

ANNUAL REPORT

2005



“ KALYANPUR ”
Cements Limited



BOARD OF DIRECTORS	MR. RANJIT SINGH		
	MR. D. N. BHANDARI		
	MR. B. C. SRIVASTAVA		
	MR. J. N. TRIVEDI		
	MR. MAHESH PRASAD		(Nominee Govt. of Bihar)
	DR. V. R. SINHA	Upto 20.4.05	
	MR. P. SITARAM	Upto 13.02.05	(Nominee of IDBI)
	MR. DEVIINDER GUPTA	Upto 22.01.04	(Nominee of ICICI Bank Ltd.)
AUDITORS	MESSRS M. MUKERJEE & CO.		
CHIEF EXECUTIVE	MR. SHAILENDRA P. SINHA		
SR. VICE PRESIDENT (FINANCE)-CUM-COMPANY SECRETARY	MR. P. K. CHAUBEY		
BANKERS	ALLAHABAD BANK STATE BANK OF INDIA		
REGISTERED OFFICE	2 & 3, DR. RAJENDRA PRASAD SARANI KOLKATA-700 001		
HEAD OFFICE	MAURYA CENTRE FRASER ROAD, PATNA-800 001		
FACTORY	BANJARI DT. ROHTAS-821 303 (BIHAR)		



DIRECTORS' REPORT

FOR THE 15-MONTHS PERIOD ENDED 31st MARCH, 2005

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the 15-months period ended 31st March, '2005.

1. FINANCIAL RESULTS	(Rupees in Lacs)	
	15-months period ended 31.03.2005	12-months ended 31.12.2003
Total Turnover including other income	8529.10	5844.46
1. Profit before depreciation, interest, tax and other appropriations	(765.71)	(2325.83)
2. <i>Less:</i> Interest and Finance Charges	2122.89	1651.95
3. <i>Less:</i> Depreciation	1657.34	1271.08
4. Net Loss	(4545.94)	(5248.86)
5. Loss carried to Balance Sheet	(36319.11)	(31773.17)

2.0 PRODUCTION

In the absence of release of working capital, significant improvement in operation could not be achieved and capacity utilisation in clinker and cement for the 15-months period remained at 48% and 38% respectively.

3.0 FINANCIAL PERFORMANCE

After a prolonged recessionary trend, price and demand of cement witnessed sustained improvement. Cement consumption in Bihar went up by 17% against a decline of 8% last year on year-on-year basis. All India growth was also higher at 8% against 4% last year. Average realisation too increased by around Rs. 200 per tonne.

With improved cement prices and cost reduction, further decline in performance was stemmed and inspite of steep increase in fuel prices, Company was able to reduce its losses by around 30% on annualised basis.

4.0 FINANCES

Assignment Agreements in respect of the debts assigned by ICICI Bank Ltd., IDBI and Canara Bank in favour of ARCIL., were signed and registered with Office of Sub-Registrar, Sasaram. The remaining financial institutions and Banks are also expected to assign their debts soon. State Govt. in the meantime has allowed remission in stamp duty payable on instruments of securitisation of loan.

The Company is in the process of tying up the reliefs envisaged in the revival package prepared by ARCIL. Approval of the Employees Provident Fund Organisation has since been obtained for payment of Provident Fund dues in instalments. In compliance with the orders of the Hon'ble Supreme Court, the long pending notification for exemption of Sales Tax in terms of Industrial Policy 1995, was finally issued by the State Govt. The said exemption notification, however, has not been of much help as in



terms of the Court's order, the amount equivalent to Sales Tax has to be deposited in a separate Bank Account. State Govt. is yet to approve the Financial Restructuring Package.

A Scheme of Compromise between the Company and its Shareholders and Secured Creditors for giving effect to write down of share capital and settlement of dues of secured lenders as proposed in the revival package, is proposed to be resubmitted in the Kolkata High Court for approval.

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 not been able to pay Annual Listing Fees to the above Stock Exchanges for the year 2004-05 and 2005-06 due to working capital problems.

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 15-months period ended 31.3.2005.
- 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 period.
- 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

1. Under Articles 108 & 109 of the Articles of Association of the Company, Mr. Ranjit Singh retires by rotation in this Annual General Meeting and being eligible, offers himself for re-appointment.
2. Mr. P. Sitaram ceased to be Director of the Company with effect from 14th Feb., 2005 due to withdrawal of his nomination by Industrial Development Bank of India.
3. Dr. V. R. Sinha ceased to be Director of the Company with effect from 21st April, 2005.

