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Sanghi

INDUSTRIES LIMITED

13th ANNUAL REPORT 1998 - 1999

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Sanghi Industries Limited

Board of Directors

Shri Ram Sharan Sanghi	Chairman
Shri Ravi Sanghi	Managing Director
Shri Anand Prakash Sanghi	Director
Shri Sudhir Sanghi	Director
Shri Gireesh Sanghi	Director
Shri K.A. Harnahalli	IDBI Nominee
Shri P.J.V. Sarma	ICICI Nominee (Upto 01.05.99)
Shri G.V.S. Ramesh	ICICI Nominee (From 04.09.99)
Shri Sadashiv Sawrikar	Director
Shri T.M. Jagan Mohan	Director

Company Secretary

Mr. V. Sesha Sayee

Auditors

M/s. Ankit and Company
Chartered Accountants
Hyderabad.

Bankers

Bank of Baroda
Bank of Rajasthan
Dena Bank
Punjab National Bank
State Bank of Hyderabad
State Bank of India
State Bank of Saurastra
State Bank of Travancore
The Lakshmi Vilas Bank Limited
United Western Bank Limited
UTI Bank Limited

Registered Office & Works

Sanghi Nagar P.O.
Hayatnagar Mandal,
Ranga Reddy District, A.P. - 501511

Sanghi Cement Division

Sanghipuram, Village Motiber,
Tal. Abdasa, Kutch District - 370 655.
Gujarat.

Corporate Office

4-3-352, Bank Street,
Hyderabad - 500 095.

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Notice

Notice is hereby given that the Thirteenth Annual General Meeting of the members of **M/s. Sanghi Industries Limited** will be held on **Monday the 7th day of February, 2000 at 11.00 a.m. at the Registered Office of the Company** at Sanghinagar P.O., Hayatnagar Mandal, Ranga Reddy District, Andhra Pradesh - 501 511 to transact the following business :

Ordinary Business :

1. To receive, consider and adopt the Directors' Report, Audited Profit and Loss Account for the year ended 30th September, 1999 and the Balance Sheet as on that date together with the Auditor's Report thereon.

2. To appoint a Director in place of Shri Anand Prakash Sanghi, who retires by rotation and being eligible, offers himself for reappointment.

3. To appoint a Director in place of Shri T.M. Jagan Mohan, who retires by rotation and being eligible, offers himself for reappointment.

4. To appoint Auditors and to fix their remuneration.

Special Business :

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

   Issue of shares / securities to Promoter Group :

   " **Resolved that** pursuant to Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956, and in accordance with the provisions of Articles of Association of the Company and subject to necessary approvals, permissions and / or sanctions of Securities and Exchange Board of India (SEBI), Banks or Financial Institutions and any other appropriate authorities, if and to the extent necessary, and subject to such conditions and modifications, as may be prescribed by any of them in granting such approvals, permissions, and / or sanctions and agreed to by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any committee of the Board for the time being exercising the power conferred on the Board) the consent of the Company be and is hereby accorded to the Board to issue, offer and allot to promoter group (which term shall mean and include the Company's present promoters / relatives / associates / Companies managed / controlled by them or in which they are Directors or members), Equity Shares of

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Rs.10/- each aggregating upto 80% of the expanded paid up capital of the Company on Preferential basis at a price to be determined in accordance with the guidelines issued by Securities and Exchange Board of India or by Government of India (GOI) or by any other authority and in consultation with Financial Institutions, if required, and which may be considered fair and reasonable by the Board of Directors and subject to such terms and conditions as may be decided and deemed appropriate by the Board at the time of such issue or allotment considering the prevailing market conditions and other relevant factors.

Resolved further that in case the price arrived at according to the SEBI guidelines for issue is below par, then the said shares shall be issued at par.

Resolved further that the Equity Shares proposed to be allotted as above shall rank pari passu in all respects with the then existing Equity Shares of the Company, save and except the Dividend which , if declared, will be paid pro-rata from the respective date(s) of allotment.

Resolved further that application shall be made by the Company to list Equity Shares proposed to be allotted as above, on Stock Exchanges at Hyderabad and National Stock Exchange of India Limited.

Resolved further that for the purpose of giving effect to the above resolution the Board be and is hereby authorised to do all such acts, deeds, matters and things as it may, in its absolute discretion, deem necessary or desirable and to settle any questions, difficulties or doubts that may arise in regard to any such issue or allotment as it may in its absolute discretion deem fit.

