

SHREE DIGVIJAY CEMENT COMPANY LIMITED

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62nd
Annual Report
& Accounts
2006-2007

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SHREE DIGVIJAY CEMENT CO. LTD.**BOARD OF DIRECTORS**

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

**MANAGER AND
COMPANY SECRETARY**

SHRI S. N. MALPANI

EXECUTIVES

SHRI B. B. JOSHI Jt. Executive President
 SHRI R. N. MATE Jt. Executive President (Mktg)
 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**

Intime Spectrum Registry Ltd.
 (Unit Shree Digvijay Cement Co. Ltd.)
 C-13, Pannalal Silk Mill Compound,
 LBS Marg,
 Bhandup (West),
 Mumbai 400 078.

SHREE DIGVIJAY CEMENT CO. LTD.**NOTICE**

NOTICE is hereby given that the Sixty-second 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 Wednesday, the 29th day of August 2007 at 11:30 AM 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 2007.
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 consider and if thought fit, to pass, the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to Section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Deloitte Haskins & Sells, Chartered Accountants be and is hereby appointed as the Statutory Auditors of the Company, in place of M/s. S. B. Billimoria & Co., Chartered Accountants, the retiring Auditors, who have expressed their unwillingness in writing to be re-appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting on such remuneration as may be decided by the Board of Directors of the Company plus service tax as may be applicable and reimbursement of traveling and out of pocket expenses in connection with the audit.

SPECIAL BUSINESS:

5. To appoint Shri K. C. Birla, (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 along with a deposit of Rs. 500/- under Section 257 of the said Act, from a member signifying his intention to propose Shri K. C. Birla 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 K. C. Birla be and is hereby elected and appointed as a Director of the Company liable to retire by rotation."

By Order of the Board

Place : Mumbai
Date : 20th April, 2007

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 4 & 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 22nd August 2007 to 29th August 2007 (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.

By Order of the Board

Place : Mumbai
Date : 20th April, 2007

S. N. Malpani
Company Secretary

EXPLANATORY STATEMENT

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

Item No. 4:

M/s. S. B. Billimoria & Co., Chartered Accountants, Mumbai vide their letter dated 16th April 2007 have expressed their unwillingness to be re-appointed as Statutory Auditors of the Company. It is therefore proposed to appoint M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai as Statutory Auditors in their place as stated in the resolution under the above item of the Notice.

It is not wholly clear as to whether a special notice in terms of Section 225 (1) of the Companies Act, 1956 is required even when a retiring auditor has given a notice in writing of his unwillingness to be reappointed. Nevertheless, such a Special Notice has been received by the Company from a member of his intention to move the resolution as in the accompanying Notice.

M/s. Deloitte Haskins & Sells, Chartered Accountants, Mumbai have given a certificate of their eligibility and willingness to act as the Company's Statutory Auditors, if appointed by the members at the Annual General Meeting.

Item no. 5:

Shri K. C. Birla was appointed as Additional Directors of the Company by the Board of Directors at their meeting, held on 16th October 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

SHREE DIGVIJAY CEMENT CO. LTD.

Section 260 of the Companies Act, 1956, he holds office up to the date of this Annual General Meeting. As required under Section 257 of the Companies Act, 1956, notice have been received from a Member along with a deposit of Rs. 500/- proposing his candidature for the office of Director of the Company.

Shri K. C. Birla is a Chartered Accountant. He has wide experience and vast knowledge in corporate management. It is desirable that the Company should continue to avail of the benefit of his rich experience. Accordingly the resolution under item no. 5 is commended for your acceptance.

None of the Directors except Shri K. C. Birla is interested in the resolution.

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 given hereunder.

By Order of the Board

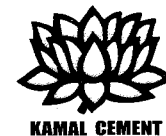
Place : Mumbai

Date : 20th April, 2007

S. N. Malpani
Company Secretary

**Details of Directors seeking Appointment/Re-appointment in
Annual General Meeting fixed for 29th August 2007.**

Name of Director	Shri K. D. Agrawal	Shri S. K. Maheshwari	Shri K. C. Birla
Date of Birth	15th July 1938	15th August 1947	2nd July 1958
Date of Appointment	10th November 1998	29th April 2002	16th October 2006
Qualification	M. Com., C.A.I.I.B.	M.Sc., M.B.A. (Leeds), GPRI (London), ANCRT (London)	B. Com., F.C.A.
Experience in specific functional area	Banking & Finance	Company Executive	Company Executive
List of outside Company Directorship held	Shreya's India Pvt. Ltd.	NIL	Dakshin Cements Ltd. Ultra Tech Ceylenco Pvt. Ltd. (Sri Lanka)
Chairman / Member of the Committee of the Board of Directors of the Company	1. Audit Committee-Chairman	1. Shareholders Grievance / Allotment & Transfer Committee- Member 2. Remuneration Committee- Member	NIL
Chairman / Member of the Committee of the Board of Directors of other Companies in which he is a Director			
(a) Audit Committee	NIL	NIL	NIL
(b) Shareholders Grievance Committee	NIL	NIL	NIL



DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the 62nd Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2007.

