



Saurashtra Cement
Limited

A large, bold red triangle is the central graphic element, pointing downwards. Inside the triangle, a grey silhouette of a city skyline is visible. The background is split into light grey and dark grey sections by the triangle's edges.

59th ANNUAL REPORT 2016-2017



BOARD OF DIRECTORS

As on 23.05.2017

| | |
|-----------------------|-------------------------|
| Mr. M. N. Mehta | Chairman |
| Mr. Jay M. Mehta | Executive Vice Chairman |
| 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. M. S. Gilotra | Managing Director |

Chief Financial Officer

Mr. Rakesh H. Mehta

Vice President (Legal) & Company Secretary

Ms. Sonali Sanas

Bankers

Central Bank of India
Dena Bank
HDFC Bank Ltd.

Auditors

M/s. 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-101, 247 Park,
L.B.S. Marg, Vikhroli (West), Mumbai - 400 083.
Tel. 022- 49186000, Fax : 022-49186060

Website: www.saurashtracementlimited.com

DIRECTORS' REPORT

Dear Members,

The Directors present the 59th Annual Report, Audited Accounts and Auditors Report for the Financial Year ended on the 31st of March, 2017.

FINANCIAL HIGHLIGHTS

The highlights of the financial results for the Financial year ended 31st of March 2017 are given below.

(₹ in Million)

| Particulars | Standalone | | Consolidated | |
|--|--|---------------------------------------|--|---------------------------------------|
| | Current Financial Year 2016-2017 | Previous Financial Year 2015-16 | Current Financial Year 2016-2017 | Previous Financial Year 2015-16 |
| Revenue from Operation (Net of Excise) and Other Income | 4855.14 | 5425.07 | 4856.56 | 5426.27 |
| Profit / (Loss) before Interest, Depreciation, Exceptional items and Tax | 333.69 | 758.37 | 334.11 | 758.70 |
| Finance Cost | 36.54 | 48.07 | 36.54 | 48.07 |
| Profit/(Loss) before Depreciation, Exceptional Items and Tax | 297.15 | 710.30 | 297.57 | 710.63 |
| Depreciation & Impairment | 141.70 | 126.86 | 141.99 | 126.92 |
| Profit/(Loss) before Exceptional items and Tax | 155.45 | 583.44 | 155.58 | 583.71 |
| Exceptional Items | - | 103.70 | - | 103.70 |
| Tax Expense | 34.44 | 186.87 | 34.55 | 186.93 |
| Deferred Tax Adjustment | 24.65 | 62.48 | 24.65 | 62.48 |
| Profit/(Loss) after Tax | 96.36 | 437.79 | 96.38 | 438.00 |
| Brought forward Profit/(Loss) from earlier years | 58.12 | (191.03) | 38.40 | (210.96) |
| Interim Preference Dividend & Dividend Distribution Tax thereon | - | 122.82 | - | 122.82 |
| Proposed Equity Dividend & Dividend Distribution Tax thereon | - | 65.82 | - | 65.82 |
| Balance of Profit / (Loss) carried to Balance Sheet (Reserves) | 154.48 | 58.12 | 134.78 | 38.40 |

THE YEAR UNDER REVIEW

The year 2016-17 was marked by excess cement capacity in the country, falling demand post demonetization and drop in cement prices during second half of the year. In these challenging conditions, the Company's profitability was also impacted.

The Indian cement industry registered a negative growth rate during the fiscal year 2016-17. The cumulative index of cement production (with a weightage of 2.41 percent in the Index of Industrial Production) during 2016-17 declined by 1.3 percent first time in decade, as compared to 5 percent growth during the previous year.

Consumption growth of cement in our home market Gujarat remained almost stagnant with a marginal increase of around one percent. In spite of a comparatively better monsoon, the cement consumption was adversely affected due to inadequate investments in infrastructural projects and also due to the economic situation on account of demonetization in the second half of the year.

