SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

SANGHI CEMENT



Sanghi

INDUSTRIES LIMITED

18th Annual Report 2004-2005

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Sanghi Industries Limited

CONTENTS

Particulars	Page No.
Board of Directors	2
Directors' Report	3-8
Corporate Governance Report	9-20
Auditors' Report	21-23
Annual Accounts	24-25
Schedules to Accounts	26-31
Notes to Accounts	32-36
Cash Flow Statement	37-38
Abstract of Balance Sheet and General Business Profile	39

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Sanghi Industries Limited

Board of Directors

Shri Ram Sharan Sanghi	Chairman
Shri Ravi Sanghi	Managing Director
Shri Pradeep Kapoor	Whole Time Director & CEO (From 27.10.2004)
Shri Suresh Chandra Kuchhal	Director
Shri Anand Prakash Sanghi	Director
Shri Sudhir Sanghi	Director
Shri D K Kambale	IDBI Nominee Director
Shri M Sudhendranath	ICICI Bank Limited Nominee Director
Shri B L Patwardhan	SBI Nominee Director (From 30.07.2004)
Shri Sadashiv Sawrikar	Director
Shri T M Jagan Mohan	Director
Shri Christian Venderby	Fuller Group Nominee Director

Company Secretary

Mr. V. Sesha Sayee

Auditors

M/s. Ankit & Company,
Chartered Accountants
4-3-338, R K Estate
Bank Street,
Hyderabad

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

Registered Office

Sanghinagar P.O.
Hayatnagar Mandal,
R R District, A.P. - 501 511
Tel Nos. 08415 - 242217/22
Fax No. 08415 - 242239/41
E-mail : hyd1_sanghi1@sancharnet.in

Cement Plant

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

Administrative Office

President House, 1 Floor,
Opp. C N Vidhyalaya,
Ambawadi Circle,
Ahmedabad - 380 006
Tel Nos. 079 - 2656 4535/9939
Fax No. 079 - 26560408
E-mail : sanghicmt@eth.net

Mumbai Office

109, B Wing, Krishna Commercial Center,
6, Udyog Nagar, Near Kamat Club,
S V Road, Goregaon (West),
Mumbai - 400 055
Tel Nos. 022 - 2871 3120/25
Fax. Nos. 022 - 2871 3126
E-mail : sanghicement2@rediffmail.com

Hyderabad Office

Bank Street,
Hyderabad - 500 095
Tel Nos. 040 - 2475 6660 to 6664
Fax No. 040 - 2475 6755
E-mail : hyd1_sanghi@sancharnet.in

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Directors' Report

To
The members of
M/s. Sanghi Industries Limited

Your Directors have pleasure in presenting the 18th Annual Report together with the audited financial statements for the year ended 31st March, 2005.

Financial Results

(Rupees in Crores)

	2004-2005	2003-2004
Gross Income	**454.07**	178.15
PBIDT	**101.63**	34.78
Interest	**50.48**	23.52
Operating Profit	**51.11**	11.27
Depreciation and amortisation	**46.01**	18.42
Profit/(Loss) before Tax	**5.13**	(7.15)
Provision for Tax	**0.06**	-
Profit brought forward	**(5.45)**	1.70
Profit/(Loss) after Tax	**(0.37)**	(5.45)

Your Directors report that this is the first full year of operations of Cement and the financial results achieved by your Company during the year under review are good and impressive.

Management Discussion and Analysis

The Management presents the analysis for cement for the period ended 31st March, 2005 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.

Business Environment

The Indian Cement Industry is witnessing a strong growth and is expected to continue for next few years and has sustained its growth as second largest in the world for some time now. The installed capacity of the Industry as on 31st March, 2005 was 152.09 Million Tonnes. Capacity additions during the year has grown by 3.90%. No new green field project has come up during the year and the entire capacity addition of 5.7 Million Tonnes has been through brown field expansion.

The Cement production during the year was 125.56 Million Tonnes which was 6.85% higher compared to last year. Despatches of Cement including export was also 125.13 Million Tonnes which was higher by 6.74% compared to last year. The increase in demand in Housing Sector and no new capacity additions during the year have driven the prices of cement upwards across the regions.

Review of Operations

During the year under review, the Company has recorded a net sales turnover of about Rs.377 crores and earned a net profit of about Rs.5.07 crores as compared to the loss of about Rs.7.14 crores for the six months period ended 31st March, 2004. During the year, the Clinker production was 2,211,107 tonnes and cement was 1,207,523 tonnes. The Company has stabilized its operations in the financial year 2004-2005.

