

SHREE
CEMENT LTD.

MD	<input checked="" type="checkbox"/>	BKC	<input checked="" type="checkbox"/>
CS	<input checked="" type="checkbox"/>	DPY	<input checked="" type="checkbox"/>
RO	<input checked="" type="checkbox"/>	NY	<input checked="" type="checkbox"/>
TRA	<input checked="" type="checkbox"/>	C	<input checked="" type="checkbox"/>
AGN	<input checked="" type="checkbox"/>	SH	<input checked="" type="checkbox"/>
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ANNUAL REPORT

1996-97

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NOTICE*To the Members*

NOTICE is hereby given that the Eighteenth Annual General Meeting of the Members of SHREE CEMENT LIMITED will be held at the Registered Office of the Company at Bangur Nagar, Beawar - 305 901, Distt. Ajmer (Rajasthan) on Thursday, the 19th day of February, 1998 at 4.00 P.M. to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Accounts for the fifteen months period ended 30th June, 1997 and the Report of the Directors and Auditors thereon.
2. To appoint a director in place of Shri R. L. Gaggar, who retires by rotation and being eligible, offers himself for re-appointment.
3. To appoint a director in place of Shri R. N. Dey, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of sections 198, 269, 309,310 and other applicable sections, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby accords its approval to the re-appointment of Shri B. G. Bangur as the Chairman & Managing Director of the Company for the further period of 5 years w.e.f. 13th August 1997 on the terms and conditions as to remuneration, perquisites and commission etc. as specified and set out in the annexed Explanatory Statement in respect of this resolution.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, Shri B. G. Bangur, Chairman & Managing Director of the Company, shall be entitled to receive and be paid the same remuneration approved as aforesaid as minimum remuneration in that year subject, however, to the ceiling in that regard fixed under the said Schedule XIII to the Act, from time to time.

6. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of sections 198, 269, 309,310 and other applicable sections, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, the Company hereby accords its approval to the re-appointment of Shri H. M. Bangur as the Jt. Managing Director of the Company for the further period of 5 years w.e.f. 1st August 1997 on the terms and conditions as to remuneration, perquisites and commission etc. as specified and set out in the annexed Explanatory Statement in respect of this resolution.

RESOLVED FURTHER THAT in the event of absence or inadequacy of profits in any financial year, Shri H. M. Bangur, Jt. Managing Director of the Company, shall be entitled to receive and be paid the same remuneration approved as aforesaid as minimum remuneration in that year subject, however, to the ceiling in that regard fixed under the said Schedule XIII to the Act, from time to time.

7. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

RESOLVED THAT pursuant to the provisions of Sections 16, 94 and other applicable provisions, if any, of the Companies act, 1956, the Authorised Capital of the Company, namely, Rs. 75,00,00,000 (Rupees Seventy Five Crores) divided into 7,40,00,000 (Seven Crore Forty lacs) Equity Shares of Rs. 10/- each and 1,00,000 (One lac) Cumulative Preference Shares of Rs. 100/- each be and is hereby re-classified into 6,00,00,000 (Six Crores) Equity Shares of Rs. 10/- each and 15,00,000 (Fifteen Lacs) Cumulative Preference Shares of Rs. 100/- each and consequently, clause V of the Memorandum of Association of the Company relating to Share Capital be and is hereby altered by deleting the same and substituting in its place and stead, the following as new clause V :

- V. The Authorised Share Capital of the Company is Rs. 75,00,00,000 (Rupees Seventy Five Crores) divided into 6,00,00,000 (Six Crores) Equity Shares of Rs. 10/- (Rupees Ten) each and 15,00,000 (Fifteen lacs) Cumulative Preference Shares of Rs. 100/- (Rupees One hundred) each with power to increase or reduce

MD				BEC	
CS				DEV	
RO				FIN	
TRA				ACC	
AGM				SEC	
YE					

the Share Capital of the Company and to divide the Shares in the Capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company.

8. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution:

RESOLVED THAT pursuant to the provisions of section 31 and other applicable provisions, if any, of the Companies Act, 1956 the Articles of Association of the Company be and are hereby altered as follows :-

- (a) the existing Article 3 be deleted and the following new Article 3 be substituted in its place and stead thereof :

"3. Subject to and in accordance with the provisions of the Act and also subject to the approval of the Company in general meeting, if so required by law, the Board of Directors of the Company shall have power to purchase or acquire the fully paid - up shares of the Company whether or not they are redeemable and make payment in respect thereof out of the funds at the disposal of the Company and if deemed fit to reduce the subscribed capital of the Company to that extent or any lesser extent as may be determined by the Board of Directors of the Company from time to time."