The energy costs were showing an escalation trend on account of increase in the coal and pet coke prices. The taxes by way of royalty on minerals, excise duty, octroi, service tax etc. continued to be high. The lower cement prices in the domestic market and unviable prices in the export markets resulted in lower profitability.



PERFORMANCE REVIEW

Production and Sales

The production of clinker for the year ended March 2017 was 1.298 million tonnes, which is around 1 percent higher than the clinker production of 1.287 million tonnes for the year ended in March 2016. The cement production for the year ended March 2017 was 1.434 million tonnes, which is around 2 percent lower than the cement production of 1.465 million tonnes in the previous year ended in March 2016.

The overall sales (cement and clinker) is 1.433 million tonnes during the year ended March 2017, which is around 4 percent lower than the overall sale of 1.489 million tonnes in the previous year ended March 2016.

Export

The export of cement for the year ended March 2017 was 0.081 million tonnes as compared to 0.237 million tonnes in the previous year. The export market remained less viable with unremunerative prices and specific quality requirements of the customer.

MANAGEMENT DISCUSSION AND ANALYSIS

The Management Discussion and Analysis Report is provided in a separate section and forms a part of this Report as **Annexure A**.

DIVIDEND

Your Directors are pleased to recommend a final dividend of ₹ 1 per share on 6,91,91,065 fully paid-up Equity Shares of ₹ 10/- each for the Financial Year ended 31st March 2017.

SHARE CAPITAL

Equity Share Capital

The paid up Equity Share Capital of the Company as on 31st March 2017 including the forfeited shares was ₹ 6919.42 lacs.

INDIAN ACCOUNTING STANDARD (IND AS)

The Ministry of Corporate Affairs vide its notification dated February 16, 2015 has notified the Companies (Indian Accounting Standard) Rules, 2015.

In pursuance of this notification, the Company will adopt the same with effect from April 01, 2017. The Company has adequate systems in place to migrate to IND AS and to ensure proper reporting and accounting under IND AS.

CONSOLIDATED FINANCIAL STATEMENTS

As required under Section 136 of the Companies Act 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, 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 forms a part of the Annual Report.

The Consolidated Net Profits of the Company amounted to ₹ 963.78 lacs for the Financial year ended 31st of March 2017.

SUBSIDIARY AND ASSOCIATE COMPANIES

The Company has five subsidiaries.

Section 136 of the Companies Act 2013 has exempted the listed companies from attaching the financial statements of the Subsidiary companies to the Annual Report of the Company.

In accordance with Section 129(3) of the Companies Act 2013 read with the rules made there under; statement containing the salient features of the Financial Statement of the Company's Subsidiary and associate Companies is disclosed separately in this Annual Report under Form AOC 1.

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. The statement is also available at the website of the Company at <http://scl.mehtagroup.com/investors/financials>.

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 statements in terms of Section 134 (3) (c) of the Companies Act, 2013.

- (a) that in the preparation of the annual financial statements for the year ended 31st March 2017, the applicable accounting standards have been followed along with proper explanation relating to material departures; if any;
- (b) that the accounting policies as mentioned in Note No.1 to the Financial statements have been selected and applied consistently and judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- (c) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 2013 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) that the annual financial statements have been prepared on a going concern basis;
- (e) that proper internal financial controls were in place and that the financial controls were adequate and were operating effectively; and
- (f) that systems to ensure compliance with the provisions of all applicable laws are in place and were adequate and operating effectively.

CORPORATE GOVERNANCE

The Company is committed to maintain the highest standards of Corporate Governance and adhere to Corporate Governance requirements set out by SEBI. The report on Corporate Governance as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and a certificate of Compliance from the Auditors of the Company confirming compliance with the conditions of Corporate Governance as stipulated in Regulation 15(2) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 for the year ended March 31, 2017 forms a part of this Report. A declaration by CEO and CFO that Board and senior members have complied with the Code of Conduct of the Company also forms a part of this Report as **Annexure B**.

