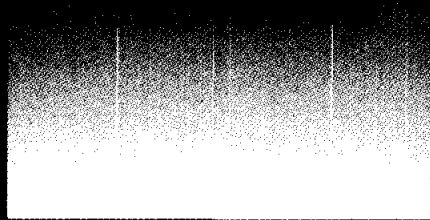


Saurasthra Cement Ltd. 1999-2000



1999

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Board of Directors

(As on 28.9.2000)

Mr. M. N. Mehta

Chairman

Mr. D. N. Mehta

Deputy Chairman

Mr. Jay Mehta

Executive Vice Chairman

Mr. M. N. Rao

Mr. R. C. Mehta

Mr. G. V. Kapadia

Mr. J. N. Guzder

Directors

Mr. B. N. Reporter

Mr. A. C. Mukherji

Mr. H. D. Mehta

Mr. S. C. Mital

Mr. S.V.S. Raghavan

Mr. Vipin Malik

Mrs. Savita V. Pittie

Mr. Peter Gorm Christiansen

F.L. Smidth & Co. A/S, Denmark, Nominee

Mr. Sridhar Sampath

Industrialization Fund for Developing

Countries, Denmark, Nominee

Mr. M. K. Chanduka

IFCI, Nominee

Mr. M.S. Gilotra

Managing Director

Mr. R. K. Poddar

Dy. Managing Director

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Bankers

Central Bank of India

Dena Bank

Vijaya Bank

The Saraswat Co-operative Bank Ltd.

IndusInd Bank Ltd.

Rajkot Nagarik Sahakari 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

5th Floor, N.K. Mehta International House

178 Backbay Reclamation

Mumbai - 400 020.

Mr. A. M. Fadia

Director (Legal & Secretarial)



NOTICE

Notice is hereby given that the 43rd Annual General Meeting of the Members of the Company will be held on Thursday the 21st December, 2000 at 10.30 a.m. at the Registered Office of the Company, near Railway Station, RANAVAV 360 560 (Gujarat), to transact the following business :

ORDINARY BUSINESS :

1. To consider & adopt the Directors' Report and Audited Profit & Loss Account for the year ended 30th June 2000, and the Balance Sheet as on that date.
2. To appoint a director in place of Mr. D.N. Mehta, who retires by rotation and being eligible offers himself for re-election.
3. To appoint a Director in place of Mr. B.N. Reporter, who retires by rotation and being eligible offers himself for re-election.
4. To appoint a Director in place of Mr. G.V. Kapadia, who retires by rotation and being eligible offers himself for re-election.
5. To appoint a Director in place of Mr. M.N. Rao, who retires by rotation and being eligible offers himself for re-election.
6. To appoint a Director in place of Mr. H.D. Mehta, who retires by rotation and being eligible offers himself for re-election.
7. To appoint Auditors and to fix their remuneration.

By Order of the Board of Directors

A.M. Fadia

Director (Legal & Secretarial)

Mumbai,

Dated : 28th September, 2000

Registered Office :

Near Railway Station,

Ranavav - 360 560 (Gujarat).

NOTES :

1. **A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself on a poll and that a proxy need not be a member. Proxies in order to be effective must be received by the company at the Registered Office not less than 48 hours before the meeting.**
2. The Share Transfer Books and Register of Members of the Company shall remain closed from Friday the 15th December, 2000 to Thursday the 21st December, 2000 (both days inclusive) in connection with AGM.
3. Members who have multiple account in identical names or joint accounts in same order are requested to send all the share certificates to the Company for consolidation of all such shareholdings into one account to facilitate better service.
4. Members are requested to inform the Company of any change in their address immediately so as to enable the Company to send any future communication at their correct address.
5. Members desiring any information on the Accounts are requested to write to the Company at least one week before the meeting so as to enable the Management to keep the information ready and replies will be provided only at the meeting.
6. The Company has entered into agreements with NSDL and CDSL to facilitate investors to dematerialise their shares. Investors are requested to note that the shares of the Company are to be compulsorily traded in dematerialised form w.e.f. 8th May, 2000. Members are therefore requested to get the shares dematerialised.

Directors' Report

Dear Members,

The Directors present the 43rd Annual Report along with the audited accounts for the year ended 30th June, 2000.

During the year under review, the demand for cement in Gujarat dropped by 11 percent to 7.23 million tonnes against 8.45 million tonnes in the previous year due to drought conditions that prevailed in the State.

