

**Annual  
Report  
1996-97**

Report  Junction.com



**Saurashtra Cement  
Limited**



MD	✓		BKC	✓
CS	✓		DPY	✓
RO	✓		DIV	✓
TRA	✓		AC	✓
AGM	✓		SHI	✓
YE	✓			✓

10th  
Annual  
Report

## Board of Directors

(As on 10.10.1997)

**Shri M. N. Mehta**

*Chairman*

**Shri D. N. Mehta**

*Deputy Chairman*

**Shri Jay Mehta**

*Executive Vice Chairman*

**Shri M. N. Rao**

**Shri R. C. Mehta**

**Shri G. V. Kapadia**

**Shri J. N. Guzder**

**Shri B. N. Reporter**

*Directors*

**Shri A. C. Mukherji**

**Shri H. D. Mehta**

**Shri S. C. Mital**

**Shri S. V. S. Raghavan**

**Shri I.K. Agarwal**

**Shri M. R. Saraf**

*IDBI Nominee*

**Shri S. C. Batra**

*LIC Nominee*

**Shri M.S. Gilotra**

*Managing Director*

**Shri A. M. Fadla**

*Vice President & Company Secretary*

### Bankers

Central Bank of India

Dena Bank

Vijaya Bank

The Saraswat Co-operative Bank Ltd.

IndusInd Bank Ltd.

### Auditors

Messrs Bansi S. Mehta & Company

Chartered Accountants

### Registered Office

Near Railway Station

Ranavav - 360 560

(Gujarat)

### Corporate Office

Agrima Business Centre

3rd Floor, N.K. Mehta International House

178 Backbay Reclamation

Mumbai - 400 020.

### Share Department

205, Mahalaxmi Chambers

22 Bhulabhai Desai Road

Mumbai 400 026



## Directors' Report

Dear Members,

The Directors have pleasure in presenting the 40th Annual Report along with the audited accounts for the year ended 30th June, 1997.

During the year under review the demand for cement rose by nearly 9 per cent as against 12 per cent in the previous year and cement capacity increased by 12 per cent. Prices of cement remained under pressure for a major part of the year. The major input cost such as coal, power and freight also increased considerably during the year.

### HIGHLIGHTS

Production of clinker for the year increased by 40 per cent over that of last year and the modernised plant achieved a capacity utilisation of 97 per cent in its first full year of operation.

There was a substantial reduction in both power and fuel consumption. The plant consumed 99 Kwh/ton of cement during the year as against 110 Kwh/ton in the previous year.

### FINANCIAL RESULTS

The highlights of the financial results for the corporate Financial Year ended 30th June, 1997 are :

	Current Year 1996-97 (Rs. Lac)	Previous Year 1995-96 (Rs. Lac)
Sales	20673.40	19627.17
Gross Profit	2613.58	4247.62
Net Interest	2441.21	1665.54
Profit before Depreciation	172.37	2582.08
Depreciation	1154.17	874.70
Net Profit/(Loss) after tax (after adjustments for earlier years)	(749.28)	1738.86
Carried forward Profit of earlier years	1965.21	2345.20
Add : Income tax refunds for prior years	49.38	—
Less : Provision for Income tax & interest thereon for prior years	30.51	800.00
Balance Profit available for appropriation	1234.80	3284.06
Transfer & Appropriation :		
General Reserve	—	250.00
Debenture Redemption Reserve	—	739.00
Capital Reserve	24.66	0.06
Dividend	119.92	329.79
Corporate Tax on Dividend	11.99	—
Balance Carried to Balance Sheet	1078.23	1965.21

### DIVIDEND

The Directors recommend a dividend of Re.1 per share. Since dividend has been made tax free in the hands of the shareholders, no tax will be deducted. The

Company will pay a tax of Rs.11.99 lacs on this dividend, as a result of which, the total payout will be Rs.131.91 lacs.

