



Gujarat Sidhee Cement  
Limited



# ANNUAL REPORT 2013-2014



## **Board of Directors**

**As on 31.05.2014**

Mr. M. N. Mehta

Mr. Jay M. Mehta

Mr. Sanat M. Mehta

Mr. A. B. Shah

Mr. M. S. Gilotra

Mr. S. V. S. Raghavan

Mr. P. K. Behl

Mr. M. L. Tondon

Mr. Bimal Thakkar

Mr. Hemnabh Khatau

Dr. (Ms) Kala S. Pant

Mr. Venkatesh Mysore

Ms. Juhi Chawla

Mr. M. N. Rao

Mr. K. N. Bhandari

Mrs. Bhagyam Ramani

Chairman

Executive Vice Chairman

Nominee of The Mehta International Limited

Nominee of GLIC Limited

Managing Director

## **Vice President (Legal) & Company Secretary**

Mrs. Anupama Pai

## **Bankers**

State Bank of India

State Bank of Bikaner & Jaipur

Union Bank of India

HDFC Bank Ltd.

## **Auditors**

Messers. Manubhai & Shah

Chartered Accountants

Ahmedabad

## **Registered Office & Works**

Off. Veraval - Kodinar Highway

Sidheegram 362 276

Dist. Gir Somnath (Gujarat)

Tel. 02876 - 308200, Fax: 02876 - 286540

CIN: L26940GJ1973PLC002245

## **Corporate Office**

N. K. Mehta International House, 2nd Floor,

178, Backbay Reclamation, Mumbai 400 020.

Tel. 022- 66365444, Fax : 022-66365445

## **Registrars & Transfer Agent:**

M/s. Link Intime India Pvt Ltd

(Unit: Gujarat Sidhee Cement Limited)

C-13, Pannalal Silk Mills Compound,

L.B.S. Marg, Bhandup (West), Mumbai - 400 078.

Tel. 022- 25963838, Fax : 022-25946969

**Website:** [www.mehtagroup.com](http://www.mehtagroup.com)

## DIRECTORS' REPORT

Dear Members,

The Directors present the 40th Annual Report along with the Audited Accounts and Auditors Report for the Financial Year ended 31st March, 2014.

## FINANCIAL RESULTS

The highlights of the financial results for the Financial Year ended 31st March 2014 are given below.

(Rs.in Million)

Particulars	Standalone		Consolidated	
	Current Financial Year 2013-2014	Previous Financial Year 2012-13	Current Financial Year 2013-2014	Previous Financial Year 2012-13
Sales & Other Receipts (Net of Excise)	4179.19	4532.83	4179.79	--
Profit before Interest and Depreciation	110.66	575.18	110.66	--
Interest	29.96	17.16	29.96	--
Profit /(Loss) before Depreciation	80.70	558.02	80.70	--
Depreciation	76.63	65.28	76.63	--
Exceptional Items	Nil	85.73	Nil	--
Profit /(Loss) before Taxation	4.07	578.48	4.07	--
Income Tax / Fringe Benefit Tax / Wealth tax	Nil	175.36	Nil	--
Deferred Tax Adjustment	31.31	168.91	31.31	--
Profit /(Loss) after tax	(27.24)	403.12	(27.24)	--
Carried forward Profit/ (Loss) of earlier years	360.82	(392.45)	360.82	--
Less: Adjusted against Share Capital	Nil	392.45	Nil	--
Less: Proposed Dividend	Nil	36.15	Nil	--
Less : Tax on Proposed Dividend	Nil	6.15	Nil	--
Balance of Profit/(Loss) carried to Balance Sheet	333.58	360.82	333.58	--

## THE YEAR UNDER REVIEW

The slowdown in the economy resulted in static growth rate for the eight core industries (including cement, steel, fertilizer, oil, gas etc.), which remained at around 3 percent during April 2013 to March 2014 similar to the previous year. The cumulative growth rate in cement production was also on the lower side at around 3 percent compared to around 6 percent in the previous year.

