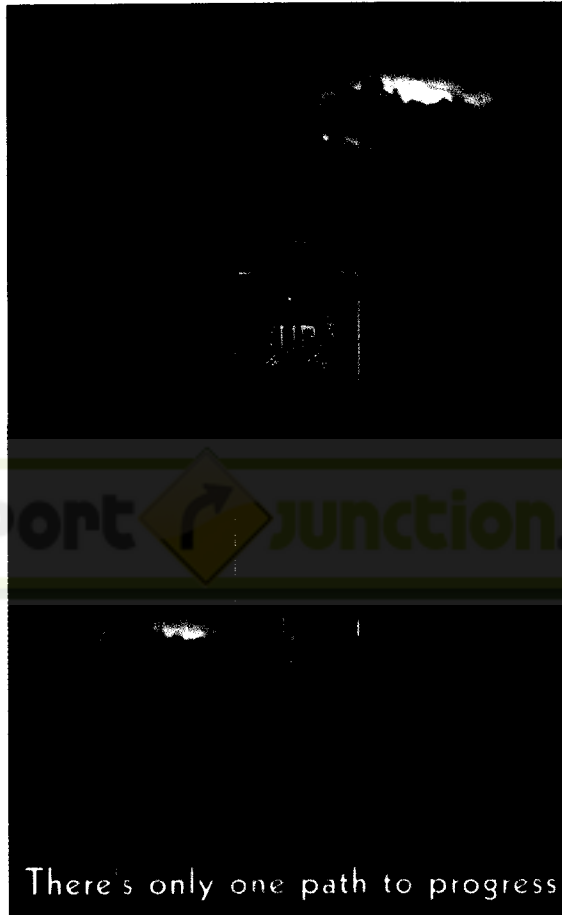




Sanghi

INDUSTRIES LIMITED



16 th ANNUAL REPORT 2001 - 2003





Notice

Notice is hereby given that the **Sixteenth Annual General Meeting** of the members of **M/s. Sanghi Industries Limited** will be held on **Tuesday, the 30th day of September, 2003 at 12:00 noon 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 eighteen months period ended 31st March, 2003 and the Balance Sheet as on that date together with the Auditors 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 M/s. Ankit & Company, Chartered Accountants as Auditors and to fix their remuneration.

" Resolved that M/s. Ankit & Company, Chartered Accountants, the retiring auditors be and are hereby reappointed as Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next annual general meeting at such remuneration as may be determined by the Board of Directors of the Company. "

5. To appoint M/s. Ramanlal G. Shah & Co., Chartered Accountants as Joint Auditors and to fix their remuneration.

" Resolved that M/s. Ramanlal G. Shah & Co., Chartered Accountants, Ahmedabad be and are hereby appointed as Joint Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General meeting at such remuneration as may be determined by the Board of Directors of the Company. "

Special Business

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

" Resolved that pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, and subject to such approvals, permissions and sanctions from Securities and Exchange Board of India or other authorities as may be considered necessary and further subject to the provisions of the Articles of Association of the Company and 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 or sanctions by such authorities referred above, consent of the Company be and is hereby accorded to offer, issue a maximum of 1,50,00,000 equity shares to Friends and Associates of the Promoters of face value of Rs.10/- (Rupees Ten only) each, respectively at par or at such price arrived at in accordance with applicable SEBI regulations and guidelines which ever is higher, ranking pari-passu with the existing shares of the Company and these shares be entitled to dividend on a pro-rata basis from the date of allotment.

Resolved further that the Board of Directors of the Company be and is hereby authorized 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 the terms of 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. "

7. To consider and if thought fit, to pass, with or without modifications the following resolution as a **Special Resolution** :

“ Resolved that pursuant to the provisions of the Articles of Association of the Company, Section 81(1A) of the Companies Act, 1956 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 to issue and allot 15,88,535 Optionally Convertible Cumulative Participating Preference Shares (OCCPPS) of Rs.100/- each 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 shares for subscription at par by way of Private Placement with the Banks and Financial Institutions in India, whether they are members of the Company or not.

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 above mentioned 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 of Directors be and is hereby authorised in their discretion to make the said issue on the 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**

Sesha Sayee
Company Secretary

Place : Sanghinagar
Date : 18th August, 2003

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.



