

SANGHI INDUSTRIES LIMITED

28th ANNUAL REPORT 2014-15



Turning Dreams into Concrete Reality



Celebrating the spirit of **Make In India**

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 Aditya Sanghi	Executive Director
Shri Alok Sanghi	Executive Director
Smt. Bina Engineer	Executive Director
Shri N. B. Gohil	Executive Director
Shri Gireesh Sanghi	Director
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
Shri Naresh Gwalani	Director

Company Secretary

Shri Anil Agrawal

Joint Statutory Auditors

M/s Ankit & Co.
Chartered Accountants
Hyderabad

M/s Haribhakti & Co.LLP
Chartered Accountants
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 28th Annual Report together with the audited financial statements for the year ended 30th June, 2015.

Financial Results

(₹ in crore)

	2014-2015	2013-2014
Gross Revenue	1041.45	1154.24
Net Income	939.35	1056.51
Profit before Interest, Depreciation and Taxation	164.49	205.37
Interest	27.47	14.05
Operating Profit	137.03	191.32
Depreciation	106.43	147.75
Profit Before Tax (PBT)	30.59	43.57
(Add) / Less : Provision for Tax	-	(6.01)
Profit After Tax (PAT)	30.59	49.58
Profit carried to Reserves and Surplus	30.59	49.58

Dividend

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

Transfer to Reserves

Your company has transferred ₹26.88 crores to Capital Redemption Reserve during the year under review.

Operations and Performance of the Company

The Company has commissioned a 1.2 MTPA Grinding facility at the same location in Sanghipuram, Kutch, which was inaugurated by the Hon'ble Chief Minister of Gujarat, Smt. Anandiben Patel thereby taking the total capacity to 4.1 MMTPA.

During the year under review, the total revenue was ₹ 1041.45 crores being lower by 9.77% from ₹ 1154.24 crores in the previous year mainly due to lower volume in Export markets and depressed cement prices particularly in second half of the year.

Accordingly, Profits after Tax for the year has been ₹ 30.59 crores lower from ₹ 43.57 crores in previous year.

The results are analysed at length in Management Discussion and Analysis report.

Material Changes and commitments affecting the financial position of the Company

No material changes and commitments affecting the financial position of the Company have occurred between the end of financial year to which the Balance Sheet relates and the date of this report.

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.

Deposits

The Company has not accepted or renewed any deposits from public falling within the purview of Section 73 of Companies Act, 2013 and the Companies (Acceptance of Deposits) Rules, 2014.

Subsidiary Company

The Company has incorporated a Wholly owned Subsidiary Company "Sange Testing Service (Sanghai) Co. Ltd." at Shanghai, China during the year under review. Till the end of the year under review, the company has not invested any funds in the said subsidiary company and the said subsidiary company has also not started any operations, hence, the company is not required to provide details of subsidiary company under prescribed Form AOC – I.

Sanghi Industries Limited

Board of Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Rules framed thereunder, Shri N. B. Gohil (holding DIN: 05149953) Whole Time Director and Smt. Bina Engineer (holding DIN: 01653392), Whole Time Director of the Company retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment.

Shri N. B. Gohil has been re-appointed as Whole Time Director of the Company for a period of three years w.e.f. 22nd December, 2014 and Shri Ravi Sanghi, has been re-appointed as the Chairman and Managing Director of the Company for a period of five year w.e.f. 1st October, 2015 subject to approval of the Members at the ensuing Annual General Meeting. The resolutions proposing their reappointment are set out in the notice.

Your Directors recommend their re-appointment.

During the year under review, Shri C. S. V. Rao ceased to be Director w.e.f. 20th October, 2014. Shri Naresh Gwalani has been appointed as a Director w.e.f. 13th May, 2015.

Key Managerial Personnel

The Key Managerial Personnel (KMP) in the Company as per Section 2(51) and 203 of the Companies Act, 2013 are as follows:

1. Shri Ravi Sanghi, Chairman and Managing Director
2. Smt. Bina Engineer, Chief Financial Officer and Whole Time Director
3. Shri Anil Agrawal, Company Secretary

Corporate Governance Report

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 Auditor confirming compliance is set out in the **Annexure I** forming part of this report.

