



**SANGHI
CEMENT**

Turning Dreams into Concrete Reality



Sanghi Industries Limited
ANNUAL REPORT 2012-2013

Vision

“To be the business leader, delivering superior value to all our stakeholders”

Mission

“Achieve profitable growth and customer delight through innovation, operational excellence, leadership and teamwork to add value for all stakeholders and society.”

Values (Five Cs)

- Care for all stakeholders
- Continuous learning and growth
- Commitment to excellence
- Corporate Governance based on Trust and Integrity
- Concern for society

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Board of Directors

Shri Ravi Sanghi	Chairman and Managing Director
Shri Gireesh Sanghi	Director
Shri Aditya Sanghi	Executive Director
Shri Alok Sanghi	Executive Director
Smt. Bina Engineer	Executive Director
Shri N. B. Gohil	Executive Director
Shri C.S.V. Rao	Nominee Director – IDBI
Shri D. K. Kambale	Director
Shri Sadashiv Sawrikar	Director
Shri D.B.N.Rao	Director
Shri R.K.Pandey	Director
Shri T.M.Jagan Mohan	Director

Company Secretary

Shri Anil Agrawal

Joint Statutory Auditors

M/s. Ankit & Company
Chartered Accountants
Hyderabad

M/s. Haribhakti & Co.
Chartered Accountants
Ahmedabad

Registered Office

Sanghinagar P. O.
Hayatnagar Mandal, R R District,
Andhra Pradesh - 501 511
Tel Nos. 08415 - 242240
Fax Nos. 08415 - 242239

Cement Works

Village Motiber,
Taluka Abdasa, Kutch District,
Sanghipuram - 370 511, Gujarat
Tel Nos. 02831 - 274131/32/33
Fax Nos. 02831 - 274115/23

Corporate Office

10th Floor, Kataria Arcade,
Off. S-G Highway,
Post : Makaraba,
District : Ahmedabad - 380 051
Tel Nos. 079 - 2683 8000
Fax Nos. 079 - 2683 8111

Mumbai Office

110, B Wing, Krishna Commercial Centre,
6, Udyog Nagar, Near Kamath Club,
S.V. Road, Goregaon (West), Mumbai - 400 062
Tel Nos. 022 - 2871 3120
Fax Nos. 022 - 2871 3126

Email: companysecretary@sanghicement.com
Website: www.sanghicement.com

DIRECTORS' REPORT

To
The Members of
Sanghi Industries Limited

Your Directors take pleasure in presenting the 26th Annual Report together with the audited financial statements for the year ended 30th June, 2013.

Financial Results

(₹ in crore)

	2012-2013	2011-2012
Gross Revenue	1178.42	1074.61
Net Income	1067.15	984.36
Profit before Interest, Depreciation and Taxation	213.01	196.14
Interest	14.90	24.89
Operating Profit	198.11	171.25
Depreciation	145.35	98.06
Profit Before Tax (PBT)	52.76	73.19
(Add)/Less : Provision for Tax	6.88	(8.68)
Profit After Tax (PAT)	45.88	81.87
Profit carried to Reserves and Surplus	45.88	81.87

Dividend

In order to conserve the resources, your Directors do not recommend any dividend for the year under review.

Management Discussion and Analysis

A report on Management Discussion and Analysis (MDA), which forms part of this Report, inter-alia deals adequately with the operations as also current and future outlook of the Company.

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 provisions of Section 217(2AA) of the Companies Act, 1956 with respect to the Directors' Responsibility Statement, your Directors confirm that :

- in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures, if any;
- the Directors had selected such appropriate accounting policies and applied them consistently and made judgments 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 on 30th June, 2013 and of the profit of the Company for the year under review;
- the Directors had 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;
- the Directors had prepared the accounts for the period ended 30th June, 2013 on a 'going concern' basis.

