

ANNUAL REPORT 1998-99





BOARD OF DIRECTORS	Mr. S. P. SINHA	Chairman
	Mr. SHAIENDRA PRAKASH SINHA	Managing Director
	MR. ANANT PRAKASH SINHA	Joint Managing Director
	MR. D. C. KOTHARI	
	Mr. P. HUGENTOBLE	
	MR. MUKUL HARKISONDASS	
	Mr. S. M. PALIA	
	Mr. K. S. B. SANYAL	
	Mr. A. S. VARMA	
	MR. H. K. MODI	
	MR. MAHESH PRASAD	(Nominee Director of Govt. of Bihar)
	Mr. N. D. AUDDY	(Nominee Director of The I.F.C.I. Ltd.)
	MR. S. MUKHERJEE	(Nominee Director of The I.C.I.C.I Ltd.)

AUDITORS	MESSRS. M. MUKERJEE & CO.
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VICE PRESIDENT (FINANCE) CUM-COMPANY SECRETARY	MR. P. K. CHAUBEY
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BANKERS	ALLAHABAD BANK CANARA BANK STATE BANK OF INDIA
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REGISTERED OFFICE	2 & 3, CLIVE ROW, CALCUTTA-700 001
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HEAD OFFICE	MAURYA CENTRE FRASER ROAD, PATNA-800 001
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FACTORY	BANJARI DT. ROHTAS-821 303 (BIHAR)
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2 & 3, CLIVE ROW, CALCUTTA-700 001

DIRECTORS' REPORT

FOR THE YEAR ENDED 30TH JUNE, 1999

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 30th June, 1999.

FINANCIAL RESULTS

	(Rupees in Lacs)	
	1998-99	1997-98
	(12 months)	(18 months)
Total Turnover including other income	11,116.69	16,280.43
1. Profit before depreciation, interest, tax and other appropriations.	(509.67)	2,231.56
2. Less: Interest and Finance Charges	1,905.33	3,397.57
3. Less: Depreciation	—	—
4. Net Loss	(2,415.00)	(1,166.01)
5. Loss carried to Balance Sheet	(8,416.72)	(6,001.72)

PRODUCTION

The year ended with capacity utilisation in Cement going up marginally to 64% compared to 62% in the same period last year. However, in case of Clinker production there was a decline from 82% registered last year to 78%.

The capacity utilisation could have been better but for the acute working capital shortage throughout the period, which resulted in inconsistent supply of inputs for the plant and also the unserviceable condition of the road from the plant in the first half of the year, which affected despatch of finished goods.

However, production improved in the second half as a result of better road condition from January '99.

FINANCIAL PERFORMANCE :

The year proved to be another difficult one for the Cement industry, which underwent further restructuring and consolidation.

Prolonged absence of a stable Govt. at the Centre affected investment decisions. Consequently economic growth continued to be slow.

Dumping of cement by the South East Asian countries due to economic downturn, affected Cement prices in Bangladesh, our major export market. The drop in export from India also increased internal supply pressures.

Further capacity of 8.5 Million tonnes was added during the period April-March '99. Against a growth of 10% in capacity, consumption increased by 7.9%. Prices remained depressed particularly in the Eastern Region.

On account of the aforesaid reasons, Company suffered a net loss of Rs. 2415.00 Lacs during the year, without considering depreciation on fixed assets.



FINANCES

Working capital limits of your Company were enhanced in August '98 to Rs. 30 crores. The previous limit of Rs. 22.50 crores was sanctioned in June '95, out of which Rs. 20.25 crores were released. However, for one reason or the other, mainly incomplete sharing of the enhanced limit amongst the participating banks, the additional funds were not available. The Company is following up with the Banks for early disbursements.

Approval of the Restructuring Package to lower debt cost and bridge the cash deficit, was received from all the Financial Institutions by February '99. The package however could not be fully implemented due to delay in receipt of the sanctions, prolonged recession and shortage of Working Capital. As the recession is expected to continue for sometime, the Company has approached the Financial Institutions for modifications of the sanctioned Restructuring Package.

DIVIDENDS

The Directors regret their inability to recommend any dividend in view of the present position of the Company.

