

ANNUAL REPORT

2005 - 06

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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 S.B. Satpathy
Nominee-IPICOL

Sri P.K. Swain
Nominee-OSFC

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 TWENTIETH 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 Friday the 29th September, 2006 at 11.00 A.M. to transact the following business :

ORDINARY BUSINESS

1. To consider and adopt the Balance sheet as at 31st March, 2006 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 Resolutions as a Ordinary Resolutions :-

- 1) "RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, Schedule XIII 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) approval be and is hereby accorded for increase in remuneration to Sri Akash Gupta Executive Director of the Company from Rs.10000/- per month to Rs.25000/- per month with effect from 01/10/2006 as per the draft agreement to be executed between the Company and Sri Akash Gupta, copy of which initialled by the Chairman for identification is placed before the meeting."
- 2) "RESOLVED THAT pursuant to the provisions of sections 198, 269, 309, 310, Schedule XIII 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) approval be and is hereby accorded for re-appointment of Sri Rajendra Prasad Gupta as Managing Director of the Company for a period of Five years w.e. from 01/04/2006 on the remuneration of Rs.25000/- per month upto 30th September 2006 and thereafter Rs.50000/- per month from 1st October 2006 and other terms set out in draft agreement to be executed between the Company and Sri R.P.Gupta, copy of which initialled by the Chairman for identification is placed before this meeting."
- 3) "RESOLVED FURTHER THAT the Board of Directors be and is hereby empowered to increase, vary or amend the remuneration and other terms of appointment from time to time as deemed expedient or necessary."

Registered Office :
P-25, Civil Township
Rourkela-769 004
Date : 31/08/2006

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 24/09/2006 to 29/09/2006 (both the days inclusive).



SHIVA CEMENT LIMITED

- 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

Your Company is presently managed by Sri Akash Gupta, as Executive Director of the Company. Keeping in view the present trend of salary and recent hike in salary made by the company to other employees of the company, it is felt essential to increase the remuneration of Sri Akash Gupta. During his tenure of service, the relations of management with employees of the Company remained cordial.

The Board of Directors at their meeting held on 31/08/2006 subject to approval of members has increased the remuneration of Sri Akash Gupta from Rs.10000/- per month to Rs.25000/- per month with effect from 01/10/2006 on the terms as set out in the draft agreement to be executed between the Company and him.

Abstract of the terms of remuneration of Sri Akash Gupta is as follows :-

1. Salary : Rs.25000/- (Rupees Twenty five thousands only) per month.
2. Other terms & conditions remains unchanged.

Approval of members is now sought for increase in remuneration payable to Sri Akash Gupta.

None of the directors of the Company is interested in the resolution except Sri Akash Gupta.

ITEM NO. 2

Your Company is presently managed by Sri R P Gupta, as Managing Director of the Company. Keeping in view the present trend of salary package and recent hike in salary made by the company to other employees of the company, it is felt essential to increase the remuneration of Sri R.P. Gupta. During his tenure of service, the relations of management with employees of the Company remained cordial.

The Board of Directors at their meeting held on 31/08/2006 subject to approval of members has made the re-appointment of Sri R P Gupta as Managing Director of the Company for a period of Five years with effect from 01/04/2006 at a Remuneration of Rs.25000/- per month upto 30th September 2006 and Rs.50000/- per month from 01st October 2006 on the terms as set out in the draft agreement to be executed between the Company and him.

Abstract of the terms of appointment of Sri R P Gupta is as follows :-

1. Salary : Rs.25000/- (Rupees Twenty five thousands only) p.m. upto 30/09/2006.
Rs.50000/- (Rupees Fifty thousands only) p.m. from 01/10/2006.
2. Perquisites : Perquisites such as Medical Expenses for self and family, Leave, Leave Travel Allowances, free use of Company Car, Telephone facilities at Residence, Personal Accident Insurance, Club fees, Reimbursement of Entertainment Expenses, Company's contribution to Provident fund, The perquisites shall be evaluated as per Income Tax rules subject however the maximum amount stated in draft agreement.

Approval of members is now sought for the re-appointment of Sri R P Gupta as aforesaid and remuneration payable to him.

None of the directors of the Company is interested in the resolution except Sri R P Gupta.

By Order of the Board

Sd/-

AKASH GUPTA

Director

Place : Rourkela

Date : 31/08/2006



SHIVA CEMENT LIMITED

DIRECTORS REPORT

Dear Members,

Your directors have pleasure in presenting the 20th Annual Report alongwith audited statement of accounts for the year ended 31st March, 2006 as follows:-

WORKING RESULTS

(Rs. in Lakhs)

Particulars	31/03/2006 [12 Months]	31/03/2005 [15 Months]
Turnover & other Income	1873.00	2028.61
Operating Profit	(246.71)	(59.63)
Less: Interest	75.81	66.39
Cash Profit	(322.52)	(126.02)
Less: Depreciation & Amortization	172.55	216.69
Extra Ordinary Items	(28.89)	38.72
Profit(Loss) before Taxation	(523.96)	(303.99)
Less: Fringe Benefit Tax	1.66	—
Deferred Tax Credit	100.40	(19.20)
Profit (Loss) after Taxation	(425.22)	(323.19)

The turnover for the previous year relates to 15 months and hence, on prorata basis there was an increase of turnover by 15%. The capacity utilisation during the year is much below the normal level in the range of 47%. Company is still having idle capacity which could not be utilised due to non sanction of working capital facilities by SBI; in one go it was agreed in the joint meeting of all its lenders held on Dec'04. Company has provided the interest of all its term lenders for the previous year to Rs. 248.04 lakhs in the extra-ordinary items. The affect of waiver of dues have been also given under extra-ordinary items.

