

# 35th Annual Report 2007-08



**Sidhee**<sup>TM</sup>  
**CEMENT**

**GUJARAT SIDHEE CEMENT LIMITED**



Gujarat Sidhee  
Cement Limited

## Board of Directors

As on 28.01.2009

Mr. M. N. Mehta

Mr. Jay Mehta

Mr. Sanat Mehta

Mr. G. C. Murmu

Mr. M. S. Gilotra

Mr. Raj K. Poddar

Mr. M. L. Tandon

Mr. S. V. S. Raghavan

Mr. P. K. Behl

Mr. Bimal Thakkar

Mr. Hemnabh Khatau

Dr. (Ms) Kala S. Pant

*Chairman*

*Executive Vice-Chairman*

*Nominee of The Mehta International Limited*

*Nominee of GILC Limited*

*Managing Director*

*Deputy Managing Director*

### V. P. (LEGAL) & COMPANY SECRETARY

Mr. A. S. Khandwala

### BANKERS

State Bank of India

State Bank of Travancore

State Bank of Bikaner & Jaipur

State Bank of Patiala

State Bank of Saurashtra

### AUDITORS

Messrs. Manubhai & Co.

Chartered Accountants

Ahmedabad

### REGISTERED OFFICE & WORKS

"Sidheegram"

Off. Veraval - Kodinar Highway

Pin Code 362 276

District Junagadh

Gujarat.

### CORPORATE OFFICE:

N.K. Mehta International House, 2nd Floor

178, Backbay Reclamation

Mumbai 400 020.

### CONTENTS

### Page No. (s)

Notice	01
Directors' Report	08
Auditors' Report	26
Balance Sheet	30
Profit and Loss Account	31
Cash Flow Statement	32
Schedules with Balance Sheet Abstract	33

**GUJARAT SIDHEE CEMENT LIMITED**

Regd. Office : "Sidheegram", Off Veraval-Kodinar Highway

Pin Code - 362 276, Dist. Junagadh, Gujarat.

**NOTICE**

Notice is hereby given that the Thirty Fifth Annual General Meeting of the Shareholders of the Company will be held on Thursday the 5th March, 2009 at 10.00 a.m. at the Registered Office of the Company at "Sidheegram", Off Veraval-Kodinar Highway - Pin Code 362 276, Dist. Junagadh, Gujarat, to transact the following business:

**ORDINARY BUSINESS:**

1. To consider and adopt the audited Balance Sheet as at 30th September, 2008, the Profit and Loss Account for the year ended on that date and Director's and Auditor's Report thereon.
2. To appoint a Director in place of Mr. Sanat M. Mehta, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. G.C. Murmu, IAS, who retires by rotation, and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. M.N. Mehta, who retires by rotation, and being eligible, offers himself for re-appointment.
5. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT M/s. Manubhai & Co., Chartered Accountants, the retiring auditors of the Company, be and are hereby re-appointed as Statutory Auditors of the Company for audit of accounts for the financial year 2008-2009 and they shall hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company at a remuneration of Rs.3,25,000/- (Rupees Three Lakhs Twenty Five Thousand Only) per annum, plus Service Tax and reimbursement of travelling and out of pocket expenses actually incurred."

**SPECIAL BUSINESS:**

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. Manubhai & Co., Chartered Accountants, the Statutory Auditors of the Company be paid pro rata increased remuneration of Rs. 1,62,500/- (Rupees One lac sixty two thousand five hundred only) plus service tax and reimbursement of out of Pocket expenses for the audit of the accounts of the Company for the extended 6 months period of the financial year 2007-2008"
7. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.  
"RESOLVED THAT Mr. P.K. Behl, who was appointed as an Additional Director of the Company with effect from 30th July, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."
8. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.  
"RESOLVED THAT Mr. Hemnabh Khatau who was appointed as an Additional Director of the Company with effect from 25th October, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."
9. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.  
"RESOLVED THAT Dr. (Ms.) Kala S. Pant, who was appointed as an Additional Director of the Company with effect from 25th October, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."
10. To consider and if thought fit, to pass with or without modification(s), the following Resolution as an Ordinary Resolution.  
"RESOLVED THAT Mr. Bimal Thakkar who was appointed as an Additional Director of the Company with effect from 25th October, 2008 pursuant to Section 260 of the Companies Act, 1956 and who holds such office up to the date of this Annual General Meeting, be and is hereby appointed as Director of the Company."
11. To consider and if thought fit, to pass with or without modification(s), the following Resolution as a Special Resolution.  
"RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 316, 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, permissions as may be necessary, approval of the Company be and is hereby given to the re-appointment of Mr. Jay M. Mehta, as Executive Vice-Chairman of the Company for a period of 1 (one) year with effect from 1st January, 2009 to

31st December, 2009 and payment of remuneration as specified in the Explanatory Statement attached to this Notice and that the said remuneration shall be paid to him as Minimum Remuneration in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment.”

“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 the appointment as may be agreed to between the Board of Directors and Mr. Jay M. Mehta and within such guidelines or amendment as may be made to the Companies Act, 1956 or subject to approval of the Central Government or such other authority and do all such acts, deeds and things as may be necessary or expedient.”

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

“RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 316, 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, permissions as may be necessary, approval of the Company be and is hereby given to the re-appointment of Mr. M.S. Gilotra, as Managing Director of the Company for a period of 1 (one) year with effect from 1st January, 2009 to 31st December, 2009 and payment of remuneration as specified in the Explanatory Statement attached to this Notice and that the said remuneration shall be paid to him as Minimum Remuneration in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment.”

“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 the appointment as may be agreed to between the Board of Directors and Mr. M.S. Gilotra, and within such guidelines or amendment as may be made to the Companies Act, 1956 or subject to approval of the Central Government or such other authority and do all such acts, deeds and things as may be necessary or expedient.”

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

“RESOLVED THAT pursuant to Sections 198, 269, 309, 310 and 316, 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, permissions as may be necessary, approval of the Company be and is hereby given to the re-appointment of Mr. R. K. Poddar, as Deputy Managing Director of the Company for a period of 1 (one) year with effect from 1st January, 2009 to 31st December, 2009 and payment of remuneration as specified in the Explanatory Statement attached to this Notice and that the said remuneration shall be paid to him as Minimum Remuneration in the event of loss or inadequacy of profits in any financial year during the tenure of his appointment.”

“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 the appointment as may be agreed to between the Board of Directors and Mr. R.K. Poddar, and within such guidelines or amendment as may be made to the Companies Act, 1956 or subject to approval of the Central Government or such other authority and do all such acts, deeds and things as may be necessary or expedient.”

By Order of the Board of Directors

**A.S. Khandwala**

*Vice President (Legal) & Co. Secretary*

Mumbai: 28th January, 2009

**Registered Office:**

“Sidheegram”  
Off Veraval-Kodinar Highway  
Pin Code 362 276.  
Dist. Junagadh (Gujarat).

**NOTES:**

1. **A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote instead of himself on a poll and that a proxy need not be a member. Proxies in order to be effective must be received by the Company at the Registered Office, not less than 48 hours before the meeting.**
2. Re-appointment of Directors:  
Pursuant to Clause 49 of the Listing Agreement relating to code of Corporate Governance, the profile of the directors proposed to be appointed/ re-appointed at the ensuing Annual General Meeting is given in the Corporate Governance Report annexed to the Director's Report.
3. The Share Transfer Books and Register of Members of the Company shall remain closed from Tuesday, 3rd March, 2009 to Thursday, 5th March, 2009 (both days inclusive) in connection with the AGM.
4. The documents referred in the resolutions and explanatory statement are available for inspection by any member at the Registered Office of the Company during 10.00 a.m. to 12.00 noon, on any working day upto the date of the Annual General Meeting.

5. Members who have multiple account in identical names or joint accounts in same order are requested to send their share certificates to the Company for consolidation of all such shareholdings into one account to facilitate better service.
6. (a) Members are requested to notify immediately any change of address:
  - (i) to their Depository Participants (DPs) in respect of their demat shares accounts, and
  - (ii) To the Registrar and Transfer Agents at: M/s. Link Intime India Pvt. Ltd. (Formerly: M/s. Intime Spectrum Registry 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 inform their Pin Code immediately.
7. Non-resident Indian Shareholders are requested to inform the Registrars immediately of the change in their residential status, if any.
8. 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 Annual General Meeting.

By Order of the Board of Directors

**A.S. Khandwala**

*Vice President (Legal) & Co. Secretary*

Mumbai: 28th January, 2009

**Registered Office:**

"Sidheegram"  
Off Veraval-Kodinar Highway  
Pin Code 362 276.  
Dist. Junagadh (Gujarat).

## **EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956:**

### **ITEM NO. 6**

M/s. Manubhai & Co., Chartered Accountants were appointed as Statutory Auditors of the Company for the audit of the accounts for the financial year 2007-08 from the conclusion of last Annual General Meeting till the conclusion of ensuing Annual General Meeting at a remuneration of Rs. 3,25,000/- (Rupees Three lacs twenty five thousand only) per annum plus service tax and reimbursement of out of pocket expenses.

The Company had changed its financial year ending March to September and accordingly had extended financial year from 31st March, 2008 till 30th September, 2008 (01.04.2007 to 30.09.2008). In view of the above, the Statutory Auditors have requested for pro rata increase in their remuneration by Rs. 1,62,500/- (Rupees One lac sixty two thousand five hundred only) plus service tax and reimbursement of out of Pocket expenses. The payment of increased remuneration is recommended by the Audit Committee and approved by the Board. The Board recommends the resolution for your approval.

### **ITEM NO. 7 to 10:**

Mr. P.K. Behl was appointed as an Additional Director by the Board of Directors at its meeting held on 30th July, 2008. Mr. Hemnabh Khatau, Dr. (Ms) Kala S. Pant and Mr. Bimal Thakkar were appointed as an Additional Directors by the Board of Directors at its meeting held on 25th October, 2008. Pursuant to the provisions of Section 260 of the Companies Act, 1956, they hold office as Directors upto the date of ensuing Annual General meeting and are eligible for re-appointment. A notice pursuant to Section 257 of the Companies Act, 1956 has been received from a member along with requisite deposit proposing the appointment of Mr. P.K. Behl, Mr. Hemnabh Khatau, Dr. (Ms) Kala S. Pant and Mr. Bimal Thakkar, as Directors of the Company.

The Board recommends the aforesaid resolutions for approval. Except the aforesaid directors, none of the other directors are deemed to be interested or concerned in their appointment.

### **ITEM NO. 11 to 13:**

The Board of Directors of the Company at its meeting held on 25th October, 2008, subject to approval of the shareholders and the Central Government, have approved re-appointment of Mr. Jay Mehta, as Executive Vice Chairman, Mr. M. S. Gilotra as Managing Director and Mr. R. K. Poddar as Deputy Managing Director of the Company for further period of one year with effect from 1st January, 2009 to 31st December, 2009.

The Remuneration Committee & the Board of Directors at its meeting held on 25th October, 2008 have resolved that subject to such approvals as may be necessary, pay remuneration to Mr. Jay Mehta, Mr. M. S. Gilotra and Mr. R. K. Poddar as detailed hereunder.

**(A) Terms and conditions of appointment and remuneration to Mr. Jay Mehta, Executive Vice-Chairman**

Mr. Jay Mehta, aged, 48 years, has done B.S. (Industrial Engineering) from Columbia University, New York, U.S.A and has completed his MBA, IMD from Lausanne, Switzerland in 1991. Mr. Jay Mehta was earlier Executive Director of the Company. At present, he is also the Executive Vice Chairman of Saurashtra Cement Limited (SCL), an associate company and part of Mehta Group. He was re-appointed on existing remuneration of Rs. 2,40,000 per month plus retirement and other benefits for a further period of 1 (one) year w.e.f. 1.1.2009 to 31.12.2009, subject to the approval of Shareholders of SCL and the Central Government.

As per the provisions of the Companies Act, 1956 a person is eligible to act as Managing Director of two companies, however, the remuneration drawn from both the companies should be within the maximum ceiling limit permissible under Schedule XIII of the Companies Act, 1956.

In view of the ceiling limits applicable in view of inadequacy of profits as computed under Section 349 & 350 of the Act, the remuneration proposed to be paid by the Company and approved by the Remuneration Committee and Board of Directors is as follows:

**Remuneration:**

**Salary**

Rs.1,60,000/- (Rupees One Lakh, Sixty Thousand) per month.

In addition to the above, he shall be entitled to the following perquisites, which will not form part of above limit of salary.

- a) Contribution to Provident Fund /Superannuation Fund/ Annuity Fund @ 27% of salary.
- b) Gratuity not exceeding half month's salary for each year of completed service, computed as per Payment of Gratuity Act, 1972.

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

1. 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.
2. Payment of sitting fees as applicable to other directors for attending the meeting of the Board and committee thereof.
3. Encashment of unavailed leave at the end of his tenure.
4. Car with driver and other communication facilities at residence.
5. Re-imbusement of expenses incurred in respect of books and periodicals at actual against submission of supporting/s.
6. Subscription or Reimbursement of Club Fees on actual basis.

The above appointment can be terminated by either side by giving three months' prior notice in writing or paying three month's salary in lieu thereof.

Mr. Jay Mehta is interested in his own re-appointment and remuneration.

Mr. M. N. Mehta being related to Mr. Jay Mehta, is deemed to be concerned or interested in re-appointment of Mr. Jay Mehta as Executive Vice Chairman. Save and except these directors, no other director is deemed to be interested or concerned in this resolution.

**(B) Terms and conditions of appointment and remuneration to Mr. M. S. Gilotra, Managing Director.**

Mr. M.S. Gilotra, aged 58 years, is B.E. (Hons.) and has nearly 34 years of experience in cement industry. He is also Managing Director of Saurashtra Cement Ltd. (SCL), an associate company and part of Mehta Group. He was re-appointed on existing remuneration of Rs. 2,50,000 per month plus retirement and other benefits for a further period of 1 (one) year w.e.f. 1.1.2009 to 31.12.2009, subject to the approval of the Shareholders of SCL and the Central Government.

As per the provisions of the Companies Act, 1956 a person is eligible to act as Managing Director of two companies, however, the remuneration drawn from both the companies should be within the maximum ceiling limit permissible under Schedule XIII of the Companies Act, 1956.

In view of the ceiling limits applicable in view of inadequacy of profits as computed under Section 349 & 350 of the Act, the remuneration proposed to be paid by the Company and approved by the Remuneration Committee and Board of Directors is as follows:-

**Remuneration:**

**Salary**

Rs.1,50,000/- (Rupees One Lakh, Fifty Thousand) per month.

In addition to the above, he shall be entitled to the following perquisites, which will not form part of above limit of salary.

- a) Contribution to Provident fund @ 12% of basic salary,
- b) Superannuation fund/Annuity fund @15% of basic salary,
- c) Gratuity not exceeding half month's salary for each year of completed service, computed as per Payment of Gratuity Act, 1972.

In addition to the above, Mr. M. S. Gilotra will be entitled to the following benefits in course of discharging the duties and responsibilities.

1. 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.

2. Payment of sitting fees as applicable to other directors for attending the meeting of the Board and committee thereof.
3. Encashment of unavailed leave at the end of his tenure.
4. Car with driver and other communication facilities at residence.
5. Re-imburement of expenses incurred in respect of books and periodicals at actual against submission of supporting/s.
6. Subscription or Reimbursement of Club Fees on actual basis.

The above appointment can be terminated by either side by giving three months' prior notice in writing or paying three month's salary in lieu thereof.

Except Mr. M. S. Gilotra, no other Director is concerned or interested in the said appointment.

**(C) Terms and conditions of appointment and remuneration to Mr. R.K. Poddar, Deputy Managing Director.**

Mr. R.K. Poddar, aged 56 years, is an experienced Chartered Accountant. He has worked with reputed business houses for over 34 years and has good and varied exposure in Finance and Commercial function. He has also held various positions at the Senior Management level. He is also Deputy Managing Director of Saurashtra Cement Ltd. (SCL), an associate company and part of Mehta Group. He was re-appointed on existing remuneration Rs. 1,80,000 per month plus retirement and other benefits for a further period of 1 (one) year w.e.f. 1.1.2009 to 31.12.2009 subject to the approval of the Shareholders of SCL and the Central Government.

