

2012-13

27th ANNUAL REPORT



SHIVA CEMENT LTD.
ROURKELA, ODISHA

Activities of Sumangal Ladies Club



BOARD OF DIRECTORS**Sri R. P. Gupta***Managing Director***Sri Akash Gupta***Executive Director***Sri B K Mangaraj***Director***Sri Vivek Chawla***Nominee-ACC Ltd.***Sri O P Goyal***Director***Sri D K Senapati***Nominee- IPICOL***Sri K P Jhunjhunwala***Director***AUDITORS****Tibrewal 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, Kolkata - 1.**Contents ...**

Notice of the Annual General Meeting ... 02

Director's Report & Management ... 03
Discussion and Analysis

Corporate Governance ... 08

Auditors' Report ... 14

Balance Sheet ... 17

Profit & Loss Account ... 18

Cash flow statement ... 19

Significant Accounting Policies ... 20
& Notes on Financial Statement**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 SEVENTH 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 1st July, 2013 at 11.00 A.M. to transact the following business :

Ordinary Business

1. To consider and adopt the Balance sheet as at 31st March, 2013 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 K P Jhunjunwala, Sri B K Mangraj and Sri O P Goyal 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 : 31/05/2013

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 25/06/2013 to 01/07/2013 (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 Jhunjunwala | Sri O P Goyal | Sri B K Mangaraj |
| 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 |

DIRECTORS REPORT (Management Discussion and Analysis)



R. P. Gupta, M.D.

Dear Members,

It gives me immense pleasure to present the **27th Annual Report**. I extend my thanks to all associates, shareholders & employees in particular. Your company could complete successful 27 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, 2013** as under :-

Financial/Operational Performance

(Rs. in Lakhs)

| Particulars | 31/03/2013 | 31/03/2012 |
|-------------------------------------|----------------|----------------|
| Turnover | 6674.67 | 6388.40 |
| Operating Income | 1047.31 | 994.56 |
| Other Income | 40.32 | 36.50 |
| PBIDT | 1087.63 | 1031.06 |
| Less: Interest | 341.04 | 334.73 |
| Cash Profit (PBDT) | 746.59 | 696.33 |
| Less: Depreciation & Amortization | 354.40 | 392.75 |
| Profit before Taxation (PBT) | 392.19 | 303.58 |

This was a difficult year due to sluggish demand and rising input cost. Despite this we could increase the operating profit to 1088 lakhs as against 1031 lakhs in the previous year registering a growth of 5.4%. However, EBIDTA margin was almost stagnant in the range of 16.3% as against 16.1% in previous year. There was substantial hike in the energy cost in terms of coal, diesel and power, but specific consumption was reduced.

Future Strategies

Long term strategy and its benefit shall be derived only after completion of Phase-I expansion and the same is under progress. We have to continue our efforts improving operational efficiency to counter adversities during the interim period. However the cost economics shall totally change after commencement of expanded capacity.

Modernization & Expansion

The implementation of capacity expansion project was delayed due to delay in approvals and financial closure. Proposed expansion & modernization shall improve cost efficiency besides increasing volume. It will also help utilizing surplus and idle assets of company.

Alliance with ACC

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

Economic Scenario & Outlook

Indian economy has grown by about 5% during the year 2012-13 which was lowest in the decade. Even current scenario is no better. Rather continuous slow down since last two years is depressing the demand growth. Infrastructure investments are also slowing down due to delay in land acquisition, environment approvals, financial closure etc. Govt. has started taking corrective steps but its result shall be visible in the year 2014-15 only. Whereas 2013-14 will be a challenging year, but thereafter the situation is likely to be normalized. Rather 2015-16 is expected to be very good year for economy in general and cement industry in particular. Fundamentals of Indian economy are strong. It only needs regulatory reforms and policy initiatives.

