



Saurashtra Cement
Limited

55TH ANNUAL REPORT 2012-2013



Board of Directors

As on 28.05.2013

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

Bank of India

Central Bank of India

Dena Bank

HDFC Bank Ltd.

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 55th Annual General Meeting of the Members of the Company will be held on **Wednesday, the 31st July, 2013 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 2013, Audited Statement of Profit & Loss for the financial year ended 31st March 2013 and Directors' and Auditors' Report thereon.
2. To appoint a Director in place of Mr. K. N. Bhandari, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Susheel Kak, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. Hemnabh Khatau, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Alexander Shaik, 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 (Firm Registration No.100991W) be and are hereby re-appointed as Statutory Auditors of the Company for audit of accounts for the financial year 2013-2014 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 Rs.9,00,000/- (Rupees Nine Lacs only) plus service tax and reimbursement of travelling and out of pocket expenses actually incurred."

SPECIAL BUSINESS

7. To consider and, if thought fit, to pass with or without modification (s), the following resolution as a Special Resolution:

"RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, or any statutory modification(s), enactment(s) or re-enactment(s) thereof for the time being in force, the Articles of Association of the Company be amended by adding the following sentence at the end of the existing Article No.109(a):

"The participation of Directors in a meeting of the Board may be either in person or through video conferencing or other audio visual means or audio in the prescribed manner, as may be permitted by the applicable laws from time to time."

"RESOLVED FURTHER THAT the existing Article No.111(a) be substituted by the following new Article No.111(a):

"The quorum for a meeting of the Board shall be one-third of its total strength (any fraction contained in that one-third being rounded off as one) or two Directors whichever is higher, and the participation of the Directors by video conferencing or by other audio visual means or audio as may be permitted by the applicable laws from time to time shall also be counted for the purposes of quorum as may be permitted by the applicable laws from time to time. Provided that where at any time the number of interested Directors exceed or is equal to two-thirds of the total strength, the number of the remaining Directors, that is to say, the number of Directors who are not interested present at the meeting being not less than two shall be the quorum during such time. The expressions "total strength" and "interested Director" shall have the meanings given in Section 287(1) of the said Act."

8. To consider and, if thought fit, to pass with or without modification (s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to provisions of Sections 198, 269, 309, 310, 314, 316 and 349 read with Schedule XIII and other applicable provisions, if any, of the Companies Act 1956, as amended from time to time and subject to approval of the Central Government and subject to such other consents and permission as may be necessary, approval of the Company be and is hereby accorded for increase in remuneration of Mr. Jay Mehta, Executive Vice Chairman with effect from 1.4.2013 upto 31.12.2013 and thereafter to be decided on annual basis by the Board of Directors of the Company / Committee of the Board, as set out in the explanatory statement annexed herewith.”

“RESOLVED FURTHER THAT the Board of Directors of the Company / Committee of the Board, be and is hereby authorized to alter, amend or vary the terms and conditions of remuneration as may be agreed to between the Board of Directors and Mr. Jay Mehta within such guidelines or amendments as may be made to the Companies Act, 1956 or subject to approval, if required, of the Central Government or any other authority and do all such acts, deeds and things as may be necessary or expedient.”

By Order of the Board of Directors

Place : Mumbai,
Dated : May 28, 2013

V.R. MOHNOT
Director (Fin.) & Co. 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. An explanatory statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of Special Business specified above is annexed hereto.
3. 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.
4. The documents referred in the resolutions and explanatory statement are available for inspection by the members at the Registered Office of the Company during 10.00 a.m. to 12 noon on any working day till the date of the ensuing Annual General meeting.
5. The Share Transfer Books and Register of Members of the Company shall remain closed from Wednesday, the 24th July, 2013 to Wednesday, the 31st July, 2013 (both days inclusive) in connection with the Annual General Meeting.
6. Members who have multiple accounts in identical names or joint accounts in same order are requested to send their share certificates to the Registrar and Transfer Agents for consolidation of all such shareholdings into one account to facilitate better service.
7. (a) Members are requested to notify immediately any change of address:
 - i. To their Depository Participants (DPs) in respect of their electronic share accounts; and
 - ii. To the Registrar and Transfer Agents, M/s. Link Intime India Pvt. Ltd., C-13 Pannalal Silk Mills Compound, LBS Road, Bhandup (West), Mumbai 400 078' in respect of their physical share folios, if any.
 (b) In case the mailing address mentioned on this Annual Report is without the pin code, members are requested to kindly inform the Registrars their PIN CODE immediately.
8. Non-resident Indian Shareholders are requested to inform the Registrars immediately of the change in their residential status, if any.

9. Members desiring any information on the Accounts are requested to write to the Company at least one week before the Annual General meeting so as to enable the Management to keep the information ready and replies will be provided only at the meeting.
10. **Shares of the Company are compulsorily required to be traded in demat form. If you have not demated your shares, you are requested to get the shares demated at the earliest.**

By Order of the Board of Directors

Place : Mumbai,
Dated : May 28, 2013

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

Registered Office:
Near Railway Station
Ranavav 360 560 Gujarat.