### PERFORMANCE REVIEW

The sales during the year under

review increased by 5 per cent over the previous year and the value of cement/clinker sold increased to Rs.206.73 crores from Rs.196.02 crores.

The gross profit for the year

reduced from Rs.42.48 crores to Rs.26.14 crores.

During the current year, the cost of fuel went up by 10 per cent and the cost of power by 30 per cent. The cost of freight increased by 9 per cent. This combined with the sharp decline in cement prices, especially in the latter half of the year has resulted in a substantial drop in the profitability of the Company.

The Company is progressing with its ongoing modernisation plans which will increase the capacity of the plant to 3,750 tons per day and is adding one more D.G. set of 6 MW and a state-of-the-art cement mill which will reduce power consumption to 85 Kwh/ton of cement.

#### **DOMESTIC MARKET**

The demand for cement in Gujarat grew by 11 per cent as against 8 per cent for the country as a whole. The cement capacity in the state increased by 27 per cent to 9.2 million tons, resulting in a surplus in the market which drove cement prices down. However, "Hathi" cement continues to command a premium in the Gujarat market.

#### **EXPORTS**

The Company exported 8,500 tons of cement and 1,12,378 tons of clinker with a FOB value of Rs.14.00 crores as compared to a FOB value of exports of Rs.9.80 crores last year. The Company is increasing its volume of exports in view of the surplus in the domestic market.

#### **ENVIRONMENTAL PROTECTION**

The Company has upgraded almost all its old Electro-static Precipitators and bag houses during the year and will complete the balance during the current year, in keeping in line with the Company's philosophy to bring down emission levels for the whole plant to below 50 mg/Nm<sup>3</sup>.

#### **FUTURE OUTLOOK**

Although there has been an economic slowdown in the current year, we feel that the long term prospects for the cement industry remain good. Emphasis on infrastructure such as highways, roads, bridges is only beginning to take place and we feel that these investments will provide the necessary boost to cement consumption. Despite the slowdown in the cement industry during the current year, we look forward to the future with optimism.

#### **FUTURE PLANS**

The Company has been given an approval by the Government of Gujarat to extend the jetty at Porbander and will begin construction on this jetty shortly. This jetty would help in reducing the costs of handling of cement and clinker substantially and also allow the Company to access markets along the Western coast of the country.

The Company is looking at the possibility of augmenting its captive power generation capacity by a further 12 MW in order to make the plant

completely self-sufficient in power generation.

Both these steps will result in substantial savings in terms of the cost of power and freight.

#### **CONTRIBUTION/DONATION**

During the year under review, we have made contribution/donation of Rs.2.36 lacs for Educational/Charitable purposes.

#### **FIXED DEPOSITS**

As on 30th June, 1997 no deposit has remain unclaimed.

#### **AUDITORS' OBSERVATIONS**

Auditors' observations together with the note referred therein are self explanatory and do not require any further elucidation.

#### **PARTICULARS OF EMPLOYEES**

As required by the provisions of Section 217(2A) of the Companies Act, 1956 read with (Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the Annexure to the Directors' Report. However, as per the provisions of Section 219(1)(b)(iv) of the Act, the Reports and Accounts are being sent to all shareholders of the Company excluding the information relating to employees. Any shareholder interested in obtaining such particulars may write to the Secretary at the Registered Office of the Company.

#### **PARTICULARS OF CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS**

As required under Section 217(1)



(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, the particulars in respect of conservation of energy, technology, absorption and foreign exchange earnings and outgo are sent in the Annexure forming part of this report.

#### **DIRECTORS**

In accordance with the provisions of the Companies Act, 1956 and the Company's Articles of Association, Mr. A.C. Mukherji, Mr. M.N. Mehta, Mr. J.N. Guzder and Mr. D.N. Mehta retire by rotation and being eligible offer themselves for re-appointment.

