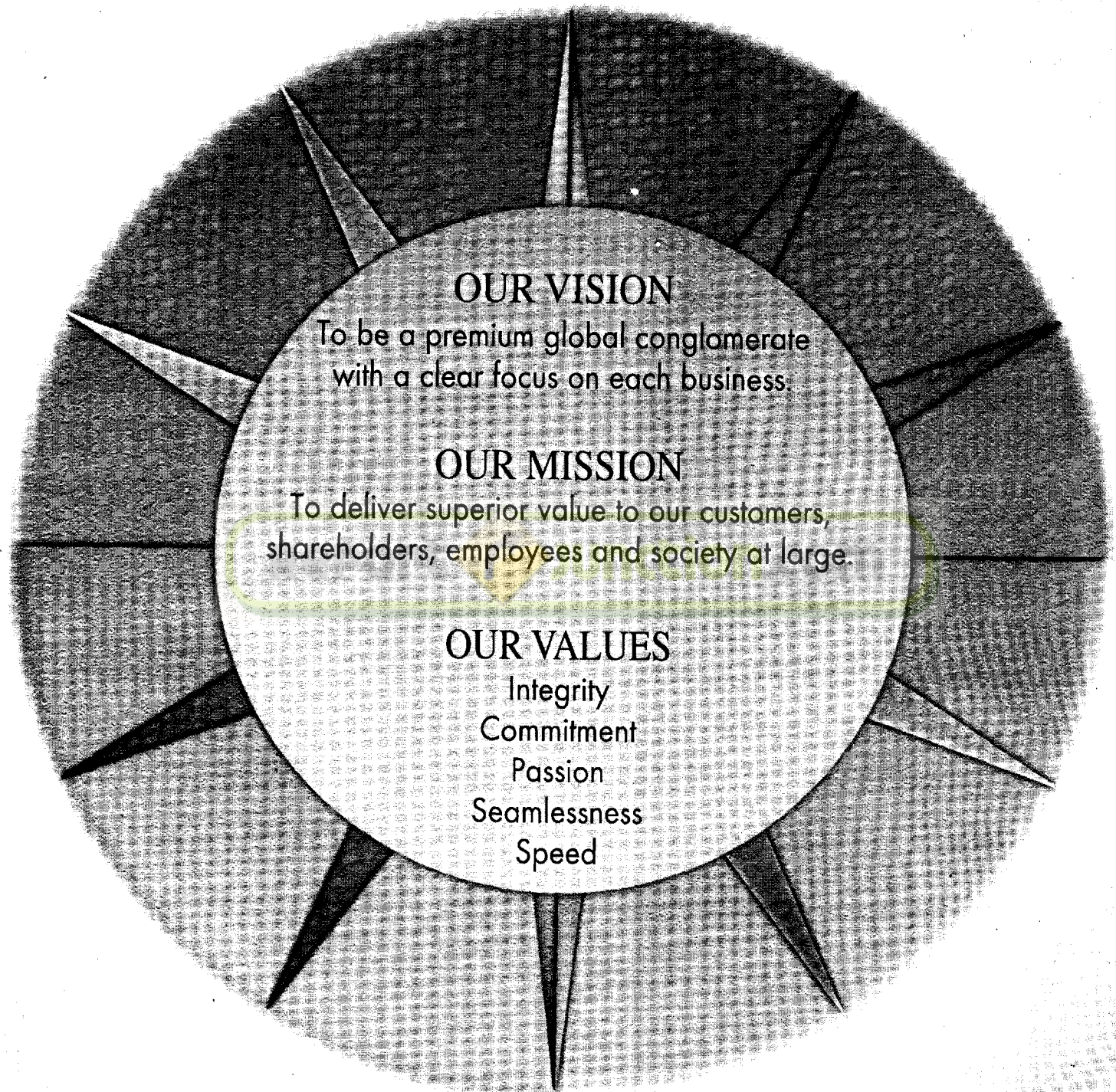


KAMAL CEMENT

**60th
Annual Report
&
Accounts
2004-05**

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SHREE DIGVIJAY CEMENT CO. LTD.