Cement consumption in Gujarat, our main market declined by 6 percent over the previous year, which is all time low in the last six years. The regular increase in diesel price, amounting to around 16 percent during the year, resulted in higher cost of manufacturing as well as cost of delivery for cement.

The decline in the consumption in our markets and the higher capacities of cement in our region resulted in surplus availability of cement. This factor, coupled with the highly fragmented markets, resulted in fluctuating cement prices and a significant drop in profits. The availability of raw materials and the good industrial environment in the State of Gujarat is likely to result in continued over supply in the State. The infrastructural constraints in rail and ports adversely affect the economic transportation of cement to distant markets. Energy cost escalations, restrictions imposed in the energy exchange under Open Access, increased cost of transportation and high incidence of taxes will continue to challenge the Industry.

## PERFORMANCE REVIEW

### Production and Sales

The production of clinker for the year ended March 2014 was 1.17 million tonnes, which was 101 percent of the rated capacity of the plant and is also more than clinker production of 1.15 million tonnes for the year ended March 2013. In order to improve the ambient air quality, new bag house was installed at a substantial cost with an extended annual shutdown.

The cement production for the year ended March 2014 is 1.16 million tonnes, which was lower than the cement production of 1.25 million tonnes for the year ended March 2013. The lower cement production was commensurate with cement sales and in order to compensate the lower cement sales, clinker was sold in the local and export markets and the overall (clinker + cement) sales of 1.27 million tonnes which was more than the overall sales of the previous year ended March 2013.

The procurement of power from the energy exchange under open access has helped the Company in maintaining the energy cost to some extent. The energy efficiency of the plant was adversely affected due to change in the quality of the limestones.

The lower cement consumption in Gujarat, higher raw material and freight cost, lower energy efficiency and the extended shutdown for installation of new bag house with substantial capex resulted in lower profitability.

### **Exports**

The export of cement and clinker for the year ended March 2014 was 0.14 million tonnes as compared to 0.1 million tonnes in the previous year. Due to large surplus in our domestic markets, the exports continued to be a significant part of our revenues.

### **Dividend**

The Directors have not recommended any dividend for the Financial Year ended March 31, 2014, in view of the lower profits.

### **Public Deposits**

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

### **Fresh Infusion of Funds**

Hon'ble BIFR while sanctioning rehabilitation scheme of the Company had put the following condition vide its order dated 6.12.2012 issued on 16.1.2013.

#### **Quote**

Further equity infusion of Rs.50 crore (in addition to Rs.19.73 crore already brought in) into the Company for funding of the Scheme by The Mehta International Ltd., a promoter group Company, its shareholders / its subsidiaries / other group companies / associates of promoters, their relatives, friends, etc.

#### **Unquote**

In compliance with the said order, Bhadra Consultancy Private Limited, a Promoter Company has invested Rs.5 crores in March 2014 towards purchase of 50,00,000 equity shares of the Company at par. The Company has since allotted 50,00,000 equity shares to Bhadra Consultancy Private Limited.

### **Subsidiary & Consolidated Financial Statement**

During the last quarter of the year, the Company has acquired 100 percent shares in Villa Trading Company Private Limited (VTCPL) and thus VTCPL has become wholly owned subsidiary of the Company.

As required under Clause 32 of the Listing Agreement with the Stock Exchange, the Consolidated Financial Statement has been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by 'The Institute of Chartered Accountants of India'. The Audited Consolidated Financial Statements together with Auditors' Report thereon form part of the Annual Report.

Section 212 of the Companies Act, 1956 requires the Company to attach the directors' report, balance sheet, and profit and loss accounts of the subsidiary company. The Ministry of Corporate Affairs, Government of India vide its circular no.2/2011 dated 8.2.2011 has granted a general exemption from complying with Section 212 (1) of the said Act.