As per the provisions of the Companies Act, 1956 a person is eligible to act as Managing Director of two companies, however, the remuneration drawn from both the companies should be within the maximum ceiling limit permissible under Schedule XIII of the Companies Act, 1956.

In view of the ceiling limits applicable in view of inadequacy of profits as computed under Section 349 & 350 of the Act, the remuneration proposed to be paid by the Company and approved by the Remuneration Committee and Board of Directors is as follows:-

**Remuneration:**

**Salary**

Rs.2,20,000/- (Rupees Two Lakhs Twenty thousand only) per month.

In addition to the above, he shall be entitled to the following perquisites, which will not form part of above limit of salary.

- a) Contribution to Provident Fund @ 12% of basic salary,
- b) Superannuation Fund/Annuity Fund @15% of basic salary,
- c) Gratuity not exceeding half month's salary for each year of completed service, computed as per Payment of Gratuity Act, 1972.

In addition to the above, Mr. R.K. Poddar will be entitled to the following benefits in course of discharging the duties and responsibilities.

1. Reimbursement of entertainment expenses incurred for Company's work, subject to maximum of Rs.15,000/- per month on submission of supporting(s)/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. Payment of sitting fees as applicable to other directors for attending the meeting of the Board and committee thereof.
4. Encashment of unavailed leave at the end of his tenure.
5. Car with driver and other communication facilities at the residence.
6. Re-imburement of expenses incurred in respect of books and periodicals at actual against submission of supporting/s.
7. Subscription or Reimbursement of Club Fees on actual basis.

In addition to the above, Mr. Poddar will be entitled to the following benefits/facilities or by way of reimbursement, as per Company's rules.

1. Rent free furnished accommodation.
2. Reimbursement of Soft Furnishings and repairs.
3. Reimbursement for gas, electricity, water charges etc.
4. Personal Accident Insurance and Mediclaim Insurance for self and family.
5. Medical reimbursement for self and family.
6. Reimbursement of Leave Travel Expenses for self and family.

The above appointment can be terminated by either side by giving three months' prior notice in writing or paying three month's salary in lieu thereof

Except Mr. R.K. Poddar, no other Director is concerned or interested in the said appointment.

This may be treated as Memorandum of abstract of the terms and conditions of re-appointment as required under Section 302 of the Companies Act, 1956 in respect of Mr. Jay Mehta, Mr. M.S. Gilotra and Mr. R.K. Poddar.

Your Directors recommend the aforesaid resolutions for the approval of the Members.

<b>I. General Information:</b>				
1.	Nature of Industry			
	Manufacturers of Ordinary Portland Cement, Portland Pozzalona Cement and Cement Clinker.			
2.	Date of commencement of commercial production: March 1988.			
3.	In case of new companies, expected date of commencement of activities as per project approved by financial institutions appearing in the prospectus. Not applicable.			
4.	Financial performance based on given indicators :			
		2005-06 Rs./lacs (12 months)	2006-07 Rs./lacs (12 months)	<b>2007-08 Rs./lacs (18 months)</b>
	Turnover	31,230.80	40,286.98	<b>58,157.34</b>
	Profit /Loss before tax	2,472.27	5,918.01	<b>5,836.47</b>
	Profit /Loss after tax	1,266.76	5,236.25	<b>4,878.68</b>
5.	Export performance and net foreign exchange collaborations:			
		2005-06 Rs./lacs	2006-07 Rs./lacs	<b>2007-08 Rs./lacs</b>
	Export of Goods (FOB basis)	12,960.65	10,457.80	<b>4,727.12</b>
6.	Foreign investments or collaborators, if any.			
	No. of Equity Shares.		Nil	
	Equity shareholding (%)		Nil	

<b>II. Information about the appointee:</b>			
1.	Background details:		
	<b>Mr. Jay Mehta, EVC</b> Mr. Jay Mehta, is B.S. in Industrial Engg. USA, MBA from IMD, Lausanne, Switzerland. He is having vast experience in Cement Industry. He is also Executive Vice Chairman of Saurashtra Cement Limited.	<b>Mr. M.S. Gilotra, MD</b> Mr. M.S. Gilotra, is B.E. (Hons) in Mech. Engineering. A technocrat having over 34 years experience in Cement Industry, held senior management positions, a large part of which (17 years) was with ACC Ltd. He is also Managing Director of Saurashtra Cement Limited.	<b>Mr. R.K. Poddar, DMD</b> Mr. R.K. Poddar, is a Chartered Accountant and has worked in various positions at Senior Management level with reputed business houses for over 34 years. He is also Deputy Managing Director of Saurashtra Cement Limited.
2.	Past remuneration (18 months): Rs. 36.58 lacs	Rs. 34.29 lacs	Rs. 52.53 lacs
3.	Recognition or award: Nil	Nil	All India Merit list of The Institute of Chartered Accountants of India.
4.	Job profile & his suitability: Mr. Jay Mehta, as Executive Vice Chairman is responsible for overall management of the Company and is a Promoter director.	Mr. M.S. Gilotra, is responsible for Production, Marketing and Overall management.	Mr. R.K. Poddar, is responsible for general management, finance & commercial management.
5.	Remuneration proposed:		
	Rs.1,60,000/- per month with effect from 1st January, 2009 to 31st December, 2009 plus reimbursements and Retirement benefits consisting of PF, Superannuation, and Gratuity as applicable as per Company's Rules. The aforesaid remuneration shall be paid as minimum remuneration in case of loss or inadequacy of profits in relevant year during his tenure.	Rs.1,50,000/- per month with effect from 1st January, 2009 to 31st December, 2009 plus reimbursements and Retirement benefits consisting of PF, Superannuation, and Gratuity as applicable as per Company's Rules. The aforesaid remuneration shall be paid as minimum remuneration in case of loss or inadequacy of profits in relevant year during his tenure.	Rs.2,20,000/- per month with effect from 1st January, 2009 to 31st December, 2009, plus reimbursements and Retirement benefits consisting of PF, Superannuation, and Gratuity as applicable as per Company's Rules and Housing & Reimbursements. The aforesaid remuneration shall be paid as minimum remuneration in case of loss or inadequacy of profits in relevant year during his tenure.

6.	Comparative remuneration profile with respect to Industry, size of the Company, profile of the position and person. (in case of expatriates the relevant details would be with reference to the country of origin.) Comparative remuneration profile with respect to industry: Comparative figures of remuneration to Managing Directors/Executive Directors paid by Companies in India of similar size are given below:		
	Name of the Company	Turnover Rs. in Crores	Remuneration Paid Rs. in lacs per annum
	(i) Madras Cements Ltd. (2007-08)	1925	43.23
	(ii) Prism Cement Ltd. (2007-08)	876	156.00
	The appointees are all residents of India.		
7.	Pecuniary relationship directly or indirectly with the Company, or relationship with the managerial personnel if any.		
	Mr. Jay Mehta – Promoter Director and is related to Mr. M.N. Mehta, Chairman.	Mr. M.S. Gilotra – Nil	Mr. R.K. Poddar – Nil.

<b>III.</b>	<b>Other information.</b>
1.	Reasons of loss or inadequate profits. In the past, due to substantial excess supply of cement as compared to demand and due to natural calamities occurring in Gujarat, led to pressure on prices and low sales realisation. This has resulted into losses and the Company became sick under Sick Industrial Companies (Special Provisions) Act, 1985. The Company was referred to BIFR and Rehabilitation Package has been sanctioned and is under implementation.
2.	Steps taken or proposed to be taken for improvement. a) To augment overall capacity, the Company has produced and sold more pozzolana cement. b) In order to achieve better power and fuel efficiency, the Company has improved the raw mix design and productivity. c) The Company has installed 30 MW DG Set to reduce cost of power.
3.	Expected increase in productivity and profits in measurable terms. The Company has shown better results in the year 2006-07 (12 M) and 2007-08 (18 M) with a net profit of Rs.5,236.25 lakhs and Rs.4,878.68 lakhs respectively. In view of OTS settlement with the lenders and payment of dues, the profitability of the Company would improve especially in view of large projects coming to Gujarat.

By Order of the Board of Directors

**A.S. Khandwala**  
Vice President (Legal) & Co. Secretary

Mumbai: 28th January, 2009

**Registered Office:**

"Sidheegram"  
Off Veraval-Kodinar Highway  
Pin Code 362 276.  
Dist. Junagadh (Gujarat).

## DIRECTORS' REPORT

### Dear Members,

The Directors present the 35th Annual Report along with the Audited Accounts and Auditors Report for the financial year ended 30th September, 2008.

### CHANGE OF FINANCIAL YEAR :

The Company has changed its financial year ending March to end on September each year and consequently the current financial year is for a period of 18 months i.e. 1.4.2007 to 30.09.2008. The Ministry of Corporate Affairs vide its letters dated 14.5.2008 has approved extension of current financial year upto 30th September, 2008 and time for holding the Annual General Meeting.

### FINANCIAL RESULTS

The highlights of the financial results for the year ended 30th September, 2008 (18 months) are given below. However, they are not comparable with the previous financial year ended 31st March, 2007 which was for 12 months.

(Rs. in Million)

	<b>Current Year (2007-2008) (18 months)</b>	Previous Year (2006-2007) (12 months)
Sales & Other Receipts (Net of Excise)	<b>5815.73</b>	4028.64
Profit before Interest and Depreciation	<b>697.02</b>	803.84
Interest	<b>17.29</b>	117.27
Profit before Depreciation	<b>679.73</b>	686.57
Depreciation	<b>96.08</b>	94.77
Profit before Taxation and Exceptional Items	<b>583.65</b>	591.80
Exceptional Item - Interest written back	<b>287.44</b>	-
Income Tax / Fringe Benefit Tax / Wealth tax	<b>5.55</b>	3.26
Deferred Tax Adjustment	<b>(377.67)</b>	(64.92)
Profit after tax	<b>487.87</b>	523.62
Carried forward Loss of earlier years	<b>1478.07</b>	2001.69
Balance of Loss carried to Balance Sheet	<b>990.20</b>	1478.07

### DIVIDEND

In view of the carried forward losses, the Directors express their inability to recommend any dividend for the year.

### YEAR UNDER REVIEW

During the period under review (18 months; from April 2007 to September 2008), cement consumption on All India basis grew by 9 percent to 248.84 million tons from 228.11 million tons during the corresponding previous period (18 months ended 30th September 2007) (Previous year 12 months ended 31st March, 2007 - 149.37 million tons). The installed capacity of the Industry has increased from 168 million tons in March 2007 to 206.46 million tons in September 2008.

Cement consumption in Gujarat during the period of 18 months ended 30th September, 2008 grew by 12 percent to 17.32 million tons from 15.49 million tons during the previous corresponding period of 18 months ended 30th September, 2007. (Previous year 12 months ended 31st March, 2007 - 10.08 million tons). Exports of cement and clinker from Gujarat were lower at 7.1 million tons during the period under review, as against 10.17 million tons in the corresponding previous period ended 30th September, 2007 due to imposing of ban on Export of cement from India effective April, 2008. However, the Government has since lifted the ban on export of Cement and Clinker.

### PERFORMANCE REVIEW

The production of clinker for the period under review was 1.75 million tons as against 1.95 million tons in the corresponding 18 months period ended 30th September 2007. (Previous year 12 months ended 31st March, 2007 - 1.34 million tons). Production of Cement during the period under review was 1.75 million tons as compared to 1.90 million tons in the corresponding period ended 30th September, 2007 and 1.28 million tons in the previous 12 months period ended 31st March 2007.

The sale of cement and clinker during the period under review was 1.92 million tons as compared to 2.18 million tons in the corresponding previous period of 18 months ended 30th September 2007.

The sale of cement & clinker by the Company in the domestic market during the period under review was 1.49 million tons as against 1.58 million tons during the corresponding previous period of 18 months ended 30th September, 2007. (Previous year 12 months ended

31st March, 2007 - 1.0 million tons). The Company exported 0.44 million tons of cement and clinker during the period under review as compared to 0.60 million tons in the previous corresponding period 18 months ended 30th September 2007 (Previous 12 months period ended 31st March 2007 - 0.45 million tons). Exports were adversely affected due to the temporary ban on export of cement & clinker, imposed by the Government during April 2008.

#### **Rehabilitation Scheme**

Members may recall that the Company's net worth had been fully eroded and it was registered with Board of Industrial and Financial Reconstruction (BIFR) as required under the provisions of the Sick Industrial Companies (Special Provisions) Act 1985. The Rehabilitation Scheme was sanctioned for Company's revival during the year (hereinafter referred as "SS-02"). The scheme envisaged construction of a Jetty with mechanised loading and unloading facilities near the factory to reduce transportation cost, acquisition and setting up of D.G. Sets to reduce cost of power and granting necessary relief and concessions from the Banks/Financial Institutions & Government of Gujarat, equity infusion to be arranged by the promoter group and grant of additional financial assistance by Banks and Financial Institutions.

While the Revival Scheme sanctioned by the Appellate Authority for Industrial & Financial Reconstruction (AAIFR) in November, 2002 is under implementation, the modification in the sanctioned scheme (SS) has become inevitable as the Company could not implement the cost saving project as envisaged in the said SS due to the decision of the secured lenders not to disburse the fresh funds to the company as long as the litigation initiated by the Government of Gujarat against the said SS was not resolved. In the meanwhile, most of secured lenders desired One Time Settlement (OTS) of their outstanding dues. The Board for Industrial & Financial Reconstruction (BIFR) had circulated / published the Modified Draft of Revival Scheme (MDRS) in September, 2008 and suggestions / objections received thereto were considered at the hearing held in October, 2008. Considering that the world economy is facing its worst downturn since 1930s when it contracted amid great depression and that it is battering even emerging economies, the Company is now constrained to downsize its said MDRS. Accordingly, the Board of Directors proposed to submit the modification in SS involving reorganisation of existing share capital in the shape of de-rating of the shares and allotment of additional shares on preferential basis. The Company is pursuing its case with BIFR for obtaining its approval to need based modifications in SS-02.

#### **Public Deposits**

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

#### **Cash Flow Statement**

Cash flow statement pursuant to Clause 32 of the listing agreement is attached and forms part of the report.

#### **Directors**

During the year, the Life Insurance Corporation of India had withdrawn the nomination of Mr. P.K. Behl from the Board of Directors with effect from 5th May, 2008 as their dues were settled under One Time Settlement scheme. However, looking at the wide experience and vast knowledge of corporate matters, Mr. P.K. Behl was appointed as an Additional Director of the Company with effect from 30th July, 2008. Pursuant to Section 260 of the Companies Act, 1956 he holds the office of the director upto this Annual General Meeting and eligible for re-appointment.

Mr. Sanat M. Mehta, Mr. G.C. Murmu and Mr. M.N. Mehta shall retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The Board of Directors at its Meeting held on 25th October, 2008 have approved the re-appointment and remuneration of Mr. Jay M. Mehta, Executive Vice-Chairman, Mr. M.S. Gilotra, Managing Director and Mr. R.K. Poddar, Deputy Managing Director for a further period of (1) one year with effect from 1st January, 2009 till 31st December, 2009. Their appointments are subject to the approval of members and the Central Government.

Pursuant to recent amendments made by SEBI to Corporate Governance norms which stipulate that in case of company where Non-Executive Chairman is a promoter or related to promoter group, 50 per cent of the Board should consist of independent directors, the Company has appointed three additional (independent) directors viz. Mr. Hemnabh Khatau, Dr. (Ms) Kala S. Pant and Mr. Bimal Thakkar. They hold office up to this Annual General Meeting and are eligible for re-appointment.

#### **Listing of Equity Shares**

The Company's equity shares are listed on the Bombay Stock Exchange Limited (BSE) and National Stock Exchange of India Limited (NSE). The Company has paid listing fees as prescribed.

#### **Auditors**

M/s. Manubhai & Co., Chartered Accountants, Ahmedabad, the Statutory Auditors of the Company, holds office upto the conclusion of the ensuing Annual General Meeting in accordance with the provisions of the Companies Act, 1956. The Company has received letter pursuant to Section 224(1 B) of the Companies Act, 1956 confirming their eligibility to act as Auditors, if appointed at the Annual General Meeting.