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Year : 2004-2005

BOARD OF DIRECTORS

SHRI K. D. AGRAWAL Chairman
 SHRI S. MISRA
 SHRI O. P. PURANMALKA
 SHRI S. K. MAHESHWARI

**MANAGER &
COMPANY SECRETARY**

SHRI S. N. MALPANI

EXECUTIVES

SHRI R. A. SOMANI Jt. Executive President
 SHRI P. A. NAIR Sr. Vice President (Tech)
 SHRI K. JAISALMERIA Vice President (Comm.)
 SHRI C. S. JASOL Vice President (CE, C&L)
 SHRI A. S. P. RAO Asst. Vice President (HR/IR)
 SHRI DEVENDRA SINGH General Manager (Mktg.)

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AUDITORS

M/s S. B. BILLIMORIA & CO.
 Chartered Accountants
 12, Dr. Annie Besant Road
 Worli, MUMBAI 400018

BANKERS

STATE BANK OF SAURASHTRA

**REGISTERED OFFICE &
WORKS**

P.O. Digvijaygram 361 140
 Via. Jamnagar (Gujarat)

**REGISTRAR &
SHARE TRANSFER AGENT**

MCS Ltd.,
 (Unit Shree Digvijay Cement Co. Ltd.)
 Sri Venkatesh Bhawan, Plot No. 27, Road No. 11
 MIDC Area, Andheri (East)
 MUMBAI - 400 093



NOTICE

NOTICE is hereby given that the Sixtieth 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 Thursday, the 21st day of July 2005 at 3:30 P.M. (I.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 period ended 31st March 2005.
2. To appoint a Director in place of Shri K. D. Agrawal, who retires from office by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri S. K. Maheshwari, who retires from office by rotation, and being eligible, offers himself for re-appointment.
4. To appoint auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration.
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 any other applicable provisions, if any, of the Companies Act, 1956, the consent 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 conditions as it may think fit, notwithstanding that the money to be borrowed together with the money 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. 300 crores (Rupees three hundred crores only).

By Order of the Board

Digvijaygram

S. N. Malpani

Date: 11th June, 2005

Company 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(2) of the Companies Act, 1956, in respect of item 5 of the Notice as set out above, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 14th July 2005 to 21st July 2005 (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 avail facility of nomination in respect of shares held by them and may send their Nomination Form duly filled in to the Company.
7. Pursuant to the recommendation of SEBI Committee on Corporate Governance for appointment of a Director / reappointment of the retiring Directors, a statement containing details of concerned directors is attached hereto.

EXPLANATORY STATEMENT

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

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 is in the process of financial restructuring by repaying high cost borrowing with low cost and also one time settlement with various lenders. For this, the Company requires increasing finances exceeding the limit of Rs. 250 crores (Rupees Two Hundred crores only) presently conferred upon the Board of Directors in the 54th Annual General Meeting held on 27th December 1999. Hence, a fresh increased limit is being fixed for the purpose up to an extent of Rs. 300 crores (Rupees Three Hundred crores only) 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.

By Order of the Board

Digvijaygram

Date: 11th June, 2005**S. N. Malpani**

Company Secretary

DETAILS OF DIRECTORS SEEKING APPOINTMENT/REAPPOINTMENT IN ANNUAL GENERAL MEETING FIXED FOR 21ST JULY 2005.

Name of Director	Shri K. D. Agrawal	Shri S. K. Maheshwari
Date of Appointment	10th November 1998	29th April 2002
Experience in specific functional areas	Banking and Finance	Company Executive
Qualification	M. Com, C.A.I.I.B	M. Sc., M.B.A. (Leeds), GPRI (London), ANCRT (London)
List of outside Directorship held	Nil	Nil
Chairman/Member of the Committee of the Board of Directors of the Company	Nil	Nil



DIRECTORS' REPORT AND MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

Your Directors present the 60th Annual Report together with the Audited Accounts of the Company for the period ended 31st March, 2005.

