

2011-12

26th ANNUAL REPORT



SHIVA CEMENT LTD.

ROURKELA, ODISHA

Medical Camp at Mines



BOARD OF DIRECTORS

Sri R. P. Gupta
Managing Director

Sri Akash Gupta
Executive Director

Sri B K Mangaraj
Director (Mines & Admn.)

Sri Ramit Budhraj
Nominee-ACC Ltd.

Sri Vivek Chawla
Nominee-ACC Ltd.

Sri O P Goyal
Director

Sri D K Senapati
Nominee- IPICOL

Sri K P Jhunjhunwala
Director

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AUDITORS

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

REGISTRAR & TRANSFER AGENT

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

REGISTERED OFFICE

P-25, Civil Township,
Rourkela - 769 004
Website : www.shivacement.com

PLANT SITE

Vill : Telighana
PO : Biringatoli, Kutra
Dist. Sundargarh (Odisha)

MINES

Vill : Khatkurbahal
Via : Kutra
Dist. Sundargarh (Odisha)

NOTICE

NOTICE is hereby given that the TWENTY SIXTH 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 30th June, 2012 at 11.00 A.M. to transact the following business :

Ordinary Business

- To consider and adopt the Balance sheet as at 31st March, 2012 and Profit & Loss account for the year ended on that date and the reports of board of directors and auditors' thereon.
- To appoint directors in place of Sri K P Jhunjhunwala, Sri B K Mangraj and Sri O P Goyal who retires by rotation and being eligible, offers themselves for re-appointment.
- 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 :-

- "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.f. 01/04/2011 on a remuneration of Rs. 1,00,000/- per month upto 30/06/2012 and 1,25,000/- per month w.e.f. 01/07/2012 and other terms set out in draft agreement to be executed between the Company and Sri R P Gupta, copy of which initialed by the Chairman for identification is placed before the meeting".
- "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 Akash Gupta as Executive Director of the Company for a period of five years w.e.f. 01/10/2011 on a remuneration of Rs. 50,000/- per month upto 30/06/2012 and Rs. 75,000/- per month w.e.f. 01/07/2012 and other terms set out in draft agreement to be executed between the Company and Sri Akash Gupta, copy of which initialed by the Chairman for identification is placed before the meeting".
- "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 : 30/05/2012

By Order of the Board
Sd/-
Akash Gupta
Director

Notes :

- 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.
- Members/Proxies should bring the Attendance slip duly filled in for attending the meeting.
- 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.
- Members are requested to inform immediately changes in their addresses to the registered office of the company.
- Register of members shall remain closed from 24/06/2012 to 30/06/2012 (both the days inclusive).
- Shareholders are requested to bring their copy of Annual Report to the meeting.
- 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.
- As per requirement of Clause 49 of the Listing Agreement on Corporate Governance following particulars of the retiring Directors, who are eligible to be re-appointed, are given below :-

Name of Director	Sri K P Jhunjhunwala	Sri O P Goyal	Sri B K Mangraj
Date of Birth	30/01/1933	29/11/1942	20/10/1951
Date of Appointment	27/03/2007	24/09/2007	26/12/2002
Qualification	IIE, EEC, IICE & Mngt. Graduate from Harvard Univ	B.Com FCA	FIE, FCC
Expertise in specific functional areas	Technical & Admn.	Finance & Admn.	Mining & Admn.
List of other Companies in which Directorship held (excluding in Foreign companies)	Orind Steels Ltd. Bonsal Fiscal Services Ltd.	J K Papers Ltd., JKLC Employees Welfare Association Ltd., Terrestrial Finance Ltd.	None
Chairman/Member of Committees the Board of Directors of other Companies in which he is a Director (excluding in foreign Chairman of Companies)	Nil	NIL	NIL
Details of shareholding (both own or held by/ for other persons on a beneficial basis), if any, in the Company.	8800	NIL	NIL

Explanatory Statement Pursuant to Section 173(2) of The Companies Act, 1956**Item No.1 :**

Your Company is presently managed by Sri R P Gupta, as Managing Director of the Company. The terms of Sri R P Gupta was expiring on 31/03/2011. The Board of Directors at their meeting held on 08/11/2011 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 01/04/2011 at a remuneration of Rs. 1,00,000/- per month upto 30/06/2012 and 1,25,000/- per month w.e.f. 01/07/2012 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. 1,00,000/- (Rupees one lakh only) per month. *upto 30/06/2012*
Rs. 1,25,000/- (Rupees One Lakh Twenty five Thousand only) per month w.e.f. 01/07/2012
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 .