Cement Industry Outlook & Opportunities

As discussed above, the supply over hang is likely to continue in the year 2013-14. But it shall be bottom out by the end of 2014-15. Thereafter cement industry is likely to enter into shortage era due to slow down in new capacity additions. In general, economy is likely to revive from 2014-15 and thereby boosting the demand from housing, industrial and infrastructure sector. Keeping this scenario in view, the capacity expansion plans were slightly deferred for matching with upper cycle of cement industry.

Risks and Concerns

Continuous hike in power rate and supply deficit of coal are the major areas 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 intermix 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 2014. But its impact is diluted due to plant location in eastern zone. This is supply deficit zone.

Awards & Recommendations

Company was awarded first prize in "Sedimentation & Water Management" and second prize in "Air quality management" for FY 2012-13 under the Aegis of Indian Bureau of Mines, Govt. of India, Bhubaneswar during Mines Environment and Mineral Conservation Week. National Safety Awards (Mines) for 2008 to our company has been given by **Hon'ble President** of India at New Delhi.

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. Wage settlement agreement is continuing.

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. ERP system is now fully operative. It will definitely improve over all 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. We have undertaken repairing of Telighana Basti & Telighana Church road. Tailoring centers were opened in village Telighana & Golaipara. Tuition centre was opened at Telighana village. Science exhibition was promoted at Sargu Kishan Vidyapitha. Health check up camp and Cancer detection camps were organized. Drinking water supply scheme to nearby two villages is continuing. Telighana church was electrified. Football and Hockey tournament was organized at Kandaimunda. Several supports were extended to Primary schools nearby to mines such as distribution of books, construction of boundary wall, organizing quiz competition etc. Similar supports were extended to nearby villages for organizing cultural and social programme, providing drinking water and medical assistance. The peripheral development activities during current year were substantially enlarged over previous year.

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 Punjab National Bank for sanctioning Rs.70 crore term loan in the capacity of lead bank for the proposed expansion project. The proposal for remaining term loan of Rs.100 crore is under active consideration of the consortium members including IDBI Bank and the same is likely to be sanctioned by June/July 2013.

CARE rating have also assigned "CARE BBB" for long term bank facilities & "CARE A3" for short term bank facilities amounting to Rs.186.5 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 judgments 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.

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 2012-13 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 have 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, PNB, 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 : 31/05/2013

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 | 31/03/2013 | 31/03/2012 |
|--------------------------------------|------------|------------|
| 1. Electricity | | |
| a) Purchased | | |
| Units (in Thousand) | 9459.52 | 10594.42 |
| Total amount (in Thousand) | 55815.60 | 57262.01 |
| Rate/Unit (including DPS) | 5.90 | 5.41 |
| b) Own Generation | | |
| i) Through Diesel Generator | | |
| Units (in Thousand) | 68.47 | 131.56 |
| Cost/Unit (Rs.) | 32.64 | 16.88 |
| ii) Through Steam Turbines Generator | | |
| Units | N.A | N.A |
| Unit per Ltr. for Fuel oil Gas | | |
| Cost/Unit. | | |
| 2. Coal | | |
| Quantity (in Mt) | 14820.26 | 18362.26 |
| Total Cost (Rs. in Thousand) | 45963.55 | 34113.01 |
| Average Rate (Rs. Per Mt) | 3101.40 | 1857.81 |
| 3. Diesel Oil | | |
| Quantity (in K. Ltr) | 140.61 | 122.60 |
| Total Cost (Rs. in Thousand) | 5862.68 | 4655.83 |
| Average Rate (Rs. Per Litre) | 41.69 | 37.98 |
| 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) | | 83059 | 83617 |
| Surplus Clinker (in Mt) | | 4920 | 11384 |
| Total Quantity | | 87979 | 95001 |
| Power Units Per Tonne | | 108.3 | 112.9 |
| Coal Cons. (%) | | 16.85% | 19.33% |

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

- ❖ The cost of self generated power has gone up due to increased cost of Diesel and maintenance of DG set.
- ❖ Power consumption has come down due to improved efficiency & benefit of capex.
- ❖ Coal consumption in quantitative terms has gone down. But the cost has gone up due to replacement with imported coal as 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 31/03/2013**

| | |
|---|--|
| 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 modifications 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. 2.05 Lakh |