#### **Cost Auditors**

In pursuance to Order No. 52/58/CAB-98 dated 30th October, 1998 issued under Section 233-B of the Companies Act, 1956, M/s. M. Goyal & Co., Cost Auditors, have been appointed by the Board as Cost Auditor of the Company for the financial year 2008-09. 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 and the Companies (Particulars of Employees) Rules, 1975 names and other particulars of the employees are required to be set out in the annexure to this report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956 the Report and Annual Accounts of the Company sent to the shareholders do not contain the said annexure. Any shareholders desirous of obtaining a copy of the said annexure may write to the Company Secretary at the Registered Office of the Company.

### **Industrial Relations**

The Company continued to maintain harmonious relations with its workers.

### **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**

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

### **Directors' Responsibility Statement**

Your Directors confirm:

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

### **Energy Conservation, Technology Absorption and 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 herewith in Annexure 1, forming part of the Report.

### **Acknowledgement**

The Directors wish to thank the Hon'ble Board for Industrial & Financial Reconstruction (BIFR), the Hon'ble 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

**M.N. Mehta**  
*Chairman*

Mumbai, 28th January, 2009.

## Annexure -1

DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS & OUT GO AS REQUIRED UNDER COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULE, 1988 & FORMING PART OF REPORT FOR THE PERIOD ENDED 30-09-2008.

### A. CONSERVATION OF ENERGY

#### a. Energy Conservation measures taken

- I. Optimisation of Plant Operation, Raw Mix & Fuel Mix.
- II. Reduction in speed of Drives, Pressure drop across Damper for process fans & losses in Electrical Systems.
- III. Improvement in efficiencies of process Fans.
- IV. Replacement of conventional insulation Bricks with Hysil Blocks to reduce radiation losses.
- V. Installation of HASLE Modular lining in Kiln Smoke Chamber for reduction in heat losses.
- VI. Periodic system audit to identify potential conservation points.

#### b. Additional Investment & Proposal, if any, being implemented for Reduction of consumption of Energy.

Replacement of Raw Mill Booster Fan Impeller through retrofit for improvement in efficiency from 65 to 72%

#### c. Impact of the Measures at (a) & (b) above

Reduction in Thermal & Electrical Energy consumption at areas indicated above.

#### d. Total Energy Consumption & Energy consumption per unit of Production

As per Form A of the Annexure.

### B. TECHNOLOGY ABSORPTION

Efforts made in Technology absorption is given in prescribed 'Form B' annexed.

### C. FOREIGN EXCHANGE EARNING & OUTGO

- a. Activities relating exports; initiatives taken to increase exports; development of new export markets for products and services; and export plans;  
Quality upgradation and exploring new markets in new geographic improving handling and packaging.
- b. Total Foreign Exchange used and earned.

(Rs. in Lacs)

	<b>Current Year 2007-08 (18M)</b>	Previous Year 2006-07 (12 M)
Foreign Exchange earned	<b>4727.12</b>	10457.80
Foreign Exchange used	<b>372.36</b>	1092.90

On behalf of the Board of Directors

**M.N. Mehta**  
Chairman

Mumbai, 28th January, 2009.

**FORM -A (See rule 2)**

(Form of Disclosure of particulars with respect to Conservation of Energy)

	<b>2007-2008</b> <b>(18 Months)</b>	2006-2007 (12 Months)
<b>A. POWER &amp; FUEL CONSUMPTION</b>		
<b>1. Electricity</b>		
a) <b>Purchased</b>		
Unit (KWH) (Lacs)	<b>1315.27</b>	1080.81
Total Amount (Rs. in Lacs)	<b>7921.93</b>	5999.18
Rate/Unit (Rs.)	<b>6.02</b>	5.55
b) <b>Own Generation</b>		
i. Through Diesel generation	<b>363.46</b>	146.93
ii. Fuel Cost /Electricity Duty	<b>2005.55</b>	639.51
iii. Through Steam Turbine /Generator	<b>Nil</b>	Nil
<b>2. Coal &amp; Other Fuel Used as Kiln Fuel</b>		
Quantity (in Million K. Cal)	<b>1399051</b>	1066296
Total Cost (Rs.in Lacs)	<b>11414.86</b>	5785.61
Average rate (Rs. in Million K. Cal)	<b>815.90</b>	542.59
<b>3. H.S.D. / L.D.O</b>		
Quantity in (K. Ltrs)	<b>237.67</b>	121.11
Total Cost of (Rs. in Lacs)	<b>83.72</b>	35.99
Average rate (Rs. in K. Ltrs)	<b>35225.78</b>	29715.41
<b>4. Other/Internal Generation</b>		
	<b>Nil</b>	Nil
<b>B. CONSUMPTION PER UNIT OF PRODUCTION</b>		
Electricity (KWH / T. of Cement)*	<b>90.07</b>	88.51
Diesel (Ltr / T. of Clinker)	<b>0.14</b>	0.09
Coal / Lignite (K. Cal / Kg. of Clinker)	<b>801</b>	798
Others	<b>Nil</b>	Nil

\*Net of non productivity of Power

**FORM - B** (See rule - 2)

(Form for Disclosure of Particulars with respect to Technology Absorption)

**A. RESEARCH AND DEVELOPMENT (R & D):**

**1. RESEARCH AND DEVELOPMENT HAS BEEN CARRIED OUT FOR IMPROVEMENT IN THE FOLLOWING AREAS:**

- a. Process diagnostics for modification in Pyroprocessing system to improve combustion for improvement in quality of Clinker produced.
- b. Optimisation of Fuel mix to ensure maximum compatibility with Raw Mix to obtain consistency of operation & quality of product.
- c. Modification/ optimization of Raw Mix design to improve consumption factor.
- d. Identification & usage of waste derived/agro waste based Raw material & Fuel for conservation of natural resources.
- e. Increase of Fly Ash usage in Portland Pozzolana Cement through improvement in quality of Clinker & consequently support environmental improvement.
- f. Evaluation of Grinding Aid for cement grinding.

**2. FOLLOWING BENEFITS WERE DERIVED OF THE ABOVE R & D:**

- a. Optimisation of Fuel consumption & consistent throughput.
- b. Increased usage of Petcoke & hence conservation of high grade Lime Stone.
- c. Energy conservation (Thermal & electrical) due to consistent operation.
- d. Usage of Wastes from other industry to convert them to value added product.

**3. FUTURE PLAN OF ACTION:**

- a. Part substitution of conventional Fuels with Agro Waste/Waste derived Fuels.
- b. Part substitution of Raw Materials with Industrial Waste to conserve natural resources.

**4. EXPENDITURE ON R & D:**

	(Rs. in Lacs)
a. Capital	Nil
b. Recurring	165.02
c. Total	165.02
d. Total R & D expenditure as a percentage of total turnover	0.29

**B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:**

Information regarding technology imported during the last five years:

- |  |       |
|--|-------|
| a. Technology Imported   | NIL   |
| b. Year of Import  | N. A. |
| c. Has Technology been fully absorbed  | N. A. |
| d. If not fully absorbed, areas where this has not been taken place, reason thereof and future plan of action. | N. A. |

## CORPORATE GOVERNANCE

### 1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE:

Corporate Governance relates to systems and process that direct corporate resources and management strategies towards maximising value for stakeholders while ensuring accountability, probity and openness in the conduct of business. A good governance process means strengthening internal control systems and building relationship with all stakeholders, including employees and shareholders.

The Company's governance philosophy rests on protection of rights and interests of stakeholders, equality in their treatment, disclosure of timely and accurate information, strategic guidance and effective monitoring by the Board and the Board accountability to company and its shareholders. In this context, the Company has been making significant disclosures on the Board composition and functioning, management thoughts on the performance and outlook.

### 2. BOARD OF DIRECTORS:

#### (I) Composition (As on 30.09.2008)

The Board of Directors (the Board), serve and protect the overall interests of all stakeholders; provides and evaluates the strategic directions to the Company; formulates, reviews management policies and ensures their effectiveness. The Executive Vice Chairman, Managing Director and Deputy Managing Director manage the day-to-day business of the Company under the overall supervision and guidance of the Board. The Board represents an optimum mix of professionalism, knowledge and rich experience. The composition and attendance at the Board Meetings held during the financial year ended 30.9.2008 and the attendance at the last Annual General Meeting held on 14th September, 2007 is given below:

Sr. No.	Directors	Executive / Non-Executive	No. of Board Meetings held	No. of Board Meetings Attended	Last AGM Attendance (Yes/No)
1.	Mr. M.N. Mehta	Non-Executive Chairman	7	4	No
2.	Mr. Jay M. Mehta	Executive Vice Chairman	7	6	Yes
3.	Mr. Sanat M. Mehta	TML Nominee	7	6	No
4.	Mr. G.C. Murmu, IAS	GLIC / GoG Nominee	7	1	No
5.	Mr. M.L. Tandon	Independent Director	7	7	No
6.	Mr. S.V.S. Raghavan	Independent Director	7	7	No
7.	Mr. P.K. Behl **	Independent Director	7	7	Yes *
8.	Mr. M.S. Gilotra	Managing Director	7	5	Yes
9.	Mr. R.K. Poddar	Deputy Managing Director	7	6	No

\* as alternate Chairman of Audit Committee.

\*\* Ceased to be LIC Nominee w.e.f. 5.5.2008. He was appointed as an additional (independent) director w.e.f. 30.7.2008 by the Board.

Note: Mr. Hemnabh Khatau, Dr. (Ms). Kala S. Pant and Mr. Bimal Thakkar were appointed additional (independent) directors w.e.f. 25.10.2008 and present composition of the Board is 12 members with 50% i.e. 6 Independent Directors.

#### (II) Meetings of the Board

Seven Board Meetings were held during the financial year ended 30.9.2008.

Sr. No.	Date of Board Meeting	Total strength of the Board	No. of Directors Present
1.	30.06.2007	9	5
2.	31.07.2007	9	8
3.	31.10.2007	9	8
4.	13.12.2007	9	6
5.	29.01.2008	9	8
6.	28.04.2008	9	8
7.	30.07.2008	9	6

### (III) Other Directorships

The details of other directorships etc., held by the Directors of the Company are given below :-

Name(s) of Directors	No. of other Directorship* (as on 30.9.2008)	Chairman of the Board	Member of Committees	Chairman of Committees
Mr. M. N. Mehta	6	6	1	1
Mr. Jay M. Mehta	7	-	2	-
Mr. Sanat Mehta	1	-	-	-
Mr. G. C. Murmu	12	2	10	-
Mr. S. V. S. Raghavan	2	-	3	1
Mr. M. L. Tandon	10	-	1	-
Mr. P. K. Behl	-	-	-	-
Mr. M. S. Gilotra	1	-	2	-
Mr. Raj K. Poddar	1	-	2	-

\* excluding directorship in Private/Foreign Cos. & Cos. incorporated u/s 25 of the Companies Act, 1956.

### (IV) Information to the Board of Directors

The information required to be placed before the Board includes:

- Annual revenue budgets and capital expenditure plans, if any.
- Quarterly and annual financial and operational performance.
- Financing Plans of the Company.
- Minutes of the Meetings of Audit, Shareholders/(Investor) Grievance Committee and Remuneration Committee.
- Fatal or serious accidents or dangerous occurrence, any material effluent or pollution problems.
- Any materially relevant default, if any, in financial obligations to and by the Company or substantial non-payment of goods sold or services rendered, if any.
- Any issue, which involves possible public or product liability claims of substantial nature, including any judgement or order, which may have passed strictures on the conduct of the Company.
- Developments in respect of Human Resources.
- Compliance or Non-compliance of any Regulatory, Statutory or Listing requirements and Investor service such as non-payment of dividend, delay in share transfer etc. if any.

### (IV) Appointment/Re-appointment of Directors

#### Appointment:

1. Mr. P. K. Behl, aged 65 years, retired as Executive Director (International Operations) from Life Insurance Corporation of India and has vast knowledge on corporate matters.  
He is not holding any shares in the Company.
2. Mr. Hemnabh R. Khatau, aged 47 years, is a B.A. (Eng) from Cambridge, M.Sc (UMIST), has track record of successful Board level line management in manufacturing and financial services sectors. He has wide experience in developing and implementing successful strategies for growth and improving performance. He has worked in the UK for a decade in various positions in the consulting practices of Capgemini UK, KPMG and Indeco IMC.  
He is not holding any shares in the Company.
3. Mr. Bimal Thakkar, aged 43 years, has over 20 years of experience and is currently spearheading the ADF Group. He has been instrumental in expansion of the business and promoting the Company's products in international markets, development of Brands and creating new markets for the products in UK, USA, Gulf, Australia, Europe etc.  
He is not holding any shares in the Company.
4. Dr. (Ms.) Kala S. Pant, aged 73 years, has vast experience in banking sector. She was on Board of Directors of Bank of India, Dena Bank and presently Consultant/Advisor to Nationalized Banks and various corporates.  
She is holding 400 equity shares in the Company.

#### Re-appointment

The brief particulars of the Directors of the Company, retiring by rotation and proposed to be re-appointed at the ensuing Annual General Meeting are as under:-

1. Mr. Sanat M. Mehta, aged 73 years, was Ex-Chairman of Narmada Sardar Sarovar Nigam Limited and Ex-Finance Minister of Government of Gujarat. He is Director on the Board of R.T. Exports Limited.  
He is not holding any shares in the Company.

2. Mr. G.C. Murmu, IAS, aged 49 years, is Managing Director of Gujarat Industrial Investment Corporation Ltd., (Government of Gujarat Undertaking). He is Chairman of Gujarat Venture Finance Ltd., Gujarat Machine Tools Corpn. Ltd. & Director of Gujarat Lease Financing Ltd., Haldyn Glass Gujarat Ltd., Gujarat Alkalies & Chemicals Ltd. Gujarat Port Infrastructure & Development Co. Ltd., Gujarat State Investment Ltd., Gujarat Chemical Port Terminal Co. Ltd., Petronet VK Limited Alcock Ashdown Gujarat Ltd. and Infrastructure Finance Co. Gujarat Ltd.  
He is not holding any shares in the Company.
3. Mr. Mahendra N. Mehta, aged 75 years joined the Board on 7.12.1984. Mr. M.N. Mehta is an Industrialist. Mr. Mahendra N. Mehta, NRI, who after schooling in India, joined the family business at the age of 19 in East Africa and has over five decades of entrepreneurial experience, heads the Mehta Group. Mr. M.N. Mehta is the motivating force behind the Group. Mr. M.N. Mehta is also the Chairman of Saurashtra Cement Limited and Chairman of Prachit Holdings Ltd., Pranay Holdings Ltd., Reeti Investments Ltd., Ria Holdings Ltd. and Agrima Consultants International Ltd.  
He is not holding any shares in the Company.
4. Mr. Jay Mehta, aged 48 years, has done B.S. (Industrial Engineering) from Columbia University, New York, U.S.A and has completed his MBA, IMD from Lausanne, Switzerland in 1991. Mr. Jay Mehta was earlier Executive Director of the Company. Mr. Jay Mehta is also Executive Vice Chairman of Saurashtra Cement Limited. He is also Director of Pranay Holdings Limited, Prachit Holdings Limited, Ria Holdings Limited, Reeti Investments Limited, Agrima Consultants International Limited and ADF Foods Limited.  
He is not holding any shares in the Company.
5. Mr. M.S. Gilotra, aged 58 years, is B.E. (Hons) in Mech. Engineering. A technocrat having over 34 years experience in Cement Industry, held senior management positions, a large part of which (17 years) was with ACC Ltd. He is also Managing Director of Saurashtra Cement Limited.  
He is holding 2000 shares in the Company.
6. Mr. R.K. Poddar, aged 56 years, is a Chartered Accountant and has worked in various positions at Senior Management level with reputed business houses for over 34 years. He is also Deputy Managing Director of Saurashtra Cement Limited.  
He is not holding any shares in the Company.