PARTICULARS OF CONTRACTS OR ARRANGEMENTS WITH RELATED PARTIES

The particulars of every contract or arrangements entered into by the Company with related parties referred to in sub-section (1) of Section 188 of the Companies Act, 2013 including certain arms length transactions under third proviso thereto is Annexed herewith at **Annexure C** in Form No. AOC -2.

CORPORATE SOCIAL RESPONSIBILITY

The Company has been at the forefront in extending benefits to the local communities in and around the Company's operations at Ranavav. The Company has always believed in the sustainable development of the Society.

The Board of Directors have based on the recommendation of the Corporate Social Responsibility committee, formulated a Corporate Social Responsibility Policy for welfare of the society.

The CSR policy outlining various areas of development viz. Health Care, Education, Sanitation, Ensuring environmental sustainability and Rural development projects was adopted by the Board and the same is available at the following link: <http://scl.mehtagroup.com/policy/csr-policy>.

During the year under review, your Company has undertaken projects relating to Health care & sanitation, providing good quality education and upliftment of the locals through rural development projects.



The constitution and functions of the Corporate Social Responsibility Committee is provided under the Corporate Governance Report.

The details of various CSR activities undertaken during Financial Year 2016-17 is discussed in detail in Management Discussion and Analysis report.

The annual report on CSR activities and expenditure required under Section 134 & 135 of the Companies Act, 2013 read with Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules 2014 and Rule 9 of the Companies (Account) Rules 2014 is given in **Annexure D** of the Report.

LOANS, GUARANTEES AND INVESTMENTS

The particulars of Loans, Guarantees and Investments covered under the provisions of Section 186 of the Companies Act, 2013 and under Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 are provided in Notes to the Standalone Financial Statements.

RISK MANAGEMENT

A formal Risk Management System has been implemented on an Enterprise Risk Management (ERM) as a part of strengthening and institutionalizing the decision making process and monitoring the exposures that are faced by the Company.

Company has a robust risk assessment and management system wherein the risk is identified, minimized, deliberated and mitigated in a lively manner. The risks are periodically reviewed and reported to the Audit Committee and Board on a quarterly basis.

INTERNAL FINANCIAL CONTROLS

The Company has an internal control system commensurate with the size, scale and complexity of its operations. In order to enhance controls and governance standards, the Company has adopted Standard Operating Procedures, which ensure that robust internal financial controls exist in relation to operations, financial reporting and compliance. In addition the Internal Audit function monitors and evaluates the efficiency and adequacy of the internal control system in the Company, its compliance and operating systems, accounting procedures and policies at all locations. Periodical reports on the same are also presented to the Audit Committee.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Reappointment of Directors

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Hemnabh R. Khatau (DIN: 02390064), will retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for reappointment. Brief resume of Director seeking re-appointment along with other details as stipulated under Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is enclosed herewith as **Annexure E**.

The Board recommends the re appointment.

Board Evaluation

In accordance with the provisions of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors evaluated the performance of the Board as a whole, having regard to various criteria such as Board composition, Board processes, Board dynamics etc. The Independent Directors, at their separate meetings, also evaluated the performance of the Board as a whole based on various criteria.

The Board evaluated the effectiveness of its function and that of the committees and individual director by seeking their valuable inputs on various aspects of Board/Committee governance. Based upon various evaluation criteria, the Board and Independent Directors were of the view that the Board and Committee performance is in consonance of the standards / criteria being identified by Nomination & Remuneration Committee and the Independent Directors.

Declaration by Independent directors

All the Independent Directors have furnished declarations stating that they meet the criteria of independence as laid down under Section

149 (6) of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

AUDITORS

Statutory Auditors

M/s. Bansi S. Mehta & Co, Chartered Accountants, the Statutory Auditors of the Company, who was reappointed to audit the accounts of the Company for the Financial Year 2016-17, hold office upto the conclusion of the ensuing Annual General Meeting and has completed their term of office in accordance with the provisions of Section 139(2) of the Companies Act, 2013.

