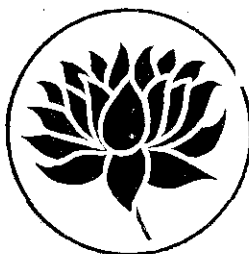


SHREE DIGVIJAY CEMENT COMPANY LIMITED



**54th
ANNUAL REPORT
& ACCOUNTS
1998-99**

Shree Digvijay Cement Co. Ltd.

BOARD OF DIRECTORS

SHRI M.C. BAGRODIA
SHRI S.G. SUBRAHMANYAN
SHRI K.D. AGRAWAL
SHRI R.C. SHARMA (*GIC Nominee*)

MANAGER

SHRI J.K. MARU

SECRETARY

SHRI S.N. MALPANI

AUDITORS

M/S. LODHA & CO.,
Chartered Accountants, New Delhi

COST AUDITORS

M/S. THOLIYA & ASSOCIATES - MUMBAI

BANKERS

STATE BANK OF SAURASHTRA

**REGISTERED OFFICE
AND WORKS**

DIGVIJAYGRAM - 361 140
VIA. JAMNAGAR,
(GUJARAT STATE)

MUMBAI OFFICE

SHREENIWAS HOUSE,
HAZARIMAL SOMANI MARG, FORT,
MUMBAI 400 001.

Shree Digvijay Cement Co. Ltd.

NOTICE

NOTICE is hereby given that the fifty-fourth Annual General Meeting of the Members of **SHREE DIGVIJAY CEMENT CO. LTD.** will be held at the Registered Office of the Company at DIGVIJAYGRAM – 361 140, Gujarat on Monday, the 27th day of December, 1999 at 11.00 A.M. to transact with or without modifications, as may be permissible, the following business:

1. To consider and adopt Directors' Report and Profit & Loss Account for the eighteen months period ended 30th September, 1999 and the Balance Sheet of the Company as at that date.
2. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:
"RESOLVED THAT pursuant to Article 149 of the Articles of Association of the Company and Section 262 of the Companies Act, 1956 Shri S.G.Subrahmanyam, who was appointed by the Board of Directors to fill in the casual vacancy on the Board caused by the resignation of Shri K.S. Nanavati, and is eligible for reappointment as a Director, and in respect of whom notice along with the requisite deposit of Rs. 500/- as required under section 257 of the Companies Act, 1956 has been received from a member of the Company, be and is hereby appointed as a Director of the Company liable to retire by rotation".
3. 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.
4. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:
"RESOLVED THAT in view to the extension in the financial year of the Company by a period of six months from 01-04-1999 to 30-09-1999 and the resultant increase in the work involved, the Company doth hereby approve the payment of a further sum of Rs. 75000/- (Rupees seventy five thousand only) as and by way of remuneration to M/s. Lodha & Co., New Delhi, the Auditors of the Company for the said extended period."
5. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:
"RESOLVED THAT pursuant to the provisions of section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956, and supplemental to the ordinary resolution passed at the Annual General Meeting of the Company held on 28th September, 1998, the consent, approval and ratification of the Company, be and is hereby accorded to the Board of Directors of the Company borrowing at any time such sum or sums of money in any manner, as may be required for the purposes of business of the Company, with or without security and upon such terms and condition as it may think fit, notwithstanding that the moneys to be borrowed together with moneys already borrowed by the Company (apart from temporary loans obtained from Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose, provided that, the total amount so borrowed by the Board of Directors and outstanding at any time shall not exceed the sum of Rs. 250 crores (Rupees two hundred fifty crores only).
6. To consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:
"RESOLVED THAT the consent of the Company be and is hereby accorded in terms of Section 293 (1) (a) and other applicable provisions, if any, of the Companies Act, 1956 to the Board of Directors of the Company mortgaging and/or charging on such terms and conditions and at such time or times, and in such form and manner, including the ranking of the charge as may be agreed to with the concerned party, of all the immovable and movable properties of the Company where so ever situate, both present and future and the whole of the undertaking of the Company to or in favour of :
 - (i) The **ICICI Ltd. (ICICI)** to secure :
 - (a) Rupee term loan not exceeding Rs.100 crores (Rupees one hundred crores only) lent and advanced/ agreed to lent and advanced to the Company and
 - (b) Issue of non convertible debentures upto an aggregate value not exceeding Rs. 60 crores (Rupees Sixty crores only) by the Company (ICICI being Trustee for the debenture holders) in accordance with the relevant statutory provisions and the guidelines issued there under.
 - (ii) **State Bank of Saurashtra (SBS)** for working capital facilities (both fund and non-fund based) not exceeding Rs.28.80 crores (Rupees Twenty eight crores eighty lacs only) together with wherever applicable, interest on the aforesaid amounts at the respective agreed rates, compound interest, additional interest, liquidated damages, commitment charges, premia on prepayment or on redemption, remuneration payable to the Debenture Trustees, costs, charges, expenses and other monies payable by the Company to ICICI as lender and also as Debenture Trustees and to SBS, under their respective agreements/ debenture deeds / memorandum and terms of conditions entered/to be entered in to by the Company in respect of the aforesaid loans/debentures.**"RESOLVED FURTHER THAT** the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds, matters and things as may be considered necessary, desirable or expedient for implementing this resolution and to resolve any question or doubt which may arise in relation thereto, or otherwise considered by the Board of Directors to be in the best interest of the Company".

