

**Report on Corporate Governance**  
(Pursuant to Clause 49 of the Listing Agreement)

## **1. COMPANY'S PHILOSOPHY**

The Company believes that good Corporate Governance emerges from the application of the best and sound management practices and compliance with the law coupled with total adherence to highest norms of business ethics. These two main drivers, together with the company's ongoing contributions to the local communities it operates in through meaningful and relevant Corporate Social Responsibility initiatives add to enhance the stakeholders value.

The Company places great emphasis on values such as empowerment and integrity of its employees, safety of the employees & communities surrounding our plant and facilities, transparency in decision making process and fair & ethical dealings with all, pollution free clean environment and last but not the least, accountability to all the stakeholders. These practices are being followed since the inception and have contributed to the company's sustained growth.

## **2. BOARD OF DIRECTORS**

### **2.1 Composition of Board of Directors as on date of Report:**

The Board of Directors as at 31<sup>st</sup> March, 2014 comprises of three Directors, all of them are executive director. The Chairperson is an executive director.

<b>No.</b>	<b>Name of Director</b>	<b>Category</b>
1	Kantilal Jagjivan Khimani	Chairperson & Executive Director
2	Ketan Kantilal Khimani	Executive Director
3	Prashant Kantilal Khimani	Executive Director

### **2.2 Responsibilities of the Board**

The responsibility such as policy formulation, performance review and analysis and control, direction and management of the affairs of the company is vested in the Board of Directors presided over by the Director. The Board has delegated some of its powers to the executives of the company. The Board reviews from time to time such delegated powers and their utilization for effective functioning of the Company.

### **2.3 Board Meetings and Attendance Record of Directors:**

The meetings of the Board of Directors are held at periodical intervals and are generally at the Board Room of the Company. The meeting dates are decided well in advance and the agenda and notes on agenda are circulated in advance to the directors. All material information is incorporated in the notes on agenda for facilitating meaningful and focused discussion at the meeting. Where it is not perusable to attach supporting or relevant documents to the agendas, the same is tabled before the meeting. In case of business exigencies or urgency of matters, resolutions are passed by circulation. Senior Management persons are often invited to attend the Board Meetings and provide clarifications as and when required.

**During the year under review, the Board met 4 times on the following dates:**

30/05/2013    12/07/2013    25/10/2013    25/01/2014.

**Extra Ordinary General Meeting:**

No Extra Ordinary General Meeting held during the year under review.

**Postal Ballot Resolution:**

No postal ballot resolution was passed during the year under review.

Attendance of Directors at Meetings of Board of Directors and last AGM:

No.	Name of Director	Category of Directorship	No. of other Directorship	No. of Board Meeting attended
1	Kantilal Jagjivan Khimani	Chairperson	-	4
2	Ketan Kantilal Khimani	Director	-	4
3	Ketan Kantilal Khimani	Director	-	4

**2.4 Details of Directors seeking re-appointment at the ensuing Annual General Meeting**

As per the provisions of the Companies Act, 2013, two third of the directors of a company should be retiring directors, of which one third of such directors are required to retire every year and if eligible, they qualify for re-appointment.

Mr. Kantilal Jagjivan Khimani retires by rotation at the ensuing Annual General Meeting and offers them for re-appointment.

**Profile of Mr. Kantilal Jagjivan Khimani Director being appointed u/s 255 & 256 of the Companies Act, 1956**

Name	Mr. Kantilal Jagjivan Khimani
Date of Birth	17/01/1935
Date of Appointment	14/10/1994
No. of shares held in the company	40000
No. of warrants held in the company	Nil
Directorship in other company	Nil

**2.5 Details of Directors who are as Chairperson and Directors in other Public Companies**

None of the Directors on the Board is a member of more than 10 Committees and Chairperson of more than 5 Committees (as specified in Clause 49 (C) (ii) across all the Companies in which he is a director. The necessary disclosure regarding Directorship and Committee position have been made by the Directors who are on the Board of the Company as on 31<sup>st</sup> March, 2014 and the same is reproduced herein below :

Sr. No.	Name of Director	No of Directorship In other Public Companies	No. of Committees positions held as Chairperson on other public Companies	No. of Committees positions held as member in other public Company
1.	Kantilal Jagjivan Khimani	--	--	--
2.	Ketan Kantilal Khimani	--	--	--
3.	Ketan Kantilal Khimani	--	--	--

### 3. COMMITTEE OF BOARD

The Company had Three Board Committees. These are

1. Audit Committee
2. Remuneration Committee
3. Share Transfer & Shareholders/Investor Grievance Committee

Moving with various committees formed and reported in the previous Annual Report and in line with the requirements of SEBI and Stock Exchanges, the Board has formally constituted the following committees of Directors.

