



**SANGHI  
CEMENT**

# *Scaling Heights*

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**Sanghi**

**INDUSTRIES LIMITED**

**17th Annual Report**

**2003 - 2004**

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## Board of Directors

Shri Ram Sharan Sanghi	Chairman
Shri Ravi Sanghi	Managing Director
Shri S.C. Kuchhal	Director
Shri Anand Prakash Sanghi	Director
Shri D.K. Kambale	IDBI Nominee
Shri Sudhendranath	ICICI Bank Nominee (from 18.08.2003)
Shri Sudhir Sanghi	Director
Shri Erling Frandsen	Fuller Group Nominee (upto 29.06.2004)
Shri Pradeep Kapoor	Alternate to Fuller Nominee (upto 25.03.2004)
Shri Gireesh Sanghi	Director (upto 18.02.2004)
Shri Sadashiv Sawrikar	Director
Shri T.M. Jagan Mohan	Director
Shri Christian Venderby	Fuller Nominee (from 30.06.2004)

## Company Secretary

Mr. V. Sessa Sayee

## Auditors

M/s. Ankit & Company,  
Chartered Accountants,  
4-3-338, RK Estate, Bank Street,  
Hyderabad – 500 095

M/s. Ramanlal G Shah & Company,  
Chartered Accountants, Shreeji House,  
Behind M J Library, Ellis Bridge,  
Ahmedabad – 380 006

## Registered Office

Sanghinagar P.O., Hayatnagar Mandal,  
Ranga Reddy District,  
Andhra Pradesh – 501 511  
Tel : 08415 - 242217/22  
Fax : 08415 - 242239/41  
E-mail : hyd1\_sanghi1@sancharnet.in

## Cement Plant

Sanghipuram,  
Village Motiber, Tal. Abdasa, Kutch District,  
Gujarat - 370 655.  
Tel : 02831 - 274131/32/35/36  
Fax : 02831 - 274106/15/23  
E-mail : info@sanghi-cement.com

## Admn. Office

President House, I Floor,  
Opp. C N Vidhyalaya, Ambawadi Circle,  
Ahmedabad – 380 006  
Tel : 079 - 26564535/26569939  
Fax : 079 - 26560408  
E-mail : sanghicmt@eth.net

## Mumbai Office

305/306, Tirupati Udyog,  
J.B. Patel Marg, Goregaon (East)  
Mumbai – 400 051  
Tel : 022 - 28733350/28752199  
Fax : 022 - 56980488  
E-mail : sanghicement@hotmail.com

## Hyderabad Office

Bank Street, Hyderabad – 500 095  
Tel : 040 - 24756660 - 64  
Fax : 040 - 24756755/24756358  
E-mail : hyd1\_sanghi@sancharnet.in

## Directors' Report

To  
The members of  
**M/s. Sanghi Industries Limited,**

Your Directors have pleasure in presenting the 17<sup>th</sup> Annual Report together with the audited financial statements for the year ended 31<sup>st</sup> March, 2004.

## Financial Results

		(Rupees in Crores)
	2003-2004	2001-2003
Gross Income	178.15	52.67
PBIDT	34.78	5.42
Interest	23.52	3.05
Operating Profit	11.27	2.37
Depreciation	18.42	1.77
Profit/(Loss) before Tax	(7.15)	0.60
Provision for Tax	-	0.04
Profit brought forward	1.70	4.25
Profit/(Loss) after Tax	(5.45)	0.56

Your Directors report that this is the first year of operations of Cement and the financial results achieved by your Company during the year under review pertain to six months of cement operations whereas those of the earlier year are of polymer operations only.

## Progress of Cement Plant

The Cement Plant is commissioned during the year and the Commercial production started during October, 2003. The technical performance of all the equipments is satisfactory and is gradually reaching the optimum level. The Company could achieve a peak level production of about 116% for Clinker and about 91% for Cement.

## Management Discussion & Analysis

The Management presents the analysis for cement for the period ended 31<sup>st</sup> March, 2004 and its outlook for the future. This outlook is based on the current business environment and may vary due to future economic and other developments both in India and abroad.



