

ANNUAL REPORT

2006 - 2007

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SHIVA CEMENT LIMITED

P-25, CIVIL TOWNSHIP,
ROURKELA - 769 004

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 B C Srivastava
Director

Sri K P Jhunjunwala
Director

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 TWENTY FIRST 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 Tuesday the 17th July, 2007 at 11.00 A.M. to transact the following business :

Ordinary Business

1. To consider and adopt the Balance sheet as at 31st March, 2007 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 B K Mangaraj and Sri P.K.Sinha who retires by rotation and being eligible, offers themselves 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(s), the following Resolutions as Special Resolution:-

"RESOLVED THAT pursuant to the provisions of Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956, (including any amendment or re-enactment 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 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 might 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 to IFCI Limited by way of private placement on preferential allotment basis upto :-

- a) 10,00,000 Equity Shares of Rs.2/- each at a premium of Rs.7.00 per share to IFCI Limited.

being the price determined in compliance with Chapter XIII of the SEBI (DIP) Guidelines, 2000 and various other statutory rules & regulations, at a time or in tranches, with authority to the Board to issue 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 the RELEVANT DATE for determination of price for the Equity Shares referred to above shall be 17th June , 2007.

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

SHIVA CEMENT LIMITED

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 to 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 intent 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

Registered Office :
P-25, Civil Township
Rourkela-769 004
Date : 18/06/2007

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 12/07/2007 to 17/07/2007 (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 U/S 173 (2) OF THE COMPANIES ACT, 1956 :

ITEM NO. 1

As per the restructuring plans submitted to all the lenders, IFCI Limited has also approved the rehabilitation scheme and has agreed to convert part of their dues into Equity Shares. In the meantime, IFCI Limited could not fulfil the conditions prescribed under the SEBI (DIP) Guidelines for Preferential issue, hence the allotment could not be made. Subsequently the Company vide its letter no. SCL/1006-4 dated 15th May 2007 submitted the proposal for either conversion of their balance dues of Rs.90.00 Lacs into Equity Shares or to accept the payment in cash in 7/8 installments.

In reply to this, IFCI Limited opted to convert balance dues of Rs.90.00 Lacs into Equity Shares vide their letter No. KRO/SCL/2007 dated 30th May 2007.

This has necessitated the issue of Equity Shares of Rs.2/- each at a premium of Rs.7.00 per Share in accordance with Chapter XIII of SEBI (DIP) Guidelines, 2000 by way of preferential issue of Equity Shares.

The Equity Shares being issued and allotted in terms of shareholders approval shall be at a price of Rs. 9.00 per share including Rs.7.00 towards premium per share, which is higher than the price stipulated by SEBI Guidelines.

A copy of the certificate of the Statutory Auditors of the Company certifying that the issue of Equity Shares as envisaged under the proposed Special Resolution mentioned above is in accordance with the requirements contained in Chapter XIII of Securities and Exchange Board of India (Disclosure and Investor Protection) Guidelines, 2000 is available with the Company and shall be laid before the shareholders at the Annual General Meeting.

As per the requirement of the SEBI Guidelines and Listing Agreement, the necessary information pertaining to the proposed Preferential Allotment is set out below in the prescribed format :-

a.	No. and % of shares proposed to be issued and allotted pursuant to Special Resolution passed under section 81(1A) (the post issue preferential capital).	<p>Upto:</p> <p>i) 10,00,000 Equity Shares of Rs. 2/- each at a premium of Rs. 7.00 per share to IFCI Limited.</p> <p>The aggregate of these constitutes to 0.59% of Post Preferential Issue Share Capital of the Company(after considering pending conversion of 392 Lacs existing Equity Share Warrants) .</p>
b.	Price at which allotment is proposed. Rs.7/- per share.	<p>Equity Shares of Rs.2/- each to be allotted at a premium of</p> <p>The price stated above is in accordance with Chapter XIII of the Securities and Exchange Board of India's (Disclosure & Investor Protection) Guidelines 2000.</p>
c.	Object and reason of the said allotment.	<p>Object</p> <ul style="list-style-type: none"> • To retire the existing debt of the company from IFCI Limited. <p>Reasons</p> <ul style="list-style-type: none"> • As per sanctions received by the Company from IFCI Limited vide their letter dated 30th May 2007 agreeing to convert their dues of Rs.90 lacs into Equity Shares.
d.	Intention of the existing Promoters/ management persons to subscribe to the offer.	The Promoters/Directors or Key Management Persons are Directors/key-not acquiring any Equity Share in the proposed issue.
e.	Consequential changes, if any, in Board of Directors and control over the Company	The Company is presently managed by 8 Directors on its Board of Directors. There shall not be any change in control of the Company as a result of the allotment of Equity shares. The Company will continue to be managed by the existing promoters and management team.

