

# **ANNUAL REPORT**

## **2011-12**

**“ KALYANPUR ”**  
**Cements Limited**

**Board of Directors**

Sri Satyadeva P. Sinha, Executive Chairman  
Sri Shailendra P. Sinha, Managing Director  
Sri Anant P. Sinha, Joint Managing Director  
Sri Mahesh Prasad (Upto 28.07.2011)  
Sri D.N. Bhandari  
Sri B.C. Srivastava  
Dr. K.C.Varshney  
Sri Arun Sharma (Upto 09.05.2012)  
Sri Mahendra Lodha  
Sri K. Balasubramanian (Upto 24.05.2012)  
Sri Dhananjay Lodha  
Sri Bimlanand Jha (w.e.f. 29.07.2011)

**1. Auditors**

M/s M. Mukerjee & Co.

**2. Internal Auditors**

M/s B. Gupta & Co.

**3. Cost Auditors**

M/s Mitra, Bose & Associates

**Registered Office**

2 & 3, Dr. Rajendra Prasad Sarani  
Kolkata- 700 001

**Corporate Office**

Maurya Centre  
1, Fraser Road, Patna-800 001  
Bihar

**Audit Committee**

Sri D.N.Bhandari, Chairman  
Dr. K.C.Varshney  
Sri Dhananjay Lodha  
Sri Arun Sharma (Upto 09.05.2012)  
Sri B.C. Srivastava

**Share Transfer & Shareholders' Grievance  
Redressal Committee**

Sri D.N. Bhandari, Chairman  
Sri Satyadeva P. Sinha  
Sri Shailendra P. Sinha

**Senior Management**

Sri Siddharth P. Sinha, Executive Director  
Sri S.B.Prasad, President (Management Audit)  
Sri P.K. Chaubey, President (Finance) & Co. Secretary  
Sri Faisal Alam, President (Sales & Marketing)  
Sri D.M. Sinha, Sr. Vice-President (Works)  
Sri S.C. Banka, Group Head - HR

**Factory**

Banjari, Distt. Rohtas - 821 303  
Bihar

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31<sup>st</sup> MARCH, 2012

***The Shareholders,***

Your Directors submit herewith their Report together with the audited accounts for the year ended 31<sup>st</sup> March '2012

#### 1. FINANCIAL RESULTS

(Rupees in Lacs)			
	Year ended 31.03.2012	Year ended 31.03.2011	
Total Turnover including other income	21464.70	23756.91	
1. Profit before depreciation, interest, tax and other appropriations	(2117.98)	(54.06)	
2. Less :			
Interest and Finance Charges	1123.91	299.79	
3. Depreciation / amortization	1467.11	1380.64	
4. Fringe Benefit Tax	0.05		
5. Net Profit (Loss )	(4709.05)	(1734.49)	
6. Extraordinary Items	(1388.46)	8754.71	
7. Profit/(Loss) after Extraordinary Items	(6097.51)	7020.22	

#### 2.0 PRODUCTION

Clinker and Cement production were lower during the year on account of maintenance of the Kiln during December, 2011 and January'2012. On account of the above, capacity utilization in Clinker and Cement production during the year was 77 % and 63 % respectively as against 88 % and 76 % achieved last year .

#### 3.0 FINANCIAL PERFORMANCE

The growth of 8.6% witnessed during 2010-11 could not be sustained during 2011-12 due to inflationary pressures which had surfaced in 2010-11 and continued in 2011-12 , and remained a major concern for the Govt. The RBI pursued a tight money policy to contain inflation resulting in increased borrowing costs which impeded investment and consumption growth . Impacted by steep decline in manufacturing growth to an estimated 3.9 % compared to 8 % last year and lower agricultural growth at 2.5 %, GDP growth fell to an estimated level of 6.9 % after two successive years of over 8 % growth . Excess capacity in Cement, coupled with the economic slowdown affected the performance of the Industry ,as both production and consumption of Cement on All India basis grew marginally by 6% as against 5 % last year , which was already a decadal low. Lower plant availability coupled with reduced selling prices and high operating costs resulted in steep fall in turnover and substantially increased losses from operation during the year.

