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Saurashtra Cement Limited

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GENERAL INFORMATION

BOARD OF DIRECTORS

Mr. M. N. Mehta
Chairman

Mr. Hemnabh Khatau
Non-Executive Director

Mr. K. N. Bhandari
Non-Executive
Independent Director

Mrs. Bhagyam Ramani
Non-Executive
Independent Director

Chief Financial Officer
Mr. Rakesh H. Mehta

Auditors

M/s. Manubhai & Shah LLP Chartered
Accountants

Mr. Jay M. Mehta
Executive Vice Chairman

Mr. M. N. Rao
Non-Executive
Independent Director

Mr. Bimal Thakkar
Non-Executive
Independent Director

Mr. Ashwani Kumar
Non-Executive
Independent Director

President (CS, Legal & Strategy)
Ms. Sonali Sanas

Registered Office & Works

Near Railway Station, Ranavav 360 560 (Gujarat)
Tel. 02801 - 234200
Fax: 02801 - 234376
CIN: L26941GJ1956PLC000840

Paint Division - Works

- (A) Plot No. E-6, M.I.D.C. Malegaon, Sinnar, Nashik 422103, Maharashtra.
- (B) Plot No. F-3/4/8/18/19/20, Industrial Area, Near JK Cement Factory, Gotan 342902, Nagaur, Rajasthan.
- (C) B/60-61, SIPCOT Industrial Estate, Gummidipoondi, Tiruvallur Chennai 601201, Tamil Nadu.

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

Corporate Office

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

Website

<http://scl.mehtagroup.com>
www.snowcempaints.com

Bankers

HDFC Bank Ltd.

BOARD'S REPORT**Dear Members**

Your Directors are pleased to present the 64th Annual Report on the performance of the Company together with the Audited Financial Statements (Standalone and Consolidated) for the Financial Year ended 31st March 2022.

The year that was witnessed by several challenges like the second and third waves of Covid-19, energy crisis caused by disruption / reshuffle of supplies of oil, coal, natural gas resulting in very high volatility in the energy prices. On the other hand, the silver lining was infrastructure push by the Central and State governments, improvement in the rural and urban housing demand lifting of travel and other restrictions imposed during Covid. The performance of the Company needs to be evaluated considering these extraneous circumstances.

FINANCIAL PERFORMANCE

The summarized financial performance for the Financial Year ended March 31, 2022 are as under:

(₹ in million)

Particulars	Standalone		Consolidated	
	2021-22	2020-21	2021-22	2020-21
Revenue from Operation (Net of GST) and Other Income	7726.65	6860.13	7728.56	6860.16
Profit before Interest, Depreciation, Exceptional items and Tax	350.16	1269.68	352.79	1268.78
Finance Cost	49.30	43.74	49.30	43.74
Profit before Depreciation, Exceptional Items and Tax	300.86	1225.94	303.49	1225.04
Depreciation & Amortisation	227.23	200.36	227.23	200.36
Exceptional Items	(14.17)	-	-	-
Profit/(Loss) before Tax	59.46	1025.58	76.26	1024.68
Current Tax Expense	10.72	289.98	10.96	289.98
Deferred Tax Adjustment	25.63	11.79	25.63	11.79
Profit for the year	23.11	723.81	39.67	722.91
Total Other Comprehensive Income (net of tax)	16.38	38.74	16.38	38.74
Total Comprehensive Income	39.49	762.55	56.05	761.65
Retained Earnings – Opening Balance	2737.29	2070.92	2724.25	2058.78
Add/(Less)				
Profit for the Year	23.11	723.81	39.67	722.91
Re-measurement of Defined Benefit Plans (Net of Tax)	1.06	(1.96)	1.06	(1.96)
Vested Employee Stock Options Lapsed	-	0.80	-	0.80
Less : Equity Dividend & Dividend Distribution Tax thereon	52.53	56.28	52.53	56.28
Retained Earnings – Closing Balance	2708.93	2737.29	2712.45	2724.25

PERFORMANCE REVIEW AND THE STATE OF COMPANY'S AFFAIRS:

CEMENT DIVISION

The clinker and cement production for the financial year were higher than the previous financial year. However, the sales in the second half of the financial year were affected due to demand shrinkage on account of an extended monsoon and challenges posed by the steep increase in the commodity prices particularly oil, coal / pet coke, steel and availability constraints in respect of other building materials like sand and aggregates.