FINANCIAL RESULTS

The highlights of the financial results of the corporate Financial Year ended 30th June, 2000 are:

| | 1999-2000 | 1998-99 |
|--|----------------------|---------------|
| | Current | Previous |
| | Year | Year |
| | (Rs.millions) | (Rs.millions) |
| Sales | 2053.00 | 2109.35 |
| Gross Profit | 36.87 | 273.64 |
| Net Interest | 246.66 | 238.46 |
| Profit/(Loss) before Depreciation | (209.79) | 35.18 |
| Depreciation | 153.53 | 143.11 |
| Misc. Expenses and other adjustment | 37.14 | 24.12 |
| Net Loss after tax (after adjustments | | |
| For earlier years) | 400.47 | 132.05 |
| Carried forward Profit/(Loss) of earlier years | (15.01) | 117.04 |
| Balance Loss carried to Balance Sheet | 415.48 | 15.01 |

PERFORMANCE REVIEW

Despite the difficult conditions in Gujarat, the average sale price during the year improved by about Rs. 9 per bag over the previous year. Sales were lower at 9,78,271 tonnes as against 10,78,159 tonnes in the previous year, but the Company has strengthened its hold in the more lucrative retail markets.

The Company has been in the process of developing other markets alongwith the coast of India and during the year, has increased sales in Mumbai from 58,000 tonnes to 1,41,000 tonnes and in Kerala from 23,000 tonnes to 44,000 tonnes. A strategic presence has also been maintained in other markets such as Rajasthan.

The sales tax exemption enjoyed by the Company expired in March, 1999 and has had an impact of Rs. 207.2 million on the profitability compared to the previous financial year.

PROJECTS

The Company's Modernisation project was completed at the end of August, 2000. Construction of the 1.1 million tonne expansion is presently underway and the plant is expected to start commercial production towards the end of the current financial year.

The Jetty which is being constructed at the Porbandar port will be commissioned in October, 2000 and will reduce the cost of transporting cement/clinker by sea to Mumbai and the Southern Markets



as well as for export from the current year.

The Company also commissioned a D.G. set of 6.4 M.W during the year and has placed orders for a further 2 D.G. sets of 6.4 M.W each. These are expected to be commissioned in the next financial year.

EXPANSION

The Company's project to increase capacity by 1.1 million tonnes at Ranavav, is under progress. Orders have already been placed for items having long delivery period and the plant and machinery is expected to be received at site in the beginning of 2001.

FUTURE OUTLOOK

The Government has initiated various measures to boost the demand for housing and increase investments in infrastructure. These steps along with a higher targeted GDP growth rate will most likely result in demand for cement growing at over 10 percent in the coming years. Prices of cement in many markets have begun to move up and should firm up considerably from October onwards.

DIVIDEND

In view of the loss for the year under review, the Directors express their inability to recommend any dividend.

FUTURE PLANS

Apart from progressing in the 1.1 million ton Expansion project, the Company is considering investments in developing infrastructure for transport and delivery of cement in other coastal markets like Maharashtra and Kerala. The Company's investments in captive power generation would help in reducing cost of production. The Company is also looking into possibilities of obtaining contracts for providing Management Services for operation of cement plants outside Gujarat.

ENVIRONMENTAL PROTECTION

The Company has continued its efforts to upgrade its Pollution Control equipment in line with its philosophy to bring emission levels below 50 mg/NM³ for the whole plant.

CONTRIBUTION/DONATION

During the year under review, the Company has made contributions of Rs. 2,30,297 (Rs.1,75,297/- to the Chief Minister's relief fund for welfare of Jawans affected in Kargil War, Rs. 50,000/- to Brihad Bharatiya Samaj & Rs. 5000/- to Save the children fund.)

FIXED DEPOSITS

As on 30th June, 2000 deposits of Rs.4,20,000 from 41 depositors have remained unclaimed. Subsequently, Rs.1,63,000 of deposits have either been renewed or repaid to 16 depositors.

AUDITORS' OBSERVATIONS

In respect of remarks of Auditors, attention of members is invited to Notes No. 5,7,10,12 in Schedule 'L' of Notes on Accounts, which are self-explanatory and do not require elucidation.

SUBSIDIARY COMPANIES

As required u/s 212 of the Companies Act, 1956, copies of Balance Sheet and Profit & Loss Account and the report of Board of Directors and Auditors in respect of subsidiary companies are attached for members' perusal.

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.D.N.Mehta, Mr.B.N.Reporter, Mr.G.V.Kapadia, Mr.M.N.Rao and Mr.H.D.Mehta, retire by rotation and being eligible, offer themselves for reappointment. Mr. Martin Kristensen's nomination was withdrawn by Industrialization Fund for Developing Countries and in his place Mr. Sridhar Sampath was appointed w.e.f 18.2.2000.

The Board places on record its appreciation of the services rendered by Mr. Martin Kristensen during his tenure as a Director of the Company.

