

ANNUAL REPORT

2003



SHIVA CEMENT LIMITED

P-25, CIVIL TOWNSHIP,
ROURKELA - 769004

SHIVA CEMENT LIMITED**BOARD OF DIRECTORS**

Sri R.P. Gupta
Managing Director

Sri Akash Gupta
Executive Director

Sri B.K. Mangaraj
Director

Sri P.K. Sinha
Director

Sri B.N.R. Patnalk
Nominee-IPICOL

Sri P.K. Swain
Nominee-OSFC

BANKERS
State Bank of India

AUDITORS
Tibrewal Chand & Co.
1st Floor,
KK-5, Civil Township
Rourkela-4

REGISTERED OFFICE

P/25, Civil Township
Rourkela-769 004.

PLANT SITE

Unit-I :
Kalunga Indl.Estate
Kalunga-770 031
Sundargarh

Unit-II
Vill: Telighana
PO: Biringatoli
Kutra, Sundargarh

MINES

Vill : Khatkurbahal
Dist. Sundargarh (Orissa)

REGISTRAR & TRANSFER AGENT

Niche Technologies (P)Ltd.
D/511, Bagree Market, 5th floor,
71,B.R.B.B. Road,
Calcutta-1.

SHIVA CEMENT LIMITED**NOTICE**

NOTICE is hereby given that the EIGHTEENTH ANNUAL GENERAL MEETING of the Members of SHIVA CEMENT LIMITED will be held at its Registered office at P-25, Civil Township, Rourkela - 769004, on Saturday the 28th February, 2004 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Balance sheet as at 31st December, 2003 and Profit & Loss Account for the year ended on that date and the reports of Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Sri P.K. Sinha who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint M/s. Tibrewal Chand & Co. Chartered Accountants as Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS

To consider, and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-

1. "RESOLVED THAT pursuant to section 94 and all other applicable provisions, if any, of the Companies Act, 1956, the existing Authorised Share Capital of the Company be and is hereby increased from Rs.13,00,00,000/- (Rupees Thirteen Crores only) divided into 650,00,000 Equity shares of Rs.2/- each to Rs.20,00,00,000/- (Rupees Twenty Crores only) divided into 10,00,00,000 Equity shares of Rs.2/- each, by creation of 3,50,00,000 new Equity shares of Rs.2/- each ranking pari passu with the existing shares of the Company and consequently the relevant capital clauses of the Memorandum of Association & Articles of Association of the Company be altered accordingly."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and are hereby authorised to do all such acts, deeds and writings as may be required in the said connection and to delegate all or any of the powers herein vested in them to any committee of Directors or any Director(s) to give effect to the aforesaid resolution."

2. "RESOLVED THAT pursuant to the provision of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment or reenactment thereof), the Articles of Association of the Company, the guidelines and clarifications issued by the Securities and Exchange Board of India (SEBI) from time to time and subject to such consents, approvals, permissions or sanctions as may be necessary of the appropriate authority (ies) required under any legislation or rules and regulations for the time being in

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force concerning issue of capital, and subject further to such terms, conditions, stipulations, alterations or modifications as may be specified by the said authority (ies) and accepted by the Board of Directors of the Company (hereinafter called the "Board" (which term shall be deemed to include any committee which the Board may have constituted or hereinafter constitute to exercise its powers including the powers conferred by this resolution), the consent of the Company be and is hereby accorded to the Board to offer, issue and allot Equity shares by way of Public issue through book building route, Right issue, issue of convertible warrants, any other financial instruments convertible into equity shares upto 3,50,00,000 Equity shares of Rs.2/- each for cash at a premium not exceeding Rs.0.75 per share at a time or in tranches, with authority to the Board to determine the premium payable on equity shares as well as the subscription money for the warrant and to issue the same within the said limits equity shares on such terms and conditions as the Board may in its absolute discretion decide."

"RESOLVED FURTHER THAT the new Equity shares to be issued as aforesaid shall rank pari passu with the existing Equity shares of the Company in all respects."

"RESOLVED FURTHER THAT in the event of the company making Right issue of shares/ convertible warrants in whatever proportion prior to the exercise of the right attached to the Warrants already issued by the company, entitlement of the holder of the existing warrants shall be augmented in the same portion in which the equity shares capital of the company increases as a consequence of such right issues and that the exercise price of the warrant be adjusted accordingly subject to such approval as may be required."