Accordingly, the Annual Report does not contain the financial statement of the subsidiary company. The financial information of the subsidiary company as required by the said circular, is disclosed separately in this Annual Report. The statements of Company's interest in the subsidiary as at March 31, 2014 prepared in accordance with the provisions of Section 212 of the said Act, are also attached with this Annual Report.

The Company will make available the Annual Accounts of the subsidiary company to any member on their request and shall also be kept open for inspection by any member at the Registered Office of the Company.

## **Directors**

### **Reappointment of Directors**

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Hemnabh Khatau and Mr. M. N. Mehta retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

### **Appointment of Additional Directors**

Ms. Juhi Chawla has been appointed as Additional Director pursuant to Section 161 of the Companies Act, 2013 and Articles 107(a) of the Articles of Association of the Company. She holds office upto the date of this ensuing Annual General Meeting and offers herself for appointment as Director.

In furtherance to the objective of induction of professional and Independent Directors on the Board and also mandated by Companies Act, 2013 and Corporate Governance requirements, Mr. M. N. Rao, Mr. K. N. Bhandari and Mrs. Bhagyam Ramani were appointed as Additional Directors as Independent Directors on the Board of Directors of the Company, who hold office upto the date of the ensuing Annual General Meeting and are eligible for appointment as such.

The Company has received requisite notice(s) from the Member(s) proposing the candidatures of above mentioned Directors for appointment as Directors of the Company.

### **Appointment of Independent Directors**

Pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, the Independent Directors proposed to be appointed are eligible to hold office for 5 (five) consecutive years. Accordingly, Mr. S. V. S. Raghavan, Mr. P. K. Behl, Mr. M. L. Tandon, Mr. Bimal Thakkar, Mr. M. N. Rao, Mr. K. N. Bhandari and Mrs. Bhagyam Ramani are being appointed as Independent Directors at the ensuing Annual General Meeting for a term of five consecutive years on a non-rotational basis.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under Section 149 (6) of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Brief resume of Directors seeking appointment / re-appointment along with other details as stipulated under Clause 49 of the Listing Agreement, are provided in the Notice for convening the Annual General Meeting.

The Directors recommend their re-appointment / appointment.

### **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 for Financial Year 2014-15.

### **Auditors**

M/s. Manubhai & Shah., Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company, who hold office upto the conclusion of the ensuing Annual General Meeting in accordance with the provisions of the Companies Act, 1956, who are eligible for re-appointment are recommended for re-appointment to audit the Accounts of the Company for the Financial Year 2014-15. As required under the provisions of the Companies Act, 2013, the Company has received written confirmation from M/s. Manubhai & Shah that their appointment, if made, will be in conformity with the limits specified in the Section 141(3)(g) of the Companies Act, 2013.

The Audit Committee of the Board has recommended their re-appointment, the necessary Resolution is placed before the Shareholders for their approval.

### **Cost Auditors**

In pursuance to Order No.52/56/CAB-2010 dated 30th June 2011 issued under Section 233-B of the Companies Act, 1956, M/s. M. Goyal & Co., Cost Accountants, have been appointed by the Board as Cost Auditor of the Company for the Financial Year 2014-15. Certificate of eligibility under Section 148 of the Companies Act, 2013 has been received.

### Internal Audit

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Haribhakti & Co., Chartered Accountants, to carry out the Internal Audit of the Company for the Financial Year 2014-15.

### Tax Audit

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Manubhai & Shah., Chartered Accountants to carry out the Tax Audit for the Assessment Year 2014-15.

### 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

Industrial relations at our factory and offices remained cordial.