While there was a runaway increase in the power, fuel and diesel prices, the improvement in the cement prices was gradual and inadequate to cover the increase in costs because of fragmented of market, which resulted in a substantial drop in the profitability of the Company.

The operational performance details during the year under review are given below:

	Units	Financial Year : 1 st April to 31 st March		
		2021-22	2020-21	Increase / (Decrease)
Clinker Production	Million MT	1.23	1.22	1.6%
Cement Production	Million MT	1.41	1.39	1.4%
Cement & Clinker Despatches	Million MT	14.19	14.69	-3.4%
Sales Volume	Million MT	14.18	14.71	-3.6%
Total Income	₹ in Million	7726.65	6860.13	12.63%

PAINT DIVISION

During the financial year, your Company acquired the paints business of Snowcem Paints Pvt. Ltd., including the brands owned by them on a slump sale basis. The acquisition was in line with the Company's growth plans of diversifying in the buildings material space. Snowcem is a reputed Pan-India brand with a good recall value especially for the cement based exterior paints and the Company will get a foothold in the paints business with this acquisition.

The sales for the financial year were impacted for the major part of the year due to precautionary approach of the customers in following Covid protocols. Your Company is making efforts in reviving the business by refurbishing the production units, revitalizing the distribution channels and providing adequate working capital.

DIGITAL TRANSFORMATION

Technological advances in the past few years have greatly increased the competitive nature of the business. Your Company, too, has embarked on a digital transformation journey under "Project Parivartan". This project aims to increase the pace of digitalization and the pace at which new business processes are introduced and existing processes are updated with the use of newer technologies. Ernst and Young (E&Y) are the implementation partners for the project. The project started with a Business Process Re-engineering exercise (BPR) with adoption of best practices and process harmonization and was followed by implementation of best in breed solutions like S4 Hana, Salesforce, Ariba, Success Factors, Autoplant, Optimizer, DigiGST, Happay etc. Some of the above digital solutions have gone live on 2nd April 2022 and the balance will be completed in FY 2022-23.

The digital transformation is expected to result in optimizing costs, better customer empowerment and relationships, better decision making, improvement in employee productivity, distribution and warehousing strategies etc.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

A detailed report on the Management Discussion and Analysis as required under Regulation 34 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements Regulations), 2015 is enclosed as **Annexure A**.

CORPORATE GOVERNANCE

Report on Corporate Governance along with Auditor's Certificate on its compliance pursuant to Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is

enclosed separately to this report. A declaration by the Managing Director that Board and Senior Executives have complied with the Code of Conduct of the Company is enclosed as **Annexure B**.

MATERIAL CHANGES AND COMMITMENTS AFFECTING FINANCIAL POSITION AND CHANGE IN BUSINESS

No material change(s) and commitment(s) have occurred between the end of the Financial Year and the date of this Report, which has affected the Financial Statements of the Company with respect to the reporting year.

DIVIDEND

The Board of Directors of your Company, after considering holistically the relevant circumstances, decided that it would be prudent, not recommending any dividend for the Financial Year 2021-22.

FINANCIAL STATEMENTS

The Audited Standalone and Consolidated Financial Statements of the Company which form a part of this Annual Report have been prepared pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, in accordance with the provisions of the Companies Act, 2013 and Companies (Indian Accounting Standards) Rules, 2015 on Consolidated Financial Statements.

The Consolidated Net Profit/Loss of the Company is ₹ 39.67 million for the Financial Year ended 31st of March 2022.

SHARE CAPITAL

The paid up Equity Share Capital of the Company excluding the forfeited shares as on 31st March 2021 was ₹ 698.99 million.

During the year under review and in accordance with the Hon'ble NCLT approved scheme for amalgamation of Parsec Enterprises Private Limited with the Company; 1,35,38,370 New Equity Shares of face value of ₹10/- each of the Company was allotted to the shareholders of Parsec Enterprises Private Limited and listed at BSE Limited. Further, the said number of equity shares held by Parsec Enterprises Private Limited in the Company got cancelled.

During the year, 4,95,413 Equity Shares of ₹10/- each were allotted to the employees in accordance with Saurashtra Employee Stock Option Scheme 2017 and listed at BSE Limited.

The paid up Equity Share Capital of the Company as on 31st March 2022 excluding the forfeited shares was ₹ 703.14 million.