"RESOLVED FURTHER THAT for the purpose of giving effect to the above Resolutions, the Board be and is hereby authorised on behalf of the Company to do all such deeds, matters and things and do decide all matters as it may in its absolute discretion deem necessary, or desirable for such purpose and to settle any question, difficulties or doubts that may arise with regard to any such issue or allotment or otherwise reconsider the matter with changed circumstances as it may arise in its absolute discretion deem fit without being required to seek any further consent or approval of the members or otherwise to the end and intend that the members shall be deemed to have their approval thereto expressly by the authority of these Resolutions." And

"RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers conferred by these Resolutions to any committee of Directors or any Director or any other officers of the Company to give effect to the aforesaid Resolutions."

By Order of the Board
Sd/-
AKASH GUPTA
Director

Registered Office :
P-25, Civil Township
Rourkela-769 004
Date : 31/01/2004



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NOTES :

- 1) A member entitled to attend and vote, is entitled to appoint a proxy to attend and vote instead of himself and the proxy need not be a member of the Company. A proxy in order to be valid must be received at least 48 hours before the meeting.
- 2) Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
- 3) Shareholders seeking any information with regard to accounts are requested to write to the company atleast seven days before the date of the meeting so as to enable the management to keep the information ready.
- 4) Members are requested to inform immediately changes in their addresses to the registered office of the company.
- 5) Register of members shall remain closed from 24/02/2004 to 28/02/2004 (both the days inclusive).
- 6) Shareholders are requested to bring their copy of Annual Report to the meeting.
- 7) Members who hold shares in dematerialised form are requested to bring their client ID and DP ID numbers for easy identification of attendance at the meeting.
- 8) Explanatory statement pursuant to the provisions of Section 173(2) of the Companies Act, 1956 annexed to the notice.

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

ITEM NO.1

The Company wants to raise resources for its long term working capital requirements and incurring essential capital expenditures for improving production & marketing efficiency. To meet the requirements, the Board of Directors has thought it appropriate to increase the share capital of the Company by further issue of capital by way of Public issue through book building route, Right issue, issue of convertible warrants, any other financial instruments convertible into equity shares in accordance with the Section 81(1A) of the Companies Act, 1956. The present Authorised Capital of the Company is Rs.1300 Lakhs. Since the Company has plans to raise resources by issue of Equity share capital, it has therefore been proposed to increase the Authorised share capital of the company by creation of new Equity shares. The resolutions set out at Item no.1 of special business is for increasing the Authorised capital as aforesaid and carrying out the necessary changes in the Memorandum of Association & Articles of Association in this respect.

The Directors recommend the resolution as a Special Resolution for approval of the shareholders.

None of the Director of the Company is concerned or interested in the resolution as set out at Item no.1.

ITEM NO.2

The Special Resolution as mentioned above proposes to authorise the Board of Directors to raise upto Rs.962.50 Lacs towards part finance of its fund requirements for long term working capital and essential capital expenditure for improving production & marketing efficiency by an issue of upto 3,50,00,000 equity shares of Rs.2/- each for cash at a premium not exceeding Rs.0.75 per share.

Section 81(1A) of the Companies Act, 1956 permits offering of further shares to any person(s) in any manner whatsoever if Special Resolution to that effect is passed by the members of the Company.

The Listing Agreement with the Stock Exchanges stipulate that the Company in the first instance should offer all the shares and debentures to be issued for subscription pro-rata to the existing equity shareholders unless the shareholders in a general meeting decide otherwise, or accordingly consent of the shareholders is being sought pursuant to the provisions of section 81(1A) and all other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with the Calcutta & Mumbai Stock Exchanges where the Company's shares are listed.

The Directors recommended the resolution as a Special Resolution for approval of the shareholders.

The Directors of the Company may be concerned or interested in the resolution as set out at Item no.2 to the extent of application made by them in Public issue/Warrants, other instruments and their entitlement in the Right issue.

