

35th Annual Report 2007-08



SidheeTM
CEMENT

GUJARAT SIDHEE CEMENT LIMITED

Board of Directors

As on 28.01.2009

Mr. M. N. Mehta

Mr. Jay Mehta

Mr. Sanat Mehta

Mr. G. C. Murmu

Mr. M. S. Gilotra

Mr. Raj K. Poddar

Mr. M. L. Tandon

Mr. S. V. S. Raghavan

Mr. P. K. Behl

Mr. Bimal Thakkar

Mr. Hemnabh Khatau

Dr. (Ms) Kala S. Pant

Chairman

Executive Vice-Chairman

Nominee of The Mehta International Limited

Nominee of GIIC Limited

Managing Director

Deputy Managing Director

V. P. (LEGAL) & COMPANY SECRETARY

Mr. A. S. Khandwala

BANKERS

State Bank of India

State Bank of Travancore

State Bank of Bikaner & Jaipur

State Bank of Patiala

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:

N.K. Mehta International House, 2nd Floor

178, Backbay Reclamation

Mumbai 400 020.

CONTENTS

Page No. (s)

| | |
|---------------------------------------|----|
| Notice | 01 |
| Directors' Report | 08 |
| Auditors' Report | 26 |
| Balance Sheet | 30 |
| Profit and Loss Account | 31 |
| Cash Flow Statement | 32 |
| Schedules with Balance Sheet Abstract | 33 |

GUJARAT SIDHEE CEMENT LIMITED

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

NOTICE

Notice is hereby given that the Thirty Fifth Annual General Meeting of the Shareholders of the Company will be held on Thursday the 5th March, 2009 at 10.00 a.m. at the Registered Office of the Company at "Sidheegram", Off Veraval-Kodinar Highway - Pin Code 362 276, Dist. Junagadh, Gujarat, to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 30th September, 2008, the Profit and Loss Account for the year ended on that date and Director's and Auditor's Report thereon.
2. To appoint a Director in place of Mr. Sanat M. Mehta, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. G.C. Murmu, IAS, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M.N. Mehta, who retires by rotation, and being eligible, offers himself for re-appointment.
5. 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 Statutory Auditors of the Company for audit of accounts for the financial year 2008-2009 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 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 M/s. Manubhai & Co., Chartered Accountants, the Statutory Auditors of the Company be paid pro rata increased remuneration of Rs. 1,62,500/- (Rupees One lac sixty two thousand five hundred only) plus service tax and reimbursement of out of Pocket expenses for the audit of the accounts of the Company for the extended 6 months period of the financial year 2007-2008"
7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.
"RESOLVED THAT Mr. P.K. Behl, who was appointed as an Additional Director of the Company with effect from 30th July, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of 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 Mr. Hemnabh Khatau who was appointed as an Additional Director of the Company with effect from 25th October, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."
9. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.
"RESOLVED THAT Dr. (Ms.) Kala S. Pant, who was appointed as an Additional Director of the Company with effect from 25th October, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."
10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.
"RESOLVED THAT Mr. Bimal Thakkar who was appointed as an Additional Director of the Company with effect from 25th October, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."
11. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 316, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time and subject to approval of the Central Government and subject to such other consents, permissions as may be necessary, approval of the Company be and is hereby given to the re-appointment of Mr. Jay M. Mehta, as Executive Vice-Chairman of the Company for a period of 1 (one) year with effect from 1st January, 2009 to



31st December, 2009 and payment of remuneration as specified in the Explanatory Statement attached to this Notice and that the said remuneration shall be paid to him as Minimum Remuneration in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment."

"RESOLVED FURTHER THAT the Board of Directors of the Company/Committee of the Board be and is hereby authorized to alter, amend or vary the terms and conditions of the appointment as may be agreed to between the Board of Directors and Mr. Jay M. Mehta and within such guidelines or amendment as may be made to the Companies Act, 1956 or subject to approval of the Central Government or such other authority and do all such acts, deeds and things as may be necessary or expedient."

12. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 316, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time and subject to approval of the Central Government and subject to such other consents, permissions as may be necessary, approval of the Company be and is hereby given to the re-appointment of Mr. M.S. Gilotra, as Managing Director of the Company for a period of 1 (one) year with effect from 1st January, 2009 to 31st December, 2009 and payment of remuneration as specified in the Explanatory Statement attached to this Notice and that the said remuneration shall be paid to him as Minimum Remuneration in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment."

"RESOLVED FURTHER THAT the Board of Directors of the Company/Committee of the Board be and is hereby authorized to alter, amend or vary the terms and conditions of the appointment as may be agreed to between the Board of Directors and Mr. M.S. Gilotra, and within such guidelines or amendment as may be made to the Companies Act, 1956 or subject to approval of the Central Government or such other authority and do all such acts, deeds and things as may be necessary or expedient."

13. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.

"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 316, read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, as amended from time to time and subject to approval of the Central Government and subject to such other consents, permissions as may be necessary, approval of the Company be and is hereby given to the re-appointment of Mr. R. K. Poddar, as Deputy Managing Director of the Company for a period of 1 (one) year with effect from 1st January, 2009 to 31st December, 2009 and payment of remuneration as specified in the Explanatory Statement attached to this Notice and that the said remuneration shall be paid to him as Minimum Remuneration in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment."

"RESOLVED FURTHER THAT the Board of Directors of the Company/Committee of the Board be and is hereby authorized to alter, amend or vary the terms and conditions of the appointment as may be agreed to between the Board of Directors and Mr. R.K. Poddar, and within such guidelines or amendment as may be made to the Companies Act, 1956 or subject to approval of the Central Government or such other authority and do all such acts, deeds and things as may be necessary or expedient."

By Order of the Board of Directors

A.S. Khandwala

Vice President (Legal) & Co. Secretary

Mumbai: 28th January, 2009

Registered Office:

"Sidheegram"
Off Veraval-Kodinar Highway
Pin Code 362 276.
Dist. Junagadh (Gujarat).

NOTES:

- 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.**
- Re-appointment of Directors:
Pursuant to Clause 49 of the Listing Agreement relating to code of Corporate Governance, the profile of the directors proposed to be appointed/ re-appointed at the ensuing Annual General Meeting is given in the Corporate Governance Report annexed to the Director's Report.
- The Share Transfer Books and Register of Members of the Company shall remain closed from Tuesday, 3rd March, 2009 to Thursday, 5th March, 2009 (both days inclusive) in connection with the AGM.
- The documents referred in the resolutions and explanatory statement are available for inspection by any member at the Registered Office of the Company during 10.00 a.m. to 12.00 noon, on any working day upto the date of the Annual General Meeting.

5. Members who have multiple account in identical names or joint accounts in same order are requested to send their 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 demat shares accounts, and
 - (ii) To the Registrar and Transfer Agents at: M/s. Link Intime India Pvt. Ltd. (Formerly: 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 requested to inform their Pin Code immediately.
7. Non-resident Indian Shareholders are requested to inform the Registrars immediately of the change in their residential status, if any.
8. Members desiring any information on the Accounts are requested to write to the Company at least one week before the Annual General Meeting so as to enable the Management to keep the information ready and replies will be provided only at the Annual General Meeting.

By Order of the Board of Directors

A.S. Khandwala

Vice President (Legal) & Co. Secretary

Mumbai: 28th January, 2009

Registered Office:

"Sidheegram"
Off Veraval-Kodinar Highway
Pin Code 362 276.
Dist. Junagadh (Gujarat).

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

ITEM NO. 6

M/s. Manubhai & Co., Chartered Accountants were appointed as Statutory Auditors of the Company for the audit of the accounts for the financial year 2007-08 from the conclusion of last Annual General Meeting till the conclusion of ensuing Annual General Meeting at a remuneration of Rs. 3,25,000/- (Rupees Three lacs twenty five thousand only) per annum plus service tax and reimbursement of out of pocket expenses.