**a. AUDIT COMMITTEE:**

The Audit Committee of the Board comprises of 3 Non-Executive Directors. Viz. Mr. S. V. S. Raghavan, Mr. M. L. Tandon and Mr. P. K. Behl, all independent Directors. Mr. S. V. S. Raghavan is the Chairman of the Audit Committee. Mr. M.S. Gilotra, Managing Director and Mr. R. K. Poddar, Dy. Managing Director are permanent invitees. Mr. A. S. Khandwala, Vice President (Legal) & Company Secretary is Secretary of the Audit Committee.

The Audit Committee's scope include reviewing the Company's internal control system, audit procedures, compliance with statutory and regulatory requirements, financial reporting process and the disclosure of its financial information to ensure that the financial statements are true and correct. It also reviews the quarterly results and the annual financial statements before submission to the Board. The Audit Committee effectively acts as a link to the Board of Directors, Statutory Auditor and Internal Audit functions.

During the financial year ended 30.9.2008, seven Audit Committee Meetings were held on 30.5.2007, 30.06.2007, 31.7.2007, 31.10.2007, 29.01.2008, 28.04.2008 and 30.07.2008. The attendance at the Audit Committee Meetings was as under:

Name of the Director	No. of meetings held	No. of Meetings attended
Mr. S. V. S. Raghavan, Chairman	7	6
Mr. M. L. Tandon, Member	7	6
Mr. P. K. Behl, Member	7	7

The Statutory Auditors and Internal Auditors also attended Audit committee Meetings held during the year. The Minutes of the Audit Committee Meetings are noted by the Board of Directors at the subsequent Board Meeting.

Mr. P.K. Behl was appointed Alternate Chairman to Mr. S.V.S. Raghavan, Chairman of the Audit Committee and attended the Annual General Meeting of the Company held on 14th September, 2007.

**b. REMUNERATION COMMITTEE:**

**(i) COMPOSITION**

The Remuneration Committee comprises of three Independent Directors viz. Mr. S.V.S. Raghavan, Mr. P.K. Behl and Mr. M.L. Tandon. Mr. S.V.S. Raghavan is the Chairman of the Remuneration Committee.

The Remuneration Committee's functions *inter alia* includes (a) review and recommend remuneration of Managing/Whole-time Director (b) periodically review of the remuneration package of Managing/Whole-time Director and recommend suitable revision therein to the Board of Directors.

During the period, one meeting was held on 13th December, 2007.

(ii) **DETAILS OF REMUNERATION OF DIRECTORS FOR THE FINANCIAL YEAR 2007-08 (18 Months)**

**Executive Directors:**

Name	Salary & Allowances (Rs.)	Perquisite (Rs.)	Contribution to PF/Super annuation	Others (Sitting Fees)	Total (Rs.)
Mr. Jay M. Mehta, Executive Vice Chairman	28,80,000	-	7,77,600	1,20,000	37,77,600
Mr. M.S.Gilotra, Managing Director	27,00,000	-	7,29,000	1,00,000	35,29,000
Mr. Raj K. Poddar, Deputy Managing Director	40,33,658	2,60,000	9,59,850	1,20,000	53,73,508

The Board of Directors at its meeting held on 13th December, 2007 subject to approval of shareholders and the Central Government had approved re-appointment of Mr. Jay Mehta as Executive Vice Chairman, Mr. M. S. Gilotra as Managing Director and Mr. R. K. Poddar as Deputy Managing Director for a period i.e. 1.1.2008 to 31.12.2008. The shareholders of the EGM held on 28.3.2008 has approved re-appointment and payment of remuneration. Approval from Central Government has been received in respect of Mr. Jay Mehta and Mr. R. K. Poddar and is awaited in respect of Mr. M. S. Gilotra.

In respect of approval received for Mr. Jay Mehta and Mr. R.K. Poddar, the same are not in accordance with the remuneration approved by shareholders. The Company has made representation for necessary amendment in this regard.

**Non-Executive Directors:**

The Directors were paid sitting fees of Rs. 20,000/- per meeting for attending the meeting of the Board, Audit Committee, Remuneration Committee and Shareholders/(Investor) Grievance Committee attended by them.

Director	No. of Board Meetings attended	No. of Committee meetings attended	Total	Amount of sitting fees paid Rs.
Mr. M.N. Mehta, Chairman	4	-	4	80,000
Mr. Sanat M. Mehta, TMIL Nominee	6	-	6	1,20,000
Mr. G. C. Murmu, IAS. GLIC/GoG Nominee	1	-	1	20,000
Mr. M. L. Tandon	7	7	14	2,80,000
Mr. S. V. S. Raghavan	7	7	14	2,80,000
Mr. P. K. Behl *	7	7	14	2,80,000
Total				10,60,000

Note: The Company has not issued any stock options to any Directors as it does not have any stock option scheme.

\* Ceased to be LIC Nominee w.e.f. 5.5.2008. He was appointed as additional (independent) director by the Board at its meeting held on 30.7.2008.

**c. SHAREHOLDERS/INVESTORS' GRIEVANCES COMMITTEE:**

The Company has a Share Transfer/Investors' Grievances Committee of Directors (to approve, transfer etc. above 1 lakh shares) as well as a Sub-Committee of Working Directors). The scope of the Committee is to approve transfers/transmissions of shares held in physical form/issuance of duplicate certificates, new certificates after split/consolidation and review redressal of investor complaints.

During the financial year 2007-08, the Sub-Committee held six meetings on 3.7.2007, 31.7.2007, 31.10.2007, 29.1.2008, 28.4.2008 and 30.7.2008.

Name of the Director	No. of meetings held	No. of meetings attended
Mr. Jay Mehta, Executive Vice Chairman	6	6
Mr. M. S. Gilotra, Managing Director	6	6
Mr. R. K. Poddar, Deputy Managing Director	6	6

During the period under report, the Company has received 105 complaints/letters from the shareholders which were attended to/resolved satisfactorily. All requests for transfer of shares have been processed within the prescribed time.

Mr. A. S. Khandwala, Vice President (Legal) & Company Secretary, was appointed as Compliance Officer w.e.f. 24th September, 2007.

The Minutes of the Shareholders/Investor Grievances Committee are noted by the Board of Directors at the subsequent Board Meeting.

**d. (i) GENERAL BODY MEETINGS:**

Location and time where last three Annual General Meetings/Extraordinary General Meetings were held:

Financial Year	Date	Time	Venue	Dividend declared
2006-07	14.9.2007	10.00 a.m.	Registered Office at "Sidheegram" Off Veraval-Kodinar Highway, Pin Code 362 276, Dist. Junagadh, Gujarat	Nil
2005-06	28.9.2006	9.30 a.m.	- do -	Nil
2004-05	16.9.2005	4.00 p.m.	- do -	Nil

No special resolutions were required to be put through postal ballot.

(II) **EXTRAORDINARY GENERAL MEETINGS:**

Financial Year	Date	Time	Venue
2007-08	28.03.2008	10.00 a.m.	Registered Office at "Sidheeagram" Off Veraval-Kodinar Highway, Pin Code 362 276, Dist. Junagadh, Gujarat
2005-06	9.01.2007	9.30 a.m.	- do -

(iii) **SPECIAL RESOLUTIONS:**

Special Resolutions for the following matters were passed at the above Extraordinary General Meeting:

S. No.	Date	Subject matter of Special Resolution
1.	EGM held on 9.1.2007	a) Re-appointment of Mr. Jay Mehta as Executive Vice-Chairman for a further period from 28.5.2007 to 31.12.2007 and remuneration. b) Re-appointment of Mr. M.S. Gilotra, as Managing Director from 11.12.2006 to 31.12.2007 and remuneration. c) Re-appointment of Mr. R.K. Poddar, as Dy. Managing Director from 3.12.2006 to 31.12.2007 and remuneration. d) Increase in Authorized Share Capital from Rs.170 crores to Rs.500 crores. e) Alteration in Clause V of the Memorandum of Association consequent to increase in Authorized Share Capital. f) Alteration in Article (3) of the Articles of Association consequent to increase in Authorized Share Capital.
2.	EGM held on 28.03.2008	a) Re-appointment & Remuneration of Mr. Jay Mehta as Executive Vice-Chairman for a further period one year w.e.f. 1.1.2008 to 31.12.2008. b) Re-appointment & Remuneration of Mr. M.S. Gilotra, as Managing Director for a further period of one year w.e.f. 1.1.2008 to 31.12.2008. c) Re-appointment & Remuneration of Mr. R.K. Poddar, as Dy. Managing Director for a further period of one year w.e.f. 1.1.2008 to 31.12.2008 and payment of remuneration.

Note: 1. No special resolutions were required to be put through postal ballot.

(iv) **DISCLOSURES:**

i) **Related Party Transactions.**

During the period there were no transactions of material nature with the Promoters, the Directors, Management or their subsidiaries or relatives of the Directors that had potential conflict with the Company. Suitable disclosures as required by the Accounting Standards (AS 18) has been made in the Annual Report.

ii) **Penalties, Strictures by Stock Exchange(s)/SEBI**

No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.

**3. DISCLOSURE OF ACCOUNTING TREATMENT:**

In the preparation of financial statements, the Company has followed the Accounting Standards as notified under Companies (Accounting Standards), Rules 2006, as applicable.

**4. DISCLOSURE ON RISK MANAGEMENT:**

The Company has laid down procedures to inform Board members about the risk assessment and minimization procedures. The Company has framed the risk assessment and minimization procedure which is periodically reviewed.

**5. CODE OF CONDUCT:**

The Board has formulated a Code of Conduct for the Board Members and Senior Management of the Company. The Board members and senior management personnel have affirmed their compliance with the code. A declaration to this effect signed by the Directors and Senior Executives of the Company was placed before the Board.

**6. CEO/CFO CERTIFICATION:**

A CEO/CFO certificate on the audited/unaudited financial statements of the Company for each quarter and annual financial results was placed before the Board.

## 7. GROUP:

The Company is part of Mehta Group. As these Companies exercise control over the Company, they constitute the Group as defined under Section 2(e) of the Monopolies and Restrictive Trade Practices Act, 1969:-

- |                               |  |
|-------------------------------|--|
| 1. Pranay Holdings Ltd.       | 8. Villa Trading Co. Pvt. Ltd.           |
| 2. Prachit Holdings Ltd.      | 9. The Mehta International Ltd.          |
| 3. Ria Holdings Ltd.          | 10. Euro India Investments Ltd.          |
| 4. Reeti Investments Ltd.     | 11. Exchange Management Ltd.             |
| 5. Sameta Exports Pvt. Ltd.   | 12. Hopgood Investments Ltd.             |
| 6. Sumaraj Holdings Pvt. Ltd. | 13. Shree Anandeya Investments Pvt. Ltd. |
| 7. Sunnidhi Trading Pvt. Ltd. | 14. Pallor Trading Co. Pvt. Ltd.         |

Apart from the above, the following Companies being holding/or subsidiary companies of one or more of the above shareholders, may be treated as indirectly holding the equity shares of Gujarat Sidhee Cement Ltd., and may be considered as part of 'Group'.

- |                                  |                             |
|----------------------------------|-----------------------------|
| 1. Saurashtra Cement Ltd.        | 5. Monza Ltd.               |
| 2. Industrial Constructions Ltd. | 6. Treasurer's Trading Ltd. |
| 3. Sampson Ltd.                  | 7. The Arj Investments Ltd. |
| 4. Beverley Investment Inc.      |                             |

## 8. MEANS OF COMMUNICATION:

The quarterly, half-yearly and yearly financial results of the Company are sent to the Stock Exchanges immediately after these are approved by the Board. These results are published in Jaihind, Gujarat and in Financial Express, Ahmedabad and Mumbai. The Company has not sent the half yearly report to each household of shareholders. The Company has not made any presentation to the Institutional Investors or Analysts. These results are simultaneously posted on the website of the company at <http://www.mehtagroup.com> and Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI.

## 9. GENERAL SHAREHOLDERS INFORMATION:

i)	Audited results for the current Financial Year ended September, 2008.	Wednesday, the 28th January, 2009.	
ii)	Board Meeting for consideration of unaudited results for	Quarter I (ended 31.12.08) Quarter II (ending 31.3.09) Quarter III (ending 30.6.09) Quarter IV (ending 30.9.09)	28.1.2009  Within one month from the end of the quarter as stipulated under the listing agreement with the stock exchanges.
iii)	Annual General Meeting is proposed to be held	Thursday, the 5th March, 2009	
iv)	Date of Book closure	Tuesday, 3rd March, 2009 to Thursday, 5th March, 2009 (both days inclusive)	

v) Listing of equity shares on Stock Exchange at:

S. No.	Name(s) of the Stock Exchange	Stock Code
a)	The Bombay Stock Exchange Limited (BSE) Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 001.	518029
b)	The National Stock Exchange Limited (NSE) Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai 400 051.	GUJSIDHCEM

vi) **Listing Fees:**

The Company has paid Listing Fees for the financial year 2008-2009 to the Bombay Stock Exchange Ltd., (BSE) and National Stock Exchange India Ltd. (NSE), where the Company's shares are listed.

**vii) Registrar & Share Transfer Agent:**

The Company has appointed "M/s. Intime Spectrum Registry Limited" as Registrar and Transfer Agent for transfer of physical shares and connectivity lines for demat of shares. The Registrar also accepts and attends to complaints of Investors. Investors complaints are given top priority by them and are replied promptly. The name of the Registrar has since been changed to 'M/s. Link Intime India Pvt. Ltd.'

No complaint is pending as on 30.9.2008 from the shareholders/investors relating to transfer of shares.

**viii) Share Transfer System:**

The share transfer in physical form are processed by the Registrars and Transfer Agents and duly transferred share certificates are returned within a period of 15 to 20 days from the date of receipt provided that the documents are found to be in order.

The shares held in demat form are transferred electronically through the depositories, CDSL & NSDL.

**ix) Distribution of Shareholding as on 30th September, 2008:**

No. of equity shares held	No. of shareholders	%	No. of shares held	%
1 – 500	67454	79.30	14643787	10.13
501 – 1000	9989	11.74	8869494	6.13
1001 – 2000	3789	4.45	6212441	4.30
2001 – 3000	1244	1.46	3304612	2.28
3001 – 4000	537	0.63	1978517	1.37
4001 - 5000	661	0.78	3224640	2.23
5001 - 10000	723	0.85	5585582	3.86
10001 – above*	671	0.79	100796335	69.70
<b>Total</b>	<b>85068</b>	<b>100.00</b>	<b>144615408</b>	<b>100.00</b>

\* 200317 forfeited shares pending to be re-issued.

**x) Shareholders Profile as on 30th September, 2008:**

Category	No. of shareholders	%	No. of shares held	%
Promoter Group Companies	22	0.03	54020823	37.36
Bodies Corporate	1181	1.38	17026466	11.78
NRIs	645	0.76	1827082	1.26
FIs	15	0.02	1084823	0.75
Financial Institutions	5	0.01	700900	0.48
Banks	5	0.01	28000	0.02
Mutual Fund	7	0.01	131325	0.09
Foreign Company	1	0.00	12500000	8.64
Overseas Corporate Bodies	2	0.00	44300	0.03
Indian Public	83185	97.78	57251689	39.59
<b>Total</b>	<b>85068</b>	<b>100.00</b>	<b>144615408</b>	<b>100.00</b>

**xi) Dematerialization of shares:**

As on 30th September, 2008, 13,24,30,860 equity shares constituting 91.56% of the Company's total paid-up share capital were held in dematerialized form with the depositories NSDL and CDSL.

