

ANNUAL REPORT

2008 – 09



“ 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 DR. K. C. VARSHNEY MR. MAHENDRA LODHA MR. ARUN SHARMA
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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, 2009

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March, 2009.

(Rupees in Lacs)

1. FINANCIAL RESULTS

	Year ended 31.03.2009	Year ended 31.03.2008
Total Turnover including other income	18,050.68	15,484.27
1. Profit before depreciation, interest, tax and other appropriations	425.61	621.99
2. Less :		
Loss on Assets discarded	1.21	—
Interest and Finance Charges & Misc. Provisions	187.83	282.55
Excise Duty of Previous Year	316.05	
Depreciation / deferred revenue expenditure written off	1,475.75	1,338.26
Fringe Benefit Tax	9.27	8.75
3. Net Loss	(1564.50)	(1,007.57)
4. Write back of Sales Tax and Loan	2787.59	5326.33
5. Loss carried to Balance Sheet	(18,412.08)	(19,635.17)

2.0 PRODUCTION

Capacity utilization in Clinker and Cement improved to 74% and 60% respectively during the year compared to 65% and 54% achieved last year. However, delay in completion of rehabilitation of machineries coupled with unstable power supply hindered the plant operations. Stoppages also had to be taken for lining change in the Kiln and installation of new rollers in the Raw Mill in place of the old Rollers.

3.0 FINANCIAL PERFORMANCE

The Financial Year ending March, 2009 was a period of marked instability and financial turmoil on a global scale. At home, inflation peaked to 13% only to fall below 1%. Crude oil touched a high of USD 147 per barrel which affected the prices of Packing Materials and other inputs.

While All India cement production maintained a growth of 8%, growth in cement consumption was marginally lower at 8% as against 10% in 2007-08. Around 14 million tonnes of additional capacity was added during the year, representing a growth of 15% over last year. In view of the pressure on cement prices due to capacity built up and incommensurate demand on account of slowdown in real estate activities, Capacity utilization by the Cement Industry came down from 94% to 88%.

Average realization of the Company during the year was lower as compared to the same during the previous year. Some improvement, was however visible only in the 4th quarter of the year. In spite of 16% growth in turnover,



Company incurred net loss due to inflationary impact on costs and additional provision for Excise duty in respect of previous year. Considering the excise duty amount of Rs. 316.05 lacs paid during the year for the previous year, the previous year's adjusted EBITDA would be Rs. 305.94 lacs. The current year's EBITDA of Rs. 425.61 lacs has shown a marginal improvement.

4.0 FINANCES

The company is making continuous efforts to improve its operations. It installed new set of imported Rollers in Raw Grinding section and few other critical equipments in other sections at a cost of Rs. 14 crores approx. The remaining installation of New Rollers in the Clinker Grinding section and replacement and repair of other equipments shall be undertaken in the current year. The orders for such Rollers / Equipments have already been placed. With these installations, we are confident that the plant should be in a position to achieve higher production levels.

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 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 31.03.09.
- 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.



Cements Limited

10.0 DIRECTORS

Under Articles 108 and 109 of the Articles of Association of the Company, Mr. D. N. Bhandari and Mr. B. C. Srivastava, Directors 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.

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 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 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 / Banks, State Govt. and Central Govt. in carrying out its operations.

On behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna

Dated : 23rd May, 2009



ANNEXURE-1

AUDITOR'S REMARKS AND MANAGEMENT'S REPLIES

Sl. No.	Remarks	Explanation
3(i) (a) of Auditors' Report	As stated in Para 1 (a) of Schedule 16, the claims of BSEB for enhanced tariff and Delayed payment Surcharge (DPS) are disputed in respect of 33 KV power connection.	The point raised by the auditors has been fully explained at Para 1 (a) (i) & (ii) of Schedule 16 appended to the accounts of the company.
3(i) (b) of Auditors' Report	As stated in Para 1 (b) of Schedule 16, the claims of BSEB for Annual Minimum Guarantee (AMG) charges and DPS are disputed in respect of 132 KV power connection. The above disputes as informed by the Company are now nearing resolution as explained in para 1(b) (ii) of Schedule 16.	The Company has given justification for not admitting as payable, the amounts of AMG & DPS in Para 1(b) (i) & (ii) of Schedule 16 to the annual accounts of the company
3(ii) of Auditors' Report	As stated in Para 1 (c) of Schedule 16, the claims of Cement Regulation Account are disputed.	The Company has disputed before the Hon'ble Delhi High Court, the demand raised by the Ministry of Industry in respect of the levy under Cement Regulation Account amounting to Rs. 2.08 crores on the ground that the levy is not correct and hence interest thereon is also not payable. The point has been adequately explained in Para 1 (c) of Schedule 16 to the accounts of the company.
3(iii) of Auditors' Report	In terms of Note 9 of Schedule 16 to the Accounts, the documents relating to the title of all immovable properties including land at Banjari were deposited with IFCI Limited. Although documents and papers relating to the title of immovable properties could not be produced before us for our varification we were assured that the Company enjoyed peaceful possession of the said immovable properties.	This is a statement of fact and the company enjoys peaceful possession of all its immovable properties.
3(iv) of Auditors' Report	Pursuant to the Bihar Government's Notification So No. 174 dated 18th Oct'04 granting sales tax exemption for a period of five years, an amount equivalent to Rs. 2221.27 Lacs has been written back in the books of accounts of the company as on 31 st March '09 (previous year Rs. 5326.33 Lacs). These amounts have the effect of reducing the accumulated losses to that extent. However the company may have to pay these amounts in future in case of adverse decision by Supreme Court. Reference may be made to Para 1 (h) of Schedule 16 to the Accounts.	The write back of the amount of sales tax as stated in the auditors report is based on interim order dt. 18.11.02 of the Hon'ble Supreme Court and the notification issued by the Govt. of Bihar pursuant thereto.

