



SHREE DIGVIJAY CEMENT COMPANY LIMITED

**56th
ANNUAL REPORT & ACCOUNTS
2000-2001**

Shree Digvijay Cement Co. Ltd.

BOARD OF DIRECTORS

SHRI K.D. AGRAWAL

Chairman

SHRI S. MISRA

SHRI C.P. JAJOO

SHRI O.P. PURANMALKA

Directors

MANAGER AND**COMPANY SECRETARY**

SHRI S.N. MALPANI

EXECUTIVES

SHRI N.R. JAIN

SHRI P.A. NAIR

SHRI K. JAISALMERIA

SHRI T.C. JAIN

SHRI J.P. BANG

SHRI C.S. JASOL

Executive President

Vice President (Tech.)

Vice President (Comm.)

Vice President (Mktg.)

Vice President (Fin.)

Vice President (CE, C & L)

AUDITORS

M/S.LODHA & CO.

Chartered Accountants

12, Bhagatsingh Marg

New Delhi - 110 001

COST AUDITORS

M/S.THOLIYA & ASSOCIATES

Cost Accountants,

Bombay Mutual Building

Room No.76, 1st Floor

Sir P.M.Road, Fort,

Mumbai - 400 001

BANKERS

STATE BANK OF SAURASHTRA

**REGISTERED OFFICE
AND WORKS**

Digvijaygram - 361 140

Via Jamnagar (Gujarat)

MUMBAI OFFICE

Shreeniwas House,

Hazarimal Somani Marg, Fort,

Mumbai - 400 001.

Fifty-sixth Annual Report**NOTICE**

NOTICE is hereby given that the fifty-sixth 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, Via Jamnagar, Gujarat on Friday, the 22nd March, 2002 at 11.30 A.M (S.T) to transact, with or without modifications as may be permissible, the following business:

1. To receive, consider and adopt the Directors' Report, Auditors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended 30th September, 2001.
2. To appoint Shri C. P. Jajoo, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Article 149 of the Company's Articles of Association and who holds office under the said Article and Section 260 of the Companies Act, 1956 only up to the date of this Annual General Meeting, and in respect of whom, the Company has received a notice in writing along with a deposit of Rs.500/- under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director of the Company and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

“ **RESOLVED THAT** pursuant to provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri C. P. Jajoo be and is hereby elected and appointed a Director of the Company liable to retire by rotation.”
3. To appoint Shri O. P. Puranmalka, who was appointed as an Additional Director by the Board of Directors of the Company pursuant to Article 149 of the Company's Articles of Association and who holds office under the said Article and Section 260 of the Companies Act, 1956 only up to the date of this Annual General Meeting, and in respect of whom, the Company has received a notice in writing along with a deposit of Rs.500/- under Section 257 of the Companies Act, 1956 from a member signifying his intention to propose him as a candidate for the office of Director of the Company and in that behalf to consider and, if thought fit, to pass the following resolution which will be proposed as an Ordinary Resolution:

“ **RESOLVED THAT** pursuant to provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri O. P. Puranmalka be and is hereby elected and appointed a Director of the Company liable to retire by rotation.”
4. To appoint a Director in place of Shri S. Misra, who retires from office by rotation, and being eligible, offers himself for re-appointment.
5. 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.
6. To consider and, if thought fit, to pass the following resolution which will be proposed as a Special Resolution:

“ **RESOLVED THAT** the approval of the Company be and is hereby accorded to the delisting of the shares of the Company from any one or more Stock Exchanges where the Company's shares are listed, at such time as the Board of Directors or Committee of the Board or any other person authorised by the Board may, in their absolute discretion, consider appropriate and on the terms and conditions as may be stipulated and mutually agreed to in the best interest of the Company, after taking in to account various factors such as but not limited to the incidence, impact or burden of the cost of listing fee payable to the Stock Exchange and volume of trading thereat.

By Order of the Board

Mumbai
31st January, 2002

S.N.MALPANI
Secretary

NOTES:

1. **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.**
2. The instrument appointing a proxy should however, be deposited at the registered office of the Company not less than 48 hours before the commencement of the meeting.
3. An explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of items 2, 3 and 6 of the Notice set out above, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 15th day of March, 2002 to 22nd day of March, 2002 (both days inclusive).
5. 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.
6. Members can now avail of the facility of nomination in respect of shares held by them pursuant to amendment in the Companies Act, 1956. Members desirous of availing of this facility, may send their Nomination Form duly filled in, to the Company.

