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SHREE DIGVIJAY CEMENT COMPANY LIMITED

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52nd ANNUAL REPORT & ACCOUNTS 1996-97



Shree Digvijay Cement Co. Ltd.

BOARD OF DIRECTORS

SHRI S.K. BANGUR (*Chairman*)
SHRI K.K. BANGUR (*Vice-Chairman*)
SHRI N.K. BANGUR
SHRI P.D. CHITLANGIA
SHRI NALINKANT D. DALAL
SHRI N.S. PARULEKAR
SHRI B.N. REPORTER
SHRI H.N. TAPARIA
SHRI ADITYA VIKRAM LODHA
SHRI K.S. NANAVATI
SHRI M.T. PALRECHA (*IDBI — nominee*)
SHRI S.C. SIKKA (*GIC — nominee*)
SHRI R.S. NIRWAN (*Executive Director*)

SECRETARY

SHRI N.L. MANDHANA

AUDITORS

MESSRS BATLIBOI & PUROHIT
MESSRS VATSARAJ & COMPANY

COST AUDITORS

SHRI B.L. THOLIYA
B.Com., L.L.B., D.B.M., F.I.C.W.A., C.A.I.I.B.

BANKERS

STATE BANK OF SAURASHTRA
PUNJAB NATIONAL BANK
BANK OF INDIA
UNITED BANK OF INDIA

REGISTERED OFFICE

DIGVIJAYGRAM (GUJARAT STATE)

MUMBAI OFFICE

SHREENIWAS HOUSE,
HAZARIMAL SOMANI MARG,
MUMBAI 400 001.

WORKS

1. DIGVIJAYGRAM (VIA JAMNAGAR)
2. DIGVIJAYNAGAR, AHMEDABAD
3. RISHRA, WEST BENGAL
4. KONNAGAR, WEST BENGAL

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Shree Digvijay Cement Co. Ltd.**NOTICE**

NOTICE is hereby given that the Fifty-second Annual General Meeting of the members of SHREE DIGVIJAY CEMENT COMPANY LIMITED adjourned on 30th September, 1997 in respect of items No.4,5,6 & 7 of the Notice to the members dated 3rd September, 1997 will now be held at the Registered Office of the Company at Digvijaygram-361140 on Tuesday, the 30th day of December, 1997 at 4.00 P.M. to transact the following pending business:

4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting to the conclusion of the next Annual General Meeting of the Company and fix their remuneration.
5. To authorise Board of Directors of the Company to appoint branch auditors and fix their remuneration for auditing the accounts of the branches of the Company viz. Jute, Synthetic Fabrics and Coir & Felt Divisions for the year ending 31st March, 1998 in consultation with the Auditors of the Company.
6. To receive, consider and adopt Directors' Report and Profit & Loss account for the year ended 31st March, 1997 and Balance Sheet of the Company as at that date.
7. To declare dividend on preference shares.

NOTES

- (a) **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.**
- (b) Dividend when declared will be paid to those preference shareholders whose names are on the Company's Register of Members as on 30th October, 1997, the date fixed for the purpose and the dividend warrant will be posted on and after 30th December, 1997.

Mumbai
26th November, 1997

By Order of the Board

N.L.MANDHANA
Secretary

Shree Digvijay Cement Co. Ltd.

DIRECTORS' REPORT

To

THE MEMBERS

The Directors present Fifty-second Annual Report together with the audited statement of accounts of the Company for the year ended on 31st March, 1997.

FINANCIAL RESULTS:

The financial results for the year ended 31st March, 1997 are as under:

	Current year 1996-97 (12 months) (Rs. in lacs)	Previous year 1995-96 (9 months)
Sales	28654.47	21966.98
Gross operating profit	1336.84	1922.62
Less: Interest	(-)1896.42	(-) 1353.88
Operating profit/Loss (-)	(-)559.58	568.74
Add/Less: Depreciation	456.66	(-) 318.33
Net profit/Loss (-)	(-)1016.24	250.41
Less/Add: Balance brought forward from previous year	2933.05	2690.04
	1916.81	2940.45
Less: Appropriations :		
i) Proposed Dividend on Preference shares	2.45	3.67
ii) Provision for taxation	0.24	3.73
iii) Provision for transfer (Proposed) of investment	653.18	655.87
Balance carried forward	1260.94	2933.05

The working results for the year under report show a set back; contribution of cement division - Company's main stay turned negative under the pressure of rising costs and falling price line and this is inspite of higher production level.

DIVIDEND:

The Board of Directors recommend payment of dividend on 14% preference share capital of the Company for the period April, 1996 to September 1996. This capital was redeemed on 30th September 1996; dividend is therefore payable pro-rata for six months and is exempt from tax in the hands of the shareholders. The Directors have however, not recommended any dividend on equity capital.