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE VALID MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE MEETING.**
2. The Register of Members and Share Transfer Books of the Company will remain closed from Friday, the 24th day of December, 1999 to Monday, the 27th day of December, 1999 (both days inclusive).
3. Members holding shares in identical order of names in more than one folio are requested to write to the Company enclosing their share certificates to enable the Company to consolidate their holdings in one folio.
4. Members can now avail of the facility of nomination in respect of shares held by them pursuant to the amendment in the Companies Act, 1956. The prescribed Nomination Form (Form No. 2B) is being sent with this Notice. Members desiring to avail of this facility, may send their Nomination Form duly filled in, to the Company.

By Order of the Board

Mumbai
29th November, 1999

S.N. MALPANI
Secretary

Shree Digvijay Cement Co. Ltd.**EXPLANATORY STATEMENT**

(Pursuant to Section 173(2) of the Companies Act, 1956)

Re: Item No.2

Shri S.G.Subrahmanyam was appointed a director by the Board of Directors on 10th November, 1998 to fill in the casual vacancy caused by the resignation of Shri K.S.Nanavati. Pursuant to Section 262 of the Companies Act, 1956 and article 149 of the Articles of Association of the Company. Shri S.G.Subrahmanyam will cease to hold office at the ensuing Annual General Meeting. Notice has been received from a Member together with the requisite deposit under Section 257 of the Companies Act, 1956 proposing the candidature of Shri S.G.Subrahmanyam for the office of director of the Company. In view of wide and varied experience of Shri S.G.Subrahmanyam, as Ex-Managing Director of L.I.C. and presently as Director of several Companies of repute, it is considered desirable that the Company should avail the benefit of his association with the Company. His appointment as a Director is therefore recommended. Shri S.G. Subrahmanyam is interested in the resolution.

Re: Item No.4:

At the fifty-third Annual General Meeting of the Company held on 28th September, 1998, M/s. Lodha & Co., New Delhi, were appointed Auditors of the Company to hold office till the conclusion of the next Annual General meeting on a remuneration of Rs. 1,50,000/- plus travelling and out of pocket expenses. In the normal circumstances, they were required to audit the accounts for the twelve months period ended 31st March, 1999. However, with the change in the Company's accounting year to 30th September 1999, they are required to report on the accounts for the extended period of eighteen months. Accordingly, it is proposed to increase their remuneration pro-rata by Rs.75000/- (Rupees Seventy Five Thousand only) and the Directors comment the resolution to your acceptance.

Re: Item No.5:

Under Section 293(1) (d) of the Companies Act, 1956, the Board of Directors can with the consent of the Company in General Meeting, borrow moneys apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of the aggregate of the paid-up capital and free reserves of the Company, that is to say, reserves not set apart for any specific purpose.

As the members are aware that the Company has undertaken various activities of modernisation and upgradation of the plant as well as development of the Jetty for which the Company requires increasing finances. Besides, funds are also needed for long term working capital requirements exceeding the limit of Rs.150 crores presently conferred upon the Board of Directors at the previous Annual General Meeting held on 28th September, 1998. Hence, a fresh increased limit is being fixed for the purpose up to an extent of Rs.250 crores as mentioned in the Resolution set out in this item of the Notice. It is in these circumstances, that the resolution is proposed to be passed and is commended for the acceptance of the members.

