

ANNUAL REPORT

2007 – 08

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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 (Upto 25.05.2008)
	DR. K. C. VARSHNEY
	MR. MAHENDRA LODHA
	MR. ARUN SHARMA (w.e.f. 27.10.07)

AUDITORS	MESSRS M. MUKERJEE & CO.
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PRESIDENT (MANAGEMENT AUDIT)	MR. S. B. PRASAD
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PRESIDENT (FINANCE) & 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 1, FRASER ROAD, PATNA-800 001
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FACTORY	BANJARI DT. ROHTAS-821 303 (BIHAR)
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DIRECTORS' REPORT

FOR THE YEAR ENDED 31st MARCH, 2008

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March, 2008.

1. FINANCIAL RESULTS	(Rupees in Lacs)	
	For the Year ended 31.03.2008	For the Year ended 31.03.2007
Total Turnover including other income	15,484.27	14,230.36
1. Profit before depreciation, interest, tax and other appropriations	621.99	1,294.88
2. Less:		
Loss on Assets discarded	—	102.23
Interest and Finance Charges & Misc. Provisions	282.55	621.05
Special Repairs & Replacements	—	526.46
Depreciation / deferred revenue expenditure written off	1,338.26	1360.47
Fringe Benefit Tax	8.75	9.03
3. Net Loss	(1,007.57)	(1,324.36)
4. Write Back of Sales Tax dues	5326.33	—
5. Loss carried to Balance Sheet	(19,635.17)	(23,953.93)

2.0 PRODUCTION

During the first half of the year, production was affected on account of breakdown in the Raw Mill Section. Delayed delivery of replacements also affected operations. Production improved during later part of the year. As a result, capacity utilization in Clinker and Cement reached 65% and 54% respectively which however was lower than 75% and 59% respectively, achieved last year.

3.0 FINANCIAL PERFORMANCE

Even though the Economy somewhat slowed down as compared to last year's levels, it did maintain a satisfactory pace of growth on various parameters like GDP (8.7%), Service sector (10.7%) and Manufacturing sector (9.4%). All other economic parameters remain vibrant enough to sustain anticipated growth.

Cement sector also did well in terms production, consumption and realization and average realization for the Company was higher by around 17%. Turnover increased by 9% and the Company earned a Profit before depreciation, interest, tax and other appropriations of Rs. 6.22 crores. Net losses before extraordinary items were lower at Rs. 10 crores against Rs. 13 crores last year.

4.0 FINANCES

Efforts are on to streamline Company's operations in the current year to improve plant efficiency and capacity utilisation. The Company has drawn up a detailed plan for preventive maintenance in critical areas of operation and has already started the process for order placement for essential replacements, in view of the long lead time for supplies. While the plant improvement measures would result in improved capacity utilisation in this financial year, the full impact of the changes would be felt from 2009 onwards.



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. There are no arrears of Annual Listing Fees pending with the Company.

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 31.03.08.
- 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 appointed Mr. Arun Sharma as Additional Director of the Company with effect from 27.10.2007. Under Articles 108 and 109 of the Articles of Association of the Company, Mr. Satyadeva P. Sinha, Mr. Mahendra Lodha and Dr. K.C. Varshney retire by rotation in this Annual General Meeting and being eligible offer themselves for reappointment.

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 224 A 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**.



Cements Limited

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 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-5**.

On behalf of the Board

 Satyadeva Prakash Sinha
Executive Chairman

Patna
Dated : 24th May, 2008

ANNEXURE-1

AUDITOR'S REMARKS AND MANAGEMENT'S REPLIES

Sl. No.	Remarks	Explanation
3(iv) of Auditor's Report	Without qualifying our opinion, though the accounts have been drawn on going concern concept, loss for the current year being Rs. 1007.57 lacs, which together with net carry forward loss of Rs. 23953.93 lacs as reduced by write-back of Sales Tax dues of Rs. 5326.33 lacs (Note 1(h) of Schedule 16) amounts to Rs. 19635.17 lacs against the reduced capital and reserve of Rs. 2880.54 lacs leaving a negative net worth, of Rs. 16754.63 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 Auditor's Report read with Note 11 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) acquired the debts of 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. 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 which would help improve the position of the Company significantly.
Sl. No. (ix) of Annexure to the Auditor's Report	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, 2008 in respect of dues over six months are as below :	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 : (i) Sales Tax and Royalty dues – 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. (ii) Custom Duty – Custom Duty will be paid as and when the materials lying at the port are released. (iii) Provident Fund – P.F. authorities have granted installment facility for payment of arrears. The installment and current dues are being paid regularly.

