

ANNUAL REPORT

2013 - 2014

// KALYANPUR //

Cements Limited

Board of Directors

Sri Satyadeva P. Sinha, Executive Chairman
(Upto 11.04.2014)
Sri Shailendra P. Sinha, Managing Director
Sri Anant P.Sinha, Joint Managing Director
Sri Ashok Kumar Mallick (Upto 12.02.2014)
Sri D.N.Bhandari (Upto 22.05.2014)
Sri B.C.Srivastava
Dr.K.C.Varshney
Sri Mahendra Lodha
Sri Ravindra Prasad (w.e.f. 13.02.2014)

Audit Committee

Sri D.N.Bhandari, Chairman(Upto 22.05.2014)
Dr.K.C.Varshney
Sri Mahendra Lodha
Sri B.C.Srivastava

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

Sri D.N.Bhandari, Chairman(Upto 22.05.2014)
Sri Satyadeva P. Sinha(Upto 11.04.2014)
Sri Shailendra P.Sinha

1. Auditors

M/s M. Mukerjee & Co.

2. Internal Auditors

M/s B. Gupta & Co.

3. Cost Auditors

M/s Mitra, Bose & Associates

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

Registered Office

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

Corporate Office

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

Factory

Banjari, Distt. Rohtas - 821 303
Bihar

DIRECTORS' REPORT

FOR THE YEAR ENDED 31st MARCH, 2014

The Shareholders,

With heavy heart, we inform you that our beloved Chairman Shri Satyadeva Prakash Sinha left for his heavenly abode on 11.4.2014. He was 72. This has created a void which is difficult to get filled. Our homage to the departed soul.

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March '2014

1.0 FINANCIAL RESULTS

	(Rupees in Lacs)	
	Year ended 31.03.2014	Year ended 31.03.2013
Total Turnover including other income	25665.92	27511.19
1. Profit before depreciation, interest, tax and other appropriations	(542.02)	(957.15)
2. Less :		
(i) Finance Costs	1808.92	1582.59
(ii) Depreciation	768.34	993.43
3. Net Loss	(3119.28)	(3533.17)
4. Loss carried to Balance Sheet	(3119.28)	(3533.17)

2.0 PRODUCTION

It was once again a bad year for the economy, the fourth in succession, pushing the Cement Industry deeper into distress. In the face of high input cost, stagnant cement prices and oversupplied market, the Company experienced severe financial constraints. While this on one hand impeded smooth input supplies, on the other affected plant maintenance resulting in lower plant availability as well as efficiencies. While Capacity utilization in Clinker fell to 80% from 92% achieved last year, capacity utilization in cement was lower at 64% from 74% last year.

3.0 FINANCIAL PERFORMANCE

Economy appeared on threshold of a major crisis. A persistently high inflation, high interest rates, falling consumer spending, piling up of inventories and a general decline in corporate sales and profitability were all symptoms of an economy in distress. As per the advance estimates released by the Central Statistics Organisation, GDP growth for 2013-14 was expected to be below 5% for the second year in succession, at 4.9%. Manufacturing sector, which had grown at a CAGR of over 10% between 2005 till 2011 put up its worst performance in 20 years in 2013-14, contracting by 0.20% following an equally dismal growth of 1.1% in 2012-13. Construction sector grew by 1.1% against 1.7% last year and Services sector by 11.2%. But for a healthy growth of 4.6% in Agricultural sector against 1.6% last year, GDP growth would have been still more dismal.

4.0 FINANCES

The position of the cement Industry has gradually worsened over the last 3 years to the extent that now the existence of atleast the smaller units, constantly squeezed by high cost, uneconomic scale of operation and

unremunerative prices, is under threat. On the one hand, while the increase in Diesel and coal rates, as a part of Govt. strategy to cut back subsidies, unleashed an inflationary spiral, substantially pushing up cost of power, fuel and transportation, on the other, unabated capacity additions without significant consumption growth, resulted in continued supply overhang and erosion of pricing power. In view of the extraordinary situation resulting in severe working capital constraints, it was very difficult to maintain viable operations resulting in substantial losses. The liabilities exposure of the Company, including those of statutory nature, went up substantially. All these factors cumulatively resulted in lower production at 6.39 lac tons during 2013-14, a significant 13% fall compared to the immediately preceding financial year. This resulted in negative EBITDA Margin and net loss as reported above.

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

7.0 AUDITORS' REPORT

The adverse remarks / qualifications contained in the Auditors' Report have been appropriately explained in a statement "Auditor's Remarks and Management's Replies" placed at ANNEXURE- 1 hereto.

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 31.03.14.
- 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. Mahendra Lodha retires by rotation in this Annual General Meeting and being eligible offers himself 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 regarding 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 State Govt. and Central Govt. in carrying out its operations.