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f.	Shareholding Pattern before & after the offer as well as consequential change in voting rights, if any:	Existing Capital		After Allotment of Equity Shares to IFCI Limited		After conversion of Existing Issued Warrants	
		No.	%	No	%	No	%
1.	Promoters						
	a. Indian Promoters	5692322	4.40	5692322	4.37	5692322	3.36
	b. Promoters Group	15576064	12.05	15576064	11.96	15576064	9.19
	c. Relatives	6060380	4.69	6060380	4.65	19560380	11.54
	Sub-Total	27328766	21.14	27328766	20.98	40828766	24.09
2.	Govt. Sponsored Financial Institutions / Indian Financial Institutions/Banks	1405270	1.09	2405270	1.85	2405270	1.42
3.	Foreign Holdings	1491273	1.15	1491273	1.14	1491273	0.88
4.	Bodies Corporate	49444283	38.25	49444283	37.96	75144283	44.34
5.	Indian Public & others	49594380	38.37	49594380	38.07	49594380	29.27
	Grand Total	129263972	100.00	130263972	100.00	169463972	100.00
g.	Proposed time limit within which the shall be completed approval of such allotment by any regulatory authority	The proposed allotment of Equity Shares shall be completed within allotment fifteen days, from the date of approval by the Shareholders or Central Government, whichever is later.					
h.	Identity of the proposed allottee and % of Post-Preferential Issue Capital	Pre Allotment of shares		Post Allotment Equity Shares		Post allotment After conversion 392Lacs Warrants)	
		No.	%	No	%	No	%
	a) Financial Institutions: 1) IFCI Limited	—	—	1000000	0.77	1000000	0.59
	Total paid up equity capital of Company	129263972	100	130263972	100	169463972	100

The shares to be allotted to IFCI Limited shall be subject to lock-in-period, in accordance with clause 13.3.1 of the chapter XIII of the SEBI (DIP) Guidelines, 2000 and subsequent amendments thereto.

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 new shares 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 & Bombay Stock Exchanges where its shares are presently listed.

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

None of the Directors of the Company is deemed to be concerned or interested in the passing of this resolution.

By Order of the Board

Place : Rourkela
Date 18/06/2007

Sd/-
AKASH GUPTA
Executive Director

SHIVA CEMENT LIMITED**DIRECTORS REPORT**

Dear Members,

Your directors have pleasure in presenting the 21st Annual Report alongwith audited statement of accounts for the year ended 31st March, 2007 as follows:-

Working Results

(Rs. in Lakhs)

Particulars	31/03/2007	31/03/2006
Turnover & other Income	2779.15	1873.00
Operating Profit	284.51	(246.71)
Less: Interest	108.07	75.81
Cash Profit	176.44	(322.52)
Less: Depreciation & Amortization	206.09	172.55
Extra Ordinary Items	230.39	(28.89)
Profit(Loss) before Taxation	200.74	(523.96)
Less: Fringe Benefit Tax	2.20	1.66
Deferred Tax Credit	85.05	(100.40)
Taxation for Earlier years	1.15	—
Profit (Loss) after Taxation	112.34	(425.22)

We are pleased to inform that your Company has again come into profit mode after a loss making phase. It earned a profit before tax of Rs.200.74 lakhs as against loss of Rs.523.96 lakhs in the previous year. The extraordinary items covers the net effect of waiver of dues/ non payable liabilities as well as provision of non realisable debtors.

The capacity utilisation during the year has marginally increased to 51% as against 47% in the previous year. The reason for low capacity utilisation was frequent stoppage of plant to carry out modifications for increasing the production efficiency in the long run. There was working capital constraint also in the first half of the year which has been over come now.

However, now the Company expects to increase the production level in the future years since most of the problems have been over come.

Alliance with ACC

Your Company has entered into an agreement with ACC Ltd for supply of cement for a period of five years in the month of March, 2007 only which shall be given effect from April 2007. With this arrangement, the marketing problem shall be over and the management shall concentrate on increasing production and improving production efficiency.