KALYANPUR

Cements Limited

Sl. No.	Remarks	Explanation														
	<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 / Entry Tax</td><td>1237.24</td></tr><tr><td>Royalty on L/stone</td><td>539.73</td></tr><tr><td>Custom Duty</td><td>89.43</td></tr><tr><td>Provident Fund</td><td>206.84</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 other dues are undisputed.</p>	Particulars	Amount (Rs. in Lacs)	Sales Tax (Retained)*	2822.45	Sales Tax / Entry Tax	1237.24	Royalty on L/stone	539.73	Custom Duty	89.43	Provident Fund	206.84	Cement Regulation Account Dues	208.23	(iv) CRA Dues — The dues have been disputed by the Company.
Particulars	Amount (Rs. in Lacs)															
Sales Tax (Retained)*	2822.45															
Sales Tax / Entry Tax	1237.24															
Royalty on L/stone	539.73															
Custom Duty	89.43															
Provident Fund	206.84															
Cement Regulation Account Dues	208.23															
Sl. No. (x) of Annexure to the Auditor's 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 made cash profit in the current financial year as well as 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 (iv) of the Auditor's Report.														

On behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna
Dated : 24th May, 2008

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	Executive	Promoter	—	—
02	Mr. Shailendra P. Sinha	Executive	Promoter	—	—
03	Mr. Anant P. Sinha	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. S. M. Palia (upto 25.5.2008)	Non-Executive	Independent	—	
08	Dr. K. C. Varshney	Non-Executive	Independent	—	
09	Mr. Mahendra Lodha	Non-Executive	Independent	—	
10	Mr. Arun Sharma (w.e.f. 27.10.2007)	Non-Executive	Independent	—	Nominee of Arcil, the Secured Creditors.

The Company presently has three Directors on its Board from Promoter category and remaining seven directors are Non-Executive Independent Directors in terms of the definition of Independent Director contained in Clause 1(A) (iii) of Clause 49 of the Listing Agreement.

"KALYANPUR"

Cements Limited

2. (b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31st March, 2008 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	6	6	No
02	Mr. Shailendra P. Sinha	6	6	No
03	Mr. Anant P. Sinha	6	5	No
04	Mr. Mahesh Prasad	6	—	No
05	Mr. D. N. Bhandari	6	5	Yes
06	Mr. B. C. Srivastava	6	6	No
07	Mr. S. M. Palia (upto 25.5.2008)	6	2	No
08	Dr. K. C. Varshney	6	6	No
09	Mr. Mahendra Lodha	6	5	No
10	Mr. Arun Sharma (w.e.f. 27.10.2007)	3	3	*

* AGM not held in his tenure.

(c) **Details of 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	1	1	1	—
Mr. Shailendra P. Sinha	3	—	1	—
Mr. Anant P. Sinha	2	—	—	—
Mr. Mahesh Prasad	N.A.	N.A.	N.A.	N.A.
Mr. D. N. Bhandari	1	—	1	2
Mr. B. C. Srivastava	3	—	1	—
Mr. S. M. Palia (upto 25.5.2008)	9	—	3	5
Dr. K. C. Varshney	5	—	1	2
Mr. Mahendra Lodha	8	—	6	5
Mr. Arun Sharma (w.e.f. 27.10.2007)	1	—	1	—

The position indicated above includes the Directorship and Membership / Chairmanship of the Committees of the Board of Directors of the Company also.

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

During the year ended on March 31, 2008, the Board of Directors held 6 meetings. These were held on :

Meeting Serial Number	Date	Meeting Serial Number	Date
1	12th April, 2007	4	27th Oct., 2007
2	16th June, 2007	5	25th Jan., 2008
3	28th July, 2007	6	20th Feb., 2008

3. The Audit Committee :
(i) The Audit Committee comprises the following Directors :

01.	Mr. D. N. Bhandari	Chairman	Non-Executive Independent
02.	Mr. S. M. Palia (upto 25.5.2008) Mr. B. C. Srivastava (Alternate to Mr. S.M. Palia)	Member	Non-Executive Independent -do-
03.	Mr. Mahendra Lodha Dr. K. C. Varshney (Alternate to Mr. Mahendra Lodha)	Member	Non-Executive Independent -do-
04.	Mr. Arun Sharma (wef 27.10.07)	Member	Non-Executive Independent

All the members of Audit Committee have sound knowledge of Accounts, Audit and Financial matters. All the members of the Audit Committee are independent Directors.

(ii) The following meetings of Audit Committee were held during the year ended 31.3.2008.

- 1) 16th June, 2007
- 2) 28th July, 2007
- 3) 27th Oct., 2007
- 4) 25th Jan., 2008

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. S. M. Palia Mr. B. C. Srivastava (Alternate to Mr. SM. Palia)	4 —	1 2
3	Mr. Mahendra Lodha Dr. K. C. Varshney (Alternate to Mr. Mahendra Lodha)	4 —	3 1
4	Mr. Arun Sharma	1	1