EQUITY ISSUE - Rs.50 lacs:

As approved by the members in General Body Meeting through a special resolution passed on 4th September, 1996, the Company has issued and allotted with effect from 1.10.1995, 5 lac equity shares of Rs.10/- each at par aggregating to Rs.50 lacs to the term lending Financial Institutions viz. IDBI, IFCI, LIC, IIBI & GIC and its subsidiaries in conversion of part of their outstanding rupee loan into equity and effect thereof has been given in the accounts.

REORGANISATION OF THE COMPANY:

i) As reported earlier, the Company was in the process of transfer of its four divisions viz. (i) Ahmedabad Cement Mill

(ii) Fibre Products Division (iii) Shreeram Silk (Synthetic Fabrics Division) & (iv) Coir & Felt Division to Gujarat Composite Ltd. (GCL) under a scheme of arrangement U/s 391/394 of the Companies Act, 1956 with effect from 1.7.1994. Approval of the Members, Creditors and High Courts of Gujarat and West Bengal for the Scheme have been obtained. Pending completion of subsequent procedure the accounts of the Company for the year under report incorporates the accounts of these outgoing units.

ii) In terms of the Board decision, the investments in shares held by the Company in other bodies corporate are to be transferred to Digvijay Finlease Ltd. (DFL) at cost - Rs.653.18 lacs effective 31.3.1997. In consideration, the members of the Company shall be allotted one equity share of Rs.10/- each fully paid in DFL capital against every Two equity shares of Rs.10/- each in the Company. The Company in general meeting held on 5.11.1997 has approved the proposal for disinvestment subject to approval of the financial institutions from whom the Company has availed term loans. Pending completion of transfer, a provision has been made in the accounts to adjust the cost of investment.

CEMENT DIVISION:

Production and sale of clinker and cement during the year are as under:

	1996-97 (12 months)	Annualised (Tonnes in lacs)	1995-96 (9 months)
Production - Clinker	11.64	11.00	8.25
Cement	9.48	10.28	7.71
Sales - Clinker	2.71	2.16	1.62
Cement	9.50	10.26	7.70

Clinker output during the year attained higher level with greater consistency in plant operations. Cement production and sales are, however, lower due to poor liftings.

Under the pressure of supplies out-pacing the growth in demand, the inland market presented a depressed scenario more so during the second half of the year. In exports as well, rates pushed down in the wake of stiff competition. On the other hand, input costs registered increases all around - in coal, petroleum products, railway freight, wage bill and in power it was more pronounced say 24%. As a result not only the margins eroded, the contribution turned negative. In the current year too, cement market is reeling under pressure of supplies affecting the bottomline.

CEMENT & CLINKER EXPORTS:

The Company exported directly and through third parties 3.05 lac tonnes of clinker and cement of the value of Rs.44.27 crore during the year. The Company continues to be a recognised Export House under Export-Import policy of the Central Government.

FIBRE PRODUCTS DIVISION:

Production and sales of pipes and sheets during the year are as under:

	1996-97 (12 months)	Annualised (In M.T.)	1995-96 (9 months)
Production:			
A.C.Pipes	10069	14877	11158
A.C.Sheets	67706	65355	49016
Sales:			
A.C.Pipes	8123	17501	13126
A.C.Sheets	66179	50703	38027

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Production and sales of A.C. Pipes were comparatively lower during the year due to lack of adequate orders from State Water Boards. In Sheet division, production is comparable with previous year. Sheet sale is substantially higher by 33% as it includes the peak season of three months (April-June) for sheet market. The Unit is making efforts to increase the productivity by installing balancing equipments in the current year.

COIR & FELT DIVISION:

The work suspension in the unit was lifted from 3rd September, 1996 under a settlement with the workmen; the unit thus operated only for a part of the year.

Production and sales of coir and rubberised products are 413 M.T. and 409 M.T. respectively.

OTHER DIVISIONS:

As reported in previous year, Hasting Jute Mill was sold to M/s.Murlidhar Ratanlal Exports Ltd. in 1994. Conveyance has been executed on 15th November, 1997.

The Synthetic Fabrics Division (Shreeram Silk) remained closed throughout the year. Efforts for disposal are continued.

SUBSIDIARY COMPANIES:

Particulars relating to subsidiary companies viz. Laxmi Asbestos Products Ltd. (LAP), Indian Textile Agency Ltd. (ITA) and Shree Rubcoir Mattresses (P) Ltd. (SRM) as required under section 212 of the Companies Act, 1956 are annexed to the accounts.

DIRECTORS:

In terms of article 167 of the Articles of Association of the Company, Shri S.K. Bangur, Shri P.D. Chitlangia and Shri N.D. Dalal, directors of the Company retired by rotation and were re-appointed at the 52nd Annual General Meeting held on 30th September, 1997.

