year under review as against 0.55 million metric tonnes in the previous year. There has been a continued growth in demand for cement and clinker in the Gulf region. It is expected that the growth in consumption of cement in the Gulf region shall continue. The significant aspect of the exports during the year was a shift to cement exports from clinker exports.

Rehabilitation

Members are aware that the Company's net worth had been eroded and was referred to The Board of Industrial and Financial Reconstruction (BIFR). A Revival Scheme was sanctioned by the Hon'ble Appellate Authority for Industrial and Financial Reconstruction (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, with necessary relief and concessions from the Banks / Financial Institutions & Government of Gujarat and infusion of further equity by the promoter group.

Further, the sanctioned Rehabilitation Scheme inter alia also provided for restructuring of debts, grant of fresh loans and subscription to share capital for financing the cost of the scheme.

As per the Order of Hon'ble AAIFR, the payment of interest and repayment of principal amount to Banks & Financial Institutions was to commence w.e.f. 1.4.2004. The Company had requested for extending the period of moratorium which was agreed in principle by the banks and financial institutions, subject to the approval of relevant authorities and Hon'ble BIFR.

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 outstanding. The same was however, dismissed by the Gujarat High Court. The Government of Gujarat has filed a Letters Patent Appeal in the Gujarat High Court against the dismissal of the writ and the appeal is pending for admission.

The Company is making regular payment of the dues of the Government of Gujarat and has paid off Rs. 27.28 crores during the year under report.

Issue of Shares

In terms of the order of Hon'ble AAIFR, the promoters were required to arrange additional equity contribution. During the year the promoters have brought in further funds and the company has allotted 25,00,000 equity shares of Rs.10 each aggregating to Rs.2.50 Crores.

The Company has further allotted 22,26,600 equity shares of Rs 10 each aggregating to Rs 2.23 Crores at its Board Meeting held on 31st May, 2006. The total additional capital brought in by the Promoters till 31st March, 2006 is Rs 16.92 Crores.

Jetty & D.G. Sets

As per the Rehabilitation Scheme, the Company has initiated the steps to have own captive jetty. The State Government has already approved the allotment of land for jetty site and installation of storage and handling facilities. The Company has paid for the land and taken possession. However, in view of the withholding of the loans from financial institutions, further progress on the jetty project is delayed. The D.G. Sets are installed at the plant and are under commissioning.

Future Outlook

During the year 2005-2006, the Indian economy achieved an impressive GDP growth of 8%. In the current year, considering 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.

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 increase in demand for cement. Moreover, the construction boom in the U.A.E. and other Gulf countries will help the plants in Gujarat to export their surplus production, ensuring full capacity utilization.

The areas of concern, however, are the high cost of energy, fuel and transport and competition from new capacities being added in the country by existing and new entrants.

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 13 of Notes on Accounts, which are self-explanatory and do not require clarification.

Public Deposits

The company has not invited and / or accepted any deposits, during the year.

Cash Flow Statement

Cash flow statement pursuant to Clause 32 of the listing agreement is attached and forms part of the report.

Directors

During the year, Mr. G.C. Murmu was appointed as Nominee Director-GIIC in place of Mr. N.R. Desai.

Mr. G.C. Murmu and Mr. Sanat M. Mehta shall retire by rotation and being eligible offer themselves for reappointment.

During the year, Mr. Peter Gorm Christiansen, Nominee Director of F.L. Smidth A/S, Copenhagen, resigned from the Board of Directors with effect from 26.5.2005.

The Board places their sincere appreciation to the advice, co-operation and guidance rendered by him during his tenure as a director.

Mr. T.M.N. Singh was appointed as Nominee Director of SBI in place of Mr. L. Mahapatra, at the Board Meeting held on 31st May, 2006.

Listing of Equity Shares

The company's equity shares are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange Limited (NSE) which offers on line facilities to trade in Company's shares.

The Company had made an application for delisting of shares from non – regional stock exchanges and have received letters from Delhi and Ahmedabad Stock Exchanges confirming delisting of equity shares from their stock exchanges and letter from Calcutta Stock Exchange Association Ltd and Saurashtra - Kutch Stock Exchange is awaited.

Subsidiary Company

The Company does not have any subsidiary company.

Auditors

M/s. Manubhai & Co, Chartered Accountants, Ahmedabad, the Statutory Auditor of the Company, holds office upto the date of the ensuing Annual General Meeting in accordance with the provisions of the Companies Act, 1956. The Company has received a letter under Section 224(l) (B) of the Companies Act, 1956 giving their consent to act as auditor, if appointed at the Annual General Meeting.

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, M/s. M. Goyal & Co. has been appointed as Cost Auditor of the Company for the financial year 2005-2006, subject to the approval of the Central Government.



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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 2005-2006 were drawing remuneration exceeding the limit specified in Section 217(2A) of the Companies Act, 1956 as amended from time to time.

Energy conservation, Technology Absorption and Foreign Exchange Earnings and Outgo.

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. Cement Manufacturers Association has signed a Memorandum Of Understanding with the All India Workers Federation to arrive at a industry wise settlement under Section 12(3) and 18 (3) of the Industrial Dispute Act. The settlement is valid for a period of 5 years w.e.f. 1st April, 2005 to 31st March 2010. This will go a long way in maintaining peaceful relationship with the workers.

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), Central Government, 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.

Mumbai, dated 31st May, 2006.

R. K. Poddar
Dy. Managing Director

M.S. Gilotra
Managing Director

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 31.03.2006.

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 old 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. Conventional Insulation is replaced with improved quality to reduce radiation in entire pyro processing system for thermal energy conservation.
6. 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 reduce 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.

The consumption of fuel has reduced from 813 K. Cal / Kg. of Clinker to 792 K. Cal / Kg of Clinker. Further, power consumption has reduced from 85.93 KWH per ton of cement to 84.65 KWH per ton of cement.

(d) TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION AS PER FORM "A" OF THE ANNEXURE.



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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 304,041 MT Clinker and 393,410 MT Cement during the year to various countries. Export turnover has increased by 26% during the year as compared to previous year.

2. Total foreign exchange used and earned :

	(Rs. in Lacs)	
	2005-2006	2004-2005
Used	1976.29	773.35
Earned	12960.65	6624.48

On behalf of the Board of Directors

R. K. Poddar
Dy. Managing Director

M. S. Gilotra
Managing Director

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Mumbai, dated 31st May, 2006