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 134(5) of the Companies Act, 2013 with respect to the Directors' Responsibility Statement, your Directors confirm that :

- (a) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanations relating to material departures, if any;
- (b) 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, 2015 and of the profit of the Company for the year under review;
- (c) the Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Directors had prepared the accounts for the period ended 30th June, 2015 on a 'going concern' basis;
- (e) the Directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and operating effectively; and
- (f) the Directors had devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems were adequate and operating effectively.

Risk Management Policy

Your company has developed and implemented a Risk Management Policy pursuant to Section 134(3)(n) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014 and Clause 49 (VI) of the Listing Agreement, which includes identification of elements of risk, if any, which in the opinion of the Board, may threaten the existence of the Company .

The risk management process is designed to safeguard the organisation from various risks through adequate and timely action. It is designed to anticipate, evaluate and mitigate risks in order to minimise its impact on the business. The risk management framework of the Company is appropriate compared to the size of the Company and the environment under which the Company operates.

At present, in the opinion of the Board there is no identification of Risk element that may threaten the existence of the Company.

Number of Board Meetings

During the year under review, the Board of Directors duly met Four (4) times. The details of the Board Meetings are provided in the Corporate Governance Report which is annexed to the Report.

Insurance

The properties and assets of the Company are adequately insured.

Declaration by Independent Directors

Pursuant to the provisions of Section 134 of the Companies Act, 2013 with respect to the declaration given by the Independent Director of the Company under Section 149(6) of the Companies Act, 2013, the Board hereby confirms that all the Independent Directors have given declarations and further confirms that they meet the criteria of Independence as per the provisions of Section 149(6).

Performance Evaluation of the Board Committees and Independent Directors

Pursuant to the provisions of the Companies Act, 2013 and Rules made thereunder read with clause 49 of the Listing Agreement, the Board has carried the evaluation of its own performance, individual Directors, its Committees, including the Chairman of the Board on the basis of attendance, contribution and various criteria as recommended by the Nomination and Remuneration Committee of the Company. The Board has also evaluated the working of the Board, its committees, experience and expertise, performance of specific duties and obligations etc. The Directors expressed their satisfaction with the evaluation process and outcome.

The performance of each of the non-independent directors (including the Chairman) was also evaluated by the Independent Directors at the separate meeting held of Independent Directors of the Company.

Policy on Directors' Appointment and Policy on Remuneration

Pursuant to the requirements of Section 134 and 178 of the Companies Act, 2013, the policy on appointment of Board Members and policy on remuneration of the Directors, KMPs and Senior Management is attached as **Annexure II** to this report.

Secretarial Audit Report

M/s. Parikh Dave & Associates, Practising Company Secretaries, were appointed as Secretarial Auditors of the Company for the financial year 2014-15 pursuant to the provisions of Section 204 of the Companies Act, 2013. The Secretarial Audit Report submitted by them in prescribed form MR-3 is attached as **Annexure III** to this report.

Contracts or Agreements with Related Parties

Pursuant to the provisions of Section 134 of the Companies Act, 2013 all the Contracts and arrangements with related parties under Section 188 of the Companies Act, 2013 entered by the Company during the financial year were in ordinary course of Business and on arms' length basis.

During the year under review, the Company has not entered into any contracts or arrangements with related parties which could be construed "Material" according to the policy of the Company on materiality of related party transactions. Suitable disclosures as required are provided in AS-18 which is forming the part of the notes to financial Statement. The details of Related Party Transactions in Form AOC – 2 are annexed as **Annexure IV** to this Report.

The policy on Related Party Transactions has been uploaded on the website i.e. www.sanghicement.com.

Particulars of Employees

The information required under Section 197 of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 is attached as **Annexure V** to this report.