Invitation to participate in the Green Initiative launched by the Ministry of Corporate Affairs

The Ministry of Corporate Affairs (MCA) has permitted paperless compliances by companies, vide its circulars No.17/2011 and No.18/2011 dated April 21, 2011 and April 29, 2011 respectively. MCA has clarified that services of documents to Members through e-mail will constitute sufficient compliances with Section 53 of the Companies Act, provided the Members are given an advance opportunity to register their Email IDs or changes if any therein with the Company.

Pursuant thereto, we invite our Members to participate in the Green Initiatives by registering their Email IDs with the Company to enable it to send documents required to be sent under Section 219 of the Companies Act viz. Annual Report and Notices of General Meetings.

EXPLANATORY STATEMENT AS REQUIRED BY SECTION 173 OF THE COMPANIES ACT, 1956 ("THE ACT")

Item No.7

In view of the changes proposed in the Companies Bill, 2012 certain enabling provisions are sought to be introduced in the Articles of Association of the Company.

Following amendments have been proposed in the Articles of Association of the Company:

- a. Amending Article 109(a) by adding a sentence at the end of the existing Article that participation of Directors in a Board meeting may be either in person or through video conferencing or other audio visual means or audio as may be permitted by the applicable laws from time to time
- b. Substituting the existing Article 111(a) with the new Article 111(a) for determining quorum of Directors participating in meeting of the Board through video conferencing or other audio visual means or audio as may be permitted by the applicable laws from time to time

None of the Directors of the Company are interested or concerned in the said resolution.

Item No.8

The Board of Directors at its meeting held on 28th May, 2013 had revised the remuneration of Mr. Jay Mehta, Executive Vice Chairman of the Company from 1.4.2013 to 31.12.2013 as detailed hereunder. The increase in remuneration was subject to the necessary approval of the shareholders and the Central Government.

Remuneration

	Amount in ₹ per month
Salary	4,00,000
Provident Fund @ 12%	48,000
Superannuation @ 15%	60,000
Gratuity	19,231
Total	5,27,231

In addition to the above, he shall also be entitled to the following by way of reimbursement as per Company's rules.

1. Personal Accident Insurance and Mediclaim insurance for self and family.
2. Encashment of unavailed leave at the end of the tenure.

Further, over and above the aforesaid remuneration, Mr. Jay Mehta will be entitled to the following in the course of discharge of his duties and responsibilities.

1. Reimbursement of entertainment expenses incurred for Company's work, subject to maximum of Rs.33,000/- per month on submission of supporting / declaration.
2. Reimbursement of actual expenses incurred for Company's business including travel, hotel and other related expenses for himself and spouse, incurred in India and abroad.
3. Car with driver and communication facilities at the residence for the business of the Company.
4. Re-imbursment of expenses incurred in respect of books and periodicals at actual, against submission of supporting/s.
5. Entrance Fees / Subscription or Reimbursement of Club Fees on actual basis.

The above appointment can be terminated by either side by giving three months' notice in writing. However, the Company can determine the same by giving three months' salary in lieu thereof.

Mr. Jay Mehta is interested in his resolution. Mr. M. N. Mehta being related to Mr. Jay Mehta, may be deemed to be concerned or interested in the resolution of Mr. Jay Mehta, Executive Vice Chairman. Save and except them, none of the other directors are deemed to be concerned or interested in the said resolution.

By Order of the Board of Directors

Place : Mumbai,
Dated : May 28, 2013

Registered Office:
Near Railway Station
Ranavav 360 560 Gujarat.

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

DIRECTORS' REPORT

Dear Members,

The Directors present the 55th Annual Report, Audited Accounts and Auditors Report for the financial year ended 31st of March, 2013.

FINANCIAL RESULTS

The highlights of the financial results for the Financial year ended 31st of March 2013 are given below.

(In Million Rupees)

Particulars	Standalone		Consolidated	
	Current Financial Year 2012-2013	Previous Financial Year 2011-12	Current Financial Year 2012-2013	Previous Financial Year 2011-12
Revenue from Operation and Other Income (Net of Excise)	5481.69	4438.78	5506.08	4452.53
Profit before interest, depreciation and exceptional items.	1227.11	475.76	1224.20	462.40
Finance Cost	333.83	446.99	333.83	446.99
Profit/(Loss) before depreciation	893.28	28.77	890.37	15.41
Depreciation & Impairment	343.96	219.64	344.26	220.27
Profit/(Loss) before exceptional items and Deferred Tax Assets	549.33	(190.87)	546.11	(204.86)
Exceptional Item	1611.53	-	1611.53	-
Deferred Tax Assets	320.47	-	320.47	-
Profit/(Loss) after tax	1840.39	(190.87)	1837.17	(204.86)
Brought forward Profit/(Loss) from earlier years	(2913.92)	(2723.05)	(2933.19)	(2728.33)
Balance of Profit / (Loss) carried to Balance Sheet	(1073.53)	(2913.92)	(1096.02)	(2933.19)

THE YEAR UNDER REVIEW

The slowdown in the economy resulted in an overall average growth rate of the eight core industries (including cement, steel, fertilizer, oil, gas etc.) during April, 2012 to March, 2013 to 2.6 percent from 5 percent for the same period of previous year. The cement production still grew at 5.6 percent, even though it was lower than the average growth in the previous years.