Item No. 2 :

Your company is presently managed by Sri Akash Gupta as Executive Director of the company. The terms of Sri Akash Gupta was expiring on 01/10/2011. The Board of directors at their meeting held on 08/11/2011 subject to approval of members has made the re-appointment of Sri Akash Gupta as Executive director of the company for a period of five years with effect from 01/10/2011 at a remuneration of Rs. 50,000/- per month upto 30/06/2012 and Rs. 75,000/- per month w.e.f. 01/07/2012 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 Akash Gupta is as follows :-

1. Salary : Rs. 50,000/- (Rupees Fifty Thousand only) per month. *upto 30/06/2012*
Rs. 75,000/- (Rupees Seventy Five Thousand only) per month w.e.f. 01/07/2012
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 Akash Gupta as aforesaid and remuneration payable to him.

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

Rourkela-769 004
Date : 30/05/2012

By Order of the Board
Sd/-
Akash Gupta
Director

DIRECTORS REPORT (Management Discussion and Analysis)



R. P. Gupta, M.D.

Dear Members,

It gives me immense pleasure to present the **26th Annual Report**. I extend my thanks to all associates, shareholders & employees in particular. Your company could complete successful 26 years with their support and commitment. With this, I am pleased to present annual report along with audited accounts and Auditor's report thereon for the financial year ended **31st March, 2012** as under :-

Financial/Operational Performance

(Rs. in Lakhs)

Particulars	31/03/2012	31/03/2011
Turnover	6388.40	5693.28
Operating Income	994.56	1010.96
Other Income	36.50	37.32
PBIDT	1031.06	1048.28
Less: Interest	334.73	326.80
Cash Profit (PBDT)	696.33	721.48
Less: Depreciation & Amortization	392.75	383.67
Profit before Taxation (PBT)	303.58	337.81

Turnover has increased by 12% during the year. But there was drop in operating profit by 1.6%. This was mainly on account of high input cost. Selling price was also low in second quarter. Marginal increase in interest & depreciation has further depressed profit before tax by about Rs. 34 lakh only. There was stiff hike in electricity price per unit by about 28.5%. It was partly set off due to decrease in electricity unit consumption by 4.5%. Though there was stiff hike in coal price also, but we could mitigate in part by replacing imported coal to domestic coal. Bulk purchase of imported coal and its sale also helped to economize coal cost to some extent. Over all demand was sluggish in first three quarters. But it gained momentum in Q4. Selling price also improved in Q4.

Future Strategies

We had decided few strategies for cost reduction in previous year. Few of them are implemented. Balance implementation shall be taken up in the current year. We have further decided to produce some quantity of PPC cement to consume surplus clinker. This is likely to implement in second half of 2012-13. Its full impact will be visible during 2013-14.

Modernisation & Expansion

Phase-1 expansion plan was modified in previous year in accordance with the MOU with Govt. of Odisha. It was envisaging capacity expansion upto 1.0 MTPA by April 2013. However, the same is deferred for one year due to sluggish economy. As per revised plan, we expect commercial production by Apr/May 2014. Of course, financial closure for the revised plan is yet to be completed. It is expected by Aug/Sept 2012. The proposed expansion & modernization shall improve cost effectiveness, besides increase in volume. It will also help to utilize surplus and idle assets of company.

Alliance with ACC

Alliance with ACC is working satisfactorily. We express our thanks for their general guidance related to technical and managerial affairs. We expect their full hearted support in future years to implement our growth plans of 1 MTPA with marketing support.

Economic Scenario & Outlook

During the year 2010-11, Indian economy has grown by about 6.5%. This was lowest growth in last 9 years. This was mainly due to investment slow down. However, government is taking corrective steps for revival. Medium term prospects are reasonably OK. But immediate concerns are, high trade deficit & high fiscal deficit. This has resulted inflation and rupee weakening. We hope, economy will be on track by 2013-14. Fundamentals of Indian economy are strong. It only needs regulatory reforms and policy initiatives.

Cement Industry Outlook & Opportunities

Due to sluggish economy, cement demand growth was also affected. It was in the range of 6-6.5% only. However, all indications are available to strengthen demand growth in the range of 8.0-8.5% in the year 2012-13. Selling price have already improved. But supply over

hang is likely to continue upto CY 2013. Since new investment and capacity additions are deferred, we expect good phase for cement industry from Jan. 2014. There has been structural shift in demand. Rural demand is growing at a faster pace. Once Indian economy revives, industrial & infrastructural demand will also gain momentum. Keeping these factors in view, we had deferred the proposed capacity expansion by one year to match with industry cycle.