#### **4.0 FINANCES**

2011-12 was the second successive year of extremely low growth in demand with virtually stagnant cement realization, despite 100 % hike in pit head cost of Coal and over 25 % increase in power cost, the two major cost components in Cement manufacture. The Company was called upon to pay FCPPA retrospectively which together with some other elements of cost had extraordinary impact on the financial position of the company. The company during the year under report had a negative operating margin of Rs. 21.18 Crs. and a cash loss of Rs. 32.41 Crs. The net loss for the year amounted to Rs. 47.09 Crs. which was caused mainly due to unprecedented rise in cost of fuel and power besides the cost of transportation and shortfall in production due to plant shutdown for major repairs. The company also provided for some of the accrued liabilities amounting to Rs. 13.88 Crs. towards energy cost and interest on mining royalty, the total loss for the year being Rs. 60.98 Crs.

Load restrictions imposed by the transport dept. of the Govt. of Bihar resulted in significant increase in transportation cost and considering all the elements of cost escalation, overall variable cost per ton of cement increased by 30% over the previous year while cement realization remained flat.

Burdened with continued hike in input costs which could not be passed on due to sluggish demand, the Company experienced severe financial distress. On account of financial constraints, the Company was not in a position to fully service its liabilities including statutory dues and there was thus substantial increase in liabilities.

The Board for Industrial and Financial Reconstruction (BIFR) sanctioned the rehabilitation scheme in February, 2012. The reimbursement of Value Added Tax amounting to Rs. 41 Crs. by the Govt. of Bihar pursuant to the Rehabilitation Scheme sanctioned by BIFR did help mitigate the situation to some extent by clearing the sales tax, electricity and some part of mining royalty dues.

The coming period might see further increase in operating costs following recent hike of 20% in Railway freight effective from March '2012. Diesel prices also may go up which will escalate freight cost. Excise duty was also increased during the period.

The overhaul of the Kiln has resulted in significant improvement in its operational efficiency in terms of output and lower energy consumption since February 2012, which will result in cost savings for the Company.

#### **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 and Bombay Stock Exchange. The Company's shares were earlier listed on Magadh Stock Exchange also which has since been derecognised by the Securities and Exchange Board of India. There are no arrears of Annual Listing Fees pending with the Company.

#### **7.0 AUDITORS' REPORT**

The remarks contained in the Auditors' Report have been appropriately explained in ANNEXURE - 1 to the Directors' Report.

#### **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 31.03.2012.

- 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**

Under Articles 108 & 109 of the Articles of Association of the Company, Dr. K.C. Varshney and Mr. Dhananjay Lodha 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**

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 MANAGEMENT DISCUSSION AND ANALYSIS**

Management Discussion and Analysis has been appended to the Report, in terms of the Listing Agreement, as **ANNEXURE -4**.

