



Saurashtra Cement Limited

54th ANNUAL REPORT 2011-2012



Board of Directors

As on 11.05.2012

Mr. M. N. Mehta

Mr. Jay M. Mehta

Mr. Hemang D. Mehta

Mr. M. N. Rao

Mr. S. V. S. Raghavan

Mr. B. P. Deshmukh

Mr. K. N. Bhandari

Mr. Jayant N. Godbole

Mr. Hemnabh Khatau

Mr. Bimal Thakkar

Mr. Anil Kaul

Mr. Denys Firth

Mr. Alexander Shaik

Mr. Susheel Kak

Mr. M. S. Gilotra

Mr. V. R. Mohnot

Director (Finance) & Company Secretary

Chairman

Executive Vice Chairman

Special Director - BIFR

Nominee - India Debt Management Pvt. Ltd.

Managing Director

Bankers

Dena Bank

Central Bank of India

Rajkot Nagarik Sahakari Bank Ltd.

Auditors

Messrs Bansi S. Mehta & Co.

Chartered Accountants

Registered Office

Near Railway Station,

Ranavav 360 560

Gujarat

Corporate Office

N. K. Mehta International House, 2nd Floor,

178, Backbay Reclamation

Mumbai 400 020

SAURASHTRA CEMENT LIMITED

Registered Office: Near Railway Station, Ranavav 360 560 (Gujarat)

NOTICE

Notice is hereby given that the 54th Annual General Meeting of the Members of the Company will be held on **Wednesday, the 27th June, 2012 at 10.00 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 and adopt the audited Balance Sheet as at 31st March 2012, the Statement of Profit & Loss for the financial year ended 31st March 2012 and Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Mr. Bimal Thakkar, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Jayant N. Godbole, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. B. P. Deshmukh, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Hemang D. Mehta, who retires by rotation, and being eligible, offers himself for re-appointment.
6. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Bansi S. Mehta & Co., Chartered Accountants be and are hereby re-appointed as Statutory Auditors of the Company for audit of accounts for the financial year 2012-2013 and they shall hold office from the conclusion of this Annual General meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration of ₹ 7,00,000/- (Rupees Seven Lacs only) plus service tax and reimbursement of travelling and out of pocket expenses actually incurred."

By Order of the Board of Directors

Place : Mumbai,
Dated : May 11, 2012

V. R. MOHNOT
Director (Fin.) & Company Secretary

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. Re-appointment of Directors.
Pursuant to Clause 49 of the Listing Agreement relating to code of Corporate Governance, the profile of directors proposed to be appointed/ re-appointed at the ensuing Annual General Meeting is given in the Corporate Governance Report annexed to the Directors Report.

DIRECTORS' REPORT

Dear Members,

The Directors present the 54th Annual Report, Audited Accounts and Auditors Report for the financial year ended on the 31st of March, 2012.

FINANCIAL RESULTS

The highlights of the financial results for the Financial year ended 31st of March 2012 are given below.

(In Million Rupees)

	Current Financial Year 2011-2012 (12 months)	Previous Financial Year 2010-2011 (12 months)
Revenue from Operation and Other Income (Net of Excise)	4438.78	3976.14
Profit before interest, depreciation and exceptional items.	475.76	313.96
Finance Cost	(446.99)	(427.82)
Profit/(Loss) before depreciation	28.77	(113.86)
Depreciation & Impairment	219.64	303.96
Profit/(Loss) before exceptional items and Deferred Tax Assets	(190.87)	(417.82)
Exceptional Item	-	(3.12)
Deferred Tax Assets /Provision for Fringe Benefit Tax	-	(149.62)
Profit/(Loss) after tax	(190.87)	(570.56)
Brought forward Profit/(Loss) from earlier years	(2723.05)	(2152.49)
Balance of Profit / (Loss) carried to Balance Sheet	(2913.92)	(2723.05)

OVERVIEW

The all India cement consumption growth was 7.4 percent from around 208 million tonnes to around 223 million tonnes during the year under review. The total installed capacity at the end of the year under review was around 300 million tonnes; an increase of about 5 percent from the previous year.

During the year under review, the cement consumption in Gujarat was 18.1 million tonnes for the year ended March 2012 compared to 16 million tonnes in the previous year, an increase of 13.4 percent.

In Gujarat, capacity has increased by 2.4 million tonnes in the last two years and in the same period by around 5 million tonnes in Maharashtra and Rajasthan. The total installed capacity in Gujarat at the end of the year under review was around 24.8 million tonnes.

PERFORMANCE REVIEW

Production and Despatches

The production of Clinker and Cement for the year ended March 2012 was 1.14 million tonnes and 1.26 million tonnes as against 1.28 million and 1.16 million tonnes respectively in the previous year. The total sale of Cement and Clinker was 1.26 million tonnes for the year ended March 2012 as compared to 1.37 million tonnes in the previous year.

