

Certified True Copy

For Saurashtra Cement Limited

Sonali Banas
Ms. Sonali Banas
Vice President (Legal) & Company Secretary

Disclosures required to be made under Regulation 16 (2) of the Securities and Exchange Board of India (Stock Based Employee Benefits) Regulations, 2014

Part A: Statement of Risks

All investments in shares or options in respect of shares are subject to risk as the value of shares may go down or go up. In addition, employee stock options are subject to the following additional risks:

1. **Concentration:** The risk arising out of any fall in value of shares is aggravated if the employee's holding is concentrated in the shares of a single company.
2. **Leverage:** Any change in the value of the share can lead to a significantly larger change in the value of the option as an option amounts to a levered position in the share.
3. **Illiquidity:** The options cannot be transferred to anybody, and therefore the employees cannot mitigate their risks by selling the whole or part of their options before they are exercised.
4. **Vesting:** The options will lapse if the employment is terminated prior to vesting. Even after the options are vested, the unexercised options shall be forfeited if the employee is terminated for gross misconduct as per terms of the Employee Stock Option Plan.

Part B: Information about the company

1. **Business of the company:**

Saurashtra Cement Limited (SCL) is the flagship company of The Mehta Group. The Mehta Group has business interests across Africa, India and North America. Besides vast geographical spread, the Group's business interests traverse a wide spectrum such as sugar, cement, packaging, electrical cables, engineering, management consultancy and financial services, horticulture and floriculture and international trade.

SCL is one of the oldest cement companies in Gujarat having started its operation in 1961 with an installed capacity of 2 Lac Tons Per Annum (LTPA). At present, SCL has a 1.3 Million Tons Per Annum (MTPA) state of the art cement plant near Porbandar in Gujarat state.



The plant has its own railway siding, 25MW Thermal Power Plant and an all weather captive jetty at Porbandar. SCL has a market presence of over five decades and has a well-established loyal distribution network in Gujarat and Maharashtra with over 2000 dealers and stockists. SCL products are sold under the brand name "Hathi Cement" which is considered as a premium brand. SCL is a recognized Export House and has been one of the largest exporters of cement and clinker from the West Coast of India and has been accredited with ISO 9001 and ISO 14001 by TUV Nord GmbH.

2. **Abridged financial information:**

Abridged audited financial information (Standalone and Consolidated) for the last five years of the Company as prescribed under clause (b)(i) of Section 26(1) of the Companies Act, 2013 as amended or re-enacted from time to time are attached herewith and marked as Annexure A collectively.

3. **Risk Factors:**

Management perception of the risk factors of the company (i.e., sensitivity to foreign exchange rate fluctuations, difficulty in availability of raw materials or in marketing of products, cost/time overrun etc.) are given below.

- The rail freight continued to be high and the transportation by rail using the nearest rail siding is unviable. The infrastructural constraints and the high cost of handling of cement at public ports is a growing concern. The cost of delivery by road is adversely affected by the frequent changes in the deregulated diesel prices.
- The Ministry of Environment, Forest and Climate Change, Government of India has issued new stringent emission standard for Cement Industry for SO₂, NO_x and particulate matter. The new environmental emission norms have become mandatory from 1st April 2017. As required by the Central Pollution Control Board (CPCB), the Company has submitted its proposal with brief road map and approximate capital expenditure required to meet the revised norms. This will require technical upgradation/replacement/ addition of pollution control equipment, involving substantial Capex. Besides capital investments, escalation in the operational costs is also expected.
- The Mines and Minerals (Development and Regulation) Amendment Act, 2015 stipulates that leases granted before the commencement of the Act, for captive use are extended upto a period ending on 31st March 2030 or for a further period of 50 years from the date of the grant or till the completion of their renewed period, whichever is later. With the amended Act, the earlier policy of deemed renewal has been discontinued and all the mining leases will



henceforth be allotted through an auction, which has made it difficult to retain existing leases. Forest & Wild life clearances are now a pre-requisite and land acquisition is becoming more challenging and expensive.

- Over capacity of cement versus the demand is resulting in very volatile market conditions and profitability of cement business.

The Indian Cement Industry is becoming intensely competitive, with addition of new entities and existing companies expanding its capacity inorganically. This could potentially impact the sales volumes, market share and profitability of the company.

4. Continuing disclosure requirement:

The option grantee would receive copies of all documents that are sent to the members of the company. This shall include the annual accounts of the company as well as notices of meetings and the accompanying explanatory statements.

