

ANNUAL REPORT 2016–2017

// KALYANPUR //

Cements Limited

Board of Directors

Sri Shailendra Prakash Sinha, Managing Director
Sri Anant Prakash Sinha
Dr.K.C.Varshney
Sri B.C.Srivastava
Sri Mahendra Lodha (Upto 27.05.2016)
Sri Ashok Kumar Dutta (from 7.11.2015 to 27.12.2016)
Sri Ravindra Prasad
Smt. Lata Ajay Srivastava

Auditors

M/s M. Mukerjee & Co.

Internal Auditors

M/s B. Gupta & Co.

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

Factory

Banjari, Distt. Rohtas - 821 303
Bihar

Audit Committee

Sri B.C.Srivastava, Chairman
Dr. K.C.Varshney, Member
Sri Mahendra Lodha, Member (Upto 27.05.2016)
Sri Ashok Kumar Dutta, Member (from 28.05.2016 to 27.12.2016)
Sri Anant Prakash Sinha, Member (from 31.01.2017)

Stakeholders' Relationship Committee

Sri Ravindra Prasad, Chairman
Sri B.C.Srivastava, Member
Sri Shailendra P.Sinha, Member

Nomination and Remuneration Committee

Sri B.C.Srivastava, Chairman
Dr.K.C.Varshney, Member
Smt. Lata Ajay Srivastava, Member

Senior Management

Sri Siddharth Prakash Sinha, Executive Director
Sri Aditya Prakash Agarwal, President (Manufacturing)
(Upto 13.11.2016)
Sri Faisal Alam, President (Sales & Marketing)
Sri P.K.Chaubey, Chief Financial Officer & Co. Secretary

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST MARCH, 2017

You are aware that the company was in the process of revival under the aegis of the Board for Industrial and Financial Reconstruction (BIFR). With notification of Sick Industrial Companies (Special Provisions) Repeal Act 2003 vide Notification dated 25.11.2016, BIFR has been dissolved w.e.f. 1st December, 2016 and now the Revival Process of the Company will be taken forward under the provisions of newly enacted law namely Insolvency and Bankruptcy Code 2016 (Code). The Hon'ble National Company Law Tribunal (NCLT) Kolkata bench has ordered the commencement of the corporate insolvency resolution process in respect of your company w.e.f. 1st May, 2017. The NCLT has appointed an Interim Resolution Professional (IRP) for the management of affairs of the company. Pursuant to the provisions of section 17(1)(b) of the Code, the powers of the Board of Directors of the Company shall stand suspended and be exercised by the IRP. In view of the above mentioned provisions of the new law and since the powers of the Board of Directors

stand suspended thereunder, the Directors Report which is required to be presented by the Board of Directors under section 134(3) of the Companies Act, 2013 in the normal course is not being presented. Nevertheless, a report of the management containing all the details and information as required to be incorporated in Directors' Report is being presented to you by the Managing Director of the company with a view to complying with the provisions of the Companies Act, 2013. The Corporate Insolvency Resolution process in respect of the company will now be taken forward under the new law by framing a Resolution Plan to be approved by the Committee of Creditors constituted under the Code and thereafter by the NCLT.

Accordingly, we submit herewith the Annual Report together with the Audited Accounts for the year ended 31st March, 2017. The following are the financial highlights in respect of the said Financial Year.

1.0 FINANCIAL RESULTS

Rs. in lacs

	Year ended 31.3.2017	Year ended 31.3.2016
Total Turnover including other Income	6750.76	15358.37
1. Loss before interest, depreciation, tax and Other appropriations	6784.27	5562.23
2. Less:		
i) Finance Costs	2325.01	1965.50
ii) Depreciation	357.01	362.79
3. Net Loss	9466.29	7890.52
4. Exceptional items	5067.71	—
5. Loss carried to Balance Sheet	14534.00	7890.52

2.0 OVER VIEW & PRODUCTION

- (i) The Financial Year 2016-17 has been a year of reasonably good performance for the economy despite the impact of demonetisation which lasted shorter than expected. The demand for cement which took a dip during the period of demonetization witnessed a quick recovery from the last quarter itself of the financial year and it has now reached the normal level. The Industry's Capacity utilization, in general, is also improving and favourable macro economy indicators have lifted the sentiments leading to better market dynamics. Various infrastructure related schemes launched by the Govt. of

