



Gujarat Sidhee Cement
Limited



43rd ANNUAL REPORT
2016-17

BOARD OF DIRECTORS

As on 24.05.2017

Mr. M. N. Mehta

Mr. Jay M. Mehta

Mr. Y. K. Vyas

Mr. M. S. Gilotra

Ms. Juhi Chawla Mehta

Mr. S. V. S. Raghavan

Mr. P. K. Behl

Mr. M. L. Tandon

Mr. Bimal Thakkar

Mr. Hemnabh Khatau

Mr. Venkatesh Mysore

Mr. M. N. Rao

Mr. K. N. Bhandari

Mrs. Bhagyam Ramani

Chairman

Executive Vice Chairman

Nominee of GILC Limited

Managing Director

CFO & Company Secretary

Mr. V. R. Mohnot

Bankers

HDFC Bank Ltd.

State Bank of India

State Bank of Bikaner & Jaipur

Auditors

M/s. Manubhai & Shah LLP

Chartered Accountants

Ahmedabad

Registered Office & Works

Off. Veraval - Kodinar Highway

Sidheegram 362 276

Dist. Gir Somnath (Gujarat)

Tel. 02876 - 268200, 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-101, 247 Park,

L.B.S. Marg, Vikhroli (West), Mumbai - 400 083.

Tel. 022- 49186000, Fax : 022-49186060

Website: www.gujaratsidheecementlimited.com

DIRECTORS' REPORT

DEAR MEMBERS,

The Directors present the 43rd Annual Report along with the Audited Accounts and Auditors Report for the Financial Year ended 31st March, 2017.

FINANCIAL HIGHLIGHTS

The highlights of the financial results for the Financial Year ended 31st March 2017 are given below.

(₹ in Million)

Particulars	Standalone		Consolidated	
	Current F.Y. (2016-17)	Previous F.Y. (2015-16)	Current F.Y. (2016-17)	Previous F.Y. (2015-16)
Revenue from Operation (Net of Excise) & Other Income	4436.03	4758.82	4450.29	4759.06
Profit/(Loss) before Interest, Depreciation, Exceptional Items and Tax	(270.73)	15.83	(261.11)	15.86
Finance Cost	32.14	46.76	41.41	56.99
Profit /(Loss) before Depreciation, Exceptional Items and Tax	(302.87)	(30.93)	(302.52)	(41.13)
Depreciation & Impairment	87.57	88.07	87.57	88.07
Exceptional Items	-	-	-	-
Profit /(Loss) before Tax	(390.44)	(119.00)	(390.09)	(129.20)
Tax Expense	-	-	0.03	-
Deferred Tax Adjustment	-	(46.76)	-	(46.76)
Profit /(Loss) before share in profits of Associate of Subsidiary	-	-	(390.12)	(82.44)
Share in Profit of Associate of Subsidiary	-	-	19.72	89.82
Profit/(Loss) after Tax	(390.44)	(72.24)	(370.40)	7.38
Brought forward Profit/ (Loss) from earlier years	216.45	288.69	397.50	390.12
Balance of Profit/(Loss) carried to Balance Sheet	(173.99)	216.45	27.10	397.50

THE YEAR UNDER REVIEW

The Indian cement industry registered a negative growth rate during the fiscal year 2016-17. The cumulative index of cement production (with a weightage of 2.41% in the Index of Industrial Production) during 2016-17 declined by 1.3 % first time in decade, as compared to 5 percent growth during the previous year.

Consumption growth of cement in our home market Gujarat remained almost stagnant with a marginal increase of around one percent. In spite of a comparatively better monsoon, the cement consumption was adversely affected due to inadequate investments in infrastructural projects and also due to the economic situation on account of demonetization in the second half of the year.

The manufacturing cost continued to be on the higher side owing to cost of available power, fuel and procurement of limestone from distant sources. The infrastructural constraints in rail and ports continue to adversely affect the economic transportation of cement to distant markets. The higher cost of manufacturing coupled with lower cement prices resulted in heavy losses during the year.

PERFORMANCE REVIEW

Production and Sales

The production of clinker for the year ended March 2017 was 1.32 million tonnes, which is around 4 percent lower than the clinker production of 1.37 million tonnes for the previous year ended March 2016. In the month of November, clinker production was suspended for a week on account of higher clinker inventory.

The cement production for the year ended March 2017 is 1.33 million tonnes, which is around 4 percent higher than the cement production of 1.28 million tonnes for the previous year ended March 2016.

