



Gujarat Sidhee Cement Limited  
Annual Report 2010



## Board of Directors

As on 29.7.2010

Mr. M. N. Mehta  
Mr. Jay M. Mehta  
Mr. Sanat M. 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 GILC Limited*  
*Managing Director*  
*Deputy Managing Director*

**DIRECTOR (LEGAL) &  
COMPANY SECRETARY**  
Mr. A. M. Fadia

**BANKERS**  
State Bank of India  
State Bank of Bikaner & Jaipur  
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 Sixth Annual General Meeting of the Shareholders of the Company will be held on **Saturday the 4<sup>th</sup> September, 2010 at 10.45 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 31<sup>st</sup> March 2010 and the Profit & Loss Account for the financial 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 reappointment.
3. To appoint a Director in place of Mr. S.V.S. Raghavan, who retires by rotation, and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. M.L. Tandon, who retires by rotation, and being eligible, offers himself for reappointment.
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 2010-2011 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.4,25,000/- (Rupees Four 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 Six months period of the financial year 2008-10."

By Order of the Board of Directors

**A. M. Fadia**

*Director (Legal) & Co. Secretary*

Mumbai : July 29, 2010

#### **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 :  
Pursuant to Clause 49 of the Listing Agreement relating to code of Corporate Governance, the profile of the directors to be re-appointed at the ensuing Annual General Meeting is given in the Corporate Governance Report annexed to the Director's Report.

3. The Share Transfer Books and Register of Members of the Company shall remain closed from Monday the 30<sup>th</sup> August, 2010 to Saturday, the 4<sup>th</sup> September, 2010 (both days inclusive) in connection with AGM.
4. 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 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.
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. Link Intime India Pvt 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 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. M. Fadia**

*Director (Legal) & Co. Secretary*

Mumbai : July 29, 2010

**Registered Office :**

"Sidheegram"

Off Veraval-Kodinar Highway

Pin 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 2008-09 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 September to March and accordingly had extended financial year from 30<sup>th</sup> September, 2009 till 31<sup>st</sup> March, 2010 (1.10.2008 to 31.3.2010). 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 commends the resolution for your approval.

By Order of the Board of Directors

**A. M. Fadia**

*Director (Legal) & Co. Secretary*

Mumbai : July 29, 2010

## DIRECTORS' REPORT

### Dear Members,

The Directors present the 36<sup>th</sup> Annual Report along with the Audited Accounts and Auditors Report for the financial year (18 months) ended 31<sup>st</sup> March, 2010.

### CHANGE OF FINANCIAL YEAR :

The Company has changed its financial year ending September to end in March each year and consequently the current financial year has been extended upto 31<sup>st</sup> March 2010 as approved by the Ministry of Corporate Affairs, vide letter dated 10<sup>th</sup> May 2010 and also approved extension of time for holding Annual General Meeting.

### FINANCIAL RESULTS

The highlights of the financial results for the Financial year ended 31<sup>st</sup> March 2010 (18 months) are given below.

(Rs.in Million)

	<b>Current F.Y. (2008-2010) (18 months)</b>	<b>Previous F.Y. (2007-2008) (18 months)</b>
Sales & Other Receipts (Net of Excise)	<b>6525.22</b>	5815.73
Profit before Interest and Depreciation	<b>1006.59</b>	697.02
Interest	<b>22.58</b>	17.29
Profit before Depreciation	<b>984.01</b>	679.73
Depreciation	<b>73.36</b>	96.08
Profit before Taxation and Exceptional Items	<b>910.65</b>	583.65
Exceptional Item – Interest Written Back	<b>-</b>	287.44
Income Tax / Fringe Benefit Tax / Wealth tax	<b>2.44</b>	5.55
Deferred Tax Adjustment	<b>(335.32)</b>	(377.67)
Profit after tax	<b>572.89</b>	487.87
Carried forward Loss of earlier years	<b>990.20</b>	1478.07
Balance of Loss carried to Balance Sheet	<b>417.31</b>	990.20

### 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 year under review (18 months; from October, 2008 to March, 2010), cement consumption on All India basis grew by around 12 percent to 290.44 million tons from 248.84 million tons as compared to previous year of 18 months ended 30<sup>st</sup> September 2008. The installed capacity for the current members of CMA has increased from 164 million tons in September, 2008 to around 216 million tons in March, 2010.