- (b) the existing Article 4(1) be deleted and the following new Article 4(1) be substituted in its place and stead thereof :

"4. (1) The Authorised Share Capital of the Company is Rs. 75,00,00,000 (Rupees Seventy Five Crores) divided into 6,00,00,000 (Six crores) Equity Shares of Rs. 10/- (Rupees ten) each and 15,00,000 (Fifteen lacs) Cumulative Preference Shares of Rs. 100/- (Rupees one hundred) each with power to increase or reduce the share capital of the Company and to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, deferred, qualified or special rights, privileges or conditions as may be determined by or in accordance with the Articles of Association of the Company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may for the time being be provided by the Articles of Association of the Company."

9. To consider and, if thought fit, to pass with or without modification, the following resolution as a Special Resolution :

RESOLVED THAT subject to the applicable provisions of the Companies Act, 1956 (including any Statutory Modification or re-enactment thereof for the time being in force and as may be enacted from time to time) and subject to such other approvals, permission and sanctions as may be prescribed, the consent of the Company be and is hereby accorded to the purchase and acquisition of its own fully paid-up shares and that the Board of Directors of the Company be and are hereby authorised to purchase and acquire the same on such terms and conditions and upto such limit as it may deem fit and consider necessary in the interest of the Company and/or its shareholders and further that the Board of Directors may, if so considered appropriate by it in the interest of the Company, reduce the subscribed and paid-up capital of the Company to such extent as it may decide upon such purchase or acquisition of the Company's own shares and that the Board of Directors of the Company be and is hereby authorised to do all such acts and things as may be necessary or proper to implement this resolution.

NOTES :

- 1) The Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under items no. 5 to 9 is annexed hereto and forms part of the Notice.
- 2) A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. PROXIES IN ORDER TO BE EFFECTIVE, MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.
- 3) The Register of Members and Share Transfer Books of the Company will remain closed from Monday, the 9th February, 1998 to Thursday the 19th February, 1998 (both days inclusive).
- 4) Pursuant to Section 205A of the Companies Act, 1956 unclaimed/unpaid dividend for the financial years ended 31.03.91, 31.03.92, 31.03.93 and 31.03.94 have been transferred to the General Revenue Account of the Central

Government. Shareholders who have not encashed the dividend warrant for the said period are requested to claim the dividend from the Registrar of Companies, Rajasthan, G-15, Krishna Marg, C-Scheme, Jaipur 342 001. Necessary forms may be obtained from the Company on request.

- 5) Unclaimed Dividend for the year 1994-95 will be transferred to the General Revenue Account of the Central Government by 3rd October, 1998. Members, who have so far not encashed their dividend warrants for the year ended 31.03.95 and 31.03.96 may approach the Company with their warrants for revalidation.
- 6) The Company has appointed M/s. Karvy Consultants Ltd. as Share Transfer Agent for both manual and electronic form of shareholdings from 1st July, 1997. All communications relating to shares should now be addressed to :-
M/s. Karvy Consultants Ltd.,
21, Road No. 4, Street No. 1, Banjara Hills,
Hyderabad - 500 034
- 7) Members are requested to notify immediately any change of address to the Share Transfer Agent.
- 8) Members, who are holding shares in identical order of names in more than one account, are requested to intimate to the Share Transfer Agent, the Ledger Folio of such accounts and send the Share Certificate(s) to enable the Company to consolidate all the holdings into one account. The Share Certificate(s) will be returned to the members, after making the necessary endorsements, in due course.
- 9) All documents referred to in the Notice and Explanatory Statement are open for inspection at the Registered Office of the Company on all working days except Sunday and public holiday between 10.30 hours to 12.30 hours upto the date of meeting.

Beawar
16 January, 1998

By Order of the Board
K. K. DANGI
Jt. Secretary

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956, ANNEXED HERETO AND FORMS PART OF THE NOTICE DATED 16 JANUARY, 1998.