SHAKTI RATH

## Business Environment

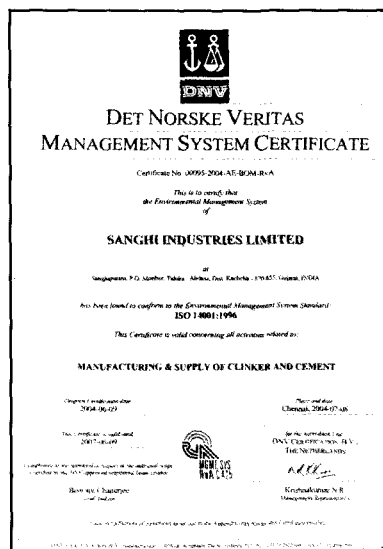
During the year under review, the Indian Cement Industry which is the Second largest in the world, with an installed capacity of about 144 million tonnes has grown by a modest 5.5%. Cement production and despatches during the year ended 31<sup>st</sup> March, 2004 have increased by about 5% to about 117 million tonnes as compared to 111 million tonnes during the previous year. The increase in demand from the housing sector and no new capacity additions during the year have reduced the excess supply over demand by more than half. The increased demand is also driving up cement prices across the regions.

## Review of Operations

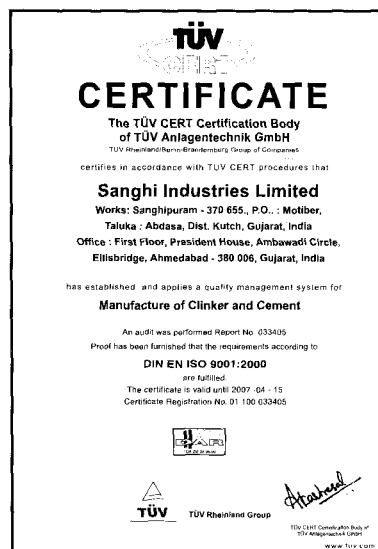
During the first six months of commercial operations, the Company has achieved a turnover of about Rs.169 crores. Since the commencement of trial runs, the Company had exported about 1.69 Million Tonnes of Clinker by far to various Middle East countries, Bangladesh and Africa. The Company had exported the largest cargo of clinker from Indian shores of 60750 MT in a single shipment. The Company has received an award for the excellent export performance from CAPEXIL. Pursuant to the grant of Export House Status to the Company, the Company has returned the EPCG Guarantees of about Rs.83 crores to Bank of Baroda, Bank of India and State Bank of India given by them.

## Certifications

Your Directors are happy to inform you that your Company has received the ISO-9001 certification for conforming to the quality parameters, ISO-14001 certificate for conforming to the Environmental System Standards and ISO-18001 certificate for conforming to the Occupational Health and Safety Management Systems of the Company while manufacturing and supply of Clinker and Cement. Your Company enjoys the distinction of being the first Company to achieve these parameters in the first year of operations itself.



ISO 14001 CERTIFICATE



ISO 9001 CERTIFICATE



ISO 18001 CERTIFICATE



## Significant Initiatives

### Market

The Company launched its 53 grade cement under the brand logo of " **Lion** " and has made strong inroads in Saurashtra and Kutch markets and is concentrating on Central and South Gujarat. It has developed a strong network of experienced dealers. The Company has already opened Divisional Offices and depots for distribution and monitoring of market network. The Company has also appointed intermediaries for interacting with the Institutional buyers. It has also appointed franchisees called 'Consumer Care Centre (CCC)' offering various services to the prospective buyers. The major initiatives taken by your Company during the year had a salutary effect on the entire industry and includes converting the trade from production focused to consumer focused and introduction of the novel concept of "Shaktirath" i.e. Mobile Test Van to provide testing and guidance to the construction industry at site.



CONCRETE-TESTING

The Company has already tested the coastal shipping route for bagged cement successfully at economical

cost. The Company has also identified and tied up with dedicated jetties at various market entry points for efficient and economic logistics. The Company plans to export its produce. It has already established its product quality and committed delivery schedule in the export market. The quality of the product is very well accepted in the markets – both domestic and international.

### Future Outlook

The Cement Industry world wide today is buoyant. Surpluses in most of the domestic market and also in the international markets are getting absorbed and for the first time in last 2-3 years, there is no serious mismatch between the demand and supply. Cement demand world wide is slated to grow at over 3%. The major booming demand center in the world today is Gulf due to boom in construction activity. Major infrastructural projects, hotels and massive development of real estate are fuelling Cement demand in Gulf countries.

Cement demand in the country grows at a factor of 1.3% of the GDP and cement demand is likely to grow over 10% during the current year. Your Company is fully confident that the pro-rural tilt of the new Government could augur well for the Cement sector with regard to setting up of rural roads, canals and rural housing projects. The Highway projects – the Golden Quadrilateral and East-West and North-South Corridors and the likely concentration on development of hydel power projects, ports and canal lining in addition to the demand from Gulf will further boost the demand for cement.