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

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

Items Nos. 2 and 3

Shri C.P.Jajoo and Shri O.P.Puranmalka were appointed as Additional Directors of the Company by the Board of Directors at their meeting held on 30th April 2001 pursuant to the provisions contained in Article 149 of the Articles of Association of the Company and section 260 of the Companies Act, 1956. According to the provisions of the said Article and Section 260 of the Companies Act, 1956, they hold office up to the date of this Annual General Meeting. As required under Section 257 of the Companies Act, 1956, notices have been received from Members along with a deposit of Rs.500/- each proposing their candidature for the office of Director of the Company.

Shri C.P.Jajoo and Shri O.P. Puranmalka have vast experience in Cement Industry and are well versed in Corporate Management. It is desirable, that the Company should continue to avail of their services as members of the Board.

The Directors, therefore, recommend their re-appointment on the Board. Shri Jajoo and Shri Puranmalka are interested in the respective Resolutions concerning their re-appointment.

Item No.6

As the members are aware the Company's shares are presently listed on the Ahmedabad, Mumbai and Delhi Stock Exchanges. Trading volumes at some of the Exchanges are virtually negligible and does not justify the payment of the listing fee to the Exchanges.

It is accordingly proposed to give the authority to the Directors to de-list the shares of the Company from such Stock Exchanges as the Board may think desirable after taking into consideration the interest of the shareholders of the region.

The above resolution is therefore commended for acceptance.

Mumbai
31st January, 2002

By Order of the Board

S.N.MALPANI
Secretary



Fifty-sixth Annual Report

DIRECTORS' REPORT

To

The Members

Your Directors present the fifty-sixth Annual Report together with the audited accounts of the Company for the year ended 30th September, 2001.

FINANCIAL RESULTS:

	(Rs.in lacs)	
	Current year Ended 30.9.2001	Previous year Ended 30.9.2000
Turnover	15668	17556
Gross Operating Profit (PBDIT)	1312	1031
Less: Interest	3442	3193
Cash Loss	(2130)	(2162)
Add: Depreciation	757	755
Net Operating Loss, before extraordinary items	(2887)	(2917)
Add: Loss to assets due to earthquake	(341)	—
Less: Provision written back	—	650
Net Loss after extraordinary items	(3228)	(2267)
Add: Balance brought forward from previous year	(12573)	(10306)
Loss carried over	(15801)	(12573)

The turnover of the Company was adversely affected by heavy damage to the dry process clinker line, as a result of the earthquake on 26th January 2001. As a consequence, the main production line was inoperative for 8 months, during which period the Company endeavoured to partially meet the cement requirements of its customers by outsourcing clinker and running the wet process plant at full capacity. This enabled the Company to retain a presence in the market, though with reduced volumes and earnings.

Despite this adverse circumstance, the Gross Operating Profit (PBDIT) during the year registered a growth of 27% over the previous year.

The dry process clinker line has since been restored, with operations now stable. This was made possible with financial assistance from the promoter company. The Company has since successfully regained market share in its core market of Gujarat. Re-construction activity in Gujarat, supported by a favourable monsoon, has led to a resurgence of demand in the State.

PLANT PERFORMANCE:

Production and sale of clinker during the year has been as follows:

	(Qty. in lac MT)	
	Current year Ended 30.9.2001	Previous year Ended 30.9.2000
Production		
Clinker	4.15	9.56
Cement	6.41	8.91
Sales		
Clinker	0.18	0.28
Cement	6.77	8.96

EXPORTS:

The Company has outstanding Export Obligation of 1.95 lac tonnes of Clinker and Cement as of 30-09-2001 against duty free imports of coal and packing materials. The Government of India, through Public Notice No.48(RE-01)/1997-2002 dated 7th November 2001 has extended the time limit to fulfill the export obligation by 6th May 2002.

Your Company's export effort suffered a set back due to the dislocation of its production facilities, consequent to the earthquake; but the Company has since finalised a long term export order to meet its export commitments.

MODERNISATION:

The modernisation of the Company's cement mill, with close circuiting and installation of a pre-grinding system is now complete. This is now yielding significant power savings, the impact of which will be reflected in the working results of the current year.

BIFR REFERENCE:

The Rehabilitation Package submitted to the Operating Agency, under the directive of the Board for Industrial and Financial Re-construction (BIFR) is in the process of finalisation.

DIRECTORS:

Shri M.C.Bagrodia and Shri S.G.Subrahmanyam resigned from the Board of the Company. The Board records, with appreciation, their advice and guidance.