Additionally, clinker was sold in the local and export market and the overall sales (cement and clinker) is 1.43 million tonnes during the year ended March 2017, which is around 3 percent lower than the overall sale of 1.47 million tonnes in the previous year ended March 2016.

Export

The export of cement for the year ended March 2017 was 0.007 million tonnes as compared to 0.025 million tonnes in the previous year. The export market remained less viable with unremunerative prices and high cost of transportation to the available port.

Overall Performance

During the year under review, the Company continued to face hurdles from all corners. The overall sluggish markets post demonetization rising cost of production and other restrictions like stringent norms of power purchase, steep rise in the petcoke prices posed hardship on the Company. The lower cement prices, especially in the second half of the year, with higher cost of raw materials, fuel and transportation resulted in poor overall performance. However, the Company was able to utilize the surplus capacity by capturing the new markets in Kerala.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CHANGES IN SHARE CAPITAL

The paid up Equity Share Capital of the Company (including the forfeited shares) as on 31st March 2017 is ₹ 8620.69 lacs and there is no change in the capital.

DIVIDEND

In view of the loss for the year, the Directors have not recommended any dividend for the Financial Year ended March 31, 2017.

INDIAN ACCOUNTING STANDARD (IND AS) – IFRS CONVERGED STANDARDS

The Ministry of Corporate Affairs vide its notification dated February 16, 2015 has notified the companies (Indian Accounting Standard) Rules, 2015.

In pursuance of this notification, the Company will adopt the same with effect from April 1, 2017. The Company has adequate systems in place to migrate to IND AS and to ensure proper reporting and accounting under IND AS.

CONSOLIDATED FINANCIAL STATEMENTS

As required under Section 136 of the Companies Act 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Consolidated Financial Statements have 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.

The Consolidated Net Loss of the Company (after the share in profit of the Associate of the Subsidiary) amounted to ₹ 3704.03 lacs for the Financial year ended 31st March 2017 as compared to a Net Profit of ₹ 73.81 lacs in the previous year.

SUBSIDIARY AND ASSOCIATE COMPANIES

The Company has one subsidiary Company.

Section 136 of the Companies Act 2013 has exempted listed companies from attaching the financial statements of their Subsidiaries to the Annual Report of the Company.

In accordance with Section 129(3) of the Companies Act 2013 read with the rules made thereunder; a statement containing the salient features of the Financial Statement of the Company's subsidiary is disclosed separately in this Annual Report under Form AOC 1.

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. The statement is also available at the website of the Company at <http://gscl.mehtagroup.com/investors/financials>.

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 statements in terms of Section 134 (3) (c) of the Companies Act, 2013.

- that in the preparation of the annual financial statements for the year ended 31st March 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures; if any;
- that the accounting policies as mentioned in Note No.1 to the Financial statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- that the annual financial statements have been prepared on a going concern basis;
- that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and
- that systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to Corporate Governance requirements set out by SEBI. The report on Corporate Governance as stipulated under SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 and a certificate of Compliance from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated in Regulation 15(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended March 31, 2017 forms a part of this Report. A declaration by CEO and CFO that Board and senior members have complied with the Code of Conduct of the Company also forms a part of the Report as **Annexure B**.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The particulars of every contract or arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto is Annexed herewith at **Annexure C** in Form No. AOC -2.

CORPORATE SOCIAL RESPONSIBILITY

The Company believes in inclusive growth to facilitate creation of a value based and empowered society through continuous and purposeful engagement with society around.

The Board of Directors have based on the recommendation of the Corporate Social Responsibility committee, formulated a Corporate Social Responsibility Policy for welfare of the society.

The CSR policy outlining various areas of development viz. Health Care, Education, Sanitation, Ensuring environmental sustainability and Rural development projects was adopted by the Board and the same is available at the following link: <http://gscl.mehtagroup.com/policy/csr-policy>.

During the year under review, despite of carry forward losses, the Company although was not obliged to spend on the CSR activities under Section 135 of the Companies Act, 2013 has undertaken certain CSR activities. The Company is being taking various initiatives in the villages in the immediate vicinity of plant locations. The Company continues to provide medical aid, drinking water and quality education to the nearby habitants. The performance of the students in the school managed by the Company has been remarkable during the year.

Various CSR activities undertaken during Financial Year 2016-17 has been provided in Management Discussion and Analysis report.

