

SHREE DIGVIJAY CEMENT COMPANY LIMITED

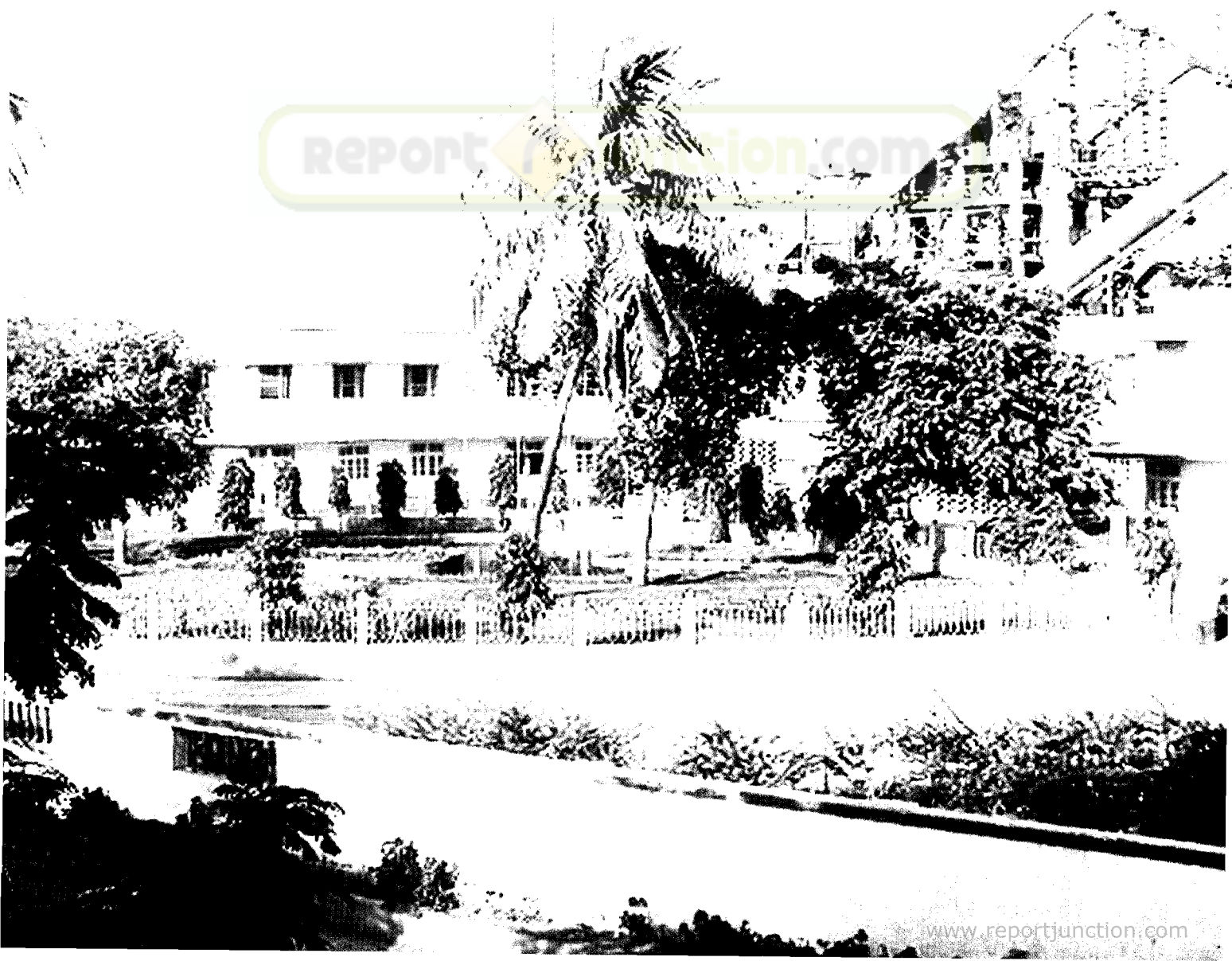
61st Annual Report & Accounts 2005-2006



KAMAL CEMENT

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FRONT VIEW OF
DIGVIJAY PLANT



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Year : 2005-2006

SHREE DIGVIJAY CEMENT CO. LTD.**BOARD OF DIRECTORS**
(As on 14th June 2006)

SHRI K. D. AGRAWAL - Chairman
 SHRI R. C. BHARGAVA
 SHRI G. P. GUPTA
 SHRI S. MISRA
 SHRI O. P. PURANMALKA
 SHRI S. K. MAHESHWARI