C. Technology Absorption, Adoption & Innovation

The efforts towards technology absorption/adoption/innovation and corresponding benefits are summarized as under :-

- ❖ Main drive of Raw mill has been replaced with higher capacity motor and Raw mill table feeder drives were replaced to VFD drives.
- ❖ DG set cooling tower was upgraded.
- ❖ Main breaker was replaced with higher capacity.
- ❖ Kiln inlet seal was replaced to arrest ingress of false air.
- ❖ Kiln supporting roller, thrust rollers were changed.
- ❖ New cooling fan for Heat exchanger was installed.
- ❖ Raw mix silo aeration system was completely modified and upgraded along with aeration blower.
- ❖ Compressor of Coal mill was upgraded.
- ❖ Kiln firing nozzle and coal ventury was upgraded.
- ❖ Raw mill VP pump pipeline was upgraded.
- ❖ Additional concrete yards have been constructed at various places to minimize ground loss.
- ❖ PPC cement manufacturing project is under implementation.

Corporate Governance Disclosure

During the year ended 31/03/2013, 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

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

The Independent Directors on the Board are experienced, competent and highly renowned persons from their respective fields. The Independent Directors take active part at the Board and committee Meeting which add value in the decision making process of the Board of Directors.

The Composition of the Board of Directors is in conformity with the Corporate Governance Code. The composition as on 31st March, 2013 and brief resume of each Director is given below:-

Mr. Rajendra Prasad Gupta (Managing Director) :- He is an Industrialist and is one of the promoter of Shiva Cement Ltd, he is graduate engineer having 40 years business experience and more than **27** years in the cement Industry. He was present Vice Chairman of Western Zone of OASME (Orissa Assembly of Small & Medium Enterprises). He was Vice President of All India Mini Cement Plant Association, Hyderabad. He is an Executive adviser to OJC (Orissa, Chhatisgarh, Jharkhand) Chamber of Commerce. His inputs and guidance in the strategies for Company's growth ever since he was taken on the Board have been immense valuable.

Mr. Akash Gupta (Executive Director) :- He is a Commerce graduate (Gold Medallist) having business experience of over **16** years in marketing of cement. He is one of promoter of Shiva Cement Ltd.

Mr. B. K. Mangaraj :- He is a post Graduate Engineer having more than **30** years experience in the Mining of Limestone & other Minerals and more than 13 years experience in operation of Cement Plant. He was also awarded by the President of India in past. He has also worked with TISCO and BSL (SAIL subsidiary) in past.

Mr. D. K. Senapati :- He is a B E and working in **IPICOL**. The Financial Institution has nominated him as director on the Board of the Company.

Mr. Ramit Budhbraja :- He is a Graduate Engineer from IIT-New Delhi and MBA from IIM-Bangalore. He is having vast experience in cement industry at Indian & abroad in the key management. He was nominee director from ACC Ltd. Due to his posting in abroad by ACC Ltd he resigned as Nominee Director from ACC Ltd. during the year.

Mr. K. P. Jhunjhunwala :- He is a post Graduate Engineer having more than 43 years of experience in various business. He is one of the prominent industrialist in Orissa who has headed several large corporates.

Mr. O. P. Goyal :- He is a Chartered Accountant and has four decades of wide –ranging experience in paper and cement industry, heading various functional areas as Senior/ Executive/ Director of companies. He is on the Board of several large corporates including JK Papers Limited.

Sri Vivek Chawla is a B E Mining, He is having vast experience in cement industry. He is at present Chief Executive of ACC Ltd for East Zone. He is nominee director from ACC Ltd.

During the year the Board met 5 times (as against the minimum requirement of 4 meetings) on the following dates namely **30/05/2012, 06/06/2012, 14/08/2012, 14/11/2012 and 14/02/2013**.

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 :