India particularly Make in India, Smart City Programme, Swachh Bharat Abhiyan, Development of National Highways, Ports and Regional Airport, Housing for all by 2022 will cumulatively drive the growth of cement industry in the economy. The Central Govt. has announced to take up construction of 20,000 Kms of roads in the border areas of the country under the first phase of the ambitious "Bharat Mala" Project. The infrastructure status to affordable Housing announced by the Govt. of India in the Union Budget will push the growth in construction industry in a big way as the "Infrastructure Status" accorded to the "Affordable

Housing Projects" will help boost the activities in this sector resulting from availability of institutional finance in an organized manner and at reasonable cost. The Tax incentive to this sector offered through the Union Budget 2016 and further rationalized in the current year's budget will provide the much needed relief to the affordable Housing Projects. All this augurs well for growth in cement industry in the years to come and the industry as well as international Agencies, encouraged by the stable macro economic indicators like, low inflation, lower policy rates resulting from 1.5% reduction therein since January, 2015, fairly stable oil prices after ruling low for considerably long, better inflow on account of FDI, Low Fiscal Deficit and the Current Account Deficit, expect that the economy, having grown @ 7.1% in 2016-17 is poised to grow at a higher rate of 7.4% in the FY 2017-18 and 7.6% in the year thereafter. Cement Industry, in particular is expected to grow @ 4-5% in the FY 2017-18, which is higher than the tepid growth witnessed in 2016-17, with near normal monsoon predicted by Indian Meteorologists for the current year which would be second successive year of good monsoon boosting farm income and consequently rural demand. Cement Industry, in last 3-4 years, suffered due to low demand from infrastructure sector as well as no improvement in demand from housing sector due to unaffordable prices. The industry is also grappling with excess capacity and low capacity utilization. Cement prices remained flat in the above period and the weakness in demand has been so severe that cement companies were, at times, forced to cut dispatches to certain regions hit by low demand. The government has however in the recent past, taken steps for accelerating growth in infrastructure sector particularly roads, national high ways and ports and this is likely to improve the demand scenario. The overall growth in the economy will spur demand for cement which is one of the eight core industries.

- (ii) Even though the economy has grown, this was yet to show a significant impact on demand revival and improved corporate earnings. Two consecutive deficient monsoons in the years 2014 & 2015 were big dampener for the industry as well as the overall economy. However, now there seems to be pickup in demand for cement as the Industry witnessed increased production and better capacity utilization in recent months. It is expected that with the emphasis on infrastructure sector and softening of real estate prices due to large unsold inventory and implementation of Real Estate (Regulation and Development) Act, 2016, the demand will get a boost and the expected above normal monsoon is likely to provide a fillip to the

demand from rural sector. Major infrastructure projects which are proposed to be taken up in future will require more than 45 Million tons of cement in next 3-4 years and this is likely not only to bridge the gap between demand and supply but also improve the prices which have remained static over last few years.

- (iii) As informed earlier, the Govt. of Bihar did not renew the only major operative limestone mining lease of the company namely Murli Pahari with effect from December, 2013. Since the above mining lease was the main feeder deposit for the plant to meet its limestone requirement, the company's production started suffering from FY 2014-15 and from the Annual Average Production of 6.68 lac tons during the previous three financial years i.e. 2011-12 to 2013-14, the production during 2014-15 and 2015-16 dropped to 4.8 lac tons and 4.39 lac tons respectively. Since in absence of Murli Pahari lease, the limestone requirement was being met from an old lease having little deposit, the company's operations suffered in an unprecedented manner in the financial year under report i.e. 2016-17 and its Capacity utilization stood restricted at 22% with the production level of only 2.23 lac tons. The company, soon after cancellation of lease had approached the Hon'ble Patna High Court in January, 2014 for appropriate relief in the matter as the company had pleaded that the decision of cancellation of the lease was taken by the State Govt. without providing an opportunity of hearing to the company as mandated by law amounting to denial of natural justice and the company had prayed before the court to remit the matter to the State Govt. for fresh consideration after hearing the company. The Hon'ble Patna High Court after hearing all the parties has now remitted the matter to the State Govt. for fresh consideration on the subject. The company is pursuing with the State Govt. for renewal / extension of the mining lease. Resolution of the major environment related issues namely (i) grant of Environmental clearance and (ii) Notification of Eco Sensitive Zone will help resolve the matter greatly.