**MANAGER AND
COMPANY SECRETARY**

SHRI S. N. MALPANI

EXECUTIVES

SHRI R. A. SOMANI Executive President
 SHRI P. K. RAY Sr. Vice President (Mktg.)
 SHRI K. JAISALMERIA Vice President (Comm.)
 SHRI C. S. JASOL Vice President (CE, C&L)
 SHRI S. K. SEN Asst. Vice President (Tech)
 SHRI ASP RAO Asst. Vice President (HR & IR)

AUDITORS

M/s S. B. BILLIMORIA & CO.
 Chartered Accountants
 12, Dr. Annie Besant Road
 Worli, MUMBAI 400 018

COST AUDITORS

M/s. KIRAN J. MEHTA & CO.
 Cost Accountants
 257, Ellisbridge Shopping Centre
 AHMEDABAD 380 006

BANKERS

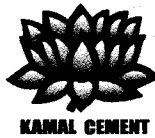
PUNJAB NATIONAL BANK

**REGISTERED OFFICE
AND WORKS**

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

**REGISTRAR AND
TRANSFER AGENT**

MCS Ltd.
 (Unit Shree Digvijay Cement Co. Ltd.)
 "Harmony"
 Plot no. 6, Sector 1
 Khanda Colony, New Panvel (West)
 Mumbai 410 206



NOTICE

NOTICE is hereby given that the Sixtyfirst 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 Tuesday, the 12th day of September, 2006 at 02:30 PM to transact, with or without modifications, as may be permissible, the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Directors' Report, Auditors' Report, Audited Balance Sheet and Profit & Loss Account for the year ended 31st March 2006.
2. To appoint a Director in place of Shri S. Misra, who retires from office by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Shri O. P. Puranmalka, 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.

SPECIAL BUSINESS

5. To appoint Shri R. C. Bhargava, (who was appointed as an Additional Director by the Board of Directors 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 meeting, and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs. 500/- under Section 257 of the said Act, from a member signifying his intention to propose Shri R. C. Bhargava as a candidate for the office of Director) as a Director of the Company and to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri R. C. Bhargava be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

6. To appoint Shri G. P. Gupta (who was appointed as an Additional Director by the Board of Directors 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 meeting, and in respect of whom the Company has received a notice in writing alongwith a deposit of Rs. 500/- under Section 257 of the said Act, from a member signifying his intention to propose Shri G. P. Gupta as a candidate for the office of Director) as a Director of the Company and to consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 257 and all other applicable provisions, if any, of the Companies Act, 1956, Shri G. P. Gupta be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

7. To consider and if thought fit, to pass the following Resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Section 198, 269, 387 and other applicable provisions, if any, of the Companies Act, 1956 (the "Act") read with Schedule XIII thereto as amended up to date and all guidelines issued by the Central Government from time to time and subject to the approval by Shareholders of the Company and such other approvals, as may be necessary, Shri S. N. Malpani, Company Secretary be and is hereby re-appointed as the Manager of the Company for a period of Two years with effect from 1st October 2006 on following payments of remuneration as approved by the Remuneration Committee vide resolution dated 25th July 2006 and on terms and conditions as set out below:

SHREE DIGVIJAY CEMENT CO. LTD.**1. Period**

Two years w.e.f. 1st October 2006 with liberty to either party to terminate the appointment by three months notice in writing to other.

2. Remuneration

- a) Basic Salary :- Rs.33,440 /- (Rupees Thirty three thousand four hundred forty only) per month with such annual increment(s) as the Committee / Board may decide from time to time, subject however to a ceiling of Rs. 53,440/- (Rs.Fifty three thousand four hundred forty only) per month as basic salary.
- b) Allowances :- Rs. 40,228/- (Rupees Forty thousand two hundred twenty eight only) per month with such annual increment(s) as the Board may decide from time to time subject however to a ceiling of Rs. 60,228/- (Rs.Sixty thousand two hundred twenty eight only) per month.
- c) Performance linked Variable pay and /or Long Term Incentive Compensation (LTIC) and/or any other compensation as may be decided by the Committee/Board from time to time up to the end of his tenure, the same to be made on pro rata basis every month or on annual basis or partly monthly and partly on annual basis at the discretion of the Committee/Board subject to maximum of Rs. 2,00,000/- (Rs.Two lac only) per annum on this account.