LOANS, GUARANTEES AND INVESTMENTS

During the year under review, the Company has not granted any Loan, Guarantees or made Investments within the meaning of Section 186 of the Companies Act, 2013 and under Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

RISK MANAGEMENT

A formal Risk Management System has been implemented on an Enterprise Risk Management (ERM) as a part of strengthening and institutionalizing the decision making process and monitoring the exposures that are faced by the Company.

Company has a robust risk assessment and management system wherein the risk is identified, minimized, deliberated and mitigated in lively manner. The risks are periodically reviewed and reported to the Audit Committee and Board on quarterly basis.

INTERNAL FINANCIAL CONTROLS

The Company has an internal control system commensurate with the size, scale and complexity of its operations. In order to enhance controls and governance standards, the Company has adopted Standard Operating Procedures, which ensure that robust internal financial controls exist in relation to operations, financial reporting and compliance. In addition the Internal Audit function monitors and evaluates the efficiency and adequacy of the internal control system in the Company, its compliance and operating systems, accounting procedures and policies at all locations. Periodical reports on the same are also presented to the Audit Committee.

DIRECTORS & KEY MANAGERIAL PERSONNEL

Reappointment of Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Venkatesh Mysore (DIN: 01401447) and Mr. Y. K Vyas (DIN: 03420201) will retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for reappointment. Brief resume of the Directors seeking re-appointment along with other details as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements), Regulations 2015, are enclosed herewith as **Annexure D**.

The Board recommends the re appointment.

Appointment / Change in Key Managerial Personnel :

During the year under review, there is no appointment / change in Key Managerial personnel.

Board Evaluation

In accordance with the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors evaluated the performance of the Board as a whole, having regard to various criteria such as Board composition, Board processes, Board dynamics etc. The Independent Directors, at their separate meetings, also evaluated the performance of the Board as a whole based on various criteria.

The Board evaluated the effectiveness of its function and that of the committees and individual director by seeking their valuable inputs on various aspects of Board/Committee governance. Based upon various evaluation criteria, the Board and Independent Directors were of the view that the Board and Committee performance is in consonance of the standards / criteria being identified by Nomination & Remuneration Committee and the Independent Directors.

Declaration by Independent Directors

All the Independent Directors have furnished declarations stating that they meet the criteria of independence as laid down under Section 149 (6) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

AUDITORS

Statutory Auditors

M/s. Manubhai & Shah LLP, Chartered Accountants, the Statutory Auditors of the Company, who was reappointed to audit the accounts of the Company for the Financial Year 2016-17, hold office upto the conclusion of the ensuing Annual General Meeting and has completed their term of office in accordance with the provisions of Section 139(2) of the Companies Act, 2013.

It is proposed to appoint M/s. Banshi S. Mehta & Co, Chartered Accountants as Statutory Auditors of the Company to audit the accounts of the Company for the Financial Year 2017-18 who shall hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of next Annual General Meeting. As required under the provisions of the Companies Act, 2013, the Company has received written confirmation from M/s. Banshi S. Mehta & Co, Chartered Accountants that their appointment, if made, will be in conformity with the limits specified in the Section 143(1)(g) of the Companies Act, 2013.

Secretarial Auditors

M/s Ragini Chokshi & Company, Practicing Company Secretaries were appointed by the Board of Directors as the Secretarial Auditor of the Company to carry out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the Financial Year 2016 – 17. The report of the Secretarial Auditor is annexed as **Annexure E** to this report.

The Board of Directors of the Company on the recommendation of the Audit Committee appointed M/s. Ragini Chokshi & Company, Practicing Company Secretaries as Secretarial Auditor of the Company for the Financial Year 2017-18.

Tax Auditors

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Manubhai & Shah LLP, Chartered Accountants to carry out the Tax Audit for the Assessment Year 2017-18.

Internal Auditors

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Haribhakti & Co LLP Chartered Accountants, to carry out the Internal Audit of the Company for the Financial Year 2017-18.

Cost Auditors

In accordance with the provisions of Section 148 of the Companies Act 2013, on the recommendation of Audit Committee, M/s. M. Goyal & Co. Cost Accountants, have been appointed by the Board as Cost Auditor of the Company for the Financial Year 2017-18. A Certificate of eligibility under Section 148 of the Companies Act, 2013 has been received. As required under the Act, the remuneration payable to the Cost Auditor is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a Resolution for seeking Members ratification for the remuneration payable to M/s. M. Goyal & Co., Cost Auditor, is included at item no.5 of the Notice convening the Annual General Meeting.