The Company had changed its financial year ending March to September and accordingly had extended financial year from 31st March, 2008 till 30th September, 2008 (01.04.2007 to 30.09.2008). In view of the above, the Statutory Auditors have requested for pro rata increase in their remuneration by Rs. 1,62,500/- (Rupees One lac sixty two thousand five hundred only) plus service tax and reimbursement of out of Pocket expenses. The payment of increased remuneration is recommended by the Audit Committee and approved by the Board. The Board recommends the resolution for your approval.

ITEM NO. 7 to 10:

Mr. P.K. Behl was appointed as an Additional Director by the Board of Directors at its meeting held on 30th July, 2008. Mr. Hemnabh Khatau, Dr. (Ms) Kala S. Pant and Mr. Bimal Thakkar were appointed as an Additional Directors by the Board of Directors at its meeting held on 25th October, 2008. Pursuant to the provisions of Section 260 of the Companies Act, 1956, they hold office as Directors upto the date of ensuing Annual General meeting and are eligible for re-appointment. A notice pursuant to Section 257 of the Companies Act, 1956 has been received from a member along with requisite deposit proposing the appointment of Mr. P.K. Behl, Mr. Hemnabh Khatau, Dr. (Ms) Kala S. Pant and Mr. Bimal Thakkar, as Directors of the Company.

The Board recommends the aforesaid resolutions for approval. Except the aforesaid directors, none of the other directors are deemed to be interested or concerned in their appointment.

ITEM NO. 11 to 13:

The Board of Directors of the Company at its meeting held on 25th October, 2008, subject to approval of the shareholders and the Central Government, have approved re-appointment of Mr. Jay Mehta, as Executive Vice Chairman, Mr. M. S. Gilotra as Managing Director and Mr. R. K. Poddar as Deputy Managing Director of the Company for further period of one year with effect from 1st January, 2009 to 31st December, 2009.

The Remuneration Committee & the Board of Directors at its meeting held on 25th October, 2008 have resolved that subject to such approvals as may be necessary, pay remuneration to Mr. Jay Mehta, Mr. M. S. Gilotra and Mr. R. K. Poddar as detailed hereunder.



(A) Terms and conditions of appointment and remuneration to Mr. Jay Mehta, Executive Vice-Chairman

Mr. Jay Mehta, aged, 48 years, has done B.S. (Industrial Engineering) from Columbia University, New York, U.S.A and has completed his MBA, IMD from Lausanne, Switzerland in 1991. Mr. Jay Mehta was earlier Executive Director of the Company. At present, he is also the Executive Vice Chairman of Saurashtra Cement Limited (SCL), an associate company and part of Mehta Group. He was re-appointed on existing remuneration of Rs. 2,40,000 per month plus retirement and other benefits for a further period of 1 (one) year w.e.f. 1.1.2009 to 31.12.2009, subject to the approval of Shareholders of SCL and the Central Government.

As per the provisions of the Companies Act, 1956 a person is eligible to act as Managing Director of two companies, however, the remuneration drawn from both the companies should be within the maximum ceiling limit permissible under Schedule XIII of the Companies Act, 1956.

In view of the ceiling limits applicable in view of inadequacy of profits as computed under Section 349 & 350 of the Act, the remuneration proposed to be paid by the Company and approved by the Remuneration Committee and Board of Directors is as follows:

Remuneration:

Salary

Rs.1,60,000/- (Rupees One Lakh, Sixty Thousand) per month.

In addition to the above, he shall be entitled to the following perquisites, which will not form part of above limit of salary.

- a) Contribution to Provident Fund /Superannuation Fund/ Annuity Fund @ 27% of salary.
- b) Gratuity not exceeding half month's salary for each year of completed service, computed as per Payment of Gratuity Act, 1972.

Further, over and above the above remuneration, Mr. Jay Mehta will be entitled to the following benefits in course of discharging the duties and responsibilities.