**xii) Outstanding GDR or Warrants or any Convertible Instruments, Convertible Debentures etc.**

The Company's capital comprises only of Equity shares and the Company does not have any outstanding ADRs, GDRs, Warrants or any Convertible instruments. No stock option has been issued by the Company.

xiii) Stock Market price data for the period 2007–2008:

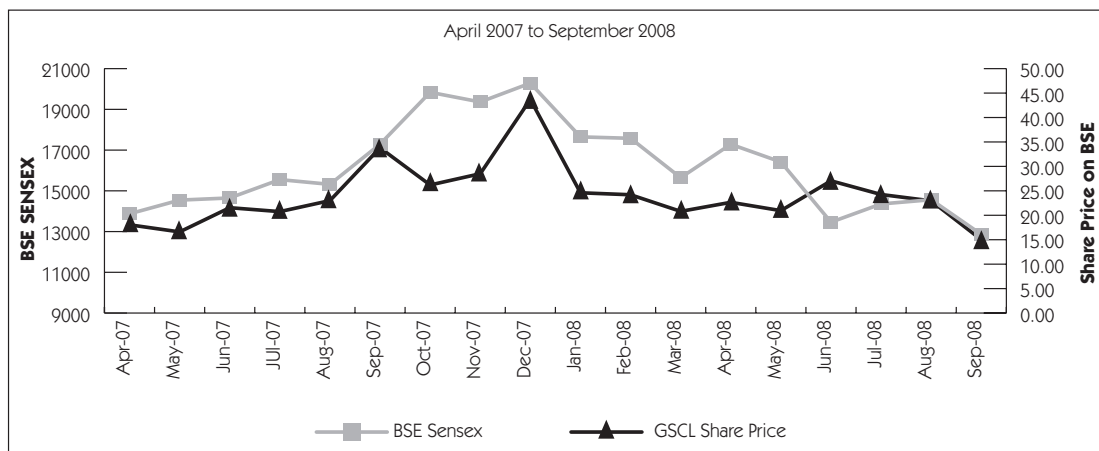
**GSCL Price on BSE & NSE**

(Rupees)

Month	BSE		NSE	
	High	Low	High	Low
April 2007	19.25	15.50	19.15	15.70
May 2007	18.90	16.40	18.90	16.30
June 2007	21.55	15.65	21.70	15.70
July 2007	23.00	18.30	23.10	18.50
August 2007	26.60	20.15	26.65	20.20
September 2007	36.50	23.10	36.30	23.05
October 2007	35.70	24.80	35.50	24.00
November 2007	33.50	23.10	33.40	22.00
December 2007	44.50	28.80	44.45	28.85
January 2008	45.00	24.10	44.70	24.05
February 2008	28.45	21.85	28.40	21.85
March 2008	23.90	15.25	24.50	15.35
April 2008	23.45	18.40	23.35	18.50
May 2008	24.75	19.00	24.90	19.60
June 2008	29.50	17.80	19.60	17.45
July 2008	27.90	21.85	28.20	22.00
August 2008	26.50	21.85	26.30	22.20
September 2008	24.20	14.00	24.15	14.00

xiv) Stock Performance (Index)

The performance of the Company's shares in relation to Bombay Stock Exchange Sensex is given in the chart below:-



**Plant Location :**

"Sidheeagram" Off Veraval – Kodinar Highway, Dist. Junagadh, Pin Code 362 276, Gujarat

**xv) Address for correspondence:**

- Registered Office is situated at "Sidheeagram", off Veraval-Kodinar Highway, Pin Code 362 276, Dist. Junagadh, Gujarat.  
E-mail id : sidhee-mum@mehtagroup.com

- ii. Corporate Office : N. K. Mehta International House, 2nd Floor,  
178 Backbay Reclamation, Mumbai 400 020.  
E-mail id : sidhee-mum@mehtagroup.com

Shareholder correspondence should be addressed to Registrars & Transfer Agent:

M/s. Link Intime India Pvt. Ltd.,  
(formerly M/s. Intime Spectrum Registry Limited)  
(Unit) Gujarat Sidhee Cement Ltd.  
C-13, Pannalal Silk Mills Compound,  
L. B. S. Marg, Bhandup (West),  
Mumbai 400 078. Tel.: 022-25963838, Fax: 022-25946969  
Contact Person: Mr. Sharad Patkar

A separate E-mail ID : gsclinvestorquery@mehtagroup.com has been created specifically for investor query/complaints.

Shareholders holding shares in electronic mode should address all their correspondence to their respective Depository Participant (DP) regarding change of address, change of Bank Account/Bank nomination etc.

**A) NON MANDATORY REQUIREMENTS:**

**(a) Chairman's Office:**

The Corporate Office of the Company supports the Chairman in discharging the responsibilities.

**(b) Shareholders Rights:**

As the Company's financial results are published in English Newspaper having circulation all over India and in a Gujarati Newspaper widely circulated in Gujarat, the same are not sent to each Shareholder.

**(c) Audit Qualifications:**

The Company did not have qualifications in the Auditors Report for the financial year 2007-08. The Company continues to adopt best practices to ensure regime of unqualified financial statements.

**(d) Training of Board Members:**

The Company's Board of Directors comprise of professionals with expertise in their respective fields and industry. They endeavour to keep themselves abreast with changes in global economy and various legislations. .

**(e) Postal Ballot:**

The provisions relating to Postal Ballot will be complied with in respect of matters, where applicable.

**(f) Mechanism for evaluation non-executive Board Members:**

The Company does not have a mechanism to evaluate the performance of the Non-Executive Directors of the Company.

**(g) Whistle Blower Policy:**

The Company, at present, has not adopted any Whistle Blower Policy.

On behalf of the Board of Directors

**M. N. MEHTA**  
Chairman

Mumbai: 28th January, 2009.

**Declaration of Compliance with the code of conduct.**

As provided under Clause 49 of the Listing Agreement with the Stock Exchanges, the Board Members and the Senior Management have confirmed compliance with the Code of Conduct and Ethics for the financial year ended 30th September, 2008.

On behalf of the Board of Directors

**M. N. MEHTA**  
Chairman

Mumbai: 28th January, 2009.

## Auditor's Report on Corporate Governance

TO,  
The Members of  
GUJARAT SIDHEE CEMENT LIMITED

We have examined the relevant records of Gujarat Sidhee Cement Ltd. (the company) for the period ended 30th September, 2008 relating to compliance of conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement entered into, by the Company, with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we state that the Company has complied with the conditions of Corporate Governance stipulated in Clause 49 of the above mentioned Listing Agreement.

We state that no investor grievance is pending for a period exceeding one month against the Company, as certified by the share transfer agents of the Company and based on the records maintained by them.

We further state that, such compliance is neither an assurance as to the future viability of the Company, nor as to the efficiency or effectiveness with which the management has conducted affairs of the Company.

For **MANUBHAI & CO.**  
*Chartered Accountants*

**(K.C. PATEL)**  
*Partner*

Membership No. 30083

Place : Mumbai  
Dated : 28th January, 2009.

## **MANAGEMENT DISCUSSIONS & ANALYSIS REPORT**

### **Industry Structure & Development**

The extended financial year ended on 30th September 2008 was closed under challenging circumstances. Rising level of inflation resulted in the intervention of the Central Government to control the prices, despite steep escalation in the input costs and taxes. On one side, the Government stipulated ban on export of cement and on the other side, allowed import of cement free of custom duty and CVD. However, the Government partially lifted the ban on export of cement from the State of Gujarat effective end June 2008 and from December 2008 onwards, allowed export of cement and clinker from India. The Government has now also levied CVD on import of cement.

India is the second largest producer of cement in the world with a capacity of 206 million tons as on December 2008. In view of the strong growth in demand consequent to GDP growth, the Industry planned to increase the capacity out of which, 38 million tons has already been installed by December 2008. The Industry produces cement at 90% capacity utilization during the period under review. The per capita consumption of cement in India at 135 kg is significantly low as compared to other developing countries.

Gujarat State has an installed capacity of about 19 million tons and has seen a healthy growth in cement consumption. The cement industry in Gujarat is the largest exporter of cement in the country.

The infrastructure needs for road, irrigation, ports and housing are expected to fuel growth in construction and cement consumption

### **Future Outlook**

Given the overall economic growth, thrust on infrastructure development and Government's thrust on housing construction, the long-term outlook of Cement Industry looks stable and expected to grow in line with the GDP growth. It is expected that new capacity shall be installed in line with the growth in demand. However, the short-term imbalance of demand and supply of cement is inevitable when the new capacities come on stream.

### **Opportunities & Threats**

The Governments emphasis on infrastructure spending and the housing needs of the growing population will ensure growth in consumption of cement. Gujarat state in particular has been attracting large investments in Industry, which will help the overall economic growth and therefore increased cement consumption. The Global economic meltdown, in particular the real estate and infrastructure projects in the Middle East can affect the export markets of your company. Therefore, newer markets are being explored to protect our plant utilization. Capacity additions in the region can also result in temporary surplus of cement production over demand thereby adversely affecting capacity utilization. However, expected strong demand in view of the expected high GDP growth, shall ensure absorption of large cement production capacities. The rationalization of taxes by the Government shall further ensure growth of the industry.

Cement being an energy intensive industry, needs quality power and fuel on sustained basis and at economic price. There has been a decline in the availability of linkage coal and increase of imported coal and auction coal resulting in high cost of fuel. In order to arrest the power cost, the Industry is continuously investing in setting up of captive power plants to optimize its cost. Your company has also installed captive power plant by installation of 6 nos. of 5 MW each DG sets. However, the company could not derive the benefit due to high cost of furnace oil prevailing during the period under review. Now, due to reduction in the international oil prices, the viability of the DG sets has improved and your company is now started running the DG sets for its power requirement.

### **Global Economic Situation**

In view of the recessionary trends around the globe and specially some of the countries where your company exports its products, there is a down turn. Your Company has chalked out its strategy to find an alternate market and efforts to reduce the cost of manufacture, transportation and other overheads. These efforts are expected to help your company to partly off set the tight economic conditions in the recessionary environment.

### **Segment Review and Analysis**

It is a single product company.

### **Risks and concerns**

Government's policy for taxes on cement and major input costs would directly impact cost of sales and would remain a risk for the cement industry. The regional imbalance in supply and demand due to increase in capacities in the area where the raw material is available coupled with inadequate infrastructure to transport the cement at economical price needs to be addressed as a great concern.

### **Internal Control Systems and their adequacy**

Your company has adequate internal control system and procedures commensurate with the size of its operation and nature of its business. The independent Internal Auditors continuously reviews the adequacy and effectiveness of the internal control systems on the on-going operations of the company, which provides reasonable assurance of adequacy and effectiveness, control, governance and risk management procedures to the Audit Committee. The recommendations of the Internal Auditors and the Audit Committee are followed up effectively for implementation. Following objectives of the internal audit is forming part of the audit plan as approved by the Audit Committee.

- Adherence to the operating system and manual.
- Performance of operating activities in efficient and effective manner.
- Compliance with the risk management procedures.
- Compliance with the legislative and regulatory provisions.

The Audit Committee reviews the audit reports and also hold discussions with the Statutory Auditors.

#### **Human Resource Development / Industrial Relations**

The Company continues to maintain constructive relationship with its employees with a positive environment so as to improve efficiency. The Company continues to invest in upgrading the knowledge and skills of the employees. The Industrial relations at the plant were cordial. Schemes like performance linked incentives and other benefits have been introduced.

The Company has subscribed to the code of affirmative action for SC / ST as the Company believes that equal opportunity for all sections of the society is component for growth and competitiveness.

The Management places on record the contribution of employees at all levels during the year and their whole-hearted co-operation, which has resulted in improved results.

The Company had 448 permanent employees as on 30.9.2008.

#### **Corporate Social Responsibility (CSR)**

The Company continuously carries afforestation at the plant site to improve the environment. During the year further new saplings were planted at the company's plant as a continuous drive to have greenery and maintain ecological balance. Besides, the Company supports other educational, social and philanthropic causes for society at large.

#### **Cautionary Statement :**

Statements in this report on Management's Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable security laws and regulations. The Statements are based on certain assumptions and expectation of future events. Actual results could however differ from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand supply position, raw material cost and availability, changes in Government regulations and tax structure, economic development in India.

The Company assumes no responsibility in respect of forward looking statements which may be amended or modified in future on the basis of subsequent developments, information or events.

On behalf of the Board of Directors

**M.N Mehta**  
Chairman

Mumbai: 28th January, 2009.

## AUDITORS' REPORT

TO,  
THE MEMBERS OF  
**GUJARAT SIDHEE CEMENT LIMITED**

1. We have audited the attached Balance Sheet of GUJARAT SIDHEE CEMENT LIMITED as at 30th September, 2008 and also the Profit and Loss Account and the Cash Flow Statement for the eighteen months period ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraph 4 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - I. Without qualifying our opinion, we draw attention to
    - a) Note 1 of Schedule 13: The Company is a sick industrial company within the meaning of Clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985 and is registered with Board for Industrial and Financial Reconstruction (BIFR). The Company's accumulated losses as on 30th September 2008 are Rs. 99.02 crores as against paid-up capital and reserves of Rs. 144.94 Crores. However having regard to the sanction of rehabilitation scheme vide order dated 21st November, 2002 by the Hon'ble Appellate Authority for Industrial and Financial Reconstruction (AAIFR) and its implementation as well as improved market condition of company's product as mentioned in the said note, the accounts are prepared on the basis that the Company is a going concern;
    - b) Note no. 15 of Schedule 13: The Company has accounted for deferred tax assets of Rs. 49.73 crores based on virtual certainty of getting set off of unabsorbed losses and depreciation in future years in view of the position set out in the said note.
  - II. We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - III. In our opinion, proper books of accounts as required by law, have been kept by the Company so far as appears from our examination of those books.
  - IV. The Balance Sheet and Profit & Loss Account dealt with by this report are in agreement with books of account.
  - V. In our opinion, the Balance Sheet, the Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - VI. On the basis of written representations received from the directors, as on 30<sup>th</sup> September, 2008, and having regard to clarification issued by Ministry of Law, Justice and Company affairs vide General Circular No. 8/2002 dated 22/03/2002 exempting nominee directors appointed by public financial institutions, central and state governments as well as banks, we report that none of directors is disqualified as on 30<sup>th</sup> September, 2008 from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
  - VII. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (a) in the case of Balance Sheet of the state of affairs of the Company as at 30th September, 2008;
    - (b) in the case of Profit & Loss Account of the Profit for the eighteen months period ended on that date; and
    - (c) in case of cash flow statement, of the cash flows for the eighteen months period ended on that date.

For **MANUBHAI & CO.**  
Chartered Accountants

Place: Mumbai  
Dated: 28th January, 2009

**(K.C. PATEL)**  
Partner

Membership No. 30083

**ANNEXURE TO AUDITORS' REPORT**

(Referred to in paragraph (3) of our report of even date)

**1. In respect of its fixed assets:**

- (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The fixed assets have been physically verified by the management during the year, according to the information and explanation given to us no material discrepancies were noticed on such verification;
- (c) There has not been any significant disposal of fixed assets during the year.

**2. In respect of its inventories:**

- (a) The inventory has been physically verified during the year by the management. In our opinion, the frequency of verification is reasonable.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business;
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification as compared to book records.

**3. i) In respect of loans granted to parties covered in the register maintained u/s 301 of the Companies Act, 1956.**

The Company has not granted any loans or advances to companies, firms or other parties covered in the Register maintained under Section 301 of the Companies Act, 1956. Consequently, reporting requirements as per Clauses (iii) (a) to (iii) (d) of paragraph 4 of the Order are not applicable in case of the Company.

**ii) In respect of loans taken from parties covered in the register maintained u/s 301 of the Companies Act, 1956.**

The Company has not taken any loans or advances in the nature of loans, from parties covered in the register maintained under Section 301 of the Companies Act, 1956 and therefore reporting requirements as per Clauses (iii) (e) to (iii) (g) of paragraph 4 of the Order are not applicable in case of Company.

**4. In respect of internal control**

In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and with regard to sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.

**5. In respect of transactions need to be entered into a register maintained u/s 301 of the Companies Act, 1956.**

In our opinion and as explained to us, there were no contracts and arrangements referred in Section 301 of the Companies Act, 1956 that need to be entered in the register required to be maintained under that section.

**6. In respect of deposits from public**

The Company has not accepted deposits from the public within the meaning of Section 58A of the Companies Act, 1956 and the Rules framed thereunder. We are informed that no order has been passed by the Company Law Board ('the CLB') or National Company Law Tribunal ('the NCLT') or Reserve Bank of India ('the RBI') or any Court or any other Tribunal.