FINANCIAL RESULTS

	Current Year ended 31.03.2007	(Rs. In lacs) Previous year ended 31.03.2006
Gross Turnover	28946	24806
Gross Profit	5980	4119
Less : Depreciation	627	744
Profit before extra ordinary items	5353	3375
Extra ordinary items :		
Impact of financial re-structuring & prior period adjustments (Net)	60	1523
Profit before Tax	5413	4898
Fringe Benefit Tax	(22)	(19)
Income Tax refund of earlier years	13	0
Profit after Tax	5404	4879
Balance brought forward from previous year	(15335)	(20214)
(LOSS) CARRIED OVER	(9931)	(15335)

Growing demand and better realisation helped in improved performance during the year under review.

Your Company earned revenue of Rs. 28946 lacs (Rs. 24806 lacs in previous year), registering an increase of 17% over previous year. After providing for depreciation of Rs. 627 lacs (Rs. 744 lacs in previous year), exceptional items Rs. 60 lacs (Rs. 1523 lacs in previous year), your Company earned profit of Rs. 5404 lacs (Rs. 4879 lacs in previous year), up by 11% over previous year.

REVIEW OF OPERATIONS

During the year under review, cement production registered an increase of 3.46% from 8.97 lacs MT in previous year to 9.28 lacs MT. Realisation was also higher by 24 % over previous year. Clinker production was lower at 8.58 lacs MT as against 9.51 lacs MT in previous year because of break down in Calcliner and low output.

There was no export of Clinker during the year under review (previous year 1.37 lacs MT). This has resulted in lower capacity utilization at 86% compared to 96% during the previous year.

Overall increase in variable cost by about 17% during the year over previous year and higher freight cost has squeezed the margin substantially.

BIFR REFERENCE

As reported earlier, the Appellate Authority for Industrial & Financial Reconstruction (AAIFR), while setting aside the order issued by the Board for Industrial & Financial Reconstruction (BIFR) for change of Management, had remanded the matter to BIFR with directions to your Company to file revival proposal. Accordingly, your Company has filed the proposal with BIFR for further action in the matter.

In the meantime, with widening of Capital base of your Company (through Rights Issue), supported with improved working results, the net worth of your Company has become marginally positive.

RIGHTS ISSUE

During the year under report, your Company has issued 134,184,780 equity shares of Rs. 10/- each on rights basis at par to the existing shareholders in the ratio of eighteen equity shares for every one equity share held. In accordance with the basis of allotment approved by the Stock Exchange, allotment of 133,880,868 equity shares was made and

SHREE DIGVIJAY CEMENT CO. LTD.

share certificates issued. Allotment of 303912 equity shares is kept in abeyance as disclosed under Schedule 1 forming part of this Annual Report.

The fund so raised has been utilized to redeem interest bearing debts aggregating Rs.103.65 crores. Balance amount of Rs. 30.23 crores is being used to upgrade and carry out necessary maintenance of machinery to reduce operating cost.

DIRECTORS

Shri K. C. Birla was appointed as an Additional Director of the Company. He holds office up to the date of ensuing Annual General Meeting. Notice has been received under section 257 of the Companies Act, 1956 from a Member of your Company proposing the appointment of Shri K. C. Birla as Director.

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.

A brief resume of the abovementioned Directors being appointed / re-appointed are attached to the Notice for the ensuing Annual General Meeting.

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

M/s. S.B. Billimoria & Co., Chartered Accountants, Mumbai, the existing Auditors retire at the ensuing Annual General Meeting of your Company. They have however, intimated the Company that they do not wish to seek re-appointment. It is therefore proposed to appoint M/s. Deloitte Haskins & Sells, Chartered Accountants as Statutory Auditors in place of M/s. S.B. Billimoria & Co. M/s. Deloitte Haskins & Sells have indicated their availability and willingness to be appointed as Statutory Auditors of your Company. A resolution seeking your approval for the appointment of said auditors has been included in the Notice convening the Annual General Meeting.

COST AUDITORS

Pursuant to Section 233B of the Companies Act, 1956, your Directors have appointed M/s. Kiran J. Mehta & Co., Cost Accountants, Ahmedabad as Cost Auditors to conduct the Cost Audit for the year ended 31st March 2007. The appointment has been approved by the Central Government.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

The particulars of employees, required under section 217(2A) of the Companies Act, 1956, and 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 form part of this report.