1. Reimbursement of actual expenses incurred for Company's business including travel, hotel and other related expenses for himself and spouse, incurred in India and abroad.
2. Payment of sitting fees as applicable to other directors for attending the meeting of the Board and committee thereof.
3. Encashment of unavailed leave at the end of his tenure.
4. Car with driver and other communication facilities at residence.
5. Re-imbursement of expenses incurred in respect of books and periodicals at actual against submission of supporting/s.
6. Subscription or Reimbursement of Club Fees on actual basis.

The above appointment can be terminated by either side by giving three months' prior notice in writing or paying three month's salary in lieu thereof.

Mr. Jay Mehta is interested in his own re-appointment and remuneration.

Mr. M. N. Mehta being related to Mr. Jay Mehta, is deemed to be concerned or interested in re-appointment of Mr. Jay Mehta as Executive Vice Chairman. Save and except these directors, no other director is deemed to be interested or concerned in this resolution.

(B) Terms and conditions of appointment and remuneration to Mr. M. S. Gilotra, Managing Director.

Mr. M.S. Gilotra, aged 58 years, is B.E. (Hons.) and has nearly 34 years of experience in cement industry. He is also Managing Director of Saurashtra Cement Ltd. (SCL), an associate company and part of Mehta Group. He was re-appointed on existing remuneration of Rs. 2,50,000 per month plus retirement and other benefits for a further period of 1 (one) year w.e.f. 1.1.2009 to 31.12.2009, subject to the approval of the Shareholders of SCL and the Central Government.

As per the provisions of the Companies Act, 1956 a person is eligible to act as Managing Director of two companies, however, the remuneration drawn from both the companies should be within the maximum ceiling limit permissible under Schedule XIII of the Companies Act, 1956.

In view of the ceiling limits applicable in view of inadequacy of profits as computed under Section 349 & 350 of the Act, the remuneration proposed to be paid by the Company and approved by the Remuneration Committee and Board of Directors is as follows:-

Remuneration:

Salary

Rs.1,50,000/- (Rupees One Lakh, Fifty Thousand) per month.

In addition to the above, he shall be entitled to the following perquisites, which will not form part of above limit of salary.

- a) Contribution to Provident fund @ 12% of basic salary,
- b) Superannuation fund/Annuity fund @15% of basic salary,
- c) Gratuity not exceeding half month's salary for each year of completed service, computed as per Payment of Gratuity Act, 1972.

In addition to the above, Mr. M. S. Gilotra will be entitled to the following benefits in course of discharging the duties and responsibilities.

1. Reimbursement of actual expenses incurred for Company's business including travel, hotel and other related expenses for himself and spouse, incurred in India and abroad.

2. Payment of sitting fees as applicable to other directors for attending the meeting of the Board and committee thereof.
3. Encashment of unavailed leave at the end of his tenure.
4. Car with driver and other communication facilities at residence.
5. Re-imbursement of expenses incurred in respect of books and periodicals at actual against submission of supporting/s.
6. Subscription or Reimbursement of Club Fees on actual basis.

The above appointment can be terminated by either side by giving three months' prior notice in writing or paying three month's salary in lieu thereof.

Except Mr. M. S. Gilotra, no other Director is concerned or interested in the said appointment.

(C) Terms and conditions of appointment and remuneration to Mr. R.K. Poddar, Deputy Managing Director.

Mr. R.K. Poddar, aged 56 years, is an experienced Chartered Accountant. He has worked with reputed business houses for over 34 years and has good and varied exposure in Finance and Commercial function. He has also held various positions at the Senior Management level. He is also Deputy Managing Director of Saurashtra Cement Ltd. (SCL), an associate company and part of Mehta Group. He was re-appointed on existing remuneration Rs. 1,80,000 per month plus retirement and other benefits for a further period of 1 (one) year w.e.f. 1.1.2009 to 31.12.2009 subject to the approval of the Shareholders of SCL and the Central Government.

As per the provisions of the Companies Act, 1956 a person is eligible to act as Managing Director of two companies, however, the remuneration drawn from both the companies should be within the maximum ceiling limit permissible under Schedule XIII of the Companies Act, 1956.

