

ANNUAL REPORT

2012-13

// 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 Ashok Kumar Mallick (w.e.f. 03.08.2012)
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 (Upto 20.09.2012)
Sri Bimlanand Jha (Upto 02.08.2012)

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 Mahendra Lodha (w.e.f. 1.06.2012)
Sri Dhananjay Lodha (Upto 31.05.2012)
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 31st MARCH, 2013

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March '2013

1. FINANCIAL RESULTS

	(Rupees in Lacs)	
	Year ended 31.03.2013	Year ended 31.03.2012
Total Turnover including other income	27511.19	21464.70
1. Profit before depreciation, interest, tax and other appropriations	(957.16)	(2117.98)
2. Less :		
Finance Costs.	1582.59	1123.91
Depreciation/Amortisation	993.42	1467.11
Fringe Benefit Tax		0.05
3. Net Profit/(Loss)	(3533.17)	(4709.05)
4. Extra-ordinary Items		(1388.46)
5. Profit/(Loss) after Extraordinary Items	(3533.17)	(6097.51)

2.0 PRODUCTION

Inspite of extremely challenging conditions, Clinker production registered highest ever capacity utilization of 92% as against 77 % last year. Even in Cement production, capacity utilization was higher at 74 % against 63 % last year. The operation of Clinker HPGR was affected in the third quarter on account of breakdown of the steel cord belt of the Bucket Elevator which had to be imported on urgent basis, but for which Company could have achieved highest ever capacity utilization in Cement also. The lower additive consumption due to inadequate quality of coal also contributed to shortfall in production.

3.0 FINANCIAL PERFORMANCE

The downturn in the economy continued for the third successive year with performance in all sectors lower than last year. Industrial growth slumped further to 3.1 % against 3.5 % last year. Service sector growth was 6.6 % against 8.6% last year. Agricultural production was also lower. As a result, GDP growth was lowest in a decade at 5 % against 6.9 % last year. With Reserve Bank of India continuing with a tight monetary policy, keeping borrowing cost high and with Govt. spending failing to take off in a significant way in view of the widening current account deficit, the sagging demand failed to receive a fillip.

4.0 FINANCES

The huge overcapacity in cement coupled with subdued demand kept the markets oversupplied and prompted long distance cement movement far away from natural markets inspite of high freight. Prices remained extremely

volatile, as increase in Cement price in the first quarter of 2012-13 following hike in Excise rates and freight could not be sustained in view of poor demand and increased competition, as a result of which prices declined in the 2nd and 3rd quarter and only marginally improved in the final quarter. The Company experienced severe working capital constraints on account of higher operating cost and slow offtake. As a result of the slowdown and inability to pass on the increased cost, the Company incurred losses, which were however lower compared to last year. Industrial power tariff in Bihar is amongst highest in the country and is more expensive approximately by Rs. 3 per KWH as compared to the Captive Power Generation Cost of other Cement Companies which has incidence of over Rs. 20 Crs.

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

7.0 AUDITORS' REPORT

Necessary explanations and replies to the qualifications / adverse comments made by the Auditors have been provided in **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 31.03.13.
- 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, Mr. Satyadeva Prakash Sinha, Mr. D.N. Bhandari and Mr. B C. Srivastava directors retire by rotation in this Annual General Meeting and are eligible 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

The particulars of an employee of the company who was in receipt of remuneration stipulated under Section 217 (2A) of the Companies Act, 1956 read with the companies (Particulars of Employees) Rules, 1975 have been provided in para 7 (v)(f) of Annexure-2 of the Directors' Report.

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

On behalf of the Board
Satyadeva Prakash Sinha
Executive Chairman

Patna
Dated : 17th May, 2013

ANNEXURE – 1

AUDITOR'S REMARKS AND MANAGEMENT'S REPLIES

Sl. No.	Remarks	Explanation
A. Report on Other Legal and Regulatory Requirements		
2.	As stated in Para 1.1 & 1.2 of Note 19 of 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 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. The appropriate details in the matter have also been provided in Note - 19.
3.	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
4.	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. 3533.17 Lacs for the year amount to Rs. 28079.52 Lacs against the capital and reserve of Rs. 4836.54 Lacs which leaves a negative network of Rs.23242.98 Lacs. In view of this negative network, 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 financial position will substantially improve and the company therefore expects to continue as a going concern.
B. Annexure to Auditor's Report		
ix	According to information and as explained to us, there has been delays in depositing undisputed statutory dues including Provident Fund, Employees' State Insurance, Income-tax, Sales Tax, Service Tax, Excise Duty, cess and any other statutory dues with the appropriate authorities. The extent of arrears as on 31st March, 2013 in respect of dues over six months are as below :-	Due to adverse economic 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 2011-12 and the financial year under report resulting in liquidity constraint. As a result, various statutory dues could not be paid in time