During the year, Mr. S.V.S. Raghavan was appointed as Additional Director on the Board. Mr. Raghavan shall retire at the ensuing General Meeting. Notice has been received from the shareholders proposing the name of Mr. Raghavan for appointment as Director.

During the year, Mr. S.C. Batra was nominated by LIC as their Nominee Director in place of Mr. S. Rajagopalan. The Board places on record its appreciation for the services rendered by Mr. S. Rajagopalan during his tenure with the Company.

#### **AUDITORS**

M/s. Bansi S. Mehta & Co. Chartered Accountants, the Auditors of the Company, are due to retire and being eligible, offer themselves for re-appointment.

#### **TAX AUDIT**

M/s. Bansi S. Mehta & Co. Chartered Accountants, have been appointed to carry out the tax audit for the assessment year 1997-98.

#### **COST AUDIT**

Mr. Kiran J. Mehta, qualified Cost Accountant, Ahmedabad, has been appointed to carry out the cost audit for the financial year 1997-98.

#### **EMPLOYEE RELATIONS**

We wish to place on record our deep appreciation of the devoted services of the workers, staff and executives of the Company.

#### **ACKNOWLEDGEMENTS TO BANKERS, FINANCIAL INSTITUTIONS AND GOVERNMENT AGENCIES**

Your Board would like to place on record its appreciation of the assistance and co-operation given by the bankers, financial institutions, suppliers, shareholders, Gujarat Electricity Board, the State Government and the Central Government agencies whose continued support has been a source of considerable strength.

On behalf of the Board of Directors

**D.N. Mehta**

*Dy. Chairman*

**Jay Mehta**

*Exec. Vice Chairman*

Mumbai,

Dated : 10th October, 1997

**STATEMENT PURSUANT TO SECTION 217(1)(e) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTOR(S) RULES), 1988**

**A. CONSERVATION OF ENERGY**

a) Energy conservation measures taken :

- Installation of Bucket Elevators for Raw Meal transportation to the Silo and Kiln feed to both the Preheaters.
- Installation of new Gas Analyzers at the Kiln Inlet and Pre-heater Outlet to analyzer, O<sub>2</sub>, CO and NOX for steadier run of the Kiln and to optimise thermal energy.
- Installation of energy management system to continuously monitor the electrical energy consumption of the plant.
- Installation of a high efficiency Classifier in the Raw Mill to control particle size distribution of Raw Meal and achieve improved burnability and therefore reduction in power consumption.
- Installation of Roots Blowers for coal transportation instead of compressors to reduce power consumption.
- Installation of Slip Power Recovery System with 3 HT fans.
- Optimisation of conveying air of coal to Kiln and Calciner.

**Form A**

Form for disclosure of particulars with respect to conservation of energy

**(A) Power and Fuel Consumption**

	Current Year	Previous Year
<b>1. Electricity</b>		
a) Purchased		
Unit (KWH) - Lacs	763.00	670.00
Total Amount (Rs. in lacs)	3119.39	2038.99
Rate/Unit (Rs.)	4.08	3.04
b) On Generation		
i) Through Diesel Generator		
Net Units (KWH) Lacs	284.00	219.00
Units/Ltr. of Furnace Oil	4.02	3.98
Total cost per unit in Rupees	2.36	1.93
ii) Through Steam Turbine/Generator	Not Applicable	Not Applicable
<b>2. Coal and Other Fuels</b>		
Quantity (Million K.Cal)	831612.00	624112.00
Total Cost (Rs. lacs)	3360.79	2726.00
Average Rate (K.Cal) (Rs. lacs)	404.12	436.78
<b>3. Furnace Oil</b>		
Quantity (K. Ltrs.)	7568.00	6275.00
Total Amount (Rs. Lacs)	518.00	340.00
Rupees per litre	6.84	5.41

**(B) Consumption per unit of production**

	Industry Norms	Current Year	Previous Year
Electricity (KWH/T of Cement)	110-115	99.32	*109.49
Coal/Lignite (Usage in percentage)	17-18	13.34	*15.00
Others	Nil	Nil	Nil

\*Note : Includes consumption of modernisation project trial run.



