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ANNUAL REPORT 1999-2000

"KC SUPER CEMENT

[redacted]

Cements Limited

"KALYANPUR" Cements Limited

BOARD OF DIRECTORS	Mr. S. P. SINHA	*Chairman*
	Mr. SHAILENDRA PRAKASH SINHA	*Managing Director*
	MR. ANANT PRAKASH SINHA	*Joint Managing Director*
	Mr. P. HUGENTOBLER	
	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.)*
	DR. K. C. VARSHNEY	*(Nominee Director of the Industrial Development Bank of India)*
AUDITORS	MESSRS. M. MUKERJEE & CO.	
VICE PRESIDENT (FINANCE) CUM-COMPANY SECRETARY	MR. P. K. CHAUBEY	
BANKERS	ALLAHABAD BANK CANARA BANK STATE BANK OF INDIA	
REGISTERED OFFICE	2 & 3, CLIVE ROW, CALCUTTA-700 001	
HEAD OFFICE	MAURYA CENTRE FRASER ROAD, PATNA-800 001	
FACTORY	BANJARI DT. ROHTAS-821 303 (BIHAR)	

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31st DECEMBER, 2000

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the period ended 31st December, 2000.

1. FINANCIAL RESULTS

	(Rupees in Lacs) 1999-2000 (18 months)	1998–99 (12 months)
Total Turnover including other income	14020.98	11116.69
1. Profit before depreciation, interest, tax and other appropriations	(4316.76)	(509.67)
2. *Less:* Interest and Finance Charges	2597.16	1,905.33
3. *Less:* Depreciation	4988.96	—
4. Net Loss	(11902.88)*	(2,415.00)
5. Loss carried to Balance Sheet	(20319.60)	(8,416.72)

(* Net loss for the year includes Rs. 3106.34 lacs towards unprovided depreciation for past years, Rs. 776.89 lacs towards accruing gratuity and leave wages and Rs. 1633.88 lacs towards arrear fuel surcharge for past several years.)

2. PRODUCTION

Capacity utilisation was affected severely on account of inadequate Working Capital. Due to liquidity problems, production of Clinker and Cement were 76% and 57% of their capacities, which was lower than the previous year.

3. FINANCIAL PERFORMANCE :

During the year administered prices of Diesel, Royalty on Limestone and cost of power went up sharply. The Company also received a Fuel Surcharge bill amounting to about Rs. 16 crores, raised with retrospective effect for a period of 5 years, which has been provided for in the accounts for the period.

The Cement market continued to be depressed during the year with prices coming down by about 6% in the Eastern Region.

Thus on account of lower capacity utilisation coupled with low cement prices and increased cost of production, the losses for the period were higher. Provisions pertaining to previous years have been made in the current accounting period, which has an effect of around Rs. 55 crores consisting of Arrear Fuel Surcharge of Rs. 1633.88 Lacs. Accruing Gratuity & Leave Wages of Rs. 776.89 Lacs and Depreciation of Rs. 3106.34 Lacs.

The Carried forward losses of the Company now stand at Rs. 20319.60 lacs which has eroded the Company's net-worth and therefore reference is now being made to BIFR.

4. FINANCES

The banks had sanctioned an additional limit of Rs. 9.75 crores in 1998, out of which only Rs. 1.75 crores were released during the year. The Company's proposal for exemption from Sales Tax has not been approved by the Government, in view of which the Financial Institutions have not been able to clear the Restructuring

Package. The Company has also sought intervention of the High Court in the matter of grant of Sales Tax benefit. The Company has received loan recall notices from The ICICI Ltd. and The IFCI Ltd.

5. DIVIDENDS

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

6. FUTURE OUTLOOK

From December 2000 onwards, there has been significant improvement in Operations of the Company in terms of both production and selling prices. The capacity utilisation has reached a level of 75% in Cement and 100% in Clinker. There is also increase in selling prices by about 25% compared to the same period last year.

The Company is pursuing with the Banks for release of Working Capital and also with the Financial Institutions for a Restructuring Package. Once these are granted and with sustained improvement in market as currently being witnessed, the operations should substantially improve in the coming years.

7. 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 2000-2001.

8. AUDITORS REPORT

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

9. DIRECTORS' RESPONSIBILITY STATEMENT

The applicable accounting standards have been followed in preparation of the annual accounts for the period ended 31.12.2000.

The Directors have selected the accounting policies and applied them consistently except in the cases of gratuity and leave wages which till the accounting year ending June '1999 were accounted for on cash basis. The full provision has now been made for accruing gratuity and leave wages. The Directors have also made judgements and estimates, which are reasonable and prudent so as to give a true and a fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period.

The Directors have taken proper and sufficient care 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.

The Directors have prepared the Accounts on a going concern basis.

10. COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

In terms of the Listing Agreement, the Company has complied with the following clauses of the Code of Corporate Governance.

(i) Constitution of the Board of Directors– The Board's constitution is on the lines suggested in the listing agreement both with regard to the Executive and non Executive Directors and strength of independent Directors on the Board.

(ii) Audit Committee— The Audit Committee comprising non-executive directors with an independent director as Chairman is already in place. The Committee meets regularly and the auditors and internal auditors also attend the meetings as required under Listing Agreement as well as the Companies Act 1956 as amended. The Audit Committee has been vested with powers and delegated functions as stipulated.

(iii) Remuneration of the Directors– The details of remuneration paid to the directors are given in Annexure to this report.

(iv) The Shareholders Grievance Committee has also been constituted.

(v) Board Procedure– The Company follows the procedures, as stipulated, relating to Board Meetings both with regard to the frequency thereof and the information to be placed before the Board.