Risks and Concerns

Continuous hike in power rate and supply deficit of coal are major area of concern. Indian coal quality has deteriorated. Imported coal price is going up due to rupee weakening. Company has therefore proposed in its expansion plan, latest technology of separate grinding of clinker & slag in VRM instead of conventional inter mix grinding in Ball mill. This will save energy consumption, both in terms of power & fuel. Rather it will give us competitive edge over others.

Logistic cost is on increasing trend due to general increase in petroleum & energy price. Vicinity of market & location in cement deficit region will mitigate such hike in logistic cost. Supply over hang is continuing on all India basis. It is likely to continue till CY 2013. But it's impact is diluted due to plant location in eastern zone. This is supply deficit zone.

Awards & Recommendations

Company was awarded first prize in **"Best general working"** and **"Best over all performance"** on the occasion of 49th Mines Safety Week celebration. Indian Bureau of Mines, Govt. of India, Bhubaneswar awarded second prize for "Air Quality management" during 14th Mines Environment and Mineral Conservation Week.

Human Resource

Company is maintaining cordial and healthy relations with its employees. Employees at all levels are extending their full support. Company has strong faith in potential of human resources. It believes in the creative abilities of the people, who work for company. It believes in participatory management. Company has also entered into wage settlement with workers during the year.

Internal Control Systems

Company has an internal management audit team commensurate with the size of company. It carries out desired level of audit of various activities of company. This is with an aim to ensure that the laid down system and procedures are followed. Audit reports are presented to Audit committee of the board, which meets at periodical intervals. Continuous support and advice is also available from ACC in this area for improvement. During the year, ERP system was implemented. It will definitely improve overall efficiency of the company in future years.

Environmental & Social Obligation

Environment clearance from ministry of environment & forest (MoEF) has been already obtained for it's proposed expansion upto 1.05 MTPA capacity. Your company has been doing reasonable expenditure on periphery development. It has organised medical camp for surrounding villagers and employees. Cards were also issued for free medical check at designated hospitals. Water supply and street lights were provided to villages near mines. Ladies club was also formed at plant's colony. They are also involved in periphery development activities. We hope to enlarge activities in future years.

Dividend

In view of on going expansion and requirement of funds, we do not recommend any dividend for the year. Equity shares of the company continue to be listed on Bombay stock exchange and Calcutta stock exchange. We sincerely express our thanks to all shareholders for imposing their faith in the company despite delay in implementation of the expansion plan. Company has launched website during the year.

Finance

We are thankful to our banker IDBI bank. They have enhanced working capital limits in view of increased turnover. We are also thankful to BOB who have shown interest in participation of term loan for our expansion plan. In the meantime, promoters have mobilized funds through warrant subscription for part funding of on going expansion project.

CARE rating have also assigned "CARE BBB" for long term bank facilities & "CARE A3" for short term bank facilities amounting to Rs. 201 crore. This includes existing and proposed loan.

Fixed Deposits

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 have 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, we confirm that :-

- ❖ Applicable accounting standards have been followed along-with explanations relating to material departures, wherever applicable.
- ❖ Directors have selected consistent & appropriate accounting policies in general. They made judgements and estimates as per reasonable and prudent practice. This will give a true and fair view of the state of affairs of company.
- ❖ 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 company. This is for preventing and detecting fraud and other irregularities.
- ❖ Directors have prepared the annual accounts on a going concern basis.

Directors

Mr. K. P. Jhunjhunwala ,O. P. Goyal, & Mr. B. K. Mangaraj directors of your company retire from the board by rotation and being eligible for re-appointment. During the year Dr. N S Datar, director of your company has passed away. Board expresses its sincere gratitude for the services rendered by him during his tenure. This was a great loss to your company.

Auditors/Cost Auditors

M/s. Tibrewal Chand & Co., chartered accountants, retire as auditors of the company at the conclusion of the ensuing annual general meeting. They have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

In pursuance of section 233-B of the companies act, 1956, your directors had appointed M/s Chatterjee & Co, Kolkata as the cost auditors to conduct cost audit of cement for the year 2011-12 with the approval of the Central Government.

Particulars of Employees

Particulars of employees as required u/s 217 (2A) of the Companies Act, 1956 are not given. None of the employees were in receipt of remuneration exceeding the limits specified therein.

Foreign Exchange Earnings and Outgo

There has been no foreign Exchange earnings during the year. However, company has purchased imported coal & gypsum from the domestic market. Company has incurred foreign exchange expenditures for overseas travel.

