SANGHI INDUSTRIES LIMITED

31st ANNUAL REPORT 2017-18



Adaptation from a Painting by Shri Jagannath Panda
Created at Sanghi Live Art Fest, Sanghipuram, organized for Promotion of Art & Culture.



Artist : Jagannath Panda
Medium : Acrylic on Canvas
Size : 3x4 Ft.
Year : 2016

The above painting is created by renowned Indian Artist Shri Jagannath Panda at Sanghi Live Art Fest, Sanghipuram, Kutch during Dec 14, 2016 to Jan 02, 2017.

During the art camp Jagannath went to our school to have an interactive session and to create a 60 feet large wall mural in the school wall along with the students. He ask the students to respond and draw any inspiration and dream from the phrase "We are here for a reason". While interacting with the students, Jagannath inspired a student to draw his dream architecture drawing. The Student who want to become an architect created a wonderful drawing of his imaginary building.

Jagannath got inspired from this interaction with the student and created the above painting in which he depicted his time with the students. The background of grey color, which is the color of transition and further he has shown a building that depicts the imagination of the child and the white lights in some part of the building that depicts hope.

In Indian Culture, there is a tradition to worship Tree and a tree is considered as a holy form of life. Here in the painting the tree form shown in the foreground is the symbol of the pure mind of a child – the dried colored branches of the tree are being converted to blue color showing the transformation of the child's thought process and his dreams. Overall this painting is a multi faceted painting showcasing a mix of hope both sprit and substance.

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	Independent Director
Shri Sadashiv Sawrikar	Independent Director
Shri D.B.N.Rao	Independent Director
Shri R.K. Pandey	Independent Director
Shri M.K. Doogar	Independent Director
Shri S. Balasubramanian	Independent Director

Company Secretary

Shri Anil Agrawal

Joint Statutory Auditors

M/s. Chaturvedi & Shah
Chartered Accountants
Mumbai

M/s. S. K. Mehta & Co.
Chartered Accountants
Delhi

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@sanghicement.com**
Website : **www.sanghicement.com**
CIN : **L18209TG1985PLC005581**

DIRECTORS' REPORT

To
The Members of
Sanghi Industries Limited

Your Directors take pleasure in presenting the 31st Annual Report together with the audited financial statements for the year ended 31st March, 2018.

Financial Performance:

(₹ in Crore)

Particulars	**2017-2018**	**2016-2017**
Total Income	1074.03	1104.26
Profit before Interest, Depreciation and Taxation	237.81	200.43
Interest	72.12	64.23
Operating Profit	165.69	136.20
Depreciation	72.38	73.06
Profit Before Tax (PBT)	93.31	63.14
(Add) / Less : Provision for Tax	-	-
Profit After Tax (PAT)	93.31	63.14
Other Comprehensive Income	0.05	(0.17)
Total Comprehensive Income	**93.36**	**62.97**

Dividend

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

Dividend Distribution Policy

Securities and Exchange Board of India ('SEBI') has vide notification dated 8th July, 2016, amended the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, by introducing new Regulation 43A which requires the top 500 listed companies (based on the market capitalization calculated as on 31st March of every year) to formulate a Dividend Distribution Policy and disclose the same on their websites and in the Annual Reports.

The Company's market capitalization as on 31st March, 2018 is ₹ 2965.57 Crore as per closing price of ₹ 118.15 at NSE and the Company falls under the list of top 500 listed companies as per the market capitalization as on 31st March, 2018, it has formulated the Dividend Distribution Policy which is uploaded on the Company's website at http://www.sanghicement.com/policies

Transfer To Reserves

During the year under review, the company has transferred ₹ 0.88 Crores to Debenture Redemption Reserve.

Operations and Performance of the Company

During the year ended 31st March, 2018, the total revenue was ₹ 1074.03 Crores against ₹ 1104.26 Crores in the previous year. The Profit Before and after Tax for the year has been ₹ 93.31 Crores against ₹ 63.14 Crores in previous year. The Total Comprehensive Income for the year is ₹ 93.36 Crores, against ₹ 62.97 Crores in previous year. Goods and Service Tax (GST) has been implemented w.e.f. 1st July 2017. Accordingly , GST is being levied as against Excise duty applicable hitherto. Since, excise duty is included in the revenue and GST is not included in revenue, total revenue for the year ended 31st March 2018 are not comparable with the previous year.

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

Raising of Funds through Qualified Institutional Placement (QIP)

During the year under review, Company has issued 3,10,21,000 Equity Shares of ₹10/- each at an issue price of ₹ 129/- each (including premium of ₹ 119/- each) to Qualified Institutional Buyers (QIB). The amount raised through QIP was ₹ 400.17 Crores. Pursuant to allotment of equity shares in the QIP, the paid up share capital of the Company stands increased to ₹ 251 Crores (comprising of 25,10,00,000 equity shares of ₹10/- each) as on 31st March, 2018.

Issue of Non-Convertible Debentures (NCDs) on Private Placement Basis and Early Redemption of existing NCDs

During the year under review, Company has issued 2,560 Secured, Listed, Rated, Redeemable, Non-Convertible Debentures ("NCDs") of face value of ₹ 10,00,000/- each aggregating to ₹ 2,56,00,00,000/- (Rupees Two Hundred Fifty Six Crores Only) on Private Placement basis with a fixed coupon rate of 10.50% listed on 'Wholesale Debt Market' Segment of BSE Limited.