FUTURE OUTLOOK

The overall economic scene appears to be improving with emphasis now being given to develop infrastructure and housing. There are now indications of a turnaround in the Cement Industry. Cement consumption during April to June Quarter of 1999 has shown a healthy growth. Demand has also come from the rural sector, where higher disposable incomes coming from a strong agricultural performance has been invested in housing. Large investments in infrastructure and housing have also been planned by the Govt. to accelerate economic growth. Further, with no significant capacity addition in pipeline, the demand supply gap is expected to gradually narrow in the coming period. This should improve selling prices.

Thus, better realisation and demand should help to turnaround the Company's operations, in the coming period.

STATUS OF Y2K COMPLIANCE

Your Company has taken necessary steps to ensure Y2K compliance of the equipments deployed in Company's operations. Most of the equipments including Data Processing System and main applications have been made Y2K compliant, wherever required. The replacement and / or up-gradation of few equipments for Y2K compliance, as necessary, are expected to be completed in time. The cost involved is minimal.

LISTING AGREEMENTS WITH STOCK EXCHANGES

Pursuant to a recent requirement of the Listing Agreement, the Company declares that its Equity Shares are listed on the Mumbai, Calcutta and Magadh Stock Exchanges. The Company confirms that it has paid Annual Listing Fees due to all the above Stock Exchanges for the year 1999-2000.

AUDITORS REPORT

The remarks contained in the Auditors' Report have been appropriately explained in the Notes on Account in Schedule-16

DIRECTORS

- (i) Under Articles 108 and 109 of the Articles of Association of the Company, Mr. S. P. Sinha, Mr. P. Hugentobler and Mr. A. S. Varma retire by rotation in this Annual General Meeting and being eligible offer themselves for reappointment.



- (ii) Dr. J. M. M. Robinson and Mr. U. W. Bieri resigned from the Board of Directors of the Company with effect from 25.08.98.
- (iii) Mr. D. C. Kothari, earlier an alternate Director for Dr. J. M. M. Robinson, was appointed as a Director with effect from 28.10.98.
- (iv) Mr. H. K. Modi was appointed as a Director with effect from 28.10.98.
- (v) Mr. S. Subberwal resigned from the Board of Directors of the Company with effect from 28.10.98.
- (vi) Mr. K. Balasubramanian, Director Technical resigned from the Board of Directors of the Company with effect from 31.05.99.
- (vii) The Industrial Finance Corporation of India Limited has withdrawn the nomination of Mr. B. B. Arora and appointed Mr. N. D. Auddy in his place. The appointment is effective from 26.08.99.

The Board places on record its appreciation for the contributions made by Dr. J. M. M. Robinson, Mr. U. W. Bieri, Mr. S. Subberwal, Mr. K. Balasubramanian and Mr. B. B. Arora during their tenure as Directors of the Company.

AUDITORS

Auditors M/s M.Mukerjee & Co., Chartered Accountants retire in terms of their appointment and being eligible offer themselves for re-appointment. Since not less than 25% of the subscribed capital of the Company is held collectively by Public Financial Institutions, the re-appointment of Auditors is being proposed as a Special Resolution in accordance with Section 224A of the Companies Act, 1956.

ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and out-go as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed.

PARTICULARS REGARDING EMPLOYEES

A statement setting out the particulars regarding employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 is annexed.

APPRECIATION

The Directors wish to put on record their appreciation for the support and contribution made by the employees of the Company towards the operation. Industrial Relations continued to be cordial during the period under review.

The Directors also wish to place on record their thanks and appreciation for the help and support given by the Collaborators, All India Financial Institutions, Banks, the State and Central Governments.