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

Issue of Shares to Banks, Friends of Promoters, Non Resident Indians / OCBs, Foreign Collaborators and associates of Foreign Collaborators etc.,:

"**Resolved that** pursuant to the provisions of Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956 and subject to such approvals, permissions and sanctions from Banks or Financial Institutions or other authorities as may be considered necessary and subject to the guidelines issued / as may be issued from time to time by the Securities and Exchange Board of India or other concerned authorities and subject to such conditions, modifications as may be prescribed or suggested while granting such approvals, permissions

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and sanctions by such authorities referred above, the consent of the Company be and is hereby accorded to the Board of Directors of the Company to issue and offer 9,00,00,000 equity shares of Rs.10/- each on Preferential Basis at a price arrived at as per the guidelines of Securities and Exchange Board of India but not less than the face value (in case the price arrived at as per the guidelines is below par) or other Authority(ies) from time to time, for cash to the Foreign Institutional Investors registered with Securities and Exchange Board of India / other Institutional Investors in India or Abroad / Mutual Funds in India or Abroad / Banks in India or Abroad / Friends of Promoters / Non-Resident Indians / Overseas Body Corporate(s) / Body Corporates In India / Foreign Collaborators and their associates on preferential basis or such other basis as may be decided by the Board and subject to such limitations as already specified or to be specified by Securities and Exchange Board of India or any other authorities concerned to the matter from time to time.

Resolved further that the Equity Shares proposed to be allotted as above shall rank pari passu in all respects with the then existing Equity Shares of the Company, save and except the Dividend which, if declared, will be paid pro-rata from the respective date(s) of allotment.

Resolved further that application shall be made by the Company to list Equity Shares proposed to be allotted as above, on Stock Exchanges at Hyderabad and National Stock Exchange of India Limited.

Resolved further that the Board be and is hereby authorised in their discretion to make the said issue on such terms and conditions as they may deem appropriate and to accept such other conditions and modifications in terms of the issue as may be permitted by SEBI / other authorities while according their sanction or consent to the proposed Equity Issue and take consequential action thereon including authority to revise / adjust the value or the quantum of issue in such manner as may be considered appropriate by the Directors, in the best interest of the Company, in the event of such variations being considered expedient as a result of any modifications effected by SEBI or other authorities or prevailing market conditions or otherwise.

Resolved further that the Board be and is hereby authorised to decide the terms and conditions of the above issue(s) and do all acts, deeds and things as may be necessary for the purpose of making the said issue and for the purpose of giving effect to this Resolution including to do all such acts, deeds and things as the Board may in their absolute discretion consider necessary or desirable for making the said issue as aforesaid and to settle any question or difficulty or doubt that may arise in this regard including power to allot, oversubscribed/

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unsubscribed portion, if any in such manner and to such person(s) as the Board *may deem fit and proper in their absolute discretion to be most beneficial to the* company.

By Order of the Board
for **Sanghi Industries Limited**

(Sesha Sayee)
Secretary

Place : Sanghinagar
Date : 10th January, 2000

Notes :

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. **The instrument of proxy in order to be effective, must be deposited with the Company at its Corporate Office at 4-3-352, Bank Street, Hyderabad - 500 095, duly completed and signed not less than 48 hours *before the meeting*.**
2. The Register of Members and Share Transfer Registers of the Company will *remain closed from 2nd February, 2000 to 7th February, 2000 (both days* inclusive) in connection with the ensuing Annual General Meeting.
3. Members are requested to notify immediately any change in their address to the Company's Corporate Office at 4-3-352, Bank Street, Hyderabad - 500 095 (A.P.) quoting their folio numbers.
4. An explanatory statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 in respect of the Special Business is annexed hereto.
5. Members are requested to bring their copies of Annual Report to the meeting for their reference.
6. Members desiring any information as regards the Accounts are requested to write to the Company at an early date i.e. on or before 1st February, 2000 so as to enable the Management to keep the information ready.

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7. For the convenience of Members and for proper conduct of the meeting, **entry to the place of meeting will be regulated by attendance slips.** Members are requested to affix their signature at the place provided on the attendance slip and hand it over at the registration counters.

Explanatory Statement

(Pursuant to the provisions of Section 173(2) of the Companies Act, 1956)

Item No. 5 :

This resolution relates to a proposal by the Company to issue, offer and allot Equity Shares to Promoter Group for an aggregate face value of Equity Shares of upto 80% of the expanded paid up capital of the Company.

Since the Company has a proposal to issue shares to Non Resident Indians / Banks/ Foreign Collaborators and their associates etc., by conversion of share application money brought in by such persons towards the equity of the Cement Project, the same will result into dilution of holding of the promoter group in the Company. For stable, efficient management of the affairs of the Company and achievement of long term objectives, it is considered in the interests of all concerned that the shareholding of the promoter group be increased by way of issue of equity shares on Preferential Basis for the share application money brought in by them also towards the equity of the Cement Project.