Sl. No.	Remarks	Explanation
ix	<p>a) Royalty on Limestone - Rs. 576.87 Lacs</p> <p>As per information and explanation received, Royalty dues including the dues as per BIFR sanctioned scheme amount to Rs. 576.87 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. It has been explained that Company has challenged the said dues in the Hon'ble Delhi High Court and the case is yet to be decided.</p> <p>c) Provident Fund, EPS, - Rs.831.67 Lacs</p> <p>d) Tax deducted at Source (TDS) - Rs.164.30 Lacs. All the dues except at (b) above are undisputed.</p>	
x	<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 as well as in the immediately preceding financial year.</p>	<p>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 4 of their "Report on other legal & Regulatory Requirements."</p>
xi	<p>Some defaults have been taken place in payment of dues to Financial Institutions, Banks and Debentureholders as referred to in Note 4 to the Balance Sheet.</p>	<p>Some 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.</p>

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 Bimlanand Jha (upto 2.8.2012)	Non-Executive	Independent	-	Nominee of the Govt. of Bihar
05	Shri D.N. Bhandari	Non-Executive	Independent	176	Please ref. Clause 7(v)(e)
06	Shri B.C. Srivastava	Non-Executive	Independent	-	
07	Dr. K.C.Varshney	Non-Executive	Independent	-	
08	Shri Mahendra Lodha	Non-Executive	Non Independent	-	Representative of Investors
09	Shri Arun Sharma (upto 9.5.2012)	Non-Executive	Independent	-	Nominee of Asset Reconstruction Company (India) Ltd. (both Lender and Equity Investor).
10	Shri K. Balasubramanian (upto 24.5.2012)	Non-Executive	Independent	-	
11	Shri Dhananjay Lodha (upto 20.9.2012)	Non-Executive	Independent	-	
12	Shri Ashok Kumar Mallick (w.e.f. 3.8.2012)	Non- Executive	Independent	-	Nominee of the Govt. of Bihar

The company presently has three Directors on its Board from Promoter category. One director is the representative of investors. The remaining four directors are non-Executive independent Directors.

2. b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31st March, 2013 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	5	5	No
02	Shri Shailendra Prakash Sinha	5	5	No
03	Shri Anant Prakash Sinha	5	5	No
04	Shri Bimlanand Jha	2	-	No
05	Shri D.N. Bhandari	5	4	Yes
06	Shri B.C. Srivastava	5	5	Yes
07	Dr. K.C. Varshney	5	5	No
08	Shri Mahendra Lodha	5	3	No
09	Shri Dhananjay Lodha	2	-	No
10	Shri A. K. Mallick	3	1	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 D.N. Bhandari	1	-	1	2
Shri B.C. Srivastava	3	-	2	-
Dr. K.C. Varshney	3	-	1	3
Shri Mahendra Lodha	8	-	6	5
Shri A. K. Mallick	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 March 31, 2013, the Board of Directors held 5 meetings. These were held on:

<u>Meeting Serial Number</u>	<u>Date</u>	<u>Meeting Serial Number</u>	<u>Date</u>
1	25th May, 2012	4	10th Nov., 2012
2	3rd Aug., 2012	5	1st Feb., 2013
3	21st Sept., 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 (upto 31.5.2012)	Member	Non-Executive Independent
05	Shri B.C. Srivastava	Member	Non-Executive Independent
06	Shri Mahendra Lodha (w.e.f. 1.6.2012)	Member	Non-Executive Non-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 except Shri Mahendra Lodha who is the representative of the Investors.

(ii) **The following meetings of Audit Committee were held during the year ended 31.3.2013.**

<u>Meeting Sl. No.</u>	<u>Date</u>	<u>Meeting Sl. No.</u>	<u>Date</u>
1	25th May, 2012	3	10th Nov., 2012
2	3rd Aug., 2012	4	1st Feb., 2013

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	3
2	Dr. K. C. Varshney, Member	4	4
3	Shri Arun Sharma, Member (upto 9.5.2012)	-	-
4	Shri Dhananjay Lodha, Member (upto 31.5.2012)	1	-
5	Shri B.C. Srivastava, Member	4	4
6	Shri Mahendra Lodha	3	1

(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.