Shri C. P. Jajoo and Shri O. P. Puranmalka were appointed as Additional Directors of the Company. They hold office up to the date of ensuing annual general meeting and are eligible for re-appointment.

Shri S.Misra, who retires by rotation under Article 167 of the Articles of Association of the Company, being eligible, offers himself for re-appointment.

AUDITORS:

M/s Lodha & Co., Chartered Accountants, New Delhi, the existing Auditors of the Company will retire at the forthcoming Annual General Meeting and are available for a fresh term, and have furnished certificate of their eligibility for re-appointment.

AUDITORS' REPORT:

The observations made in the Auditors' report are self explanatory and do not require any further comments u/s 217(3) of the Companies Act, 1956.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956.

Particulars of employees, as required under Section 217 (2A) of the Companies Act, 1956; and information relating to conservation of Energy, Technology Absorption and Foreign Exchange Earning/Outgo, required under Section 217(1)(e) of the Companies Act, 1956 are annexed and form part of this Report.

CORPORATE GOVERNANCE:

The Company has initiated steps to strengthen management through formation of Audit Committee of the Board and a Shareholder Grievance Committee.

As stipulated in Section 217(2AA) of the Companies Act, 1956, Directors subscribe to the "Directors Responsibility Statement" and confirm that:

- in the preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- the directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit and loss of the Company for that period;
- the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the directors have prepared the annual accounts on a going concern basis.

ACKNOWLEDGEMENT:

The Directors take this opportunity to express their appreciation for the support and co-operation received from the State and Central Government, the financial institutions, lenders and the promoter company. The Directors also recognise the commitment and dedication of the Company's employees.

On Behalf of the Board

Mumbai
27th December, 2001

K.D.AGRawal
Chairman

Shree Digvijay Cement Co. Ltd.

Information Under Section 217(1)(e) of the Companies Act, 1956 read with 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 30th September, 2001.

Particulars	
(A) CONSERVATION OF ENERGY :	
(a) Energy conservation measures taken	<div>1. Installation of Belt Bucket Elevators for Kiln Feed System in replacement of existing FK Pumps.</div> <div>2. Installation of high efficiency multi channel burner with low requirement of primary air in replacement of existing low efficiency conventional burner.</div> <div>3. Automation of plant operation by incorporating PLC System for full plant operation from common CCR.</div> <div>4. Upgradation of electrical infrastructure.</div> <div>5. Optimisation of plant operation</div> <div>6. Installation of soft start system in various drives.</div> <div>7. Incorporation of pre-grinding system and close circuiting system in KCP Cement Mill.</div>
(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy	<div>1. Magnetic fuel saver for Wartsila DG Sets</div> <div>2. New generation LV technology high efficiency separator for UBE Raw Mill and Atox Coal Mill.</div> <div>3. Increasing the size of TA duct , Riser duct and Calciner vessel.</div> <div>4. Replacement of Wet process cooler fans with high efficiency fans.</div> <div>5. Automation & upgradation of Wet process plant operation.</div>
(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 10 units / tonne of cement and thermal energy consumption upto 10 K Cal / Kg of Clinker
(d) Total energy consumption and energy consumption per unit of production.	Form 'A' attached.
(B) TECHNOLOGY ABSORPTION : Research & Development (R & D):	
(a) Specific areas in which R & D carried out by the Company	<div>1. Company is associated with National Council for Cement & Building Materials for research and development activities.</div> <div>2. 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 utilize.</div> <div>3. Conversion of Daihatsu DG Set for operation on LDO instead of HSD as at present.</div>
(b) Benefits derived as a result of the above R & D	<div>1. Consistency in product quality</div> <div>2. Manufacturing of Special Cements as import substitutes.</div> <div>3. Motivation towards technical development among employees.</div>
(c) Future plan of action	<div>1. Further improvement in raw-meal design and quality of Clinker and Cement.</div> <div>2. Incorporation of pre-heater low pressure cyclone to reduce pressure drop and improve productivity.</div>
(d) Expenditure on R & D	<div><div>1. Capital</div><div>2. Recurring</div><div>3. Total R & D expenditure as a percentage of total turnover -</div></div> <div><div>(Rs in lacs)</div><div>NIL</div><div>4.82</div><div>4.82</div><div>Negligible</div></div>
Technology Absorption, Adaption & Innovation:	
(a) Efforts in brief, made towards technology absorption and innovation	Not applicable
(b) Benefits 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)	
Technology imported	
Year of import	
Has technology been fully absorbed	Not applicable
If not fully absorbed areas where this has not taken place. The reason thereof, and future plans of action.	
(C) FOREIGN EXCHANGE EARNING AND OUTGO	
(a) Activities relating to export, initiatives take in increase exports, development of new export markets for products and services and export plans:	Company's efforts are on to increase the level of exports. There is, however, a set-back due to crises in south east economies
(b) Total foreign exchange used and earned	<div>UsedRs.2348.67 lacs</div> <div>EarnedRs. 200.31 lacs</div>

