

Sanghi Industries Limited

27th ANNUAL REPORT 2013-2014



Turning Dreams into Concrete Reality

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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Sanghi Industries Limited

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 & Co.	M/s Haribhakti & Co.LLP
Chartered Accountants	Chartered Accountants
Hyderabad	Ahmedabad

Registered Office

Sanghinagar P.O.
 Hayatnagar Mandal, R R District,
 Telangana - 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@sanghiment.com

Website : www.sanghiment.com

DIRECTORS' REPORT

To
The Members of
Sanghi Industries Limited

Your Directors take pleasure in presenting the 27th Annual Report together with the audited financial statements for the year ended 30th June, 2014.

Financial Results

(₹ in crore)

	2013-2014	2012-2013
Gross Revenue	1298.88	1178.42
Net Income	1056.51	1002.06
Profit before Interest, Depreciation and Taxation	205.37	213.01
Interest	14.05	14.90
Operating Profit	191.32	198.11
Depreciation	147.75	145.35
Profit Before Tax (PBT)	43.57	52.76
(Add) / Less : Provision for Tax	(6.01)	6.88
Profit After Tax (PAT)	49.58	45.88
Profit carried to Reserves and Surplus	49.58	45.88

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 have been followed along with proper explanations relating to material departures, if any;
- the Directors have 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, 2014 and of the profit of the Company for the year under review;
- 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;
- the Directors have prepared the accounts for the period ended 30th June, 2014 on a 'going concern' basis.

Board of Directors

The Directors – Shri Aditya Sanghi (holding DIN: 00033755) and Shri Alok Sanghi (holding DIN: 00033506) retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Sanghi Industries Limited

After coming into force of Section 149 and other applicable provisions of the Companies Act, 2013 it is proposed to appoint Mr. Sadashiv Sawrikar, Mr. T. M. Jagan Mohan, Mr. D.K.Kambale, Mr. R.K.Pandey and Mr. D.B.N.Rao as Independent Directors for three consecutive years for a term upto the conclusion of the 30th Annual General Meeting in the calendar year 2017, details of which are mentioned in the explanatory statement annexed to the notice of the Annual General Meeting.

Your Directors recommend their re-appointment.

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.

Committees of Directors

The Board has aligned the existing Committees of the Board with the provisions of the Companies Act, 2013. Accordingly, the Company has renamed its existing Remuneration Committee as 'Nomination and Remuneration Committee' and has delegated its powers as required under Section 178 of the Companies Act, 2013. Also the existing 'Investors Service Committee' has been renamed as 'Stakeholders Relationship Committee' under Section 178 of the Companies Act, 2013.

The scope of the Audit Committee has also been widened so as to bring it in accordance with the requirements of Section 177 of the Companies Act, 2013 and revised Clause 49 of the Listing Agreement.

The Company has also constituted the Corporate Social Responsibility Committee as required under Section 135 of the Companies Act, 2013.

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 2014-15 to both 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 2014-15, would be within the limits prescribed under Section 139 of the Companies Act, 2013. 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, 2014. The Audit report of the cost accounts of the Company for the year ended 30th June, 2014 will be submitted to the Central Government in due course.

Foreign Exchange Earnings & Outgo

The particulars with regard to Foreign Exchange Earnings and Outgo are set out in Note 32 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:8000:2008 i.e. Social Accountability Certificate for its plant for the last seven years (earlier SA:8000:2001). 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 Process Dust (KPD) inlet duct modification resulting reduction of 50% KPD waste generation.
- Partially utilizing KPD as a performance improver into the product.
- Enhancing fly ash utilization in blended cement.
- First time in India, successfully completed coal tar trial for utilizing as an alternative fuel in Kiln.
- Enhancing pond ash utilization as an alternative raw material for Clinker.

Conservation of Energy

The MIS Cell and 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.

- Kiln inlet seal modification to reduce false air and heat consumption.
- Installation of SPRS (Slip Power Recovery System) in Raw Mill Bag hose fan to reduce power consumption.
- Electronic Control System (ECS) upgradation for process optimization and overall efficiency enhancement.
- Conduct CFD analysis to reduce pressure drop and power consumption.
- Conduct finger print analysis in power plant for process optimization and overall efficiency enhancement.