INDUSTRY SCENARIO

The domestic demand of cement is growing at healthy rate. The export demand has also picked up. The over supply situation is already over and the industry is heading towards short supply over demand. This has translated to higher selling prices. Massive investments are coming up in Orissa as per MOU signed by State Govt. with various companies. This will increase the demand in coming years.

DIVIDEND

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

FINANCE

The restructuring proposal furnished by the Company to all its lenders was approved in Dec'04. The individual sanctions were received in this year except from SBI. Due to delay in sanction and release of working capital by SBI, company has already submitted an Alternative Business Plan and awaiting their approval. Company is thankful to all its lenders who have extended supports and cooperation for revival of the company. Unfortunately, the pending sanction from SBI is the only bottleneck for revival/turn around.

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 quite promising. Once the working capital is tied up, company expects bright future outlook in short/medium term.



SHIVA CEMENT LIMITED

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, 2006 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.

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

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/-

Dated : 31st August, 2006
Rourkela-769 004

R.P. GUPTA
Managing Director



TO THE DIRECTORS' REPORT

F O R M - A [See Rule - 2]

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER AND FUEL CONSUMPTION

PARTICULARS	As at 31/03/2008	As at 31/03/2007
1. ELECTRICITY		
a) PURCHASED		
Units (in Thousand)	9486.72	14356.53
Total amount (in Thousand)	35857.33	53811.01
Rate/Unit (including DPS)	3.78	3.75
b) OWN GENERATION		
i) Through Diesel Generator		
Units (in Thousand)	65.74	25.26
Unit per Ltr. of Diesel oil	2.65	2.65
Cost/Unit (Rs.)	9.85	9.72
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)	10790.25	26417.30
Total Cost (Rs. in Thousand)	16650.31	24781.10
Average Rate (Rs.)	1643.08	938.06
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)		62325	90363
Surplus Clinker (in Mt)		3872	25992
Units Per Tonne		144	124
Electricity Purchased (Rs./Mt)		545	463
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 gone up in comparison to previous year due to lower capacity utilisation. The same shall come down in the future years with improvement in capacity utilisation.

SHIVA CEMENT LIMITED

SHIVA
DAIRY

TO THE DIRECTORS' REPORT (CONTD..)

ANNEXURE -

FORM - B [See Rule - 2]

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION
RESEARCH AND DEVELOPMENT (R & D) FOR THE YEAR ENDED 31/03/2006

A. RESEARCH & 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

None

4. Expenditure on R & D

(a) Capital

(b) Recurring

No Specific Expenditure
incurred on R & D.

(c) Total

(d) Total R & D expenditure as a

percentage of total turnover Technology
absorption, adaptation and innovation.

B. TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

1. Efforts, in brief, made towards technology

Nil

absorption, adaptation and innovation.

2. Benefits derived as a result of the above

N.A.

efforts, e.g. product improvement, cost,

reduction, product development, import

substitution, etc.

3. In case of imported Technology

N.A.

(imported during the last 5 years reckoned

from the beginning of the financial year,

following information may be furnished)

(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 to assess therefore and future

plans of action.

C. FOREIGN EXCHANGE EARNINGS OUTGO

Nil

SHIVA CEMENT LIMITED



CORPORATE GOVERNANCE DISCLOSURE

During the year ended 31/03/2006, 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 Corporate 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 year the Board met 10 times (as against the minimum requirement of 4 meetings) on the following dates namely, 30/04/2005, 31/05/2005, 13/07/2005, 30/07/2005, 29/10/2005, 16/01/2006, 31/01/2006, 14/02/2006, 22/03/2006, and 27/03/2006.

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	10	Yes	-	1	-
Akash Gupta	ED	10	Yes	-	-	3
P.K. Sinha	NED	10	Yes	-	3	-
B.K. Mangraj	NED	7	Yes	-	3	-
S.B. Satpathy*1	NED	1	No	-	-	-
P.K. Swain*2	NED	2	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 year Five Audit Committee meetings were held on the following dates including before finalisation of accounts and adoption of quarterly financial results by the Board.

29/04/2005, 30/05/2005, 29/07/2005, 28/10/2005, & 30/01/2006.

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 :-

- Oversight of the Company's financial reporting process and the disclosure of its financial information.