



Saurashtra Cement  
Limited



# ANNUAL REPORT

## 2013-2014



## Board of Directors

As on 30.05.2014

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. P. K. Behl  
Mrs. Bhagyam Ramani  
Mr. Anil Kaul  
Mr. Denys Firth  
Mr. Alexander Shaik  
Mr. Susheel Kak  
Mr. M. S. Gilotra



*Chairman*

*Executive Vice Chairman*

*Special Director - BIFR*

*Nominee - India Debt Management Pvt. Ltd.*

*Managing Director*

## Director (Finance) & Company Secretary

Mr. V. R. Mohnot

### Bankers

Central Bank of India  
Dena Bank  
Bank of India  
Rajkot Nagarik Sahakari Bank Ltd.  
HDFC Bank Ltd.

### Auditors

Messers. Bansi S. Mehta & Co.  
Chartered Accountants

### Registered Office & Works

Near Railway Station,  
Ranavav 360 560 (Gujarat)  
Tel. 02801 - 235001/7, 02801 - 304200  
Fax: 02801 - 304376, 304384  
CIN: L26941GJ1956PLC000840

### Corporate Office

N. K. Mehta International House, 2nd Floor,  
178, Backbay Reclamation, Mumbai 400 020.  
Tel. 022- 66365444, Fax : 022-66365445

### Registrars & Transfer Agent:

M/s. Link Intime India Pvt Ltd  
(Unit: Saurashtra Cement Limited)  
C-13, Pannalal Silk Mills Compound,  
L.B.S. Marg, Bhandup (West), Mumbai - 400 078.  
Tel. 022- 25963838, Fax : 022-25946969

**Website:** [www.mehtagroup.com](http://www.mehtagroup.com)

## DIRECTORS' REPORT

Dear Members,

The Directors present the 56th Annual Report, Audited Accounts and Auditors Report for the Financial Year ended on the 31st of March, 2014.

### FINANCIAL RESULTS

The highlights of the financial results for the Financial year ended 31st of March 2014 are given below.

(In Million Rupees)

Particulars	Standalone		Consolidated	
	Current Financial Year 2013-2014	Previous Financial Year 2012-13	Current Financial Year 2013-2014	Previous Financial Year 2012-13
Revenue from Operation and Other Income (Net of Excise)	5359.69	5481.69	5364.57	5506.08
Profit before interest, depreciation and exceptional items.	628.82	1227.11	631.58	1224.20
Finance Cost	163.70	333.83	163.70	333.83
Profit/(Loss) before depreciation	465.12	893.28	467.88	891.37
Depreciation & Impairment	258.62	343.96	258.84	344.26
Profit/(Loss) before exceptional items and Deferred Tax Assets	206.50	549.33	209.04	546.11
Exceptional Item	Nil	1611.53	Nil	1611.53
Deferred Tax Assets / Tax Expense	Nil	320.47	0.06	320.47
Profit/(Loss) after tax	206.50	1840.39	208.98	1837.17
Brought forward Profit/(Loss) from earlier years	(1073.53)	(2913.92)	(1096.02)	(2933.19)
Balance of Profit / (Loss) carried to Balance Sheet	(867.03)	(1073.53)	(887.04)	(1096.02)

### THE YEAR UNDER REVIEW

The slowdown in the economy resulted in static growth rate for the eight core industries (including cement, steel, fertilizer, oil, gas etc.), which remained at around 3 percent during April, 2013 to March, 2014 similar to the previous year. The cumulative growth rate in cement production is also on lower side at around 3 percent compared to around 6 percent in the previous year.

Cement consumption in Gujarat, our main market declined by 6 percent over the previous year, which is all time low in the last six years. The regular increase in diesel price, amounting to around 16 percent during the year, resulted in higher cost of manufacturing as well as cost of delivery for cement.

The decline in the consumption in our markets and the higher capacities of cement in our region resulted in surplus availability of cement. This factor, coupled with the highly fragmented markets, resulted in lower cement prices during the year. Due to increase in cost of inputs and transportation as well as lower realization from our local markets resulted in substantial drop in profit from ordinary activities. The availability of raw materials and the good industrial environment in the State of Gujarat is likely to result in continued over supply in the State. Energy cost escalations, increased cost of transportation and high incidence of taxes continue to challenge the Industry.