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, 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

Patna

Dated : 21st June, 2005

Ranjit Singh	–Director
D. N. Bhandari	–Director
B. C. Srivastava	–Director

ANNEXURE-1**AUDITORS' REMARKS AND MANAGEMENT'S REPLIES**

Sl. No.	Remarks	Explanation
3(iv) of Auditors' Report.	Interest and other charges of Rs. 13481.01 lacs payable to the lending Financial Institutions upto current financial year have not been provided and is shown as contingent liability. Reference may be made to Note 1(c) in Schedule-16 to the Accounts.	This has been suitably explained in note 1(c) in Schedule 16 to the Accounts.
3(v) of Auditors' Report.	Without qualifying our opinion, though the accounts have been drawn on going concern concept, loss for the current year was Rs. 4545.94 Lacs, which together with net carry forward loss of Rs. 31773.17 Lacs amounts to Rs. 36319.11 Lacs against the capital and reserve of Rs. 9839.75 Lacs leaving a negative net worth of Rs. 26479.36 Lacs. In view of this negative net worth, ability of the Company to continue as a going concern is dependent upon restructuring of equity and debt. Reference may be made to Clause No. (x) of annexure of Auditors Report read with Note 12 of Schedule 16 to the Accounts.	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 submitted a Financial Restructuring Proposal to the Operating Agency for consideration and approval by the Financial Institutions, Banks and Govt. of Bihar. In the meantime, an Asset Reconstruction Company namely Asset Reconstruction Co. (India) Ltd. (ARCIL) has acquired the financial assistance to the Company from four major secured creditors namely IDBI, ICICI Bank Ltd., Canara Bank and IFCI Ltd. in terms of Assignment Agreements pursuant to the provisions of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act 2002. While the Assignment Agreements between ARCIL and IDBI, ICICI Bank and Canara Bank have already been executed and registered, the agreement between ARCIL and IFCI Ltd. is likely to be executed and registered shortly. ARCIL is in the process of negotiating with remaining Banks and Financial Institution for assignment of their debt. ARCIL, in the meantime, has submitted a Financial Restructuring Package to the Govt of Bihar, which is under consideration. The Company is confident that the Financial Restructuring Package will be approved by the State Govt. and other concerned agencies and the Company therefore reasonably expects to continue as a going concern.



Sl. No.	Remarks	Explanation																		
3 (xi) of Auditors' Report.	As per explanation given to us by the Management all the Directors of the Company excluding the institutional and government nominee on the board are disqualified under Clause(g) of sub-section (1) of Section 274 of the Companies Act, 1956, for appointment as Directors in other Public Companies.	The disqualification of Directors under Section 274 (1) (g) of the Companies Act 1956 was attracted due to non-redemption of Non-Convertible Debentures (NCDs) issue to Financial Institutions. The disqualification clause will cease to apply after approval of Financial Restructuring Package which envisages write-off of Funded interest of Financial Institutions, a part of which was converted into NCDs. Moreover, the Directors of the Company are disqualified for appointment in other companies and not in the company where they are already holding the position of Directors.																		
Sl. No. (ix) of Annexure to the Auditors' Report.	<p>According to the information and as explained to us, in view of financial constraints the company is not regular in depositing undisputed statutory dues including provident fund, employees state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, royalty and cess with the appropriate authorities. The extent of arrears as on 31st March, 2005 in respect of dues over six months are as below :</p> <table><tr><td>Particulars</td><td>Amount (Rs. in Lacs)</td></tr><tr><td>Sales Tax (Retained)*</td><td>2822.45</td></tr><tr><td>Sales Tax</td><td>1417.30</td></tr><tr><td>Royalty & Cess</td><td>485.21</td></tr><tr><td>Custom Duty</td><td>101.10</td></tr><tr><td>Provident Fund</td><td>871.04</td></tr><tr><td>Employees State Insurance</td><td>37.13</td></tr><tr><td>Income Tax (Tax Deducted at Source)</td><td>50.39</td></tr><tr><td>Cement Regulation Account Dues</td><td>208.23</td></tr></table> <p>*Granted by State Government as per Industrial Policy.</p> <p>Of the above dues of cement regulation account have been challenged in Delhi High Court. All the other dues are undisputed.</p>	Particulars	Amount (Rs. in Lacs)	Sales Tax (Retained)*	2822.45	Sales Tax	1417.30	Royalty & Cess	485.21	Custom Duty	101.10	Provident Fund	871.04	Employees State Insurance	37.13	Income Tax (Tax Deducted at Source)	50.39	Cement Regulation Account Dues	208.23	In view of the continuing deterioration in financial performance of the company over last few years mainly resulting from non-release of working capital by the banks despite sanction in 1998, the company has been trying only to hold on the operation in anticipation of its long term revival and therefore the liabilities on account of statutory dues have accumulated. The proposed Financial Restructuring Package envisages payment of dues in a phased manner out of the generation of resources by the company. The company reasonably expects to fulfil its statutory commitments, once the Restructuring Package is put into operation. The company, however, has recently been granted instalment facility for payment of P.F. arrears and instalments as well as current dues are being paid in time.
Particulars	Amount (Rs. in Lacs)																			
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Sl. No.	Remarks	Explanation																		
Sl. No. (x) of Annexure to the Auditors' Report.	According to the information and as explained to us, the accumulated losses at the end of the financial year are not less than fifty percent of its net worth. It has also incurred cash losses of Rs. 2888.60 Lacs, in the financial year and cash loss of Rs. 3977.78 Lacs, in the immediately preceding financial year.	This is a statement of fact and as a result of erosion of the company's total net worth, it is already registered with BIFR as explained in reply to Sl. No. 3 (v) of the Auditors Report.																		
Sl. No. (xi) of Annexure to the Auditors' Report.	<p>According to the information and as explained to us, the Company has not paid the following dues to financial institutions, banks and debenture holders. The period and amount are given below :</p> <table><thead><tr><th>Particulars</th><th>Amount (Rs. in Lacs)</th></tr></thead><tbody><tr><td>Financial Institutions</td><td></td></tr><tr><td>During the period 1997-98 to 2004-05</td><td></td></tr><tr><td>– Principal/Funded Interest/NCD</td><td>16433.97</td></tr><tr><td>– Interest</td><td>8280.49</td></tr><tr><td>Banks</td><td></td></tr><tr><td>During the period Oct 02 to March '05</td><td></td></tr><tr><td>– Principal</td><td>98.36</td></tr><tr><td>– Interest</td><td>617.13</td></tr></tbody></table>	Particulars	Amount (Rs. in Lacs)	Financial Institutions		During the period 1997-98 to 2004-05		– Principal/Funded Interest/NCD	16433.97	– Interest	8280.49	Banks		During the period Oct 02 to March '05		– Principal	98.36	– Interest	617.13	The dues to Financial Institutions, Banks and the Debenture-holders could not be paid only due to deterioration in financial performance of the company caused by absence of need based working capital, which, despite promises and sanctions was not released by the Banks. Timely release of need based working capital, would have enabled the company avoiding losses to a substantial extent and the dues also would not have accumulated to the present level.
Particulars	Amount (Rs. in Lacs)																			
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During the period Oct 02 to March '05																				
– Principal	98.36																			
– Interest	617.13																			
Sl. No. (xvii) of Annexure to the Auditors' Report.	According to the information and as explained to us, except for purchase of fixed assets amounting to Rs. 20.10 Lacs, funds raised for short term basis have not been used for long term investment.	As observed in the Auditors Report, funds raised on short term basis have not been used for long term investment and only a sum of Rs. 20.10 Lacs has been used for purchase of fixed assets which were essential for operating requirements of the company.																		