Sanghi Industries Limited

Registered Office : Sanghi Nagar P.O.,
Hayatnagar Mandal, R.R. Dist., A.P. - 501 511

Proxy Form

Regd. Folio No.	SGI -
No. of Shares held	

I/We _____ of
_____ in the District of
_____ being a member(s) of

M/s. Sanghi Industries Limited hereby appoint _____ of _____ in
the district of _____ as my/our Proxy to vote for me/us
on my/our behalf at the **Sixteenth Annual General Meeting** of the Company to be held
at the **Registered Office of the Company, on Tuesday, the 30th day of September, 2003 at 12.00 noon** and at any adjournment thereof.

Signed this _____ day of _____ 2003.

Signature (s) _____

Rs. 1
Revenue
Stamp

Note : The Proxy form duly completed may be deposited at the **Corporate Office of the Company at 4-3-352, Bank Street, Hyderabad - 500095** not less than 48 hours before the time for holding the meeting. A Proxy need not be a member.

Sanghi Industries Limited

Registered Office : Sanghi Nagar P.O.,
Hayatnagar Mandal, R.R. Dist., A.P. - 501 511

Attendance Slip

Shareholders attending the meeting in person or by the proxy are requested to complete the attendance slip and hand it over at the entrance of the meeting hall.

I, hereby record my presence at the **Sixteenth Annual General Meeting** of the Company at the **Registered Office of the Company on Tuesday, the 30th day of September, 2003 at 12.00 noon.**

Full name of the Shareholder _____ Signature _____
(in block letters)

Regd.Folio No. SGI - _____

Full name of the Proxy _____ Signature _____
(in block letters)



2. An explanatory statement pursuant to the provisions of section 173 (2) of the Companies Act, 1956 is annexed hereto.
3. The Register of Members and Share Transfer Registers of the Company will remain closed from 24th September, 2003 to 30th September, 2003 (both days inclusive) in connection with the ensuing Annual General Meeting of the Company.
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 (AP) 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 22nd September, 2003 so as to enable the Management to keep the information ready.
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 signatures at the place provided on the attendance slip and hand it over at the registration counters.

Annexure to the Notice :

Item No. 2 :

Shri Anand Prakash Sanghi was appointed as an Additional Director of the Company by the Board of Directors at their meeting held on 10th October, 1994 and was further appointed as a Regular Director of the Company at the subsequent Annual General Meeting. At the ensuing Annual General Meeting, Shri Anand Prakash Sanghi is retiring by rotation and being eligible has offered himself for reappointment as a Director liable to retire by rotation.

Shri Anand Prakash Sanghi is a Commerce Graduate having more than 30 years experience and has guided various Companies through his valuable advice and your Company is not an exception to this.

Shri Anand Prakash Sanghi is the Managing Director of M/s. Sanghi Polyesters Limited and is also on the Boards of M/s. Sanghi Spinners India Limited and M/s. Sanghi Textiles Private Limited. In addition to the above, he is also a member of the Audit Committee and the Investor Services Committees of M/s. Sanghi Spinners India Limited.

Shri Anand Prakash Sanghi, Shri Ram Sharan Sanghi, Shri Sudhir Sanghi, Shri Ravi Sanghi and Shri Gireesh Sanghi are interested in the resolution and your Directors commend the resolution for your approval.

Item No. 3 :

Shri Jagan Mohan was appointed as a Director of the Company by the Board of Directors at their meeting held on 1st November, 1988. At the ensuing Annual General Meeting, Shri Jagan Mohan is retiring by rotation and being eligible has offered himself for reappointment as a Director liable to retire by rotation.

Shri Jagan Mohan is an Engineering Graduate and also holds Post Graduate Diploma in Management from The Indian Institute of Management, Ahmedabad and was associated with IDPL and other reputed business houses. Shri Jagan Mohan has more than 25 years experience and handled various assignments successfully and during his tenure as a Director, your Company also benefited by his mature advice.

Shri Jagan Mohan is the Executive Director of M/s. JVS – Werner Ladders & Climbing Systems Private Limited and M/s. JVS Insurance Services Private Limited.



Except Shri Jagan Mohan, no other Director of the Company is interested in the resolution and your Directors commend the resolution for your approval.