In view of the ceiling limits applicable in view of inadequacy of profits as computed under Section 349 & 350 of the Act, the remuneration proposed to be paid by the Company and approved by the Remuneration Committee and Board of Directors is as follows:-

Remuneration:

Salary

Rs.2,20,000/- (Rupees Two Lakhs Twenty thousand only) per month.

In addition to the above, he shall be entitled to the following perquisites, which will not form part of above limit of salary.

- a) Contribution to Provident Fund @ 12% of basic salary,
- b) Superannuation Fund/Annuity Fund @15% of basic salary,
- c) Gratuity not exceeding half month's salary for each year of completed service, computed as per Payment of Gratuity Act, 1972.

In addition to the above, Mr. R.K. Poddar will be entitled to the following benefits in course of discharging the duties and responsibilities.

1. Reimbursement of entertainment expenses incurred for Company's work, subject to maximum of Rs.15,000/- per month on submission of supporting(s)/declaration.
2. Reimbursement of actual expenses incurred for Company's business including travel, hotel and other related expenses for himself and spouse, incurred in India and abroad.
3. Payment of sitting fees as applicable to other directors for attending the meeting of the Board and committee thereof.
4. Encashment of unavailed leave at the end of his tenure.
5. Car with driver and other communication facilities at the residence.
6. Re-imbursement of expenses incurred in respect of books and periodicals at actual against submission of supporting/s.
7. Subscription or Reimbursement of Club Fees on actual basis.

In addition to the above, Mr. Poddar will be entitled to the following benefits/facilities or by way of reimbursement, as per Company's rules.

1. Rent free furnished accommodation.
2. Reimbursement of Soft Furnishings and repairs.
3. Reimbursement for gas, electricity, water charges etc.
4. Personal Accident Insurance and Mediclaim Insurance for self and family.
5. Medical reimbursement for self and family.
6. Reimbursement of Leave Travel Expenses for self and family.

The above appointment can be terminated by either side by giving three months' prior notice in writing or paying three month's salary in lieu thereof

Except Mr. R.K. Poddar, no other Director is concerned or interested in the said appointment.

This may be treated as Memorandum of abstract of the terms and conditions of re-appointment as required under Section 302 of the Companies Act, 1956 in respect of Mr. Jay Mehta, Mr. M.S. Gilotra and Mr. R.K. Poddar.

Your Directors recommend the aforesaid resolutions for the approval of the Members.



| | | | | |
|-----------|--|------------------------------------|------------------------------------|---|
| I. | General Information: | | | |
| 1. | Nature of Industry | | | |
| | Manufacturers of Ordinary Portland Cement, Portland Pozzalona Cement and Cement Clinker. | | | |
| 2. | Date of commencement of commercial production: March 1988. | | | |
| 3. | In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. Not applicable. | | | |
| 4. | Financial performance based on given indicators : | | | |
| | | 2005-06 Rs./lacs (12 months) | 2006-07 Rs./lacs (12 months) | 2007-08 Rs./lacs (18 months) |
| | Turnover | 31,230.80 | 40,286.98 | 58,157.34 |
| | Profit /Loss before tax | 2,472.27 | 5,918.01 | 5,836.47 |
| | Profit /Loss after tax | 1,266.76 | 5,236.25 | 4,878.68 |
| 5. | Export performance and net foreign exchange collaborations: | | | |
| | | 2005-06 Rs./lacs | 2006-07 Rs./lacs | 2007-08 Rs./lacs |
| | Export of Goods (FOB basis) | 12,960.65 | 10,457.80 | 4,727.12 |
| 6. | Foreign investments or collaborators, if any. | | | |
| | No. of Equity Shares. | Nil | | |
| | Equity shareholding (%) | Nil | | |