Board of Directors

The Directors – Shri Sadashiv Sawrikar, Shri Tangutoori Malliah Jagan Mohan and Shri Devidas Kashinath Kambale - retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

The Board has, subject to the approval of shareholders in the forthcoming Annual General Meeting, re-appointed Smt. Bina Engineer, as Whole-time Director of the Company for a term of three years w.e.f. September 6, 2013. The Board has fixed her remuneration as per the recommendations of the Remuneration Committee. Your Directors recommend the resolution for the re-appointment and payment of remuneration of Smt. Bina Engineer for your approval.

Deposits

The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956.

Corporate Governance

The Company has complied with the Corporate Governance Code as stipulated under the Listing Agreement executed 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.

Listing

The Company's securities are listed with the Stock Exchanges at National Stock Exchange and Bombay Stock Exchange. The Company has paid the listing fees for the year 2013-14 to the Stock Exchanges.

Particulars of Employees

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, as amended, the names and other particulars of employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report and Accounts are being sent to all the shareholders of the Company excluding the said information. Any shareholder interested in obtaining a copy of this statement may write to the Company Secretary at the Registered Office of the Company.

Auditors

M/s. Ankit & Company, Chartered Accountants, Hyderabad and M/s. Haribhakti & Company, Chartered Accountants, Ahmedabad, the Joint Statutory Auditors of the Company hold office until the conclusion of the ensuing Annual General Meeting. The Company has also received confirmation from them to the effect that their appointment, if made by the Company for the year 2013-14, would be within the limits prescribed under Section 224(1-B) of the Companies Act, 1956. Your Board of Directors commend their appointment as Joint Statutory Auditors of the Company.

Cost Audit

The Company has appointed M/s. N D Birla & Co., Cost Accountants, Ahmedabad, as cost auditor of the Company for audit of cost accounting records for the financial year ended 30th June, 2013. The Audit report of the cost accounts of the Company for the year ended 30th June, 2013 will be submitted to the Central Government in due course.

Foreign Exchange Earnings & Outgo

Particulars with regard to Foreign Exchange Earnings and Outgo are set out in Note 33 Para E and F of the Notes on Accounts of Annual Report.

Social Responsibilities

Your Company enjoys the distinction of being one of the first cement companies in India to be awarded SA:8000:2001 i.e. Social Accountability Certificate for its plant for the last five years. Social Accounting is a process of ongoing monitoring, evaluation and accountability which helps an organization to measure its performance against social, environmental and economic objectives and ensures that its working is in accordance with its values.

This certification is a result of the sincere and untiring efforts put in by the management for fulfilling its Corporate Social Responsibility over the last decade for:

- ❖ Creating green revolution in the desert Kutch region by cultivating land for growing trees, fruits, vegetables and flowers.
- ❖ Providing educational facilities through a CBSE affiliated School.
- ❖ Providing hospitals and first aid facilities within few hundred kilometers.

- ❖ Conducting social awareness programmes on various issues.

Environment and Pollution Control

Your plant is certified for Environment Management System ISO:14001:2004. Stringent internal environmental measures are adopted, adhered to and maintained to run the plant operations in an Eco-efficient manner.

Some of these measures include :

