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14th ANNUAL REPORT

1999 - 2000

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Sanghi

INDUSTRIES LIMITED

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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 G. V. S. Ramesh	ICICI Nominee (Upto 12.07.2000)
Shri K. Narasimha Murthy	ICICI Nominee (From 12.07.2000 to 15.07.2000)
Shri Sadashiv Sawrikar	Director
Shri T. M. Jagan Mohan	Director

Company Secretary

Shri V. Sesha Sayee

Auditors

M/s. Ankit and Company
Chartered Accountants
Hyderabad - 500 001.

Bankers

Bank of Baroda
Bank of Rajasthan Limited
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 - 501511,
Andhra Pradesh.

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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Investor Information

1. **Address of Corporate headquarters, Phone and Fax Nos.**
   4-3-352, Bank Street, Hyderabad - 500 095. Andhra Pradesh, (India)
   Phone Nos. : 040-4756660-5 Fax No : 040-4756755

2. **Date and Venue of the Annual General Meeting**
   Sanghi Industries Limited will hold its AGM on 15th March, 2001 at 11.30 a.m.
   Venue : Sanghinagar P.O., Hayatnagar Mandal, R.R. District - 501 511 A.P.

3. **Person to contact for Shareholder enquiries, alongwith with address**
   Mrs. K. Vijayalakshmi (Officer - Secretarial)
   4-3-352, Bank Street, Hyderabad - 500 095. Andhra Pradesh, (India)
   Phone Nos. : 040-4756660-5 Fax No. : 040-4756755

4. **Principal Transfer Agent and Registrar**
   Physical Transfers
   4-3-352, Bank Street, Hyderabad - 500 095. Andhra Pradesh, (India)
   Phone Nos. : 040-4756660-5 Fax No : 040-4756755

   R & T Agent for Demat shares
   M/s CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Abids, Hyderabad - 500 001. Phone Nos. : 040-3203155 Fax : 040-3203028

5. **Book Closing dates for the purpose of AGM**
   Sanghi Industries Limited register of shareholders will remain closed from 13th March, 2001 to 15th March, 2001 (both days inclusive) for the purpose of Annual General Meeting.

6. **Exchanges Listed at**
   Sanghi Industries Limited is listed at the Stock Exchanges at Hyderabad, Mumbai, Chennai, Calcutta, Cochin, Ahmedabad, Delhi and National Stock Exchange Limited.

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Notice

Notice is hereby given that the **Fourteenth Annual General Meeting** of the members of **M/s. Sanghi Industries Limited** will be held on **Thursday, the 15th day of March, 2001 at 11.30 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 Directors' Report, Audited Profit and Loss Account for the year ended 30th September, 2000 and the Balance Sheet as on that date together with the Auditor's Report thereon.

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

3. To appoint a Director in place of Shri Sadashiv Sawrikar, 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 :**

   " **Resolved that** pursuant to the provisions of the Articles of Association of the Company, Section 81(1-A) and other applicable provisions, if any, of the Companies Act, 1956, and other laws and further subject to such approvals, permissions and sanctions from the appropriate authorities as may be considered necessary and subject to the guidelines issued by Securities and Exchange Board of India (SEBI), the consent of the Company be and is hereby accorded for issue and allot a maximum of 76,09,000 Optionally Convertible Cumulative Participating Preference Shares of Rs.100/- each at par on Private Placement with the Banks and Financial Institutions in India, whether they are members of the Company or not in one or more tranches from time to time, with the rights attached thereto under the Articles of Association of the Company carrying a maximum dividend @ 9% p.a. or such other rate(s) as may be agreed to by the Board of Directors of the Company with a right to participate in the profits of the Company and an option to convert into equity on the happening of certain events and to offer the said equity shares for subscription at such price arrived at as per the then prevailing guidelines issued by Securities and Exchange Board of India.

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Resolved further that the said Optionally Convertible Cumulative Participating Preference Shares shall be redeemed at par in five equal annual installments between 5-10 years from the date of allotment or such other period as may be agreed to by the abovementioned parties subscribing to the said Optionally Convertible Cumulative Participating Preference Shares and the Board of Directors of the Company thereof.

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 necessary from time to time taking into account the then prevailing regulatory conditions and requirements and to do all such other acts, deeds 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.

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

(Ravi Sanghi)
Managing Director

Place : Sanghinagar
Date : 15th February, 2001.

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. An explanatory statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 is annexed hereto.

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3. The Register of Members and Share Transfer Registers of the Company will remain closed from 13th March, 2001 to 15th March, 2001 (both days inclusive) in connection with the ensuing Annual General Meeting.

4. 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.

5. Members are requested to bring their copies of the 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 7th March, 2001 so as to enable the Management to keep the information ready.