Item No. 5 & 6

Shri B. G. Bangur and Shri H. M. Bangur were appointed as Chairman & Managing Director and Jt. Managing Director for a period of 5 years w.e.f. 13th August, 1992 and 1st August, 1992 respectively. On the expiry of their term of 5 years, the Board of Directors have re-appointed Shri B. G. Bangur as Chairman & Managing Director w.e.f. 13th August, 1997 and Shri H. M. Bangur as Jt. Managing Director w.e.f. 1st August, 1997 for a further period of 5 years, subject to the approval of Financial Institutions and members in the General Meeting.

Approval of the Lead Financial Institution has already been received vide Letter No. HO. CFD (II)-01/B-18 dated 21st October, 1997.

The terms of re-appointment and remuneration payable are as under :-

(a) Salary :

Shri B. G. Bangur, Chairman & Managing Director	:	Rs.	1,00,000/-	p.m.
Shri H. M. Bangur, Jt. Managing Director	:	Rs.	85,000/-	p.m.

(b) Commission :

Such commission on net profits to each of the above two Working Directors, as may be decided by the Board of Directors in its absolute discretion for each financial year or part thereof, subject however, that the total remuneration i.e. salary, perquisites and commission in any one financial year shall not exceed the limits prescribed or as may be prescribed from time to time under Section 198, 309 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Act, as may for the time being be in force.

(c) **Perquisites/Allowances :**(1) **House Rent Allowance :**

Each Working Director shall be entitled and be paid House Rent Allowance of 60% of the Salary.

Explanation :

The expenditure incurred by the above named working Directors on gas, electricity, water and furnishings shall be reimbursed and borne by the Company up to a limit of 10 % of the respective Salary.

(2) **Medical Reimbursement :**

All expenses incurred by each Working Director for self and family in India and/or abroad, including hospitalisation, nursing home and surgical treatment shall be reimbursed.

(3) **Leave Travel Concession :**

Reimbursement of actual travelling expenses to each such Director and his family, once in a year for proceeding on leave.

(4) **Club Fees :**

Reimbursement of fees of Clubs subject to the maximum of two Clubs for each such Director including admission and life membership fees.

(5) **Personal Accident Insurance :**

Personal accident insurance for an amount, annual premium of which does not exceed Rs. 4,000/- p.a. for each such Director.

(6) **Company's contribution to Provident Fund, Superannuation Fund or Annuity Fund as per the rules of the Company for each such Director.**(7) **Gratuity :**

As per the rules of the Company but not exceeding half a month's salary for each completed year of service, for each such Director.

(8) **The Chairman & Managing Director as well as the Jt. Managing Director will be allowed encashment of earned privilege leave, accumulated and not availed of during their tenure at the end of the tenure as per rules of the Company.**(9) **Provision of car to each of them for use on Company's business and telephone at residence of each such Director will not be considered as perquisites. However, personal use of car and personal long distance calls on telephone by them shall be billed by the Company to each of the Working Directors.**(10) **Other Perquisites :**

Subject to over-all ceiling on remuneration the Working Directors may be given any other allowances, benefits and perquisites as the Board of Directors may from time to time, decide.

Explanation :

"Family" means the spouse, the dependent children and dependent parents of such Director.

The Special Resolutions as set out at Item Nos. 5 & 6 of the Notice are therefore, placed before the members for their approval.

The above statement read with the Resolutions shall be deemed to be an abstract under Section 302(2) of the Companies Act, 1956.

None of the Directors, except Shri B. G. Bangur and Shri H. M. Bangur, is interested or concerned in the proposed resolutions.

Item No. 7

Preference Shares are now becoming more attractive for investment and your Directors are considering issue of Preference Shares at the appropriate time. However, as the present Authorised Capital of your Company of Rs. 75,00,00,000/- consists of 7,40,00,000 Equity Shares of Rs. 10/- each and only 1,00,000 Cumulative Preference Shares

of Rs. 100/- each, it is considered necessary to increase the number of Preference Shares to 15,00,000. The Authorised Capital is being re-classified by reducing the number of Equity Shares in the manner as set out in the resolution as proposed under Item No. 7 of the notice. The number of Equity Shares presently issued and subscribed is only 3,48,37,225 and therefore there is no difficulty in re-classifying the Authorised Capital as proposed.

Further Clause V being the Capital Clause of the Memorandum of Association of the Company is also required to be altered so as to state therein the revised composition of the Authorised Capital without increasing the aggregate amount thereof and the said resolution also seeks to alter the Memorandum of Association accordingly. The above is permissible under Section 16 read with Section 94 of the Companies Act, 1956 and your Board commends the same for your approval.