It is proposed to appoint M/s. Manubhai & Shah LLP, Chartered Accountants as Statutory Auditors of the Company to audit the accounts of the Company for the Financial Year 2017-18 who shall hold office from the conclusion of the ensuing Annual General Meeting till the conclusion of next Annual General Meeting. As required under the provisions of the Companies Act, 2013, the Company has received written confirmation from M/s. Manubhai & Shah LLP, Chartered Accountants that their appointment, if made, will be in conformity with the limits specified in the Section 143(1)(g) of the Companies Act, 2013.

Secretarial Auditors

M/s Ragini Chokshi & Company, Practicing Company Secretaries were appointed by the Board of Directors as the Secretarial Auditor of the Company to carry out Secretarial Audit under the provisions of Section 204 of the Companies Act, 2013 for the Financial Year 2016-17. The report of the Secretarial Auditor is annexed as **Annexure F** to this report.

The Board of Directors of the Company on the recommendation of the Audit Committee appointed M/s. Ragini Chokshi & Company, Practicing Company Secretaries as Secretarial Auditor of the Company for the Financial Year 2017-18.

Tax Auditors

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Bansi S. Mehta & Co., Chartered Accountants to carry out the Tax Audit for the Assessment Year 2017-18.

Internal Auditors

The Board of Directors on the recommendation of the Audit Committee appointed M/s. Haribhakti & Co LLP, Chartered Accountants, to carry out the Internal Audit of the Company for the Financial Year 2017-18.

Cost Auditors

In accordance with the provisions of Section 148 of the Companies Act 2013, on the recommendation of Audit Committee, M/s. V. J. Talati & Co, Cost Accountants, have been appointed by the Board as Cost Auditor of the Company for the Financial Year 2017-18 and a certificate of eligibility under Section 148 of the Companies Act, 2013 has been received. As required under the Act, the remuneration payable to the Cost Auditor is required to be placed before the Members in a General Meeting for their ratification. Accordingly, a Resolution for seeking Members ratification for the remuneration payable to M/s. V. J. Talati & Co., Cost Auditor, is included at item no.5 of the Notice convening the Annual General Meeting.

OTHER DISCLOSURES UNDER COMPANIES ACT, 2013 AND SEBI (LISTING OBLIGATIONS AND DISCLOSURE REQUIREMENTS) REGULATIONS 2015

Audit Committee

The Company has an Audit Committee and details of its constitution, terms of reference are set out in the Corporate Governance Report.

Nomination & Remuneration Committee and Policy

The Company has a Nomination & Remuneration Committee and has also adopted Nomination & Remuneration Charter and Remuneration/ Compensation Policy. The constitution of the Committee along with the terms of reference to the Committee are set out in the Corporate Governance Report.

Vigil Mechanism

The Company has established a Vigil Mechanism / Whistle Blower Policy and the directors and employees of the Company can approach the Audit Committee when they suspect or observe unethical practices, malpractices, non-compliances of Company policies, etc.

Number of Board Meetings

During the year under review, five meetings of the Board of Directors were held. The meetings were held on 23rd day of May 2016, 11th day of August 2016, 14th day of September 2016, 24th day of October 2016 and 24th day of January 2017.

Energy Conservation, Technology Absorption & Foreign Exchange Earnings and Outgo

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under section 134 (3) of the Companies Act, 2013 are provided in **Annexure G** forming a part of this Report.

Extract of the Annual Return

The extract of the Annual Return in Form No. MGT – 9 forms a part of this report as **Annexure H**.

Particulars of Employees

There were 472 permanent employees of the Company as on 31st March 2017. The disclosure pertaining to remuneration and other details as required under Section 197(12) of the Companies Act, 2013 read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are annexed to this report at **Annexure I**.