It is proposed to issue Equity Shares at a price to be arrived at as per the existing guidelines issued by Securities and Exchange Board of India or at par (in case the price arrived at as per guidelines of SEBI is below par) or at any other price which may be recommended or prescribed by the Securities and Exchange Board of India (SEBI) or by the Government of India (GOI) or by any other authority and in consultation with Financial Institutions, if required, and which may be considered fair and reasonable by the Board.

The consent of the Shareholders is being sought pursuant to the provisions of Section 81(1-A) and other applicable provisions of the Companies Act, 1956. Section 81 of the Companies Act, 1956 provides, inter alia, that when it is proposed to increase the issued capital of the Company by allotment of further shares, such further shares shall be offered to the existing shareholders of the Company in the manner laid down in Section 81 unless the shareholders in a General Meeting decide otherwise.

Shri Ram Sharan Sanghi, Chairman, Shri Ravi Sanghi, Managing Director, Shri Anand Prakash Sanghi, Shri Sudhir Sanghi and Shri Gireesh Sanghi, Directors.

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are members of the Promoter Group and accordingly may be deemed to be concerned or interested in the resolution as it relates to issue of securities to the Promoter Group.

Item No. 6 :

According to the provisions of Section 81(1A) of the Companies Act, 1956 where a Company proposes to increase the subscribed capital at any time after the expiry of two years from the formation of the Company or at any time after the expiry of one year from the allotment of shares made for the first time, such shares shall be offered to the existing shareholders of the Company and in case the members by way of a special resolution passed at a general meeting decide otherwise then such shares can be offered to the public or to any such other person(s).

The Company requires large amount of funds to part finance the cost of the Cement Plant and earlier has taken some amounts from Non Resident Indians / OCBs/ Banks/Foreign Collaborators and their associates towards the equity of the Cement Project on Private Placement basis and now proposes to issue shares on Preferential basis to convert the share application money earlier contributed by the various categories of investors into equity capital.

Taking into account the stipulation of the Banks and Financial Institutions to convert the said share application money into equity at the earliest, your Directors propose to allot shares for the share application money already brought in towards the equity of the Cement Project, out of which 65,89,600 equity shares would be allotted to M/s. Fuller International Inc, USA, Foreign Collaborator and 91,00,400 equity shares would be allotted to M/s. Fuller (KCP) India Limited (associate of M/s. Fuller International Inc, USA), 6,30,900 equity shares would be allotted to the Friends of the Promoters, 9,00,000 equity shares would be allotted to M/s. Catholic Syrian Bank and 46,54,270, equity shares would be allotted to some Non Resident Indians and Overseas Body Corporates aggregating to 2,18,75,170 Equity Shares of Rs.10/- each.

The Company has also obtained the approval of Reserve Bank of India for allotment of shares to the Foreign Collaborators and Non Resident Indians / OCBs.

The Promoters are also making efforts to bring in additional funds aggregating to a maximum of Rs. 45 crores towards the equity of the Cement Project (as stipulated by the Banks and Financial Institutions) from their NRI friends etc., and in case the said funds are received by the Company within the validity period of this resolution, then for such amounts brought in also the Board of Directors would be allotting the shares subject to the approval of regulatory authorities.

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Your Directors commend the resolution for your approval.

None of the Directors of the Company is concerned or interested in the said resolution.

By Order of the Board
for **Sanghi Industries Limited**

(Sesha Sayee)
Secretary

Place : Sanghinagar
Date : 10th January, 2000.

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Directors' Report

To

The members of
M/s. Sanghi Industries Limited

Your Directors have pleasure in presenting the 13th Annual Report together with the audited financial statements for the year ended 30th September, 1999.

Financial Results

(Rs. in crores)

	1998-99	1997-98
Gross Income	81.62	72.66
PBIDT	6.23	6.11
Interest	3.67	3.48
Operating Profit	2.56	2.63
Depreciation	1.54	1.78
Profit before Tax	1.02	0.85
Provision for Tax	Nil	Nil
Profit after Tax	1.02	0.85

Your Directors report that the financial results achieved by your company during the year under review are satisfactory despite slowing down of industrial economy, slackness in off take and reduced margins in addition to the spiralling costs.

Status of Cement Plant

As you are aware, your company has received all the required approvals with regard to the Cement Plant and your Directors are confident that the financial closure will be achieved shortly and that the Commercial production will commence in the year 2000.

Dividend

Since the Directors of the Company have decided to plough back the profits generated by the Company, no dividend payment has been recommended for the current year under review.

Directorate

Shri Anand Prakash Sanghi and Shri T. M. Jagan Mohan, Directors retire by rotation and are eligible for re-appointment.

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