None of the directors is, in any way, interested or concerned in the proposed resolution.

A copy of the Memorandum of Association of the Company will be available for inspection at the Registered Office of the Company on any working day.

Item No. 8

The Companies Act, 1956 presently restricts the purchase of own shares by a Company unless the same is done with a view to reduce its capital which is subject to the controls as stipulated in Sections 100 to 104 and 402 of the Companies Act, 1956. However, in the proposed Companies Bill, 1997, which is under consideration of the Parliament, there is a provision which allows the Companies to buy their own shares.

The directors feel it would be desirable to have an enabling power in the Articles of Association of the Company and recommend deletion of present Article 3 which restricts buy back of own shares and adoption of new Article 3 vesting powers of buy back of shares for your approval.

Also consequent to the re-classification of the Authorised Capital of the Company, the Article 4(1) has to be replaced by a new Article to state the revised composition of the Authorised Capital.

Special Resolution as per Item no. 8 of the Notice seeks to make the above alterations in the Articles of Association of the Company and your Board commends the same for your approval.

None of the Directors is, in any way, interested or concerned in the proposed resolution.

A copy of the Articles of Association of the Company will be available for inspection at the Registered Office of the Company on any working day.

Item No. 9

This is a Special Resolution by which specific approval of the members of the Company is being sought to authorise the Board of Directors of the Company to buy back the Company's own shares as and when the law permits the same. Since as per the proposed amendment to the present Company law on this subject, such buy back of shares is going to be permitted, this authority in favour of the Board is being taken so that as and when situation arises, quick action may be taken in the matter.

None of the Directors is, in any way, interested or concerned in the proposed resolution.

By Order of the Board

Beawar,
16 January, 1998

K. K. DANGI
Jt. Secretary

DIRECTORS'

R e p o r t

Dear shareholders,

The Directors of Shree Cement present their Seventeenth Annual Report along with the Audited Accounts of the Company for the 15 months ended on 30 June 1997.

FINANCIAL RESULTS

The salient features of the period under review ended on 30 June 1997 are as follows :

	(Rs. in lacs)	
	Period ended 30.6.97	Year ended 31.3.96
Sales & Income	25931.35	21842.44
Operating Profit before Interest, Depreciation & Tax	5433.24	5340.14
Less : Interest	719.78	755.85
Gross Profit for the year	4713.46	4584.29
Less : Depreciation	907.38	446.31
Net Profit for the year	3806.08	4137.98
Less : Provision for Taxation	252.00	805.00
Profit after Interest, Depreciation & Tax	3554.08	3332.98
Add : Balance brought forward from previous year	508.00	513.96
Add : Debenture Redemption Reserve written back	0.00	7.32
Profit available for appropriation	4062.08	3854.26
Appropriations :		
Debenture Redemption Reserve	794.00	100.00
Proposed Dividend	0.00	614.23
General Reserve	2800.00	2632.03
Balance Carried forward	468.08	508.00

DIVIDEND

Inspite of better working performance and financial results for the period under review (15 months), the liquidity position of the Company is presently affected on account of recession which has set in the Cement industry and is likely to continue for quite sometime. Therefore, to conserve resources, the Board has reconsidered and decided not to recommend payment of dividend for the period under review. Also, no commission is proposed to be paid to the Working and Non-Working Directors for the said period.

A REVIEW

From the second half of 1996-97, the recession in the Indian economy and the drop in offtake by government agencies resulted in a slowdown in the cement industry as well. Realisations dropped for most companies in the industry. Most companies also incurred a higher freight cost in trying to sell their output in areas seldom accessed before. Interest costs remained high. These factors affected Shree Cement as well. From an average net realisation per tonne of Rs. 1473 in 1995-96, the average net realisation was down to Rs. 1317 in 1996-97. The pre-interest profit for the period under review (15 months) was higher at Rs. 5433.24 lacs against Rs. 5340.14 lacs for 1995-96 (12 months), but on an annualised basis this was lower by 18.61 per cent. The profit after tax when comparing both periods on an annualised basis was down by 14.69 per cent. Annualised earnings per share was Rs. 9.44 for 1996-97 when compared with Rs. 12.21 for 1995-96.