Further, a statement showing the names and other particulars of employees drawing remuneration in excess of the limits as set out in the Rule 5(2) and other details as required under Rule 5(3) of the aforesaid Rules forms part of this report. However, in terms of first proviso to Section 136(1) of the Act, the Annual Report and Accounts are being sent to the members and others entitled thereto, excluding the aforesaid information. The said information is available for inspection by the members at the Registered Office of the Company during business hours on working days upto the date of the ensuing Annual General Meeting. If any member is interested in obtaining a copy thereof, such member may write to the Company Secretary, whereupon a copy would be sent. Further, the details are also available on the Company's website: <http://scl.mehtagroup.com/investors>.

Sexual Harassment of Women at Work Place (Prevention, Prohibition & Redressal) Act, 2013

The Company has in place, a formal policy on Prohibition, Prevention and Redressal of Sexual Harassment of Women at Workplace. Detailed note is set out in the Corporate Governance report.

During the year under review, the Company has not received any complaints of sexual harassment from any of the women at work place of the Company.

Related Party Transactions

All related party transactions are in accordance with the approvals being granted by the Audit Committee, Board and the Members at the General Meeting. The other details as required under Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015 and Section 134 (3) of the Companies Act, 2013 are mentioned in the Corporate Governance Report.

Other Disclosures:

No disclosure or reporting is made in respect of the following items as required under the Companies Act, 2013 and Securities & Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations 2015, as there were no transactions during the year under review:

- Details relating to deposits covered under Chapter V of the Companies Act, 2013.
- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares to the employees of the Company under any scheme (sweat equity or stock options).
- The Company does not have any scheme or provision of money for the purchase of its own shares by employees or by trustees for the benefit of employees.

- The Managing Directors of the Company do not receive any remuneration or commission from any of its subsidiaries.
- No material fraud has been reported by the Auditors to the Audit Committee or the Board.
- There was no revision in the financial statements.
- There was no change in the nature of business.

GENERAL

Listing of Equity Shares

The Company's equity shares are listed on the Bombay Stock Exchange Ltd (BSE). Listing fees have been paid up to 31st March 2018.

Staff Relations

Industrial relations at our Factory and Offices remained cordial.

Awards and accolades

During the year under review, the Company has been conferred with the following awards & accolades.

In the areas of Environment:

In recognition of our outstanding contribution in the field of environment protection, environmental management system, pollution prevention, recycling and consumption of AFR, biodiversity conservation, rain water harvesting and water conservation, energy conservation and corporate social responsibility the following awards have been conferred on the Company.

1. FAME Excellence Award_2016- Platinum Award for Environment Protection
2. Greentech Environment Award_2016-17- Gold Award for Environment Protection
3. Rashtra Vibhushan Award_2016-17- Platinum Award for Environment Protection

In the area of Mines:

Metalliferous Mines Safety Week-2016 organised by Directorate General of Mines & Safety :- The Company bagged First, Second and Third ranks in Health, Safety & occupational health check up, Mine Machinery, improvement, innovation and Mine working & Implementation respectively. The Company also bagged Second and Third rank in Overall performance relating to Vocational Training & Statutory records and Trade Test, First aid drill.

Mines Environment and Mineral Conservation (MEMC) Week-2016 by Directorate General of Mines & Safety: This week long celebration includes various trade tests, competitions, and inspections of mine working, machineries, lighting, publicity propaganda and various other events followed by a Final Day Function.

In this grant event, around 90 mechanized and semi-mechanized mines participated from Gujarat Region. The Company, being an active participating member like every year, also took part in this event and bagged Second rank in Waste Dump Management and Mineral Beneficiation.

Acknowledgement

The Directors thank the 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. The Board also takes this opportunity to express its sincere appreciation of the contribution and dedicated work of all the employees of the Company.