## Form B

### A. RESEARCH AND DEVELOPMENT

- 1) Specific areas in which R & D carried out by the Company :
  - a) Optimisation and balancing steps carried out in the plant with the help of equipment suppliers, consultants and in-house process specialists.
  - b) Optimisation of Raw Mix for improving burnability.
- 2) Benefits derived as a result of above R & D :  
Capacity utilization has improved with lower fuel and power consumption. Clinker quality has improved to meet international requirement.
- 3) Future plan of action :
  - a) Developing additional varieties of cement for specific customer requirements.
  - b) Optimisation of Raw Mix to improve productivity of plant.

### B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

- 1) The Company has installed a new modern pre-heater with Precalciner, IKN KIDS system in the cooler and a computerised control system with intelligent I/O's and Fuzzy Logic.

- 2) Benefits derived as a result of the above efforts :

Besides increasing the production levels, these measures resulted in substantial savings in energy and improvements in the quality of the product.

- 3) Information regarding technology imported during last 5 years:

- a) Technology Imported
  - i) KIDS, IKN - Cooling System.
  - ii) Advance Intelligent I/O's from OPTO-22, U.S.A. and supervisory system from M/s. Intec Corporation, U.S.A.
  - iii) Free Lime Analyser from M/s. Itasca, France.
  - iv) Low Pressure cyclones from M/s. Fuller, U.S.A.
  - v) Higher collection efficiency tetratex bags coated with PTFE membrane from M/s. W.L. Gore, U.S.A.
  - vi) High efficiency RAR Classifier from M/s. Fuller, U.S.A.
- b) Year of Import :  
1995-96.
- c) Has technology been fully absorbed ?  
Yes.
- d) If not fully absorbed, areas where this has not taken place, reasons thereof, and future plans of action :  
Nil.

### C. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports, development of new export markets for products : During the year ended 30.6.1997, our Company has exported 112378 MTs of Clinker valued at Rs.1262.93 lacs (FOB) and 8500 MTs of Cement valued at Rs.137.10 lacs (FOB).

Total foreign exchange earned and used	Current Year (July '96 to June '97) (Rs. in lacs)	Previous Year (July'95 to June '96) (Rs. in lacs)
Foreign exchange earned	1425.53	1029.58
Foreign exchange used	3729.44	2993.01



## Auditors' Report

We have audited the attached Balance Sheet of Saurashtra Cement Limited as at June 30, 1997 and also the annexed Profit and Loss Account of the Company for the year ended on that date and report that :

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we enclose in an annexure hereto, a statement on the matters specified in paragraphs 4 and 5 of the said Order, to the extent applicable.
2. (A) Based on a legal opinion received, the Company has through the profit and loss account appropriated the following amounts from revaluation reserve ;
  - a. Substantial and long term diminution in the value of quoted investments, amounting to Rs.512.52 lacs, including Rs.130.23 lacs pertaining to the year.
  - b. Doubtful inter corporate deposits (including interest thereon) amounting to Rs. 244.76 lacs.

