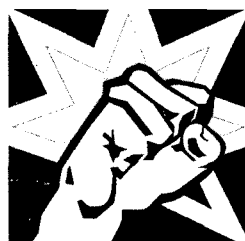


34th ANNUAL REPORT 2006 - 2007

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Sidhee
CEMENT

GUJARAT SIDHEE CEMENT LIMITED



**Gujarat Sidhee
Cement Limited**

Board of Directors

As on 31.7.2007

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. G. C. Murmu	<i>Nominee of GILC Limited</i>
Mr. P. K. Behl	<i>Nominee of LIC</i>
Mr. M.S. Gilotra	<i>Managing Director</i>
Mr. R. K. Poddar	<i>Deputy Managing Director</i>
Mr. M. L. Tandon	<i>Director</i>
Mr. S.V.S. Raghavan	<i>Director</i>

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

State Bank of Saurashtra

Union Bank of India

HDFC Bank Ltd

AUDITORS

Messrs. Manubhai & Co.
Chartered Accountants
Ahmedabad

REGISTERED OFFICE & WORKS

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

CORPORATE OFFICE

N K Mehta International House, 2nd Floor,
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 Fourth Annual General Meeting of the Shareholders of the Company will be held on Friday, the 14th September, 2007 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, 2007 and Balance Sheet as at that date and Auditors Report thereon.
2. To appoint a Director in place of Mr. M.N. Mehta, who retires by rotation, but being eligible, offers himself for reappointment.
3. To appoint a Director in place of Mr. S.V.S. Raghavan, who retires by rotation, but being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. M.L. Tandon, 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 Statutory Auditors of the Company for audit of accounts for the financial year 2007-2008 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.3,25,000/- (Rupees Three Lakhs Twenty Five Thousand Only) per annum, plus Service Tax and reimbursement of traveling and out of pocket expenses actually incurred."

By Order of the Board of Directors

V. R. Mohnot

President (Fin) & Co. Secretary

MUMBAI, dated : 31st July, 2007.

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 Annual General meeting.**
2. **Re-appointment of Directors :**
At the ensuing Annual General Meeting Mr. M.N. Mehta, Mr. S.V.S. Raghavan and Mr. 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.
3. The Share Transfer Books and Register of Members of the Company shall remain closed from Thursday, the 6th September 2007 to Friday, the 14th September, 2007 (both days inclusive) in connection with 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 Registrar and Transfer Agents for consolidation of all such shareholdings into one account to facilitate better service.
5. (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, L.B.S. Marg, 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 requested to kindly inform the Registrar their PINCODE immediately.
6. Non-resident Indian Shareholders are requested to inform us immediately the change in the residential status, if any.
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 traded in demat form and if you have therefore, not demated your shares, you are requested to please do the same at the earliest.

By Order of the Board of Directors

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

MUMBAI, dated : 31st July, 2007.

Registered Office :

"Sidheegram"

Off Veraval-Kodinar Highway

Pin 362 276.

Dist. Junagadh (Gujarat).

DIRECTORS' REPORT

Dear Members,

The Directors present the 34th Annual Report along with the Audited Accounts and Auditors Report for the year ended 31st March 2007.

FINANCIAL RESULTS

The highlights of the financial results for the year ended 31st March 2007 are given below:

(Rupees in Million)

	Current Year (2006 -2007)	Previous Year (2005-2006)
Sales & Other Receipts (Net of Excise)	4028.69	2903.22
Profit before Interest and Depreciation	803.84	426.89
Interest	117.27	90.81
Profit before Depreciation	686.57	336.08
Depreciation	94.77	88.86
Profit before Taxation and Deferred Tax Liabilities / (Assets)	591.80	247.22
Income Tax / Fringe Benefit Tax / Wealth tax	3.26	3.38
Deferred Tax Adjustment	(64.92)	(117.17)
Profit after tax	523.62	126.67
Carried forward Loss of earlier years	2001.69	2128.37
Balance of Loss carried to Balance Sheet	1478.07	2001.70

THE YEAR UNDER REVIEW

During the year under review, cement consumption on an All India basis increased by about 10 percent from 135 million tonnes to 149 million tonnes and installed capacity increased from 160 million tonnes in the year ended March, 2006 to 166 million tonnes in March, 2007.

