



SANGHI INDUSTRIES LIMITED

30th ANNUAL REPORT 2016-17





Artist : Rakesh Patel
Title : Untitled
Medium : Acrylic on Canvas
Size : 4x6 Ft.
Year : 2016

The above painting depicts artist's observation inspired from Kutch which he visited during the Sanghi Live Art Fest held at Sanghipuram, Kutch. It portrays a bunch of kids from the rural areas, who seemed to be among those happy go lucky kids with dreams in their eyes. Usually when people see them they pity them to be poor and helpless children with no future but the artist could see that they are more happy than anyone else. Here the artist has visualized their potential future of being successful in their own way. The artist believes everything is possible if one has a dream and the power within to turn the tables around' and has depicted the same in his painting.

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

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 30th Annual Report together with the audited financial statements for the year ended 31st March, 2017.

Financial Results:

(₹ in Crore)

	2016-2017 (Twelve Months)	2015-2016 (Nine Months)
Total Income	1104.26	841.76
Profit before Interest, Depreciation and Taxation	200.43	152.92
Interest	64.23	22.18
Operating Profit	136.20	130.74
Depreciation	73.06	53.98
Profit Before Tax (PBT)	63.14	76.76
Exceptional items – Net Expenses of Lenders Prepayment	-	60.39
Profit Before Tax after exceptional items	63.14	16.38
(Add)/Less: Provision for Tax	-	0.39
Profit After Tax (PAT)	63.14	15.98
Other Comprehensive Income	(0.17)	0.44
Total Comprehensive Income	62.97	16.42

Dividend

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

Transfer to Reserves

During the year under review, the Company has transferred ₹ 13.21 crores to Debenture Redemption Reserve.

Operations and Performance of the Company

Since the current financial year (2016-17) is consisting of twelve months and previous year (2015-16) is consisting of nine months, the figures of current year are not comparable with the previous year.

During the year ended 31st March, 2017, the Total Revenue was ₹ 1104.26 crores against ₹ 841.76 crores in the previous year. The Profit Before Tax and Exceptional Items for the year has been ₹ 63.14 crores against ₹ 76.76 crores in previous year. The Profit after Exceptional Items and Tax for the current year is ₹ 63.14 crores, against to ₹ 15.98 crores in previous year. The Total Comprehensive Income for the current year is ₹ 62.97 crores, against ₹ 16.42 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

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 Nirubha B. Gohil (holding DIN: 05149953) whole -time Director of the Company retires by rotation at the forthcoming Annual General Meeting and he being eligible, offers himself for re-appointment.

Shri Aditya Sanghi (holding DIN: 00033755) and Shri Alok Sanghi (holding DIN: 00033506) have been re-appointed as whole-time Directors of the Company for a period of five years with effect from 6th September, 2017 subject to approval of the Members at the ensuing Annual General Meeting. The resolutions proposing their re-appointment are set out in the Notice convening the Annual General Meeting.

In accordance with the provisions of Section 149 of the Companies Act, 2013 read with Schedule IV and the Rules framed thereunder, Shri Sadashiv Sawrikar (DIN: 02073022), Shri T.M. Jagan Mohan (DIN: 00423263), Shri Radha Krishna Pandey (DIN: 00190017) Shri Devidas Kashinath Kambale (DIN: 00020656) and Shri Dabbir Badri Narayana Rao (DIN 01180539) who were appointed as an Independent Directors for the periods of three consecutive years shall hold the office till the conclusion of forthcoming Annual General Meeting. The resolutions proposing their re-appointment are set out in the Notice convening the Annual General Meeting.

Your Directors recommend their re-appointment.

During the year under review, Shri Jayesh Desai ceased to be Nominee Director of the company with effect from 20th February, 2017 due to withdrawal of nomination by IDBI Trusteeship Services Ltd. (the “Debenture Trustee”).