The Industrial Finance Corporation of India Ltd. has withdrawn nomination of Shri D. Sridharan as their nominee on the Company's Board w.e.f. 8th August, 1997. The Industrial Investment Bank of India has withdrawn the nomination of Shri S.Sen as their nominee on the Company's Board w.e.f. 5th November, 1997. The Board place on record appreciation of advice and matured guidance provided by both the directors during their tenure of office with the Company.

PARTICULARS REGARDING EMPLOYEES:

As required by Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, particulars of the employees are given in the annexure forming part of the report.

RESERVES:

Depreciation for the year under report amounted to Rs.5,67,74,097/- out of which Rs.1,11,07,981/- related to addition to fixed assets on account of revaluation. Accordingly, Rs.1,11,07,981/- has been adjusted against Revaluation Reserve and the balance Rs.4,56,66,116/- charged by way of depreciation to Profit & Loss Account for the year.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION ETC.:

The Company has been taking measures on energy savings as detailed in the annexure under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, forming part of the report.

INDUSTRIAL RELATIONS:

Industrial relations at various units of the Company, except for disturbances in Coir & Felt Division were satisfactory and peaceful during the year under report.

AUDITORS:

M/s.Batliboi & Purohit and M/s.Vatsaraj & Company, the auditors of the Company retired at the Fifty-second Annual General Meeting of the Company and they being eligible, offer themselves for re-appointment.

M/s. Lovelock & Lewes, Chartered Accountants, the branch auditors, audited the accounts of Jute, Synthetic Fabrics and Coir & Felt Divisions of the Company in West Bengal for the year under review. For current year, it is also proposed to authorise the Board to appoint branch auditors for facilitating completion of audit work.

AUDITORS' OBSERVATIONS:

Regarding the qualifications by auditors contained in paras 2 and 3 of their report, the same are dealt with by notes Nos.20 and 27(b), 27(a), 24 and 27(c), 21(b) and 27(e), 23 and 9 in Schedule 'I' of the accounts and are self-explanatory and do not call for any further comments.

ADJOURNED ANNUAL GENERAL MEETING:

52nd Annual General Meeting of the members of the Company was held on 30th September, 1997. There has been delay in finalising the accounts, therefore this meeting was adjourned inter-alia to appoint auditors and to consider the accounts of the Company under report and to declare dividend on preference share capital.

The accounts now being ready are presented to the members.

By Order of the Board

Calcutta
26th November, 1997

S. K. BANGUR
Chairman

Shree Digvijay Cement Co. Ltd.

INFORMATION AS PER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 1997.

Sr. No.	Name of Employee	Age (Years)	Designation/ Nature of duties	Remuneration Rs.	Qualification & Experience (years)	Date of Commencement of employment	Last employment/position held
(a) Employed throughout the year and were in receipt of remuneration for the financial year in aggregate of not less than Rs.3,00,000/-							
1.	Shri Attasania N.K.	52	President (Tech.)	3,30,763	B.E. (Elect.) - 28	1.1.1973	Malati Vanaspati & Chemicals Ltd. - Trainee Engineer.
2.	" Bang N.N.	58	Vice President Purchase	3,45,659	B.Com.,LL.B., Visharad - 37	1.1.1966	Shree Madhusudan Mills Ltd. - Accountant
3.	" Maheshwari H.N.	54	President - Ahmedabad Units	5,45,703	B.Com. -30	12.4.1972	The Aluminium Corporation of India Ltd. - Sales-in-Charge.
4.	" Mandhana N.L.	55	President (Finance) & Secretary	4,56,141	B.Com., LL.B., FCS. - 34	14.8.1963	None
5.	" Nagori G.L.	56	Vice President	3,74,177	B.Com., LL.B., - 35	1.1.1976	Laxmi Cement Distributors Pvt. Ltd. - Chief Accountant.
6.	" Naviakha S.K.	62	President (Co-ordination)	3,92,250	B.Sc.,(Hon.), DIM (London) - 42	1.7.1976	Allibion Plywood Ltd. - Chief Executive.
7.	" Nirwan R.S.	60	Executive Director	6,93,461	B.A., LL.B., MBA - 40	15.4.1995	National Textile Corporation - Chairman & Managing Director
8.	" Sharma G.K.	64	Vice President	3,19,342	B.Com.,FCS., FICWA, - 42	9.5.1955	None
9.	" Sharma R.N.	54	Vice President	3,38,561	B.A., LL.B., ICWA - 35 Hindi Sahitya Ratna	5.9.1991	Union Co. Ltd. - Executive
(b) Employed for the part of the year and were in receipt of remuneration at the rate not less than Rs. 25000/- per month.							
1.	Shri Bhayani V.J.	60	Sr. Vice President P & D	3,38,669	B.E.(Mech.) -36	1.9.1977	Industrial Consulting Bureau, New Delhi - Project Manager
2.	" Mundra G.D.	60	Sr. Vice President (Commercial)	2,24,079	B.Com.,LL.B.-40	13.4.1960	Textile Machinery Corpn. Ltd. - Accounts Assistant