3.0 FINANCIALS

The continuous slide in production during last three financial years i.e. 2014-15 to 2016-17 has aggravated the financial hardship in terms of lower revenues, frequent interruptions in the plant operation caused by stock outs of critical inputs, continued maintenance back logs and low productivity. All these factors cumulatively have led to heavy financial losses and the company during above three year period has incurred a net loss of Rs232 crores. As a result of the drop in volume, the company's operating revenue also fell sharply from Rs. 226.62 crs in FY 2013-14 to Rs. 66.04 crs. in FY 2016-17 i.e. a drop of 71% over a period of three years even

though the industry witnessed improvement in production led by uptrend in demand, although marginal, during the relevant period. While there was some growth in demand for cement in last 3-4 years, cement prices remained flat restricting the revenues and margins of the industry. The cement realization of the company suffered still more due to its inability to extend credit to the distributors. In addition, the Company's Working Capital problem continued during this period in a more severe manner in view of non availability of bank finance or any external financial support as well as sliding operations over the years. In addition, the substantial finance cost, most of it due to delay in payment of statutory dues, adversely affected the bottom line with company's negative EBITDA at Rs. 68 crores, whereas the net loss stood at Rs.95 crores after considering depreciation and finance cost.

4.0 REVIVAL OF THE COMPANY

You are aware that your company is confronted with various problems for last few years and was in the process of revival under the aegis of the Board for Industrial and Financial Reconstruction (BIFR) pursuant to the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 on the basis of a Revival Scheme sanctioned by BIFR in October, 2011. Due to unfavourable environment created by the economic slow down in the last few years coupled with Limestone problem, the company could not achieve the parameters envisaged in the Revival Scheme sanctioned by BIFR and your company therefore approached BIFR again with a Modified Draft Revival Scheme (MDRS) for approval of certain additional reliefs and concessions including rescheduling of payment of dues. BIFR could not take a view on the modified scheme due to vacancies at BIFR and as a result, the revival process was substantially delayed. BIFR did not have a duly constituted bench for a considerably long period of time for conducting hearings and issuing directions for circulation of the MDRS to various stakeholders as required under the Sick Industrial Companies (Special Provisions) Act, 1985 and when such directions were in the process of being issued, the Sick Industrial Companies (Special Provisions) Repeal Act, 2003 was notified on 25.11.2016 leading to dissolution of BIFR with effect from 01.12.2016. The company's revival process will now be taken forward under the provisions of Insolvency and Bankruptcy Code, 2016 through the process of National Company Law Tribunal (NCLT). The resolution process of the company has already commenced w.e.f. 01.05.2017 with NCLT admitting a petition filed by an Operational Creditor under the Code for insolvency resolution of the company. The NCLT Kolkata bench has also appointed an Interim Resolution Professional (IRP) for carrying out the process of insolvency resolution under the Code. Necessary steps are under way for the same.

5.0 MANAGEMENT DISCUSSION AND ANALYSIS

Management discussion and analysis has been appended to the report as Annexure-1.

6.0 DETAILS PURSUANT TO THE PROVISIONS OF THE COMPANIES ACT, 2013

As stipulated under section 134(3) of the Companies Act, 2013 the following details are provided hereunder:

a) The extract of the Annual Return

The extract of the Annual Return in the Form MGT-9 has been placed at Annexure -2

b) No. of meetings of the Board

The details of the number of meetings of the Board of Directors have been provided in Annexure -3 dealing with Corporate Governance.

c) Director's responsibility Statement

The Directors' responsibility Statement has been provided at para-7.0 hereinafter.

d) Declaration by independent Directors

The Independent Directors have given the requisite declaration to the Company under section 149 (7) of the Companies Act, 2013 affirming that they meet the criteria of independence as provided in sub-section(6) of section 149 of the Act.