| | | | |
|------------|---|---|---|
| II. | Information about the appointee: | | |
| 1. | Background details: | | |
| | Mr. Jay Mehta, EVC Mr. Jay Mehta, is B.S. in Industrial Engg. USA, MBA from IMD, Lausanne, Switzerland. He is having vast experience in Cement Industry. He is also Executive Vice Chairman of Saurashtra Cement Limited. | Mr. M.S. Gilotra, MD Mr. M.S. Gilotra, is B.E. (Hons) in Mech. Engineering. A technocrat having over 34 years experience in Cement Industry, held senior management positions, a large part of which (17 years) was with ACC Ltd. He is also Managing Director of Saurashtra Cement Limited. | Mr. R.K. Poddar, DMD Mr. R.K. Poddar, is a Chartered Accountant and has worked in various positions at Senior Management level with reputed business houses for over 34 years. He is also Deputy Managing Director of Saurashtra Cement Limited. |
| 2. | Past remuneration (18 months): Rs. 36.58 lacs | Rs. 34.29 lacs | Rs. 52.53 lacs |
| 3. | Recognition or award: Nil | Nil | All India Merit list of The Institute of Chartered Accountants of India. |
| 4. | Job profile & his suitability: Mr. Jay Mehta, as Executive Vice Chairman is responsible for overall management of the Company and is a Promoter director. | Mr. M.S. Gilotra, is responsible for Production, Marketing and Overall management. | Mr. R.K. Poddar, is responsible for general management, finance & commercial management. |
| 5. | Remuneration proposed: | | |
| | Rs.1,60,000/- per month with effect from 1st January, 2009 to 31st December, 2009 plus reimbursements and Retirement benefits consisting of PF, Superannuation, and Gratuity as applicable as per Company's Rules. The aforesaid remuneration shall be paid as minimum remuneration in case of loss or inadequacy of profits in relevant year during his tenure. | Rs.1,50,000/- per month with effect from 1st January, 2009 to 31st December, 2009 plus reimbursements and Retirement benefits consisting of PF, Superannuation, and Gratuity as applicable as per Company's Rules. The aforesaid remuneration shall be paid as minimum remuneration in case of loss or inadequacy of profits in relevant year during his tenure. | Rs.2,20,000/- per month with effect from 1st January, 2009 to 31st December, 2009, plus reimbursements and Retirement benefits consisting of PF, Superannuation, and Gratuity as applicable as per Company's Rules and Housing & Reimbursements. The aforesaid remuneration shall be paid as minimum remuneration in case of loss or inadequacy of profits in relevant year during his tenure. |

| | | | |
|----|--|---------------------------|--|
| 6. | Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person. (in case of expatriates the relevant details would be with reference to the country of origin.) Comparative remuneration profile with respect to industry: Comparative figures of remuneration to Managing Directors/Executive Directors paid by Companies in India of similar size are given below: | | |
| | Name of the Company | Turnover Rs. in Crores | Remuneration Paid Rs. in lacs per annum |
| | (i) Madras Cements Ltd. (2007-08) | 1925 | 43.23 |
| | (ii) Prism Cement Ltd. (2007-08) | 876 | 156.00 |
| | The appointees are all residents of India. | | |
| 7. | Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel if any. | | |
| | Mr. Jay Mehta – Promoter Director and is related to Mr. M.N. Mehta, Chairman. | Mr. M.S. Gilotra – Nil | Mr. R.K. Poddar – Nil. |

| | |
|------|---|
| III. | Other information. |
| 1. | Reasons of loss or inadequate profits. In the past, due to substantial excess supply of cement as compared to demand and due to natural calamities occurring in Gujarat, led to pressure on prices and low sales realisation. This has resulted into losses and the Company became sick under Sick Industrial Companies (Special Provisions) Act, 1985. The Company was referred to BIFR and Rehabilitation Package has been sanctioned and is under implementation. |
| 2. | Steps taken or proposed to be taken for improvement. a) To augment overall capacity, the Company has produced and sold more pozzolana cement. b) In order to achieve better power and fuel efficiency, the Company has improved the raw mix design and productivity. c) The Company has installed 30 MW DG Set to reduce cost of power. |
| 3. | Expected increase in productivity and profits in measurable terms. The Company has shown better results in the year 2006-07 (12 M) and 2007-08 (18 M) with a net profit of Rs.5,236.25 lakhs and Rs.4,878.68 lakhs respectively. In view of OTS settlement with the lenders and payment of dues, the profitability of the Company would improve especially in view of large projects coming to Gujarat. |

By Order of the Board of Directors

A.S. Khandwala

Vice President (Legal) & Co. Secretary

Mumbai: 28th January, 2009

Registered Office:

"Sidheegram"

Off Veraval-Kodinar Highway

Pin Code 362 276.