HUMAN RESOURCES

As perhaps many of you may be aware, the Aditya Birla Group has been judged as " The Best Employer of India 2007 " and among the top 20 in Asia by the Hewitt Economic Times Study and Hewitt Wall Street Journal Study respectively. While this is a matter of great pride, it is also validation of the exemplary people processes that go into the making of a meritocratic organization like our Group. These people processes are applied universally to all the Group Companies across the five continents and your Company is a beneficiary as well.

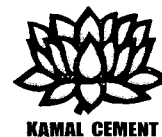
Introducing global HR practices, systems and best practices in the areas of talent development, compensation management, recruitment etc., is enabling and preparing us to address future challenges effectively. Implementation of People soft systems, Variable pay plan and Job Banding are major initiatives taken in this direction.

CORPORATE GOVERNANCE

A separate section on Corporate Governance, in line with Clause 49 of the Listing Agreement with the Stock Exchange, forms part of this Report. The relevant Certificate from practicing Company Secretary is annexed and forms part of this report.

DIRECTORS' RESPONSIBILITY STATEMENT

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



- (ii) in preparation of Annual Accounts, the applicable Accounting Standards have been followed along with proper explanation relating to material departures;
- (iii) the accounting policies have been consistently applied and reasonable prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company as at 31st March 2007 and of the profit of the Company for that period;
- (iii) proper and sufficient care has been taken for 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;
- (iv) the annual accounts of the Company are prepared on a going concern basis.

SOCIAL REPORT

During the year under Report, your Company has worked in the following areas in discharging its social obligations:

Health Care

- Seven family planning operation camps were conducted wherein 35 villages were covered and 202 persons have availed the benefits from the camps.
- Ayurved Nidan Camp with the support of Gujarat Ayurved University, Jamnagar was organized. Treatment for Diabetes, Heart & B. P. disease, Asthma, Arthritis, kidney/urinary disease, Gynac & Pediatric disease to about 200 patients with free medicines were provided.
- Eye diseases and Cataract operation camps were organized and about 55 people of nearby Villages were provided treatment including free operations.
- Training program for health awareness for women was organized for women residing nearby area. Training was extended to 98 rural women on Sanitation, Balanced diet and Child care etc.

Education

- The Essay writing, Debate competitions were some of the programmes conducted for educating the students of surrounding villages and rural areas.

In these humanitarian endeavors, your Company partners with the District Authorities, Village Panchayats etc, like minded NGOs etc. who seek to serve. We believe only through collective efforts can we usher in a more equitable society. Your Board and your Company's employees are committed to this process.

ENVIRONMENT REPORT

Environment conservation - A way of life

We believe in sustainable development. We regard social, economic and environmental responsibility as integral element of business.

Your Company is ISO 14001 Environment Management system Certified and adhere to OHSAS 18001 standards. Professional Environment Auditors such as Det Norske Veritas, the State Pollution Board's certified auditors and Environmental System Auditors conduct an in-depth environmental audit on our plant. The Audit Reports validate our commitment to environmental conservation.

Large scale plantations in the mines, plant, colonies and surrounding areas provide a lush green cover and are reflection of our respect for the environment.

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

For and on behalf of the Board

Mumbai
20th April 2007

K. D. AGRAWAL
Chairman

SHREE DIGVIJAY CEMENT CO. LTD.**MANAGEMENT DISCUSSIONS & ANALYSIS****BUSINESS & FINANCIAL PERFORMANCE REVIEW****Capacity Utilization**

	FY 07	FY 06	% Change over corresponding period
Installed Capacity (Lac. TPA)*	10.75	10.75	
Production (Lac. TPA)			
Clinker	8.58	9.51	(10)
Cement	9.28	8.97	3
Effective Capacity utilisation(%) @	86	96	
Sales Volume (Lac. Ton)	9.27	10.40	(11)
Domestic - Cement	9.21	8.31	11
Export - Cement	0.06	0.72	
- Clinker	0	1.37	
Average Gross Realisation (Rs./ MT)	2305	1858	24

* Includes Wet process for 2.00 lac TPA (not in operation)

@ Effective capacity utilisation = Cement Production + Clinker sold

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

	FY 07	FY 06	% Change over corresponding period
Net Turnover	25526	21439	19
Other Income	460	459	
Total Expenditure	20312	17261	18
Operating Profit (PBIDT)	6097	4436	37
Operating Margin (%)	24	19	
Interest	117	317	(63)
Gross Profit (PBDT)	5980	4119	45
Depreciation	627	744	(16)
Profit before tax and Exceptional Items	5353	3375	59
Exceptional Items	60	1523	
Fringe Benefit tax	(22)	(19)	
Tax refund of earlier years	13	0	
Net profit	5404	4879	11

Net Turnover

The net turnover increased by 19% over previous year as a result of growing demand and improved realization.

Operating Profit (PBIDT) & Margin

Operating profit increased by 37% from Rs. 4436 lacs to Rs. 6097 lacs in FY 07. This was despite of increase in overall cost of operations, viz: