

CEMENT CEMENT CEMENT CEMENT
"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

ANNUAL REPORT - 2002 K-48

"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

"KC" "KC" "KC" "KC"
SUPER SUPER SUPER SUPER
CEMENT CEMENT CEMENT CEMENT

Cements Limited

BOARD OF DIRECTORS

MR. S.P. SINHA	Upto 9th July '02	Chairman
MR. SHAILENDRA P. SINHA	Upto 5th July '02	Managing Director
MR. P. HUGENTOBLE	Upto 20th Jun '02	
MR. MUKUL HARKISONDASS	Upto 9th July '02	
MR. S. M. PALIA	Upto 9th July '02	
MR. K. S. B. SANYAL	Upto 9th July '02	
MR. A. S. VARMA	Upto 9th July '02	
MR. H. K. MODI	Upto 9th July '02	
DR. V. R. SINHA	From 6th July '02	
MR. B. C. SRIVASTAVA	From 6th July '02	
MR. J.N. TRIVEDI	From 6th July '02	
MR. D. N. BHANDARI	From 6th July '02	
MR. RANJIT SINGH	From 22nd 22nd July '02	
MR. MAHESH PRASAD		(Nominee Govt. of Bihar)
MR. C. P. PADMANABHAN		(Nominee The I.F.C.I. Ltd.)
MR. SHARAT KUMAR	From 24th Oct '02	(Nominee ICICI Bank Ltd.)
DR. K. C. VARSHNEY		(Nominee IDBI)

AUDITORS

MESSRS. M. MUKERJEE & CO.

CHIEF EXECUTIVE

MR. SHAILENDRA P. SINHA From 6th July '02

**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, KOLKATA-700 001

HEAD OFFICE
 MAURYA CENTRE
 FRASER ROAD, PATNA-800 001
FACTORY
 BANJARI
 DT. ROHTAS-821 303
 (BIHAR)

**DIRECTORS' REPORT**

FOR THE YEAR ENDED 31st DECEMBER, 2002

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st December, 2002.

1. FINANCIAL RESULTS	(Rupees in Lacs)	
	2002	2001
Total Turnover including other income	10171.50	12214.96
1. Profit before depreciation, interest, tax and other appropriations	(459.59)	310.63
2. Less: Interest and Finance Charges	1690.39	1839.56
3. Less: Depreciation	1270.90	1254.92
4. Net Loss	(3420.88)	(2783.85)
5. Loss carried to Balance Sheet	(26524.33)	(23103.45)

2.0 PRODUCTION

Capacity utilisation for Clinker and cement during the year was lower compared to last year, at 72% and 58% respectively. Availability of Fund and non fund based working capital continued to be well below assessed and sanctioned levels. A statewide transporters strike during August / September'02, which continued for 45 days also adversely affected performance.

3.0 FINANCIAL PERFORMANCE :

Consumption growth in Eastern India and Bihar was much lower at 4% and 0.4% respectively against All India growth of 10%. Compared to the trend of buoyancy witnessed last year, cement prices at all India level including Bihar declined during the later part of the year due to excess despatches. Average realisation for the year fell by around Rs. 100 per tonne.

Apart from the other financial constraint, the transporters' strike further aggravated the position and the liabilities had to be carried over to the subsequent months, which put severe pressure on the cash flow. As a result, plant requirements could not be serviced in time resulting in intermittent operations and low capacity utilisation which coupled with fall in cement prices led to increased losses during the year.

4.0 FINANCES

The Company continued to operate with a fund based credit limit of Rs. 22 crores against assessed and sanctioned limit of Rs. 30 crores. The shortfall is even more, considering the credit requirement of Rs. 33 crores assessed earlier by the Company and confirmed later by National Council for Cement and Building Materials in the process of Techno Economic Viability study of the Company. Moreover, letter of credit limit of Rs. 1.15 crores enjoyed by the Company till 1999, was also not available.

