ANNUAL REPORT
2015–2016

// KALYANPUR //

Cements Limited

Board of Directors

Dr. K. C. Varshney Non-Executive Chairman
(25.07.2014 to 22.05.2015 thereafter independent director)
Sri Shailendra P. Sinha, Managing Director
Sri Anant P. Sinha, Joint Managing Director
(Upto 31.12.2015 thereafter as Director)
Sri B. C. Srivastava
Sri Mahendra Lodha (Upto 28.05.2016)
Sri Ashok Kumar Dutta (w.e.f. 7.11.2015)
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-700001

Corporate Office

Maurya Centre
I, 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 28.05.2016)
Sri Ashok Kumar Dutta, Member (w.e.f. 28.05.2016)

Stakeholers' 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)
Sri Faisal Alam, President (Sales & Marketing)
Sri P. K. Chaubey, Chief Financial Officer & Co. Secretary

DIRECTORS' REPORT

FOR THE YEAR ENDED 31ST March, 2016

Your Directors submit herewith their report together with the Audited Accounts for the year ended 31st March, 2016. The following are the financial highlights in respect of the said Financial Year.

1.0 FINANCIAL RESULTS

Rs. in lacs

	Year ended 31.3.2016	Year ended 31.3.2015
Total Turnover including other Income	15358.37	19885.83
1. Loss before interest, depreciation, tax and Other appropriations	5562.23	1787.88
2. Less:		
i) Finance Costs	1965.50	1195.77
ii) Depreciation	362.79	487.19
3. Net Loss	7890.52	3470.84
4. Loss carried to Balance Sheet	7890.52	3470.84

2.0 OVER VIEW & PRODUCTION

(i) Cement Industry, in last 3-4 years, suffered due to slow down in infrastructure sector and low demand from housing sector due to unaffordable prices with little sign of moderation. 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 economy of the country has performed better than the advanced economies as well as emerging market economies and it is growing at relatively high rate even though the average growth in the world economy has been low. The national GDP is expected to grow in the region of 7.4 % to 7.6% in the financial year 2015-16 as per the estimates made by International Monetary Fund (IMF) and various Rating Agencies. The overall growth in the economy will spur demand for cement which is one of the eight core industries.

(ii) Most of the economic parameters required for macro level stability in the economy are favourable. Consumer price inflation is at reasonable level and the wholesale price inflation is in negative zone. RBI has cut the lending rates by 1.5% since January, 2015 with the present Repo rate at 6.5%. Now, it is expected that the banking sector will pass on the reduction in lending rate for improvement in credit off-take. All this augur well for the economy of the country.

(iii) Even though the economy has grown, this is yet to show a positive impact on significant demand revival and improved corporate earnings. Two consecutive deficient monsoons were big dampener for the industry as well as the overall economy. All this cumulatively resulted in a very subdued growth in cement industry which was in the range of 1-2% in the financial year 2015-16 against the expected rate of growth close to the GDP growth rate. However, now there seems to be some pickup in demand for cement as the Industry witnessed the production increasing by 11.9% in March 2016 on year - on - year basis. It is expected that with the emphasis on Infrastructure sector and softening of real estate prices due to large unsold inventory, 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.

(iv) As earlier reported, the company continued to confront another serious problem i.e. the shortage of limestone caused by non-renewal of a mining lease of the company by the Government of Bihar in December,

2013. While the cement production dropped by about 25% in the last financial year i.e. 2014-15 compared to the immediately preceding financial year, the year under report witnessed still bigger fall in production which was at 4.39 lac Tons in 2015-16 registering a further drop of about 10% in comparison to the level of 2014-15 and over 31% as compared to the year before. The company has approached the Hon'ble Patna High Court for appropriate relief in the matter and all efforts are being made to have the lease rights restored to the company through the legal process. In the meantime, the company has received Environmental Clearance from the Govt. of India, Ministry of Environment, Forest and Climate Change. The Central Government has also notified the Eco-Sensitive Zone around the Kaimur Wild Life Sanctuary and these two approvals are expected to expedite the process of renewal of the Murli Pahari Mining Lease by the Govt. of Bihar.