Your Company's thrust would again be on increasing Exports of Clinker/Cement and continued efforts to reduce operating costs. Initiatives have been taken to improve cost competitiveness and profitability. The consolidation in the cement industry is also expected to contribute to more stable market conditions.

### Lease of Polymer Operations

The production facilities of Polymers have been leased out to M/s. Sanghi Polymers Private Limited with effect from 1<sup>st</sup> April, 2003 till the process of segregation of the Polymer Division with due approvals is completed.

### Dividend

No dividend payment has been recommended for the current year under review.

### Directorate

Shri Sudhir Sanghi and Shri Sadashiv Sawrikar, Directors retire by rotation and are eligible for re-appointment.

Shri Gireesh Sanghi has resigned from the Directorship of the Company with effect from 19<sup>th</sup> February, 2004.

During the year under review M/s. Fuller Group, Technical Collaborators had withdrawn the nomination of Shri Jesper Horsholt as a Director and had nominated Shri Erling Frandsen as their nominee with Shri Pradeep Kapoor as his Alternate. Subsequently Fuller Group had nominated Shri Christian Venderby as their Nominee onto the Board of the Company vide its letter dated 30th June, 2004. Shri Christian Venderby was co-opted as an Additional Director at the meeting held on even date and as per the provisions of Section 260 of the Companies Act, 1956, he holds office upto the date of the ensuing Annual General Meeting. Your Directors commend his appointment.

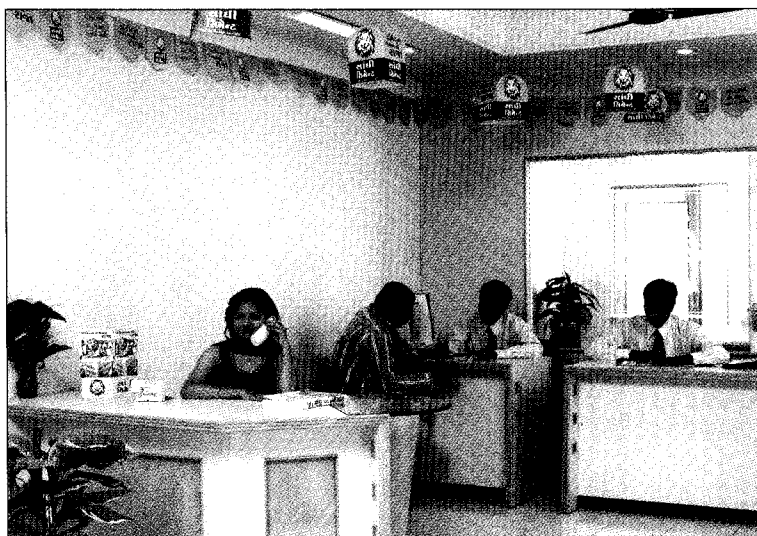
Your Board takes this opportunity to place on record their sincere appreciation for the valuable services rendered by Shri Gireesh Sanghi, Shri Jesper Horsholt, Shri Erling Frandsen and Shri Pradeep Kapoor during their tenure as Directors of the Company.

### Auditors

M/s. Ankit & Company, Chartered Accountants, Hyderabad and M/s. Ramanlal G. Shah & Company, Chartered Accountants, Ahmedabad, the retiring Statutory Auditors, being eligible offer themselves for re-appointment as the Auditors of the Company. The Company has also received certificates from M/s. Ankit & Company and M/s. Ramanlal G. Shah & Company stating that their re-appointment, if made, would be in accordance with the provisions of Section 224 of the Companies Act, 1956.

### Particulars of Employees

The provisions of Section 217(2A) of the Companies Act, 1956 are not attracted by the Company since none of the employees of the Company are drawing remuneration exceeding the limits prescribed in the provisions of the said section except Shri Ravi Sanghi, the Managing Director who is paid Rs.2,00,000/- p.m. as the Salary.



CONSUMER CARE CENTRE

### Foreign Exchange Earnings & Outgo

During the year under review, the Company has earned Rs. 9110.08 lacs and used Rs. 2330.27 lacs equivalent in foreign exchange.

### Social Responsibilities

Your Directors are happy to inform you that the undeveloped area of Kutch has immensely benefited from the infrastructure set up by the Company and the employees, contract workers and their family members primarily use the same. The Company is regularly supplying drinking water to the nearby villages from the water de-salination plant set up by the Company.



OASIS IN DESERT

A school of Gujarat State Education Board has been established with qualified staff for the benefit of the children of the employees, contract workers and of surrounding villages. The Company has also arranged mobile medical vans in nearby villages for providing the basic medical help and hygiene and other health related awareness for the local population.

