

ANNUAL REPORT

2004 - 2005

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SHIVA CEMENT LIMITED

P-25, CIVIL TOWNSHIP,
ROURKELA - 769004

**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 S.B. Satpathy
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.



NOTICE

NOTICE is hereby given that the NINETEENTH 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 Thursday the 30th June, 2005 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Balance sheet as at 31st March, 2005 and Profit & Loss Account for the period ended on that date and the reports of Board of Directors and Auditors' thereon.
2. To appoint a Director in place of Sri B.K. Mangaraj 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 Resolutions as a Ordinary Resolutions :-

1. "RESOLVED THAT pursuant to the provisions of section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, the Authorised Share Capital of the Company of Rs. 28,00,00,000/- (Rupees Twenty Eight Crores only) divided into 14,00,00,000 Equity shares of Rs.2/- (Two) each be and is hereby reclassified into 28,00,00,000 (Rupees Twenty Eight Crores only) divided into 11,75,00,000 (Eleven Crore Seventy Five Lacs) Equity shares of Rs.2/- (Two) each, and 2,25,00,000 (Two Crore Twentyfive Lacs) Preference shares of Rs. 2/- (Two) each ; with the power to the Board to decide on the extent of variation in such rights and to classify and re-classify from time to time, such shares into any class of shares."

"RESOLVED FURTHER THAT the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following clause V :

"V. The Authorised Share Capital of the Company is Rs. 28,00,00,000 (Rupees Twenty Eight Crores only) divided into 11,75,00,000 (Eleven Crore Seventy Five Lacs) Equity shares of Rs. 2/- (Two) each, and 2,25,00,000 (Two Crore Twenty Five Lacs) Preference shares of Rs. 2/- (Two) each, with the power to the Board to decide on the extent of variation in such rights and to classify and re-classify, from time to time, such shares into any class of shares."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate including settling any question that may arise in this regard."

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

"RESOLVED THAT pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956, (including any statutory modification or re-enactment thereof for the time being in force) and subject to such approvals, consents, sanctions and permissions of appropriate authorities, departments or bodies as may be necessary, the Articles of Association of the Company be and is hereby altered by substituting the existing Articles 5(a) by the following new Article 5(a) :

'Article 5(a) :

The Authorised Share Capital of the Company is Rs. 28,00,00,000 (Rupees Twenty Eight Crore only) divided into 11,75,00,000 (Eleven Crore Seventy Five Lacs) Equity shares of Rs.2/- (Two) each, and 2,25,00,000 (Two Crore Twenty Five Lacs) preference shares of Rs.2/- (Two) each. The company has the power from time to time to increase or reduce its share capital. Any of the said shares and any new shares hereafter to be created may from time to time be divided into shares of several classes in such manner as may be provided hereinafter

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and the company may allow and so that the shares of each class may have or confer such preferred or other special rights and privileges may be issued under such restrictions and conditions whether in regard to dividend, voting, return of capital or otherwise as shall have been assigned there to by or under provisions of the Articles of Association but so that the special rights or privileges belonging to holders of any shares issued with preferred or other rights shall not be varied or abrogated or affected except with such sanction as is provided for hereinafter and the Companies Act, 1956."

"RESOLVED FURTHER THAT for the purpose of giving effect to this Resolution, the Board of Directors of the Company be and is hereby authorised to take all such steps and actions and give such directions and delegate such authorities, as it may in its absolute discretion, deem appropriate including settling any question that may arise in this regard."

Registered Office :
P-25, Civil Township
Rourkela-769 004
Date : 31/05/2005

By Order of the Board
Sd/-
AKASH GUPTA
Director

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 25/06/2005 to 30/06/2005 (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 & 2**

The present Authorised Share Capital of your Company is Rs. 28.00 crore. As you are aware that restructur... proposal of your company was pending with its various lenders for quite a long time and is in the process of finalisation with some of these lenders. Your company will be required to issue Preference shares to these lenders as per the terms of restructuring proposal. Hence, it is proposed to reclassify the existing Authorised Share Capital to provide for the issue of further shares as contemplated in Special business of the Notice and as may be further considered necessary. The alteration of Clause V of the Memorandum of Association and Article 5(a) of the Articles of Association, as proposed in the resolutions at Item No. 1 and 2 of the accompanying Notice are purely consequential to give effect to the above changes in the capital clause of the Memorandum of Association as also in the Articles of Association of the Company.