## **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.

Patna  
Dated : 25th May, 2012

**On behalf of the Board**  
Satyadeva Prakash Sinha  
Executive Chairman



**ANNEXURE – 1**

**AUDITOR'S REMARKS AND MANAGEMENT'S REPLIES**

Sl. No.	Remarks	Explanation
3(i) of Auditors Report	As stated in para 1.1 and 1.2 of Note 19 to the Balance Sheet, the claims of BSEB are disputed in respect of 33 KV and 132 KV power connections. The extent and nature of disputes as well as the financial implication, if not resolved as anticipated, have been explained by the Management in the said Note.	The amounts in dispute have been disclosed in para 1.1 and 1.2 of Note 19 to the Balance Sheet.
3(ii) of Auditors Report	In terms of Para 4 of Note 19 to the Balance Sheet, Documents and papers relating to all the immovable properties including land at Banjari are deposited with IFCI Ltd. which assigned its loan earlier granted to the Company to Arcil – Kalyanpur Cements Ltd. Trust.	This is a statement of fact and the company enjoys peaceful possession of all its immovable properties
3(iii) of Auditors' Report	Without qualifying our opinion, though the accounts have been drawn on going concern concept, the accumulated losses at the end of current financial year considering the loss of Rs.6097.51 Lacs for the year amount to Rs. 24546.35 Lacs against the capital and reserve of Rs. 4836.54 Lacs which leaves a negative networth of Rs.19709.81 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 scheme sanctioned by BIFR. Reference may be made to clause no. (x) of annexure to Auditors Report read with para 5 of Note 19 to the Balance Sheet.	The Draft Rehabilitation Scheme which was circulated by BIFR has since been approved and the sanctioned scheme circulated to all the concerned agencies. The scheme provides for reliefs and concessions from the Govt. of Bihar and other agencies. The sanctioned scheme which was received in Feb.'12 is under implementation and it is expected that on full implementation of the scheme, the company's net worth will become positive and the company therefore expects to continue as a going concern.
(ix) of Annexure to Auditors Report	According to information and as explained to us, there have been delays in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Value Added Tax, Sales-tax, Service Tax, Excise Duty, cess and other statutory dues with the appropriate authorities. The extent of arrears as on 31 <sup>st</sup> March, 2012 in respect of dues over six months are as below :-	With improvement in operations and financials in 2009-10, the payment position of statutory dues had significantly improved. The statutory dues payments were generally regular in F.Y. 2010-11 also. However, due to adverse market conditions both in terms of poor sales realization and steep escalation in cost of inputs mainly power and fuel, the company's financial position declined sharply in the financial year under report resulting in liquidity constraint. As a result, various statutory dues as mentioned below could not be paid in time. However, the position with regard to each of the dues is given separately as under:

Sl. No.	Remarks	Explanation
(ix) of Annexure to the Auditors' Report	<p>a) Royalty on Limestone - Rs. 633.69 Lacs.</p> <p>As per information and explanation received, Royalty dues including the dues as per BIFR sanctioned scheme amount to Rs. 633.69 Lacs.</p> <p>b) Cement Regulation Account - Rs. 208.23 Lacs</p> <p>The above dues of Cement Regulation Account have been settled in the Scheme sanctioned by BIFR and are payable as per the sanctioned scheme.</p> <p>c) Provident Fund, EPS, - Rs.436.44 Lacs</p> <p>d) Tax deducted at Source (TDS) – Rs.104.13</p>	<p>(a) Royalty on Limestone</p> <p>The sanctioned scheme provides for payment of royalty dues of Rs. 466 Lacs and the same will be paid out of the VAT subsidy amount receivable from the Govt. of Bihar. The remaining amount will also be paid on receipt of VAT subsidy</p> <p>(b) C R Account</p> <p>This will be paid as per the scheme sanctioned by BIFR.</p> <p>(c) Provident Fund</p> <p>The company has sought installment facility from the appropriate authorities for payment of the P F dues which is expected to be received in due course. After grant of installment facility, the payments of the dues will be made on regular basis.</p> <p>(d) T D S</p> <p>This will be paid soon.</p>
(x) of Annexure to the Auditors Report	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 as well as in the immediately preceding financial year.	This is a statement of fact and as a result of the erosion of the company's total net worth, it is already registered with BIFR as explained in reply to Auditors comment at para No. 3 (iii) of their report.
(xi) of Annexure to the Auditors Report	Some defaults have taken place in payment of dues to Financial Institutions, Banks, Debentureholders and the Central Govt. as referred to in Note 3 & 4 to the Balance Sheet.	The default in payment to the secured lenders has taken place due to liquidity constraint during the financial year under report. The defaults, being for short period, are in the process of being addressed by clearing the dues soon.

