

ANNUAL REPORT

2006 – 07

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“ KALYANPUR ”

Cements Limited



BOARD OF DIRECTORS	MR. SATYADEVA P. SINHA, EXECUTIVE CHAIRMAN
	MR. SHAILENDRA P. SINHA, MANAGING DIRECTOR
	MR. ANANT P. SINHA, JOINT MANAGING DIRECTOR
	MR. MAHESH PRASAD
	MR. D. N. BHANDARI
	MR. B. C. SRIVASTAVA
	MR. S. M. PALIA
	DR. K. C. VARSHNEY
	MR. MAHENDRA LODHA
	MR. RANJIT SINGH Upto 22.2.07

AUDITORS	MESSRS M. MUKERJEE & CO.
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PRESIDENT FINANCE	MR. S. B. PRASAD
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SR. VICE PRESIDENT (FINANCE)-CUM-COMPANY SECRETARY	MR. P. K. CHAUBEY
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BANKERS	ALLAHABAD BANK ICICI BANK
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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)
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Cements Limited

DIRECTORS' REPORT**FOR THE YEAR ENDED 31st MARCH, 2007**

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March, 2007.

1. FINANCIAL RESULTS	(Rupees in Lacs)	
	For the Financial Year ended 31.03.2007	For the Financial Year ended 31.03.2006
Total Turnover including other income	14,230.36	8726.45
1. Earning before depreciation, interest, tax and other appropriations	1,294.88	(478.81)
2. Less :		
Loss on Assets discarded	102.23	97.69
Interest, Finance Charges & Misc. Prov.	621.05	213.09
Special Repairs & Replacements	526.46	61.93
Depreciation / deferred revenue expenditure written off	1360.47	1317.20
Fringe Benefit Tax	9.03	8.85
3. Net Loss	(1324.36)	(2177.57)
4. Loss carried to Balance Sheet	(23953.93)	(31075.98)

2.0 PRODUCTION

Company consolidated its operations during the year with capacity utilization in Clinker and Cement increasing to 75% and 59% respectively, which was an improvement of 27% and 29% over last year.

3.0 FINANCIAL PERFORMANCE

The year saw the Indian economy on a high growth trajectory. GDP grew by 9.4%, the highest in 18 years, supported by 12.3% growth in manufacturing and 13% growth in the Services sector. Foreign Exchange reserves crossed 200 Billion dollars. Increase in per capita income and a high rate of savings at 34% were some of other highlights of the economic performance. But low agricultural growth at 2.7% remained an area of immediate concern. Supply constraints emerged in many commodities mainly wheat, pulses, edible oil besides cement and steel, causing prices of these commodities to rise which forced the Govt. to take recourse to monetary tightening to bring down inflation.

Cement production and consumption grew by 9% each. Infrastructure development and real estate activity witnessed rapid growth. Cement Industry operated at optimal level of 94% to meet growing demand. Emergence of supply deficit in cement pushed up cement prices considerably.

Average realization for the Company was higher by 26% which resulted in better operations and plant maintenance. As a result, turnover increased by 63% and the Company earned a Profit before depreciation, interest, tax and other appropriations of Rs. 12.95 crores. Net losses were also reduced by 39%.

4.0 FINANCES

The Scheme of Compromise for restructuring Company's debts and share capital was approved by the Calcutta High Court. The Company has thereafter been paying the settlement amount to the stakeholders in terms of the approved scheme.



The impact of improved working capital and investments made in overdue repairs and replacement in the plant was felt during the year resulting in higher capacity utilization. Efforts are on to further streamline the Company's operations in the current year.

At a time when the Company is on the threshold of a turnaround and the markets are expected to remain buoyant in long term, Company's rehabilitation package was declined by the State Govt. Company with assistance of ARCIL continued consultation with the State Govt. to reconsider the package.

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 Calcutta Stock Exchange, Bombay Stock Exchange and Magadh Stock Exchange. The Company has since cleared arrears of Annual Listing Fees payable to the Stock Exchanges.

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 31.03.07.
- 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 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

The Board of Directors appointed Mr. Satyadeva P. Sinha, Mr. Anant P. Sinha, Mr. S. M. Palia, Dr. K. C. Varshney and Mr. Mahendra Lodha as additional directors of the company with effect from 23rd February, 2007. Consequent upon resignation of Mr. Shailendra P. Sinha as Manager under the Companies Act, the Board appointed him as an additional director with effect from 23rd Feb.'07. The appointment of additional directors has since been approved by the shareholders in their general meeting.

The Board also appointed Mr. Satyadeva P. Sinha as Wholtime director designated as Executive Chairman and Mr. Shailendra P. Sinha and Mr. Anant P. Sinha as Managing Director and Joint Managing Director respectively. The above appointments have also since been approved by the shareholders of the company.

Mr. Ranjit Singh, consequent upon resignation, ceased to be Director of the company with effect from 23rd Feb.'07.