e) Company's Policy on Directors' appointment and Remuneration, etc.

i) The Nomination and Remuneration Committee has framed a Policy on "Criteria for determining qualifications, positive attributes and independence" as well as a Policy on "Board diversity". The same have been provided in Paragraphs 9.2 and 9.3 hereinafter.

ii) The Nomination and Remuneration Committee has already framed a Remuneration Policy and the same has been approved by the Board of Directors of the Company. The Remuneration Policy has been provided in paragraph 10.0 hereinafter.

f) Explanations in respect of the comments in the Auditors Report as well as the Secretarial Audit Report

The explanations in respect of the comments in the Audit Report and the Secretarial Audit Report have been provided in Annexure - 4

g) Particulars of loans, guarantees or investments

The company has not provided any loans, guarantees or

made investments in any other company.

- h) Particulars of contracts or arrangements with related parties.

There were no related party transactions made by the company with the Promoters, Directors and the Key Managerial Personnel during the year under report except those pertaining to remuneration paid to the Directors which have been approved by the appropriate authorities. The details of related party transactions which pertained to the managerial remuneration are set out in Note 19 to the Balance Sheet.

- i) The State of the Company's Affairs

This has been provided at Paragraph Nos. 1.0 to 4.0 above.

- j) The amounts proposed to be transferred to reserves.

Since the Company has incurred loss, it does not propose to carry any amount to its reserves.

- k) Dividend.

The company, in view of the losses, does not propose to pay any dividend.

- l) Material changes and commitments affecting the financial position of the company

Continued non-renewal of Murli Pahari Mining Lease by the Govt. of Bihar has adversely affected the operations and financial position of the company. No other significant event has occurred leading to any material change in the State of Affairs of the company and no commitments affecting the financial position of the company have been made during the period i.e. between end of financial year (31.3.2017) and the date of this report (30.05.2017).

- m) The Energy conservation, technology absorption, etc.

The statement in respect of conservation of energy, technology absorption and foreign exchange earnings and outgo is placed at Annexure -5.

- n) Risk Management Policy

The company has evolved and implemented a risk management policy. The responsibility of the Risk Management has been entrusted to the Audit and Risk Committee. The Risk Management Policy framed by the company includes Identification of Risk and their mitigation through the Groups/ Committees appointed for this purpose.

- o) Corporate Social Responsibility

The Companies Act, 2013 requires a company to spend at least 2% of the average net profit earned during previous three financial years on various areas specified in schedule

-VII to the Act. Since the company did not have profit in any of the three financial years, it is not obliged to spend in respect of the areas of corporate social responsibility as mandated by the Act. Nevertheless the company has, for long, been pursuing certain corporate social responsibilities out of its own initiatives which are as under:

- i) Running a High School providing free co-education to about 710 students including the wards of local people (not connected with the company's employees).
- ii) Running a Women Degree College providing subsidized education to the Girls of nearby areas.
- iii) Providing emergency medical treatment to the people in the hospital owned and maintained by the company.
- iv) Organizing free camps for medical checkup and treatment from time to time.
- v) Providing free water to local farmers for irrigation purpose.
- p) Annual evaluation of performance of the Board

The Nomination and Remuneration Committee has framed the policy for evaluation of the performance of the Board, its committees and the Directors. The said Policy has also been approved by the Board of Directors of the company. The policy provides detailed guidelines for evaluation and the parameters on the basis whereof the evaluation is to be carried out in respect of the (i) Independent Directors (ii) Non-independent Directors (iii) Chairperson of the Board (iv) Entire Board and its Committees. This has been provided in paragraph 9.1 hereinafter. The evaluation has been made by the Directors of their performance on the said parameters as laid down in the Policy.

- q) Matters prescribed under the Companies (Accounts) Rules 2014.

- i) The Financial summary or highlights

This has been provided at paragraphs 1.0 to 4.0

- ii) The change in the nature of business, if any

There is no change in the nature of the business conducted by the company

- iii) Change in the Directors or key managerial personnel during the year.

Shri Mahendra Lodha ceased to be Director of the Company w.e.f. 28th May 2016. Shri Ashok Kumar Dutta who was appointed as Special Director by BIFR under the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 ceased to be Special Director of the company w.e.f. 28.12.2016 consequent upon dissolution of BIFR.