FORM "A"
Form for disclosure of particulars with respect to Conservation of Energy

				CEMENT	
				Current Year 2000-2001	Previous Year 1999-2000
A) POWER & FUEL CONSUMPTION :					
1) Electricity:					
(a) Purchased:					
Units KWH	lac			NIL	57
Total amount	Rs. lacs			NIL	436
Rate per Unit	Rs.			NIL	7.71
(b) Own Generation:					
Through Diesel / Furnace Oil Genset					
Units KWH	lacs			627	962
Units per Ltrs. of Diesel / Furnace Oil	Kwh			4.05	4.20
Cost per Unit	Rs.			3.06	2.99
2) Coal for Kilns (various grades)					
Quantity	In thousand Tonnes			64	136
Total Cost	Rs. in lacs			1258	2401
Average rate	Rs. per tone			1969	1767
3) HSD/Furnace Oil/LDO					
Quantity	K. Ltrs.			14829	22397
Total Cost	Rs. in lacs			1452	2404
Average rate	Rs./K Ltr.			9.79	10.48
B) CONSUMPTION PER UNIT OF PRODUCTION:					
		Standard (If any)		Current Year 2000-01	Previous Year 1999-2000
a) Electricity/Kwh/Tonne of Cement					
Wet process		120		100	99
Dry process		120		104	101
c) Coal					
Cement (K.Cal/Kg. Clinker)					
Wet Process		1350-1450		1423	1376
Dry Process		800		808	769

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 YEAR ENDED 30TH SEPTEMBER, 2001.

Name of Employee	Age (Years)	Designation / Nature of duties	Remune- ration Rs.	Qualification & Experience (years)	Date of Commence- ment of employment	Last employment / Position held
A) Employed throughout the Financial year under review and were in receipt of remuneration for the financial year in aggregate of not less than Rs.12 lacs p.a.						
None						
B) Employed for the part of the Financial year under review and were in receipt of remuneration at the rate not less than Rs.1 lac p.m.						
Shri J.K. Moondra	58	Jt. President (Tech.)	14,85,329	B.E. (Elect.) (32)	1.11.98	Grasim Industries Ltd. VP (Tech.)

NOTES :

- Remuneration includes Salary, Contribution to Provident Fund, Gratuity and Superannuation Funds, Allowances and taxable value of perquisites as per Income Tax Rules, 1962.
- He was not related to any Director or Manager of the Company.

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 Company Limited as at 30th September, 2001 and the annexed Profit and Loss Account of the Company for the year 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 reasonable intervals during the year and no material discrepancies between the physical balance and book records have been found on such verification.
 - ii) None of the fixed assets have been revalued during the year.
 - iii) As explained to us, the stock of finished goods, stores & spares, trading goods and raw materials have been physically verified by the management during the year, except stock-in-transit and material lying with third parties.
 - 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 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 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 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, 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 etc. in respect of purchases other than items which are of specialized 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 year 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 any deposits from public during the year in terms of provisions of Section 58A of the Companies Act, 1956 and the Rules framed there-under.
 - xiv) In our opinion the Company is maintaining reasonable records for the sale and disposal of realizable scraps. We are informed that the Company has no realizable 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 year with the appropriate authorities.
 - xviii) As explained to us, there were no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales Tax, Customs duty and Excise duty, which were outstanding as at 30.09.2001 for a period of more than six months from the date they became payable, except Rs.1966.80 lacs and interest thereon (excluding Rs. 2513.84 lacs payable in installments 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 account other than those payable under contractual obligations or in accordance with the generally accepted business practices.
 - xx) The Company is a Sick Industrial Company within the meaning of Clause (o) of Sub-section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985 and as informed to us, the Board for Industrial and Financial Reconstruction has appointed the Operating Agency for preparation of rehabilitation package for the Company. However, these accounts have been prepared on "going concern basis".
 - xxi) In respect of Service activities, the Company has a reasonable system of recording receipts, issues and consumption of materials commensurate with its size and nature of its business along with a reasonable system for authorization at