In addition to the above, your Company conducts balwadi programmes for children and infant welfare in addition to the educational camps for adults and vocational training camps and veterinary camps. In short, the undeveloped area of Kutch has benefitted very much from the starting of the Cement Plant and the all round development is clearly visible to the people of the surrounding areas with better infrastructure.

### Environment and Pollution Control

Your Company is monitoring environmental and pollution control parameters at its Plant at Sanghipuram, Gujarat on an ongoing basis. The Company has adopted several measures like smoke precipitators, effluent treatment plants, planting of trees etc., to keep the environment healthy. Your Company is determined to sustain and improve these parameters in the years to come.

The Company has taken care of ecological balance and natural beauty of the area at its plant by planting thousands of trees and it would not be an exaggeration to say that the plant location is emerging as a model township where Industrial progress and congenial environment co-exist.

### Conservation of Energy

Energy Conservation has been identified as an important source for enhancing the cost effectiveness. Energy conservation and optimisation is achieved at the design stage of the plant itself and is then sustained and improved in the normal plant operations. Continuous upscaling of energy conservation efforts is achieved by frequent energy audits at operation levels. Your Company has also identified certain energy saving measures for use in production.



### Specific measures of energy conservation include

- Frequent checking by preventive maintenance personnel to ensure that machines and equipments consume only rated power and not more in the process to have new ideas and methods of the conservation of energy.
- Recovery of energy from waste steams by utilising them as fuel in boilers/furnaces.
- Computerised Process Control towards efficiency in energy consumption, overall productivity and improved product quality.

### Technology Absorption, Adaptation and Innovation

Through continuously monitored programs of cost effectiveness and value engineering techniques, your Company has concentrated on improving productivity and technical efficiency. This has also helped the Company to better the quality of its products and achieve economies in cost of production.

### Constitution of Audit Committee

Pursuant to the provisions of Section 292A of the Companies Act, 1956 as amended till date and those of the Listing Agreement entered into by the Company with the various Stock Exchanges, an Audit Committee of the Directors has been constituted. The present members of the Audit Committee are as under :

Shri S.C. Kuchhal	-	Chairman
Shri D.K. Kambale	-	Member
Shri Sadashiv Sawrikar	-	Member
Shri Jagan Mohan	-	Member

### Restructuring of Loans

Taking into account the delay in commissioning the Cement Project for reasons beyond the control of the Company and the high interest burden etc., your Company had requested the Lenders of the Cement Project for restructuring the Loans and the same is under consideration.

### Corporate Governance

The Company has complied with the Corporate Governance Code as stipulated under the Listing Agreement with the Stock Exchanges. A separate section on the Corporate Governance Practices followed by the Company together with the certificate from the Company's Auditors confirming compliance is set out in the Annexure forming part of this report.

### Dematerialization of Shares

The shares of your Company have been mandated by Securities and Exchange Board of India for settlement only in demat form by all investors. Through dematerialization



SURFACE MINING

of share certificates and screen based trading, the depository system is expected to eliminate the hardships faced by the shareholders, particularly, relating to time consuming process of share transfers, loss of share certificates, fake certificates and bad deliveries in the market.

Your Company has entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and joined the depository system to facilitate scripless trading and also to provide investors with option and convenience of dealing with more than one depository and avail the benefits of multi depository system.



**STACKER-RECLAIMER**

### **Directors' Responsibility Statement**

To the best of their knowledge and belief and according to the information and explanations obtained by them and pursuant to the requirements under Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, your Directors hereby confirm that –

- (a) in the preparation of the accounts for the financial year ended 31<sup>st</sup> March, 2004, the applicable accounting standards have been followed alongwith proper explanations relating to material departures, if any ;
- (b) the Directors have selected such appropriate accounting policies and applied them consistently and made judgements and estimates that were 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 of the Company for the year under review;
- (c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors have prepared the accounts for the financial year ended 31<sup>st</sup> March, 2004 on a going concern basis.

### **Justification of Audit qualification**

Your Directors would like to inform you that the Company has started paying the Royalty amount. The outstanding ROC fees payable is filing fee in nature. Your Directors are of the opinion that the same will not amount to statutory due and the Company has obtained a legal opinion in this regard.

### **Industrial Relations**

The industrial relations in the Company continued to be cordial throughout the year under review. Your Directors wish to place on record their appreciation for the excellent team work with which the workers and officers of the Company at all levels have contributed individually and collectively to the impressive performance of the Company.