Cement consumption in Gujarat registered a 5 percent growth over the previous year, which although lower than the average annual growth rate of around 9 percent during the previous five-year period, is better than many other regions of the country. The consumption growth could have been better, but for delayed & deficient monsoons. The State received only 73 percent of the normal average rainfall and the Saurashtra region was the worst affected with rainfall of 57 percent of the normal.

The abnormal increase in the price of diesel, by around 15 percent, had a cascading effect on the manufacturing cost as well as cost of delivery for cement. The increase in rail freights (varying between 11 to 25 percent) also adversely affected the cost of delivering cement to customers. The increase in excise duty by 2 percent was an additional burden on the industry.

The slow economic growth did result in better availability of power and power sale through energy exchange, became less attractive due to the prevailing lower rates, most of the time. Softer coal prices and improved price levels in local markets helped improve profitability.

PERFORMANCE REVIEW

Production and Sales

The production of clinker and cement for the year ended March, 2013 was 1.28 million tonnes and 1.34 million tonnes, as against 1.14 million tonnes and 1.26 million tonnes respectively in the previous year.

The total sale of cement & clinker was 1.48 million tonnes as against 1.34 million tonnes in the previous year. Our higher volume of sale and better realizations contributed to higher profits. Along with the higher volumes, better distribution of cement helped in reduced freight cost, contributing to higher realizations. Improved fuel cost, power consumption, as well as better realizations from exports due to exchange rate variation also positively contributed to profitability.

Exports

The export of cement & clinker for the year ended March, 2013 was 0.31 million tonnes as compared to 0.33 million tonnes in the previous year. However, there was improvement in realizations, due to weakening of Indian Rupee.

DIVIDEND

In view of the carried forward 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).

Hon'ble BIFR vide its order dated 14.3.2013 circulated write up on the sanctioned scheme to all concerned. As per the scheme, the company is required to repay all the secured debts of CDR lenders and India Debt Management Pvt Ltd before March 2016. The Company is regular in payment of debts on quarterly basis to all secured lenders.

GOVERNMENT OF GUJARAT

Government of Gujarat granted certain reliefs & concessions applicable to all sick industrial companies located in Gujarat as per the Resolution dated 15.7.2010 which has resulted in remission of entire amount of interest, penal interest and penalty. Principal outstanding as on 31.3.2010 is to be repaid over period of 18 months with simple interest @ 9 percent per annum on outstanding balance. The entire amount of dues has been deposited with a finance corporation of Government of Gujarat as mutually agreed.

NET WORTH

After considering aforesaid reliefs and concessions as well as profit earned during the year, the Company's net worth has turned positive as on 31.3.2013.

PUBLIC DEPOSITS

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

SUBSIDIARY COMPANIES

As per Section 212 of the Companies Act, 1956, the Company is required to attach the directors' report, balance sheet, and statement of profit and loss 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. 88 of this Annual Report. The statements of Company's interest in the subsidiaries as at March 31, 2013, prepared in accordance with the provisions of Section 212 of the said Act, are also attached on page no. 89 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 Statements have 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

Mr. K. N. Bhandari, Mr. Susheel Kak, Mr. Hemnabh Khatau and Mr. Alexander Shaik 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 and names of directorships / membership held in committees of 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 2014.

AUDITORS

M/s. Bansi 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. Bansi S. Mehta & Co., Chartered Accountants have been appointed to carry out the Tax Audit for the Assessment Year 2013-14.

INTERNAL AUDIT

M/s. BDO Consulting Private Limited, have been appointed to carry out the Internal Audit of the Company for the Financial Year 2013-14.

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, M/s.V.J.Talati & Co., Cost Accountant, have been appointed as Cost Auditors of the Company for the Financial Year 2013-14. 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. Members 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 Report on the Operations of the Company is provided in a separate section and forms part of this Report.

DIRECTORS' RESPONSIBILITY STATEMENT

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

- 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 annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

The Directors express their thanks to all the lenders and creditors of the company, particularly India Debt Management Pvt Ltd for co-operation with the Operating Agency, the company and the Hon'ble BIFR to get the rehabilitation scheme sanctioned.

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 28, 2013

M. N. Mehta
Chairman