The proceeds of above NCDs have been utilised for early redemption of existing 25,64,829 Secured, Unlisted, Redeemable, Non-Convertible Debentures of ₹ 1,000/- each aggregating to ₹ 256,48,29,000/- (Rupees Two Hundred Fifty Six Crore Forty Eight Lacs Twenty Nine Thousand Only) which were issued in the month of March 2016 with a tenure of Five years on private placement basis having fixed coupon rate of 15.50%.

Consequent to above, as on date there are 2,560 outstanding Non-Convertible Debentures of the Company aggregating to ₹ 256 Crores which were issued on 7th March, 2018.

Change in Nature of Business

There are no material changes in the nature of business during the year under review.

Material changes and commitments affecting the financial position of the Company

There have been 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.

Significant and material orders passed by the Regulators or Courts or Tribunals

During the year under review, there were 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.

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.

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 2017-18.

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 – 1.

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 along with the certificate from auditors confirming the compliance.

Details of Board of Directors and Key Managerial Personnel

Board of Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Rules framed thereunder, Shri Alok Sanghi (holding DIN: 00033506) 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 Nirubha B. Gohil (DIN 05149953) has been re-appointed as Whole-time Director of the Company for the period of three years w.e.f. 22nd December, 2017 for which necessary approval has been obtained from the members at the Extra-ordinary General Meeting held on 3rd March, 2018.

In accordance with the provisions of Section 149, 161 and other applicable provisions the Companies Act, 2013 and the Rules framed thereunder, Shri Sundaram Balasubramanian (DIN: 02849971) has been appointed as an Additional Director in the category of Non-Executive Independent Director of the Company with effect from 9th November, 2017 to hold the office till the conclusion of forthcoming Annual General meeting. The resolution proposing regularization of his appointment is set out in the Notice convening the Annual General Meeting.

Your Directors recommend their appointment/regularization of appointment.

During the year under review, Shri T. M. Jagan Mohan (DIN: 00423263) has resigned as Independent Director of the company with effect from 14th December, 2017 due to pre-occupation.

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

There were no changes in Key Managerial Personnel during the year.

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).

Policy on Directors' appointment and 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.

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.

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 financial statement , the applicable accounting standards had been followed and that no material departures have been made for the same;

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, 2018 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, 2018 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.

Number of Board Meetings

During the year under review, the Board of Directors duly met Five (5) times. The details of the Board Meetings are provided in the Corporate Governance Report which is annexed to the Report. The intervening gap between the two meetings was within the limit prescribed under the Companies Act, 2013 and Listing Regulations.

Disclosure on the compliance of Secretarial Standards:

The Directors confirm to the best of their knowledge and belief that the Company has complied with the applicable provisions of Secretarial Standards on the Meeting of the Board of Directors issued by the Institute of Company Secretaries of India.

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 organization 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.

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 http://www.sanghicement.com/policies

Policy on prevention, prohibition and redressal of sexual harassment at workplace

Company has framed a policy on Sexual Harassment at workplace which aims to provide protection to women employees at workplace and prevent and redress complaints of sexual harassment and for matters connected therewith or incidental thereto, with the objective of providing a safe working environment, where employees feel secure.

The Company has not received any complaint under the Sexual Harassment of women at Workplace during the financial year under review.

Insurance

The properties and assets of the Company are adequately insured.

Auditors

Statutory Auditors

Pursuant to the provisions of Section 139 of the Companies Act, 2013 and the rules framed thereunder, M/s. Chaturvedi & Shah, Chartered Accountants (Firm Registration Number: 101720W), Mumbai and M/s. S. K. Mehta & Co., Chartered Accountants (Firm Registration Number: 000478N) Delhi, were appointed as Joint Statutory Auditors of the Company for the consecutive term of 5 years to hold office till the conclusion of 35th Annual General Meeting of the Company subject to ratification of appointment at every Annual General Meeting at such remuneration as shall be fixed by Shri Ravi Sanghi, Chairman and Managing Director of the Company in consultation with the Joint Statutory Auditors.

Members are requested to consider the ratification of appointment of M/s. Chaturvedi & Shah and M/s. S. K. Mehta & Co. Both the auditors have submitted a certificate confirming that their appointment, if ratified, will be in accordance with Section 139 read with Section 141 of the Companies Act, 2013.

Accordingly, a resolution for ratification of appointment of Joint Statutory Auditors is proposed. The Board recommends passing of proposed resolution.

Secretarial Auditors

M/s. Parikh Dave & Associates, Practicing Company Secretaries, were appointed as Secretarial Auditors of the Company for the financial year 2017-18 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.

Cost Auditors

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 2018-19. The Audit report of the cost accounts of the Company for the year ended 31st March, 2018 will be submitted to the Central Government in due course.

Audit Committee

During the year under review, Company has reconstituted the Audit Committee. The Audit Committee of the Company as on 31st March, 2018 consists of following Directors as its members:

1.	Shri Sadashiv Sawrikar	-	Chairman
2.	Shri R. K. Pandey	-	Member
3.	Shri D. K. Kambale	-	Member

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.

Contracts or Agreements with Related Parties

During the year under review, there were no Related Party Transactions entered by the company with related parties falling under Section 188 of the Companies Act, 2013 hence reporting in Form AOC-2 as required under provisions of Section 134 read with Section 188 of the Companies Act, 2013 and Rule8(2) of the Companies (Accounts) Rules, 2014 is not applicable to the Company.

Necessary related party disclosures are provided in Note 34 which is forming the part of the notes to financial statements.

The policy on Related Party Transactions has been uploaded on the website i.e **http://www.sanghicement.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.

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 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 http://www.sanghicement.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.