#### 3.1 Audit Committee:

The Audit committee constituted by the Board of directors as per the provisions of Clause 49 of the listing Agreements as well as in Section 292A of the Companies Act, 2013 as below.

a. Composition:

As on 31.03.2014, the Audit Committee comprised of three Directors namely:

No.	Name of Director	Category
1	Kantilal Jagjivan Khimani	Chairman
2	Ketan Kantilal Khimani	Member
3	Ketan Kantilal Khimani	Member

The Audit Committee of the Board of Directors of the Company, Inter-aila, provides assurance to the Board on the adequacy of the internal control systems and financial disclosures.

The audit committee while reviewing the Annual Financial Accounts ensures compliance of the Accounting Standard (AS) issued by the Institute of Chartered Accountants of India.

#### **Brief description of terms of reference:**

- A. Overseeing the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- B. Recommending the appointment and removal of external auditor, fixation of audit fees and also approval for payment of any other Consultancy services provided by the statutory auditor.

C. Reviewing with management the annual financial statements before submission to the Board, focusing primarily on:

- Review the financial reporting process and disclosure of its financial information
- Review with the management, Annual financial statements before submission to the Board
- Review with the management, statutory Auditors and Internal Auditors and adequacy of internal control systems
- Review the company's accounting and risk management policies
- Review the company's accounting and management reporting systems and updates the same from time to time recommend the appointment and removal of statutory and Internal Auditors and fixation of fees for the same.
- Review quarterly financial statement.
- Review internal investigations made statutory/ Internal Auditors.
- Scope of Statutory/ Internal Audit
- Review fixed deposits/repayment systems etc.
- Any other applicable functions as described in Corporate Governance.
- Review related party transactions.

Executive summary of the Audit Committee Meetings are placed before the immediate next Board Meetings held after the Audit Committee for deliberations and the full minutes of the same are placed before the following Board Meeting for record. The Board of Directors, regularly apprised on the recommendations for the Audit Committee, further, at the beginning of the financial year, the Committee discuss the plan for the internal audit and statutory audit.

Dates of the Audit Committee Meetings are fixed in advance and agenda is circulated to the Directors at least seven days before the meeting.

As required under Clause 49(III)(E) of the Listing Agreement, the Audit Committee had reviewed the following information:

- Management Discussion and analysis of financial condition and results of operations.
- Statement of significant related party transactions submitted by management
- Management letters/letters of internal controls, weaknesses issued by the Statutory Auditors.
- Internal Auditors Reports relating to internal control weaknesses.
- Appointment, removal and terms of remuneration of the internal auditors.

During the year under review, the 4 Audit Committee was held during Financial Year 2013-14. The dates on which the said meetings were held as follows:

30/05/2013    12/07/2013    25/10/2013    25/01/2014

### **3.2 Remuneration Committee:**

The remuneration committee of the Company has not met during the year under review because there was no proposal for the payment or increase / decrease of the remuneration of any managerial staff or director of the Company.

### 3.3 Share Transfer & Shareholders'/Investor Grievance Committee:

The Share Transfer & Shareholders'/Investor Grievance committee comprises as under:

No.	Name of Director	Category
1	Kantilal Jagjivan Khimani	Chairperson
2	Ketan Kantilal Khimani	Member
3	Ketan Kantilal Khimani	Member

Mr. Kantilal Jagjivan Khimani Chairperson and Executive Director of the company was heading the committee as well as he was designated as the Compliance officer of the Company.

The Committee continued to look into the investors/shareholders complaints. The Committee meets once in a month to look after share transfers and other complaints. The Company is yet to appoint some share transfer agent for looking after the work of physical and dematerialized shares and shall do it shortly.

Name	Executive / Non-Executive	Salary	Bonus	Sitting Fees	Contribution to PF	Perquisites	Total
Kantilal Khimani	Chairman & Executive Director	-	-	-	-	-	-
Ketan Khimani	Executive Director	-	-	-	-	-	-
Ketan Khimani	Non Executive	-	-	-	-	-	-

### 4. GENERAL BOARD MEETING:

(a) Location and time where last three AGMs were held:

Year of AGM	Date of the AGM	Time	Place of AGM Held
2013	28/09/2013	11.30 A.M	Shah Commercial Centre, Station Road, Bhuj, 370001
2012	28/09/2012	11.30 A.M	Shah Commercial Centre, Station Road, Bhuj, 370001
2011	30/09/2011	11.30 A.M	Shah Commercial Centre, Station Road, Bhuj, 370001

(b) All the resolutions including special resolutions set out in the respective notices were passed by the shareholders. The following special resolutions were passed in previous Three Annual General Meeting for the year:

**2013** No special resolution passed in the year under review

**2012** No special resolution passed in the year under review.

**2011** No special resolution passed in the year under review.

## **EXTRA ORDINARY GENERAL MEETING DURING THE YEAR**

No Extra Ordinary General Meeting held during the financial year under review.