**7. In respect of internal audit system**

Internal Audit has been carried out by a firm of Chartered Accountants. On the basis of reports of internal auditors, in our opinion the internal audit system is commensurate with the size of the Company and nature of its business.

**8. In respect of maintenance of cost records**

We have broadly reviewed the books of account maintained by the Company pursuant to the Order made by the Central Government for maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956, and are of the opinion that *prima facie* the prescribed accounts and records has been made and maintained. We have not, however, made a detailed examination of the records.

**9. In respect of statutory dues:**

- (a) In our opinion and according to the information and explanations given to us, the Company is generally regular in depositing undisputed statutory dues with the appropriate authorities in respect of provident fund, employees' state insurance, income tax, wealth tax, sales tax, investor education and protection fund, profession tax, royalty, cess and other material statutory dues applicable to it except in case of excise duty, customs duty, and service tax where there was some delay on few occasions.

- (b) According to the information and explanations given to us, no undisputed amounts payable in respect of income tax, wealth tax, sales tax, customs duty, excise duty, service tax, royalty and cess were in arrears, as at 30th September, 2008 for a period of more than six months from the date they became payable.

In terms of sanctioned rehabilitation scheme, in respect of payment of Deferred Sales Tax, Electricity Duty and Tax thereon, Turnover Tax and Royalty, the Company has made repayments in accordance with the rehabilitation scheme. Consequently the issue of reporting arrears, of such dues as on 30th September, 2008, remaining outstanding for a period of more than six months is not applicable.

- (c) According to the information and explanations given to us, there are no dues of income tax, wealth tax and cess which have not been deposited on account of any dispute. In respect of excise duty, customs duty and sales tax, details of disputed dues not deposited are given hereunder:

Name of the Statute	Nature of the Dues	Amount (Rs. Lacs)	Period to which amount relates	Forum where dispute is pending
Central Excise Act, 1944	Excise Duty	36.42	1992-93	Customs, Excise & Gold (Control) Appellate Tribunal
Central Excise Act, 1944	Excise Duty	140.66	2001-02	Customs, Excise & Service Tax Appellate Tribunal
Customs Act, 1962	Customs Duty	35.85	1995-96	Customs, Excise & Gold (Control) Appellate Tribunal
Central Excise/CENVAT Credit Rules, 2004	Service Tax	68.12	2005-06	Customs, Excise & Service Tax Appellate Tribunal
Central Excise/CENVAT Credit Rules, 2004	Service Tax	64.35	2005-06	Commissioner of Central Excise
Central Excise/CENVAT Credit Rules, 2004	Service Tax	408.75	2006-07	Commissioner at Level at Central Excise
Central Excise/CENVAT Credit Rules, 2004	Service Tax	106.46	2007-08	Commissioner, Central Excise
Central Excise/CENVAT Credit Rules, 2004*	Excise Duty	640.98	2007-08	Commissioner, Central Excise

\* Vide Order dated 07.01.09 the Commissioner has ordered to pay Rs. 1.58 lacs alongwith interest.

#### 10. In respect of accumulated losses and cash losses

The accumulated losses of the Company as at the end of the year are more than fifty percent of its net worth. The Company has not incurred cash loss during the year as well as in the immediately preceding financial year.

#### 11. In respect of dues to financial institution/ banks/ debentures

In accordance with the sanctioned rehabilitation scheme (scheme) approved by Hon'ble Appellate Authority for Industrial and Financial Reconstruction (AAIFR) the repayment schedule of dues to Banks and Financial Institutions has been revised/rescheduled.

During the period of eighteen months ended on 30th September, 2008, the Company's proposal to Banks and Financial Institutions (Lenders) for One Time Settlement (OTS) of their dues has been accepted by the lenders except Gujarat Industrial Investment Corporation Limited (GIIC Limited), New India Assurance Company Limited and Standard Chartered Bank (Assigned by ICICI Limited). In case of lenders who have approved OTS, the company makes repayment of dues as per terms of OTS. In respect of institutions/Bank which are yet to approve OTS, according to the Company, in terms of Scheme, the dues of these institutions/bank are repayable over a period of seven years beginning from 1.4.2004. The Company has so far not made any repayment of dues of these institutions/bank. The particulars of amount of principal outstanding as on 30th September, 2008 are as under:

Sr. No.	Name of Institution/Bank	Amount outstanding (Rs. in Lacs)
1.	GIIC Limited	154.00
2.	New India Assurance Company Limited	11.59
3.	Standard Chartered Bank (Assigned by ICICI Limited)	109.48

#### 12. In respect of loans and advances granted on the basis of security

The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

**13. In respect of guarantee given for loans taken by others**

According to the information and explanations given to us, the Company has not provided guarantees for loans taken by others from banks and financial institutions.

**14. In respect of application of term loans**

The Company has not obtained any term loans during the year.

**15. In respect of fund used**

According to records examined by us and the information and explanations given to us, on an overall basis, funds raised on short term basis have not, *prima facie*, been used during the year for long term investment.

**16. In respect of preferential allotment of shares**

During the year, the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under Section 301 of the Companies Act, 1956.

**17. In respect of securities created for debentures**

There are no debentures issued and outstanding during the year.

**18. In respect of end use of money raised by public issues**

During the year, the Company has not raised money by public issue(s).

**19. In respect of fraud**

To the best of our knowledge and belief, and according to the information and explanations given to us, no fraud on or by the Company was noticed or reported during the year that causes the financial statements to be materially misstated.

**20. General**

The nature of the Company's activities is such that the requirements of Clauses (xiii) and (xiv) of paragraph 4 of the Order are not applicable.

For **MANUBHAI & CO.**  
Chartered Accountants

Place: Mumbai  
Dated: 28th January, 2009

**(K.C. PATEL)**  
Partner  
Membership No. 30083

## BALANCE SHEET as at September 30, 2008

	Schedule	As at September 30, 2008 Rs. in lacs	As at March 31, 2007 Rs. in lacs
<b>I. SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	1	<b>14,466.84</b>	14,466.84
Reserves & Surplus	2	<b>26.95</b>	26.95
		<b>14,493.79</b>	14,493.79
<b>Loan Funds:</b>			
Secured Loans	3	<b>2,058.46</b>	10,356.92
Unsecured Loans	4	<b>5,200.61</b>	9,754.13
		<b>7,259.07</b>	20,111.05
Total ...		<b>21,752.86</b>	34,604.84
<b>II. APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	5	<b>22,750.78</b>	21,576.21
Less: Depreciation		<b>16,284.73</b>	15,349.65
Net Block		<b>6,466.05</b>	6,226.56
Capital Work-in-Progress		<b>334.86</b>	815.55
		<b>6,800.91</b>	7,042.11
<b>Investments (At cost – Unquoted)</b>			
6 Years National Savings Certificates (kept as Security Deposit with Government Authorities)		<b>0.49</b>	0.49
Deferred Tax Assets	13 (15)	<b>4,973.16</b>	8,749.84
<b>Current Assets, Loans &amp; Advances:</b>	6		
Inventories		<b>3,558.92</b>	3,132.91
Sundry Debtors		<b>1,895.21</b>	2,007.06
Cash & Bank Balances		<b>413.83</b>	2,978.50
Loans & Advances		<b>2,157.70</b>	1,960.40
		<b>8,025.66</b>	10,078.87
Less: Current Liabilities & Provisions	7	<b>7,949.39</b>	6,047.18
Net Current Assets		<b>76.27</b>	4,031.69
<b>Profit &amp; loss Account</b>		<b>9,902.03</b>	14,780.71
Total ...		<b>21,752.86</b>	34,604.84
<b>Statement of Significant Accounting Policies</b>	12		
<b>Notes forming part of the Accounts</b>	13		

As per our attached Report of even date

For **MANUBHAI & CO.**  
Chartered Accountants

**K. C. PATEL**  
Partner  
Membership No. 30083

Mumbai: 28th January, 2009

For and on behalf of Board of Directors

**M. N. Mehta** } *Chairman*  
**Sanat M. Mehta**  
**G. C. Murmu**  
**P. K. Behl**  
**S. V. S. Raghavan**  
**Hemnabh Khatau**  
**Bimal Thakkar**  
**Dr.(Ms) Kala S. Pant** } *Directors*  
**M. S. Gilotra**  
**R. K. Poddar**

*Managing Director*  
*Dy. Managing Director*

**A. S. Khandwala**

*Vice President (Legal) & Co. Secretary*

Mumbai: 28th January, 2009

**PROFIT AND LOSS ACCOUNT for the Eighteen months period ended on  
September 30, 2008**

	Schedule	For the period ended September 30, 2008 Rs. in lacs	For the year ended March 31, 2007 Rs. in lacs
<b>INCOME:</b>			
Sales		63,951.47	43,428.33
Less: Excise Duty		6,936.12	4,031.20
Net Sales		57,015.35	39,397.13
Other Income	8	1,141.99	889.26
Total ...		58,157.34	40,286.40
<b>EXPENDITURE:</b>			
Manufacturing and Other Expenses	9	50,584.29	32,485.85
(Increase)/Decrease in Stocks	10	602.83	(237.93)
Interest	11	172.91	1,172.74
Total ...		51,360.03	33,420.66
<b>Profit before Depreciation, Taxation and Exceptional Item</b>		6,797.31	6,865.74
Depreciation		960.84	947.73
<b>Profit before Taxation and Exceptional item</b>		5,836.47	5,918.01
Exceptional item - Interest written back	13 (1)	2,874.42	-
<b>Profit before Taxation</b>		8,710.89	5,918.01
Provision for Wealth tax		2.11	1.65
Deferred Tax Adjustment	13 (15)	3,776.68	649.17
Fringe Benefit Tax		53.42	30.94
<b>Net profit for the period</b>		4,878.68	5,236.25
Loss brought forward from previous year		14,780.71	20,016.96
<b>Balance of Loss carried to Balance Sheet</b>		9,902.03	14,780.71
Basic and Diluted Earning per share	13 (13)	3.37	3.68
<b>Statement of Significant Accounting Policies</b>	12		
<b>Notes forming part of the Accounts</b>	13		

As per our attached Report of even date

For **MANUBHAI & CO.**  
Chartered Accountants

**K. C. PATEL**  
Partner  
Membership No. 30083

Mumbai: 28th January, 2009

For and on behalf of Board of Directors

M. N. Mehta	}	Chairman
Sanat M. Mehta		
G. C. Murmu	}	Directors
P. K. Behl		
S. V. S. Raghavan		
Hemnabh Khatau		
Bimal Thakkar		
Dr.(Ms) Kaia S. Pant		Managing Director
M. S. Gilotra		Dy. Managing Director
R. K. Poddar		
A. S. Khandwala		Vice President (Legal) & Co. Secretary

Mumbai: 28th January, 2009

## CASH FLOW STATEMENT for the Eighteen months period ended on September 30, 2008

	For the period ended September 30, 2008 Rs.in Lacs	For the year ended March 31, 2007 Rs.in Lacs
<b>A. Cash flow from operating activities:</b>		
Net profit/(loss) before tax and exceptional Items	5,836.47	5,918.01
<b>Adjustments for:</b>		
Depreciation	960.84	947.73
Interest	172.91	1,172.74
Loss on sale/discard of fixed assets	425.65	0.45
Profit on sale of assets	(1.54)	(0.51)
Provision for doubtful debtors and advances (net)	33.90	51.28
<b>Operating profit before working capital changes:</b>	<u>7,428.23</u>	<u>8,089.70</u>
<b>Adjustments for:</b>		
Trade and other receivables	(217.01)	(1,011.95)
Inventories	(364.11)	(704.44)
Trade payable	1,881.49	(16.92)
<b>Cash generated from operations</b>	<u>8,728.58</u>	<u>6,356.39</u>
Interest paid	103.46	93.90
Direct taxes – wealth tax & fringe benefit tax	34.77	32.59
<b>Net cash flow from operating activities</b>	<u>8,590.35</u>	<u>6,229.90</u>
<b>B. Cash flow from investing activities:</b>		
Purchase of fixed assets	(1,218.32)	(463.58)
Advance to parties for capital expenditure	97.66	(82.31)
Sale of fixed assets	12.64	1.58
<b>Net cash flow in investing activities</b>	<u>(1,108.01)</u>	<u>(544.31)</u>
<b>C. Cash flow from financing activities</b>		
Proceeds from issue of share capital	-	280.00
Long term borrowings (net)	(5,433.58)	2.20
Payment of unsecured loans	(4,553.52)	(3,383.08)
Working capital facilities from banks	(59.92)	(169.73)
<b>Net cash flow in financing activities</b>	<u>(10,047.01)</u>	<u>(3,270.61)</u>
<b>Net increase in cash and cash equivalents</b>	<u>(2,564.67)</u>	<u>2,414.98</u>
<b>Cash and cash equivalents as on 01.04.2007</b>	<u>2,978.50</u>	<u>563.52</u>
<b>Cash and cash equivalents as on 30.09.2008</b>	<u>413.83</u>	<u>2,978.50</u>

(Cash equivalents include bank balances and fixed deposits with banks)

As per our attached Report of even date

For **MANUBHAI & CO.**  
Chartered Accountants

**K. C. PATEL**  
Partner  
Membership No. 30083

Mumbai: 28th January, 2009

For and on behalf of Board of Directors

**M. N. Mehta** *Chairman*  
**Sanat M. Mehta**  
**G. C. Murmu**  
**P. K. Behl**  
**S. V. S. Raghavan**  
**Hemnabh Khatau**  
**Bimal Thakkar**  
**Dr.(Ms) Kala S. Pant** } *Directors*  
**M. S. Gilotra**  
**R. K. Poddar**

*Managing Director*  
*Dy. Managing Director*

**A. S. Khandwala** *Vice President (Legal) & Co. Secretary*  
Mumbai: 28th January, 2009

## Schedules to the Accounts

### SCHEDULE 1 - SHARE CAPITAL

	As at September 30, 2008 Rs. in lacs	As at March 31, 2007 Rs. in lacs
<b>AUTHORISED</b>		
50,00,00,000 Equity Shares (Previous year 50,00,00,000 Equity Shares) of Rs. 10 each	<u>50,000.00</u>	<u>50,000.00</u>
<b>ISSUED</b>		
14,48,16,075 (Previous Year 14,48,16,075) Equity Shares of Rs. 10 each	<u>14,481.61</u>	<u>14,481.61</u>
<b>SUBSCRIBED</b>		
14,48,15,725 (Previous Year 14,48,15,725) Equity Shares of Rs. 10 each	<u>14,481.57</u>	<u>14,481.57</u>
<b>PAID UP</b>		
14,46,15,408 (Previous Year 14,46,15,408) Equity Shares of Rs. 10 each	<u>14,461.54</u>	<u>14,461.54</u>
Add: Shares forfeiture Account	<u>5.30</u>	<u>5.30</u>
Total...	<u><u>14,466.84</u></u>	<u><u>14,466.84</u></u>

### SCHEDULE 2 - RESERVES & SURPLUS

	As at September 30, 2008 Rs. in lacs	As at March 31, 2007 Rs. in lacs
<b>CAPITAL RESERVES:</b>		
State Capital Subsidy	<u>12.75</u>	<u>12.75</u>
State Subsidy for Road	<u>4.20</u>	<u>4.20</u>
Central Capital Subsidy	<u>10.00</u>	<u>10.00</u>
Total...	<u><u>26.95</u></u>	<u><u>26.95</u></u>

**SCHEDULE 3 - SECURED LOANS**

	As at September 30, 2008 Rs. in lacs	As at March 31, 2007 Rs. in lacs
<b>Term Loans:</b>		
a) From Banks	1,751.90	6,571.82
b) From Banks (for purchase of Vehicles)	126.13	48.13
c) Financial Institutions	26.43	3,306.50
d) Others	-	18.30
	<u>1,904.46</u>	<u>9,944.75</u>
<b>Infrastructural development loan from GIIC Ltd.</b>	<b>154.00</b>	154.00
<b>Working Capital Loan From Banks:</b>		
Cash Credit	-	59.92
Interest accrued and due thereon	-	198.25
Total	<u><b>2,058.46</b></u>	<u>10,356.92</u>

**Notes:**

- a) Term Loans from Banks and Financial Institutions are secured by first mortgage ranking *pari passu* on all movable and immovable assets of the Company, both present and future (save & except book debts and assets exclusively hypothecated to other lenders), subject to charges created or to be created in favour of Company's Bankers on inventories and book debts for working capital borrowings. Further, such loans are secured by second charge ranking *pari passu* on inventories and book debts charged in favour of banks. The loans are also secured by the personal guarantee of two promoter directors.
- b) Term Loan from Banks and Others in respect of finance availed for purchase of vehicles are secured by hypothecation of vehicle financed by them.
- c) Interest free Infrastructural term loan from GIIC Limited is secured by way of joint equitable mortgage on Company's immovable and movable properties, both present and future, subject to prior charge of Financial Institutions & Banks.
- d) Working Capital Loans from Banks are secured by hypothecation of inventories and book debts as well as second charge on company's immovable and movable properties, both present and future. These loans are also secured by the personal guarantee of two promoter directors.