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Significant Initiatives

Market

The Company has increased its market share in Gujarat and the brand has become one of the leading brands in Gujarat. The Company has successfully established its marketing network in whole of Gujarat.

The Company has expanded the width of its market by launching cement in Maharastra in February, 2005. Presently the Company caters to Mumbai, Thane and Raigad areas.The Company expects to sell about 6,000 tonnes per month in and around Mumbai in Maharastra.

Future Outlook

It is estimated that demand and supply equillibrium would be established by end of 2006 which would ensure stability in demand and price. The increase in demand in Housing sector and the large infrastructure projects would drive demand this year to the level of 8% over the last year. Export outlook continues to be encouraging. The cement demand in most of the GCC countries is growing steadily. The trend is likely to continue for next 2-3 years and augurs well for the port based cement plants.

Your Company's thrust would again be on increasing exports and the initiatives taken to improve the cost competitiveness and profitability would further improve the performance of the Company. 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 1st 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.

Board of Directors

Shri Ram Sharan Sanghi, Shri Suresh Chandra Kuchhal and Shri T M Jagan Mohan, Directors retire by rotation and are eligible for re-appointment.

During the year under review Shri B L Patwardhan was Co-opted by the Board of Directors at its meeting held on 30th July, 2004 as a Director nominated by State Bank of India. The Board of Directors at its meeting held on 27th October, 2004, have co-opted Shri Pradeep Kapoor as an Additional Director of the Company whose period of office is subject to retirement by rotation and he was designated as the Whole Time Director & Chief Executive Officer. 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.

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 and 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

Information about employees as per the provisions of Section 217(2A) of the Companies Act, 1956 read with

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Companies (Particulars of Employees) Rules, 1975 as amended forms part of this report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Report and Accounts are being sent to all the shareholders of the Company excluding the abovesaid information. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

Foreign Exchange Earnings & Outgo

During the year under review, the Company has earned Rs. 12125.51 lacs and used Rs. 3494.48 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 residents of neighbouring villages use the same. The Company is supplying drinking water to the nearby villages from the water desalination plant set up by the Company.

A school recognized by 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.

It will be heartening to note that the Company has developed a park for Senior Citizens in Bhuj and has named it as "Sanghi Dada-Dadi Park". The park has become an attraction in Bhuj city and provides health check up and milk to the Senior Citizens who visit the park.

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 benefited 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 environment and pollution parameters at its plant at Sanghipuram, Gujarat on an ongoing basis. The Company has adopted several measures like electro-static precipitators, effluent treatment plants, planting of trees etc., to keep the environment healthy. Your Company is keen to maintain 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 is making all efforts to ensure that the plant location emerges 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 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

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

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 has been approved by the lenders on 23rd March, 2005. The same is expected to be implemented in the current financial year. The Company expects to reduce it's interest costs and improve the debt servicing on implementation of the package.

ERP

In keeping with the pace of growing volume and in order to optimize the systems and derive the maximum benefit of information technology, the company has embarked upon an ambitious ERP implementation plan. The entire system is expected to "go live" by commencement of next financial year.

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 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

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

trading and also to provide investors with the option and convenience of dealing with more than one depository and avail the benefits of multi depository system.

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 31st March, 2005, 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/(loss) 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 31st March, 2005 on a going concern basis.

Justification regarding non payment of Non Agricultural Tax

The arrears of Non Agricultural Tax payable by the Company are mainly on account of the arbitrary steep hike in the rates and a favourable ruling passed in a related matter by the Honourable High Court of Gujarat. However, the Company has made a payment of about Rs.50 lacs under protest and is in the process of remitting the balance amount as mutually agreed with the authorities.

Industrial Relations

The Industrial Relations 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.

Acknowledgements

Your Directors would like to take this opportunity to express their grateful appreciation for the excellent assistance and co-operation received from the Central Government, the State Government(s) and the Consortium of Banks and Financial Institutions.