Exports and Marketing

The Company exported 0.27 million tonnes of Cement and Clinker for the year ended March 2012 as compared to 0.18 million tonnes in the previous year.

DIVIDEND

In view of the loss, the Directors have not recommended any dividend for the year.

BIFR

The Company is a Sick Industrial Company, pursuant to section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA) and is registered with Board for Industrial and Financial Reconstruction (BIFR).

Based on revival scheme submitted by OA and on further information submitted by the Company, BIFR has formulated a Draft Rehabilitation Scheme (DRS) for the revival of the company and circulated to all concerned.

GOVERNMENT OF GUJARAT

We understand that Company's application pursuant to Government Resolutions dated 15.7.2010 for Reliefs and Concessions and one time settlement has been approved by the High Power Committee of the Government of Gujarat, however, formal sanction is awaited.

PUBLIC DEPOSITS

The Company has not invited and/or accepted any deposits, during the year.

CASH FLOW STATEMENT

Cash flow statement pursuant to Clause 32 of the listing agreement is attached herewith.

SUBSIDIARY COMPANIES

As per Section 212 of the Companies Act, 1956, the Company is required to attach the directors' report, balance sheet, and profit and loss accounts of the subsidiary companies. The Ministry of Corporate Affairs, Government of India vide its circular no.2/2011 dated 8.2.2011 has granted a general exemption from complying with Section 212 (1) of the said Act.

Accordingly, the Annual Report does not contain the financial statements of the subsidiary companies. The financial information of the subsidiary companies as required by the said circular, is disclosed on page no. 85 of this Annual Report. The statements of Company's interest in the subsidiaries as at March 31, 2012, prepared in accordance with the provisions of Section 212 of the said Act, are also attached on page no. 86 of this Annual Report.

The Company will make available the Annual Accounts of the subsidiary companies to any member on their request and shall also be kept open for inspection by any member at the Registered office of the Company.

CONSOLIDATED FINANCIAL STATEMENT

As required under Clause 32 of the Listing Agreement with the Stock Exchange, the Consolidated Financial Statement has been prepared by the Company in accordance with the requirements of Accounting Standard 21 'Consolidated Financial Statements' issued by 'The Institute of Chartered Accountants of India'. The Audited Consolidated Financial Statements together with Auditors' Report thereon form part of the Annual Report.

DIRECTORS

During the year under review, Mr. Susheel Kak was appointed as Nominee Director of India Debt Management Private Limited, w.e.f. 8.11.2011 in place of Mr. Anish Modi who ceased to be Nominee Director w.e.f. 15.9.2011.

Mr. Bimal Thakkar, Mr. Jayant N. Godbole, Mr. B. P. Deshmukh and Mr. Hemang D. Mehta retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

Brief resume of the directors proposed to be reappointed, nature of their expertise in function of areas and names of directorships / membership held in other companies, shareholding and trusteeship is provided in Corporate Governance Report attached to this report.

The directors recommend their re-appointment.

LISTING OF EQUITY SHARES

The Company's equity shares are listed on the Bombay Stock Exchange Ltd (BSE). Listing fees have been paid upto 31st March 2013.

AUDITORS

M/s. Bansil S. Mehta & Co., Chartered Accountants, the Statutory Auditors of the Company, hold office until the conclusion of the ensuing Annual General Meeting and are eligible for reappointment. The Company has received letter from them that the reappointment, if made, would be within the prescribed limits under Section 224(1)(B) of the Companies Act, 1956.

AUDITORS' OBSERVATIONS

As regards observations in the annexure to the report, the report is self explanatory and gives factual position which does not require further clarifications.

TAX AUDIT

M/s. Bansil S. Mehta & Co., Chartered Accountants have been appointed to carry out the Tax Audit for the Assessment Year 2012-13.

INTERNAL AUDIT

M/s. BDO Consulting Private Limited, have been appointed to carry out the Internal Audit of the Company for the Financial Year 2012-13.

COST AUDITORS

In pursuance to Order No. 52/26/CAB-2010 dated 30th June 2011 issued under Section 233-B of the Companies Act, 1956, your Directors have appointed M/s.V.J.Talati & Co., as Cost Auditors of the Company for the financial year 2012-13. Certificate of eligibility under Section 224 (1B) has been received.

PARTICULARS OF EMPLOYEES

In terms of the provisions of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules 1975 as amended, the names and other particulars of the employees are required to be set out in the Annexure to the Directors report. However, as per the provisions of Section 219(1)(b)(iv) of the said Act, the Annual Report excluding the aforesaid information is being sent to all the members of the Company. Any member interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

STAFF RELATIONS

The Company continued to maintain harmonious relations with the staff at all levels.