### 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.

### Corporate Governance

A separate report on compliance with Clause 49 of the Listing Agreement with the Stock Exchanges on Corporate Governance along with a Certificate of Compliance from the Statutory Auditors 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

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

- 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 annual accounts have been prepared 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, Gujarat Industrial & Investment Corporation Limited, 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

Place : Mumbai  
Dated : May 31, 2014

**M.S.Gilotra**  
Managing Director

**Jay Mehta**  
Executive Vice Chairman

## **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 31.3.2014.

#### **A. Conservation of Energy :**

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

1. Replacement of existing Pre-heater cyclones #3 & 4 with low pressure drop cyclones.
2. Installation of IKN Pendulum cooler for 1st & 2nd Grates.
3. 6 nos. of New cooler fans provided with VFD drive has reduced power consumption from 4 Kw/T clinker to 3.4 Kw/T clinker.
4. Installation of Capacitor banks have helped in improving power factor from 0.95 to 0.965 which resulted in savings of Rs. 39.4 Lacs.

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

1. Installation of MV Drive for RABH fan and other small initiatives will help reduce power by 250Kw

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

Stable Kiln Operation at 4500tpd, Pollution control (Emission levels have reduced from 400-500 mg/Nm<sup>3</sup> to < 25 mg/Nm<sup>3</sup>) , Reduction in Power consumption

##### **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 earnings and outgo**

- a. Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plants:

The Company is currently exporting its products in Sri Lanka, Maldives, Saudi Arabia, New Papua Guinea and African countries and looking forward to increase the market share in these countries, as well as exploring opportunities in other countries.

##### **b. Foreign Exchange Earning & Outgo**

	<b>2013-14</b>	<b>2012-13</b>
	<b>(Rs. In Lacs)</b>	<b>(Rs. In Lacs)</b>
Foreign Exchange Earned	<b>Rs. 61.83</b>	Rs. 146.53
Foreign Exchange Used	<b>Rs. 252.94</b>	Rs. 808.09

## FORM -A (SEE RULE 2)

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

Sr. No.	Particulars	2013-14	2012-13
<b>A</b>	<b>POWER &amp; FUEL CONSUMPTION</b>		
<b>1</b>	<b>Electricity</b>		
a)	<b>Purchased</b>		
	Unit (Kwh) -Lacs	1167.61	1169.75
	Total Amount (Rs. in Lacs)	6460.32	7072.25
	Rate / Unit (Rs.)	5.53	6.05
b)	<b>Own Generation</b>		
i	Through Diesel generation	0.00	0.00
ii	Fuel Cost /Electricity Duty	0.00	0.00
iii	Through Steam Turbine /Generator	Nil	Nil
<b>2</b>	<b>Coal &amp; Other Fuel Used as Kiln/Fuel</b>		
	Quantity ( in Million K.Cal)	1023293	988303
	Total Cost (Rs.in Lacs)	11227.09	11582.15
	Average rate (Rs. in Million K.Cal)	1097.15	1171.92
<b>3</b>	<b>H.S.D. / L.D.O</b>		
	Quantity in (K.Ltrs)	226.17	296.12
	Total Cost of (Rs. in lacs)	142.41	144.74
	Average rate (Rs. in K.Ltrs)	62966.91	48879.50
<b>4</b>	<b>Other /Internal Generation</b>	Nil	Nil
<b>B</b>	<b>CONSUMPTION PER UNIT OF PRODUCTION</b>		
	Electricity (KWH/T.of Cement)*	95.45	91.73
	Diesel (Ltr /T.of Clinker)	0.19	0.26
	Coal /Lignite (K.Cal /Kg.of Clinker)	876	859
	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. Optimisation of raw mix designs.
- b. Cement Testing facility as per international standards.

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

Improved Clinker Quality & Cement Grinding

#### 3. FUTURE PLAN OF ACTION:

- a. Close circuiting of cement mills to improve cement quality and increase output
- b. Raw Mill Dynamic separator to increase production and enhance quality.
- c. Installation of waste heat recovery system.
- d. Audit of Pyro-processing system (Kiln & Cooler) for reducing heat and power consumption.
- e. Energy Reduction initiates through MVD & VFD for various identified drives across the plant.