3.0 FINANCIALS

The fall in cement production from 4.8 lac tons in the FY 2014-15 to 4.39 lac tons in the Financial Year under report resulted in lower revenue realization and the Company's sales turn-over fell to Rs.143.86 Crores during the year from Rs.171.39 crores during the previous year i.e. 2014-15. Even though the industry witnessed some improvement in production led by uptrend in demand in the later part of the financial year, cement prices did not improve on expected lines. The cement realization of the company suffered still more due to its inability to extend credit to the distributors. The Company's Working Capital problem continued during the current financial year also in view of non-availability of bank finance or any external financial support. 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 EBIDTA at Rs.55.62 crores, whereas the net loss stood at Rs.78.91 crores after considering depreciation and finance cost.

4.0 REVIVAL OF THE COMPANY

Your company is confronted with various problems for last few years and is, at present, 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 has approached BIFR again with a Modified Draft Revival Scheme (MDRS) for approval of certain additional reliefs and concessions including reschedulement of payment of dues. BIFR is yet to take a view on the modified scheme comprising therein the proposed changes seeking reliefs / reschedulement of dues. The revival process has been delayed as BIFR did not have a Bench for over 6 months due to vacancy in the position of Chairman and Member. On the direction of the Hon'ble Delhi High Court, some positions have been filled in and the bench has recently started functioning. It is expected that the MDRS will be circulated in due course.

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.

The company has entered into an employment contract on 7.11.2015 with a related party namely Shri Siddharth Prakash Sinha, the Executive Director who is related with the Managing Director. The necessary approvals for remuneration payable to him have been obtained. There were no other 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. 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

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 (31.3.2016) and the date of this report (28.5.2016)

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 philanthropic initiatives which are as under:

i) Running a High School providing free co-education to about 650 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.

a) Shri Shailendra Prakash Sinha was reappointed as Managing Director by the Board of Directors and the Shareholders for a period of 3 years w.e.f. 23rd February, 2016. An application has been made to the Central Government for approval which is awaited.

b) Shri Anant Prakash Sinha stepped down from the position of the Joint Managing Director of the company w.e.f. 1.1.2016. He now continues on the Board of the Company as a Director.

c) BIFR appointed Shri Ashok Kumar Dutta as a Special Director. He was co-opted by the Board w.e.f. 7.11.2015.

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

The Company does not have any subsidy, 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, 2016, 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 in respect of various issues either under BIFR Scheme or otherwise.

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 fare 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 29.23:1

Jt. Managing Director 27.53:1

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	3.43%
Jt. Managing Director	3.93%
CFO & Co. Secretary (KMP) and other Equivalent Senior Officer	20%

iii) The percentage increase in the median remuneration of employees; 5.04%

iv) The number of permanent employees on the rolls of company; 929

v) The explanation on the relationship between average increase in remuneration and company performance.

The company is registered with the Board for Industrial and Financial Reconstruction (BIFR) and is in the process of revival through the aegis of BIFR. The increase in remuneration provided by the company is very modest and rather lower than the Industry average. The increase is barely enough to neutralize the effect of inflation and is essential to retain the employees in the company as the company, at this stage, needs more close and effective leadership as well as other employees.

vi) Comparison of the remuneration of the Key Managerial Personnel against the performance of the company;

The increase in the remuneration of KMP and other equivalent senior officer is 20% which has been granted as a correction in salary considering the market trend and the compensation offered by the company to an incumbent at similar position. In view this, the increase is considered reasonable and was necessary to retain the incumbents.

vii) Variations in the market capitalization, price earnings ratio and market price vis-à-vis issue price of shares

As mentioned above, the company at present is in the process of revival. Its networth is negative and although the company's shares are listed at Bombay Stock Exchange, the trading is very rare. The shares of the company were last traded at the rate of Rs.10.45 per share on 18.12.2015. The company has not made any public offer for issue of shares in the financial year 2015-16.

viii) Increase in the salaries of managerial personnel and other employees

The increase in the salaries of employees in the financial year 2015-16 was 5.04% against the average increase of 3.67% in the salary of managerial personnel.

ix) Comparison of the each remuneration of the Key Managerial Personnel against the performance of the company;

This has been explained in reply to para (vi) above.

x) The key parameters for any variable component of remuneration availed by the directors; presently not applicable.

xi) The ratio of the remuneration of the highest paid director to that of the employees who are not directors but receive remuneration in excess of the highest paid director during the year;

Not applicable

xii) Affirmation that the remuneration is as per the remuneration policy of the company

It is affirmed that the remuneration being paid by the company is in conformity with the remuneration policy of the company.

