

ANNUAL REPORT

2005 – 06



“ KALYANPUR ”
Cements Limited

BOARD OF DIRECTOR	MR. RANJIT SINGH	
	MR. D. N. BHANDARI	
	MR. B. C. SRIVASTAVA	
	MR. J. N. TRIVEDI	Upto 21.06.05
	MR. MAHESH PRASAD	(Nominee Govt of Bihar)
	DR. V. R. SINHA	Upto 20.04.05

AUDITORS	MESSRS M. MUKERJEE & CO.
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CHIEF EXECUTIVE PRESIDENT (WORKS) PRESIDENT (FINANCE)	MR. SHAILENDRA P. SINHA
	MR. S. R. S. KRISHNAN
	MR. S. B. PRASAD

SR. VICE PRESIDENT (FINANCE)-CUM-COMPANY SECRETARY	MR. P. K. CHAUBEY
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BANKERS	ALLAHABAD BANK
	ICICI BANK

REGISTERED OFFICE	2 & 3, DR. RAJENDRA PRASAD SARANI KOLKATA-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)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31st MARCH, 2006

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March, 2006.

1. FINANCIAL RESULTS	(Rupees in Lacs)	
	12-month period ended 31.03.2006	15-month period ended 31.03.2005
Total Turnover including other income	8726.45	8529.10
1. Profit before depreciation, interest, tax and other appropriations	(478.81)	(767.02)
2. Less:		
Loss on Assets discarded	97.69	—
Interest and Finance Charges	213.09	2121.58
Depreciation / deferred revenue	1379.13	1657.34
expenditure written off		
Fringe Benefit Tax	8.85	—
3. Net Loss	(2177.57)	(4545.94)
4. Loss carried to Balance Sheet	(31116.25)	(36319.11)

2.0 PRODUCTION

Performance of the Company improved with better availability of funds in the later part of the year, better cement prices and improved plant operation. Capacity utilisation in Clinker and Cement increased to 59% and 46% respectively, an improvement of 25% and 24% respectively on y-o-y basis.

3.0 FINANCIAL PERFORMANCE

Continued emphasis on infrastructure development coupled with upswing in cement exports fuelled strong growth in demand and prices of cement. Consumption on All India basis rose by 11% against 7% last year and in Bihar by 15% on top of a growth of 22% in the previous period. As a result of improvement in the operations of the Company, net losses on y-o-y basis were reduced by around 52%.

4.0 FINANCES

With IFCI Ltd. and State Bank of India also transferring their stakes in favour of ARCIL, over 92% of secured debts have already been assigned in favour of ARCIL. Allahabad Bank and IIBI continue to hold the remaining 8%.

The Company received approval for the Rehabilitation Package from ARCIL during the year. In terms of the package, an amount of 8.50 crores was infused in the Company during the period November '05 to February '06 for working capital and for carrying out overdue replacements in the plant, which improved plant utilisation. The Company is continuing to make necessary investments for further



improving plant efficiency and the impact of these investments will be felt in the current financial year. The Company is continuing its efforts to obtain approval of the State Govt. for various reliefs envisaged in the revival package, for submission of a fully tied up package to BIFR.

The Scheme of Compromise between the Company and its Shareholders and Secured Creditors for write down of share capital, is under consideration of the shareholders. After the terms are firmed up, it will be placed before the shareholders and secured creditors 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. In the last few years the Company was not able to pay the listing fees in time due to financial constraints and thus the dues on this account had accumulated. Due to some improvement in operations, the dues are being cleared in phases. Presently whereas the listing fees are overdue to Calcutta Stock Exchange for only one year i.e 2005-06, the same are overdue to Magadh stock Exchange for 3 years i.e 2003-04 to 2005-2006.

7.0 AUDITORS' REPORT

Although the remarks contained in the Auditors' Report have been appropriately explained in the Notes on Account in Schedule-15, 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 31.03.06.
- 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 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

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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.

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 Asset Reconstruction Company (India) Ltd., 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

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

Patna

Dated : 25th May, 2006

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

Sl. No.	Remarks	Explanation
3(iv) of Auditors' Report	Interest and other charges of Rs. 754.36 Lacs (previous period Rs. 13481.01 Lacs) payable to IIBI and Allahabad Bank upto current financial year have not been provided and is shown as contingent liability. Reference may be made to Note 1(c) in Schedule-15 to the Accounts.	This has been suitably explained in note 1(c) in Schedule 15 to the Accounts.
3(vi) of Auditors' Report	Without qualifying our opinion, though the accounts have been drawn on going concern concept, loss for the current year was Rs. 2177.57 Lacs, which together with net carry forward loss of Rs. 28898.41 Lacs amounts to Rs. 31075.98 Lacs against the capital and reserve of Rs. 9939.75 Lacs leaving a negative net worth of Rs. 21136.23 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 13 of Schedule 15 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 five out of seven secured creditors namely IDBI, ICICI Bank Ltd., IFCI Ltd., Canara Bank and State Bank of India in terms of Assignment Agreements pursuant to the provisions of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest Act 2002. ARCIL, in the meantime, has also 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.