Your Directors also thank the Shareholders, Customers, Suppliers, State and Central Government agencies for the support they had given to the Company and the confidence which they have reposed in its management.

for **and on behalf of the Board of Directors**

Ravi Sanghi
Managing Director

Place : Sanghinagar
Date : 28th June, 2005

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

ANNEXURE
Form - A

A. Conservation of Energy : Refer Report of Directors

Particulars	Year ended March, 2005	Year ended March, 2004
B) Power & Fuel Consumption		
1. Electricity		
(a) Purchased		
Unit (Kwh in Lacs)		
Total amount (Rs. in Lacs)	-	-
Rate / Unit (Rs.)	-	-
(b) Own Generation		
i) Through Diesel Generators		
Unit (Kwh in Lacs)	2041.83	980.52
Unit per Ltr. of F.O. / H.S.D.	4.28	4.14
Cost / Unit	2.33	2.37
ii) Through I.P. Steam Turbine		
Unit (Kwh in Lacs)	-	-
Unit per Kg. of Fuel	-	-
Cost / Unit (Rs.)	-	-
iii) Through II. P. Thermal Generators		
Unit (Kwh in Lacs)	-	-
Unit per Kg. of Fuel	-	-
Cost / Unit (Rs.)	-	-
2. Coal / Lignite		
(a) LigniteCoal used as a fuel in Kiln & Calciner		
Quantity (in Lac MT)	532.98	2.71
Total Cost (Rs. in Lacs)	3,802.59	2080.27
Average rate per MT (Rs.)	713.46	767.63
(b) Coal used in I. P. Steam Turbine		
Quantity (in Lac MT)	-	-
Total Cost (Rs. in Lacs)	-	-
Average rate per MT (Rs.)	-	-
(c) Coal used in II. P. Thermal Generators		
Quantity (in Lac MT)	-	-
Total Cost (Rs. in Lacs)	-	-
Average rate per MT (Rs.)	-	-

C) Consumption per unit of Production

Particulars	Standard (if any)		
Product : Cement	53 Grade OPC	1207545	456.383
Unit : MT			
Electricity (Kwh / MT of Cement)	-	98.93	112.74
Furnace Oil (Kwh / Litre)	-	4.28	4.14
Coal (% of Clinker)	-	24.10	27.69

www.reportjunction.com

SANSCO SERVICES - Annual Reports Library Services - www.sansco.net

Corporate Governance

Clause 49 of the Listing Agreement with Stock Exchanges

I. A brief statement on the Company's philosophy on Code of Governance

The Company defines Corporate Governance as a systemic process by which companies are directed and controlled to enhance their wealth generating capacity. The Corporate Governance initiative is based on two core principles. They are (i) Management must have the executive freedom to drive the enterprise forward without operational constraints; and (ii) this freedom of management should be exercised within a framework of effective accountability.

The Company believes that any meaningful policy on Corporate Governance must provide empowerment to the executive management of the Company and simultaneously create a mechanism of checks and balances which ensures that the decision making powers vested in the executive management are used with care and responsibility to meet stakeholders' aspirations and soceity's expectations.

From the above definition and core principles of Corporate Governance emerges the cornerstone of the company's governance philosophy, namely trusteeship, empowerment and accountability, transparency, control and ethical corporate citizenship. The Company believes that the practice of each of these leads to the creation of the right culture in which the Company is managed in a manner that fulfils the purpose of Corporate Governance.

2. Board of Directors

In terms of the Company's Corporate Governance Policy, all statutory and other significant and material information are placed before the Board to enable it to discharge its responsibilities of strategic supervision of the Company as trustees of the Shareholders.

Composition and category of directors as on 31st March, 2005

Category	No. of Directors
Executive	2
Non – Executive Promoter Group	3
Nominees of SBI, IDBI, ICICI Bank Limited and M/s. Fuller Group	4
Other Non Executive Independent Directors	3
Total	12

The Chairman of the Company's Board of Directors is a Non-Executive Chairman. The Company's Board of 12 Directors comprises Two Executive Directors, Three Non-Executive Directors belonging to Promoter Group and Seven Independent Non-Executive Directors including three Directors nominated by Banks/ Financial Institutions.

The constitution of the Board is :

Sl.No.	Name of the Director	Executive/Non-Executive/ Independent Non-Executive
01.	Shri Ram Sharan Sanghi	Non-Executive Chairman
02.	Shri Ravi Sanghi	Executive – Managing Director
03.	Shri Pradeep Kapoor	Executive – Whole Time Director & Chief Executive Officer
04.	Shri Anand Prakash Sanghi	Non – Executive – Promoter

www.reportjunction.com