The Company was declared Sick by BIFR at its first hearing held on 28th May 2002. In terms of directions of BIFR, a Techno-Economic viability study was completed by a BIFR appointed body, National Council for Cement and Building Materials, an autonomous professional body of Govt. of India. A valuation of fixed assets was also undertaken on BIFR directions. The reports of TEV study as well as the valuation have since been circulated to the concerned agencies in terms of the directions of BIFR.

The TEV study has confirmed the viability of the Company subject to restructuring support by the Financial Institutions to take care of hangover of past liabilities and release of need based working capital by the Banks.

A draft restructuring scheme has been submitted to the Operating Agency, IFCI Ltd. and all other secured creditors. The scheme will be taken up for discussion in Joint Meeting of the Financial Institutions, Banks and the concerned State Govt. departments to be convened shortly.

Holderbank, Foreign collaborators and the equity partner of the Company and now known as Holcim, transferred their equity and preference shareholding in the Company in favour of the Promoters.

5.0 DIVIDENDS

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

6.0 LISTING AGREEMENTS WITH STOCK EXCHANGES

The Company's Equity Shares are listed on the Kolkata, Mumbai and Magadh Stock Exchanges. The Company has paid Annual Listing Fees to all the above Stock Exchanges for the year 2002-2003.

7.0 AUDITORS REPORT

Although the remarks contained in the Auditors' Report have been appropriately explained in the Notes on Account in Schedule-16, replies to the qualifications / adverse comments made by the Auditors are separately enclosed as **ANNEXURE-1**.

8.0 DIRECTORS' RESPONSIBILITY STATEMENT

In terms of Section 217 (2AA) of the Companies Act, 1956, your Directors have—

- i. followed the applicable accounting standards in preparation of the annual accounts for the year ended 31.12.2002.
- ii. selected the accounting policies and applied them consistently and 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 year.
- iii. taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- iv. prepared the Accounts on a going concern basis.



9.0 CORPORATE GOVERNANCE

In terms of clause 49 of the Listing Agreement, the Company is required to comply with the Corporate Governance Code. The Corporate Governance Code has already been implemented by the Company and a separate section thereon is included in the Directors' Report as **ANNEXURE-2**.

10.0 DIRECTORS

In view of its adverse financial position, Company was unable to redeem its non convertible debentures issued to the Financial Institutions in 1996. As the default would have continued for more than a year making the Directors of the Company liable for disqualification under Section 274 (1) (g) of the Companies Act, the Directors resigned from the Board leading to its reconstitution. The details of changes in Directors are given hereinbelow :

- (i) Mr. Shailendra Prakash Sinha, Managing Director, resigned from the Board of Directors of the Company with effect from 6th July 2002. Mr. S.P. Sinha, Chairman and five other Directors namely Mr. S.M. Palia, Mr. Mukul Dalal, Mr. K.S.B. Sanyal, Mr. H.K. Modi and Mr. A.S. Varma resigned from the Board of Directors with effect from 10th July 2002.
- (ii) Mr. P. Hugentobler, Nominee of Foreign Collaborators, resigned from the membership of the Board of Directors of the Company with effect from 21st June 2002.
- (iii) The Board of Directors appointed Mr. D.N. Bhandari, Mr. B.C. Srivastava, Dr. V.R. Sinha, Mr. J.N. Trivedi as additional Directors of the Company with effect from 6th July 2002 and Mr. Ranjit Singh with effect from 22nd July 2002. The above appointments were approved by the shareholders of the Company in their General Meeting held on 31st October 2002.
- (iv) ICICI Bank Ltd. nominated Mr. Sharat Kumar on the Board of Directors of the Company with effect from 24th October 2002.
- (v) Under Articles 108 and 109 of the Articles of Association of the Company, Mr. Ranjit Singh and Mr. J. N. Trivedi retire by rotation in this Annual General Meeting and being eligible offer themselves for reappointment.