3. Perquisites as under

- (a) Residential accomodation shall be provided in a Company owned house on a deduction of fair rent from the monthly salary as may be determined by the Company.
- (b) Expenses on gas, electricity, water as per the rules of the Company and shall be valued as per Income-tax Rules.
- (c) Leave Travel expenses for self and family (which shall include spouse, dependent children) in accordance with the rules of the Company.
- (d) Reimbursement of medical expenses (including insurance premium for medical and hospitalisation policy, if any) for self and family as per the rules of the Company.
- (e) Fee for one club in India including admission fee but excluding life time membership.
- (f) Personal accident insurance cover as per the rules of the Company.
- (g) Contribution to Provident Fund, Superannuation or Annuity Fund as per the rules of the Company, to the extent these, either singly or put together, are not taxable under the Income tax Act, 1961.
- (h) Gratuity, and / or contribution to Gratuity Fund of the Company as per the rules of the Company as applicable to Senior Executives.
- (i) Company maintained car for Company's business and telephone at residence.
- (j) Leave and encashment of leave as per the rules of the Company.
- (k) Any other allowances, benefits and perquisites as per the rules of the Company as are applicable to Senior Executives of the Company and/or which may become applicable in the future and/or any other allowances, perquisites as the Board may from time to time decide.

4. Where in any financial year, the Company has no profit or its profits are inadequate, the foregoing amount of remuneration and benefits shall be paid or given to Shri S.N. Malpani subject to the applicable provisions of Schedule XIII of the said Act.

By Order of the Board

Place: Mumbai,
Date: 25th July 2006


S. N. Malpani
Company Secretary

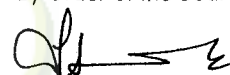
NOTES

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 to 7 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 5th September 2006 to 12th September 2006 (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 the Directors/ re-appointment of the retiring Directors, a statement containing details of concerned directors is attached hereto.



Place: Mumbai,
Date: 25th July 2006

By Order of the Board



S. N. Malpani
Company Secretary

EXPLANATORY STATEMENT

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

Item no. 5 and 6

Shri R. C. Bhargava and Shri G. P. Gupta were appointed as Additional Directors of the Company by the Board of Directors at their meeting held on 14th June 2006, 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 R. C. Bhargava and Shri G. P. Gupta are well versed in Corporate management and are on the Board of various Companies of repute. It is desirable that the Company should continue to avail of the benefit of their rich experience. Accordingly the resolutions under item no. 5 and 6 are commended for your acceptance.

As per the requirement of the Listing Agreement with the Stock Exchange, details of Directors seeking appointment/re-appointment at the Annual General Meeting are set out in the Annexure hereto. None of the Directors except Shri Bhargava and Shri Gupta are interested in the resolutions.

SHREE DIGVIJAY CEMENT CO. LTD.**Item no. 7**

The term of Shri S. N. Malpani as Manager will expire on 30th September 2006. The Board of Directors have re-appointed Shri S. N. Malpani as Manager of the Company for a further period of Two years with effect from 1st October 2006 subject to the approvals of the Members and other required approvals, if any. The remuneration and other terms and conditions of his appointment are set out in the resolution.

Shri S. N. Malpani will continue to work as full time Company Secretary in addition to his function as Manager of the Company. He is qualified as B. Com., LL. B., FCS and has a long association with the Company. He has requisite experience and qualifications and is quite competent to shoulder the responsibility of this office.

The Directors recommend the resolution for the approvals of the Members.

As no Director is interested in appointment of Shri S. N. Malpani as Manager, there is no requirement to circulate any abstract or memorandum of interest as required by Section 302 of the Companies Act, 1956. However, the resolution in this item of the Notice along with the above explanatory details may be treated as such.

Although not necessary to be stated at law, Shri S. N. Malpani as such Manager is deemed to be interested in the resolution.

By Order of the Board

Place: Mumbai,
Date: 25th July 2006


S. N. Malpani
Company Secretary

SHREE DIGVIJAY CEMENT CO. LTD.

Details of Directors seeking Appointment/Re-appointment in Annual General Meeting fixed for 12th September 2006.