Cement consumption in Gujarat increased to 10.1 million tonnes for the year ended March, 2007 as against 9.12 million tonnes in the previous year. Exports of cement increased to 5.12 million tonnes during the year under review as against 4.7 million tonnes in the previous year.

PERFORMANCE REVIEW

Production and Sales

Production of cement by the Company during the year under review was 1.28 million tonnes as against 0.93 million tonnes in the previous year, an increase of nearly 38 percent as compared to last year. The production of clinker during the year under review was 1.34 million tonnes as against 1.21 million tonnes in the previous year, a growth of about 10 percent.

The sale of cement by the Company during the year in domestic market was 0.99 million tonnes as against 0.71 million tonnes in the previous year. The Company exported 0.34 million tonnes of cement during the year as against 0.39 million tonnes in the previous year. The total despatch of Cement and Clinker during the year were at an all time high. Due to improved market conditions within the country, exports of Clinker were reduced and replaced by the additional production of cement which was sold in the domestic market.

Rehabilitation Scheme

Members are aware that the Company's net worth was fully eroded and it was referred to the Board of Industrial and Financial Reconstruction (BIFR). A Revival Scheme was sanctioned by the Hon'ble Appellate Authority of Industrial



and Financial Reconstruction (AAIFR) in November 2002 envisaging setting up of a Captive Power Plant and construction of a Captive Jetty with mechanised loading and unloading facilities near the factory, granting necessary relief and concessions from the Banks / Financial Institutions & Government of Gujarat and approving arrangement of equity infusion by the promoter group.

Further, the sanctioned rehabilitation scheme inter-alia also provided for restructuring and repayment of debt and grant of fresh loans 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 the modification by Hon'ble BIFR.

The Government of Gujarat had filed a Latters Patent Appeal before the Hon'ble High Court of Gujarat at Ahmedabad against the dismissal of the Writ Petition. The same is still pending for admission. However, the Company has made regular payments of the dues to Government of Gujarat in accordance with the sanctioned scheme under implementation. The Company has paid an amount of Rs.753.30 Million upto the end of the financial year 2006-07.

The Company has installed and commissioned a Captive Power Plant by setting up of six Nos. of DG sets of 5 MW each at the plant site. The State Government has approved the allotment of land for the Jetty site and the Company is in the process of installing storage and handling facilities. Further progress on the Jetty project has been delayed due to the withholdment of disbursements of fresh loans by the Financial Institutions and Banks, pending a final outcome of the petition of the Government of Gujarat.

The Company has offered a One Time Settlement proposal to all its lenders. Some of the lenders have accepted the proposal and the Company has made down payments to these lenders in the current financial year.

Increase in Authorised Share Capital

In keeping with future requirement of funds, the authorised share capital of the Company was increased from Rs.170 Crores consisting of 17,00,00,000 equity shares of Rs.10 each to Rs.500 Crores consisting of 50,00,00,000 equity shares of Rs.10 each.

Paid-up Share Capital

During the year, the Company allotted 22,26,600 Equity Shares of Rs.10 each to the promoter group company in terms of the AAIFR order. The Company further made a call of Rs.2 per share on 1,50,00,000 partly paid-up shares and has received Rs.300 lacs as call money. All the partly paid shares are fully paid up. The total additional capital brought in by the Promoters till 31st March, 2007 is Rs.19.72 Crores.

Future Outlook

During the year 2006-2007, the Indian economy achieved an impressive GDP growth of around 9 percent. Industrial Production grew by around 9.8 percent. With the growth in the economy as well as the emphasis of the country on building, housing, improved infrastructure such as Roads, SEZs, Ports etc., the growth in demand of cement is expected to remain high in the domestic market.

The present capacity of cement has been almost fully utilized and new cement production capacity is expected to be installed over the next 2 years and which may result in a demand / supply imbalance for a short period in the future.

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

The Board of Directors at its Meeting held on 30th November, 2006 approved reappointment of Mr. Jay M Mehta, Executive Vice-Chairman w.e.f. 28th May 2007, Mr. M.S. Gilotra, Managing Director w.e.f. 11th December, 2006 and Mr. R.K. Poddar, Deputy Managing Director w.e.f. 3rd December, 2006, till 31st December, 2007. The Central Government has approved re-appointment and remuneration of Mr. R.K. Poddar and the same is awaited for other managerial personnel.

Mr. M.N. Mehta, Mr. S.V.S Raghavan and Mr. M.L. Tandon shall retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

During the year, the IDBI had withdrawn the nomination of Mr. P.T. Thomas w.e.f. 7th March, 2007 & Mr. T.M.N. Singh, SBI Nominee Director has resigned from the Board of Directors with effect from 27.7.2006.

The Board places their sincere appreciation to the advise, co-operation and guidance rendered by them during their tenure as directors on the Board of Directors of the Company.

Listing of Equity Shares

The Company's equity shares are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE) which offers on line trading facilities.

The Company had made an application for delisting of shares from regional / non regional Stock Exchanges and have received letters from Delhi, Ahmedabad and Saurashtra Kutch Stock Exchanges confirming delisting of equity shares from their stock exchanges.

Approval for delisting from Calcutta Stock Exchange Association Ltd is awaited.

Auditors

M/s. Manubhai & Co, Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company, holds office upto the conclusion of the ensuing Annual General Meeting in accordance with the provisions of the Companies Act, 1956. The Company has received letter pursuant to Section 224(1) (B) of the Companies Act, 1956 signifying their eligibility to act as auditors 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., Cost Auditors, have been appointed as Cost Auditor of the Company for the financial year 2007-2008 subject to the approval of the Central Government.

Particulars of Employees

In terms of the provisions of Section 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 names and other particulars of the employees are required to be set out in the annexure to this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 the Report and Annual Accounts of the Company sent to the shareholders do not contain the said annexure. Any shareholders desirous of obtaining a copy of the said annexure may write to the President (Fin) & Company Secretary at the Registered Office of the Company.

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

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



Directors' Responsibility Statement

Your Directors confirm 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.

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.

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

R. K. Poddar

Dy. Managing Director

M. S. Gilotra

Managing Director

Mumbai, dated 31st July, 2007.

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 31-03-2007.

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

Optimisation of plant operations and improve maintenance and operation practices to achieve energy conservation.

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

Nil

(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.

Nil

(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

- Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and export plans.

The Company has exported 105382 MT of Clinker and 338079 MT of Cement during the year to various countries. Export turnover has decreased by 19 % during the year as compared to previous year.

- Total foreign exchange used and earned: (Rs. in Lacs)

	2006-2007	2005-2006
Used	1092.90	1976.29
Earned	10457.80	12960.65

On behalf of the Board of Directors

R. K. Poddar

Dy. Managing Director

M. S. Gilotra

Managing Director

Mumbai, dated 31st July, 2007.

**FORM - A** (See Rule - 2)

(Form of Disclosure of particulars with respect to Conservation of Energy)

A. POWER AND FUEL CONSUMPTION

	2006-2007	2005-2006
1. Electricity		
a. Purchased		
Unit (KWH) - Lacs	1080.81	988.07
Total Amount (Rs. in Lacs)	5999.18	5306.95
Rate / Unit (Rs.)	5.55	5.37
b. Own Generation		
I. Through diesel generator (KWH / in Lacs)	146.93	NIL
II. Fuel Cost / Electricity Duty	639.51	NIL
III. Through Steam Turbine / Generator	NIL	NIL
2. Coal & Other Fuel used as Kiln fuel.		
I. Quantity (In Million K. Cal.)	1066296	959889
II. Total cost (Rs. in Lacs)	5785.61	4687.56
III. Average rate (Rs. in Million K. Cal.)	542.59	488.34
3. H.S.D. / L. D. O.		
I. Quantity in (K. Ltrs.)	121.11	113.16
II. Total cost (Rs. in Lacs)	35.99	36.61
III. Average rate (Rs. In K. Ltrs.)	29715.41	32354.86
4. Others / Internal Generation	NIL	NIL

B. CONSUMPTION PER UNIT OF PRODUCTION

	2006-2007	2005-2006
Cement / Clinker		
I. Electricity (KWH / T of Cement)*	88.51	84.65
II. Diesel (Ltr. / T of Clinker)	0.09	0.09
III. Coal / Lignite (K. Cal. / Kg. of Clinker)	798	792
IV. Others	NIL	NIL

* Net of non - productive power.