

ANNUAL REPORT

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2007-08



SHIVA CEMENT LIMITED

P-25, Civil Township
ROURKELA - 769 004

SHIVA CEMENT LIMITED**SHIVA****Board of Directors**

Sri R.P. Gupta
Managing Director

Sri Akash Gupta
Executive Director

Sri B K Mangaraj
Director

Sri Ramit Budhraj
Nominee-ACC Ltd

Sri O P Goyal
Director

Sri S B Satpathy
Nominee- IPICOL

Sri K P Jhunjhunwala
Director

Sri B.C. Srivastava
Director

Auditors

Tibrewal Chand & Co.
1st Floor,
KK-5, Civil Township
Rourkela-769004

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 SECOND 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 Monday the 25th August, 2008 at 11.00 A.M. to transact the following business :

Ordinary Business

1. To consider and adopt the Balance sheet as at 31st March, 2008 and Profit & Loss Account for the year ended on that date and the reports of Board of Directors and Auditors' thereon.
2. To appoint Directors in place of Sri B C Srivastava and Sri K.P. Jhunjhunwala 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.

Registered Office :

P-25, Civil Township

Rourkela-769 004

Date : 28/07/2008

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 19/08/2008 to 25/08/2008 (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.

SHIVA CEMENT LIMITED**DIRECTORS REPORT**

Dear Members,

Your directors have pleasure in presenting the 22nd Annual Report along with audited statement of accounts for the year ended 31st March, 2008 as follows:-

Working Results**(Rs. in Lakhs)**

Particulars	31/03/2008	31/03/2007
Turnover	3164.15	2718.77
Other Income	309.16	290.77
PBIDT	849.94	514.90
Less: Interest	108.32	108.07
Cash Profit	741.62	406.83
Less: Depreciation & Amortization	240.57	206.09
Profit before Taxation	501.05	200.74
Less: Fringe Benefit Tax	2.19	2.20
Deferred Tax	109.69	85.05
Income Tax	28.48	1.15
Profit after Taxation	360.69	112.34

We are pleased to inform that your Company has registered increase in turnover by 16.38%. The profit before tax (PBT) has gone up from Rs.200.74 lakh to Rs.501.05 lakh registering a growth of 249%. The other income covers the net effect of waiver of dues as well as provision of non realisable current assets.

The capacity utilisation during the year has marginally increased to 53.4% as against 51.1% in the previous year. There was frequent stoppage of the plant during first half of the year to stabilize/improve the quality matching to ACC's requirement. In addition to this, there were stoppages to carry out de-bottlenecking capex for improving production efficiency/ quality in the long run. Your Company expects to complete the de-bottlenecking capex by Oct'08 and thereafter the production level and efficiency shall substantially improve.

Alliance with ACC

Your Company has entered into an agreement with ACC Ltd for supply of cement in the month of March, 2007. Further in the ensuing year, Company entered into share subscription agreement with ACC. As per the agreement, 145 lakh shares and 227 lakh share warrants have been issued. Subsequently, 50 lakh warrants have been converted to shares and balance 177 lakh warrants are pending for conversion. Share holding of ACC by the year ending was 14.70%. ACC has also nominated Sri Ramit Budhraj, Business Head-Eastern Region and Director in Holcim Bangladesh Ltd as Nominee on the Board of the Company.

With financial/technical assistance from ACC, your Company expects to implement expansion plan in the future years besides improving the production efficiency of the existing plant.

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**

Your company has paid off entire outstanding dues of the Secured Creditors except IPICOL. However, the term loan account of IPICOL is regular. The working capital loan of SBI has been also paid in view of working capital facilities from ACC Ltd. The company has availed Hire Purchase Loan against mining equipment from HDFC Bank.

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 2007-08 has been paid to these Exchanges.

Future Outlook

The future outlook of cement industry in general appears to be quite promising in the long run. Due to consistent growth of economy in the range of 8-9% p.a., the cement demand shall remain healthy in future. In view of this, your Company is planning to undertake expansion plan upto 2.6 Mn.Ton in two phases for which, proposal has been already submitted to Orissa Govt. While as Phase-II expansion shall depend upon the sanction of additional mining lease by Govt, but the existing mining lease is sufficient to cater the capacity upto 1.0 Mn.Ton per annum in Phase-I. Your Company has taken several steps for implementing expansion plan such as sanction of Coal linkage, sanction of water withdrawals, application for forest & environment clearance, application for additional power etc. In the ensuing year, some additional land in the mining lease area has been also acquired. The sanction of Co-user's agreement with TISCO for sharing Sonakhan Rly. Siding is under advance stage. The revised mining plan to take care of expansion is also submitted. Recommendation for acquiring additional 25 Acres land for the existing plant has been done by IDCO. On going de-bottlenecking capex shall also be effectively utilized in the expansion plan.

Environmental & Social Obligation

The consent from Pollution Control Deptt. to operate present capacity has been renewed upto March, 2011. The application for obtaining NOC for expanding the plant in two phases has been submitted. First hearing is complete. Same is under active consideration of the Govt.

Your Company has been doing reasonable expenditure on periphery development. It is also 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 duly complied with the provisions of the Companies (Acceptance of Deposits) Rules 1975.