Mr.M.K.Chanduka was appointed as Nominee Director of Industrial Finance Corporation of India Ltd, on the Board of Directors of the Company w.e.f 28.9.2000.

Mr. Vipin Malik was appointed as a Director w.e.f 28.9.2000 in casual vacancy caused by resignation of Mr. I. K. Agarwal who resigned as advised by his doctor. The Board places on record its sincere appreciation of the contribution made by Mr. I. K. Agarwal as President, Managing Director and Director of 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 2000-2001.

COST AUDIT

Mr. V. J. Talati, qualified Cost Accountant, has been appointed as Cost Auditor to

carry out the cost audit for the financial year 2000-2001.

EMPLOYEE RELATIONS

The Company places on record its deep appreciation of the devoted services of its workers, staff and executives, who have contributed significantly to the Company's performance.

ACKNOWLEDGEMENTS TO BANKERS, FINANCIAL INSTITUTIONS AND GOVERNMENT AGENCIES

The Board of Directors of the Company 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 have been a source of considerable strength.

On behalf of the Board of
Directors

JAY MEHTA
EXECUTIVE VICE CHAIRMAN

M. S. GILOTRA
MANAGING DIRECTOR

Place : Mumbai
Date : 28th September 2000



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 LV Technology design classifier into raw mill.
- Installation of new modified kiln outlet seal supplied by M/s. Phillips Kiln Services (India).
- Installation of Sonic horns in coal bins and Preheater fan in place of compressed air purging.
- Modification of SLC fan inlet and outlet ductings to reduce pressure drop.
- Replacement of Coal Mill ID fan drive from direct couple to pulley driven to reduce the pressure drops across damper.
- Installation of rotary air locks in coal mill circuit to prevent false air into the system.
- Replacement of ILC preheater fan by high efficiency fan.
- Reverse air fan motor replaced by variable frequency drive.
- Usage of Low grade fuel.
- Usage of waster sludge from DG set for Kiln primary firing.
- Automation of Cement Mill No.3
- Retrofitting of IKN KIDS fan and upgradation of cooler fan 2,3,4 and 5.

Form A

Form for disclosure of particulars with respect to conservation of energy.

(A) Power and Fuel Consumption

| | Current Year | Previous Year |
|--|--------------|--------------------|
| 1. Electricity | | |
| a) Purchased | | |
| Unit (KWH) - Lakhs | 483.05 | 623.00 |
| Total Amount (Rs.in lakhs) | 2713.34 | 3271.80 |
| Rate/Unit (Rs.) | 5.62 | 5.25 |
| b) Own Generation | | |
| i) Through Diesel Generator | | |
| Net units (KWH) lakhs | 495.26 | 461.01 |
| Units/Ltr. of Furnace Oil | 3.81 | 3.94 |
| Variable total cost per unit in Rupees | 3.13 | 2.02 |
| ii) Through Steam Turbine/Generator | | - Not applicable - |
| 2. Coal and other fuels | | |
| Quantity (Million K.Cal) | 762780.00 | 829441.00 |
| Total cost (Rs.lakhs) | 2845.24 | 2908.01 |
| Average Rate/Million KCL (Rs.) | 373.01 | 350.60 |
| 3. Furnace Oil | | |
| Quantity (K.Ltrs) | 13544.08 | 12008.65 |
| Total Amount (Rs.lakhs) | 1253.02 | 730.64 |
| Rupees per litre | 9.25 | 6.08 |

(B) Consumption per unit of production

| | Industry norms. | Current year | Previous year |
|------------------------------------|-----------------|--------------|---------------|
| Electricity (KWH/T of Cement) | 110-115 | 91.18 | 91.35 |
| Coal/Lignite (Usage in percentage) | 17-18 | 13.55 | 12.51 |

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 by using Flourspar mineraliser to improve the burnability.
 - c) Utilisation of Marl from our own Mines in place of brought out clay from outside.

- 2) Benefits derived as a result of above R & D:
Capacity utilisation has improved with lower fuel and power consumption.
Clinker quality has improved to meet international requirement and we could produce low alkaline cement as well as high C₃S cement due to the utilisation of Marl.
- 3) Sulphate Resistant Cement has been established in the market and is being constantly supplied to meet the requirement.
- 4) Future plan of action:
a) Utilization of cheaper fuel like Pet-Coke, tyre, plastic and other waster derived fuel.