On behalf of the Board
Satyadeva Prakash Sinha
Chairman

Patna
Dated : 26th August, 1999



ANNEXURE TO DIRECTORS' REPORT

Statement Pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

- | | |
|---|--|
| (a) Energy Conservation measures taken: | <ol style="list-style-type: none"> 1. On the basis of our experience in operating the 5 stage preheater with low press drop cyclones with precalciner and pyroclone for clinkerisation with pyrojet burner for Kiln, design changes have been made. These changes have resulted in increased clinker output compared to the rated capacity and reduced the back- end temperature at the outlet of preheater cyclone. This resulted in savings of Fuel & Power. Refractory consumption in the burning zone has also come down. 2. Raw Mill performance has been optimised. This has helped in lowering the per tonne power consumption apart from meeting the increased requirement of the Kiln. 3. Drying and grinding the mixture of different kinds of coal to optimise output and grinding to required fineness in the vertical coal mill, with suitable raw mix design, resulted in better fuel efficiency. 4. Optimisation of production in various units has resulted in overall lower power consumption. 5. Increased use of Rice husk by feeding it in pyroclone alone. 6. Kiln and cooler operation are optimised for higher secondary air and tertiary air temp. at 1050°C & 850°C from 950°C and 720°C respectively. 7. With better burner adjustment the HSD consumption has been reduced drastically during starting of kiln firing. |
| (b) Additional investment and proposal, if any, being implemented for reduction of consumption of energy. | <ol style="list-style-type: none"> 1. To further reduce overall energy consumption, higher slag additive is proposed with finer grinding of clinker and slag. 2. Use of low cost fuel like rice husk and washed coal are also proposed to bring down fuel cost further. |
| (c) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production | <ol style="list-style-type: none"> 1. Substantial reduction in thermal and electrical consumption resulting in lower fuel and power costs. The existing level of fuel consumption is approximately 630 K. Cal/Kg. of Clinker and power consumption is 90 Kwh/ton of cement. |
| (d) Total energy consumption per unit of production as per Form "A" | |



FORM "A"

FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION

	CURRENT YEAR (July '98 to June '99)			PREVIOUS PERIOD (Jan '97 to June. '98)		
	Lac units (KWH)	Total Amount (Rs. in lacs)	Rs.per Unit	Lac Units (KWH)	Total Amount (Rs. in lacs)	Rs.per Unit
1. Electricity						
(a) Purchased (BSEB)	539.68	2069.84	3.70	917.64*	1826.09	1.99**
(b) Own Generation through Diesel Generator	1.30	4.85	3.73	2.47	8.35	3.38

*includes 45.64 Lacs units for Projects

** does not include Fuel Surcharge.

	CURRENT YEAR (July '98 to June '99)			PREVIOUS PERIOD (Jan '97 to June. '98)		
	Qty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./ tonne)	Qty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./ tonne)
2. Coal for KILN	0.58	1201.08	2078.25	1.02	1912.16	1877.67

3. Consumption per Unit of Production

	Standard Norm	Current Year (July '98 to June '99)	Previous Period (Jan '97 to June. '98)
Electricity (KWH P/T of Cement)	120-135	78.86	89.46
Coal (K.Cal /Kg. of Clinker)	800	629.10	692.54



FORM "B"

FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO TECHNOLOGY ABSORPTION

Research & Development (R&D)

1. Specific area in which R&D has been carried out by the Company :

Optimisation of productivity of units and energy efficiency in which the company is supported by its Foreign Collaborators who have a well equipped Laboratory at Switzerland for carrying out Research and Development activities.

2. Benefits as a result of the above R & D :

Improvement in output of units and quality of the product.

3. Future plan of action :

Efforts are on to further streamline operations to enhance productivity and achieve higher energy efficiency.

Use of alternative fuel for Kiln.

4. Expenditure on R & D. Rs. In Lacs

(a) Capital	—
(b) Recurring	4.79
(c) Total	4.79
(d) Total R&D Expenditure as percentage of total turnover	0.04%

FOREIGN EXCHANGE EARNING AND OUTGO :

	Rs. in Lacs
1. Foreign Exchange Earned	94.34
2. Foreign Exchange Outgo	125.98

On behalf of the Board
Satyadeva Prakash Sinha
Chairman

Patna
Dated : 26th August, 1999

KALYANPUR
Cements Limited

INFORMATION UNDER SECTION 217(2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 AND FORMING PART OF THE DIRECTORS REPORT FOR THE PERIOD ENDED 30TH JUNE, 1999