ANNEXURE-2

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. Mahesh Prasad	Non-Executive	Independent	Nominee of the Govt. of Bihar
02	Mr. Ranjit Singh	Non-Executive	Independent	
03	Mr. D. N. Bhandari	Non-Executive	Independent	
04	Mr. B. C. Srivastava	Non-Executive	Independent	
05	Dr. V. R. Sinha (Upto 20.4.2005)	Non-Executive	Independent	
06	Mr. J. N. Trivedi	Non-Executive	Independent	
07	Mr. P. Sitaram (Upto 13.2.2005)	Non-Executive	Independent	Nominee of IDBI
08	Mr. Deviinder Gupta (Upto 22.1.2004)	Non-Executive	Independent	Nominee of ICICI Bank Ltd.

- All the Directors of the Company including representatives of the Govt. of Bihar and Financial Institutions are Independent Directors.
- Mr. Shailendra P. Sinha has been appointed as Manager under the Companies Act, 1956 designated as Chief Executive.

2. (b) The attendance record of the Directors at the Board Meetings during 15 month period ended on 31st March, 2005 and the last Annual General Meeting (AGM) is as under :

SN.	Name of Directors	No. of Meetings held during the tenure	Attendance at Board Meeting	Attendance at AGM
01	Mr. Mahesh Prasad	6	—	No
02	Mr. Ranjit Singh	6	5	No
03	Mr. D. N. Bhandari	6	3	Yes
04	Mr. B. C. Srivastava	6	5	No
05	Dr. V. R. Sinha (Upto 20.4.2005)	6	5	No
06	Mr. J. N. Trivedi	6	6	No
07	Mr. P. Sitaram (Upto 13.2.2005)	6	—	*
08	Mr. Deviinder Gupta (Upto 22.1.2004)	1	—	*

* AGM not held in their tenure.

2. (c) **Details of other Directorships etc :**

The details of Directorships in other Companies (excluding Private Limited Companies and Section 25 Companies), Chairmanships and the Committee Memberships held by the Directors are given below :

Name of Directors	No. of other Directorships	Chairman of the Board	Board Committees of which he is a Member	Board Committees of which he is a Chairman
Mr. Mahesh Prasad	5	—	—	—
Mr. D.N. Bhandari	—	—	1	1
Mr. J.N. Trivedi	—	—	—	1
Mr. B. C. Srivastava	1	—	3	—
Dr. V. R. Sinha (Upto 20.4.2005)	—	—	2	—
Mr. Ranjit Singh	—	—	—	1
Mr. P. Sitaram (Upto 13.2.2005)	N.A	N.A.	N.A.	N.A.

- (i) N.A. is not available.
(ii) The position of Committees also includes that of the Company.