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 computerized control system with intelligent I/O's and Fuzzy logic.
The company has carried out further modification in the Preheater System, Cooling System and Raw Grinding System.
- 2) Benefits derived as a result of the above efforts:
Besides increasing the production level, these measures resulted in substantial savings in thermal as well as electric 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) Mechanical conveying system from M/s. Aumund, Germany.
iii) Advance intelligent I/O's from OPTO-22 U.S.A and supervisory system from M/s. Intec Corporation, U.S.A.
iv) XRF from M/s. Oxford Instruments, U.K.
v) Free Lime Analyser from M/s. Itasca, France.
vi) Gas Analyzers from M/s. Itasca, France.
vii) Lower Pressure Cyclones from M/s. Fuller, U.S.A.
viii) Higher Collection efficiency retratex bags coated with PTFE membrane from M/s. W.L.Gore, U.S.A.
ix) High efficiency RAR Classifier from M/s. Fuller, U.S.A.
x) Hurriclon Cyclone and Vortex Finder Vanes from M/s. PMT, Austria.
xi) Down Corner Water Spray System supplied by M/s. Envirocare, U.S.A.
xii) IKN Pendulum Cooler from M/s. IKN, Germany.
- b) Year of Import:
1995-96 & 1998-99
- 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.
- 4) Future Plant Upgradation:
We are planning to carry out the following modifications to improve utilization of Pet-Coke for reduction of fuel cost.
The various modifications are:
1. To increase flame momentum.
2. To modify classifier firing pipe for better consumption of Pet-Coke.
3. Installation of 5" stage in old preheater.

C. FOREIGN EXCHANGE EARNINGS AND OUTGO:

Activities relating to exports,
Initiatives taken to increase
exports, development of new
export markets for products.

NIL

Total foreign exchange earned and used .

| | Current Year (July 99 to June 2000) (Rs. in Lakhs) | Previous Year (July 98 to June 99) (Rs. in Lakhs) |
|-------------------------|--|---|
| Foreign Exchange earned | 0 | 360.98 |
| Foreign Exchange used | 2784.46 | 4977.85 |



Auditors' Report

We have audited the attached Balance Sheet of Saurashtra Cement Limited as at 30th June, 2000 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. Attention of the shareholders is invited to Note No. 7 of Schedule 'I' of Notes on Accounts regarding availment of sales tax exemption and deferment benefits of Rs. 4828.89 lacs and Rs. 161.39 lacs respectively, which is subject to fulfillment of stipulated conditions (including eligibility certificate from the concerned authority).
3. (A) Based on legal opinion received, the Company has appropriated the following amounts from revaluation reserve:
 - a. Substantial and long-term diminution in the value of quoted investments, amounting to Rs. 603.49 lacs including Rs. 69.58 lacs written off (previous year Rs. 533.91 lacs including Rs. 1.70 lacs written back) pertaining to the year.
 - b. Doubtful inter corporate deposits (including interest thereon) amounting to Rs. 244.76 lacs (previous year Rs. 244.76 lacs)

The aforesaid practices are contrary to the practices as required by the Institute of Chartered Accountants of India. Had the aforesaid appropriation not been made, the loss for the year would have been higher by Rs. 69.58 lacs and the deficit balance of loss carried forward to general reserve would have been higher by Rs. 848.25 lacs.

- (B) As referred to Note No. 10 of Schedule 'I' of Notes on 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 Accounting Standard 13 in respect of Accounting of Investments issued by the Institute of Chartered Accountants of India.
- (C) No provision for taxation has been made for the period April 2000 to June 2000, as detailed and for the reasons stated in note no. 12 of Schedule 'I' of Notes on Accounts.
4. 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. In our opinion, the Profit & Loss Account and the Balance Sheet comply with the Accounting Standards referred to in sub section 3 (c) of Section 211 of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1999 to the extent applicable.

Subject to the paragraph 2&3 above and further to our comments in paragraphs 6, 9, 13 and 18 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 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 2000; and
- (b) In the case of the Profit and Loss Account, of the Loss for the year ended on 30th June 2000.

For Bansi S. Mehta & Co.
Chartered Accountants
A. R. Desai
Partner

Mumbai
Dated : 29th September, 2000

Annexure to the Auditors' Report for the year ended 30th June, 2000

(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, stores, spare parts and raw materials 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 stocks 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, 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. As referred to in Note No. 6 of Schedule 'L' of Notes on Accounts, the Company has excluded financial overheads for the purposes of closing stock valuations in accordance with Mandatory Accounting Standard 2 for Valuation of Inventories. Due to this change, the loss for the year is higher by Rs. 192.16 lacs. 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.
7. The Company has not taken any loans, secured or unsecured, 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, notwithstanding the inapplicability of Section 370 to the Company with effect from 31st October 1998 vide the Companies (Amendment) Act, 1999.
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, notwithstanding the inapplicability of Section 370 to the Company with effect from 31st October 1998 vide the Companies (Amendment) Act, 1999.