ENERGY CONSERVATION, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

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 relevant particulars are enclosed in Annexure 1, forming part of the Report.

CORPORATE GOVERNANCE

A separate report on the Compliance with Clause 49 of the Listing Agreement with the Stock Exchanges on Corporate Governance and the Auditors' Certificate on its compliance forms part of this Report.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis on the Operations of the Company is provided in a separate section and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

Your Directors confirm:

- The financial statements have been prepared in conformity with generally accepted accounting principles and appropriate accounting standards. judgments and estimates that are reasonable and prudent.
- The accounting policies selected and applied consistently to give a true and fair view of the financial statements.
- The Company has implemented internal controls to provide reasonable assurances of the reliability of its financial records, proper safeguarding and use of its assets and detection of frauds and irregularities. Such controls are based on established policies and procedures and are implemented by trained, skilled and qualified personnel with an appropriate segregation of duties. The Company's internal auditors conduct regular internal audits, which complement the internal controls.
- The Directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT

The Directors wish to thank the Honourable Board of Industrial & Financial Reconstruction (BIFR), the Honourable Appellate Authority for Industrial & Financial Reconstruction (AAIFR), Central Government, Government of Gujarat, Financial Institutions, Bankers, Shareholders, Employees, Stockists, Dealers and all other stakeholders associated with its operations for the co-operation and encouragement extended to the company.

On behalf of the Board of Directors.

Place : Mumbai
Dated : May 11, 2012

Jay M. Mehta
Executive Vice Chairman

M. S. Gilotra
Managing Director

ANNEXURE TO DIRECTOR'S REPORT

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN REPORT OF BOARD OF DIRECTORS) RULES, 1988 AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31.03.2012.

A. CONSERVATION OF ENERGY:

a. ENERGY CONSERVATION MEASURES TAKEN

1. Installation of Medium Voltage Variable Frequency Drive (VFD's) at Bag House fan - 1250 kw.
2. Installation of 132 kw VFD at Cooling tower fan of Thermal Power Plant.
3. Replacement of 17 old motors by high efficiency motors.
4. Installation of new generation Burner Pipe (Duo Flux) in kiln firing.
5. Interlocking provided to reduce the idle running in loose cement loading.
6. Installation of transformer for dewatering pumps in marl mining to reduce diesel consumption.
7. Re location of Kiln coal firing blowers to reduce the pressure drop.
8. Installation of Screw Conveyor to increase the loading rate at Jetty.
9. Installation of high efficiency cooler fan no.1 and 2.

b. ADDITIONAL INVESTMENT AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY.

1. Reengineering of major fans for improvement in efficiency.
2. Use of Variable Frequency Drives in the plant.
3. Systematic Replacement of old motors by high efficiency motors.

c. IMPACT OF MEASURES AT (a) AND (b) ABOVE FOR REDUCTION OF ENERGY CONSUMPTION AND SUBSEQUENT IMPACT ON THE COST OF PRODUCTION OF GOODS.

1. Reduction in fuel consumption.
2. Reduction in power consumption.

d. TOTAL ENERGY CONSUMPTION AND ENERGY CONSUMPTION PER UNIT OF PRODUCTION.

Details are given in form A of the annexure.

B. TECHNOLOGY ABSORPTION.

Efforts made in Technology are given in prescribed Form B annexed.

C. FOREIGN EXCHANGE EARNING & OUTGO.

(a) Activities related to exports, initiatives taken to increase exports, development of new export market for products and services and export plans:

The Company is exporting its products in Sri Lankan and African markets and looking forward to growth in these markets in the coming years. Our products have already been approved by Sri Lankan standard, South African Business Standards besides BIS. The Company is making efforts to market its products in a new markets like Tanzania, Sudan and other East African countries etc., by offering competitive prices and quality of goods and services.

(b) Total Foreign Exchange used and earned.

	Current Year 2011-12 (12 months) (₹ in lacs)	Previous Year 2010-11 (12 months) (₹ in lacs)
Foreign Exchange earned	8059.09	4250.72
Foreign Exchange used	429.93	392.18

FORM A (See Rule 2)