Dist. Junagadh (Gujarat).



DIRECTORS' REPORT

Dear Members,

The Directors present the 35th Annual Report along with the Audited Accounts and Auditors Report for the financial year ended 30th September, 2008.

CHANGE OF FINANCIAL YEAR :

The Company has changed its financial year ending March to end on September each year and consequently the current financial year is for a period of 18 months i.e. 1.4.2007 to 30.09.2008. The Ministry of Corporate Affairs vide its letters dated 14.5.2008 has approved extension of current financial year upto 30th September, 2008 and time for holding the Annual General Meeting.

FINANCIAL RESULTS

The highlights of the financial results for the year ended 30th September, 2008 (18 months) are given below. However, they are not comparable with the previous financial year ended 31st March, 2007 which was for 12 months.

(Rs. in Million)

| | Current Year (2007-2008) (18 months) | Previous Year (2006-2007) (12 months) |
|--|---|--|
| Sales & Other Receipts (Net of Excise) | 5815.73 | 4028.64 |
| Profit before Interest and Depreciation | 697.02 | 803.84 |
| Interest | 17.29 | 117.27 |
| Profit before Depreciation | 679.73 | 686.57 |
| Depreciation | 96.08 | 94.77 |
| Profit before Taxation and Exceptional Items | 583.65 | 591.80 |
| Exceptional Item - Interest written back | 287.44 | - |
| Income Tax / Fringe Benefit Tax / Wealth tax | 5.55 | 3.26 |
| Deferred Tax Adjustment | (377.67) | (64.92) |
| Profit after tax | 487.87 | 523.62 |
| Carried forward Loss of earlier years | 1478.07 | 2001.69 |
| Balance of Loss carried to Balance Sheet | 990.20 | 1478.07 |

DIVIDEND

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

YEAR UNDER REVIEW

During the period under review (18 months; from April 2007 to September 2008), cement consumption on All India basis grew by 9 percent to 248.84 million tons from 228.11 million tons during the corresponding previous period (18 months ended 30th September 2007) (Previous year 12 months ended 31st March, 2007 - 149.37 million tons). The installed capacity of the Industry has increased from 168 million tons in March 2007 to 206.46 million tons in September 2008.

Cement consumption in Gujarat during the period of 18 months ended 30th September, 2008 grew by 12 percent to 17.32 million tons from 15.49 million tons during the previous corresponding period of 18 months ended 30th September, 2007. (Previous year 12 months ended 31st March, 2007 - 10.08 million tons). Exports of cement and clinker from Gujarat were lower at 7.1 million tons during the period under review, as against 10.17 million tons in the corresponding previous period ended 30th September, 2007 due to imposing of ban on Export of cement from India effective April, 2008. However, the Government has since lifted the ban on export of Cement and Clinker.

PERFORMANCE REVIEW

The production of clinker for the period under review was 1.75 million tons as against 1.95 million tons in the corresponding 18 months period ended 30th September 2007. (Previous year 12 months ended 31st March, 2007 - 1.34 million tons). Production of Cement during the period under review was 1.75 million tons as compared to 1.90 million tons in the corresponding period ended 30th September, 2007 and 1.28 million tons in the previous 12 months period ended 31st March 2007.

The sale of cement and clinker during the period under review was 1.92 million tons as compared to 2.18 million tons in the corresponding previous period of 18 months ended 30th September 2007.

The sale of cement & clinker by the Company in the domestic market during the period under review was 1.49 million tons as against 1.58 million tons during the corresponding previous period of 18 months ended 30th September, 2007. (Previous year 12 months ended