Explanatory Statement :

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

Item No. 6 :

At the instance of the Consortium of Bankers and Financial Institutions of the Cement Division of the Company, the Company had earlier received some share application money from friends and associates of the Promoters of the Company towards the equity of the Cement Division and now proposes to convert the share application money into equity by way of issue of shares on Preferential Basis. The said issue of shares shall be made at the price calculated according to the SEBI guidelines or par whichever is higher.

If approved, subsequent allotment of the proposed 1,50,00,000 equity shares to Friends and Associates of Promoters, the post-issue shareholding of the Promoter Group will be about 51% (Presently about 55%) and that of M/s. Fuller Group (the Foreign Collaborator and its associates) will be about 14.05% (Presently about 15.25%) and that the rest of the equity is with general public including the Friends and Associates of Promoters.

The above allotment will not result in any change in the composition of the Board of Directors or control over the Company. The allottees of such shares shall exercise voting rights similar to the other shareholders of the Company.

Your Directors commend the resolution for your approval. None of the Directors of the Company is interested or concerned in the resolution.

Item No. 7 :

With a view to comply with the stipulation made by the Banks and Financial Institutions of the Cement Division of the Company while sanctioning additional loans regarding conversion of Interest During Construction into Optionally Convertible Cumulative Participating Preference Shares of Rs.100/- each of the Company, your Company proposes to issue and allot the Optionally Convertible Cumulative Participating Preference Shares of Rs.100/- each as outlined in the resolution mentioned elsewhere in the Notice. The terms and conditions of such issue shall be in compliance with the agreement executed by the Company in this regard. The entire issued capital of the said Optionally Convertible Cumulative Participating Preference Shares shall be held by the Banks and Financial Institutions of the Cement Division of the Company and the said issue and allotment of the Preference Shares shall not result into any change in the composition of the Board of Directors of the Company.

Your Directors commend the resolution for your approval. None of the Directors of the Company is interested or concerned in the resolution.

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

**Sesha Sayee
Company Secretary**

Place : Sanghinagar
Date : 18th August, 2003

Board of Directors

Shri Ram Sharan Sanghi	Chairman
Shri Ravi Sanghi	Managing Director
Shri Suresh Chandra Kuchhal	Director
Shri Anand Prakash Sanghi	Director
Shri D.K. Kambale	IDBI Nominee
Shri P.J.V. Sarma	ICICI Bank Limited - Nominee (Upto 31 st July, 2003)
Shri Sudhendra Nath	ICICI Bank Limited - Nominee (From 18 th August, 2003)
Shri Sudhir Sanghi	Director
Shri Jesper Horsholt	Fuller Group Nominee
Shri Gireesh Sanghi	Director
Shri Sadashiv Sawrikar	Director
Shri T.M. Jagan Mohan	Director
Shri Pradeep Kapoor	Alternate to Shri Jesper Horsholt

Company Secretary

Mr. V. Sesha Sayee

Auditors

M/s. Ankit and Company
Chartered Accountants
Hyderabad

Bankers

State Bank of India
Dena Bank
ICICI Bank Limited
Bank of Baroda
Punjab National Bank
State Bank of Saurashtra
Bank of India
State Bank of Hyderabad
State Bank of Travancore
The Lakshmi Vilas Bank Limited
UTI Bank Limited
Bank of Rajasthan Limited
IndusInd Bank Limited

Registered Office & Polymer Division

Sanghi Nagar P.O., Hayatnagar Mandal,
Ranga Reddy District - 501 511
Andhra Pradesh

Hyderabad Office

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

Cement Division

Plant : Sanghipuram,
Village Motiber, Tal. Abdasa,
Kutch District - 370 655
Gujarat
Admn. Office : 1st Floor, President House,
Opp. C.N. Vidyalaya,
Ambawadi Circle,
Ahmedabad-380 006

Directors' Report

To

The members of

M/s. Sanghi Industries Limited

Your Directors have pleasure in presenting the 16th Annual Report together with the audited financial statements for the eighteen months period ended 31st March, 2003.

Financial Results

		(Rupees in Crores)
	2001-2003	2000-2001
Gross Income	52.67	61.60
PBIDT	5.42	3.65
Interest	3.05	1.69
Operating Profit	2.37	1.96
Depreciation	1.77	1.24
Profit before Tax	0.60	0.72
Provision for Tax	0.04	Nil
Profit after Tax	0.56	0.72

Your Directors report that the financial results achieved by your Company during the year under review are satisfactory even though the economy slowed down and the Company had to encounter reduction in margins and increase in costs and the Company is hopeful to do better during the next Financial year i.e. 2003-2004 as the Company has undertaken some cost cutting measures in this regard. The financial results achieved by the Company during the period under review pertain to the Polymer Division only. The Company's products are marketed under the brand names **Miracle** and **Wonder** and are well accepted in the markets and are brand leaders.