Cement consumption in Gujarat during the year of 18 months ended 31<sup>st</sup> March, 2010 grew by around 12 percent to 20.71 million tons from 17.32 million tons as compared to previous year of 18 months ended 30<sup>st</sup> September 2008. Exports of cement and clinker from Gujarat were 5.78 million tons during the year under review, as against 7.1 million tons in the previous year of 18 months ended 30<sup>st</sup> September 2008.

### PERFORMANCE REVIEW

The production of clinker for the year under review was 2.01 million tons as against 1.75 million tons in the previous year of 18 months ended 30<sup>st</sup> September 2008. Production of Cement during the year under review was 2.05 million tons as compared to 1.75 million tons in the previous year of 18 months ended 30<sup>st</sup> September 2008.

The total sale of cement and clinker during the year under review was 2.17 million tons as compared to 1.92 million tons in the previous year of 18 months ended 30<sup>st</sup> September 2008.

The sale of cement & clinker by the company in the domestic market during the year under review was 1.74 million tons as against 1.49 million tons in the previous year of 18 months ended 30<sup>st</sup> September 2008. The Company exported 0.43 million tons of cement and clinker during the year under review as compared to 0.44 million tons in the previous year of 18 months ended 30<sup>st</sup> September 2008. Export of cement and clinker was selectively carried out due to the lower price and demand in the Middle East Markets.

### **Rehabilitation Scheme**

Members are aware, the Company's net worth was fully eroded and it was registered with Board of Industrial and Financial Restructuring (BIFR) as required under the provisions of SICA 1985. A Rehabilitation Scheme was sanctioned for Company's revival, hereinafter referred as "SS-02". The scheme envisaged construction of a Jetty with mechanised loading and unloading facilities near the factory to reduce transportation cost, acquisition and setting up of D.G. Sets to reduce cost of power and granting necessary relief and concessions from the Banks / Financial Institutions & Government of Gujarat, equity infusion to be arranged by the promoter group and grant of additional financial assistance by Banks and Financial Institutions.

While the Revival Scheme sanctioned by the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) in November, 2002 is under implementation, the modification in the sanctioned scheme (SS) has become inevitable as the company could not implement the cost saving project as envisaged in the said SS due to the decision of the secured lenders not to disburse the fresh funds to the company as long as the litigation initiated by the Government of Gujarat against the said SS was not resolved. In the meanwhile, most of secured lenders desired One Time Settlement (OTS) of their outstanding dues and the dues have been paid. As directed by BIFR and recommended by the State Bank of India (MA), the Company has submitted MDRS involving reorganisation of existing share capital in the shape of de-rating of the existing equity and allotment of shares at par on preferential basis.

### **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**

Mr. Sanat M. 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.

### **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). The company has paid listing fees as prescribed.

### **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 confirming 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 30<sup>th</sup> October, 1998 issued under Section 233-B of the Companies Act, 1956, M/s. M. Goyal & Co., Cost Auditors, have been appointed by the Board as Cost Auditor of the Company for the financial year 2010-11. Certificate of eligibility under Section 224 (1B) has been received.

### **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 Company Secretary at the Registered Office of the Company.

### **Industrial Relations**

The Company continued to maintain harmonious relations with its 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**

The Management Discussion and Analysis Report 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.

### **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 other stakeholders associated with its operations for the co-operation and encouragement extended to the company.

On behalf of the Board of Directors

**M. N. MEHTA**  
*Chairman*

Mumbai: 29<sup>th</sup> July 2010

## Annexure -1

### DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

Technology absorption & Foreign Exchange earnings & out go as required under Companies (Disclosure of particulars in the Report of Board of Directors) Rule 1988 & forming part of report for the year ended 31-03-2010.