Re: Item No.6:

The Company had in the past obtained the consent of the members under section 293(1)(a) of the Companies Act, 1956 in general terms authorising the Board to create the mortgage/charge in favour of the lending parties as per the resolution passed in that behalf at its Extra Ordinary General Meeting held on 15th March, 1999. Accordingly the Company has availed of term finance from ICICI Ltd. and has also issued Debentures to Standard Chartered Bank, Dresdner Bank AG and Industrial Investment Bank of India (IIBI) in respect of which ICICI is acting as Trustees for the debenture holders. State Bank of Saurashtra has also sanctioned revision in the working capital limits, which has to be secured by a second charge on the immovable properties of the Company. The Company has also created the required charge on the properties of the Company in favour of the lenders and debenture Trustees pursuant to the aforesaid resolution. However, since the Lending institutions referred to in the resolution as set out in this item of the notice have desired that specific resolutions in respect of the facilities advanced by them to the Company as aforesaid be passed, the resolution is commended for your acceptance.

By Order of the Board

Mumbai
29th November, 1999

S.N. MALPANI
Secretary

Fifty-fourth Annual Report

DIRECTORS' REPORT

To
THE MEMBERS

The Directors present Fifty-fourth Annual Report together with the audited statement of accounts of the Company for the period ended 30th September, 1999.

CHANGE IN THE ACCOUNTING YEAR :

The current accounting period of the Company, ending on 31st March, 1999 was extended up to 30th September, 1999. Accordingly the accounts under report are prepared for 18 months period.

ACQUISITION OF SHARES BY GRASIM :

As reported last year, Grasim Industries Ltd. (Grasim) has acquired 62.42% of the Company's equity during the period under report, and consequently the Company has become Subsidiary of Grasim.

FINANCIAL RESULTS:

The financial results for the period ended on 30th September, 1999 are as under:

	Current Period Ended 30-09-1999 (18 months) (Rs. in lacs)	Previous year Ended 31-03-1998 (12 months)
Turnover	21337.90	18234.57
Gross operating profit /(loss)	(-)2834.34	52.39
Add/less: Interest	(-)2793.58	(-)1234.89
Operating Loss (-)	(-)5627.92	(-)1182.50
Add: Depreciation	764.58	478.35
Net Loss (-)	(-)6392.50	(-)1660.85
Add/Less :		
(i) Balance brought forward from previous year	(-)168.58	2012.61
(ii) Set off against General Reserve.	463.50	—
(iii) Investment Allowance Reserve (Utilised) no longer required.	731.60	—
	(-)5365.98	351.76
Less: Loss on hiving-off of Units	—	440.34
Less: Provision for taxation	—	80.00
Add: Sales-Tax for earlier years (as settled with the Government of Gujarat)	4940.38	—
LOSS CARRIED OVER	(-)10306.36	(-)168.58

The Company has reached an out of Court settlement with Government of Gujarat in the matter of sales tax benefits

claimed by the Company under pioneer status in the past. Accordingly, arrears of Sales tax amounting to Rs.4940.38 lacs payable in terms of the consent decree filed before the H'ble High Court of Gujarat to be paid in installments is accounted for in the working under report.

In view of the accumulated losses at the end of the financial year under report has exceeded the entire net worth, the Company has become a "Sick Industrial Company" within the meaning of Section 3 (1) (o) of the Sick Industrial Companies (Special Provisions) Act, 1985. Reference under section 15 of the said Act will be made in due course. Efforts are on to improve the performance with the support of all stakeholders with the business of the Company and considering all aspects, it is expected that all connected agencies will come forward to help the Company to enable it to achieve turn around at the earliest possible.

PRODUCTION AND SALE:

Production and sale of Clinker and Cement during the period under report are as under:

	1998-99 (18 months) (Tonnes in lacs)	1997-98 Annualised (12 months)	
Production:			
Clinker	11.01	7.34	10.54
Cement	12.25	8.16	8.26
Sales:			
Clinker	0.16	0.10	1.54
Cement	12.23	8.15	8.30

Production was circumscribed by limitations on sales front. Surplus capacity in the region kept the market under pressure. Further additions to the capacity outpacing demand created stiff competition and the prices tumbled down at a lowest level of Rs.80/85 per bag during the first half of the year. The situation started improving subsequently but the operations being still nonviable due to constant increase in input cost, the Company was forced to curtail the production.

The Company is taking effective measures for cost reduction in prime areas of energy conservation, fuel efficiency by installing balancing equipments, labour rationalisation etc. in its attempt to revamp the working.

CEMENT & CLINKER EXPORTS:

Prices of Clinker and Cement declined sharply in overseas market during the period under report. The Company could export only 0.38 lac tonnes of Cement and Clinker during the period, of the value of Rs.516 lacs. The Company, however, continues to be a recognised Export House under Export - Import policy of the Central Government.