The Board places on record its appreciation for the services rendered and the contributions made to the Company by Mr. S.P. Sinha, Mr. Shailendra P. Sinha, Mr. A.S. Varma, Mr. S.M. Palia, Mr. Mukul Dalal, Mr. K.S.B. Sanyal and Mr. H.K. Modi.

11.0 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.

12.0 ENERGY, TECHNOLOGY & FOREIGN EXCHANGE

Statement giving the particulars relating to conservation of energy, technology absorption and foreign exchange earnings and outgo as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed as **ANNEXURE-3**.



13.0 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.

14.0 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.

The Directors also wish to place on record their thanks and appreciation for the help and support given by all India Financial Institutions, Banks, State Govt. and Central Govt. in carrying out its operations..

15.0 MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis has been appended to the Report, in terms of the Listing Agreement, as **ANNEXURE-4**.

On behalf of the Board

Shailendra P. Sinha - Chief Executive

Ranjit Singh Director

J. N. Trivedi Director

Patna

Date : 17th March, 2003



ANNEXURE-1

AUDITORS' REMARKS AND MANAGEMENT'S REPLIES

S. No.	Remarks	Explanation
3 (i) of Auditors' Report.	As stated in Para 1(d) of Schedule 16, some of the claims of Cement Regulation Authorities are disputed.	The Govt. of India, Ministry of Industries raised a demand of Rs. 208.23 lacs. The interest calculated upto 31.12.02 amounted to Rs. 226.55 lacs, the total outstanding thus amounting to Rs. 434.78 lacs. The company has approached the appropriate authority for waiver of the above dues and has also filed an appeal in Delhi High Court against this demand raised by the Ministry of Industry on the ground that the same has been wrongly levied on the company. The case is now pending both in the Hon'ble High Court, New Delhi and the LOK ADALAT.
3 (ii) of Auditors' Report.	In terms of Note 12 of Schedule 16, the documents relating to title of all immovable properties including land at Banjari are deposited with the IFCI Ltd. Although documents and papers relating to title of 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.	The Title Deeds in respect of immovable properties are in possession of the IFCI Ltd., the Lead Financial Institution as the Company's assets have been mortgaged in favour of the term lenders.
3 (iii) of Auditors' Report.	Excise duty on uncleared finished goods of Rs. 5.13 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.	The Auditors have already stated in this part of their Report that the treatment given to Excise Duty has not affected the revenue results of the company.
3 (iv) of Auditors' Report.	Interest of Rs. 6647.88 lacs payable to the lending Financial Institutions has not been provided and is shown as contingent liability. Reference may be made to Note 1(c) in Schedule-16.	Out of the total unprovided liabilities of Rs. 6647.88 lacs, whereas interest amounted to Rs. 3814.83 lacs, the compounding charges and LD/Penal charges amounted respectively to Rs. 2571.66 lacs and Rs. 261.39 lacs. The above amount comprised Rs. 830.32 lacs towards interest on the converted portion of loans