- ❖ Kiln inlet modification resulting waste generation reduction by 50%.
- ❖ Utilization of pond ash as an alternative raw material to substitute Laterite.
- ❖ Modification in Raw mill cyclones to enhance dust collection efficiency.
- ❖ VVFD Drive installed at ESP fan in cement mills and at kiln feed for dedusting bag filter.
- ❖ Rain Water Harvesting on large scale with interconnection of all reservoirs with total pipe length of 3.5 km. to reduce the water cost substantially.
- ❖ Installation of RO Plant to improve water quality and reduce use of desalination process.
- ❖ Mix of flyash for PPC grinding, enabling safe disposal of fly ash.
- ❖ Plantation of new trees and shrubs to control airborne particles and beautify the premises.
- ❖ Adoption of designing processes and cleaner technologies for minimizing the adverse environmental impact.
- ❖ Optimizing resource efficiency in plant operations to minimize waste while maximizing treatment of inevitable wastes in an environmentally compatible manner.
- ❖ Optimum utilization of resources including mineral, chemical, water, energy and other non-renewable resources.
- ❖ Efforts to improve the green cover and for conservation of bio-diversity and natural environment. Multi-purpose trees including mango grafts are planted and nurtured for tackling the natural adversity of the local environment such as scarcity of water, saline land, falling short of minerals, etc.
- ❖ Adopting sound emergency preparedness and resources programme.
- ❖ Encouraging the recycling of inevitable wastes including from other industrial units.
- ❖ Efficient Surface mining at captive mines and use of fly-ash in operations for reducing the environmental impact.
- ❖ Collection and treatment of entire sewage generated from various places of the Plant/Colony through Root Zone Technology System (RZTS) for augmenting the supply of water for gardening, plantation and green belt development within the premises.
- ❖ Environmental Audit is being conducted by Det Norske Veritas (DNV) (Authorised Independent Management System Auditors) since the last few years for conforming to and improving the environmental standards adopted at Plant.
- ❖ Efforts to reduce the green house effect on environment are continuously made by adopting the Clean Development Mechanism Cell (CDM).
- ❖ The Company has developed environment friendly and safe mining practices and has received various awards for its mining practices over the years as follows :
 - ✓ Noise, Vibration and Aesthetic Beauty for Limestone Mines.
 - ✓ Overall Best Performance for all Captive Mines.
 - ✓ Best Safety Practices in Mines.

Conservation of Energy

The MIS Cell & Energy Steering Committee analyses the energy consumption parameters on daily basis with an intention to reduce the high and ever rising cost of energy in the manufacturing process, as well as to reduce its adverse impact on the

environment. The Committee constantly updates itself with the new developments in the field of energy including use of alternative resources and its viability for the use in our Plant.

Apart from implementing the measures which were initiated last year, the following new measures have been initiated during the year.

1. Installation of Duo Flex Burner in Kiln to reduce heat consumption.
2. Installation of ABC Inlet in Cooler for better heat recuperation and reduction in specific heat consumption.
3. Installation of SPRS (Slip Power Recovery System) in all HT fans to reduce power consumption.
4. Replacement of old technology VFD by latest technology based VFD in cooler fans to reduce power consumption further.

Impact of the measures mentioned herein above certainly reduces the energy consumption and consequently reduces the cost of energy in the manufacturing process.

Technology Absorption, Adaptation and Innovation

Your Company adopts value engineering techniques for enhancing productivity and cost effectiveness. All efforts are made to explore the possibility of replacing certain imported parts of machineries with indigenous parts for reducing the cost and level of inventory considering the easy availability on time.

Your Company continues to make conscious efforts to evaluate opportunities for technological innovation, upgradation for improving level of operations resulting into savings in cost and enhanced efficiencies.

Research and Development

The Company is conducting on-going research on product quality improvement, waste treatment and recycling, energy and water conservation and restoration as well as enhancement of green cover in the vicinity.

Benefits derived as a result of the above R & D

- ❖ There is consistency in product quality resulting in benefits for the end consumer.
- ❖ The Company has achieved noticeable reduction in heat and power consumption in production process by implementing various in-house solutions. This has resulted in savings of precious natural resources.
- ❖ The water conservation has resulted in restoring and enhancing the water table in area.
- ❖ The green cover enhancement has resulted in creating organic, sustainable and climatically better adapted variety of trees and fruits.

Industrial Relations

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 performance of the Company.

Acknowledgements

Your Directors wish to place on record their sincere appreciation for the excellent assistance and co-operation received from the Governmental authorities, the consortium of banks and financial institutions, customers, vendors and investors for their continued support during the year.