On behalf of the Board

(Shailendra Prakash Sinha)
Managing Director

(Dr. K.C. Varshney)
Director

(B.C. Srivastava)
Director

Patna

Dated: 23rd May, 2014

ANNEXURE-1

AUDITORS' 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.3119.28 Lacs for the year amount to Rs. 31198.80 Lacs against the capital and reserve of Rs. 4836.54 Lacs which leaves a negative networth of Rs.26362.26 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 Revival Scheme has since been approved by BIFR and 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. Although the actual performance was lower than that envisaged in the Scheme due to over capacity in cement industry with resultant pressure on prices, continuing high cost of inputs particularly coal and power and limestone problem presently being faced by the company, it is expected that on full implementation of the scheme, as well as its extension for some more time as stipulated in 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, 2014 in respect of dues over six months are as below :-	Due to adverse macro economic conditions causing low demand for cement, consequent 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 as well as the subsequent two financial years including the one under report resulting in liquidity constraint. As a result, various statutory dues could not be paid in time.

ix	<p>a) Royalty on Limestone - Rs. 1342.20 Lacs As per information and explanation received, Royalty dues including the dues as per BIFR sanctioned scheme amount to Rs. 1342.20 Lacs.</p> <p>b) Cement Regulation Account - Rs. 208.23 Lacs. 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.1076.51 Lacs</p> <p>d) Tax deducted at Source (TDS) - Rs. 233.92 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 default would be addressed with improvement in operations and financial position.</p>

(Shailendra Prakash Sinha)
Managing Director

(Dr. K.C. Varshney)
Director

(B.C. Srivastava)
Director

Patna
23rd May, 2014

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	-	Unfortunate demise on 11.04.2014
02	Shri Shailendra Prakash Sinha	Executive	Promoter	-	-
03	Shri Anant Prakash Sinha	Executive	Promoter	-	-
04	Shri D.N. Bhandari (upto 22.05.2014)	Non Executive	Independent	176	Please ref. Clause 7(v)(e)
05	Shri B.C. Srivastava	Non Executive	Independent	-	
06	Dr. K.C.Varshney	Non Executive	Independent	-	
07	Shri Mahendra Lodha	Non Executive	Non- Independent	-	Nominee of Investors
08	Shri Ashok Kumar Mallick (upto 12.2.2014)	Non Executive	Non Independent	-	Nominee of the Govt. of Bihar
09	Shri Ravindra Prasad (w.e.f. 13.02.2014)	Non Executive	Non Independent	-	Nominee of the Govt. of Bihar

After the sad demise of Shri Satyadeva Prakash Sinha, the Wholetime Director designated as Executive Chairman, the company presently has two Directors on its Board from Promoter category. Two directors on the Board are non-Executive independent Directors. There are two non-executive and non-independent directors on the Board. While one of them is a representative of investors, the other one is a nominee of the Govt. of Bihar. Pursuant to the provisions of Section 149 (6) of the Companies Act, 2013, a nominee director is not to be considered as independent director.

2. b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31st March, 2014 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 (upto 11.04.2014)	4	4	No
02	Shri Shailendra Prakash Sinha	4	4	No
03	Shri Anant Prakash Sinha	4	3	No
04	Shri D.N. Bhandari (upto 22.5.2014)	4	2	Yes
05	Shri B.C. Srivastava	4	4	Yes
06	Dr. K.C. Varshney	4	4	No
07	Shri Mahendra Lodha	4	1	No
08	Shri A. K. Mallick	4	-	No
09	Shri Ravindra Prasad	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 (upto 11.04.2014)		1	1	-
Shri Shailendra Prakash Sinha	3	-	1	-
Shri Anant Prakash Sinha	2	-	-	-
Shri D.N. Bhandari (upto 22.05.2014)	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 (upto 12.2.2014)	1	-	-	-
Shri Ravindra Prasad (w.e.f. 13.2.2014)	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, 2014, the Board of Directors held 4 meetings. These were held on:

Meeting Serial Number	Date	Meeting Serial Number	Date
1	17th May, 2013	3	2nd Nov., 2013
2	2nd Aug., 2013	4	13th Feb., 2014

3. **The Audit Committee:**

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

01	Shri D.N. Bhandari (upto 22.5.2014)	Chairman	Non-Executive Independent
02	Dr. K.C. Varshney	Member	Non-Executive Independent
03	Shri B.C. Srivastava	Member	Non-Executive Independent
04	Shri Mahendra Lodha	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 31.3.2014.**

Meeting Sl. No.	Date	Meeting Sl. No.	Date
1	17th May, 2013	3	2nd Nov., 2013
2	2nd Aug., 2013	4	13th Feb., 2014

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 during the tenure	No. of meetings attended
1	Shri D. N. Bhandari, Chairman (upto 22.5.2014)	4	2
2	Dr. K. C. Varshney, Member	4	4
3	Shri B.C. Srivastava, Member	4	4
4	Shri Mahendra Lodha	4	1

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

- 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.
- Recommending appointment and removal of auditors, fixation of audit fee, approval of payment to statutory auditors for any other services rendered by them.