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

	(Rs. in Lakhs)
a. Capital	Nil
b. Recurring	92.92
c. Total	92.92
d. Total R & D expenditure as a percentage of total turnover	0.23

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

Information regarding technology imported during the last five years:

#### a. Technology Imported

1. Clinker cooling by IKN Kids stationary grate – IKN Germany
2. Improved flame characteristics by burner pipe –Pillard, France.
3. Installation of membrane type filter bags –Gore, USA
4. Auto Fan Balancer for PC Fan - Hofmann, Germany

#### b. Year of Import

1. 2012
2. 2012
3. 2012-13
4. 2013

c. Has Technology been fully absorbed Yes.

d. If not fully absorbed, areas where this has not been taken place, reason thereof and future plan of action. N.A.

## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :

Gujarat Sidhee Cement Limited, (your Company) believes that good Corporate Governance aims at achieving high level of efficiency, transparency, accountability, responsibility and fairness in dealings with all stakeholders.

Recently, the Securities and Exchange Board of India (SEBI) sought to amend the equity listing agreement to bring in additional corporate norms for listed entities. These norms provide for stricter disclosures and protection of investor rights, including treatment for minority shareholders.

Many of the amendments are effective from October 1, 2014. The amended rules require companies to get shareholders' approval for related party transactions, establish whistle blower mechanisms, elaborate disclosures on pay packages and have at least one woman director on their boards.

The amended norms are aligned with the provisions of the Companies Act, 2013, and is aimed to encourage companies to 'adopt best practices on corporate governance'.

We believe that an active, well-informed and independent board is necessary to ensure the highest standards of corporate governance. It is well recognized that an effective Board is a pre-requisite for a strong and effective corporate governance. At GSCL, the Board of Directors ("the Board") is at the core of our corporate governance practice and oversees how the Management serves and protects the long term interests of our stakeholders.

Our corporate governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

The Company's governance philosophy rests on protection of rights and interests of stakeholders, equity in their treatment, disclosure of timely and accurate information, strategic guidance and effective monitoring by the Board. Your Company continuously strives for excellence by adopting best governance and disclosure practices. In terms of Clause 49 of the Listing Agreement executed with the Stock Exchanges, the details of compliance for the year ended 31st March, 2014 are as follows :

### 2. BOARD OF DIRECTORS :

#### (i) Composition (As on 31.3.2014)

The Board of Directors (the Board), directs and guides the activities of the Management towards setting up of goals and seeks the accountability with a view to create long term sustainable growth that translates itself into progress, prosperity and the fulfilment of stakeholders' aspirations. Your Company's Board comprises of 12 (twelve) Directors, which include 7 (seven) Independent Directors. The Executive Vice Chairman and Managing Director looks after the day-to-day business of the Company under the overall supervision and guidance of the Board. The Directors are professionals, have expertise in their respective functional areas and bring a wide range of skills and experience to the Board. The composition and attendance at the Board Meetings held during the financial year ended 31.3.2014 are given below. The attendance at the last Annual General Meeting held on 30.7.2013 are given in the last column.

Sr. No.	Directors	Executive / Non-Executive	No. of Board Meetings held	No. of Board Meetings Attended	Last AGM Attendance (Yes/ No)
1.	Mr. M.N. Mehta	Non-Executive Chairman	6	5	No.
2.	Mr. Jay M. Mehta	Executive Vice Chairman	6	5	No.
3.	Mr. Sanat M. Mehta	Non-Executive Director - TMIL Nominee	6	-	No.
4.	Mr. M.L. Tandon	Independent Director	6	5	No.
5.	Mr. S.V.S. Raghavan	Independent Director	6	4	No.
6.	Mr. P.K. Behl	Independent Director	6	6	Yes *
7.	Mr. Bimal Thakkar	Independent Director	6	6	No