By Order of the Board
Sd/-
AKASH GUPTA
Director

Place : Rourkela
Date : 31/01/2004



SHIVA CEMENT LIMITED

DIRECTORS REPORT

Dear Members,

Your directors have pleasure in presenting the 18th Annual Report alongwith audited statement of accounts for the year ended 31st December, 2003 as follows:-

WORKING RESULTS

(Rs. in Lakhs)

Particulars	31/12/2002
Turnover & other Income	3594.61
Operating Profit	216.54
Less: Interest	317.74
Cash Profit	(101.20)
Less: Depreciation & Amortization	208.48
Profit(Loss) before Taxation	(309.68)
Less: Income Tax	—
Deferred Tax Credit	109.82
Profit (Loss) after Taxation	(199.86)

The working results is exceptionally low during the year. However, all effective steps have been taken to bring normalcy in the operation. The company faced liquidity crunch after previous capacity expansion in Dec'01 due to non sanction of working capital facilities. As a result of which, Kalunga Unit was closed down in Sept'02 and Kutra plant was temporary closed in Jan'03. However, the Kutra plant re-started its operation by May'03 last week. This affected the capacity utilisation adversely resulting into low turnover and losses. However, company expects to improve its operation in coming year.

INDUSTRY SCENARIO

The over all growth in cement consumption on all India basis during the year was slowed down (below 6%) in comparison to previous year. This was due to various natural calamities in different parts of the country. However, with the healthy growth of GDP and economy in general, the consumption is likely to grow in the range of 9/10% in the coming years. In fact, the growth in volume has already started from Jan'04. The Govt. project of National Highway shall further add to the consumption growth.

DIVIDEND

In view of losses and further requirement of working capital funds, your directors do not recommend any dividend for the year.

FINANCE

The company had tied up an International Fund from M/s.Cargill-India upto Rs.45.0 crores against L/C facilities from the Bank. This could not be favourably considered by the Bank. Subsequent to that, Company

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tied up an ECB for US\$ 7.0 Mill. from Habib Bank, Zurich. The consortium of the lender and Banker agreed in principle to extend guarantee facility to avail the ECB. But since Reserve Bank of India prohibited issue of BG against ECB in Nov'03, the proposal could not be favourably considered by the Banker.

Subsequent to that the Company has submitted a restructuring proposal to its all lenders/Bankers envisaging waiver and reduction of interest and deferment of payment. It is also envisaging fresh working capital facilities. This proposal is under active consideration of all the lenders/Banks. Company is thankful to its lenders/Banks for extending co-operation for this proposal.

LISTING OF SHARES

The company's shares are already listed & traded in the Calcutta Stock Exchange and the Stock Exchange, Mumbai. As directed by SEBI, the Company has already entered into tri-partite agreement with NSDL and CDSL for compulsory trading in D-mat form. The shares of the Company are already being traded in compulsory D-mat form.

FUTURE OUTLOOK

Your company is ready with increased capacity, better market scenario and looking forward for working capital assistance from the bankers for which the proposal are pending with them. If the need-based working capital is available, future profitability may increase substantially.

ENVIRONMENTAL & SOCIAL OBLIGATION

The company has already installed Pollution control equipments in the previous years along with capacity expansion. The company could not spend much on social/peripheral development during the period even though it is committed for the future years.

FIXED DEPOSITS

The Company has accepted deposits from public including share holders and employees within the meaning of Section 58A of the Companies Act, 1956 and rules made there under and has duly complied with the provisions of the Companies (Acceptance of Deposits) Rules, 1975.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217(2AA) of the Companies Act, 1956, your Directors' state that:-

- In the preparation of the annual accounts all the applicable accounting standards have been followed along with proper explanation relating to material departures.
- The Company has selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on 31st December, 2003 and of the Profit or Loss account of the company for the year ended on that date.
- The Company has taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- These Accounts have been prepared on a going concern basis.

SHIVA CEMENT LIMITED**DIRECTORS**

Sri P.K. Sinha, Director of your Company retire from the Board by rotation and being eligible offer himself for re-appointment. The Directors have placed on record the appreciation for valuable services extended by the Nominee Directors of Financial Institutions to the Company.

AUDITORS

The term of M/s. Tibrewal Chand & Co., Chartered Accountants as Auditors expires at the conclusion of this Annual General Meeting and they are eligible for reappointment. The auditors have given a certificate to the effect that the re-appointment, if made will be within the prescribed limits specified under Section 224(1B) of the Companies Act, 1956.

PERSONNEL

The Govt. of Orissa has declared both the Units of Company as "Essential Public Utility Service" in the month of Apr'02. There was cordial relationship with industrial workers during the year. Since the validity of long term wage settlement has expired, the fresh negotiations are going on and company expects a reasonable settlement for the same.

In view of temporary closure of Kalunga Unit, the strength of employee has been reduced through settlement in the peaceful manner.