Under Articles 108 and 109 of the Articles of Association of the Company, Mr. D. N. Bhandari, Mr. B. C. Srivastava and Mr. Mahesh Prasad retire by rotation in this Annual General Meeting and being eligible offer themselves for re-appointment.



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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

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 enclosed hereto as **Annexure-4**.

14.0 MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis has been appended to the Report in terms of the Listing Agreement as **ANNEXURE-5**.

15.0 APPRECIATION

The Directors wish to place on record their appreciation for the support and contribution made by 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.

On behalf of the Board

(Satyadeva P. Sinha)
Executive Chairman

Patna

Dated : 16th June, 2007

ANNEXURE-1

AUDITORS' REMARKS AND MANAGEMENT'S REPLIES

Sl. No.	Remarks	Explanation
3(vii) of Auditors' Report	Without qualifying our opinion, though the accounts have been drawn on going concern concept, loss for the current year was Rs. 1324.36 Lacs, which together with net carry forward loss of Rs. 22629.57 Lacs (after adjustment of differential loan and capital reduction amounts consequent to scheme of compromise) amounts to Rs. 23953.93 Lacs against the reduced capital and reserve of Rs. 2880.54 Lacs leaving a negative net worth of Rs. 21073.39 Lacs. In view of this negative net worth, ability of the Company to continue as a going concern is dependent upon the Company's performance after the recent scheme of compromise. Reference may be made to Clause No. (x) of annexure of Auditors Report read with Note 13 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 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, also submitted a Financial Restructuring Package to the Govt. of Bihar, which is under consideration. A scheme of compromise under the Companies Act, 1956 between the Company and its Shareholders and Secured Creditors was also approved by Hon'ble Calcutta High Court on 21st Nov.'06. 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. In view of merit of the case, the company is also reasonably confident of getting relief from the Hon'ble Supreme Court in Sales Tax Exemption matter.
4(v) of Auditors' Report	As per explanation given to us by the Management, excluding the institutional and government nominee and Directors appointed subsequent to the scheme of compromise approved by Hon'ble High Court on 21st Nov.'06, rest of the Directors 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. Now with the approval of Scheme of Compromise by Hon'ble Calcutta High Court on 21st Nov. '06, the debenture amounts either stand merged with the total loan amount or the date of redemption has been extended to be co-terminus with completion of payment of loans to the concerned institution. The disqualification clause therefore does not apply to the Directors appointed after approval of Scheme of Compromise.

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Sl. No.	Remarks	Explanation																		
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, 2007 in respect of dues over six months are as below :</p> <table><thead><tr><th>Particulars</th><th>Amount (Rs. in Lacs)</th></tr></thead><tbody><tr><td>Sales Tax (Retained)*</td><td>2822.45</td></tr><tr><td>Sales Tax</td><td>4625.74</td></tr><tr><td>Royalty on L/stone</td><td>600.08</td></tr><tr><td>Custom Duty</td><td>156.38</td></tr><tr><td>Provident Fund</td><td>409.98</td></tr><tr><td>Employees State Insurance</td><td>0.00</td></tr><tr><td>Income Tax (Tax Deducted at Source)</td><td>0.00</td></tr><tr><td>Cement Regulation Account Dues</td><td>208.23</td></tr></tbody></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	4625.74	Royalty on L/stone	600.08	Custom Duty	156.38	Provident Fund	409.98	Employees State Insurance	0.00	Income Tax (Tax Deducted at Source)	0.00	Cement Regulation Account Dues	208.23	<p>With improvement in operations and financials, the position of payment of statutory dues has improved. The position with regard to each of the dues is given below :</p> <p>(i) Sales Tax dues– Besides the Sales Tax exemption granted by the Govt. of Bihar in terms of the order of the Hon'ble Supreme Court, the company has submitted a Financial Restructuring Package to the State Govt. seeking grant of installments for payment of deferred sales tax amount and royalty dues.</p> <p>(ii) Custom Duty– Custom Duty will be paid as and when the materials lying at the port are released.</p> <p>(iii) Provident Fund– P.F. authorities have granted installment facility for payment of arrears. The installment and current dues are being paid regularly.</p> <p>(iv) CRA Dues– The dues have been disputed by the company.</p>
Particulars	Amount (Rs. in Lacs)																			
Sales Tax (Retained)*	2822.45																			
Sales Tax	4625.74																			
Royalty on L/stone	600.08																			
Custom Duty	156.38																			
Provident Fund	409.98																			
Employees State Insurance	0.00																			
Income Tax (Tax Deducted at Source)	0.00																			
Cement Regulation Account Dues	208.23																			
Sl. No. (x) of Annexure to the Auditors' Report	<p>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 made cash profit in the current financial year but Cash loss in the immediately preceding financial year.</p>	<p>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 (vii) of the Auditors Report.</p>																		