S. No.	Remarks	Explanation
		for the period of delay (October '97 to April '99) in receipt of sanctions from various Financial Institutions. Since the package provided for interest free Funded Interest Term Loan upto June 2000 and the package could not be implemented for want of working capital from the Banks and other concessions from the Government of Bihar, the company sought extension of these reliefs from various Institutions. The financial restructuring package now being under consideration of BIFR after company's registration with them in April 2001, the company has not provided interest since July 2000 amounting to Rs. 2984.51 lacs and compounding and penal charges as mentioned above.
4 (f) of Auditors' Report.	Without qualifying our opinion, though the accounts have been drawn on the basis of going concern concept, Loss for the current year was Rs. 3420.88 lacs which together with net carry forward loss of Rs. 23103.45 lacs amounts to Rs. 26524.33 lacs against the capital & reserve of Rs. 9839.75 lacs, leaving a negative net worth of Rs. 16684.58 lacs. In view of this negative networth, ability of the Company to continue as a going concern is dependent upon restructuring of equity and debt.	The Company made a reference to BIFR in March '01 and was registered as a Sick Industrial Company in April '01. BIFR declared the Company as a Sick Industrial Company in its meeting held on 28th May '02 and appointed IFCI Ltd. as Operating Agency under provisions of Sick Industrial Companies (Special Provisions) Act 1985. The Company has since submitted a Financial Restructuring Proposal to the Operating Agency for consideration and approval by the Financial Institutions, Bank and Govt. of Bihar. It is expected that the Financial Restructuring Package will be supported by the Stakeholders to ensure Long Term Revival of the Company as has been confirmed by an autonomous institution i.e. National Council for Cement and Building Materials (appointed by BIFR) in its Techno Economic Viability Study Report. The company therefore expects to continue as a going concern.
Sl. No. 17 of Annexure to Auditors' Report	According to the records of the Company Provident Fund and Employees State Insurance dues have not been regularly deposited with the appropriate authorities. Arrear as on 31st December, 2002 was Rs. 311.12 Lacs and Rs. 7.78 Lacs respectively.	In absence of release of sanctioned working capital by the Banks despite sanction in 1998, the Company could not augment its operations and achieve economic level of capacity utilisation which led to cash loss and accumulation of various liabilities including statutory dues. The Company somehow continued with its hold-on exercise with the Company's operations in the larger and long term interest of the workers as continued operations of

"KALYANPUR"

Cements Limited

S. No.	Remarks	Explanation
		the company only could ensure long term employment of the workers. The company has already made provision for payment of statutory dues in installments in its <i>Financial Restructuring Package</i> . However, the company has already been trying to clear the statutory dues on priority even pending approval of the <i>Financial Restructuring Package</i> .
Sl. No. 21 of Annexure to Auditors' Report	The Company, on the basis of Balance Sheet as on 31 December, 2002 is a sick industrial company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company has since been registered as a sick company according to the above Act.	This is a statement of fact and has been appropriately explained in our reply to para 4 (f) of Auditors Report.

On behalf of the Board

Report

junction.com

Shailendra P. Sinha - *Chief Executive*Ranjit Singh *Director*J. N. Trivedi *Director*

Patna

Date : 17th March, 2003

CORPORATE GOVERNANCE :**1. Brief statement on Company's Philosophy on Code of Governance :**

In terms of the report of Kumarmangalam Birla Committee on Corporate Governance and the directives of SEBI, the listing agreement with Stock Exchanges has been amended by addition of Clause 49 therein. The Company is required to implement the Corporate Governance Code in letter and spirit. In fact the Company has already been following some of the sound Corporate Governance practices. Now as stipulated in the listing agreement, it is endeavour of the Company to follow the Code of Corporate Governance by adopting Sound Corporate practices and complying with various laws, rules, regulations and the listing agreement with the Stock Exchanges.

2. a) Composition and category of Directors.

Sn	Name of the Directors	Category	Promoter/ Non-Promoter	Remarks
01	Mr. S. P. Sinha (Upto 9.07.2002)	Executive Chairman	Promoter	
02.	Mr. Shailendra P. Sinha (Upto 05.07.2002)	Managing Director	Promoter	
03.	Mr. A. S. Varma (Upto 9.07.2002)	Non-Executive	Independent	
04.	Mr. P. Hugentobler (Upto 20.06.2002)	Non-Executive	Promoter	Nominee of Foreign Collaborators
05.	Mr. Mukul Dalal (Upto 9.07.2002)	Non-Executive	Independent	
06.	Mr. S. M. Palia (Upto 9.07.2002)	Non-Executive	Independent	
07.	Mr. K.S.B. Sanyal (Upto 9.07.2002)	Non-Executive	Independent	
08.	Mr. Mahesh Prasad	Non-Executive	Independent	Nominee of the Govt of Bihar
09.	Mr. C.P. Padmanabhan	Non-Executive	Independent	Nominee of IFCL Ltd. IFCL Ltd. is both a lender and a shareholder.