EMPLOYEE STOCK OPTION SCHEME

The disclosure pursuant to the provisions of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and Section 62(1) (b) of the Companies Act, 2013 read with Rule 12(9) of the Companies (Share Capital and Debentures) Rules, 2014 is enclosed as **Annexure C** to this Report. Auditor's certificate on Saurashtra Employee Stock Option Plan in compliance with Regulations 13 of Securities and Exchange Board of India (Share Based Employees Benefits) Regulations, 2014 is enclosed as **Annexure D**.

RECONCILIATION OF SHARE CAPITAL AUDIT REPORT

Keeping in view the requirements of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Stock Exchanges; a Secretarial Audit by the Practicing Company Secretary is carried out on a quarterly basis to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The said audit confirms that the total issued / paid - up capital / any change in the capital during the quarter tallies with the total number of shares in physical form and the total number of dematerialized shares held with NSDL and CDSL.

DEPOSITS

During the year under review, your Company has not accepted/received any deposits falling within the ambit of Section 73 of the Companies Act, 2013 and not under the exceptions provided under Rule 2 of the Companies (Acceptance of Deposits) Rules, 2014.

RELATED PARTY TRANSACTIONS

All transactions entered into with the related parties are approved by the shareholders periodically and in accordance with the requirements of Section 188 of the Companies Act, 2013 and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Further, there is an omnibus approval taken from the Board of Directors and the Audit Committee on an annual basis and further as and when required. The other details as required under Securities and 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.

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 arm's length transactions under third proviso thereto is enclosed as **Annexure E** in Form No. AOC-2.

PARTICULARS OF 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.

DETAILS OF DIFFERENCE BETWEEN AMOUNT OF THE VALUATION DONE AT THE TIME OF ONE TIME SETTLEMENT AND THE VALUATION DONE WHILE TAKING LOAN FROM THE BANKS OR FINANCIAL INSTITUTIONS ALONG WITH THE REASONS THEREOF.

None.

INTERNAL CONTROL SYSTEMS AND INTERNAL AUDIT

Your Company has an Internal Control System, commensurate with the size, scale and complexity of its operations. Your Company has adequate internal financial control mechanism in place. The management monitors and evaluates operating systems, accounting procedures and policies at all locations of the Company. Based on the report of Internal Auditors, the Audit Committee / Board initiates corrective action in respective areas and thereby strengthens the controls.

Your Company adheres to the policies and procedures for ensuring the orderly and efficient conduct of its business, including safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial disclosures.

INSURANCE

All the properties including buildings, plant, machinery and stocks have been adequately insured.

SUBSIDIARIES AND ASSOCIATE COMPANIES

Your Company has one subsidiary Company; viz. Agrima Consultants International Limited. Section 136 of the Companies Act, 2013 has exempted the listed companies from attaching the financial statements of their Subsidiary Company to the Annual Report of the Company. In accordance with the proviso to sub-section (1) of Section 136; a copy of the audited annual accounts of Agrima Consultants International Limited is provided at the following link: <http://scl.mehtagroup.com/subsidiary-companies/agrima-consultants-international-ltd-finance-reports>

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

Your Company will make available the Annual Accounts of the subsidiary Company to any Member on their request and the same shall also be kept open for inspection by any Member at the registered office of the Company. The statement is also available on the website of the Company at <http://scl.mehtagroup.com/investors/financials>.

DIRECTORS AND KEY MANAGERIAL PERSONNEL

Appointment of Directors

Nil

Reappointment of Directors

During the year under review, Mr. Hemnabh R Khatau was reappointed as Director of the Company at the 63rd Annual General Meeting held on 21st September 2021 who was retiring by rotation.

In accordance with the provisions of Section 152 of the Companies Act, 2013, Mr. Hemang D. Mehta (DIN: 00146580), shall retire by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Brief resume of the Director seeking re-appointment along with other details as stipulated under Regulation 36(3) of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, is enclosed as **Annexure F**.

The Board recommends the re-appointment.

Cessation of Director

Mr. Jayant Narayan Godbole (DIN: 00056830), an Independent Director expired on 4th January 2022. Accordingly, he ceased to be an Independent Director w.e.f. 4th January 2022.

Appointment / Change in Other Key Managerial Personnel

During the year under review, there is no appointment / change in Key Managerial Personnel.

INDEPENDENT DIRECTORS' DECLARATION

Your Company has received declarations from each of the Independent Directors that they meet the criteria of the independence prescribed under Section 149 read with Schedule IV of the Companies Act, 2013 and rules made there-under, as well as Regulation 25 & 26 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015. Based on the declarations received, the Board considered the independence of each of the Independent Directors in terms of above provisions and is of the view that they fulfill/ meet the criteria of independence and are independent from the management.