### PERFORMANCE REVIEW

#### Production and Sales

The production of clinker for the year ended March, 2014 was 1.31 million tonnes, which was 106 percent of the rated capacity of the production unit and was also more than clinker production of 1.28 million tonnes for the year ended March, 2013.

The cement production for the year ended March, 2014 was 1.33 million tonnes, which was marginally lower than the cement production of 1.34 million tonnes in the year ended March, 2013. The lower cement production was commensurate with cement sales and in order to compensate the lower cement sales, clinker was sold in the local and export markets and the overall (clinker + cement) sales of 1.46 million tonnes which was more than the overall sales of the previous year ended March, 2013.

The lower cement consumption in Gujarat, higher manufacturing cost due to escalations in raw material cost and the higher freight cost resulted in lower profitability.

#### Exports

The export of cement and clinker for the year ended March, 2014 was 0.35 million tonnes as compared to 0.31 million tonnes in the

previous year. Due to large surplus in our domestic markets, the exports continued to be a significant part of our revenues.

#### **DIVIDEND**

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

#### **BIFR**

Hon'ble BIFR vide order dated 14.3.2013 sanctioned the rehabilitation scheme of the Company and the scheme is under implementation.

#### **PUBLIC DEPOSITS**

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

#### **SUBSIDIARY COMPANIES**

Section 212 of the Companies Act, 1956, requires the Company 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 separately in this Annual Report. The statements of Company's interest in the subsidiaries as at March 31, 2014, prepared in accordance with the provisions of Section 212 of the said Act, are also attached with 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**

##### **Reappointment of Directors**

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Denys Firth, Mr. Hemang D. Mehta, Mr. Susheel Kak and Mr. Alexander Shaik retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

##### **Appointment of Additional Director**

In furtherance to the objective of induction of professional and Independent Directors on the Board and also mandated by Companies Act, 2013 and Corporate Governance requirements, Mr. P. K. Behl and Mrs. Bhagyam Ramani were appointed as Additional Directors as Independent Directors on the Board of Directors of the Company, who hold office upto the date of the ensuing Annual General Meeting and are eligible for appointment as such.

The Company has received requisite notice(s) from the Member(s) proposing the candidatures of above mentioned Directors for appointment as Directors of the Company.

##### **Appointment of Independent Directors**

Pursuant to the provisions of Section 149, 152 read with Schedule IV and all other applicable provisions of the Companies Act, 2013 and the Companies (Appointment and Qualification of Directors) Rules, 2014 (including any statutory modifications or re-enactment thereof for the time being in force) and Clause 49 of the Listing Agreement, the Independent Directors proposed to be appointed are eligible to hold office for 5 (five) consecutive years. Accordingly, Mr. M. N. Rao, Mr. S. V. S. Raghavan, Mr. B. P. Deshmukh, Mr. K. N. Bhandari, Mr. Jayant Godbole, Mr. Bimal Thakkar, Mr. P. K. Behl and Mrs. Bhagyam Ramani are being appointed as Independent Directors at the ensuing Annual General Meeting.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under Section 149 (6) of the Companies Act, 2013 and under Clause 49 of the Listing Agreement with the Stock Exchanges.

Brief resume of Directors seeking appointment / re-appointment along with other details as stipulated under Clause 49 of the Listing Agreement, are provided in the Notice for convening the Annual General Meeting.

The Directors recommend their re-appointment / 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 2015.

#### **AUDITORS**

M/s. Bansi S. Mehta & Co., Chartered Accountants, the Statutory Auditors of the Company, who hold office upto the conclusion of the

ensuing Annual General Meeting in accordance with the provisions of the Companies Act, 1956 who are eligible for re-appointment are recommended for re-appointment to audit the Accounts of the Company for the Financial Year 2014-15. As required under the provisions of the Companies Act, 2013, the Company has received written confirmation from M/s. Banshi S. Mehta & Co., that their appointment, if made, will be in conformity with the limits specified in the Section 143(1)(g) of the Companies Act, 2013.

## **TAX AUDIT**

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Banshi S. Mehta & Co., Chartered Accountants to carry out the Tax Audit for the Assessment Year 2014-15.

## **INTERNAL AUDIT**

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Haribhakti & Co., Chartered Accountants, to carry out the Internal Audit of the Company for the Financial Year 2014-15.