Shree Digvijay Cement Co. Ltd.**SHREE DIGVIJAY INTERNATIONAL MARKETING CORPORATION (SDIMC):**

As approved by the Members at 53rd Annual General Meeting of the Company held on 28th September, 1998, the Company has undertaken use of its jetty to handle bulk coal cargo under SDIMC, a division of the Company. During the period under report, 5.75 lac M.T. of coal was handled by the division from the jetty.

CAPTIVE POWER PLANT:

The Company has installed 3 Nos. of captive power plants each of 6 MW aggregating to 18MW capacity during the period under report. With the existing capacity of 4 MW, the total captive power generation capacity is 22 MW. The new DG Sets have since been put to use and the Company is now getting uninterrupted power supply, providing consistency in plant operations. The power generation cost from the captive power plants being economical, the Company anticipates considerable saving on this account in future.

DEPOSITORY SYSTEM:

The Company has entered into an agreement with the National Security Depository Limited (NSDL). This will enable members of the Company to hold shares in a dematerialised form.

STATUS OF Y2K (YEAR 2000) COMPLIANCE:

The Company's hardware/software systems are Y2K compliant with in-house contingency plan to ensure proper compliance.

FINANCE:

The proceeds of the debentures and term loans raised from the Financial Institutions were used/are being used for the purpose stated therein.

PARTICULARS REGARDING EMPLOYEES:

Information required to be given pursuant to Section 217(2A) of the Companies Act, 1956, is annexed and form part of the report.

CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION ETC.:

Particulars as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are annexed and form part of the report.

DIRECTORS:

On 'Grasim' acquiring controlling interest in the Company as stated above, the Board of the Company was reconstituted and Shri S. K. Bangur, Shri K. K. Bangur, Shri P. D. Chitlangia, Shri

Nalinkant D. Dalal and Shri K.S.Nanavati tendered their resignations from the directorship of the Company. The Board filled up these vacancies by co-opting Shri Kumar Mangalam Birla, Smt. Rajashree Birla, Shri M.C.Bagrodia, Shri S.G.Subrahmanyam and Shri K.D.Agrawal. The Industrial Development Bank of India (IDBI) has withdrawn nomination of Shri M.T.Palrecha as their nominee on the Company's Board w.e.f. 14th August, 1998. Shri R.S. Nirwan, Executive Director of Company resigned from the Board and services of the Company w.e.f. 11th November, 1998 and accordingly ceased to be so from that date.

Shri Kumar Mangalam Birla and Smt. Rajashree Birla, Directors of the Company have since resigned from their respective directorship of the Company w.e.f. 28th September, 1999 and ceased to be directors from that date.

While welcoming the new directors, the Board places on record their appreciation of matured advice and guidance of the outgoing directors during their association with the Company.

Shri S.G. Subrahmanyam who retires by rotation under article 167 of the Articles of Association of the Company is available for re-appointment.

AUDITORS:

M/s Lodha & Co., New Delhi, the Auditors of the Company will retire at the ensuing Annual General Meeting and are available for a fresh term. Members are requested to re-appoint them and fix their remuneration.

AUDITORS' REPORT:

The observations made in the Auditors' Report are self explanatory and, therefore, do not call for any further comments.

INDUSTRIAL RELATIONS:

Industrial relations at the factory and offices were satisfactory and peaceful during the period under report.

ACKNOWLEDGEMENT:

The Company and its Directors express sense of gratitude to State and Central Government and the financial institutions and commercial banks and all other concerned for their continued support and assistance.

By Order of the Board

M.C. BAGRODIA
(Director)

S.G. SUBRAHMANYAM
(Director)

Mumbai
29th November, 1999

Fifty-fourth Annual Report

INFORMATION UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) (AMENDMENT) RULES, 1988 AND FORMING PART OF DIRECTORS' REPORT FOR THE PERIOD ENDED 30TH SEPTEMBER, 1999.