On behalf of the Board

(Satyadeva P. Sinha)
Executive ChairmanPatna
Dated : 16. 06. 2007

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/ Independent	No. of Shares held	Remarks
01	Mr. Satyadeva P. Sinha (w.e.f. 23.2.07)	Executive	Promoter	—	—
02	Mr. Shailendra P. Sinha (w.e.f. 23.2.07)	Executive	Promoter	—	—
03	Mr. Anant P. Sinha (w.e.f. 23.2.07)	Executive	Promoter	—	—
04	Mr. Mahesh Prasad	Non-Executive	Independent	—	Nominee of the Govt. of Bihar
05	Mr. D. N. Bhandari	Non-Executive	Independent	—	
06	Mr. B. C. Srivastava	Non-Executive	Independent	—	
07	Mr. Ranjit Singh (upto 22.2.07)	Non-Executive	Independent	—	
08	Mr. S. M. Palia (w.e.f. 23.2.07)	Non-Executive	Independent	—	
09	Dr. K. C. Varshney (w.e.f. 23.02.07)	Non-Executive	Independent	—	
10	Mr. Mahendra Lodha (w.e.f. 23.02.07)	Non-Executive	Independent	—	

- (i) The Company presently has three Directors on its Board from Promoters category and remaining six directors are Non-Executive 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) While Mr. Satyadeva P. Sinha has been appointed as wholtime Director designated as Executive Chairman, Mr. Shailendra P. Sinha & Mr. Anant P. Sinha have been appointed respectively as Managing Director & Joint Managing Director. All the three appointments are effective from 23.02.07.



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2. (b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31st March, 2007 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. Satyadeva P. Sinha	1	—	*
02	Mr. Shailendra P. Sinha	1	1	*
03	Mr. Anant P. Sinha	1	1	*
04	Mr. Mahesh Prasad	5	—	No
05	Mr. D. N. Bhadari	5	5	Yes
06	Mr. B. C. Srivastava	5	5	No
07	Mr. Ranjit Singh (upto 22.2.07)	6	4	No
08	Mr. S. M. Palia	1	—	*
09	Dr. K. C. Varshney	1	1	*
10	Mr. Mahendra Lodha	1	1	*

* AGM not held in their tenure.

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

The details of Directorships in 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 Directorships	Chairman of the Board	Board Committees of which he is a Member	Board Committees of which he is a Chairman
Mr. Satyadeva P. Sinha	2	2	1	—
Mr. Shailendra P. Sinha	4	—	1	1
Mr. Anant P. Sinha	3	—	—	—
Mr. Mahesh Prasad	4	—	—	—
Mr. D. N. Bhadari	1	—	1	2
Mr. B. C. Srivastava	3	—	1	—
Mr. Ranjit Singh (upto 22.2.07)	1	—	2	1
Mr. S. M. Palia	9	—	3	4
Dr. K. C. Varshney	5	—	1	3
Mr. Mahendra Lodha	10	—	6	6

The position of Committees represents that of the Company also.



2. (d) Number of Board Meetings and dates on which held :

During the year ended on March 31, 2007, the Board of Directors held 5 meetings. These were held on :

Meeting Serial Number	Date	Meeting Serial Number	Date
1	25th May, 2006	4	31st Jan., 2007
2	26th July, 2006	5	23rd Feb., 2007
3	30th Oct., 2006		

3. The Audit Committee :

(i) The Audit Committee comprises the following Directors :

01.	Mr. D. N. Bhandari	Chairman	Non-Executive Independent
02.	Mr. B. C. Srivastava (upto 22.2.07)	Member	Non-Executive Independent
03.	Mr. Ranjit Singh (upto 22.2.07)	Member	Non-Executive Independent
04.	Mr. S. M. Palia (from 23.2.07)	Member	Non-Executive Independent
05.	Mr. Mahendra Lodha (from 23.2.07)	Member	Non-Executive Independent

Majority of the members of Audit Committee have sound knowledge of Accounts, Audit and Financial matters. While Mr. S. M. Palia is a former Executive Director, IDBI, Mr. Mahendra Lodha is a practicing Chartered Accountant and a renowned Consultant.

(ii) The following meetings of Audit Committee were held during the year ended 31.3.2007.

- 1) 25th May, 2006
- 2) 26th July, 2006
- 3) 30th Oct., 2006
- 4) 31st Jan., 2007

The following is the attendance record of Audit Committee members at the meetings of Audit Committee.

Sl. No	Name of members of Audit Committee	No. of meetings held in their tenure	No. of meetings attended
1	Mr. D. N. Bhandari, Chairman	4	4
2	Mr. B. C. Srivastava (upto 22.2.07)	4	4
3	Mr. Ranjit Singh (upto 22.2.07)	4	3
4	Mr. S. M. Palia (from 23.2.07)	*	*
5	Mr. Mahendra Lodha (from 23.2.07)	*	*

* No Audit Committee Meeting held during their tenure in the financial year.

(iii) The Audit Committee has been assigned the following terms of reference :

- (a) Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.