Industry Scenario

The domestic demand of cement is growing at healthy rate. As per NCEAR study, the demand is likely to grow at compounded rate of 13% in Eastern zone and 16% in Orissa state. The extra ordinary growth in Orissa is due to massive industrialisation. The present scenario is likely to continue in coming years.

Dividend

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

SHIVA CEMENT LIMITED**Finance**

The restructuring sanction from SBI was the bottleneck for the company to revive/turn around. At last, SBI released their sanction in the month of Feb'2007. Hence, the debt restructuring plan of the company is nearly on completion. The debt and interest burden has been substantially reduced. This will facilitate the company to raise fresh debt to implement future expansion plan in the coming years.

Listing of Shares

The Equity Shares of the Company continue to be listed on Bombay Stock Exchange Limited and The Calcutta Stock Exchange Association Limited. The annual listing fees for the year 2006-07 has been paid to these Exchanges.

Future Outlook

The future outlook of cement industry in general appears to be quite promising. Company's internal problem such as pending debt restructuring, working capital constraints are nearly over towards end of the year. Company also made substantial capital expenditure during the year for increasing production efficiency. It also entered into an agreement with ACC for marketing of cement. With all these developments, the future outlook of your company shall be definitely better.

Company is also contemplating to undertake expansion plan which has been long over due. It has already opened dialogues with ACC Ltd for financial assistance in shape of Equity participation. Subsequently it entered into Share Purchase Agreement with ACC in April 2007 for making preferential allotment of 145 lakhs Equity Shares & 227 lakhs Equity Share Warrants. This will facilitate the Company to retire its debts as well and to implement its expansion plan in coming years.

Environmental & Social Obligation

The company is meeting Pollution control norms and now consent from Pollution control Deptt. has been renewed upto March, 2011. During the year, Company also spent for improving house keeping, horticulture etc. The expenditure on further plantation, social/ periphery development during the year was nominal. But company is committed to gear it up 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 provisions of Section 217(2AA) of the Companies Act, 1956 , your Directors confirm that :-

- (i) In the preparation of the annual accounts, the applicable accounting standards have been followed along-with proper explanations relating to material departures, wherever applicable.
- (ii) The Directors have 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 at the end of the financial year and of the Profit of the Company for the year ended on that date.
- (iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company, and for preventing and detecting fraud and other irregularities.



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(iv) The Directors have prepared the annual accounts on a going concern basis.

Directors

Mr. B K Mangaraj and Mr. P K Sinha Directors of your Company retire from the Board by rotation and being eligible offer themselves for re-appointment.

Auditors

M/s Tibrewal Chand & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

Personnel

Company is maintaining cordial relation with its employees. The long term wage settlement expired on 31/10/2006 has been renewed for three years. However, the contract labours wage settlement could not be finalized and is under negotiation.

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, Shareholders and employees of the Company.

Rourkela-769 004

Dated : 18th June 2007

For and on behalf of the Board

Sd/-

R.P. GUPTA

Managing Director



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 31/03/2007	As at 31/03/2006
1. ELECTRICITY		
a) PURCHASED		
Units (in Thousand)	12288.72	9485.72
Total amount (in Thousand)	40842.47	35857.33
Rate/Unit (including DPS)	3.32	3.78
b) OWN GENERATION		
i) Through Diesel Generator		
Units (in Thousand)	149.85	65.74
Unit per Ltr. of Diesel oil	2.65	2.65
Cost/Unit (Rs.)	11.33	9.85
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) 15481.93	15481.93	10790.28
Total Cost (Rs. in Thousand)	24006.56	16650.31
Average Rate (Rs.)	1550.62	1543.08
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)		67459	62325
Surplus Clinker (in Mt)		17694	3872
Units Per Tonne		146	144
Electricity Purchased (Rs./Mt)		485	545
Furnace Oil	N.A.	N.A.	N.A.
Coal (specify quantity)		—	—
Others (specify)		—	—

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

- Unit rate of electricity came down due to reduction of DPS & penalty and better load factor. It may further reduce in future years with increase in capacity utilisation.
- The cost of self generated power is very high. Company is proposing for major overhaul or replacement of DG Set for fuel economy.
- Coal Purchase rate is high due to temporary suspension of coal linkage which is expected to be regularised in coming year.
- Unit consumption shall come down in next year due to several capital expenditure made in the last portion of the current year.