### **5. DISCLOSURES:**

a. Materially significant related party transactions:

There were no significant or material related party transactions that have taken place during the year which have any potential conflict with the interest of the company at large. The detailed related party information and transactions have not been provided in Notes forming parts of Accounts.

b. During the last three Years, there were no penalties, strictures imposed by either SEBI or stock Exchange or any statutory authority for non-Compliance of any matter related to the capital market.

### **6. CEO/CFO CERTIFICATION:**

(Under Clause 49(V) of Listing Agreement)

We Certify that --

a. We have reviewed the financial statements and the cash flow statement for the year 2013-14 and that to the best of our knowledge and belief:

- These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
- These statements together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations;

b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year 2013-14 which are fraudulent, illegal or violative of the Company's code of conduct;

c. We accept responsibility for establishing and maintaining internal controls and that we have evaluated the effectiveness of the internal control systems of the Company and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of the internal control, if any, of which we are aware of and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the Auditors and the Audit Committee –

- Significant changes in internal control over the financial reporting during the year 2013-14
- Significant changes in accounting policies during the year 2013-14 and that the same have been disclosed in the notes to the financial statements; and
- Instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a

significant role in the Company's internal control system over the financial reporting.

## **7. MEANS OF COMMUNICATIONS:**

The Quarterly Unaudited Financial Results and other presentation as to the Company's Performance etc. are made available to the institutional investors/Financial Analysts as and when felt expedient.

The Management discussion and analysis forms part of the Annual Report.

## **8. GENERAL SHAREHOLDER INFORMATION:**

- **Annual General Meeting: Date, Time and venue:**

30<sup>th</sup> September, 2014 at 11.30 a.m. at the Registered Office of the Company.

- **Financial Year:**

1<sup>st</sup> April 2013 to 31<sup>st</sup> March, 2014

- **Financial Calendar:**

1<sup>st</sup> quarterly results – last week of May, 2013

2<sup>nd</sup> quarterly results – last week of August, 2013

3<sup>rd</sup> quarter results – last week of November, 2013

4<sup>th</sup> quarter results – last week of February, 2014

- **Date of Book Closure:**

24<sup>th</sup> September, 2014 to 30<sup>th</sup> September, 2014 (both days inclusive).

- **Dividend Payment Date:** N.A.

- **Listing on Stock Exchanges:**

Ahmedabad Stock Exchange Ltd  
Bombay Stock Exchange Limited (delisted)

- **Listing Fee:** The Company has not paid listing fee for the year 2013-14.

- **Scrip Code:** N.A.

- **Demat ISIN number:** Share yet not De-materialized

- **Registered and Transfer Agent:**

The Company has an in-house share transfer department and has not appointed any Registrar and Transfer Agent.

- **Share Transfer System:**

Valid Share transfer in physical form and complete in all respects were approved and registered within the stipulated period.

- **Distribution of Shareholding as on Dated 31.03.2014**

SHARE HOLDING OF NOMINAL VALUE OF		SHARE HOLDERS		SHARE AMOUNT	
Rs.	Rs	Number	% to Total	In Rs.	% to Total
(1)		(2)	(3)	(4)	(5)
Upto	5000	142	20.67	695000	0.69
5001	- 10000	320	46.58	2973000	2.97
10001	- 20000	41	5.97	645000	0.64
20001	- 30000	37	5.39	926000	0.92
30001	- 40000	34	4.95	1212000	1.21
40001	- 50000	11	1.60	540000	0.54
50001	- 100000	17	2.47	1404750	1.40
100001 and above		85	12.37	91765250	91.62
<b>Total</b>		<b>687</b>	<b>100.00</b>	<b>100161000</b>	<b>100.00</b>

- **Shareholding pattern as on 31.03.2014**

Category	No of Shares held	% of Shareholding
a. Promoters and persons who may be deemed to be acting in concert including promoter/directors group Companies	1416600	14.14
b. Mutual Fund/Trust	0	0.00
c. Financial Institution/Banks	0	0.00
d. Bodies Corporate	2900	0.03
e. Indian public	7073600	70.62
f. other (HUF)	123000	1.23
g.NRI	1400000	13.98
<b>TOTAL</b>	<b>10016100</b>	<b>100.00</b>

**Dematerialization of shares:** As on 31/03/2014 Demat shares accounted for Nil (Equity Shares) of total equity.

**Outstanding GDR / ADR / Warrants:** Not Applicable

- **Registered Office and Address for communication:**

**Hics Cements Limited**  
**Shah Commercial Centre, Station Road, Bhuj – 370001 Gujarat**



**Declaration of compliance with the code of conduct**

All the Directors and senior management personal have, respectively, affirmed compliance with the code of conduct as approved and adopted by the Board of Directors.

