

SANGHI INDUSTRIES LIMITED

29th ANNUAL REPORT 2015-16



OFFICIAL PARTNER - GUJARAT LIONS

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 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 M. K. Doogar	Director
Shri Jayesh Desai	Nominee 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: Makarba,
 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 29th Annual Report together with the audited financial statements for the year ended 31st March, 2016 (From 1st July, 2015 to 31st March, 2016).

Financial Results :

(₹ in Crore)

	2015-2016 (Nine Months)	2014-2015 (Twelve Months)
Gross Revenue	857.38	1041.45
Net Income	779.56	939.35
Profit before Interest, Depreciation and Taxation	143.59	164.50
Interest	27.23	27.47
Operating Profit	116.36	137.03
Depreciation	54.05	106.43
Profit Before Tax (PBT)	62.31	30.59
Exceptional items - Net Expenses of Lenders' Prepayment	60.39	---
Profit Before Tax after exceptional items	1.92	30.59
(Add)/Less : Provision for Tax	0.39	---
Profit After Tax (PAT)	1.53	30.59
Profit carried to Reserves and Surplus	1.53	30.59

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 ₹ 42.66 crores to Capital Redemption Reserve during the year under review.

Operations and Performance of the Company

Since the current financial year consisting of nine months, the figures of current year are not comparable with the previous year.

During the year (nine months) ended 31st March, 2016, the total revenue was ₹ 857.38 crores against ₹ 1041.45 crores in the previous year and Net Income was ₹ 779.56 crores against ₹ 939.35 crores in the previous year. The Profit Before Tax for the year has been ₹ 62.31 crores against ₹ 30.59 crores in previous year. The Company has repaid the CDR Loans along with Right of Recompense to Lenders and net effect of this has been treated as Exceptional Items - One-time Expenditure of ₹ 60.39 crore. The Profit after Exceptional Items and Tax for the current year (nine months) is ₹ 1.53 crores, compared to ₹ 30.59 crores in previous year.

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

Material Events occurred during FY 2015-16:

Change in the Financial Year:

During the year under review, In compliance of the provisions of the Companies Act, 2013, the Company has changed its Financial Year to March ending instead of June ending as earlier. Accordingly the current Financial Year 2015-16 is from 1st July, 2015 to 31st March, 2016 i.e for the period of Nine months.

Exit from Corporate Debt Restructuring (CDR)

During the year under review, the Company has successfully exited from Corporate Debt Restructuring (CDR) mechanism after making repayment of entire dues to the CDR lenders ahead of schedule.

Redemption of Optionally Cumulative Convertible Participating Preference Shares (OCCPPS)

During the year under review, the Company has fully redeemed its OCCPPS, ahead of the schedule, by making payment to OCCPPS holders. The outstanding towards OCCPPS as on 31st March, 2016 is Nil.

Issue of Non-convertible Debentures

During the year under review, the Company has issued and allotted 25,64,829 Secured, Unlisted, Non-convertible Debentures (NCDs) of ₹ 1000/- each aggregating ₹ 2,56,48,29,000/- on Private Placement basis in Demat mode.

Material Changes and commitments affecting the financial position of the Company

There were no material changes and commitments affecting the financial position of the Company which have occurred between the end of the financial year of the Company 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 and 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. However, 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.

Board of Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Rules framed thereunder, Shri Aditya Sanghi (holding DIN: 00033755) and Shri Alok Sanghi (holding DIN: 00033506), Whole Time Directors of the Company retire by rotation at the forthcoming Annual General Meeting and they being eligible, offer themselves for re-appointment.

Smt. Bina Engineer has been re-appointed as Whole Time Director of the Company for a period of three years w.e.f. 6th September, 2016 subject to approval of the Members at the ensuing Annual General Meeting. The resolution proposing her re-appointment is set out in the notice.

Your Directors recommend her re-appointment.

During the year under review, Shri M. K. Doogar has been appointed as an Additional Director categorized as an Independent Director w.e.f. 11th February, 2016. Shri Jayesh Desai was nominated by IDBI Trusteeship Services Ltd. (the “Debenture Trustee”) as its Nominee Director on the Board of the Company w.e.f. 25th May, 2016. Shri Naresh J. Gwalani and Shri Gireesh Sanghi ceased to be Director of the Company.