The statement containing particulars of employees as required under section 197 of the Companies Act, 2013 read with Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, will be provided upon request. In terms of Section 136 of the Companies Act, 2013, the Report and accounts are being sent to the members and others entitled thereto, excluding the information on employees particulars which is available for inspection by members at the Registered office of the Company during business hours on working days of the Company. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary in this regard.

Internal Financial Control and their adequacy

The Company has adopted internal control system considering the nature of its business and the size and complexity of operations. The Board has adopted the policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial disclosures etc. Systems and procedures are periodically reviewed to keep pace with the growing size and complexity of your company's operations.

Particulars of Loans, Guarantees or Investments Under Section 186 of the Companies Act, 2013

The Company has not made any Loans or provided any guarantee or has made any investments falling under purview of Section 186 of the Companies Act, 2013 during the financial year 2014-15.

Statutory Auditors

M/s. Ankit & Company, Chartered Accountants, Hyderabad and M/s. Haribhakti & Co. LLP, 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 2015-16, would be within the limits prescribed under Section 139 of the Companies Act, 2013. Your Board of Directors recommend their appointment as Joint Statutory Auditors of the Company.

Audit Committee

The Audit Committee of the Company as on 30th June, 2015 consists of following Directors as its members:

1. Shri Sadashiv Sawarikar – Chairman
2. Shri R. K. Pandey – Member
3. Shri T. M. Jagan Mohan – Member

Vigil Mechanism

In accordance with the provisions of Section 177(9) of the Companies Act, 2013 and the rules made thereunder and also Clause 49 of the Listing Agreement, your company has established a vigil mechanism termed as Whistle Blower Policy for Directors and employees to report the unethical behavior, malpractices, wrongful conduct, frauds, violations of the Company's code of Conduct, which also provides for adequate safeguards against victimization of director(s) / employees who avail of the mechanism and also provide for direct access to the Whistle officer / Chairman of the Audit Committee.

The Whistle Blower Policy is made available on the website of the Company [www. sanghiment.com](http://www.sanghiment.com)

Significant and Material Orders passed by the Regulators or Courts or Tribunals

The Company has not received any significant or material orders passed by any regulatory authority, court or tribunal which shall affect the going concern status of the Company's operations.

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 2015-16 to both the Stock Exchanges.

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 year 2015-16. The Audit report of the cost accounts of the Company for the year ended 30th June, 2015 will be submitted to the Central Government in due course.

Corporate Social Responsibility

At Sanghi Industries Limited (SIL), the Corporate Social Responsibility (CSR) has been an integral part of the way we have been doing our business since inception. SIL is having 4.1 million tonnes per annum capacity cement plant in the Abdasa taluka of Kutch district in Gujarat. Right from the time, work on the cement plant began in Kutch in 1994, SIL's promoters have focused on developing the social infrastructure in the surrounding area where most villages suffered from chronic ills like limited livelihood options, acute scarcity of water, poor or no healthcare facilities, barren land and no set up for education.

SIL has always believed in transformation of socio-economic conditions of the region it operates in. As per Group tradition, the Company is conscious about the responsibility towards society and has proved itself as a responsible Corporate Citizen.

SIL 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; and
- Conducting social awareness programmes on various issues.

The Company has constituted the Corporate Social Responsibility Committee in compliance with the provisions of section 135 of the Companies Act, 2013 read with the Companies (Corporate Social Responsibility Policy) Rules, 2014. The Corporate Social Responsibility policy enumerating the CSR Activities to be undertaken by the Company, in accordance with the Schedule VII of the Companies Act, 2013 was recommended to the Board and the Board approved and adopted the same. The said policy is also placed on the website of the Company www.sanghicement.com. The requisite details on CSR Activities pursuant to Section 135 of the Companies Act, 2013 and rules framed thereunder are annexed as **Annexure VI** to this report.

The details relating to the Composition of committee and meetings convened of the Committee etc. are furnished in the Corporate Governance Report which is forming the part of this report.