There is no change in Key Managerial Personnel (KMP) during the year under Report.

- iv) Changes in the subsidiaries, joint ventures or associate companies during the year.

The Company does not have any subsidiary, joint venture or associate companies.

- v) Deposits

The company has not invited or accepted any deposit.

- vi) Significant Orders impacting the going concern status and company's operations in future.

No such order which will have the bearing on the going concern status of the company or its operations in future has been passed by any regulator, court or the tribunal.

- vii) Adequacy of internal financial controls

The Internal Control System of the company is an adequately structured system which is considered adequate to safeguard the business interests of the company as well as help and facilitate compliance with legal and statutory requirements. Since the objective of the internal control system is to ensure efficient use and protection of the company's resources / properties, correct reporting of the state of affairs of the company through the financial statements, the internal control system is periodically reviewed by the management which is subjected to extensive scrutiny by the Internal Auditors through their quarterly reviews and audits.

7.0 DIRECTORS' RESPONSIBILITY STATEMENT

- (a) The Directors confirm that in preparation of the annual accounts for the financial year ended 31st March, 2017, the applicable accounting standards have been followed;
- (b) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that 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 profit and loss of the company for that period;
- (c) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The Directors have prepared the annual accounts on a going concern basis;
- (e) The Directors have laid down internal financial controls which are adequate and are operating effectively;
- (f) The Directors have devised proper systems to ensure

compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

8.0 Corporate Governance

The Corporate Governance Code has been implemented by the Company and a separate section thereon is included in the Directors' Report as Annexure-3.

9.0 Evaluation of Directors, determining qualifications, positive attributes and Independence of Directors

9.1 The Nomination and Remuneration Committee has formulated the criteria for evaluation of Directors, the Board and its Committees and the same has been approved by the Board of Directors also. The same are provided below:

- a) The criteria for evaluation of performance of independent Directors.
- i) Attendance in the meetings of the Board as well as the Committees thereof.
- ii) Effective participation in the meetings and providing timely inputs on the matters brought before the Board or the Committees.
- iii) Adherence to and affirmation with ethical standards and the Code of Conduct of the company and timely disclosure of interest, if any, acquired subsequently and affirmation to the Board about the continued "independent status" as provided in section 149(6) of the Act.
- iv) Raising of valid concerns to the Board and the Committees and constructive contribution to the resolution of issues at the meetings.
- v) Inter-personal relation with other Directors and management.
- vi) Unbiased and objective evaluation of the Board performance.
- vii) Understanding of the Company and the external environment in which it operates.
- viii) Protecting the interest of whistle blower under vigil mechanism and safeguarding the confidential information of the company.
- b) The Criteria for evaluation of performance of the non independent Directors / executive directors.

The parameters / criteria for evaluation of the performance of non independent and executive directors take into consideration the size of the company, nature of its business and state of uncertainty in which the company operates and

accordingly the following parameters will be applicable for evaluation of non independent and executive directors.

- i) Attendance in the meetings of the Board as well as the Committees thereof.
- ii) Effective participation in the meetings and providing timely inputs on the matters brought before the Board or the Committees.
- iii) Adherence to and affirmation with ethical standards and Code of Conduct of the company and timely disclosure of interest, if any, acquired subsequently.
- iv) Efforts for improvement in operations of the company for its long term revival.
- v) Efforts made for obtaining the government's approval / support for revival of the company.
- vi) Team work attributes and supervising and training of staff members.
- vii) Compliance with various laws, Capital Market Regulations, Corporate Governance practices, listing conditions and reporting of frauds etc. in time.
- viii) Protecting the interest of whistle blower under vigil mechanism and safeguarding the confidential information of the company.

The chairperson of the Board will be evaluated on the basis of the above criteria depending on whether he is an independent or a non-independent director.