Name of Director	Shri S. Misra	Shri O. P. Puranmalka	Shri R. C. Bhargava	Shri G. P. Gupta
Date of Birth	16th November 1947	1st January 1952	30th July 1934	11th January 1941
Date of Appointment	22nd March 2002	22nd March 2002	14th June 2006	14th June 2006
Qualification	B. A. (Hons.)	C. A.	M.Sc. (Maths) & M.A. (Development Economics)	M. Com.
Experience in specific functional area	Company Executive	Company Executive	General Management	Company Director
List of outside Company Directorship held	NIL	NIL	<ol style="list-style-type: none"> Thomson Press Ltd. Optimus Outsourcing Co. Ltd. Polaris Software Lab. Ltd. UltraTech Cement Co. Ltd. Lord Krishna Bank Ltd. Roulunds Codan India Ltd. Maruti Udyog Ltd. Omax Auto Ltd. Dabur India Ltd. IL & FS Ltd. Maruti Suzuki Automobiles India Ltd. Grasim Industries Ltd. 	<ol style="list-style-type: none"> NTPC Ltd. Hindustan Aeronautics Ltd. SIOBI Venture Capital Ltd. The Jammu & Kashmir Bank Ltd. PTC Ltd. Swaraj Engines Ltd. M. P. Power Generation Co. Ltd. Birla Sun Life Insurance Co. Ltd. Aditya Birla Nuvo Ltd. Su-Raj Diamonds & Jewellery Ltd. Emkay Share and Stock Brokers Ltd. Power Finance Corporation Ltd.
Chairman / Member of the Committee of the Board of Directors of the Company	<ol style="list-style-type: none"> Audit Committee-Member Shareholders Grievance / Allotment & Transfer Committee-Member 	<ol style="list-style-type: none"> Shareholders Grievance / Allotment & Transfer Committee-Member Remuneration Committee - Member 	1. Audit Committee - Member	1. Audit Committee - Member
Chairman / Member of the Committee of the Board of Directors of other Companies in which he is a Director	NIL	NIL	<ol style="list-style-type: none"> IL & FS Ltd.-Chairman Maruti Suzuki Automobiles India Ltd.-Chairman Thomson Press Ltd.-Chairman UltraTech Cement Co. Ltd. Chairman Polaris Software Lab. Ltd.-Member Grasim Industries Ltd.-Member Optimus Outsourcing Co. Ltd.-Member Dabur India Ltd.-Member 	<ol style="list-style-type: none"> Hindustan Aeronautics Ltd.-Member NTPC Ltd. - Chairman Jammu & Kashmir Bank Ltd. Member Birla Sun Life Insurance Co. Ltd. Member Aditya Birla Nuvo Ltd.-Member Power Finance Corporation Ltd. Chairman PTC Ltd.-Member Swaraj Engines Ltd.-Member
(a) Audit Committee				
(b) Shareholders Grievance Committee			<ol style="list-style-type: none"> Maruti Udyog Ltd.-Member UltraTech Cement Co.Ltd.-Chairman 	<ol style="list-style-type: none"> Jammu & Kashmir Bank Ltd. Chairman

THREE DIGVIJAY CEMENT CO. LTD.**DIRECTORS' REPORT**

Dear Shareholders,

Your Directors present the 61st Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2006.

FINANCIAL RESULTS

	Current Year ended 31.03.2006	(Rs. In lacs) Previous year ended 31.03.2005 (Oct 04 to Mar 05)
Gross Turnover	24806	10606
Gross Profit/(Loss)	4119	(145)
Less / Add : Depreciation	744	348
Profit / (Loss) before extra ordinary items	3375	(493)
Extra ordinary items :		
Impact of financial re-structuring & prior period adjustments	1523	(518)
Profit / (Loss) before Tax	4898	(1011)
Fringe Benefit Tax	(19)	0
Income Tax refund of earlier years	0	12
Profit / (Loss) after Tax	4879	(999)
Balance brought forward from previous year	(20214)	(19215)
(LOSS) CARRIED OVER	(15335)	(20214)

Accounting period for the previous year was consisting of six months. Therefore, the financial result for the year under report is not comparable with previous year.

Working results for the year under report shows a marked improvement, mainly due to higher volume of sales and improved realisation. Domestic cement liftings revived. With stability in realisation, the impact of a large hike in input costs could be mitigated leaving some margin in hand.

PLANT PERFORMANCE

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

	Current year ended 31.03.2006	(Qty. in Lacs MT) Previous year ended 31.03.2005 (Oct. 04 - Mar. 05)
PRODUCTION		
Clinker	9.51	5.31
Cement	8.97	4.37
SALES		
Clinker	1.37	1.36
Cement	9.03	4.24

EXPORT

Your Company exported 2.09 lac tonnes of Clinker and Cement during the year under report (previous year 1.36 lac tonnes). Export could have been more but for increased domestic demand.

BIFR REFERENCE

As reported earlier, the Company filed 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 AAIFR, vide order dated 27th January 2006, set aside the impugned order and has remanded the case to BIFR, with direction to your Company to file revival proposal, which will be submitted in due course.