**SCHEDULE 4 - UNSECURED LOANS**

	As at September 30, 2008 Rs. in lacs	As at March 31, 2007 Rs. in lacs
a) Interest free Sales Tax Deferment Loan under Sales Tax Incentive Scheme of Government of Gujarat	-	137.57
b) Interest Free Deferment as per Sanctioned Rehabilitation Scheme:		
i) Sales Tax	2,595.95	5,569.80
ii) Turnover Tax	420.74	651.79
iii) Royalty	176.93	282.98
iv) Electricity Duty & Sales tax thereon	2,006.99	3,111.99
	<u><b>5,200.61</b></u>	<u>9,754.13</u>

**SCHEDULE 5-FIXED ASSETS**

(Rs. in lacs)

Sr. No.	Description	Gross Block At Cost			Depreciation			Net Block			
		As at April 1, 2007	Addition	Adjustment Deduction	As at September 30, 2008	Up to April 1, 2007	For the Year	Adjustment/ Deduction	Up to September 30, 2008	As at September 30, 2008	As at March 31, 2007
1	Land	201.78	-	-	201.78	-	-	-	-	201.78	201.78
	Freehold	5.45	-	-	5.45	-	-	-	-	5.45	5.45
	Leasehold	3,383.59	92.78	-	3,476.37	1,469.88	-	1,614.48	1,614.48	1,861.89	1,913.71
2	Buildings	16,773.30	292.55	4.00	17,061.85	13,112.26	-	13,769.56	13,769.56	3,292.29	3,661.04
3	Plant & Machinery	818.52	553.16	7.57	1,364.11	595.72	3.20	685.70	685.70	678.41	222.80
4	Furniture, Fixtures & Office Equipment	322.96	280.41	32.76	570.61	109.03	22.56	147.20	147.20	423.41	213.93
5	Vehicles	70.61	-	-	70.61	62.76	-	67.79	67.79	2.82	7.85
6	Railway Siding	21,576.21	1,218.90	44.33	22,750.78	15,349.65	960.84	16,984.73	16,984.73	6,466.05	6,226.56
	<b>Total</b>	18,803.65	2,840.02	67.46	21,576.21	14,467.86	947.73	15,349.65	15,349.65	6,226.56	4,335.79
	Previous Year										

**Capital Work-in-Progress:**

<b>Current Year</b>	<b>815.55</b>	<b>956.21</b>	<b>736.90</b>	<b>334.86</b>
Previous Year	3,191.99	102.70	2,479.14	815.55



## SCHEDULE 8 - OTHER INCOME

	For the period ended September 30, 2008 Rs. in lacs	For the Year ended March 31, 2007 Rs. in lacs
Interest (TDS Rs.45,16,973; previous year Rs. 5,820)	236.86	64.42
Miscellaneous Income	244.02	136.78
Profit on sale of Fixed Assets	1.54	0.51
Export Incentive	405.70	407.81
Exchange Rate Fluctuation	77.64	12.45
Insurance Claims	26.58	81.83
Provisions no longer required, written back	149.65	185.46
Total...	<u>1,141.99</u>	<u>889.26</u>

## SCHEDULE 9 - MANUFACTURING AND OTHER EXPENSES

	For the period ended September 30, 2008 Rs. in lacs	For the Year ended March 31, 2007 Rs. in lacs
Cement/Clinker purchase for Resale	810.21	1,819.29
Consumption of Raw Materials	1,681.49	893.34
Royalty, Cess & Limestone Raising Cost	1,866.25	1,655.99
Stores and Spares consumed	2,383.28	1,414.91
Packing Material consumed	1,832.45	1,348.04
Power and Fuel	21,342.34	12,424.30
<b>Employees' Remuneration &amp; Benefits:</b>		
Salaries, Wages, Bonus & Gratuity	1,969.05	1,177.76
Contribution to Provident and Other Funds	157.02	96.32
Employees' Welfare Expenses	94.87	51.22
	<u>2,220.94</u>	<u>1,325.30</u>
<b>Repair &amp; Maintenance:</b>		
Plants and Machinery	743.70	382.52
Buildings	27.67	24.90
Other	231.24	159.73
	<u>1,002.61</u>	<u>567.15</u>
Rent	210.29	72.76
Rates and Taxes	44.76	39.21
Insurance Premium	131.21	126.00
Commission and Discount on Sales	656.29	727.50
Freight outward	13,521.95	8,522.02
Directors' Sitting Fees	13.20	9.15
Business Promotion Expenses	658.63	120.35
Auditor's Remuneration	6.47	2.96
Miscellaneous Expenses	1,738.22	1,365.84
Loss on sale/discard of Fixed assets (net)	425.65	0.45
Provisions for doubtful debts/advances	38.05	51.28
Total...	<u>50,584.29</u>	<u>32,485.84</u>

**SCHEDULE 10 - INCREASE /(DECREASE) IN STOCK**

	<b>For the period ended September 30, 2008 Rs. in lacs</b>	<b>For the Year ended March 31, 2007 Rs. in lacs</b>
Closing Stocks:		
a) Process Stock	<b>310.58</b>	336.60
b) Finished Goods	<b>410.16</b>	986.97
	<b>720.74</b>	1,323.57
Less: Opening Stocks		
a) Process Stock	<b>336.60</b>	509.65
b) Finished Goods	<b>986.97</b>	575.99
	<b>1,323.57</b>	1,085.64
(Increase)/Decrease in Stock	<b>602.83</b>	(237.93)

**SCHEDULE 11 - INTEREST**

	<b>For the period ended September 30, 2008 Rs. in lacs</b>	<b>For the Year ended March 31, 2007 Rs. in lacs</b>
Interest on Term Loans	<b>69.46</b>	618.62
Other Interest	<b>103.45</b>	554.12
	<b>172.91</b>	1,172.74

**SCHEDULE - 12 : STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Historical Cost Basis:**

The Financial statements are prepared under the historical cost convention and in accordance with applicable mandatory Accounting Standards.

**2. Revenue Recognition:**

The Company generally follows accrual system of accounting as required under Section 209(3) (b) of the Companies Act, 1956. However, considering uncertainties and/or difficulties involved in estimation of liabilities and/or final determination of refund claims filed by the Company, the following items are considered to be accrued and accounted only when settled or agreed to with the party and / or receipts of necessary amount.

- i) Claim against Railways for shortages/damages for cement in transit.
- ii) Insurance Claims, and
- iii) Scrap Sales

**3. Fixed Asset and Depreciation:**

- a) Fixed assets include all expenditure of capital nature and are stated at cost (net of Cenvat, wherever applicable) less accumulated depreciation.
- b) Depreciation on fixed assets is provided on straight-line method at the rates prescribed in Schedule XIV to the Companies Act, 1956.
- c) In respect of addition and sales of assets during the period, depreciation is provided on prorata monthly basis.

**4. Impairment of Fixed Assets:**

- a) Consideration is given at each balance sheet date to determine whether there is any indication of impairment of the carrying amount of the Company's fixed assets. If any indication exists, an asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.
- b) Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exists or have decreased.

**5. Inventories:**

- a) Inventories are stated at cost or net realizable value, whichever is lower. For this purpose cost has been arrived at on the basis of moving weighted average. Cost of finished goods include all direct cost, other related factory overheads and excise duty.
- b) Provision for obsolescence is made wherever considered necessary.

**6. Sales:**

- a) Sales figures are inclusive of excise duty, but are net of sales tax, sales returns, and rate difference adjustment.
- b) Export sales are accounted on the basis of the rate of foreign exchange prevailing on dates of bills of lading.
- c) Export benefits on account of entitlement to import duty free materials are recognized in the year of export.

**7. Foreign Exchange Transaction:**

Transactions of foreign currency are recorded at the exchange rate as applicable at the date of transaction. Monetary Assets/liabilities outstanding at the close of the financial year are stated at the contracted and / or appropriate exchange rate at the close of the year and the gain/ loss is credited/ charged to Profit & Loss Account.

**8. Employee Benefits:**

- a) Short-term employee benefits are charged off in the year in which the related service is rendered.
- b) Post employment employee benefits under defined contribution plans are charged off in the year in which the employee has rendered services. In respect of Defined Benefit Plans, the amount charged off is recognised at the present value of the amounts payable determined using actuarial valuation techniques. Actuarial gains and losses in respect of post employment and other long-term benefits are charged to Profit & Loss Account.

**9. Provisions, Contingent Liabilities and Contingent Assets:**

- a) Provisions involving substantial degree of estimation in measurement are recognized when there is a present obligation as a result of past event and it is probable that there will be an outflow of resources. Contingent Liabilities are not recognized but are disclosed in the notes. Contingent Assets are neither recognized nor disclosed in the Financial Statements.
- b) Provisions, Contingent Liabilities and Contingent Assets are reviewed at each Balance Sheet date in accordance with the Accounting Standard AS-29 on "Provisions, Contingent Liabilities And Contingent Assets" issued by the Institute of Chartered Accountants of India.

**10. Borrowing Cost:**

Borrowing costs, attributable to the acquisition/construction of qualifying assets, are capitalized. Other borrowing costs are charged to profit and loss account.

**11. Taxation:**

- a) Income tax charge or credit comprises current tax and deferred tax charge or credit.
- b) Current Income tax and Fringe Benefit tax are measured at the amount expected to be paid to Tax authorities in accordance with the Income Tax Act.
- c) Deferred tax asset or liability on timing difference are recognised using current rates and tax laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised to the extent there exists a virtual certainty that these assets can be realised in future. Net deferred tax asset is recognised based on the principles of prudence. Deferred tax effects are reviewed at each Balance Sheet date.

**12. General:**

Accounting policies not specifically referred to are consistent with generally accepted accounting practice.

**SCHEDULE - 13: NOTES TO ACCOUNTS**

1. The Company is registered as a sick company with The Board for Industrial & Financial Reconstruction (BIFR) under The Sick Industrial Companies (Special Provisions) Act, 1985. The Hon'ble Appellate Authority for Industrial & Financial Reconstruction (AAIFR) has sanctioned a rehabilitation scheme resting with its order dated 21st November, 2002 envisaging various reliefs and concessions from Government of Gujarat, Financial Institutions and Consortium of banks. Further, the sanctioned rehabilitation scheme *inter alia* provides for restructuring of debts, grant of fresh loans and subscription to share capital for financing the cost of the Scheme.

During the period, the Company has settled dues to Banks and Financial Institutions on One Time Settlement (OTS) basis. Accordingly, the resultant surplus liability in respect of interest provided in earlier years have been written back as Exceptional Item in Profit and Loss Account.

Considering the overall growth in Cement Industry and barring any unforeseen circumstances, the Management is confident that after implementation of the modified Rehabilitation Scheme, the Company would be able to generate sufficient returns to make its net worth positive in future. Accordingly, the accounts of the Company are prepared on Going Concern Basis.

2. Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances) **Rs. 155.60 lacs** (Previous year Rs. 2089.03 lacs).
3. Contingent liabilities not provided for in respect of:
- Demand of Excise & Customs and Cenvat Credit of **Rs. 845.61 lacs** (Previous Year Rs. 346.40 lacs).
  - Claims against the company not acknowledged as debt **Rs 900.18 lacs** (Previous Year Rs. 897.44 lacs).
  - Demand of Rajasthan Sales Tax of **Rs. 24.73 lacs** (Previous Year Rs. 24.73 lacs).
  - Demand of Gujarat Sales Tax for the year 2002-03 & 2003-04 of **Rs. 116.89 lacs** (Previous Year Rs. 60.57 lacs).
4. Local Gram Panchayat in earlier years had raised demands for octroi duty aggregating to **Rs.51.90 lacs**. The Company has deposited an amount of **Rs. 43.85 lacs** as advance as per the order of the Hon'ble High Court. No provision has been made for this demand for octroi duty as the Company has preferred appeals.
5. The Public Financial institutions and Banks have a right to exercise an option for conversion of part of the loan into equity shares of the company at par during the currency of loan agreements.
6. a) Sundry creditors in Schedule 7 to the Accounts include Rs. 1.81 lacs due to creditors registered with the Micro, Small and Medium Enterprises Development Act, 2006 (MSME).  
b) No interest is paid/payable during the year to Micro, Small and Medium Enterprises.  
c) The above information has been determined to the extent such parties could be identified on the basis of information available with the Company regarding the status of suppliers under the MSME.
7. The Company has been advised that in view of assessable loss under the Income Tax Act, 1961, no provision is required to be made for Income Tax for the Assessment Years 2008-09 and 2009-10.

Liability for fringe benefit tax is worked out on the basis of computation approved by Income Tax Consultant.

8. Profit & Loss Account includes Auditors Remuneration as under:

	<b>2007-08</b> <b>18 Months</b> <b>Rs. in lacs</b>	2006-07 12 Months Rs. in lacs
As Auditors	<b>4.88</b>	2.25
In Other Capacity (for certification etc.)	<b>1.55</b>	0.69
Reimbursement of Expenses	<b>0.04</b>	0.02
Total	<b>6.47</b>	2.96

9. Remuneration paid/payable to whole time directors :

	<b>2007-08</b> <b>18 Months</b> <b>Rs. in lacs</b>	2006-07 12 Months Rs. in lacs
a) Particulars of remuneration		
Salary & Allowances	<b>96.14</b>	55.56
Contribution to PF and other funds	<b>24.66</b>	14.30
Perquisites (Valued as per IT Rules, wherever applicable)	<b>2.60</b>	4.06
Total	<b>123.40</b>	73.92

- b) The remuneration includes payment for remuneration to Mr. Jay Mehta, Executive Vice Chairman, Mr. M.S. Gilotra, Managing Director and Mr. R.K. Poddar, Dy. Managing Director for the period from 1st January, 2008 to September, 2008 in terms of the resolution passed by shareholders in their Extra Ordinary General Meeting held on 28th March, 2008 for which approval of Central Government is awaited.
- c) In respect of approval received for Mr. Jay Mehta and Mr. R.K. Poddar, the same are not in accordance with the remuneration approved by shareholders with reference to drawing remuneration from other company and sitting fees. The Company has made representation to Central Government for necessary amendment in this regard.
- d) Provision of incremental gratuity liability for the current year in respect of the director has not been considered above, since the provision is based on an actuarial valuation for the Company as a whole.

10. Information pursuant to provisions of para 3,4 (C) and 4 (D) of part II of schedule VI to the Companies Act, 1956.

a) Licence and installed capacity and production.	<b>2007-08</b> <b>18 Months</b> <b>MT</b>	2006-07 12 Months MT
<b>Class of Goods – Cement:</b>		
Licence capacity *		
Installed capacity (MT / PA) **	<b>1,200,000</b>	1,200,000
<b>Production</b>		
Cement (MT) (including reprocessed 7965 MT, Previous Year 1029 MT)	<b>1,748,722</b>	1,279,510
Clinker (MT) to the extent of quantity dispatched	<b>67,845</b>	174,792

\* The Company's product is exempt from Licensing requirements under New Industrial Policy in terms of Notification No. S.O. 477 (E) dated 25th July, 1991.