NOTES:

- All the employees (except Shri R.S.Nirwan, Executive Director, whose employment is on contractual basis) are in regular employment of the Company.
- Remuneration includes salary, Company's contribution to Provident, Gratuity and Superannuation Funds, expenditure on personal accident insurance, leave travel concession and reimbursement of medical expenses and other sums actually received by the employees and the perquisites evaluated as per Income tax Rules, 1962.
- Other terms and conditions:
 - Leave with pay.
 - Benefits from medical services.
 - Telephone connections/payment of bills for telephone at residence.

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**Particulars as required under Companies (Disclosure of particulars in the report of the Board of Directors)
Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 1997.**

Particulars	Cement Division	Fibre Products Dvn.	Coir & Felt Dvn.
(A) CONSERVATION OF ENERGY:			
(a) Energy conservation measures taken.	1. The Grate Cooler modification by incorporation of KIDS of M/s. IKN, Germany for achieving better thermal efficiency. 2. Usage of low cost agrowaste fuel (Ground Nut Husk) partially as a substitute of conventional fuel.	NIL	NIL
(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.	Proposals mooted for installation of : 1. Belt bucket elevators for kiln feed. 2. Installation of Dynamic Separator for Coal Mill. 3. Installation of soft start system in various drives. 4. Replacement of low efficiency cooler fans with high efficiency fans. 5. Replacement of Air lift pump with Belt bucket elevator to feed raw meal to CF silo. 6. Incorporation of pregrinding system in KCP Cement mill to increase the production and reduce the specific power consumption. 7. Replacement of Kiln inlet seal with modified version to reduce false air entry and reduce thermal energy consumption.	NIL	NIL
(c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.	Reduction in electrical consumption by 10-11 units/tonne and thermal energy consumption by 42 K.Cal/Kg. of clinker.	NIL	NIL
(d) Total energy consumption and energy consumption per unit of production.	Form 'A' attached.	N.A.	N.A.
(B) TECHNOLOGY ABSORPTION: Research and Development(R & D)			
1. Specific areas in which R&D carried out by the Company.	a. Company is associated with National Council for Cement and Building Materials for research and development activities. b. Development of special Cements viz. Oil Well, SRPC, High Strength, Railway Sleeper Grade cement (IRST) etc, c. In co-operation with regional training centre, technical employees are being trained in various fields where latest technology is being taught and employees are trained to utilise. d. Development of "Lechler" make nozzles for better water automisation in gas conditioning tower for better performance of ESP. (1st phase)	NIL	NIL
2. Benefits derived as a result of the above R & D.	a. Better consistency in products quality. b. Manufacturing of Special Cements as import substitutes and product diversification. c. Motivation towards technical development among employees. d. Better performance of ESP.	NIL	NIL
3. Future plan of action:	a. Further improvement in raw meal design and quality of clinker and cement. b. Incorporation of pre-heater low pressure cyclone to reduce pressure drop and improve productivity. c. Installation of multi channel burner to use different types of coal for better kiln refractory lining life and specific heat consumption. d. Incorporation of additional bag house to enhance the performance of existing Raw Mill / Kiln E.S.P.	NIL	NIL

Shree Digvijay Cement Co. Ltd.

Particulars	Cement Division	Fibre Products Dvn.	Coir & Felt Dvn.
4. Expenditure on R & D	(Rs. in lakhs)		
(a) Capital	Rs. Nil	NIL	NIL
(b) Recurring	Rs. 7.19	NIL	NIL
Total	Rs. 7.19		
(c) Total R&D expenditure as a percentage of total turnover.	Negligible	NIL	NIL

Technology Absorption, Adaptation & Innovation:

1. Efforts in brief, made towards technology absorption and innovation.	—		
2. Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.	—		
3. In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year.)	Not applicable		
(a) Technology imported		NIL	NIL
(b) Years of import			
(c) Has technology been fully absorbed			
(d) If not fully absorbed, areas where this has not taken place, reasons thereof, and future plans of action.			

(C) FOREIGN EXCHANGE EARNING AND OUTGO :

1. Activities relating to exports, initiatives taken to increase exports development of new export, markets for products and services and export plans:	The Company is continuing export of clinker/cement in established markets and efforts are on to increase the level of exports.	NIL	NIL
2. Total foreign exchange used and earned.	Used - Rs. 232.11 Lacs Earned - Rs. 3666.49 Lacs	Rs. 1470.94 lacs Rs. 41.94 lacs	NIL NIL