Form for disclosure of particular with respect to conservation of energy

	CURRENT YEAR 2011-12	PREVIOUS YEAR 2010-11
A) Power & Fuel Consumption		
1) Electricity		
A Purchased Units (Kwh)Lakhs	9.02	10.79
Total Amount (₹ In Lakhs) Incl. Fixed Charges	179.16	151.48
Variable Cost Per Unit (₹)	7.15	5.68
B Own Generation		
I) Through Diesel Generator		
Net Units (Kwh) Lakhs	2.86	12.59
Units /Ltr Of Furnace Oil	3.39	3.13
Variable Total Cost Per Unit In Rupees	10.88	8.77
II) Through Thermal Power Plant		
Net Units (Kwh) Lakhs	1290.55	1322.48
Total Amount (₹ In Lakhs)	5453.03	5089.10
Rate / Unit (₹)	4.23	3.85
(Under Trial Run)		
2) Coal And Other Fuels		
Quantity (Million K.Cal)	921599	1027061
Total Cost (₹ In Lakhs)	10530.92	10334.87
Average Rate /Million Kcl (₹)	1142.68	1006.26
3) Furnace Oil		
Quantity (K.Ltrs)	423	682
Total Amount (₹ In Lakhs)	141.01	166.62
₹ Per Litre	33.30	24.44
B) Consumption Per Unit Of Production		
1) Electricity		
(Kwh/Tof Cement)	104.05	102.85
2) Coal /Lignite		
Usage In %	13.09	13.25

FORM - B

A. RESEARCH & DEVELOPMENT

- a. **Specific areas in which the company carried out R&D**
Usage of flyash in Raw Mix for better burnability of Material
- b. **Benefits derived as a result of above R&D**
 1. Reduction in free lime of clinker
 2. Increase in cement strength
 3. Reduction in Specific fuel Consumption.
- c. **Future plan of action**
 1. Use of VFD in fan applications
 2. Improvement in efficiency of fans by reengineering
 3. Upgradation of PLC control system of main Plant.

B. DETAILS OF TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

1. Installation of Medium Voltage VFD's for power savings.
2. Replacement of old DC motors with AC motors.
3. Replacement of control desk of crusher with SCADA.

Benefits derived as a result of above efforts.

1. Optimization of Kiln process
2. Reduction in fuel consumption.
3. Reduction in power consumption

C. FUTURE PLANT UPGRADATION

1. Automation of Cement Mill no.2 & 4 for quality and energy efficiency
2. Fly ash storage, handling and dosing system.
3. Replacement of existing mechanical packer with the electronic packer.
4. Installation of Variable Frequency drives for energy saving.
5. Installation of solid flow meter for cement mill no.4 fly ash feeding.
6. Installation of Mill inlet water spray system at cement mill no.5
7. Replacement of cement mill's SCADA system.

CORPORATE GOVERNANCE

In compliance with the Corporate Governance requirements as stipulated in Clause 49 of the Listing Agreement with the Stock Exchange, the Company's policies on the Corporate Governance and due Compliance report on specific areas wherever applicable for the financial year ended 31st March 2012 is given hereunder:

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Good Corporate Governance aims at achieving high level of efficiency, transparency, accountability, responsibility and fairness in dealings with all stakeholders. The company's governance philosophy rests on protection of rights and interests of stakeholders, equality in their treatment, disclosure of timely and accurate information, strategic guidance and effective monitoring by the Board. Your Company continuously strives for excellence by adopting best governance and disclosure practices. In this context, your Company has been making significant disclosures on the Board composition and functioning, management thoughts on the performance and outlook from time to time.

2. BOARD OF DIRECTORS:

(i) Composition (as on 31st March 2012)

Your Company's Board comprises of 15 (Fifteen) Directors, which include 8 (eight) Independent Directors. The Executive Vice Chairman and Managing Director looks after the day-to-day business of the Company under the overall supervision and guidance of the Board. The Directors are professionals, have expertise in their respective functional areas and bring a wide range of skills and experience to the Board.

(ii) Meetings of the Board of Directors

During the financial year under review, 4 Board Meetings were held on the following dates:

Sr.No.	Date of Board Meeting	Board Strength	No. of Directors present
1	21.04.2011	15	11*
2	09.08.2011	15	14
3	08.11.2011	15	11*
4	07.02.2012	15	15*

*including Alternate Director/s

(iii) Attendance and other Directorships

Attendance of Directors at Board Meetings, last Annual General Meeting (AGM) and number of other Directorships in Public Limited companies and Chairmanships / Memberships of Committees of each Director in various companies.

The details of Directorship and attendance at Board Meeting & Annual General Meeting are given below

Sr. No.	Directors	Category of Directorship @	Board Meetings attended	Attend-ance at the last AGM	No. of other directorship held	No. of Board committees in which Member/ Chairman
1	Mr. M.N.Mehta (Chairman)	NED (P)	2	No	6	-
2	Mr. Jay M. Mehta (Exec. Vice Chairman)	ED (P)	4	Yes	7	1
3	Mr. M.S.Gilotra (Managing Director)	ED	4	Yes	1	1
4	Mr. Hemang D.Mehta	NED (P)	3	No	-	-
	Mr. Devang D. Gandhi	Alternate Director to Mr. Hemang D. Mehta	1	-	-	-