THE RIGHT PERSPECTIVE

Given the prevailing weakness in the cement industry, Shree Cement's performance should be considered an achievement. The Company posted operation cash flow of Rs. 3036.54 lacs for 1996-97 (15 months) compared with Rs. 2120.55 lacs for 1995-96 (12).

Shree Cement was able to survive a sluggish cement economy with a presentable bottomline due to the following reasons :

- The company succeeded in raising output to a record high, helping amortise costs over a larger production spread. Clinker and cement output rose to 12.54 lac tonnes and 11.85 lac tonnes respectively in 1996-97 (15 months) when compared with 8.88 lac tonnes and 8.62 lac tonnes in 1995-96 (12 months). On the company's installed production base of 7.60 lac tonnes, the 1996-97 output is equivalent to 125 per cent capacity utilisation.

The kiln loading touched a peak to 6.3 tonnes per cubic metre during 1996-97. This makes it one of the most productive cement plants anywhere in the world.

- The company sustained its war on energy and peripheral costs. The consumption of electricity to manufacture per tonne of cement dropped from 91 units in 1995-96 to 88 units in 1996-97.

The company succeeded in commissioning its second cement plant - Raj Cement, capacity 12.4 lac tonnes per annum - in Beawar during the course of 1996-97. That this was done on schedule and within the overall project cost has had a positive financial impact which will be reflected in the coming years. Clinkerisation began on 27 March 1997 and grinding operations commenced in October 1997.

CEMENT INDUSTRY OUTLOOK

The expansion in capacity by 12.4 lac tonnes at the new unit in Beawar, has made Shree Cement a leading cement manufacturer in North India. This additional output will help in lowering the overall cost of production of the company, making it increasingly competitive. The power of the 'Shree' brand as well as the enlarged distribution network are expected to drive the company's sales aggressively in the coming months. Over the coming years, Shree Cement will emerge as a considerably

bigger profit maker, increasing the wealth for its stakeholders in the process.

SHARE CAPITAL

During 1996-97, the company successfully completed a right issue mobilising Rs. 11.61 cr by issuing 58,06,204 equity shares in the proportion of one equity share for every five held at a price of Rs. 20 per share (including premium of Rs. 10 per share). The fully-diluted equity of the company now stands at Rs. 34.84 cr.

DIRECTORS

Shri R. L. Gagar and Shri R. N. Dey, Directors of the company will retire by rotation at this Annual General Meeting in accordance with the provisions of the Companies Act, 1956 and the company's Articles of Association and being eligible, offer themselves for re-appointment.

The Board of Directors of the Company has reappointed Shri B. G. Bangur as the Chairman and Managing Director and Shri H. M. Bangur as the Joint Managing Director of the Company for a further period of five years commencing from 13 August 1997 and 1 August 1997 respectively. These reappointments and the remuneration payable to each are subject to the approval of the members. Necessary resolutions are being placed for approval before the members in the forthcoming Annual General Meeting.

AUDITORS

M/s. B. R. Maheswari and Co., the auditors of the Company will retire at the ensuing Annual General Meeting and are eligible for reappointment. The Directors recommend their reappointment for 1997-98. The members are requested to appoint the auditors and authorise the Board of Directors of the Company to fix their remuneration.

The observation of the auditors together with the Notes on Account are self-explanatory and do not require any further explanation.

COST AUDIT

The Cost Records of the Company in respect of Cement for the period ended 30 June, 1997 have been audited by Shri B.L. Tholiya, Cost Auditor.

SUBSIDIARY COMPANY

The statement relating to Subsidiary Company, namely, Mannakrishna Investments Ltd. (MIL) pursuant to Section 212 of the Companies Act, 1956 together with the audited accounts for the year ended 31 March, 1997 are attached hereto.

DEPOSITORY SYSTEM

Your Company has entered into an agreement with the National Securities Depository Limited, a Depository established under the Depositories Act, 1996 for facilitating holding and settlement of trades in Equity Shares of the Company in scripless manner in electronic form. In view of this, the shareholders of the Company have the option to dematerialise and convert their scrips into electronic holding by opening an account with any of the Depository participants.

The Company has issued a letter to all the shareholders containing detailed informations and clarifications on various aspects of Depository System on 15 July, 1997 for the benefits of the shareholders and the response of the Shareholders is encouraging.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS/OUTGO :

The information required under Section 217 (1) (e) of the Companies Act, 1956 read with Companies