Progress of Cement Plant

Your Directors are very happy to inform you that one of the largest Single Stream Cement Plant with 100% Lignite as the fuel, has been set up by the Company on the extreme West Coast of India in the Kutch District of the State of Gujarat with state of the art technologies from M/s. Fuller International Inc., USA. This plant which enjoys a number of advantages has started its trial runs and your Directors are hopeful that the commercial production for cement shall start shortly.

We are happy to inform you all that your Company has been recognized as an **"Export House"** by the Government of India. In addition



Largest Single Stream Kiln in the Country

to the above, we are **one of the exporters** of largest cargo of 52,100 tonnes of clinker from the Country. Continuing its thrust on exports, the Company targets minimum exports of 25% of its produce. The Captive jetty now has a loading capacity of more than 10,000 tonnes a day.

Lease of Polymer Division

Pursuant to the approval of the members obtained earlier, the production facilities of the Polymer Division situated at Sanghinagar 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.

Management Discussion and Analysis for Cement

The Management presents the analysis for cement for the period ended 31st March, 2003 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

During the year under review, the Indian economy faced sluggish GDP growth which had come down to 4.3% from 5.6% due to the drought arising out of a poor monsoon. Unsettling conditions in the Middle East added to the volatility of the situation. However, the domestic situation improved to a certain extent by the sharp recovery in the manufacturing and services sectors.

India is the second largest producer of cement in the world, with an installed capacity of about 144 million tonnes (including mini plants). The Cement capacity additions continue to exceed the demand and resulted into a surplus supply in the market and low capacity utilization. The prices of cement were volatile and depressed during 2002-2003.

Review of Operations

The trial production of the Clinker which started during the period under review is exported to Bangladesh, Gulf countries and West Africa. The Cement Plant has also begun its trial operations with 2 Grinding Units from First Week of July, 2003.

Significant Initiatives

Market

The Company launched its cement under the logo of the lion, the king of the jungle (**Concrete Ke Jungle Ka Raja**). The Company has already established a strong network of more than 1000 dealers and Stockists, across Gujarat and Maharashtra and is making all out efforts to effectively distribute the brand.

Novel concepts for brand introduction and loyalty such as mobile concrete strength vans, customer care centres were introduced by the Company extending all the possible assistance to the aspiring house owners.

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



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 aims to export 25% of 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

Historically, the cement demand has seen an average growth of 8% every year. The Government of India's focus on roads infrastructure and housing sector has resulted in to a double digit growth during the last couple of years.

The two road projects of North-South, East-West Corridors and the Golden Quadrilateral Project are expected to add nearly 23 million tonnes of additional demand for cement. In addition to the above projects, the proposed project for inter-linking of rivers shall also boost the present double digit growth to multiply.

Your Company's thrust would be on increasing Exports of Clinker/Cement and continued efforts to reduce operating costs. Initiatives would be taken to improve the cost competitiveness and profitability. In relation to the global levels, India's per capita consumption of cement is low and the prospects for long term growth are good. The consolidation in the cement industry is also expected to contribute to more stable market conditions.

Dividend

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.

M/s. ICICI Bank Limited had withdrawn the nomination of Shri P.J.V. Sarma (which has been taken note by the Board of Directors at their meeting held on 31st July, 2003) and have nominated Shri Sudheendranath, their Deputy General Manager at Mumbai as their nominee onto the Board of the Company and at their meeting held on even date, Shri Sudhendranath has been co-opted as a Director of the Company not liable to retire by rotation. Your Directors wish to place on record their appreciation for the valuable services rendered by Shri P.J.V. Sarma during his tenure as a Director of the Company.

Preferential Allotment of Optionally Convertible Cumulative Participating Preference shares

During the period under review, pursuant to the covenants stipulated in the various finance/loan agreements executed by your Company with the Consortium of Bankers and Financial Institutions of the Cement Division as part of restructuring, your Company had issued and allotted 4,61,000



Clinker loading for Export