Your Directors therefore recommend the said resolution for your approval.

None of the Directors of the Company is, in any way, concerned or interested in the said resolution.

Place : Rourkela
Date : 31/05/2005

By Order of the Board
Sd/-
AKASH GUPTA
Director



DIRECTORS REPORT

Dear Members,

Your directors have pleasure in presenting the 19th Annual Report alongwith audited statement of accounts for the period ended 31st March, 2005 as follows :

WORKING RESULTS

(Rs. in Lakhs)

Particulars	31/03/2005	31/12/2003
Turnover & other Income	2028.61	948.81
Operating Profit	(59.63)	(233.54)
Less: Interest	66.39	46.56
Cash Profit	(126.02)	(280.10)
Less: Depreciation & Amortization	216.69	121.23
Extra Ordinary Items	38.72	--
Profit(Loss) before Taxation	(303.99)	(401.33)
Less: Income Tax	--	--
Deferred Tax Credit	(19.20)	132.02
Profit (Loss) after Taxation	(323.19)	(269.31)

Though the turnover has increased two folds during the period but this simply indicates that company is turning around. The capacity utilisation of Kutra plant during the period is still much below the normal level in the range of 54.77%. The company is still having idle capacity which could not be utilised due to non sanction of working capital facilities. But since the Bankers have agreed in the joint meeting held on 03/12/04 to release additional working capital, we expect a good rise in turnover in the coming year. With rise in capacity utilisation and turnover, the profitability of the company shall improve in the coming year. The upper cycle in cement industry particularly in Eastern Zone has already started registering healthy growth in volume and selling price. Hence, your company expects much better results in the coming years.

INDUSTRY SCENARIO

Eastern Zone has registered a double digit growth in demand (15%) in comparison to previous year. The overall economy and GDP growth is also up-beat. Large number of mega steel projects are in the pipeline in the Eastern Zone. Hence, the demand of cement in Eastern Zone shall continue with healthy growth in double digit for coming 2/3 years. The selling price is also showing a healthy trend.

DIVIDEND

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

FINANCE

The company had furnished restructuring proposal to all lenders during July, 2003. Subsequent to that a series of joint meetings took place on 7/11/03, 7/1/04, 27/2/04, 5/7/04 & 3/12/04. After protracted discussion, all the lenders converged their views and unanimously agreed to consider the restructuring proposal for sanction. The individual sanction from IPICOL, ICICI, BOI & BOB has been already received and others are in pipeline. The working capital Banker SBI has also agreed in principle to consider need based working capital which is under process.

SHIVA CEMENT LIMITED

The sanctions already received, include reduction of interest rates, part waiver and balance deferment of dues. It is also envisaging part conversion of dues into Pref. shares. Company is thankful to all lenders/Banks for extending cooperation. Company expects substantial jump in sales and profitability after release of all sanctions.

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

The future outlook of cement industry in general appears to be good for coming 2/3 years. The plants located in Eastern Zone will have better advantage due to gap between demand and supply. Since no virgin limestone deposits are available in Eastern Zone except in Chhatisgarh, the green field plants are not likely to come. Hence the existing plants in the region shall derive the benefit.

ENVIRONMENTAL & SOCIAL OBLIGATION

The company is meeting Pollution control norms. However, company could not spend much on further plantation, social/periphery development during the period even though it is committed for 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 complied with the provisions of the Companies (Acceptance of Deposits) Rules, 1975 except some minor delay in compliance.

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 March, 2005 and of the Profit or Loss account of the company for the period 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.

DIRECTORS

Sri B.K. Mangaraj, 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.

SHIVA CEMENT LIMITED**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

Company is maintaining cordial relation with its employees. The long term wage settlement is already in-force.

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.

ACKNOWLEDGEMENTS

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/-

R. P. GUPTA

Managing Director

Dated : 31st May, 2005
Rourkela-769004



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 31/03/2005	As at 31/12/2003
1. ELECTRICITY		
a) PURCHASED		
Units (in Thousand)	14356.53	6398.16
Total amount (in Thousand)	53811.01	29272.26
Rate/Unit (including DPS)	3.75	4.58
b) OWN GENERATION		
i) Through Diesel Generator		
Units (in Thousand)	25.26	164.33
Unit per Ltr. of Diesel oil	2.65	2.65
Cost/Unit (Rs.)	9.72	8.02
ii) Through Steam Turbines Generator		
Units	N.A.	N.A.
Unit per ltr. for Fuel oil Gas		
Cost/Unit.	N.A.	N.A.
2. COAL		
Quantity (in Mt)	26417.30	11136.13
Total Cost (Rs. in Thousand)	24781.10	12466.63
Average Rate (Rs.)	938.06	1119.48
3. FURNACE OIL		
Quantity (in K.Ltr)		
Total Cost (Rs. in Thousand)	N.A.	N.A.
Average Rate (Rs.)		
4. OTHER/INTERNAL GENERATION		
Quantity (in Mt)		
Total Cost (Rs. in Thousand)	N.A.	N.A.
Average Rate (Rs.)		