Extract of the Annual Return

Extract of the Annual Return as on 30th June, 2015 in the prescribed form MGT - 9, pursuant to provisions of Section 92(3) of the Companies Act, 2013 and the Companies (Management and Administration) Rules 2014, is annexed to this report as **Annexure VII**.

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:

- 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 successfully completed coal tar trial for utilizing as an alternative fuel in Kiln; and
- Enhancing pond ash utilization as an alternative raw material for Clinker.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo:

Conservation of Energy

Energy conservation is driven through the organization, by way of setting division-wise targets and monitoring performance on day-to-day basis for optimizing energy consumption. The MIS Cell & Energy Steering Committee is working on energy accounting and conservation program by handling issues associated with it. SIL strive to implement latest technologies for energy efficiency, alternative resources and minimize adverse impact on environment.

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

- Installation of SPRS (Slip Power Recovery System) in Coal mills fan to reduce power consumption.
- Installation of Process expert in Kiln, Cooler and Cement Mills for process optimization and overall efficiency enhancement .
- Modification of Raw mill cyclones inlet duct to improve cyclones efficiencies.
- Higher usage of alternative fuel in Kiln.
- Adaptation to best practices and processes of the sector.
- Continuous process optimization and reduction in false air ingress.

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

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.

Sanghi Industries Limited

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.

Foreign Exchange Earnings and Outgo

The particulars with regard to Foreign Exchange earnings and outgo are set out in Note 32 of Notes on Accounts of Annual Report.

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.

- ISO 9001:2008 (Quality Management System Standard)
- ISO 14001:2004 (Environmental Management System Standard)
- OHSAS 18001:2007 (Occupational Health & Safety Management System Standard)
- SA 8000:2008 (Social Accountability System Certificate)
- ISO/ IEC 17025:2005 (NABL accreditation for Chemical and Mechanical Testing)

Recognitions for best practices

In recognition of our outstanding performance in Environment Management, the company has been awarded the “**15th Annual Greentech Environment Award 2014**” in Gold Category in Cement Sector on 29th January, 2015.

In recognition of initiatives for waste minimization, the Company has been awarded by Federation of Kutch Industries Association (FOKIA) amongst the Environment Conservation & Protection Category for “**Excellence in Waste Management Initiatives**” for 2013, on 3rd August, 2014.

Award conferred to our various mines during celebration of “22nd Mines Environment & Mines Conservation Council 2014-15 under the aegis of Indian Bureau of Mines, Udaipur Region are as below:-

Sl. No.	Awards conferred to Jadua Limestone Mines	Awarded
1.	Afforestation / Plantation	First Prize
2.	Scientific Development of Mineral Deposit	First Prize
3.	Overall Performance	First Prize
4.	Protective Measures Taken For Air & Water Pollution Control	Second Prize
	Awards conferred to Motiber Silica Sand Mines	
1.	Publicity & Propaganda	First Prize
2.	Community Development	First Prize
3.	Protective Measures Taken For Air & Water Pollution Control	First Prize
4.	Scientific Development of Mineral Deposit	First Prize
5.	Overall Performance	First Prize

Awards conferred to our various mines during celebration of “5th Gujarat Metalliferous Mines Safety Week - 2014” under the aegis of Directorate General of Mines Safety, Ahmedabad Region are as below:-

Sl. No.	Awards conferred to Jadua Limestone Mines	Awarded
1.	Raising by Surface Miner	First Prize
2.	Haul Road Maintenance & Transportation	Second Prize
3.	Vocational Training, Improvements & Innovation	Second Prize
4.	Overall Performance	Second Prize
5.	Mine Working & Implementation of 10 th National Safety Conference Recommendation	Third Prize
	Awards conferred to Motiber Silica Sand Mines	
1.	Appointment of Statutory Person & Maintenance of Records	First Prize
2.	Quarry Working & General Safety	First Prize
3.	Overall Performance	First Prize
4.	Publicity, Propaganda & House keeping	Third 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 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 : 28th August, 2015

Ravi Sanghi
Chairman & Managing Director