On behalf of the Board of Directors

Place : Mumbai
Dated: 23.05.2017

M.S. Gilotra
Managing Director

Jay Mehta
Executive Vice Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Industry Structure and Development

Indian economy is witnessing a high performance with the estimated GDP growth of around 7.1 percent for the fiscal year 2016-17. India has emerged as the fastest growing major economy in the world. The improvement in India's economic fundamentals has accelerated with a combined impact of strong government reforms, focus of Reserve Bank of India on inflation control supported by global commodity prices. The growth was however negatively impacted in the last half of the year due to demonetization announced by Government of India.

Cement Sector continues to play a vital role in the economic growth of the country. The major consuming sector for cement continues to be housing which captures around 67 percent of the total cement demand in the country. However, the cumulative index for cement production during the period April 2016 to March 2017 declined by 1.3 percent over the corresponding period of previous year. The benefit of good monsoon in boosting the agrarian and rural economy was partially subdued by the impact of demonetization, resulting in a negative yearly growth rate in cumulative cement production; for the first time in the last decade. Also there was slow pace of execution of infrastructure projects. The cement prices also witnessed decline post demonetization primarily from November 2016 to March 2017.

The Indian cement industry has an installed capacity of around 380 million tonnes and the capacity utilization remained lower at around 70 percent. The cement market in the state of Gujarat remained very fragmented and the margins eroded substantially with the surplus capacity available in the states of Gujarat and Rajasthan. The export volumes remained low due to unremunerative prices.

Future Outlook

The Indian economy is expected to grow further owing to a series of policy measures. The major landmark economic reforms are currently underway, like Goods and Service Tax (GST), transition to transparent and digitalized transactions aiming at cashless society etc. Various schemes as announced in the union budgets like Swatch Bharat Abhiyan, Housing for All, Smart Cities Mission, Freight Corridors, Expressways etc. are expected to boost the demand for cement. Higher outlay and focus on infrastructure, housing and rural development are likely to boost the cement demand in the long term, which in turn will benefit the cement companies. Further, the recent increased allocation to rural low cost housing under Pradhan Mantri Awaas Yojana is likely to increase the cement demand significantly.

The long term future of Indian cement industry is optimistic and positive. However, the lower capacity utilization due to lower consumptions continues to be a challenge and with addition of new plants with large capacities, the competition is becoming more intense. Old plants with less energy efficient process and machinery are likely to experience fierce competition in the market places.

In the state of Gujarat, there is a large surplus capacity over demand, which may affect the stability of cement prices. A large part of production therefore will need to be exported or transported to longer distances, in other states like Maharashtra, Karnataka and Kerala.

Opportunities & Threats

The cement consumption growth in the state of Gujarat is likely return to normal and is expected to give ample opportunities for demand of cement.

The rail freight continued to be high and the transportation by rail using even the nearest rail siding is unviable. The infrastructural constraints and the high cost of handling of cement at public ports is a growing concern. The cost of delivery by road is adversely affected by the frequent changes in the deregulated diesel prices.

The Ministry of Environment, Forest and Climate Change, Government of India has issued a new stringent emission standard for Cement Industry for SO₂, NO_x and particulate matter. The new environmental emission norms have become mandatory from 1st April 2017. As required by the Central Pollution Control Board (CPCB), the Company has submitted its proposal with brief road map and approximate capital expenditure required to meet the revised norms. This will require technical upgradation/ replacement/ addition of pollution control equipment, involving substantial Capex. Besides capital investments, escalation in the operational costs is also expected.

The amended Mines and Minerals (Development and Regulation) Act, 2015 stipulates that leases granted before the commencement of the Act, for captive use are extended upto a period ending on 31st March 2030 or for a further period of 50 years or till the completion of their renewed period, whichever is later. With the new Act, the earlier policy of deemed renewal has been discontinued and all the mining leases will henceforth be allotted through an auction, which has made it difficult to retain existing leases. Forest & Wild life clearances are now a pre-requisite and land acquisition is becoming more challenging and expensive.