The Company is in the process of complying with the requirements of Management Discussion and Analysis Report and the detailed report on Corporate Governance.

11. DIRECTORS

(i) Under Articles 108 and 109 of the Articles of Association of the Company, Mr. Shailendra P. Sinha, Mr. Anant P. Sinha, Mr. Mukul Harkisondass and Mr. K.S.B. Sanyal retire by rotation in this Annual General Meeting and being eligible offer themselves for reappointment.

(ii) Dr. K.C. Varshney was appointed by IDBI as its nominee Director with effect from 21.01.2000.

(iii) Mr. D. C. Kothari, has resigned from the Board of Directors of the Company with effect from 26.02.2001.

The Board places on record its appreciation for the contributions made by Mr. D.C. Kothari during his tenure as Director of the Company.

12. AUDITORS

The 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.

13. 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.

14. PARTICULARS REGARDING EMPLOYEES

None of the employees of the Company was in receipt of remuneration stipulated under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

15. 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, State Government and Central Government.

On behalf of the Board
Satyadeva Prakash Sinha
Chairman

Patna
Dated : 26th February, 2001

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:	1. Substitution of HSD with LPG for Kiln light up.
	2. New blasting techniques and use of alternative explosive media were adopted, which reduced consumption of ammonium nitrate by about 20-25%
	3. Packer 3 & 4 were operated in tandem with common extraction from Silo No. 3, yielding power saving.
	4. Use of high volatile quality and high sulphur coal in Kiln was optimised. Also primary air requirement was reduced to 60%. The measures resulted in reduced coal consumption.
	5. 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.
	6. Increased use of Rice husk by feeding it in pyroclone alone.
(b) Additional investment and proposal, if any, being implemented for reduction of consumption of energy.	1. To further reduce energy consumption, use of higher slag additive is proposed with finer grinding of clinker and slag.
	2. Use of reject coke breeze is proposed to bring down fuel cost.
(c) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production	1. Substantial reduction in thermal and electrical consumption resulting in lower fuel and power costs. The existing level of fuel consumption is approximately 646 K. Cal/Kg. of Clinker and power consumption is 85 Kwh / ton of cement.

"KALYANPUR"
Cements Limited

FORM "A"

FORM FOR DISCLOSURE OF PARTICULARS WITH RESPECT TO CONSERVATION OF ENERGY

A. POWER & FUEL CONSUMPTION

	CURRENT PERIOD (July '99 to Dec. '2000) 18 Months			PREVIOUS YEAR (July '98 to June. '99) 12 Months		
	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)	816.97	3316.42	4.06	539.68	2069.84	3.70
(b) Own Generation through Diesel Generator	1.14	1.13	0.98	1.30	4.85	3.73

	CURRENT PERIOD (July '99 to Dec. '2000) 18 Months			PREVIOUS YEAR (July '98 to June. '99) 12 Months		
	Qnty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./ tonne)	Qnty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./ tonne)
2. Coal for KILN	0.78	1943.27	2491.69	0.58	1201.08	2078.25

3. Consumption per Unit of Production

	Standard Norm	Current Period (July '99 to Dec '2000) 18 Months	Previous Year (July '98 to June. '99) 12 Months
Electricity / KWH / ton Cement (Dry Process)	100-120	84.59	78.86
Coal for Kiln K. Cal/Kg. Clinker Cement (Dry Process)	800	646	629

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	6.45
(c)	Total	6.45
(d)	Total R&D Expenditure as percentage of total turnover	0.05

FOREIGN EXCHANGE EARNING AND OUTGO :

		Rs. in Lacs
1.	Foreign Exchange Earned	nil
2.	Foreign Exchange Outgo	164.41

On behalf of the Board
Satyadeva Prakash Sinha
Chairman

Patna
Dated : 26th February, 2001

ANNEXURE ON REMUNERATIOIN PAID TO DIRECTORS
(IN COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE)

Name / Particulars	Mr. Shailendra P. Sinha Managing Director (Rupees)	Mr. Anant P. Sinha Joint Managing Director (Rupees)
Salary	9,00,000	7,20,000
Benefits		
* **PF**	1,08,000	86,411
* **House Rent**	5,40,000	4,32,000
* **Medical Reimb**	32,477	20,387
* **Other Benefits**	8,526	1,24,542
Total	15,89,003	13,83,340

The aforesaid Directors of the Company are not in receipt of Bonus and Pension benefits. The Company does not have Stock Option Scheme

"KALYANPUR"
Cements Limited

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 31 December, 2000 and the Profit & Loss Account for the period ended on that date annexed thereto and report that :

1. **Accrued Gratuity Liability amounting to Rs. 700.86 lacs and accrued leave salary & wages amounting to Rs. 76.03 lacs hitherto not provided have been provided in the accounts and has the effect of overstating loss for the period with the consequential effect of overstating liabilitiy and carry forward balance of loss by the same amount.**

2. As stated in para 1(d) of Schedule 16, some of the claims of Cement Regulation Authorities are disputed.

3. **Depreciation on Fixed Assets for the prior period from 1.1.97 to 30.6.99 amounting to Rs. 3106.34 lacs has been provided in the current period. This has the effect of overstating loss for the period with the consequential effect of decreasing the net Fixed Assets value and increasing the carry forward balance of loss by the same amount.**

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 13 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. 6.97 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 above has the consequential effect of overstating loss for the period, carry forward balance of loss and increasing the liability by the same amount. Observation 3 has the effect of overstating loss and carry forward balance of loss and decreasing the Net Fixed Assets 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. If the effect of observation in para 1 & 3 were not given the loss would have been reduced by Rs. 3883.23 lacs that is to Rs. 8617.27 lacs.**

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.