For and on behalf of the Board

Place : Mumbai
Date : 27th August, 2013

Ravi Sanghi
Chairman & Managing Director

ANNEXURE – I**Disclosure under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988****Form – A**
(See Rule 2)**(A) Conservation of Energy and Technology Absorption – Refer Directors' Report****(B) Power and Fuel Consumption**

Particular	For Year ended 30 th June 2013	For Year ended 30 th June 2012
I. Electricity		
(a) Purchased		
Unit (Kwh in lacs)	-	-
Total amount (₹ in Crores)	-	-
Rate/unit (₹)	-	-
(b) Own Generation (net of auxiliary)		
(i) Through Diesel Generators		
Unit (Kwh in lacs)	78.96	94.49
Unit per Ltr. of Furnace Oil / L.D.O./ S.K.O / Diesel	3.05	3.31
Cost/unit (₹)	15.29	12.49
(ii) Through Steam turbine/generation		
Unit (Kwh in lacs)	2410.43	2246.40
Unit per Kg. of Fuel	1.20	0.90
Cost/unit (₹)	3.47	3.44
2. Coal		
(a) Blended Fuel of Lignite and Coal used in Kiln & Calcliner		
Quantity (in lac MT)	3.79	4.81
Total cost (₹ in Crores)	168.13	198.88
Average rate per MT (₹)	4438	4131
(b) Blended Fuel of Lignite and Coal used in Steam Turbine/Generator		
Quantity (in lac MT)	2.00	2.51
Total cost (₹ in Crores)	71.67	77.19
Average rate per MT (₹)	3577	3076

Consumption per Unit of Production

	Standard (if any)	For Year ended 30 th June 2013	For Year ended 30 th June 2012
Product: Cement	BIS 53 Grade		
Unit: MT		2,242,573	2,113,206
Electricity (Kwh/MT of Cement)		100.42	104.33
Coal (kilo calories per kg)		775	866

For and on behalf of the Board

Place : Mumbai
Date : 27th August, 2013
Ravi Sanghi
 Chairman & Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

The Management presents the analysis of your Company's performance during the year ended on 30th June 2013 (2013) and comparison over corresponding period of the previous year. The Management also presents its outlook on the cement industry, in brief, for the future. This outlook is based on current business environment and information available on Indian economic scenario and may vary due to future economic and other developments in India and abroad.

Macro Economics of India

The cement industry's growth is linked to the country's economic/GDP growth. During 2012-13, the global economic slowdown has slowed down India's economic growth too. While the global economic growth has reduced from 3.9% in 2011 to 3.2% in 2012, India's GDP grew by around 5% during 2012-13 compared to a growth of around 6.2% during 2011-12.

Amongst the large countries of the world, only China and Indonesia has grown faster than India, in 2012-13. The 11th Plan period (2007-2012) had an average growth rate of 8%, highest during any Plan period. Our economic fundamentals have been improving in many dimensions which is reflected in the fact that despite the slowdown in 2011-12, the growth rate of the economy averaged 8% in the 11th Plan period. Though this was lower than the Plan target of 9%, it was better than the achievement of 7.8% in the Tenth Plan. The fact that this growth occurred in a period which saw two global crisis, one in 2008 and another in 2011, is indicative of the resilience which our Indian economy has developed.

Almost all the industries have shown reduction in growth during 2012-13 over 2011-12. The construction sector has grown by around 4.3% during 2012-13 compared to 5.6% growth during 2011-12. Our construction sector alone constitutes around 7% of the country's GDP. The real estate, etc has grown by 9.3% during 2012-13 vis-à-vis 10.3% during 2011-12.

India has entered the second year of the Twelfth Five Year Plan (2012-2017), where our country aims at sustainable overall growth. Acknowledging the fact that inadequate infrastructure has been a constraint for the country's growth, the Central and State Governments are taking various measures to accelerate the infrastructure growth. The Indian economy is visualized to be growing at around 5.7% during 2013-14.

Cement Industry – Present Scenario and Outlook

Presently, the capacity of the cement industry is around 330 million tonnes (mnt) p.a. Around 135 mnt is planned for addition during next 3 years. The actual additions may be lower considering the future demand-supply scenario, liquidity in the market and other procedural issues.