FINANCIAL RESULTS

	(Rs. In lacs)	
	Current Year Ended 31.03.2005 (6 months)	Previous year Ended 30.09.2004 (12 months)
Gross Turnover	10606	18092
Operating Profit/(Loss)	483	1328
Other Income	203	681
Profit Before Depreciation, Interest and Tax (PBDIT)	686	2009
Less: Interest	831	1693
Cash Profit / (Loss)	(145)	316
Less /Add: Depreciation	348	753
Net Operating (Loss) before extra ordinary items	(493)	(437)
Extra ordinary items:		
Add:		
Employees separation cost	0	(24)
Less:		
Impact of financial re-structuring & prior period adjustment	(518)	3733
Net Profit / (Loss) before Tax	(1011)	3272
Add / Less: Income Tax refund of earlier years	12	21
Deferred Tax Credit (net)	0	(2910)
Profit / (Loss) after Tax	(999)	383
Add: Balance brought forward from previous year	(19215)	(19598)
LOSS CARRIED OVER	(20214)	(19215)

CHANGE IN ACCOUNTING YEAR

Accounting year for the period under report consists of six months, ended on 31st March 2005. Hereafter the accounting year will be for 12 months period ending on 31st March every year, to coincide with accounting year of Holding Company. For this change, the financial result for current period is not comparable with previous year.

PLANT PERFORMANCE

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

	(Qty. in Lacs MT)		
	Current period ended 31.03.2005 (Oct. 04 Mar. 05)	Corresponding period of previous year	Previous year ended 30.09.2004 (Oct. 03 Sep. 04)
PRODUCTION			
Clinker	5.31	4.71	9.06
Cement	4.37	3.88	7.21
SALES			
Clinker	1.36	0.83	2.09
Cement	4.24	3.92	7.21

Plant operation presents improved performance. Domestic cement market also revived. Cement prices slowly started looking up and remained firm during the last quarter of the year.

EXPORT

During the period under review, your Company exported 1.36 lakh tonnes of Clinker (as against 0.83 lakh tonnes in the corresponding period) registering an increase of 64% over corresponding period of previous year. There was no export of Cement during the period.

Your Company has been accorded the status of **Two Star Export House** under Foreign Trade Policy, 2004-09. This accreditation is valid up to 31st March 2009.

BIFR REFERENCE

As reported earlier, the Company has preferred an appeal before Appellate Authority For Industrial & Financial Reconstruction (AAIFR) against the order of Board For Industrial & Financial Reconstruction (BIFR) for change of Management. The order has been stayed by AAIFR. Your Company is in process of financial re-structuring and shall submit rehabilitation package to BIFR/AAIFR through Operating Agency.

GUJARAT SALES TAX

The Government of Gujarat declared an Amnesty Scheme on 1st March 2005 for Sales Tax dues. The Scheme stipulated waiver of interest and penalty on deposit of entire outstanding Sales tax dues before 31st March 2005. Your Company has opted for this and deposited sales tax dues under the said amnesty scheme.

DIRECTORS

Shri K. D. Agrawal and Shri S. K. Maheshwari, who retire by rotation under Article 167 of the Articles of Association of the Company, being eligible, offer themselves for re-appointment.

AUDITORS' REPORT

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

AUDITORS

Your Directors request you to appoint Auditors for current accounting year and fix-up their remuneration. M/s. S.B. Billimoria & Co., Chartered Accountants, Mumbai, the existing Auditors of the Company retiring at the ensuing Annual General Meeting are available for a fresh term and have furnished certificate of their eligibility for re-appointment.

COST AUDITORS

Pursuant to Section 233B of the Companies Act, 1956, your Directors have appointed M/s. Tholiya & Associates, Cost Accountants, Mumbai as the Cost Auditors to conduct the Cost Audit for the period ended 31st March 2005, subject to the approval of the Central Government.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

- (a) The Company had no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.
- (b) Information relating to conservation of Energy, Technology Absorption and Foreign Exchange Earning and Outgo, required under Section 217(1) (e) of the Companies Act, 1956 are annexed and forms part of this report.

CORPORATE GOVERNANCE

Pursuant to Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussions and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of Corporate Governance are made a part of the Annual Report.

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

- a) in preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- b) they 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;



- c) they 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;
- d) they have prepared the annual accounts on a going concern basis.

SEGMENT REVIEW AND ANALYSIS

It is a single product Company.

OUTLOOK

Cement consumption in the State of Gujarat during the period under report has improved by about 12% over corresponding period of last year. However, it is still below half of the capacity. Wide gap between supply and demand leads to continue pressure on prices. To maximize capacity utilization, Industry has to depend more on export.