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Cements Limited

Sl. No.	Remarks	Explanation
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. 1564.50 Lacs, which together with net carry forward loss of Rs. 19635.17 Lacs, as reduced by write back of sales tax dues and debts as aforesaid amounts to Rs. 18412.08 Lacs against the capital and reserve of Rs. 4836.54 Lacs leaving a negative networth, of Rs. 13575.54 Lacs. In view of this negative networth, 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 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 hearing held on 28.05.02 and appointed IFCI Ltd. as Operating Agency under the Provisions of Sick Industrial Companies (Special Provisions) Act 1985. In the meantime, an Asset Reconstruction company namely Asset Reconstruction Company (India) Ltd. (ARCIL) acquired the debts of the company from various Financial Institutions and Banks in terms of the Assignment Agreements pursuant to the provisions of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest, Act 2002. A Scheme of Compromise under the Companies Act, 1956 between the Company and its share holders and Secured Creditors was also approved by the Hon'ble Calcutta High Court on 21.11.2006. BIFR held two hearing in the last financial year and has given several directions which have since been complied with. The Operating Agency has since submitted the Draft Rehabilitation Scheme (DRS) to BIFR which will be considered by them in due course of time. The company is hopeful of approval of the DRS with the consent of all the major Stakeholders. The Sales Tax exemption case is also appearing on the list of the Hon'ble Supreme Court for final disposal and the Company is reasonably confident of getting relief from the Hon'ble Court which would help improve position of the Company significantly.
(ix) of Annexure to the Auditors' Report	<p>According to information and as explained to us, barring few exceptions, the Company generally is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. The extent of arrears as on 31st March 2009 in respect of dues over six months are as below :</p> <p>(a) Sales Tax (Retained) - Rs. 2822.45 Lacs</p> <p>Granted by State Government as per Industrial Policy 1989.</p> <p>As per information and explanation received, the sales tax dues upto 30.09.02 have been stayed by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide the order dt. 20.09.2002. Such dues would</p>	<p>With improvement in operations & financials, the position of payment of statutory dues had significantly improved. The position with regard to each of the dues is given below :</p> <p>The Operating Agency namely IFCI Ltd. has submitted a Draft Rehabilitation Scheme (DRS) to the Board for Industrial & Financial Reconstruction (BIFR) for approval and the DRS provides for payment of Deferred Sales Tax dues in installments.</p>

Sl. No.	Remarks	Explanation
	<p>be ordered to be recovered as per the Rehabilitation Scheme to be finalized by BIFR. In addition, the Company has sought installment facility for payment of the dues through its Financial Restructuring Package under submission to BIFR.</p> <p>(b) Sales Tax including Entry Tax - Rs. 701.59 Lacs As per information and explanation received, this has not been paid due to financial difficulties faced by the Company.</p> <p>(c) Royalty on Limestone – Rs. 517.94 Lacs As per information and explanation received, the Company has sought installment facility for payment of the dues through its Financial Restructuring package under submission to BIFR.</p> <p>(d) Custom Duty - Rs. 49.44 Lacs As per information and explanation received, the dues represent the Custom Duty payable on certain imported items lying uncleared at Kolkata Port. However, one of the three consignments could not be traced by the Port Authorities. This duty will be payable only when the same is traced and ready for release.</p> <p>(e) Cement Regulation Account – Rs. 208.23 lacs The above dues of Cement Regulation Account have been challenged in Delhi High Court.</p> <p>All the other dues except items (d) & (e) above are undisputed.</p>	<p>This amount is being paid in installments.</p> <p>The Operating Agency has submitted a DRS to BIFR for approval and the DRS provides for payment of Mining Royalty Dues in installments.</p> <p>The Custom Duty will be paid as and when materials lying at the port are released.</p> <p>The dues have been disputed by the Company before the Hon'ble Delhi High Court.</p>
(x) of Annexure to the Auditors' Report	<p>According to the information and as explained to us, the accumulated losses at the end of financial year are not less than fifty percent of its net worth. It has made Cash loss in the current financial year but cash profit 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 networth, it is already registered with BIRF as explained in reply to auditors comment at Para No. 3 (vi) of their Report.</p>

On behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna
Dated : 23th May, 2009



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	176	Please ref. Clause 7(v)(d)
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	Non-Executive	Independent	—	Nominee of Secured Creditors.

The Company presently has three Directors on its Board from Promoter category. The remaining six 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.

2. (b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31st March, 2009 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	6	No
04	Mr. Mahesh Prasad	6	—	No
05	Mr. D. N. Bhandari	6	5	Yes
06	Mr. B. C. Srivastava	6	5	No
07	Mr. S. M. Palia (upto 25.5.2008)	1	1	No
08	Dr. K. C. Varshney	6	4	No
09	Mr. Mahendra Lodha	6	4	No
10	Mr. Arun Sharma	6	3	No

- (c) Details of Directorships etc :

The details of Directorships in Companies (excluding Private Limited Companies and Section 25 Companies), Chairmanship and the Committee Membership 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	5	—	—	—
Mr. D. N. Bhandari	1	—	1	2
Mr. B. C. Srivastava	3	—	3	1
Mr. S. M. Palia (upto 25.5.2008)	—	—	—	—
Dr. K. C. Varshney	4	—	2	3
Mr. Mahendra Lodha	9	—	6	5
Mr. Arun Sharma	1	—	2	—

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