**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 the 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	Shri Satyadeva Prakash Sinha	Executive	Promoter	-	-
02	Shri Shailendra Prakash Sinha	Executive	Promoter	-	-
03	Shri Anant Prakash Sinha	Executive	Promoter	-	-
04	Shri Mahesh Prasad (upto 28.7.2011)	Non-Executive	Independent	-	Nominee of the Govt. of Bihar
05	Shri Bimlanand Jha (w.e.f. 29.7.2011)	Non-Executive	Independent	-	Nominee of the Govt of Bihar
06	Shri D.N. Bhandari	Non-Executive	Independent	176	Please ref. Clause 7(v)(d)
07	Shri B.C. Srivastava	Non-Executive	Independent	-	
08	Dr. K.C.Varshney	Non-Executive	Independent	-	
09	Shri Mahendra Lodha	Non-Executive	Independent	-	
10	Shri Arun Sharma (Upto 9.5.2012)	Non-Executive	Independent	-	Nominee of Asset Reconstruction Company (India) Ltd. (both Lender and Equity Investor).
11	Shri K. Balasubramanian (upto 24.5.2012)	Non-Executive	Independent	-	
12	Shri Dhananjay Lodha	Non-Executive	Independent	-	

The company presently has three Directors on its Board from Promoter category. The remaining six directors are non-Executive independent Directors.



2. b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31<sup>st</sup> March, 2012 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	Shri Satyadeva Prakash Sinha	4	4	No
02	Shri Shailendra Prakash Sinha	4	4	No
03	Shri Anant Prakash Sinha	4	4	No
04	Shri Mahesh Prasad	1	-	No
05	Shri Bimlanand Jha	3	1	No
06	Shri D.N. Bhandari	4	4	No
07	Shri B.C. Srivastava	4	4	Yes
08	Dr. K.C. Varshney	4	4	No
09	Shri Mahendra Lodha	4	2	No
10	Shri Arun Sharma	4	3	No
11	Shri K. Balasubramanian	4	1	No
12	Shri Dhananjay Lodha	4	-	No

- (c) Details of Directorships etc:

The details of Directorship 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 Directorship	Chairman of the Board	Board Committees of which he is a Member	Board Committees of which he is a Chairman
Shri Satyadeva Prakash Sinha	-	1	1	-
Shri Shailendra Prakash Sinha	3	-	1	-
Shri Anant Prakash Sinha	2	-	-	-
Shri Mahesh Prasad (upto 28.7.2011)	N.A.	N.A.	N.A.	N.A.
Shri Bimlanand Jha (w.e.f. 29.7.2011)	1	-	-	-
Shri D.N. Bhandari	1	-	1	2
Shri B.C. Srivastava	2	-	2	-
Dr. K.C. Varshney	3	-	1	3
Shri Mahendra Lodha	9	-	6	5
Shri Arun Sharma (upto 9.5.2012)	1	-	2	-
Shri K. Balasubramanian (upto 24.5.2012)	1	-	-	-
Shri Dhananjay Lodha	2	-	1	-

The position indicated above includes the Directorship in the Company 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, 2012, the Board of Directors held 4 meetings. These were held on:

<u>Meeting Serial Number</u>	<u>Date</u>	<u>Meeting Serial Number</u>	<u>Date</u>
1	20 <sup>th</sup> May, 2011	3	21 <sup>st</sup> Oct., 2011
2	29 <sup>th</sup> July, 2011	4	3 <sup>rd</sup> Feb., 2012

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

01	Shri D.N. Bhandari	Chairman	Non-Executive Independent
02	Dr. K.C. Varshney	Member	Non-Executive Independent
03	Shri Arun Sharma (upto 9.5.2012)	Member	Non-Executive Independent
04	Shri Dhananjay Lodha	Member	Non-Executive Independent
05	Shri B.C. Srivastava	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 31.3.2012.**

<u>Meeting Sl.No.</u>	<u>Date</u>	<u>Meeting Sl.No.</u>	<u>Date</u>
1	20 <sup>th</sup> May, 2011	3	21 <sup>st</sup> Oct., 2011
2	29 <sup>th</sup> July, 2011	4	3 <sup>rd</sup> Feb., 2012

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

<u>Sl. No.</u>	<u>Name of Members of Audit Committee</u>	<u>No. of meetings held during the tenure</u>	<u>No. of meetings attended</u>
1	Shri D. N. Bhandari, Chairman	4	4
2	Dr. K. C. Varshney, Member	4	4
3	Shri Arun Sharma, Member (upto 9.5.2012)	4	3
4	Shri Dhananjay Lodha, Member	4	-
5	Shri B.C. Srivastava, Member	4	4

(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.