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Sl. No.	Remarks	Explanation																		
4(v) 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) issued 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, 2006 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>1973.14</td></tr><tr><td>Royalty on L/stone</td><td>551.63</td></tr><tr><td>Custom Duty</td><td>150.89</td></tr><tr><td>Provident Fund</td><td>645.04</td></tr><tr><td>Employees State Insurance</td><td>8.73</td></tr><tr><td>Income Tax (Tax Deducted at Source)</td><td>25.13</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	1973.14	Royalty on L/stone	551.63	Custom Duty	150.89	Provident Fund	645.04	Employees State Insurance	8.73	Income Tax (Tax Deducted at Source)	25.13	Cement Regulation Account Dues	208.23	In view of unsatisfactory operational and 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 operations 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 been granted installment facility for payment of P.F. arrears and installments as well as current dues are being paid in time.
Particulars	Amount (Rs. in Lacs)																			
Sales Tax (Retained)*	2822.45																			
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Cement Regulation Account Dues	208.23																			

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 loss of Rs. 700.75 Lacs in the financial year and cash loss of Rs. 2888.60 Lacs in the immediately preceding financial period.	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 (vi) 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 IIBI and Allahabad Bank. 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>IIBI</td><td></td></tr><tr><td>During the period 1997-98 to 2005-06</td><td></td></tr><tr><td>– Principal/Funded</td><td></td></tr><tr><td>Interest/NCD</td><td>470.18</td></tr><tr><td>– Interest</td><td>258.68</td></tr><tr><td>Allahabad Bank</td><td></td></tr><tr><td>During the period Oct' '02 to March' '06</td><td></td></tr><tr><td>– Principal</td><td></td></tr><tr><td>– Interest</td><td>456.89</td></tr></tbody></table>	Particulars	Amount (Rs. in Lacs)	IIBI		During the period 1997-98 to 2005-06		– Principal/Funded		Interest/NCD	470.18	– Interest	258.68	Allahabad Bank		During the period Oct' '02 to March' '06		– Principal		– Interest	456.89	Except IIBI and Allahabad Bank, all other Financial Institutions and Banks have assigned their debts to ARCIL. The company has submitted a Scheme of Compromise u/s 391 to 394 of the Companies Act, 1956 to the Hon'ble High Court, Calcutta for approval. Upon approval of the Scheme, the dues to IIBI and Allahabad Bank will be settled in the same manner as would be settlement of the dues to ARCIL who has acquired over 92% of the company's secured debts from various FIs and Banks.
Particulars	Amount (Rs. in Lacs)																					
IIBI																						
During the period 1997-98 to 2005-06																						
– Principal/Funded																						
Interest/NCD	470.18																					
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Allahabad Bank																						
During the period Oct' '02 to March' '06																						
– Principal																						
– Interest	456.89																					



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.

(a) Composition and category of Directors

SN	Name of the Directors	Category	Promoter/ Non-promoter		No. of Shares held	Remarks
01	Mr. Mahesh Prasad	Non-Executive	Independent		-	Nominee of the Govt. of Bihar
02	Mr. Ranjit Singh	Non-Executive	Independent	-	700	
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 (Upto 21.6.2005)	Non-Executive	Independent	-	-	

- (i) All the directors of the company including nominee of the Govt. of Bihar are Independent Directors in terms of the definition of independent director contained in the Clause 1(A) (iii) of Clause 49 of the Listing Agreement.
- (ii) Mr. Shailendra P. Sinha has been reappointed as Manager under the Companies Act, 1956 designated as Chief Executive.

2. (b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31st March, 2006 and the last Annual General Meeting (AGM) is as under :

SN.	Name of Directors	No. of Meetings held during the tenure	Attendance at Board Meetings	Attendance at AGM
01	Mr. Mahesh Prasad	6	—	No
02	Mr. Ranjit Singh	6	5	No
03	Mr. D. N. Bhandari	6	5	Yes
04	Mr. B. C. Srivastava	6	6	No
05	Dr. V. R. Sinha (Upto 20.4.2005)	-	-	*
06	Mr. J. N. Trivedi (Upto 21.6.2005)	2	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 (Upto 21.06.2005)	—	—	—	1
Mr. B. C. Srivastava	1	—	3	—
Dr. V. R. Sinha (Upto 20.4.2005)	—	—	2	—
Mr. Ranjit Singh	—	—	2	1

The position of Committees represents that of the Company.