Impact of the measures mentioned herein above certainly reduces the energy consumption and consequent reduce 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 an 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 ongoing 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.

Sanghi Industries Limited

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 inhouse 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.

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 9001:2008 (Quality Management System Standard)
2. ISO 14001:2004 (Environmental Management System Standard)
3. OHSAS 1800:2007 (Occupational Health & Safety Management System Standard)
4. SA 8000:2008 (Social Accountability System Certificate)
5. ISO/ IEC 17025:2005 (NABL accreditation for Chemical and Mechanical Testing)

Recognitions for best practices

The Company has won Gold Award in Cement Sector for outstanding achievement in Environment Management from Greentech Foundation, New Delhi.

It has won various prizes during 21st Mines Environment and Mineral Conservation Week 2013-14, as follows.

Scientific Development of Mineral Deposit	1 st Prize
Mineral Conservation (Additive Mines)	1 st Prize
Publicity & Propaganda	1 st Prize
Overall Performance	1 st Prize
Mineral Conservation (Limestone Mines)	2 nd Prize
Community Development	2 nd Prize

The Company has also won various prizes during the 4th Gujarat Metalliferous Mines Safety Week 2013-14, as follows.

Quality, Working & General Safety (Additive Mines)	1st Prize
Overall Performance (Additive Mines)	1st Prize
Appointment of Statutory Person & Maintenance of Records (Additive Mines)	1st Prize
Publicity, Propaganda & Fire Fighting (Limestone Mines)	1st Prize
Mining Machinery Improvement & Innovation	2 nd Prize

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 Government 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 : 21st August, 2014

Ravi Sanghi
Chairman and 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 2014	For Year ended 30 th June 2013
I. Electricity		
(a) Purchased		
Unit (Kwh in lacs)	0.53	-
Total amount (₹ in Crores)	0.05	-
Rate/unit (₹)	10.01	-
(b) Own Generation (net of auxiliary)		
(i) Through Diesel Generators		
Unit (Kwh in lacs)	14.27	78.96
Unit per Ltr. of Furnace Oil / L.D.O./ S.K.O / Diesel	2.06	3.05
Cost/unit (₹)	24.91	15.29
(ii) Through Steam turbine/generation		
Unit (Kwh in lacs)	2455.05	2410.43
Unit per Kg. of Fuel	0.95	1.20
Cost/unit (₹)	3.33	3.47
2. Coal		
(a) Blended Fuel of Lignite and Coal used in Kiln and Calcliner		
Quantity (in lac MT)	4.35	3.79
Total cost (₹ In Crores)	178.30	168.13
Average rate per MT (₹)	4102	4438
(b) Blended Fuel of Lignite and Coal used in Steam Turbine/Generator		
Quantity (in lac MT)	2.58	2.00
Total cost (₹ In Crores)	66.26	71.67
Average rate per MT (₹)	2572	3577

Consumption per Unit of Production

	Standard (if any)	For Year ended 30 th June 2014	For Year ended 30 th June 2013
Product: Cement	BIS 53 Grade		
Unit: MT		2,104,688	2,242,573
Electricity (Kwh/MT of Cement)		97.04	100.42
Coal (Kilo Calories per kg)		747	775

For and on behalf of the Board

Place: Mumbai
Date : 21st August, 2014

Ravi Sanghi
Chairman and Managing Director



'Young Entrepreneur of Kutch' award from Hon'ble Chief Minister of Gujarat for 2013 to our Directors – Shri Aditya Sanghi and Shri Alok Sanghi.



Award for Excellence in Best Waste Management Initiatives from Hon'ble Chief Minister of Gujarat



“Gold Category” Award 2013 for Environment Management from Greentech Foundation, New Delhi, non-profit organization recognizing outstanding performance in safety issues.



Commencement of Ready Mix Concrete (RMC) operations in Ahmedabad