OTHER DISCLOSURES UNDER COMPANIES ACT, 2013 AND SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS 2015

Audit Committee

The Company has an Audit Committee and details of its constitution, terms of reference are set out in the Corporate Governance Report.

Nomination & Remuneration Committee & Policy

The Company has a Nomination & Remuneration Committee and has also adopted a Remuneration Policy, the constitution of the committee along with the terms of reference to the committee are set out in the Corporate Governance Report.

Vigil Mechanism

The Company has established a Vigil Mechanism / Whistle Blower Policy and the directors and employees of the Company can approach the Audit Committee when they suspect or observe unethical practices, malpractices, non-compliances of policies, etc.

Number of Board Meetings

During the year under review four meetings of the Board of Directors were held. The meetings were held on 27th day of May 2016, 2nd day of August 2016, 25th day of October 2016 and 25th day of January 2017.

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

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 134 (3) of the Companies Act, 2013 are provided in **Annexure F** forming a part of this Report.

Extract of the Annual Return

The extract of the Annual Return in Form No. MGT – 9 forms a part of this report and is annexed as **Annexure G**.

Particulars of Employees

There were 424 permanent employees of the Company as on 31st March 2017. The disclosure pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this report at **Annexure H**.

Further, a statement showing the names and other particulars of employees drawing remuneration in excess of the limits as set out in the Rule 5(2) and other details as required under Rule 5(3) of the aforesaid Rules forms part of this report. However, in terms of first proviso to Section 136(1) of the Act, the Annual Report and Accounts are being sent to the members and others entitled thereto, excluding the aforesaid information. The said information is available for inspection by the members at the Registered Office of the Company during business hours on working days upto the date of the ensuing Annual General Meeting. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary, whereupon a copy would be sent. Further, the details are also available on the Company's website: <http://gscl.mehtagroup.com/investors>.

Disclosure under Sexual Harassment of Women at Workplace (Prevention, Prohibition & Redressal) Acts, 2013

The Company has in place, a formal policy on Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace. Detailed note is set out in the Corporate Governance report.

During the financial year under review, the Company has not received any complaints of sexual harassment from any of the women at work place of the Company.

Related Party Transactions

All related party transactions are in accordance with the approvals being granted by the Audit Committee. Board and the Members at the Annual General Meeting. The other details as required under SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 and Section 134 (3) of the Companies Act, 2013 are mentioned in the Corporate Governance Report.

Other Disclosures:

No disclosure or reporting is made in respect of the following items as required under the Companies Act, 2013 and SEBI (Listing Obligations and Disclosure Requirements), Regulations 2015 as there were no transactions during the year under review:

- Details relating to deposits covered under Chapter V of the Companies Act, 2013.
- Issue of equity shares with differential rights as to dividend, voting or otherwise.

- Issue of shares to the employees of the Company under any scheme (sweat equity or stock options).
- The Company does not have any scheme or provision of money for the purchase of its own shares by employees or by trustees for the benefit of employees.
- The Managing Directors of the Company do not receive any remuneration or commission from any of its subsidiaries.
- No material fraud has been reported by the Auditors to the Audit Committee or the Board.
- There was no revision in the financial statements.
- There was no change in the nature of business.

GENERAL

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 2017 - 18.

Staff Relations

Industrial relations at our factory and offices remained cordial.

Awards

The Company always believes in sustainable development of society and protection of environment. The Company's thrust in protecting environment in and around mines and plant operations by promoting Environmental training and aware programmes, conservation of natural resources and Safety management have been very well recognised by various accredited organizations. The Company has accordingly being conferred various awards as under :-

1. Rashtra Vibhushan Award 2017 towards Excellence in Environment Protection from Foundation for Accelerated Mass Empowerment:-
The foundation for Accelerated Mass Empowerment had organized awards for industries for their contribution in the field of Corporate Social Responsibility, Safety & Health, Environment protection. The Company had participated in second consecutive year and has successfully awarded Rashtra Vibhushan Award 2016-17 in Platinum Category for second consecutive time. The award has attracted 250 nominations across the country in various categories.
2. Environmental Excellence Award 2016 for Environmental protection in Platinum category from Foundation for Accelerated Mass Empowerment :-
The Company was evaluated on various credentials and practices like Pollution control, Greenbelt development measures, Environmental training & awareness programmes, conservation of natural resources, Environmental audits & system implementation and based on the standards and norms adopted by the Company in these areas, the Company has been awarded Environmental Excellence Award 2016 for Environmental Protection in Platinum Category.
3. Greentech Environment Award 2017 "Gold Award in Cement Sector" from Greentech Foundation:-
The Greentech Foundation has been established in the year 2000 to promote education, training, research and dissemination of knowledge, advancing the scientific, technical and practical aspects of Environment protection, Human resources, CSR and Safety at work place. The Company was evaluated on various criterias like best pollution control practices, Greenbelt development measures, Environmental training & awareness programmes, conservation of natural resources, Environmental audits & system implementation and has been awarded Greentech Environment Award 2017 in Gold category in Cement sector.
4. Exceed Award-2017 for outstanding achievement in Environment Preservation from NGO "Ek Kaam Desh Ke Naam":-
The Company bagged the Exceed Award 2017 in Platinum category for its outstanding efforts for preservation of environment and pollution control.