DISCLOSURE PERTAINING TO DISQUALIFICATION OF DIRECTORS

In accordance with the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015; a certificate has been received from M/s Ragini Chokshi & Co. Practicing Company Secretaries, that none of the Directors on the Board of the Company have been disqualified to act as Director which is enclosed as **Annexure G**.

ANNUAL EVALUATION BY THE BOARD OF ITS OWN PERFORMANCE, ITS COMMITTEES AND INDIVIDUAL DIRECTORS

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 has put in place a mechanism for evaluation of its performance, Committees, Independent Directors and Whole-time Directors. The evaluation process considers attendance of Directors at the Board and Committee meetings, participation at the meetings, domain knowledge in the Board Meeting, awareness and observation of Governance etc. Accordingly, evaluation sheet gets circulated to the Board and the Board carries out annual performance evaluation. The responses being received are evaluated by the Board.

MEETINGS OF THE BOARD AND COMMITTEES

During the year under review, five Board Meetings were held. These meetings were held on the 29th day of May 2021, 11th day of August 2021, 28th day of October 2021, 26th day of November 2021 and 5th day of February 2022. The details of the number of meetings of the Board and various Committees of your Company are set out in the Corporate Governance Report, which forms part of this report.

SECRETARIAL STANDARDS

Your Company has in place proper system to ensure compliance with the provisions of the applicable Secretarial Standards i.e. SS-1 and SS-2, issued by The Institute of Company Secretaries of India.

NOMINATION AND REMUNERATION COMMITTEE AND POLICY

Your Company has constituted Nomination and Remuneration Committee to oversee, inter-alia, to:

1. Formulate the criteria for determining qualifications, positive attributes and independence of a director;
2. Recommend to the Board a policy relating to the remuneration for the directors, key managerial personnel and other employees;
3. Identify persons who are qualified to become directors and persons who can be appointed in senior management in accordance with the criteria laid down, recommend to the Board their appointment and removal;
4. Formulate of criteria for evaluation of Independent directors and the Board and whether to extend or continue the term of appointment of the independent director, on the basis of the report of performance of evaluation of independent directors; and
5. Recommend to the Board, all remuneration, in whatever form, payable to senior management.

Your Company has also adopted Nomination and Remuneration Charter and Remuneration/Compensation Policy. The constitution of the Committee along with the terms of reference to the Committee is set out in the Corporate Governance Report. The Nomination and Remuneration Charter and Compensation Policy is available at the following links: <http://scl.mehtagroup.com/policy/nomination-and-remuneration-charter> and <http://scl.mehtagroup.com/policy/compensation-policy>

PARTICULARS OF EMPLOYEES AND RELATED DISCLOSURES

Disclosures 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 is enclosed as **Annexure H**. There were 356 permanent employees of the Company as on 31st day of March 2022.

A statement showing names and other particulars of employees drawing remuneration in excess of the limits as set out in the Rule 5(2) and 5(3) and other details as required 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 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>.

AUDITORS:

STATUTORY AUDITORS AND THEIR REPORT

M/s. Manubhai & Shah LLP, Chartered Accountants, (Firm Registration No. 106041W / W100136) were appointed as Statutory Auditors of the Company, at the 60th Annual General Meeting held on 14th August 2018 to hold office from the conclusion of the said Meeting till the conclusion of 64th Annual General Meeting of the Company to be held in 2022, subject to ratification of their appointment by the Members at every intervening Annual General Meeting held thereafter.

The requirement of seeking ratification by the Members for continuance of their appointment has been withdrawn consequent upon the changes made by the Companies (Amendment) Act, 2017 with effect from 7th May 2018. Hence the resolution seeking ratification of the Members for their appointment is not being placed at the ensuing Annual General Meeting.

The Auditor's Report issued by M/s. Manubhai & Shah LLP, Chartered Accountants on the financial statements of the Company for FY 2021-22 to the Shareholders forms part of the Annual Report and does not contain any qualification.

The term of M/s. Manubhai & Shah LLP, Chartered Accountants as Statutory Auditors gets over at the ensuing Annual General Meeting. The Board of Directors at its meeting held on 23rd May 2022 have approved and recommended reappointment of M/s. Manubhai & Shah LLP, Chartered Accountants (Firm Registration no. 106041W/W100136) as Statutory Auditors of the Company to audit the accounts of the Company upto the Financial Year 2026-27.