12.0 Share Capital

The Company did not issue any share capital during the financial year 2015-16.

13.0 Auditors

M/s.M.Mukerjee & Company, Chartered Accountants, Kolkata are the statutory auditors of the company. Under the provisions of the Companies Act, 2013, they are eligible for re-appointment.

14.0 Committees of the Board of Directors

The Board of Directors have appointed three committees namely (i) "Audit and Risk Committee" (Re-designated as Audit and Risk Committee in place of the earlier name as Audit Committee) (ii) Nomination and Remuneration committee and (iii) Stakeholders Relationship Committee. The requisite details in respect of these committees have been provided in Annexure – 3 dealing with "Corporate Governance".

The Board has accepted the recommendations of the Audit Committee and there is no such recommendation of the Audit Committee which has not been accepted by the Board of Directors of the Company.

15.0 Vigil Mechanism

The Company has introduced a vigil mechanism, for its Directors and Employees to report their genuine concerns or grievances. Since the company has an Audit Committee (Now re-designated as Audit and Risk Committee) the responsibility to oversee vigil mechanism has been entrusted to the Audit Committee. The Chairman Audit Committee has been authorized to ensure effective implementation of the vigil mechanism established by the company. The details of vigil mechanism are as under:

i) The Employees and Directors of the company may bring to the notice of the Chairman of the Audit and Risk Committee, any irregularity, wrong doing, unethical practice or any activity against the principles and standards laid down for conduct of the business of the company.

ii) The whistle blower will only report the irregularity and not act as an Investigator. He may be asked to make oral submission by the Chairman Audit Committee.

iii) The identity of the whistle blower will be kept confidential as far as possible. Such whistle blower will also not be discriminated or meted out any unfair treatment in employment matters.

iv) After receipt of the complaint, the Chairman Audit and Risk Committee will investigate the matter in an independent, fair and unbiased manner.

v) The identity of the person against whom the investigation is conducted will be kept confidential within the ambit of law and such person will also be informed of the allegations to enable him placing his view points before the Chairman Audit and Risk Committee

vi) The findings of the investigation will be communicated to such person and he will be provided with an opportunity to respond to the material findings, if any. Finally, the outcome of investigation will be informed to such person.

vii) The disciplinary action will be taken as per the rules of the company, in force from time to time.

16.0 Particulars relating to Employees.

As required under Rule 5(2) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules 2014, the details of employees who were in receipt of remuneration in excess over the prescribed amount have been provided in Annexure-6.

17.0 Secretarial Audit Report

M/s. A. Kumar & Associates were appointed as Secretarial Auditors of the company and the Report submitted by them is placed at Annexure 7.

18.0 Corporate Governance Certificate

This Certificate has been provided by the Auditors of the company and placed at Annexure -8.

19.0 Protection From Sexual Harassment

The company has formed an Internal Compliance Committee to address the complaints of Sexual Harassment at work place. The employees can approach the Committee, if required. However, no complaint has been received by the said committee during the period covered by this report.

20.0 Appreciations

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. The Directors also extend their thanks to the secured creditors and other business associates for extending their help and co-operation for smooth operations of the company.