The aforesaid practices are contrary to the mandatory practices recommended by the Institute of Chartered Accountants of India. Had the aforesaid appropriation not made, the loss for the year would have been higher by Rs. 374.99 lacs and the balance of surplus carried forward would have been lower by Rs. 757.28 lacs.
- (B) As referred to note no.8 of Schedule "K" of Notes of Accounts, the Company has invested in the equity shares of its wholly owned subsidiaries, which in turn have made long term investments in quoted companies. No provision for diminution in the value of such investments is made either by the subsidiaries or by the Company. In our opinion such non-provision is contrary to the practices recommended by Accounting Standard 13 in respect of Accounting of Investments issued by the Institute of Chartered Accountants of India.
3. Further to the above, and to our comments in the annexure referred to in paragraph 1 above, we state that :
  - I. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
  - II. In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
  - III. The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account.
  - IV. Besides the paragraph 2 above, no provision has also been made in respect of the following :-
    - (A) Demand of Rs.48.10 lacs made by Development Commissioner of Cement Industry in respect of coloured cement manufactured and despatched in 1981 and 1982 (See Note 2 (ii) of Schedule "K" of Notes on Accounts).
    - (B) Provision for taxation has not been made in respect of Profit for the period April 1997 to June 1997 as detailed and for the reasons stated in Note 16 of Schedule 'K' of Notes on Accounts.
    - (C) Non-confirmation/reconciliation of certain debtors, creditors etc. as stated in Note 14 of Schedule 'K' of Notes on Accounts.

Subject to the above and further to our comments in paragraphs 1, 10 and 13 of the annexure referred to in paragraph 1 above, in our opinion and to the best of our information and according to the explanations given to us, the accounts read together with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view :-

- (a) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 1997 and
- (b) in the case of the Profit and Loss Account, of the loss for the year ended on 30th June, 1997.

For **BANSI S. MEHTA & CO.**  
Chartered Accountants

**A.R. DESAI**  
Partner

Mumbai,  
Dated : 17th October, 1997

**ANNEXURE TO THE AUDITORS' REPORT FOR THE YEAR ENDED 30TH JUNE, 1997**

(Referred to in paragraph 1 of the report)

1. The Company is maintaining proper records showing full particulars including quantitative details and situation of most of the fixed assets. During the year, most of the fixed assets of the Company have been physically verified by the management and no material discrepancies are stated to have been noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. During the year, the management has conducted physical verification in respect of major portion of finished goods, raw materials and stores and spares at reasonable intervals. In our opinion, the frequency of such verification is reasonable having regard to the type of inventory and the nature of Company's business. Stocks in transit and items lying with third parties (for which confirmations have been obtained in most cases) have not been verified.
4. In our opinion and according to the information and explanations given to us, and having regard to the nature of items, the procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. As informed to us and as certified by an independent Cost Accountant, the discrepancies noticed on physical verification of stocks as compared to book records were not material in relation to the operations of the Company and the same wherever necessary have been properly dealt with in the books of account.
6. In our opinion and on the basis of our examination of stock records, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles, and is on the same basis as in the preceding year.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or from companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.
8. The Company has not granted any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 or to companies under the same management within the meaning of Section 370(1-B) of the Companies Act, 1956.
9. Besides the amounts mentioned in paragraph 2A (b) of our report of even date to the members, the Company has advanced interest free loans to its subsidiaries and interest bearing loans to other parties. It has also granted loans to certain employees. As regards loans to a subsidiary no amount was due for repayment during the year. The other parties and employees to whom such loans are given have generally been regular in repaying the principal amounts and interest thereon as stipulated and / or specifically rescheduled.
10. The Company has adequate internal control procedures commensurate with the size of the Company and the nature of its business for purchase of stores, spares and raw materials. The internal control procedures for purchase of capital items, packing materials, certain marketing related services and sale of goods need to be strengthened.
11. On the basis of the records verified by us and as explained to us, there were no transactions of purchase of goods and materials and sale of goods, materials and services, made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 as aggregating during the year to Rs.50,000/- or more in respect of each party.
12. As explained to us, the Company does not have a regular system of identifying unserviceable or damaged stores, raw materials, or finished goods, though in the process of physical verification such items are being identified. Adequate provision has been made in the accounts for the loss arising on the items so determined wherever necessary.
13. On the basis of legal opinion obtained by the Company, the Company considers security deposits received from stockists and transporters as security for proper fulfilment of the contracts and advances received from customers as falling outside the purview of Section 58A of the Companies Act, 1956. Subject to the above, in our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Companies Act, 1956 and rules framed thereunder with regard to deposits accepted from public.