Conservation of Energy, Technology Absorption

A statement containing necessary information, as required under the Companies (disclosure of particulars in 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 government authorities, IDBI, ACC Ltd., consultants, shareholders, employees, suppliers & contractors of the company.

Cautionary Statement

Statements in the directors' report and the management discussion & analysis describing company's objectives, expectations or predictions, may be forward-looking statement within the meaning of applicable laws and regulations. Although we believe our expectation is based on reasonable assumption, actual results may differ materially from those expressed in the statement. Important factors that could influence the company's operations include: global and domestic demand and supply conditions affecting selling prices, new capacity additions, availability of critical materials and their cost, changes in government policies and tax laws, economic development of the country, and such other factors which are material to the business operations of the company

For and on behalf of the Board

Sd/-

R. P. Gupta

Managing Director

Rourkela-769 004

Dated : 30/05/2012

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	31/03/2012	31/03/2011
1. Electricity		
a) Purchased		
Units (in Thousand)	10594.42	13344.99
Total amount (in Thousand)	57262.01	56139.79
Rate/Unit (including DPS)	5.41	4.21
b) Own Generation		
i) Through Diesel Generator		
Units (in Thousand)	131.56	67.03
Cost/Unit (Rs.)	16.88	18.79
ii) Through Steam Turbines Generator		
Units	N.A	N.A
Unit per Ltr. for Fuel oil Gas		
Cost/Unit.		
2. Coal		
Quantity (in Mt)	18362.26	15196.32
Total Cost (Rs. in Thousand)	34113.01	41313.77
Average Rate (Rs. Per Mt)	1857.81	2718.67
3. Diesel Oil		
Quantity (in K. Ltr)	122.60	160.47
Total Cost (Rs. in Thousand)	4655.83	5677.89
Average Rate (Rs. Per Litre)	37.98	35.38
4. Other/Internal Generation		
Quantity (in Mt)		
Total Cost (Rs. in Thousand)	N.A	N.A
Average Rate (Rs.)		

Consumption per unit of production

Particulars	Standards if any	Current Year	Previous Year
Cement Production (in Mt)		83617	107993
Surplus Clinker (in Mt)		11384	5502
Total Quantity		95001	113495
Power Units Per Tonne		112.9	118.2
Coal Cons. (%)		19.33%	13.37%

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

- ❖ The cost of self generated power has reduced due to higher capacity utilization and maintenance of DG set.
- ❖ Power consumption has come down due to improved efficiency & benefit of capex.
- ❖ Coal consumption in quantitative terms has gone up. But it is reduced in terms of heat value. This is due to replacement of imported coal. This is reflected in value terms.

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 31/03/2012

A. Research & Development (R & D)	
❖ Specific areas in which R & D carried out by the Company	General Improvement
❖ Benefits derived as a result of the above R & D	No specific Benefits
❖ Future Plan of action	Considering some major modification in the plant in future expansion to reduce clinker consumption by 10% in terms of cement.
❖ Expenditure on R & D	No specific expenditure incurred 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	
B. Foreign Exchange Earnings Outgo	Earned- NIL Used Rs. 0.61 Lakhs
C. Technology Absorption, Adoption & Innovation	
The efforts towards technology absorption/adoption/innovation and corresponding benefits are summarized as under :-	
❖ Main gear box of raw mill, coal mill & cement mill-2 was changed with higher capacity to facilitate future expansion. Main drive motor of Raw mill is ordered. Same is expected in next year.	
❖ Air lift for Raw mill is improved. Limestone extraction from the stock pile is also improved. Both shall contribute to efficiency improvement.	
❖ Kiln bearing housing, chair pads have been replaced to take more load.	
❖ Pollution control equipment have been installed in the primary & secondary crusher. This will also reduce wastage of limestone fines.	
❖ Few VFD drives have been installed to reduce power consumption.	
❖ Cement spillage handling system has been improved to minimize wastage.	
❖ Detailed engineering of raw mix silo & cement silo aeration system has been completed. It is likely to be installed in next year. It will improve extraction. It will also improve blending.	
❖ Detailed engineering for use of cement mill-1 for PPC cement manufacturing has been completed. It will consume surplus clinker with additional cement production. Part work has been done. Completion is expected in next year. It will also reduce power consumption.	
❖ Insulation of kiln PH tower has been done to reduce heat and to reduce coal consumption.	
❖ Few modifications have been also done in coal firing system. This will contribute to efficiency.	
❖ Concrete yard have been constructed for raw material storage to minimize ground loss.	
❖ Few reciprocating compressors have been replaced with modern screw compressors for power saving.	
❖ ERP system have been implemented for on line data processing.	