Part C: Saurashtra Employee Stock Option Scheme 2017

Equity based compensation is considered to be an integral part of employee compensation across sectors which enables alignment of personal goals of the employees with organizational objectives. The Company believes in rewarding its employees for their continuous hard work, dedication and support, which has led the Company on the growth path. The Company intends to implement Employee Stock Option scheme with a view to attract and retain key talents working with the Company by way of rewarding their performance and motivate them to contribute to the overall corporate growth and profitability.

With this objective in mind, Company intends to implement Saurashtra Employee Stock Option Scheme 2017 ("ESOS 2017") for the Senior management team and potential executives from middle management (hereinafter referred to "Employees") of the Company in due compliance of the Regulation 6 of the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 ("SEBI SBEB Regulations"). The Plan was approved by the Shareholders vide Special Resolution dated 26th July 2017.

The main features of the Plan are as under:

a. Brief description of the scheme:

The Company proposes to introduce the ESOS 2017 primarily with a view to attract, retain, incentivize and motivate the existing employees of the Company, that would lead to higher corporate growth. The ESOS 2017 contemplates grant of options to the eligible employees as may be determined in due compliance of SEBI (SBEB) Regulations and provisions of the ESOS 2017. After vesting of options, the eligible



employees earn a right (but not obligation) to exercise the vested options within the exercised period and obtain equity shares of the Company subject to payment of exercise price and satisfaction of any tax obligation arising thereon.

The Nomination and Remuneration Committee ("Committee") of the Company shall administer ESOS 2017. All questions of interpretation of the ESOS 2017 shall be determined by the Committee and such determination shall be final and binding upon all persons having an interest in ESOS 2017.

b. Total number of Options to be granted:

A total number of 16,33,253 options (Sixteen lacs thirty three thousand two hundred fifty three) exercisable into 16,33,253 (Sixteen lacs thirty three thousand two hundred fifty three) Equity Shares would be available for being granted to eligible employees of the Company under ESOS 2017. Each option when exercised would be converted into one Equity share of Rs.10/- each fully paid-up.

Options lapsed or cancelled due to any reason including the reason of lapse of exercise period or due to resignation of the employees, would be available for being re-granted at a future date. The Committee is authorized to re-grant such lapsed / cancelled options as per the ESOS 2017.

Further, the SEBI Regulations require that in case of any corporate action(s) such as rights issues, bonus issues, merger and sale of division and others, a fair and reasonable adjustment needs to be made to the options granted. In this regard, the Committee shall adjust the number and price of the options granted in such a manner that the total value of the options granted under ESOS 2017 remain the same after any such corporate action. Accordingly, if any additional options are issued by the Company to the option grantees for making such fair and reasonable adjustment, the ceiling of 16,33,253 (Sixteen lacs thirty three thousand two hundred fifty three) shall be deemed to be increased to the extent of such additional options issued.

c. Identification of classes of employees entitled to participate in ESOS 2017

Senior management team and potential executives from middle management

d. Requirements of vesting and period of vesting

All the options granted on any date shall vest not earlier than **1 (one) year** and not later than a maximum of **3 (three) years** from the date of grant of options as may be determined by the Committee.



Options shall vest essentially based on continuation of employment and apart from that the vesting will be subject to Individual performance parameters as the Committee may specify additionally.

e. Maximum period within which the options shall be vested:

All the options granted on any date shall vest not later than a maximum of 3 **(Three) years** from the date of grant of options as may be determined by the Committee.

f. Exercise price or pricing formula:

The exercise price shall be Rs.10/- as on 8th February, 2018.

g. Exercise period and the process of Exercise:

The Exercise period would commence from the date of vesting and will expire on completion **5 (five) years** from the date of respective vesting or such other shorter period as may be decided by the Committee from time to time.

The vested Option shall be exercisable by the employees by a written application to the Company expressing their desire to exercise such Options in such manner and on such format as may be prescribed by the Committee from time to time. The Options shall lapse if not exercised within the specified exercise period.

h. Appraisal process for determining the eligibility of employees under ESOS 2017:

The appraisal process for determining the eligibility shall be decided from time to time by the Committee. The broad criteria for appraisal and selection may include parameters like tenure of association with the Company, performance during the previous years, contribution towards strategic growth, contribution to team building and succession, cross-functional relationship, corporate governance, etc.

i. Maximum number of Options to be issued per employee and in aggregate:

The number of options that may be granted to any specific employee of the Company under the ESOS 2017, in any financial year and in aggregate under the ESOS 2017 shall not exceed 1% of issued capital.

j. Maximum quantum of benefits to be provided per employee under the ESOS 2017:

The maximum quantum of benefits underlying the options issued to an eligible employee shall depend upon the market price of the shares as on the date of exercise of options.

k. Route of ESOS 2017 implementation:

The ESOS 2017 shall be implemented and administered directly by the Company. In case Company wishes otherwise, it may be intimated to the members in due course as per applicable laws.