\*\* As certified by the management and relied upon by Auditors, being technical matter.

b) Purchase, Sales and Stocks:

	<u>2007-08 (18 Months)</u>		<u>2006-07 (12 Months)</u>	
	Quantity MT	Amount Rs. in lacs	Quantity MT	Amount Rs. in lacs
i) <b>Opening Stock</b>				
Cement	<b>40,065</b>	<b>887.80</b>	14,064	242.60
Clinker	<b>11,975</b>	<b>99.17</b>	33,275	333.39
		<b>986.97</b>		575.99
ii) <b>Purchases</b>				
Cement	<b>11,238</b>	<b>247.33</b>	74,789	1,686.30
Clinker	<b>26,591</b>	<b>562.88</b>	10,398	132.99
		<b>810.21</b>		1,819.29
iii) <b>Sales</b>				
Cement including 359 MT self consumption & excluding 19 MT samples (Previous Year 496 MT self consumption excluding 21 MT samples)	<b>1,780,791</b>	<b>52,827.02</b>	1,327,019	35,788.69
Clinker	<b>185,972</b>	<b>4,188.33</b>	206,490	3,608.44
		<b>57,015.35</b>		39,397.13
iv) <b>Closing Stock</b>				
Cement (after considering, transit loss and other shortage 281 MT (Previous year 250 MT)	<b>10,073</b>	<b>195.61</b>	40,065	887.80
Clinker (after considering transit loss of Nil MT, Previous Year Nil MT)	<b>22,053</b>	<b>214.55</b>	11,975	99.17
		<b>410.16</b>		986.97

c)	2007-08 (18 Months)		2006-07 (12 Months)	
	Quantity MT	Amount Rs. in lacs	Quantity MT	Amount Rs. in lacs
Raw Material Consumed : (Indigenous)				
i) Limestone & Marl Excavated by the Company	2,441,179	-	1,800,514	-
ii) Limestone purchased	31,350	62.27	-	-
iii) Gypsum, etc.	84,437	741.83	56,939	371.06
iv) Fly Ash	71,960	555.35	42,966	245.87
v) Others	-	322.04	-	276.41
Total		1,681.49		893.34
d) Value of imported and indigenous spares and components consumed.				
	2007-08 (18 Months)		2006-07 (12 Months)	
	Amount Rs. in lacs	Percentage	Amount Rs. in lacs	Percentage
Imported	447.74	19	163.28	12
Indigenous	1,935.54	81	1,251.63	88
	2,383.28	100	1,414.91	100
e) CIF Value of imports:			2007-08 18 Months Rs. in lacs	2006-07 12 Months Rs. in lacs
Capital Goods			21.55	-
Stores and spares			539.64	184.93
Coal			350.78	504.44
f) Expenditure in Foreign Currency:			2007-08 18 Months Rs. in lacs	2006-07 12 Months Rs. in lacs
Foreign Travel			112.75	17.91
Commission on Sales			104.55	333.63
Others			57.77	13.28
g) Earnings in Foreign Currency:			2007-08 18 Months Rs. in lacs	2006-07 12 Months Rs. in lacs
FOB value of Exports			4,727.12	10,457.80

11. The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given hereunder.

The Company's gratuity plan and PL Encashment are not funded. The following table sets out the status of the gratuity plan and PL Encashment as required under AS 15 and the reconciliation of opening balances of the present value of the defined benefit obligation.

## I. Changes in Present Value of Obligations:

Particulars	As at 30-09-08	
	Gratuity Rs. in lacs	PL Encashment Rs. in lacs
Present Value of Obligation as at the beginning of the year	265.40	99.75
Current Service Cost	41.51	30.72
Interest Cost	35.29	13.59
Actuarial (gain) / Loss on obligations	17.23	(6.98)
Benefits paid	(36.22)	(18.10)
Present value of Obligation as at the end of the year	323.21	118.98

## II. The amount recognised in balance sheet:

Particulars	As at 30-09-08	
	Gratuity Rs. in lacs	PL Encashment Rs. in lacs
Present value of Obligation as at the end of the year	323.21	118.98
Fair Value of Plan Assets at the end of the year	-	-
Net Asset/(Liability) recognized in Balance sheet	323.21	118.98

## III. Amount recognised in Profit and Loss Account:

Particulars	As at 30-09-08	
	Gratuity Rs. in lacs	PL Encashment Rs. in lacs
Current Service Cost	41.51	30.72
Interest Cost	35.29	13.59
Net Actuarial (gain) / Loss recognised in the year	17.23	(6.98)
Expenses Recognized in the statement of Profit & Loss	94.03	37.33

## IV. Assumptions:

Particulars	As at 30-09-08	
	Gratuity	PL Encashment
Mortality Table	1994-96	1994-96
Discount Rate	8.50%	8.50%
Rate of increase in compensation levels	6.00%	6.00%

The estimates of rate of escalation in salary considered in actuarial valuation, take into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

Amount of Gratuity provided but not funded as on 30.09.2008.

12. **Related Parties Disclosure:**

- a) Promoter companies together with its subsidiaries and associate companies holding more than 20% of the Equity Capital :
- |  |  |
|--|--|
| 1. Ria Holding Pvt. Ltd.*              | 13. Exchange Management Ltd.                                       |
| 2. Pranay Holding Pvt. Ltd.*           | 14. Hopgood Investments Ltd.                                       |
| 3. Reeti Investment Pvt. Ltd.*         | 15. Treasurer's Trading Limited                                    |
| 4. Prachit Holding Pvt. Ltd.*          | 16. Gujarat Industrial Investment Corp. Ltd.                       |
| 5. Sumaraj Holding Pvt. Ltd.*          | 17. Saurashtra Cement Limited (holding company of Sr. No. 1 to 4)  |
| 6. Villa Trading Company Pvt. Ltd.     | 18. Industrial Construction Company (holding company of Sr. No. 9) |
| 7. Sunnidhi Trading Pvt. Ltd.          | 19. Sampson Limited (holding company of Sr. No. 6)                 |
| 8. Shree Anandeya Investment Pvt. Ltd. | 20. Clarence Investments Limited ( subsidiary of Sr. No. 10)       |
| 9. Sameta Export Pvt. Ltd.             | 21. Glenn Investments Limited (subsidiary of Sr. No. 10)           |
| 10. Pallor Trading Company Pvt. Ltd.   | 22. Aber Investment Limited (subsidiary of Sr. No. 10)             |
| 11. The Mehta International Ltd.       | 23. Monza Limited (subsidiary of Sr. No. 10)                       |
| 12. Euro India Investments Ltd.        | 24. The Arj Investments Limited (subsidiary of Sr. No. 10)         |
- \*41,43,650 shares held as security by a bank for financial assistance granted.

b) Name of Key Management Personnel:

- |                      |                         |
|----------------------|-------------------------|
| 1. Mr. Jay Mehta     | Executive Vice Chairman |
| 2. Mr. M. S. Gilotra | Managing Director       |
| 3. Mr. R. K. Poddar  | Dy. Managing Director   |

c) Particulars of remuneration paid to all Key Management Personnel are given in note No. 9.

- d) (i) Name of the transacting related party : Saurashtra Cement Limited  
(ii) Description of the relationship between the parties : Common Key Management Personnel  
(iii) Particulars of transactions are disclosed in aggregate value for the period/year

Particulars	2007-08	2006-07
	18 Months Rs. in lacs	12 Months Rs. in lacs
Purchase of Goods & materials	1,082.58	2,602.82
Sale of Goods & materials	5,631.49	2,142.88
Services received / rendered (Net)	42.14	93.06
Outstanding Receivable	321.11	576.16

13. **Earning Per Share:**

	2007-08	2006-07
	18 Months Rs. in lacs	12 Months Rs. in lacs
a) Net Profit before Exceptional Item (Rs. in lacs)	2,004.26	5,236.25
b) Net Profit after Exceptional Item (Rs. in lacs)	4,878.68	5,236.25
c) Total Weighted Average Number of Shares for Basic & Diluted Earning	144,615,408	142,365,408
d) Basic and Diluted Earning per share in rupees	3.37	3.68

14. The Company has only one business segment 'Cement/Clinker' as primary segment. The secondary segment is geographical segment which is given below:

**Revenue – Sales**

	2007-08	2006-07
	18 Months Rs. in lacs	12 Months Rs. in lacs
a) Domestic (India)	52,288.23	28,939.33
b) Export	4,727.12	10,457.80
Total	57,015.35	39,397.13

All Fixed assets of the Company are in India only.

15. In accordance with Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the company has reviewed its Deferred Tax Assets (DTA) recognized upto 30th September, 2008 and has also, in terms of paragraph 15 to 18 of AS 22, examined the issue of recognizing DTA arising during the year on account of unabsorbed depreciation and carry forward losses. The financial projections of the Company have been evaluated by State Bank of India, the Operating Agency. Having regard to this and also considering the present market scenario of the Company's products as well as profits earned during the period, the Management expect that the Company will have sufficient taxable income as envisaged in the Financial projections against which aggregate DTA recognized / to be recognized as on balance sheet date would be realised.

Accordingly the Company has computed Deferred Tax Assets of Rs. 5,827.52 lacs and Deferred Tax Liabilities of Rs. 854.36 lacs as on 30th September, 2008 on the following items of timing differences :

	<b>As at 30-09-08</b>	As at 31-03-07
	<b>Rs. in lacs</b>	Rs. in lacs
<b>a) Deferred Tax Assets:</b>		
Accrued Expenses deductible on cash basis	<b>2,056.59</b>	4,532.82
Provision for Doubtful debts & advances	<b>216.29</b>	204.77
Unabsorbed Depreciation	<b>3,554.64</b>	4,206.37
Accumulated Business Losses	-	698.48
Total	<b>5,827.52</b>	9,642.44
<b>b) Deferred Tax Liabilities:</b>		
Difference between WDV of fixed assets as per the Income-tax Act, 1961 and the Companies Act, 1956	<b>854.36</b>	892.60
Total	<b>854.36</b>	892.60
<b>c) Net Deferred Tax Assets (a – b)</b>	<b>4,973.16</b>	8,749.84

16. a) The Current Accounting Period has been extended from 12 months to 18 months starting from 1.04.2007 to 30.09.2008. Accordingly, previous year's figures are not comparable with current period's figures.
- b) Previous year's figures have been regrouped and/or rearranged wherever necessary to make them conform with current period's classification.

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

### I. Registration Details

Registration No.

State Code

Balance Sheet Date   
Date Month Year

### II. Capital raised during the year (Amount in Rs. Thousands)

Public Issue	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	Rights Issue	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Bonus Issue	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	Call Money	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="5"/>

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="6"/>	Total Assets	<input type="text" value="2"/> <input type="text" value="1"/> <input type="text" value="7"/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="8"/> <input type="text" value="6"/>
SOURCES OF FUNDS			
Paid-up Capital	<input type="text" value="1"/> <input type="text" value="4"/> <input type="text" value="4"/> <input type="text" value="6"/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="4"/>	Advance Call Money	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Share Application Money	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>	Reserves & Surplus	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="6"/> <input type="text" value="9"/> <input type="text" value="5"/>
Secured Loans	<input type="text" value=""/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="4"/> <input type="text" value="6"/>	Unsecured Loans	<input type="text" value=""/> <input type="text" value="5"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="6"/> <input type="text" value="1"/>
APPLICATION OF FUNDS			
Net Fixed Assets	<input type="text" value=""/> <input type="text" value="6"/> <input type="text" value="8"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="9"/> <input type="text" value="1"/>	Investments	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/>
Net current Assets	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="7"/> <input type="text" value="6"/> <input type="text" value="2"/> <input type="text" value="7"/>	Misc. Expenditure	<input type="text" value=""/> <input type="text" value="N"/> <input type="text" value="I"/> <input type="text" value="L"/> <input type="text" value=""/>
Deferred Tax Assets	<input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="9"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="1"/> <input type="text" value="6"/>	Accumulated Losses	<input type="text" value=""/> <input type="text" value="9"/> <input type="text" value="9"/> <input type="text" value="0"/> <input type="text" value="2"/> <input type="text" value="0"/> <input type="text" value="3"/>

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover	<input type="text" value="5"/> <input type="text" value="8"/> <input type="text" value="1"/> <input type="text" value="5"/> <input type="text" value="7"/> <input type="text" value="3"/> <input type="text" value="4"/>	Total Expenditure	<input type="text" value="5"/> <input type="text" value="1"/> <input type="text" value="3"/> <input type="text" value="6"/> <input type="text" value="0"/> <input type="text" value="0"/> <input type="text" value="3"/>
Profit before tax	<input type="text" value=""/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="1"/> <input type="text" value="0"/> <input type="text" value="8"/> <input type="text" value="9"/>	Profit after tax	<input type="text" value=""/> <input type="text" value="4"/> <input type="text" value="8"/> <input type="text" value="7"/> <input type="text" value="8"/> <input type="text" value="6"/> <input type="text" value="8"/>
Basic Loss Per Share (Rs.)	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value="3"/> <input type="text" value="."/> <input type="text" value="3"/> <input type="text" value="7"/>	Dividend rate %	<input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/> <input type="text" value=""/>

### V. Generic Names of Three Principal Products / Services of Company

(as per monetary terms)

Items Code No. (ITC Code)

Product Description

Item Code No. (ITC Code)

Product Description

As per our attached Report of even date

For and on behalf of Board of Directors

For **MANUBHAI & CO.**  
Chartered Accountants

**K. C. PATEL**  
Partner  
Membership No. 30083

Mumbai: 28th January, 2009

**M. N. Mehta**  
**Sanat M. Mehta**  
**G. C. Murmu**  
**P. K. Behl**  
**S. V. S. Raghavan**  
**Hemnabh Khatau**  
**Bimal Thakkar**  
**Dr.(Ms) Kala S. Pant**  
**M. S. Gilotra**  
**R. K. Poddar**

Chairman

Directors

Managing Director  
Dy. Managing Director

Vice President (Legal) & Co. Secretary

**A. S. Khandwala**  
Mumbai: 28th January, 2009



### GUJARAT SIDHEE CEMENT LIMITED

Regd. Office: "Sidheeagram", Off Veraval-Kodinar Highway,  
Pin Code 362 276, Dist. Junagadh (Gujarat)

D.P. Id. *	
Client Id. *	

L.F. No.	
No. of Shares	

#### ATTENDANCE SLIP

I/We hereby record my/our presence at the Thirty Fifth Annual General Meeting of the Company held at the Registered Office of the Company at "Sidheeagram", Off Veraval-Kodinar Highway, Pin Code 362 276, Dist. Junagadh (Gujarat) at 10.00 a.m. on Thursday, the 5th March, 2009 and at any adjournment thereof.

NAME OF THE SHAREHOLDER (IN BLOCK LETTERS)	
SIGNATURE OF THE SHAREHOLDER	
NAME OF THE PROXY (IN BLOCK LETTERS)	
SIGNATURE OF THE PROXY	

\* Applicable for investors holding shares in Electronic form.

#### NOTES:

1. You are requested to sign and hand over this slip at the entrance to the Meeting Venue.
2. If you intend to appoint a proxy to attend the Meeting instead of yourself, the proxy must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the Meeting.

----- (Tear here) -----



### GUJARAT SIDHEE CEMENT LIMITED

Regd. Office: "Sidheeagram", Off Veraval-Kodinar Highway,  
Pin Code 362 276, Dist. Junagadh (Gujarat)

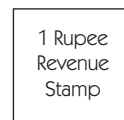
D.P. Id. *	
Client Id. *	

L.F. No.	
No. of Shares	

#### FORM OF PROXY

I/We ..... of ..... in the district of .....being a Member/Members of Gujarat Sidhee Cement Limited hereby appoint ..... of ..... in the district of ..... or failing him ..... of ..... in the district of ..... as my/our proxy to attend and vote for me/us and on my/our behalf at the Thirty Fifth Annual General Meeting of the Company to be held at 10.00 a.m. on Thursday, the 5th March, 2009 and at any adjournment thereof.

Signed this ..... day of ....., 2009.



Signature .....

\* Applicable for investors holding shares in Electronic form.





**BOOK-POST**



If undelivered, please return to:

**Gujarat Sidhee Cement Limited**

*Registered Office:*

"Sidheegram"

Off. Veraval-Kodinar Highway

Pin Code 362 276,

Dist. Junagadh

(Gujarat)