Sl. No	Name	Age Year	Designation & Nature of Duties	Gross Remuneration Received Rs.	Qualification & Experience (Years)	Date of commencement of Employment	Particulars of last Employment
(a) Employed through out the period under review & were in receipt of remuneration in aggregate of not less than Rs. 6,00,000/- p.a.							
1.	Shailendra P. Sinha	48	Managing Director Contractual	10,14,108.80	B. Com Certificate Holder in Hotel Management Cornell University Sr. Executive Programme, Stanford University-23 Years.	11.02.94	Managing Director, Bihar Hotels Ltd.
2.	Anant P. Sinha	31	Joint Managing Director Contractual	7,90,208.55	B.E., M.B.A., Kellogg Grad School, (USA)- 10 Years	07.09.95	Worked with St. Lawrence Cement, Canada
(b) Employed for part of the period under review & was in receipt of remuneration in aggregate of not less than Rs. 50,000/- per month.							
1.	K. Balasubramanian	57	Director Technical	8,58,874.75	B.E. (Mech) 34 Years	22.09.94	President (Works) Rassi Cements Ltd.

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Note (1) Mr. Shailendra P. Sinha continues to be the Managing Director of Bihar Hotels Ltd.

(2) Mr. Shailendra P. Sinha, Managing Director and Mr. Anant P. Sinha, Joint Managing Director are related to the Chairman, Mr. Satyadeva Prakash Sinha.

Place : Patna
Dated : 26th August, 1999.

On behalf of the Board
Satyadeva Prakash Sinha
Chairman



KALYANPUR CEMENTS LIMITED

2 & 3, CLIVE ROW, CALCUTTA-700 001

REPORT OF THE AUDITORS

We have audited the attached Balance Sheet of KALYANPUR CEMENTS LIMITED as at 30 June, 1999 and the Profit & Loss Account for the period ended on that date annexed thereto and report that :

1. Accrued Gratuity Liability in respect of retired employees have been fully accounted for. Accruing Gratuity Liability of the Company as on 30 June, 1999 amounting to Rs. 726.65 lacs has not been provided for. The Company has relied on the judicial pronouncement referred to in note 1 of Schedule 16 in maintaining Books of Account on accrual basis in general and Gratuity Liability in particular. Provision for Rs. 72.12 lacs has not been made in respect of Accrued Leave Wages. Both are not in accordance with the Mandatory Accounting Standard AS 15 on 'Retirement Benefits in the Financial Statements of Employers' issued by The Institute of Chartered Accountants of India.
2. As stated in para 1(c) of Schedule 16 some of the claims of Cement Regulation Authorities are disputed.
3. As explained in para 20 of Schedule 16, depreciation on Fixed Assets for the period amounting to Rs. 1262.95 lacs has not been charged to Profit & Loss Account and has consequential effect mentioned therein. Total unprovided depreciation as on 30 June 1999 was Rs. 3106.34 lacs. This is not in accordance with the Mandatory Accounting Standard AS 6 on Depreciation Accounting issued by The Institute of Chartered Accountants of India.
4. In terms of item no 4 on "Accounting Policies", interest payable on Usance Bills accepted to acquire Fixed Assets under I.D.B.I. Re-discounting Scheme were capitalised till 1982. The assets have been overstated to that extent.
5. In terms of Note 12 of Schedule 16, although documents and papers relating to title to all the immovable properties could not be produced before us for our verification, we were assured that the Company enjoyed peaceful possession of the said immovable properties.
6. Excise Duty on uncleared finished goods of Rs. 16.41 Lacs has not been added to the inventory as per the usual practice of the Company. However, this has not affected the revenue results of the Company. Additionally, an equivalent amount has been held in Excise Duty Payable Suspense Account.
7. Observations 1 & 3 above have the consequential effect of reducing loss for the year, carry forward balance of loss and increasing the net asset value by the same amount. Observation 4 above has the consequential effect of enhancing loss, carry forward balance of loss and reducing the net asset value by the same amount.
8. 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 we have made such enquiries as we found necessary and we state below the matters specified in Paragraphs 4 and 5 of the said Order.