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 Financial year under review and were in receipt of remuneration for the financial period in aggregate of not less than Rs.9,00,000/-							
1.	Shri Maru J. K.	63	Sr. President/ Manager	19,34,831	B. Com. FICWA FASM-44	3.10.97	Grasim Industries Ltd. Sr. Executive President
(b) Employed for the part of the Financial year under review and were in receipt of remuneration at the rate not less than Rs.50,000/- per month.							
1.	Shri Joshi B.D.	50	Sr. Assistant	5,31,416	B.A. - 29	1.2.70	None
2.	" Kadam A.N.	48	Assistant	4,83,763	Metric - 30	17.5.69	None
3.	Dr. Kapoor M.J.	47	Jt. President (Mktg)	11,38,953	B.Com., MBA Phd - 25	10.8.98	JK White Cement Vice President (Mktg.)
4.	Shri Mandhana N.L.	57	President (Fin.) & Secretary	6,27,087	B.Com., L.L.B., FCS- 36	14.8.63	None
5.	" Moondra J.K.	56	Jt. President (Tech.)	5,68,565	B.E. (Elect) - 31	1.1.99	Grasim Industries Ltd. V.P. (Tech.)
6.	" Navlakha S.K.	64	President (Co-Ordination)	6,83,034	B.Sc. (Hon.) DIM (London) - 44	1.7.76	Allibion Plywood Ltd. Chief Executive
7.	" Nirwan R.S.	62	Executive Director	9,74,660	B.A., L.L.B., M.B.A - 42	15. 4.95	National Textile Corp. Chairman Cum MD
8.	" Parte D.B.	54	Assistant	4,05,194	Non-Metriculate - 36	10.4.63	None

NOTES:

1. All the employees (except Shri J.K. Maru, Sr. President/Manager, whose employment is on contractual basis) are in regular employment of the Company.
2. Remuneration includes Salary, Contribution to Provident Fund, Gratuity and Superannuation Funds, Allowances and taxable value of perquisites as per Income Tax Rules, 1962.
3. None of the employee is related to any Director or Manager of the Company.

Shree Digvijay Cement Co. Ltd.**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 period ended 30th September, 1999.****Particulars****(A) CONSERVATION OF ENERGY:**

- (a) Energy conservation measures taken.
1. Installation of Dynamic Separator for Vertical Coal Mill
 2. Installation of High efficiency fans grate cooler in replacement of existing low efficiency fans
 3. Installation of Belt Bucket Elevators for feeding Raw Meal to CF Silo in replacement of existing Air Lift Pump.
 4. Replacement of Kiln Inlet seal with modified version to reduce false air entry.
 5. Optimisation of Plant Operation.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.
1. Installation of Belt Bucket Elevators for kiln feed system in replacement of existing FK-Pumps.
 2. Installation of High efficiency Multi channel burner with low requirement of primary air in replacement of existing low efficiency conventional burner.
 3. Incorporation of pregrinding system & close circuiting system in KCP Cement Mill.
 4. Installation of soft start system in various drives.
 5. Waste heat recovery and power generation.
- (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 power consumption by around 15 units/tonne of cement and thermal energy consumption upto 25 K.Cal/Kg. of Clinker.
- (d) Total energy consumption and energy consumption per unit of production.
- Form 'A' attached.

(B) TECHNOLOGY ABSORPTION:**Research and Development (R & D)**

- (a) 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) 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.
- (b) Benefits derived as a result of the above R & D.
- (a) Consistency in products quality.
 - (b) Manufacturing of Special Cements as import substitutes.
 - (c) Motivation towards technical development among employees.
- (c) 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) Incorporation of additional bag house to enhance the performance of existing Raw Mill / Kiln ESP
- (d) Expenditure on R & D.

(Rs. in lakhs)

(a) Capital	Nil
(b) Recurring	9.18
Total	9.18

(c) Total R&D expenditure as a percentage of total turnover.

Negligible

Technology Absorption, Adaption & Innovation:

- (a) Efforts in brief, made towards technology absorption and innovation
- (b) Benefit derived as a result of the above efforts e.g. product improvement, cost reduction, product development, import substitution etc.
- (c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year)
- i) Technology Imported
 - ii) Year of import
 - iii) Has technology been fully absorbed
 - iv) If not fully absorbed areas where this has not taken place.
- The reasons thereof, and future plans of action.

Not applicable

(C) FOREIGN EXCHANGE EARNING AND OUTGO :

- a. Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and services and export plans:
- b. Total foreign exchange used and earned.

The Company is continuing export of Clinker/Cement in established markets and efforts are on to increase the level of exports. There is, however, a set-back due to crisis in south east economies.

Used - Rs. 2525.10 Lacs
 Earned - Rs. 516.21 Lacs

Fifty-fourth Annual Report

FORM "A"

Form of disclosure of particulars with respect to Conservation of Energy

CEMENT			
		1998-99 (18 Months)	1997-98 (12 Months)
A) POWER & FUEL CONSUMPTION :			
a) Electricity:			
i) Purchased:			
Units (KWH lacs Units)		1143	1135
Total amount (Rs. in lacs)		5757	5018
Rate per Unit (Rs.)		5.07	4.42
ii) Own Generation:			
Units (KWH lacs units)		168	
Units per Ltrs. of Diesel		3.55	Nil
Cost/Unit		3.32	
b) Coal			
Coal (of various grades)			
Quantity (in thousand MT)		172	183
Total Cost (Rs. in lacs)		2949	3417
Average rate (Rs. per tone)		1710	1862
c) Furnace Oil			
		NIL	NIL
d) Others - Groundnut Husk			
Quantity (in thousand MT)		NIL	5
Total Cost (Rs. in lacs)		NIL	45
Average rate (Rs. per tonne)		NIL	869
B) CONSUMPTION PER UNIT OF PRODUCTION:			
	Standard (If any)	Current Period 1998-99 (18 Months)	Previous Year 1997-98 (12 Months)
a) Electricity Kwh/Tonne			
Cement			
Dry process Unit	120	102	109
Wet process Unit	120	112	112
b) Furnace oil			
	---	NIL	NIL
c) Coal & Lignite			
Cement (K.Cal/Kg. Clinker)			
Dry Process Unit	800	768	758
Wet Process Unit	1350 - 1450	1487	1374
d) Others			
	—	NIL	NIL

Shree Digvijay Cement Co. Ltd.

AUDITORS' REPORT

TO THE MEMBERS OF SHREE DIGVIJAY CEMENT COMPANY LIMITED

We have audited the attached Balance Sheet of Shree Digvijay Cement Co Ltd as at 30th September, 1999 and the annexed Profit & Loss Account of the Company for the period ended on that date, which are in agreement with the Company's books of accounts and report that:

1. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we report that:

- i) The Company has maintained proper records to show full particulars, including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified by the management at a reasonable intervals during the period and no material discrepancies between the physical balance and book records have been found on such verification.
- ii) None of the fixed assets has been revalued during the period.
- iii) As explained to us, the stock of finished goods, stores, spare parts and raw materials have been physically verified by the management during the period, except for stock-in- transit and lying with third party.
- iv) According to the information given to us, the procedures of physical verification of stocks followed by the management are in our opinion reasonable and adequate in relation to the size of the Company and the nature of its business.
- v) The discrepancies noticed on physical verification of stocks as compared to book records were not material.
- vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper (read with note no.4) and is in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
- vii) In our opinion the rate of interest and other terms and conditions on which unsecured loans have been taken from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
- viii) The Company has not granted any loans, secured or unsecured, to companies, firms, or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
- ix) The Company has given loans and advances in the nature of loans to its employees, including ex-employees, employees societies and other parties, who are generally repaying the principal amount and interest, wherever applicable, as stipulated except in few cases where time limits are extended on merits.
- x) The company invites tenders/quotations in respect of

purchases other than government supplies like coal, furnace oil etc. and other items which are of specialised nature and where the user departments show a preference for a particular brand, taking into consideration the quality urgency and such other factors. In our opinion, the internal control procedure is, therefore, adequate and commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials, including components, plant and machinery, equipments and other assets as also for the sale of goods.

- xi) The transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or agreements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the period to Rs.50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods or services have been made with other parties.
- xii) The Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for the loss in this respect has been made in the accounts
- xiii) The company has not accepted deposits from the public during the period under Section 58A of the Companies Act, 1956 and the rules framed thereunder.
- xiv) In our opinion, the Company is maintaining reasonable records for the sale and disposal of realisable scraps. We are informed that the Company has no realisable by products.
- xv) The Company has an Internal Audit System commensurate with its size and nature of its business.
- xvi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.
- xvii) According to the records of the Company, Provident Fund and Employees' State Insurance dues have been generally regularly deposited during the period with the appropriate authorities.
- xviii) As explained to us, there were no undisputed amounts payable in respect of Income-tax, Wealth-tax, Customs duty and Excise Duty, which were outstanding as at 30.09.1999 for a period of more than six months from the date they become payable, except Rs.57.42 lacs (excluding Rs.3346.45 lacs payable in instalment with interest) in respect of Sales Tax for which representations have been made to the concerned authorities for re-schedulement.
- xix) As explained to us and on the basis of the records of the Company examined by us, no personal expenses have been charged to revenue expenses other than those