- c) Criteria for evaluation of performance of the entire Board of directors and its Committees.
 - i) Adequacy of composition of the Board of directors and the Committees in terms of (a) Board diversity (b) technical knowledge and skills (c) mix of independent & non independent directors and legal requirements.
 - ii) Holding statutorily required number of meetings of the Board and the committees thereof and ensuring that the meetings are held properly in adequate length of time providing sufficient time to the directors for deliberations in the meetings.
 - iii) Level of transparency in providing information to the Board and the Committees enabling proper understanding of the issues confronted by the company and ensuring the quality, adequacy and timeliness of flow of information between the

Company management and the Board as well as the Committees.

- iv) Adequate opportunity and encouragement to the directors for open communication, meaningful participation and timely resolution of the issues.
- v) Ensure that the Independent Directors meet the requirement of independence prescribed under section 149(6) of the Act.
- vi) Establishing an environment which facilitates effective disclosure, fiscal accountability and high ethical standard.
- vii) Ensuring that the company's internal control mechanism in respect of the operations and financial matters is effective and capable to avoid irregularities and frauds and that the financial statements of the company are credible to provide true and fair view of the state of affairs of the company.
- viii) Providing regular financial updates to the board.
- ix) Ensuring compliance with the provisions of Corporate Governance, insider trading, the conditions of the listing agreement and other Capital market regulations as applicable to the company.

The evaluation has been made in respect of the performance of various directors on four scales.

9.2 Determining qualifications, positive attributes and independence

1.0 The Nomination and Remuneration Committee is required to formulate the criteria for determining the qualifications, positive attributes and independence of a director and recommend to the board a policy relating to the remuneration for the directors, key managerial personnel and other employees. The Nomination & Remuneration Committee has formulated a Remuneration policy which has been approved by the Board of Directors of the Company. The Nomination and Remuneration Committee has also formulated the criteria for determining qualification, positive attributes and independence of a director for appointment on the board of directors of the company as under and the same has been approved by the Board and implemented.

1.1 Criteria for Qualification –

- a) The directors to be appointed on the Company's Board will have the minimum academic qualification of Graduation.

- b) The wholetime directors shall be professionally qualified in the related fields.

1.2 Positive attributes –

- a) Academic and professional excellence in their respective fields.
- b) Communication skill.
- c) Stature in the Corporate or other relevant areas.

1.3 Independence.

The status of independence will be governed by the provisions of Section 149(6) of the Act.

9.3 The Policy on Board diversity

- 1.0 The Listing Conditions provide for devising a policy on Board diversity by the Nomination and Remuneration Committee. The Board diversity is required to have on the Board of directors of the company, the people from diverse background who could bring with them, the varied experience in different fields which enable the Board to provide effective guidance from different perspective adding value to the Company's operations, shareholders' worth and effective compliance as a good Corporate Citizen. Accordingly, the Nomination and Remuneration Committee has framed the following policy on Board diversity.

- i) The Board should comprise the independent and non independent directors as stipulated under the provisions of the Act and the listing Conditions.
- ii) The Board should comprise the adequate combination of Executive and Non Executive directors.
- iii) The directors should be experts in different fields like technology, economics, finance, accounting, legal and social work.
- iv) The Board members shall possess academic and technical skills in varied fields which will provide to the company the opportunity of receiving guidance from the experts in diverse areas which ultimately would accrue financial and other benefits to the company.
- v) There should be representation of women also on the Board to have gender diversity.

10.0 REMUNERATION POLICY

- 1.0 The Nomination and Remuneration Committee has formulated a Remuneration Policy for the Directors, Key Managerial Personnel and other employees of the

Company which has also been approved by the Board of Directors. The Remuneration Policy, as approved is given below:

- 2.0 Section 178 (3) and Section 178 (4) of the Companies Act, 2013 provide as under:

"(3) The Nomination and Remuneration Committee shall formulate the criteria for determining qualifications, positive attributes and independence of a director and recommend to the Board a policy, relating to the remuneration for the directors, key managerial personnel and other employees.

(4) The Nomination and Remuneration Committee shall, while formulating the policy under sub-section (3) ensure that –

- (a) the level and composition of remuneration is reasonable and sufficient to attract, retain and motivate directors of the quality required to run the company successfully;
- (b) relationship of remuneration to performance is clear and meets appropriate performance benchmarks; and
- (c) remuneration to directors, key managerial personnel and senior management involves a balance between fixed and incentive pay reflecting short and long-term performance objectives appropriate to the working of the company and its goals:

Provided that such policy shall be disclosed in the Board's report."