ON BEHALF OF THE BOARD

(Shailendra Prakash Sinha)
Managing Director

Place: Patna
Date: 28.5.2016

(B.C. Srivastava)
Director

MANAGEMENT DISCUSSION AND ANALYSIS:

1. **Industry Structure and developments**

1.1 Cement Industry is one of the eight Core Industries namely (i) Coal (ii) Crude Oil (iii) Natural Gas (iv) Refinery Products (v) Fertilizer (vi) Steel (vii) Cement and (viii) Electricity. Out of the said eight Core Industries, Cement and Steel are Key Industries for growth of infrastructure in the Country. Cement Industry, till its total deregulation in 1989, had a capacity in the region of 45 – 50 Million Tons and started growing rapidly in post deregulation period and particularly after cement was freed from licencing in 1991 in the process of liberalization of Indian economy. Indian cement industry, next only to China expanded its capacity in a significant way in last 14-15 years. While the industry took 8 decades to reach the 100 million ton capacity, the 2nd 100 million ton was added in 11 years and the 3rd 100 million ton was added in just 3 years. Indian Cement manufacturing capacity at present is about 410 Million Tons and as in case of any industry, cement manufacturing capacity has been created in India, on the basis of the growth forecasts in various sectors of the economy, generally ahead of demand.

1.2 The capacity creations in India therefore have been in bunches based on the growth expectations and in the event of real demand not matching the growth forecasts, there were delays in absorption of full capacity leading to the situation of surplus cement manufacturing facilities and mis-matches in demand and supply persisting, at times, longer than anticipated. The present cement manufacturing capacity of 410 Million Tons approx. has not been able to be fully absorbed in the economy due to lower than expected consumption caused by tepid growth in creation of infrastructure facilities across the Government, Private and Public Private Partnership sectors.

1.3 The Indian Cement Industry grew at a rapid pace upto the year 2010 and had grown at the Compounded Annual Growth Rate (CAGR) between 8% to 9% resulting in a demand supply equilibrium position. The capacity additions during the later period were not backed by commensurate growth in demand for cement caused due to slowdown in infrastructure and housing sectors creating demand supply mismatch which continues, to a considerable extent, till now.The surplus capacity coupled with low demand growth led to low capacity utilization in the range of 65 – 70% in last 2-3 years. Cement prices also remained flat during this period while the input costs showed escalation. Some input prices like coal, bags, etc. have moderated in last two years due to softening of the commodity prices particularly oil.

1.4 Cement Industry has now grown into a more organized sector and evolved to become more efficient in terms of energy consumption, quality of product, technological upgradation leading to increased use of blended cement, etc. Industry is also focusing more on alternate fuel with emphasis on environment protection. The company also, in line with the trend in Industry, has achieved significant efficiency levels in energy consumption and earlier received awards on this account in two years.

2. **Opportunities and Threats**

2.1 **Opportunities**

(i) Cement Industry, considering the growth during pre and post deregulation period, is considered a success story as the same has helped create substantial growth in housing and infrastructure sectors. The domestic cement industry is the second largest cement market globally contributing 8% to world cement production. The industry is a significant player in the economic development of the country by providing large contribution to State and Central Exchequers. Since it is both capital and labour intensive industry, it provides employment to over a million people of the country besides creating large asset base in the economy. Even though the Industry witnessed muted growth in last 3-4 years, both in terms of demand and price structure, it has high growth potential in view of the emphasis of the Central Government on developing infrastructure in the Country as evident from the ambitious target of spending US $ 1 trillion envisaged in the 12th five year plan. Even somewhat lower than the envisaged spending on infrastructure would drive the demand growth considerably and provide much needed fillip to the economy for quicker revival. The Government's plans to construct (i) National Highways (ii) the Projects named Bharat Mala and Sagar Mala (iii) 100 Smart Cities and (iv) Housing for all till 2022 are indicative of quantum jump in cement sector. The housing sector is the biggest demand driver accounting for over 60% of the total cement demand. The Government's resolve to provide housing for all by 2022 will be major driving force for growth in cement industry in next decade. Swatch Bharat Abhiyan is also likely to contribute significantly to the demand for cement. Moreover, Indian Cement Industry has greater potential to grow fast in view of the fact that the per capita cement consumption in India is about 191 Kg (in 2012) which is much lower than the International average of 536 Kg (in 2012), leaving significant opportunities for growth.

(ii) Cement market in India is expected to grow as it has to cater to demand for the new infrastructure projects and it is estimated that such projects will require about 45 Million ton cement in next 3-4 years and this will not only push towards a demand supply equilibrium position but will also help stabilize and improve the prices providing financial power to the industry for further expansion in the capacity and maintaining the cycle of growth in the economy. According to an estimate by Cement Manufactures Association (CMA), Indian Cement Industry may have a capacity of 750 million ton by 2023-24 with production of 665 million ton i.e. a capacity utilization of about 89%. Softening of bank interest rate by 1.5% since January 2015 will have a positive effect on the growth of the Industry as well as overall economy.