B. CONSUMPTION PER UNIT OF PRODUCTION

PARTICULARS	Standards if any	Current Year	Previous Year
Cement Production (in Mt)		90363	40461
Surplus Clinker (in Mt)		25992	11065
Units Per Tonne		124	127
Electricity Purchased (Rs./Mt)		463	583
Own Generation (Rs./Mt)		1201	1021
Furnace Oil		N.A.	N.A.
Coal (specify quantity)		-	-
Others (specify)		-	-

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

- The electricity specific consumption (Unit/Ton) as well as electricity rate (Rs./Unit) has come down in comparison to previous year due to improvement in capacity utilisation. The same shall further come down in the future years with further improvement in capacity utilisation.
- 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.



TO THE DIRECTORS' REPORT (CONTD...)

FORM - B [See Rule - 2]

**FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION
RESEARCH AND DEVELOPMENT (R & D) FOR THE PERIOD ENDED 31/03/2005**
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



CORPORATE GOVERNANCE DISCLOSURE

During the period ended 31/03/2005, in compliance with Clause 49 of the Listing Agreement with Stock Exchanges, the Company submits the report on the matters mentioned in the said Clause and practice followed by the Company.

● **Company's Philosophy on Code of Governance**

Company's philosophy on corporate governance envisages the continuous improvement in transparency, accountability and equity, in all facets of its operations, and in all interactions with its stakeholders, including the shareholders, employees, government and lenders.

Company is committed to continuous improvement of standards of corporate governance.

Company believes that all its operations and actions must serve the underlying goal of enhancing overall shareholder's value, over a sustained period of time.

● **Board of Directors**

The Board of Directors consist of one Promoter director at present (one Managing Director), one Executive director, two non executive independent directors and two non executive independent directors representing OSFC and IPICOL as lenders.

During the period the Board met 12 times (as against the minimum requirement of 5 meetings) on the following dates namely, 27/01/2004, 15/04/2004, 30/04/2004, 07/07/2004, 30/07/2004, 30/10/2004, 17/11/2004, 06/12/2004, 10/01/2005, 13/01/2005, 29/01/2005 and 05/03/2005.

The maximum time gap between any two meetings was not more than three calendar months. The following table gives details of directors, attendance of directors at the Board meetings and at the last Annual General Meeting, number of memberships held by directors in the Board/Committees and in other Companies :

Name	Category	Attendance Particulars		Number of other Directorship and Committee Member/Chairmanships		
		Board Meeting	Last AGM	Other Directorship	Committee Membership	Committee Chairmanship
R. P. Gupta	CMD	12	Yes	-	1	-
Akash Gupta	ED	12	Yes	-	-	3
P. K. Sinha	NED	12	Yes	-	3	-
B. K. Mangraj	NED	11	Yes	-	3	-
S. B. Satpathy *1	NED	-	No	-	-	-
P. K. Swain*2	NED	1	No	1	-	-

CMD : Chairman cum Managing Director, ED: Executive Director, NED: Non Executive Director, *1 Nominee Director-IPICOL, *2 Nominee Director-OSFC

● **Audit Committee**

The Audit Committee constituted by the Board of Directors consist of 3 (Three) directors, namely Sri Akash Gupta, Chairman, Sri P.K. Sinha and Sri B.K. Mangraj as other members. The constitution of Audit committee also meets with the requirements of Section 292A of the Companies Act, 1956 as introduced by the Companies (Amendment) Act, 2000.

During the period Six Audit Committee meetings were held on the following dates including before finalisation of accounts and adoption of quarterly financial results by the Board.

23/01/2004, 27/01/2004, 25/04/2004, 26/07/2004, 25/10/2004 & 27/01/2005.

The terms of reference specified by the Board to the Audit Committee are as contained under Clause 49 of the Listing Agreement. They are as follows :-