#### A. CONSERVATION OF ENERGY :

##### a) Energy Conservation Measures Taken :

- I. Optimisation of Drive ratings to reduce no load losses.
- II. Partial replacement of GLS Lamp with CFL Lamps (continuous activity).
- III. Commissioning of SPRS for Raw Mill ESP Fan, VFD's for cooler fan no. 10, 11 & 12.
- IV. Replacement of Raw Mill Booster fan with high efficiency.

##### b) Additional Investment & Proposal, if any, being implemented for Reduction of Energy.

1. Replacement of top two stages of cyclone in pre-heater & precalciner string with PMT & ATEC Design to reduce pressure drop.
2. Retrofit of pre-heater & precalciner fans impeller with higher efficiency.

##### c) Impact of the Measurers at (a) & (b) above.

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##### d) Total Energy Consumption & Energy consumption per unit of Production as per Form A of the Annexure.

#### B. TECHNOLOGY ABSORPTION : GIVEN IN PRESCRIBED FORM –B ATTACHED :

#### C. FOREIGN EXCHANGE EARNING & OUTGO :

Earning : Rs. 4932.14 Lacs.

Used : Rs. 322.82 Lacs.



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

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

Sr.No.	Particulars	2008-2010 18 Months	2007-2008 18 Months
<b>A</b>	<b>POWER &amp; FUEL CONSUMPTION</b>		
<b>1</b>	<b>Electricity</b>		
a)	Purchased		
	Unit (Kwh) -Lacs	<b>1416.95</b>	1315.27
	Total Amount (Rs. in Lacs)	<b>9231.95</b>	7921.93
	Rate / Unit (Rs.)	<b>6.52</b>	6.02
b)	Own Generation		
i	Through Diesel generation	<b>446.95</b>	363.46
ii	Fuel Cost /Electricity Duty	<b>2142.03</b>	2005.55
iii	Through Steam Turbine /Generator	<b>Nil</b>	Nil
<b>2</b>	<b>Coal &amp; Other Fuel Used as Kiln/Fuel</b>		
	Quantity ( in Million K.Cal)	<b>1604727</b>	1399051
	Total Cost (Rs.in Lacs)	<b>12437.10</b>	11414.86
	Average rate (Rs. in Million K.Cal)	<b>775.03</b>	815.90
<b>3</b>	<b>H.S.D. / L.D.O</b>		
	Quantity in (K.Ltrs)	<b>200.98</b>	237.67
	Total Cost of (Rs. in lacs)	<b>73.07</b>	83.72
	Average rate (Rs. in K.Ltrs)	<b>36356.31</b>	35225.78
<b>4</b>	<b>Other /Internal Generation</b>	<b>Nil</b>	Nil
<b>B</b>	<b>CONSUMPTION PER UNIT OF PRODUCTION</b>		
	Electricity (KWH/T.of Cement)*	<b>86.62</b>	90.07
	Diesel (Ltr /T.of Clinker)	<b>0.10</b>	0.14
	Coal /Lignite (K.Cal /Kg.of Clinker)	<b>798</b>	801
	Others		

\*Net of non productivity of Power

**FORM - B** (See rule - 2)

(Form for Disclosure of Particulars with respect to Absorption)

**A. RESEARCH AND DEVELOPMENT (R&D):**

**1. RESEARCH AND DEVELOPMENT HAS BEEN CARRIED OUT FOR IMPROVEMENT IN THE FOLLOWING AREAS:**

- a. Identification of alternate raw materials / mineralizations

**2. FOLLOWING BENEFITS WERE DERIVED OF THE ABOVE R & D:**

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**3. FUTURE PLAN OF ACTION:**

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**4. EXPENDITURE ON R & D:**

(Rs. in Lakhs)

a. Capital	Nil
b. Recurring	190.28
c. Total	<u>190.28</u>
d. Total R & D expenditure as a percentage of total turnover	0.29

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

Information regarding technology imported during the last five years:

a. Technology Imported	N. A.
b. Year of Import	N. A.
c. Has Technology been fully absorbed	N. A.
d. If not fully absorbed, areas where this has not been taken place, reason thereof and future plan of action.	N. A.