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

In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015/Listing Agreement a Report on “Corporate Governance” is attached as an **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) they 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 31st March, 2016 and of the profit of the Company for the year under review;
- (c) they 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) they had prepared the accounts for the period ended 31st March, 2016 on a ‘going concern’ basis.
- (e) they 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) they 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 (From 1st July, 2015 to 31st March, 2016), the Board of Directors duly met Three (3) 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 Directors 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 Schedule IV of the Companies Act, 2013 and Rules made thereunder read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015/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

Mr. Uday Girishbhai Dave, Practicing Company Secretary, was appointed as Secretarial Auditor of the Company for the financial year 2015-16 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

During the year under review, there were no materially significant Related Party Transactions entered by the Company with related parties which may have potential conflict with the interest of the Company at large.

Necessary 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 as required under provisions of Section 134 read with Section 188 of the Companies Act, 2013 and Rule 8 (2) of the Companies (Accounts) Rules, 2014 are annexed as **Annexure IV** to this Report.

The policy on Related Party Transactions has been uploaded on the website i.e. www.sanghiment.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 made any investments falling under purview of Section 186 of the Companies Act, 2013 during the financial year 2015-16.

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 holds 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 2016-17, 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 31st March, 2016 consists of following Directors as its members:

1. Shri Sadashiv Sawrikar – 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 read with the Regulation 22 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015/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 behaviour, 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

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 2016-17 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 2016-17. The Audit report of the cost accounts of the Company for the year ended 31st March, 2016 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 beginning, SIL has 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. 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

Sanghi Industries Limited

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 in to 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 approved and adopted by the Board of Directors is also placed on the website of the Company www.sanghiment.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 31st March, 2016 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:

(a) Conservation of energy -		
(i)	the steps taken or impact on conservation of energy;	<ul style="list-style-type: none"> • Continuous process optimization and reduction in false air ingress • Conduct energy audit by M/s TERI and implemented the energy conservation action plan • Conduct finger print analysis in Thermal Power Plant through M/s ABB Limited • Segregate vital and non-vital compressed air application and reroute entire compressed air network for energy saving • Adaption to best practices and processes of the sector • Higher usage of alternative fuel in Kiln • Start utilization of Petcock in Kiln

(ii)	the steps taken by the company for utilizing alternate sources of energy;	Regular usage of waste oil, coal tar, plastic waste etc in Kiln as an alternative fuel.
(iii)	the capital investment on energy conservation equipments	₹ 215 Lac
(b) Technology absorption-		
(i)	the efforts made towards technology absorption;	The MIS Cell and Energy Steering Committee is working on energy accounting and conservation program by handling issues associated with. SIL strive to implement latest technologies for energy efficiency, alternative resources and minimize adverse impact on environment. The regular energy audit is carried out by the third party to identify the area for improvement.
(ii)	the benefits derived like product improvement, cost reduction, product development or import substitution	product improvement, cost reduction, product development & import substitution
(iii)	in case of imported technology (imported during the last three years reckoned from the beginning of the financial year) :-	State of the art technology by FLSmidth Private Limited
	• the details of technology imported;	NA
	• the year of import	NA
	• whether the technology been fully absorbed; and	NA
	• if not fully absorbed, areas where absorption has not taken place, and the reasons thereof.	NA
(iv)	the expenditure incurred on Research and Development	₹ 96 Lac

Foreign Exchange Earnings and Outgo

The particulars with regard to Foreign Exchange earnings and outgo are set out in Note 33 of Note to the Financial Statements.

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

Awards conferred to our various mines during celebration of “6th Gujarat Metalliferous Mines Safety Week - 2015” under the aegis of Directorate General of Mines Safety, Ahmedabad Region are as below:-

Sl. No.	Awards conferred to Jadua Limestone Mines:	Awarded
1.	Publicity Propaganda and Fire Fighting	First Prize
	Awards conferred to Motiber Silica Sand Mines:	
1.	Appointment of Statutory Person and Maintenance of Records.	First Prize
2.	Quarry Working and General Safety.	First Prize
3.	Overall Performance.	First Prize