Acknowledgement

The Directors thank the Central Government, Government of Gujarat, Financial Institutions, Bankers, Shareholders, Stockists, Dealers and all other stakeholders associated with its operations for the co-operation and encouragement extended to the Company. The Board also takes this opportunity to express its sincere appreciation of the contribution and dedicated work of all the employees of the Company.

On behalf of the Board of Directors

Place : Mumbai
Dated : 24.5.2017

M. S. Gilotra
Managing Director

Jay Mehta
Executive Vice Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

Indian economy is witnessing a high performance with the estimated GDP growth of around 7.1% for the fiscal year 2016-17. India has emerged as the fastest growing major economy in the world. The improvement in India's economic fundamentals has accelerated with a combined impact of strong government reforms, Focus of Reserve Bank of India on inflation control supported by global commodity prices. The growth was however negatively impacted in the last half of the year due to demonetization announced by Government of India.

Cement Sector continues to play a vital role in the economic growth of the country. The major consuming sector for cement continues to be housing which captures around 67% of the total cement demand in the country. However, the cumulative index for cement production during the period April 2016 to March 2017 declined by 1.3 percent over the corresponding period of previous year. The benefit of good monsoon in boosting the agrarian and rural economy was partially subdued by the impact of demonetization, resulting in a negative yearly growth rate in cumulative cement production; for the first time in the last decade. Also there was slow pace of execution of infrastructure projects. The cement prices also witnessed decline post demonetization primarily from November 2016 to March 2017.

The Indian cement industry has an installed capacity of around 380 million tonnes and the capacity utilization remained lower at around 70%. The cement market in the state of Gujarat remained very fragmented and the margins eroded substantially with the surplus capacity available in the states of Gujarat and Rajasthan. The export volumes remained low due to un-remunerative prices.

Future Outlook

The Indian economy is expected to grow further owing to a series of policy measures. The major landmark economic reforms are currently underway, like Goods and Service Tax (GST), transition to transparent and digitalized transactions aiming at cashless society etc. Various schemes as announced in the union budgets like Swatch Bharat Abhiyan, Housing for All, Smart Cities Mission, Freight Corridors, Expressways etc. are expected to boost the demand for cement. Higher outlay and focus on infrastructure, housing and rural development are likely to boost the cement demand in the long term, which in turn will benefit the cement companies. Further, the recent increased allocation to rural low cost housing under Pradhan Mantri Awaas Yojana is likely to increase the cement demand significantly.

The long term future of Indian cement industry is optimistic and positive. However, the lower capacity utilization due to lower consumption continues to be a challenge and with addition of new plants with large capacities, the competition is becoming more intense. Old plants with less energy efficient process and machinery are likely to experience fierce competition in the market places.

In the state of Gujarat, there is a large surplus capacity over demand, which may affect the stability of cement prices. A large part of production therefore will need to be exported or transported to longer distances, in other states like Maharashtra, Karnataka and Kerala.

Opportunities & Threats

The cement consumption growth in the state of Gujarat is likely to return to normal and is expected to give ample opportunities for demand of cement.

The rail freight continued to be high and the transportation by rail using even the nearest rail siding is unviable. The infrastructural constraints and the high cost of handling of cement at public ports is a growing concern. The cost of delivery by road is adversely affected by the frequent changes in the deregulated diesel prices.

The Ministry of Environment, Forest and Climate Change, Government of India has issued a new stringent emission standard for Cement Industry for SO₂, NO_x and particulate matter. The new environmental emission norms have become mandatory from 1st April 2017. As required by the Central Pollution Control Board (CPCB), the Company has submitted its proposal with brief road map and approximate capital expenditure required to meet the revised norms. This will require technical upgradation/ replacement/ addition of pollution control equipment, involving substantial Capex. Besides capital investments, escalation in the operational costs is also expected.