In terms of the provisions of Section 178 (3) and Section 178 (4) of the Companies Act, 2013, the Nomination and Remuneration Committee has to recommend to the Board a policy relating to the remuneration payable to the directors, Key Managerial Personnel and other employees. Accordingly, the Nomination and Remuneration Committee has formulated the following Remuneration Policy for the directors, Key Managerial Personnel and other employees of the company.

3.0 Remuneration payable to Non Executive Directors.

- 3.1 Section 197 of the Companies Act, 2013 provide for payment of commission to Non Executive Directors limited to 1% of the Net Profit where the company has a Managing Director or a Wholetime Director and 3% where the company has no such managing or wholetime Director.

Since KCL does not have profit, no commission is paid to

the Non Executive Directors and they are paid only the sitting fee under the provisions of the Companies Act, 2013 read with the Articles of Association of the Company.

3.2 Remuneration Policy in respect of Executive Directors and Key Managerial Personnel

The following factors / criteria would determine the remuneration payable to Executive Directors and the Key Managerial Personnel.

- (i) Educational, professional and technical qualification
- (ii) Experience of managing various fields in industry like administration, marketing, commercial, technical, finance etc.
- (iii) Salary structure presently in the industrial units of similar size.
- (iv) Complexity involved in managing the business of the company in view of various challenges like (i) financial constraints, (ii) dealing with government agencies for seeking various approvals, (iii) serious legal issues etc.
- (v) The provisions under the Companies Act, 2013 read with the relevant schedules provided therein.
- (vi) Apart from payment of basic salary and House Rent Allowance in keeping with the industry trend, providing the statutory benefits like Provident Fund, Gratuity and Leave Encashment and other benefits like Medical, Annual Leave Scheme.
- (vii) Consideration of the current financial position of the company while deciding the remuneration payable to the executive Directors and Key Managerial Personnel.

4.0 Remuneration Policy applicable to the Senior Management and other officers of the company

The company presently has three grades of officers namely (i) Jr. Officers, (ii) Jr. Managers and (iii) Sr. Managers.

The following factors / criteria would determine the remuneration payable to the senior Management and other officers of the company.

- 4.1 Educational and Professional Qualifications of the officers.
- 4.2 Experience in terms of length of service and quality of such experience based on association with the organizations in the past.
- 4.3 Payment of basic salary and House Rent Allowance in keeping with the trend in industry particularly similar size companies.
- 4.4 Payment of remuneration by breaking the same into

fixed and variable parts and variable salary to be linked with the production and profitability of the company.

- 4.5 To link the remuneration payable to senior management category employees on the basis of the cadre he belongs to and the responsibilities entrusted to him.
- 4.6 To provide statutory benefits like Provident Fund, Gratuity, Leave Encashment and other benefits like Medical as well as Annual Leave Scheme.
- 4.7 The annual increment to be provided in keeping with the performance of the company and in the event of unsatisfactory performance of the company, to provide the annual increment close to inflation.
- 5.0 Remuneration Policy in respect of other Employees
- 5.1 Employees are appointed as per the hiring policy of the company in different grades of workmen and staff.
- 5.2 The unionized workers to be paid wages as per the Wage Agreements with them. Payment of Variable Dearness Allowance (VDA) linked with the Consumer Price Index (CPI) on quarterly basis circulated by Cement Manufacturers Association (CMA) based on the data published by the Ministry of Labour, Govt. of India.
- 5.3 Payment of remuneration to non-unionized staff at the Corporate Division and Marketing Division at Patna on the basis of compensation package applicable to such employees in Patna. To provide Variable Dearness Allowance (VDA) to such staff members also.
11. Disclosure pursuant to section 197 (12) read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014

- i) The ratio of the remuneration of each Director to the median remuneration of the employees.

Managing Director 24.91:1

Jt. Managing Director - Since resigned

The median remuneration of the employees does not take into consideration the value of housing accommodation provided to the workers, staff and officers in the factory.

- ii) The percentage increase in remuneration of Directors and KMPs

Managing Director - NIL

Jt. Managing Director-Since resigned

CFO & Co. Secretary