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i. Source of acquisition of shares under the ESOS 2017:

The ESOS 2017 contemplates fresh/new issue of shares by the Company.

m. Lock-in:

The Shares transferred upon exercise of Options shall be freely transferable and shall not be subject to any lock-in period restriction after such exercise. Provided however that the Shares transferred on such exercise may be subject to restriction for such period as may be decided in terms of Company's Code of Conduct for Prevention of Insider Trading read with Securities Exchange Board of India (Prohibition of Insider Trading), Regulations, 2015.

You may refer to the copy of the scheme for detailed provisions.

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SAURASHTRA CEMENT LIMITED

Abridged Financial Information (Standalone)

(Rupees in Lakhs)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Net sales / revenue from operations	53,791.05	53,136.24	56,270.64	52,970.12	47,487.74
Other Income	1,025.82	460.70	720.79	1,280.57	1,063.66
Total Income	54,816.87	53,596.94	56,991.43	54,250.69	48,551.40
Cost of materials consumed	3,495.64	3,685.35	4,814.42	4,325.21	3,573.56
Purchase of Stock-in-Trade	2,939.66	3,983.82	1,436.22	805.80	203.86
Change in inventories of finished goods, work-in-progress and stock-in-trade	(0.71)	307.79	(700.83)	640.93	212.14
Stores & Spares consumed	3,433.68	3,730.59	3,994.14	4,540.82	4,583.73
Employees remuneration and benefits	2,818.84	3,003.32	3,510.76	3,910.41	3,925.15
Other expenses	29,858.61	32,597.83	34,279.15	32,443.82	32,716.05
Total expenses	42,545.72	47,308.70	47,333.86	46,666.99	45,214.49
Profit before interest, depreciation and amortisation	12,271.15	6,288.24	9,657.57	7,583.70	3,336.91
Interest / Finance costs	3,338.27	1,636.97	1,337.55	480.67	365.41
Depreciation and amortisation	3,439.60	2,586.21	3,486.15	1,268.64	1,417.03
Profit before Tax and Exceptional Item	5,493.28	2,065.06	4,833.87	5,834.39	1,554.47
Exceptional Items	16,115.29	-	3,089.56	1,037.00	-
Profit before Tax	21,608.57	2,065.06	7,923.43	6,871.39	1,554.47
Tax provisions	3,204.68	-	1,163.41	2,493.50	590.89
Net Profit after Tax	18,403.89	2,065.06	6,760.02	4,377.89	963.58
Profit / (Loss) for the year	18,403.89	2,065.06	6,760.02	4,377.89	963.58
Equity share capital	5,807.02	5,807.02	5,807.02	6,019.42	6,919.42
Reserves	9,202.57	11,249.37	18,009.37	20,675.38	21,417.90
Current Liabilities	15,576.90	18,938.90	15,054.36	12,773.35	14,211.89
Total	30,586.49	35,995.29	38,870.75	39,468.15	42,549.21
Deferred Tax (assets) / liability	-	-	(921.79)	(296.99)	(50.46)
Long term loans, liabilities & provision	12,935.01	5,299.94	1,726.96	2,029.75	2,282.16
Net fixed assets including CWIP	27,086.73	24,774.60	23,060.01	24,095.26	24,798.93
Net current assets other than cash and bank	9,419.27	9,065.33	11,406.34	7,659.75	9,215.45
Cash and bank balance	3,410.02	4,046.94	2,104.42	6,388.65	6,967.61
Non-current assets	3,605.48	3,408.36	3,105.15	3,057.25	3,798.92
Total Assets	43,521.50	41,295.23	39,675.92	41,200.91	44,780.91
Capital employed	27,944.60	22,356.33	24,621.56	28,427.56	30,569.02
Net worth	15,009.59	17,056.39	23,816.39	26,694.80	28,337.32
Number of equity shares (In million)	511.91	511.91	511.91	691.91	691.91
Earning per share (Rs.)	35.78	3.86	13.03	7.51	1.50

Rate of Dividend	-	-	-	10%*	10%
Class of Shares	-	-	-	Equity	Equity
Rate of Dividend	-	-	-	13%	-
Class of Shares	-	-	-	Preference * +	- ** +

* Dividend at the rate of Rs.1 per share paid on 5,11,91,065 fully paid-up Equity shares and Rs.0.19 per share paid on 1,80,00,000 partly paid-up Equity shares.