The amended Mines and Minerals (Development and Regulation) Act, 2015 stipulates that leases granted before the commencement of the Act, for captive use are extended upto a period ending on 31st March 2030 or for a further period of 50 years or till the completion of their renewed period, whichever is later. With the new Act, the earlier policy of deemed renewal has been discontinued and all the mining leases will henceforth be allotted through an auction, which has made it difficult to retain existing leases. Forest & Wild life clearances are now a pre-requisite and land acquisition is becoming more challenging and expensive.

Although, Gujarat state is likely to continue to be surplus in cement production, the Company may access coastal markets economically, being close to the sea.

Segment Review and Analysis

During the year, the Company has produced and sold cement of different varieties like Ordinary Portland Cement (OPC) and Portland Pozzolana Cement (PPC). The Company also sold clinker, which is intermediate product for the manufacture of cement. The bulk of the revenue and profitability comes from the sale of cement.

Risks and Concerns

Increase in cost of material, delivery cost, duties and taxes are pushing the cost of production without a corresponding increase in the marketing demand, which will pose a threat to improving the overall scenario in cement sector.

Non availability of new mines and high incidence of taxes and duties are also the matter of concern for the industry. The delay in getting the required mining lease for the additional mining areas is a great concern as the availability of limestone has substantially reduced in the existing limestone mines.

The Indian Cement Industry is becoming intensely competitive, with addition of new entities and existing companies expanding its capacity inorganically. This could potentially impact the sales volumes, market share and profitability.

The manufacture of cement is an energy intensive process requiring large quantities of energy. In order to subsidize in energy cost, the Company is in progress of installation of 5.6 MW Waste Heat Recovery Plant, which shall improve the energy efficiency and reduce the overall power cost to some extent.

Absence of railway siding and a port near the factory results in increase in cost of transportation to farther markets of Gujarat as well as the markets outside Gujarat. The Company proposes to set up a captive jetty to mitigate the risk.

Internal Control systems and their adequacy

Your Company has adequate systems of internal controls commensurate with the size and nature of its operations. The internal audit team continuously monitors the effectiveness of internal control systems. The Management periodically reviews the Reports of the Internal Auditor highlighting suggested improvements, cost control measures and need of policy modification and assuring its adherence. The Audit Committee reviews the financial results, adequacy of disclosures and adherence of accounting principles. The corrective steps and suggestions of the Audit Committee are implemented and the Internal Auditor reviews the same and reports of any deviations and other recommendations to formulate management policies, risk management procedures.

Human Resource Development / Industrial Relations

Cementing, reinforcing & concreting is what we emphasize when it comes to manpower management, we inbuilt “Mazbooti gazab Ki” not only in product but also in the most valued assets of our organization “We the people”. When it comes to HR functions, the organization leaves no stone unturned to ensure that the backbone of the Company, manpower are taken utmost care. Employee engagement activities, knowledge enhancement, upgrading of skills & other various development initiatives are just next-door. Company endeavor’s to provide the best of work culture & talent enhancement programs.

Instilling the best in our manpower & nurturing them in our cradle of leadership, we not only raise them towards a new horizon, but we make them the corporate leaders of tomorrow, who would be at the helms in the times to come, Yes we here believe in benchmarking the benchmarks.

People come first & always, the management consistently keeps plethora of options, for individual professional skill enhancement & interpersonal relations. One such recent initiative taken was “Talk to me “, an open dialogue with the HR, which will help aligning the companies objectives & employees expectations, taking both to an upward trend.

Our bond of relations not only ends at the employees door, in fact it’s a step ahead, keeping our stakeholders, vendors, investors on the flowering tentacles, which is nurtured from time to time via roping in corporate business principles, leadership traits & code of ethics.

As on 31.03.2017 the Company portrayed a family to the count of 424 permanent employees.

Health and Safety

Health and Safety is one of the primary focus areas for your Company. The Company considers compliance of statutory Health and Safety requirements as the minimum performance standards and is committed to go beyond and adopt higher standards wherever required. To ensure that the safety standards are regularly followed across the facilities, the safety team undertakes periodic review and audits. Mock drills are periodically conducted to check emergency preparedness. The factory has a health care center providing medical aid to the Company’s employees and the family members, workers as well as patients from the nearby areas. The Company conducts various immunization programs, blood donation camp, family welfare education, health care, safety as well as various periodical health checkup