PARTICULARS OF EMPLOYEES

The particulars of employees as required u/s 217 (2A) of the Companies Act, 1956 are not applicable to the Company as none of the employees were in receipt of remuneration exceeding the limits specified therein.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

A statement containing necessary information, as required under the Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 is annexed hereto in Annexure "A".

CORPORATE GOVERNANCE

Pursuant to Clause-49 of the listing agreement, Report on Corporate Governance and the Compliance Certificate thereon from the Auditors of the Company is attached to this report.

ACKNOWLEDGEMENT

Your directors place on record their appreciation of the assistance and support extended by the Government Authorities, Consultants and Shareholders of the Company. Your directors express their appreciation for the dedicated and sincere services rendered by employees of the Company.

For and on behalf of the Board
Sd/-

Rourkela-769 004
Dated : 31st January, 2004

R.P. GUPTA
Managing Director



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ANNEXURE - A TO THE DIRECTORS REPORT

FORM - A [See Rule - 2]

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

PARTICULARS	As at 31/12/2002
1. ELECTRICITY	
a) PURCHASED	
Units (in Thousand)	16414.06
Total amount (in Thousand)	66477.86
Rate/Unit (including DPS)	4.05
b) OWN GENERATION	
i) Through Diesel Generator	
Units (in Thousand)	235.27
Unit per Ltr. of Diesel oil	2.65
Cost/Unit (Rs.)	7.17
ii) Through Steam Turbines Generator	
Units	N.A.
Unit per ltr. for Fuel oil Gas	N.A.
Cost/Unit.	N.A.
2. COAL	
Quantity (in Mt)	24096.99
Total Cost (Rs. in Thousand)	19267.70
Average Rate (Rs.)	799.59
3. FURNACE OIL	
Quantity (in K.Ltr)	
Total Cost (Rs. in Thousand)	
Average Rate (Rs.)	N.A.
4. OTHER/INTERNAL GENERATION	
Quantity (in Mt)	
Total Cost (Rs. in Thousand)	
Average Rate (Rs.)	N.A.

B. CONSUMPTION PER UNIT OF PRODUCTION

PARTICULARS	Standards If any	Previous Year
Cement Production (in Mt)		128680.45
Surplus Clinker (in Mt)		16568.41
Units Per Tonne		114.63
Electricity Purchased (Rs./Mt)		464.24
Own Generation (Rs./Mt)		821.45
Furnace Oil		N.A.
Coal (specify quantity)		—
Others (specify)		—

Reasons for variation in consumption of Power & fuel from previous year :

- Due to lower capacity utilisation, the fixed Demand Charges of Electricity were higher and load factor incentive could not be availed in all months.
- Due to working capital constraints, Company had to pay DPS on electricity charges increasing electricity cost.
- During power disconnection period (5 months), the minimum charges were levied increasing the power cost.
- Due to frequent disruption of production, the specific power & fuel consumption has gone up.
- The Company could not enhance contract demand due to non payment of additional Security deposits after capacity expansion, hence penal charges has to be paid increasing the electricity cost.
- Increase in cost of HSD resulted in increase in cost per tonne of cement produced from own D.G. Set.

SHIVA CEMENT LIMITED

ANNEXURE - A TO THE DIRECTORS REPORT (CONTD...)
FORM - B [See Rule - 2]

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO ABSORPTION RESEARCH
AND DEVELOPMENT (R & D) FOR THE YEAR ENDED 31/12/2003**

A. RESEARCH AND DEVELOPMENT (R & D)

1. Specific areas in which R & D carried out by the company : None
2. Benefits derived as a result of the above R & D : N.A.
3. Future plan of action : Efforts for increase in capacity utilisation shall continue.
4. Expenditure on R & D
 - (a) Capital
 - (b) Recurring
 - (c) Total
 - (d) Total R & D expenditure as a percentage of total turnover Technology absorption, adaptation and innovation.

No Specific Expenditure incurred on R & D.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology absorption adaptation and innovation. : Nil
2. Benefits derived as a result of the above efforts, e.g. product improvement, cost, reduction, product development, import substitution, etc. : N.A.
3. In case of imported Technology (imported during the last 5 years reckoned from the beginning of the financial year, following information may be furnished.) : N.A.
 - (a) Technology imported
 - (b) Year of import
 - (c) Has technology been fully absorbed.
 - (d) If not fully absorbed, areas where this has not taken place reasons therefore and future plans of action.

C. FOREIGN EXCHANGE EARNINGS OUTGO : Nil