* Dividend at the rate of 13% p.a. distributed to Preference share holders out of the profits of the Company for the period from 1.4.2015 to 29.2.2016 to the holders of 1,12,911 Preference Shares from 11.11.2000 and on 4,00,127 Preference shares from 27.11.2000 upto 10.03.2016 aggregating to Rs. 1020.44 lakhs.

** The Preference Shares were redeemed on March 10, 2016

+ Holders of 1,74,557 Preference shares had surrendered their right in the redemption, including the preference dividend thereon for the benefit of the Company.

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SAURASHTRA CEMENT LIMITED

Abridged Financial Information (Consolidated)

(Rupees in Lakhs)

Particulars	2012-13	2013-14	2014-15	2015-16	2016-17
Net sales / revenue from operations	54,032.95	53,136.22	56,270.64	52,970.08	47,487.68
Other Income	1,027.90	509.49	733.01	1,292.64	1,077.88
Total Income	55,060.85	53,645.71	57,003.65	54,262.72	48,565.56
Cost of materials consumed	3,495.64	3,685.35	4,814.42	4,325.21	3,573.56
Purchase of Stock-in-Trade	2,939.66	3,983.82	1,436.22	805.80	203.86
Change in inventories of finished goods, work-in-progress and stock-in-trade	(0.71)	307.79	(700.83)	640.93	212.14
Stores & Spares consumed	3,433.68	3,730.59	3,994.14	4,540.82	4,583.73
Employees remuneration and benefits	2,818.84	3,003.32	3,510.76	3,910.41	3,925.15
Other expenses	30,131.78	32,619.00	34,288.36	32,452.56	32,726.08
Total expenses	42,818.89	47,329.87	47,343.07	46,675.73	45,224.52
Profit before interest, depreciation and amortisation	12,241.96	6,315.84	9,660.58	7,586.99	3,341.04
Interest / Finance costs	3,338.27	1,636.97	1,337.55	480.67	365.41
Depreciation and amortisation	3,442.57	2,588.46	3,487.85	1,269.21	1,419.88
Profit before Tax and Exceptional Item	5,461.12	2,090.41	4,835.18	5,837.11	1,555.75
Exceptional Items	16,115.29	-	3,089.56	1,037.00	-
Profit before Tax	21,576.41	2,090.41	7,924.74	6,874.11	1,555.75
Tax provisions	3,204.68	0.61	1,163.92	2,494.12	591.97
Net Profit after Tax	18,371.73	2,089.80	6,760.82	4,379.99	963.78
Profit / (Loss) for the year	18,371.73	2,089.80	6,760.82	4,379.99	963.78
Equity share capital	5,807.02	5,807.02	5,807.02	6,019.42	6,919.42
Reserves	8,984.46	11,056.00	17,816.82	20,484.94	21,227.66
Current Liabilities	15,630.59	18,950.82	15,063.84	12,784.84	14,222.56
Total	30,422.07	35,813.84	38,687.68	39,289.20	42,369.64
Deferred Tax (assets) / liability	-	-	(921.79)	(296.99)	(50.46)
Long term loans, liabilities & provision	12,935.06	5,299.99	1,727.01	2,029.80	2,282.21
Net fixed assets including CWIP	27,096.65	24,782.26	23,065.98	24,100.65	24,801.43
Net current assets other than cash and bank	9,466.51	9,103.47	11,408.78	7,661.29	9,215.57
Cash and bank balance	3,420.76	4,060.32	2,117.73	6,406.06	6,990.13
Non-current assets	3,373.21	3,167.78	2,900.41	2,854.00	3,594.26
Total Assets	43,357.13	41,113.83	39,492.90	41,022.00	44,601.39
Capital employed	27,726.54	22,163.01	24,429.06	28,237.16	30,378.83
Net worth	14,791.48	16,863.02	23,623.84	26,504.36	28,147.08
Number of equity shares (In million)	511.91	511.91	511.91	691.91	691.91
Earning per share (Rs.)	35.71	3.91	13.03	7.51	1.50

Rate of Dividend	-	-	-	10% ⁴	10%
Class of Shares	-	-	-	Equity	Equity
Rate of Dividend	-	-	-	13%	-
Class of Shares	-	-	-	Preference ⁴ +	- ** +

⁴Dividend at the rate of Rs.1 per share paid on 5,11,91,065 fully paid-up Equity shares and Rs.0.19 per share paid on 1,80,00,000 partly paid-up Equity shares.

⁴ Dividend at the rate of 13% p.a. distributed to Preference share holders out of the profits of the Company for the period from 1.4.2015 to 29.2.2016 to the holders of 1,12,911 Preference Shares from 11.11.2000 and on 4,00,127 Preference shares from 27.11.2000 upto 10.03.2016 aggregating to Rs. 1020.44 lakhs.

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