As per the research reports, the average capacity utilization of the Indian Cement Industry was around 75% during FY-13 (Apr-Mar). The selling prices were comparatively better. But, rise in fuel and logistic costs have almost neutralized the impact of increase in selling prices.

Your Company believes that in coming years, the infrastructure spending will increase, leading to a growth in demand for the cement industry.

Review on Company's Performance

A. Production and Sales

The production in 2013 has increased by 6% over previous year. The Company has produced 2.24 million tonne (mnt) of cement during 2013 compared to 2.11 mnt in 2012. The capacity utilization has improved to 86% from 81%.

The gross sales was ₹1,166 crore in 2013, registering a growth of 10% against a gross sales of ₹1,064 crore in 2012.

The sales volume of cement and clinker has remained same at 2.30 mnt during 2013 and 2012. In 2013, gross sales in domestic markets of India has marginally increased to 99% from 98% in 2012. The domestic price realization for cement improved by 7%.

B. Costs

- The raw material cost per tone of cement has increased by around 16% during 2013 as compared to 2012.
- With better utilization of captive thermal power plant and efficient fuel blending, the cost of power per tonne of production is reduced by 11%.

- The direct fuel cost has reduced by around 23% per tonne of production in 2013, nearly half of which is due to efficiency in plant operations resulting in lower heat consumption and balance from lower cost per calorific value.
- The domestic logistic cost for cement was higher by around 30% in 2013, over 2012, due to higher diesel prices and different geographical mix.
- The Company has completed the repayment of some of the interest bearing term loans during the year and also obtained refinance/recast of some of the debt, resulting in lower provision of interest, thereby resulting in lower finance cost in 2013 compared to 2012.
- The VAT exemption available for the project in Gujarat has been exhausted and now VAT is applicable at 12.5%. It is included in other expenses resulting in a sharp increase.
- The depreciation charge has increased to ₹145 crores in 2013 from ₹98 crore in 2012 due to higher depreciation provision on certain assets, based on the review of their balance useful life.

C. Profits and Margins

- The Company has earned Profit Before Depreciation, Interest and Taxation (PBDIT) of around ₹213 crore in 2013, improving from ₹196 crore in 2012. The PBDIT margins were at around 20% for both these years.
- The extra depreciation mentioned above has resulted in profit before tax to reduce to ₹53 crore in 2013 from ₹73 crore in 2012.
- After tax adjustments, the net profit after tax was ₹46 crore in 2013 compared to ₹82 crore in 2012.

Internal Control Systems

The management maintains adequate internal control systems to support its business operations and statutory compliances. To further strengthen this, the Company has adapted a fully integrated ERP tool using world's leading software technology provided by "SAP". In addition, the continuous Internal Audit also aims at testing the operational effectiveness of the internal control system and thereby facilitates an objective assurance to the Board and Audit Committee regarding the adequacy and effectiveness of the system. This helps in discharging the obligations as required by the clause 49 of the Listing Agreement.

5 Star International Accreditations

Your Company is amongst the very few corporates in India and certainly one of the first cement plants in India to receive the following 5 International accreditation.

1. ISO 9000 (Quality Management System)
2. ISO 14001 (Environment Management System)
3. ISO 18001 (Health & Safety Management Standard)
4. SA 8000 (Social Accountability System Certificate)
5. ISO/ IEC 17025 (Quality Control Testing Laboratory, Chemical & Mechanical Testing)

Recognitions for best practices

During the year, the Directorate General of Mines Safety and Indian Bureau of Mines, Udaipur region have awarded many recognitions and awards to the Company, including :

Water Pollution Measures	I Prize
Community Development	I Prize
Noise Vibration Control and Aesthetic Beauty	I Prize
Air Pollution Control measures	I Prize
Plantation	I Prize
Overall Mining Operation	I Prize
Maintenance of HEMM and Electrical Installation	I Prize
Reclamation and Rehabilitation	II Prize

Beside this, our officers were awarded many awards for their best awareness and practices in the field of mining.