## **COST AUDITORS**

In pursuance to Order No.52/56/CAB-2010 dated 30th June 2011 issued under Section 233-B of the Companies Act, 1956, M/s. V. J. Talati & Co., Cost Accountants, have been appointed by the Board as Cost Auditor of the Company for the Financial Year 2014-15. Certificate of eligibility under Section 148 of the Companies Act, 2013 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**

Industrial relations at our Factory and Offices remained cordial.

## **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 along with a Certificate of Compliance from the Statutory Auditors 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**

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 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, particularly India Debt Management Pvt. Ltd., 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 30, 2014

**M.S.Gilotra**  
Managing Director

**Jay Mehta**  
Executive Vice Chairman

## Annexure to Directors' 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 31.03.14.**

### A. CONSERVATION OF ENERGY:

- a. ENERGY CONSERVATION MEASURES TAKEN
  1. Variable Frequency Drive (VFD's) installed at 2700 kw Raw mill fan
  2. Replacement of 15 old motors by high efficiency motors
  3. Use of energy efficient lamps by replacing Tube lights with T-5 fittings in colony
  4. Up-gradation of Cement Mill no.5 SCADA.
- b. ADDITIONAL INVESTMENT AND PROPOSALS, IF ANY, BEING IMPLEMENTED FOR REDUCTION OF CONSUMPTION OF ENERGY.
  1. Re-engineering of major fans for improvement in efficiency.
  2. Systematic Replacement of old motors by high efficiency motors
  3. Induction of more auto loader at Packing Plant.
  4. Conversion of cooler fan no.6 and 7 from V belt to direct drive.
- 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 EARNINGS AND OUTGO

- a. Activities relating to exports, initiatives taken to increase exports, development of new export market for products and services and export plants:  
  
The Company is currently exporting its products in Sri Lanka, Maldives, Saudi Arabia, New Papua Guinea and African countries and looking forward to increase the market share in these countries, as well as exploring opportunities in other countries.
- b. Total Foreign Exchange used and earned.

	<b>Current Year 2013-14 (₹ in Lacs)</b>	<b>Current Year 2012-13 (₹ in Lacs)</b>
Foreign Exchange earned	<b>13,758.88</b>	9,484.81
Foreign Exchange used	<b>369.44</b>	554.69

## FORM A (See Rule 2)

Form for disclosure of particular with respect to conservation of engery)

	CURRENT YEAR 2013-14	PREVIOUS YEAR 2012-13
<b>A) POWER &amp; FUEL CONSUMPTION</b>		
1 Electricity		
A Purchased units (Kwh )lakhs	18.44	13.64
Total amount (₹ in lakhs) incl. Fixed charges	340.18	237.29
Variable cost per unit (₹)	6.62	6.76
B Own generation		
1 Through diesel generator		
Net units (Kwh) lakhs	(1.43)*	9.86
Units /ltr of furnace oil	(3.82)	3.38
Variable total cost per unit in rupees	(12.57)	16.16
2 Through thermal power plant		
Net units (Kwh) lakhs	1339.62	1370.44
Total amount (₹ in lakhs)	5289.35	5011.01
Rate / unit (₹) (under trial run)	3.95	3.66
3 Coal and other fuels		
Quantity (Million K.Cal)	1028490	1009729
Total cost (₹ in lakhs)	10320.25	10112.96
Average rate /million K.Cal (₹)	1003.44	1001.55
4 Furnace oil		
Quantity (K.Ltrs)	138	541
Total amount (₹ in lakhs )	60.50	166.62
Rs per litre	43.88	30.78
<b>B) Consumption per unit of production</b>		
1 Electricity		
(Kwh / T of cement)	97.91	102.85
2 Coal /lignite		
Usage in %	12.18	12.19

\* Negative due to higher consumption of units by auxilliaries.

## FORM - B

### A. RESEARCH & DEVELOPMENT

#### a. Specific areas in which the company carried out R&D

1. Optimisation of Raw Mix design.
2. Improvement in finished product performance.

#### b. Benefits derived as a result of above R&D

Reliability and Power saving.

#### c. Future plan of action

1. Use of alternative / waste derived fuels for Power generation and Kilns
2. Use of VFD's in fan applications
3. Improvement in efficiency of fans by re-engineering
4. Deployment of higher capacity surface miner on top benches at mines.
5. Erection and commissioning of Clinker Silo to replace the Gantry.