RISK AND CONCERN

Increase in domestic price of cement has not been commensurate with unabated increase in cost of production for hefty hike in cost of coal, furnace oil etc. Export have witnessed a healthy demand on the back of robust growth in middle-east countries with stability in pricing. However with new capacity under pipe line there at, long term realization appears to be uncertain both in domestic as well as overseas market.

OPPORTUNITIES AND THREATS

With the proposed budgetary expenditures on National Highway Development Programme and Rural Housing Scheme for Weaker Section, Cement Industry is expected to grow by 8 to 10% during the period of implementation of the project. However, in the persisting over supply situation prevailing in the State, the benefits of growth to individual industry appears to be far from reality.

INTERNAL CONTROL SYSTEM

The Company is committed to maintain high standard of internal control system. It has proper and adequate system of internal control to ensure that all assets are safeguarded and that transactions are made as per documented policies, guidelines and procedures. All operating parameters are monitored and controlled.

HUMAN RESOURCES

Your Company encourages and provides regular training to employees to improve skills. Your Company has performance appraisal system for senior employees and junior management staff. In-house newsletter provides forum for information sharing. Rewarding individuals for their contribution is part of motivation towards excellency.

CAUTIONARY STATEMENTS

Forward-looking statements are based on certain assumptions and expectations of future events. Actual results may differ from those expressed or implied. Important factors that could influence the Company's operations include demand and supply conditions, availability of inputs and their prices both domestic and global, changes in government regulations, tax laws, monsoon, economic developments within the country and other factors.

ACKNOWLEDGMENT

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 Promoter Company. The Directors also recognize the commitment and dedication of the Company's employees.

On behalf of the Directors

Mumbai,
25th April 2005.

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 ending 31st March, 2005****(A) CONSERVATION OF ENERGY:**

(a) Energy conservation measures taken

1. Incorporation of Fuzzy Logic software for Raw Mill, Kiln & Cooler operation.
2. Installation of new generation High Efficiency Separator for UBE Raw Mill.
3. Replacement of Kiln inlet and Kiln outlet seal to arrest false air entry.
4. Installation of VVVF drive for Cooler fan no. 5 along with removal of fan damper.
5. Replacement of Pre-collector cyclone of Atox Mill with CFD design High Efficiency Cyclone.
6. Replacement of old inefficient reciprocating compressors with new technology screw compressors at various sections in the plant.
7. Installation of PLC based controller for maintaining DG power generation frequency at 49.2 - 49.3 Hz
8. Installation of FRP blades in place of Aluminium blades in Air Cooled Radiators of DG Sets to reduce auxiliary power consumption of DG
9. Installation of VVVF drive for Mill Ventilation fan motor of KCP Cement Mill.
10. Incorporation of Capacitor banks in LT panels for power factor improvement.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy.

1. Up-gradation of Raw Mill exhaust fan SPRS system.
2. Modification of take off entry point of Tertiary Air duct at Cooler.
3. Replacement of 600 KW Cooler ID Fan motor & SPRS system with DC motor of 336 KW for improving system efficiency and reduction in fan power.
4. Installation of VVVF drives for de-dusting fan of Atox Coal Mill dust filter.
5. Replacement of 250 Watt conventional street lights with maintenance free 110 Watt street lights (igniter & chock less) - 15 nos.

(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 3 units / tonne of cement and thermal energy consumption up to 5 K Cal / Kg of Clinker

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

(a) Specific areas in which R & D carried out by the Company

1. Company is associated with National Council for Cement & Building Materials for research and development activities.
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 be utilized

(b) Benefits derived as a result of the above R & D

1. Consistency in product quality and enhancement of product quality.
2. Manufacturing of Special Cements as import substitutes.
3. Motivation towards technical development among employees.

(c) Future plan of action

1. Further improvement in raw-meal design and quality of Clinker and Cement.
2. Incorporation of pre-heater low pressure cyclone to reduce pressure drop and improve productivity.
3. Deep bucket conveyor for clinker transport.

(d) Expenditure on R & D

1. Capital
2. Recurring
3. Total R & D expenditure as a percentage of total turnover

(Rs in lacs)

Nil

Negligible

Negligible

Technology Absorption, Adaption & Innovation:

(a) Efforts in brief, made towards technology absorption and innovation

(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?

If not fully absorbed, areas where this has not taken place.

The reason thereof, and future plans of action.

Not applicable