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

Your Directors are pleased to inform that Smt. Bina Engineer has been conferred with the prestigious award of Best CFO of the Year 2016 in the ‘Women’ category by the Institute of Chartered Accountants of India (ICAI) for her exceptional performance and achievements.

Corporate Governance Report

In terms of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, a Report on “Corporate Governance” is attached as **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, 2017 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 year ended 31st March, 2017 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, 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 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 the Companies Act, 2013 and Rules made thereunder read with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, 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 evaluation of the working of the Board, its Committees, experience and expertise, performance of specific duties and obligations etc were carried out. 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, Practicing Company Secretaries, were appointed as Secretarial Auditors of the Company for the financial year 2016-17 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 Related Party Transactions entered by the Company with related parties, hence reporting 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 is not applicable to the Company.

Necessary related party disclosures are provided in Note 38 which is forming the part of the notes to financial statements.

The policy on Related Party Transactions has been uploaded on the website www.sanghiment.com/policies

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 IV** 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 2016-17.

Statutory Auditors

Pursuant to the provisions of Section 139 (2) of the Companies Act, 2013 the existing Joint Statutory Auditors M/s. Ankit & Co., Chartered Accountants, Hyderabad and M/s. Haribhakti & Co. LLP, Chartered Accountants, Ahmedabad, who have been acting as Statutory Auditors of the Company since more than ten years cannot be re-appointed as the Statutory Auditors for the year 2017-18.

In view of the said provisions of Companies Act, 2013, the Company has approached M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration Number: 101720W) and M/s. S. K. Mehta & Co., Chartered Accountants (Firm Registration Number: 000478N), for their appointment as Joint Statutory Auditors of the Company. They have consented to act as the Joint Statutory Auditors of the Company and have also given the confirmation to the effect that their appointment, if made by the Company would be within the limits prescribed under Section 139 of the Companies Act, 2013.

Accordingly, a resolution seeking members' approval for their appointment as Joint Statutory Auditors of the Company for the period of 5 consecutive years from the conclusion of this Annual General Meeting till the conclusion of Annual General Meeting to be held in the financial year 2022 is proposed. The Board recommends passing of the proposed resolution.

Audit Committee

The Audit Committee of the Company as on 31st March, 2017 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, 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/policies

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

During the year under review, there was no significant or material order passed by any regulatory authority, court or tribunal which shall affect the going concern status of the Company's operations in future.

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 2017-18 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 2017-18. The Audit Report of the cost accounts of the Company for the year ended 31st March, 2017 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 has 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 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 approved and adopted by the Board of Directors is also placed on the website of the Company www.sanghiment.com/policies. The requisite details on CSR Activities pursuant to Section 135 of the Companies Act, 2013 and Rules framed thereunder are annexed as **Annexure V** 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, 2017 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 VI**.

Environment and Pollution Control

Company's 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"> • Conducted Energy Audit and implemented the energy conservation action plan; • Continuous process optimization & reduction in false air ingress; • Up-gradation of main Raw Mill bag house to reduce pressure drop; • Installation of closed mines belt conveyor of 3 KM for limestone transportation from Mines to Clinker Plant; • Installation of Slip Power Recovery System (SPRS) in coal mills; • Segregate vital and non-vital compressed air application and re-route entire compressed air network for energy saving; • Adaption to best practices and processes of the sector; • Replacement of conventional lighting system with LED lighting system in Plant & Colony; and • Higher usage of alternative fuel in Kiln.
(ii)	The steps taken by the company for utilizing alternate sources of energy	<ul style="list-style-type: none"> • Installation of automated Alternative Fuel & Raw Material (AFR) system in Clinker plant for utilizing waste like used Oil, Coal Tar, Plastics, Oily cotton waste, ETP sludge, Paint sludge etc generated by other industries as an alternative fuel in Kiln. • Started erection of 15 MW Waste Heat Recovery System (WHRS) for power generation.
(iii)	The capital investment on energy conservation equipments	₹ 1824 Lac