### B. DETAILS OF TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION.

1. Replacement of 15 old motors by high efficiency motors.
2. Use of energy efficient lamps by replacing Tube lights with T-5 fittings in the colony.
3. Installation of VFD's for power savings.
4. Installation of electronic packer at packing plant in place of mechanical packer.
5. Fly ash storage, handling and dosing system.
6. Installation of truck loader in packing plant.

#### Benefits derived as a result of above efforts.

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

### C. FUTURE PLANT UPGRADATION

1. Upgradation of plant PLC I/O's with latest input - output system compatible with existing controller.
2. Clinker storage and handling system.
3. Replacement of existing mechanical packer with the electronic packer.
4. Replacement of table feeders with weigh feeders in coal mill 2 and 3.



## **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 2014 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, equity 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.

Recently, the Securities and Exchange Board of India (SEBI) sought to amend the equity listing agreement to bring in additional corporate norms for listed entities. These norms provide for stricter disclosures and protection of investor rights, including treatment for minority shareholders.

Many of the amendments are effective from October 1, 2014. The amended rules require companies to get shareholders' approval for related party transactions, establish whistle blower mechanisms, elaborate disclosures on pay packages and have at least one woman director on their boards.

The amended norms are aligned with the provisions of the Companies Act, 2013, and is aimed to encourage companies to 'adopt best practices on Corporate Governance'.

We believe that an active, well-informed and independent board is necessary to ensure the highest standards of Corporate Governance. It is well recognized that an effective Board is a pre-requisite for a strong and effective Corporate Governance. At SCL, the Board of Directors ("the Board") is at the core of our Corporate Governance practice and oversees how the Management serves and protects the long term interests of our stakeholders.

Our Corporate Governance framework ensures that we make timely disclosures and share accurate information regarding our financials and performance, as well as the leadership and governance of the Company.

### **2. BOARD OF DIRECTORS:**

#### **(i) Composition (as on 31st March, 2014)**

Your Company's Board comprises of 15 (Fifteen) Directors, which include 7 (seven) 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, 5 Board Meetings were held on the following dates:

<b>Sr.No.</b>	<b>Date of Board Meeting</b>	<b>Board Strength</b>	<b>No. of Directors present</b>
1	28.05.2013	15	13*
2	07.08.2013	15	14*
3	17.10.2013	15	13*
4	11.02.2014	15	15*
5	20.03.2014	15	08*

\*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 held on 31st July, 2013 are given below.

Sr. No.	Directors	Category of Directorship @	Board Meetings attended	Attendance 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)	4	No	6	-
2	Mr. Jay M Mehta (Exec. Vice Chairman)	ED (P)	4	No	7	1
3	Mr. M.S.Gilotra (Managing Director)	ED	5	Yes	1	1
4	Mr. Hemang D.Mehta	NED (P)	4	No	-	-
5	Mr. S.V.S.Raghavan	NED (I)	3	No	1	1
6	Mr. M.N.Rao *	NED (I)	4	Yes	-	-
7	Mr. B.P. Deshmukh	NED (I)	5	No	1	-
8	Mr. K.N.Bhandari	NED (I)	4	No	9	4
9	Mr. Bimal R. Thakkar	NED (I)	5	No	3	1
10	Mr. Jayant N. Godbole	NED (I)	5	No	13	9
11	Mr. Hemnabh Khatau	NED (I)	3	No	6	-
12	Mr. Anil Kaul (Special Director – BIFR)	NED (SD)	5	Yes	1	-
13	Mr. Susheel Kak (Nominee - IDM)	NED (NI)	5	No	-	-
14	Mr. Alexander Shaik (Nominee – IDM)	NED (NI)	1	No	-	-
	Mr. Navin Sambtani	Alternate Director to Mr. Alexander Shaik	2	No	-	-
15	Mr. Denys Firth (Nominee – IDM)	NED (NI)	2	No	-	-
	Mr.Navin Sambtani	Alternate Director to Mr. Denys Firth	2	-	-	-

@NED (P) – Non Executive Director – Promoter Group

NED (I) – Non Executive Director – Independent

NED (NI) – Non Executive Director – Non Independent

NED (SD) – Non Executive Director – Special Director – BIFR Nominee

ED (P) – Executive Director (Promoter)

ED - Executive Director

\* Chairman of Audit Committee

**Information to the Board of Directors**

The following information is placed before the Board:

- Annual Revenue Budget and Capital Expenditure plans.
- Quarterly and annual financial results and results of operations.