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

SHIVA CEMENT LIMITED**Gratuity Provision**

From the inception Gratuity is being provided on cash basis as and when it becomes due for payment. In the process, a sum of Rs. 64.37 lakhs has been accrued upto March 2008 but not due for payment. It is mentioned in the Auditor's Report also. Company proposes to make provision of gratuity amount in subsequent years.

Directors

Mr. B C Srivastava and Mr. K P Jhunjhunwala 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.

Cost Auditors

In pursuance of Section 233-B of the Companies Act, 1956, your directors have appointed M/s. Chatterjee & Co. Kolkata as the Cost Auditors to conduct the Cost Audit of Cement for the year 2008-09 subject to approval of the Central Government.

Personnel

Company is maintaining cordial relations with its employees. The long term wage settlement with workers has been renewed upto 31/10/2009 for Company workers and upto 30/04/2010 for contractor workers.

Particulars of Employees

The Particulars of employees as required u/s 217 (2A) of the Companies Act, 1956 are not given 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, ACC Ltd, Consultants, Shareholders and employees of the Company.

For and on behalf of the Board

Sd/-

R. P. GUPTA
Managing Director

Rourkela-769 004
Dated : 28th July 2008

SHIVA CEMENT LIMITED**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 31/03/2008	As at 31/03/2007
1. ELECTRICITY		
a) PURCHASED		
Units (in Thousand)	11451.63	12288.72
Total amount (in Thousand)	39546.62	40842.47
Rate/Unit (including DPS)	3.45	3.32
b) OWN GENERATION		
i) Through Diesel Generator		
Units (in Thousand)	63.72	149.85
Unit per Ltr. of Diesel oil	2.66	2.66
Cost/Unit (Rs.)	10.70	11.33
ii) Through Steam Turbines Generator		
Units		
Unit per ltr. for Fuel oil Gas	N.A.	N.A.
Cost / Unit.		
2. COAL		
Quantity (in Mt)	16836.39	15481.94
Total Cost (Rs. in Thousand)	28701.10	24006.56
Average Rate (Rs.)	1704.71	1550.62
3. FURNACE OIL		
Quantity (in K.Ltr)		
Total Cost (Rs. in Thousand)		
Average Rate (Rs.)	N.A.	N.A.
4. OTHER/INTERNAL GENERATION		
Quantity (in Mt)		
Total Cost (Rs. in Thousand)		
Average Rate (Rs.)	N.A.	N.A.

Consumption per Unit of Production

PARTICULARS	Standards if any	Current Year	Previous Year
Cement Production (in Mt)		70545.00	67459.00
Surplus Clinker (in Mt)		15102.60	17693.85
Units Per Tonne		134.15	146.07
Electricity Purchased (Rs./Mt)		463.85	485.49
Furnace Oil		N.A.	N.A.

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

- Coal purchase rate is high due to temporary suspension of coal linkage. However, Coal linkage has been resumed and hence, the rates shall come down in future years.
- Electricity unit consumption on per ton has come down in the year, but still it is higher with respect to industry norms. It shall substantially come down after completing de-bottlenecking capex.
- The cost of self generated power is very high, but is sparingly used and hence, no substantial impact on the total cost of production.

SHIVA CEMENT LIMITED**Annexure - A 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 year Ended 31/03/2008**

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	No specific expenditure incurred on R & D
b) Recurring	
c) Total	
d) Total R & D expenditure a percentage of total turnover Technology absorption, adaptation and innovation	

B. Technology Absorption, Adoption & 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 plan of action	

C. Foreign Exchange Earnings Outgo	Nil
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SHIVA CEMENT LIMITED**CORPORATE GOVERNANCE DISCLOSURE**

During the year ended 31/03/2008, 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 two Promoter directors at present (one Managing Director & one Executive director), one executive non independent director, three non executive independent directors and one non executive independent director representing IPICOL as lenders.

During the year the Board met 12 times (as against the minimum requirement of 4 meetings) on the following dates namely 03/04/2007, 19/04/2007, 27/04/2007, 01/06/2007, 08/06/2007, 18/06/2007, 21/07/2007, 08/08/2007, 24/09/2007, 30/10/2007, 30/01/2008, and 28/03/2008.

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	11	Yes	-	-	3
B.K. Mangraj	ED	11	Yes	-	4	-
P.K. Sinha *1	NED	9	Yes	-	4	-
S.B. Satpathy*2	NED	0	No	-	-	-
Ramit Budhraj*3	NED	2	No	1	-	-
B C Srivastava	NED	9	No	1	4	-
K P Jhunjhunwala	NED	5	No	2	-	-
O P Goyal*4	NED	2	No	3	-	-

CMD : Chairman cum Managing Director, ED: Executive Director, NED: Non Executive Director.

*1 Resigned w.e.f. 24/09/2007

*2 Nominee Director-IPICOL

*3 Appointed w.e.f. 18/06/2007

*4 Appointed w.e.f. 24/09/2007

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 (since resigned) and Sri B.K. Mangraj (since appointed) and B.C. Srivastava 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.

25/04/2007, 16/06/2007, 19/07/2007, 27/10/2007, & 28/01/2008.