**For & on behalf of the Board of Director**

**Date: 29/05/2014**

**Place: Bhuj**

Sd/-  
**Prashant K. Khimani**  
Director  
DIN: 01626040

Sd/-  
**Kantilal J. Khimani**  
Director  
DIN: 00554969

Sd/-  
**Ketan K. Khimani**  
Director  
DIN: 00555000

## **MANAGEMENT DISCUSSION AND ANALYSIS REPORT**

### **1) INDUSTRY STRUCTURE AND DEVELOPMENTS**

The all India cement production during the period April 2013 to March 2014 registered a cumulative growth as against the corresponding period of last year. The cumulative growth for the eight core industries (coal, crude oil, natural gas, refinery products, fertilizers, steel cement & electricity) remained same as previous year. With the entry of new players in the already fragmented markets, high price volatility and variations in prices is experienced in different regions and different periods of time..

### **2) OPPORTUNITIES AND THREATS**

#### **Opportunities**

- Increase in income levels will aid greater penetration of financial products.
- Positive regulatory reforms.
- Increase in corporate growth & risk appetite.
- Greater efficiency in debt market operations which will also help greater penetration.
- Increased securitization.
- Focus on selling new product/services.

#### **Threats**

- Inflation could trigger increase in consumer price inflation, which would dampen growth.
- Increased competition in both local & overseas markets.
- Unfavorable economic development.
- Market risk arising from changes in the value of financial instruments as a result of changes in market variables like interest rate and exchange rates.

### **3) SEGMENT-WISE PERFORMANCE**

The Company has identified its activities as single segment. Hence, the Company's performance is to be viewed as a single segment company operating in Cement industry.

### **4) RECENT TREND AND FUTURE OUTLOOK:**

Notwithstanding global uncertainties, regulatory tightening and cyclical economic downtrend, financial services industry in India on the whole, will continue to march ahead at a healthy pace in the long term. We expect interest rates to remain stable or move southward and liquidity to ease in the coming quarters. This should augur well for demand growth in financing and lending business. However your company is making all possible efforts will improve its position.

## **5) RISK AND CONCERNS**

Like any other industry, this industry is also exposed to risk of competition, government policies, natural factor etc. As the Company is proposed to export raw materials/ finished product, the Company has risk on account of Exchange Rate fluctuations. The Company has taken necessary measures to safeguard its assets/interests etc.

## **6) INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY**

The Company has proper and adequate system of Internal Controls to ensure that all the assets are safeguarded, protected as against loss from unauthorised use or disposition and that transactions are authorised , recorded and reported correctly. The Company conducted the audit of various departments through an independent internal auditor. The views of the statutory auditors are also considered to ascertain the adequacy of the internal control system.

## **7) FINANCIAL PERFORMANCE WITH RESPECT TO OPERATIONAL PERFORMANCE**

The financial performance of the Company for the year 2012-13 is described in the Directors' Report under the head 'Operations of the Company'.

## **8) MATERIAL DEVELOPMENTS IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS FRONT**

Your Company has undertaken certain employees' development initiatives which have very positive impact on the morale and team spirit of the employees. The Company has continued to give special attention to Human Resources/Industrial Relations development. Industrial relations remained cordial throughout the year and there was no incidence of strike, lock-out etc.

## **9) CAUTIONARY STATEMENT:**

Statement in this Management Discussion and Analysis Report, describing the Company's objectives, estimates and expectations may constitute 'Forward Looking Statements' within the meaning of applicable laws or regulations. Actual results might differ materially from those either expressed or implied.

**For & on behalf of the Board of Director**

**Date: 29/05/2014**

**Place: Bhuj**

**Sd/-  
Prashant K. Khimani  
Director  
DIN: 01626040**

**Sd/-  
Kantilal J. Khimani  
Director  
DIN: 00554969**

**Sd/-  
Ketan K. Khimani  
Director  
DIN: 00555000**