7. For the convenience of members and for proper conduct of the members, **entry to the place of meeting will be regulated by attendance slips.** Members are requested to affix their signatures 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 :

With a view to comply with the stipulation made by the Banks and Financial Institutions while sanctioning additional loans regarding conversion of unserviced interest into Optionally Convertible Cumulative Participating Preference Shares, the Company proposes to issue a maximum of 76,09,000 such Preference Shares of Rs.100/- each at par aggregating to Rs. 76.09 crores to the State Bank of Hyderabad, Industrial Development Bank of India and other Banks and Financial Institutions of the Consortium of Cement Division. The said preference shares are convertible into equity on the happening of certain events and they also carry a right to participate in the profits of the Company. The rate of dividend on the said shares will be a maximum of 9% or such other rate(s) as may be agreed to by the Board thereof and the said Preference Shares are redeemable at par in equal annual installments between 5-10 years from the date of allotment or such period from the date of allotment as may be agreed to by the parties subscribing to the said Optionally Convertible Cumulative Participating Preference Shares and the Board thereof. All other terms and conditions of such issue shall be decided by the Board of Directors of the Company and as may be agreed to by the subscribers to the said Preference Shares. The said Preference Shares are being issued by the Company for the first time and the entire 100% of Preference Capital shall be held by the said Banks and Financial Institutions.

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The said issue and allotment of Preference Shares as above shall not result into any change in the composition of the Board of Directors of the Company immediately excepting the nomination of its Directors by State Bank of India and Dena Bank pursuant to the loan agreements executed by the Company.

Your Directors commend the resolution for your approval.

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

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

(Ravi Sanghi)
Managing Director

Place : Sanghinagar
Date : 15th February, 2001.

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Directors' Report

To

The members of
M/s. Sanghi Industries Limited

Your Directors have pleasure in presenting the 14th Annual Report together with the audited financial statements for the year ended 30th September, 2000.

Financial Results

(Rs. in crores)

	1999-2000	1998-1999
Gross Income	88.45	81.60
PBIDT	4.22	6.23
Interest	1.70	3.67
Operating Profit	2.52	2.56
Depreciation	1.38	1.54
Profit before Tax	1.14	1.02
Provision for Tax	Nil	Nil
Profit after Tax	1.14	1.02

Your Directors report that the financial results achieved by your Company during the year under review are satisfactory despite slowing down of industrial economy and reduced margins in addition to the spiraling costs and are hopeful that the Company shall do better during the next Financial Year i.e. 2000-2001.

Status of Cement Plant

The Cement Project being set up in the Kutch District of the State of Gujarat has achieved financial closure and your Directors are confident that the Company shall commence commercial production of Cement and Clinker during the year 2001.

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

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During the year under review, the ICICI Limited had withdrawn the nomination of Shri G.V.S. Ramesh and had nominated Shri K. Narasimha Murthy as its Nominee onto the Board of the Company who has been co-opted as a Nominee Director at the Board meeting held on 12th July, 2000 and Shri K. Narasimha Murthy had resigned from the Board with effect from 15th July, 2000. Your Directors wish to place on record their appreciation for the valuable services rendered by Shri G.V.S. Ramesh and Shri K. Narasimha Murthy during their tenure as a Nominee Director of the Company.

Preferential Allotment of Shares

During the year under review, your Company had issued 9,81,13,800 equity shares on Private Placement Basis being the conversion of Share Application Money contributed by the Promoters/Associate Companies/Foreign Collaborators and their associates/NRIs/Friends of Promoters etc.

Preferential Allotment of Optionally Convertible Cumulative Participating Preference Shares

During the year under review, your company had issued and allotted 1,98,91,000 Optionally Convertible Cumulative Participating Preference Shares of Rs.100/- each at par in favour of the Bankers and Financial Institutions comprising the Consortium of the Cement Division being the conversion of the Interest During Construction (IDC) component of the Cement Project being set up by the Company as part of restructuring the debt of the Company in line with the Reappraisal Report of the SBI Capital Markets Limited.

Listing of Shares

The shares of the Company are presently listed at the Stock Exchanges at Ahmedabad, Calcutta, Chennai, Cochin, Delhi, Hyderabad, Mumbai and the National Stock Exchange of India Limited, Mumbai. The annual listing fee in the case of some Stock Exchanges remains unpaid.

Auditors

M/s. Ankit & Company, Chartered Accountants, the Company's retiring auditors, being eligible, offer themselves for re-appointment. The Company has also received a certificate from M/s. Ankit and Company stating that their re-appointment if made would be in accordance with the provisions of Section 224 of the Companies Act, 1956.

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Particulars of Employees

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

Y2K Compliance

Your Company has successfully rolled over its IT and Business Systems post millennium and no adverse impact was encountered during the change over period.

Foreign Exchange Earnings & Outgo

During the year under review, the Company has earned Rs.112.45 lacs on exports and used Rs. 215.09 lacs in foreign exchange on raw materials & consumables. Since commercial production of Cement has not yet started, the expenditure incurred in foreign exchange by the said division has not been taken into consideration.

Environment and Pollution Control

Your Company possesses the requisite certificate that the parameters specified by the Pollution Control authorities have been met with and on an ongoing basis is monitoring environment and pollution parameters at its plant at Sanghinagar. The Company has adopted several measures like smoke precipitators, effluent treatment plants, planting of trees etc., to keep the environment healthy at Sanghinagar and Sanghipuram (the site of the Cement Plant). The actual values of these parameters achieved at the plant are substantially better than those specified by the Pollution Control authorities. Your Company is determined to maintain and improve these parameters in the years to come.

Conservation of Energy

At Sanghi, energy conservation has been identified as an important source for enhancing the cost effectiveness. Energy conservation and optimisation is achieved from the design stage of the plant and is then maintained and improved in the normal plant operations. Continuous updating 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.

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