(iii) The eastern states as well as those on the country's borders are likely to witness significant growth in consumption of cement due to the emphasis on infrastructure development in those areas with a possibility of cement manufacturing capacity. Bharat Mala is one such project which will boost cement consumption in the North East and border states. Sagar Mala project will connect the coastal states and significantly augment the ports capacities. In next one decade India may emerge one of the main exporters of clinker and gray cement to the Middle East, Africa and other developing countries of the world.

(iv) On quality front, India has already demonstrated its capability to produce the world class high quality and different varieties of cement conforming to any international standard viz BS, ASTM, DIN etc. The industry is also actively pursuing the use of alternate fuel to reduce dependence on coal besides using advanced and environment friendly technologies as well as waste heat recovery based co-generation of power.

2.2 Threats

(i) Even though the demand for cement is likely to improve, lower than expected monsoon may spoil the growth prospects when two successive bad monsoons have already pushed the growth rate back.

(ii) Since the Industry is already faced with surplus capacity situation, any addition to the capacity at this stage and not absorbed by commensurate demand would lead to further imbalance in the demand and supply and push the cement prices further down affecting adversely the financial base of cement companies.

(iii) If the 12th plan projections of spending one trillion dollars do not fructify and there is a substantial short fall, the cement industry in the country will face the threat of lower growth.

(iv) Although presently, the International Coal prices are at reasonable levels, any significant change in the World economy leading to growth in demand for coal will have negative impact on Indian Cement Sector in the form of high input costs.

(v) Increase in commodity price including oil will have adverse impact on cement industry in terms of higher cost of logistics; cement being a voluminous material entailing high freight cost.

3.0 Segment wise or product wise performance

The company is engaged only in manufacturing and marketing of cement and its products are sold mostly in the State of Bihar. The company therefore has got only one product and geographical segment.

4.0 Outlook

(i) As mentioned earlier, the economy of the Country has been witnessing slow growth since 2012-13, the growth being 4.5% in 2012-13 and 4.7% in 2013-14. The growth rate in 2014-15 was estimated as 5.5%. These growth rates were however based on the methodology adopted by Central Statistical Organization (CSO) earlier and now the corresponding growth rates under the new methodology are 5.1 % (2012-13), 6.9% (2013-14) and 7.3% (2014-15). As per the estimates made by IMF, various rating agencies as well as the Government sources, the economy is likely to grow by 7.4% to 7.6% in 2015-16.

(ii) On the basis of a study, the World Bank has made a forecast which shows that the Indian Economy is expected to grow @ 7.9% in 2016-17 and 8% in 2017-18.With the changes in the policies for real estate and infrastructure sectors, housing for all till 2022 as promised by the Central Government, 100 smart cities, Bharat Mala and Sagar Mala Projects, plans for rapid growth in National highways and Railway sectors, Cement is poised for a big leap in the times ahead with not only demand supply gaps narrowing but further capacity build-up getting a needed boost. Reduction in the Policy rates by RBI and a look up in industrial production would lead to additional growth which augurs well for Cement Industry.

5.0 Risks & Concerns

(i) The surplus capacity situation in the cement industry of the country continues to pose risk for the industry as the same diminishes the industry's capability to realize remunerative prices from the market. Power and Fuel (Coal) are the two major components contributing to the manufacture of cement and these two items have witnessed significant escalation in last few years despite cement prices remaining flat thereby putting the industry margins under severe pressure. The cost of these two inputs have moderated only in last two years but any increase in oil and coal prices will impact the industry negatively.

(ii) The availability of good quality coal remains a concern for cement industry. Majority of the Indian coal does not provide desired calorific value and this increases dependence on imported coal, the prices whereof are prone to fluctuation due to the dynamics of international demand and supply of coal.

(iii) Cement is a bulk commodity and involves long haul transportation involving sizeable carrying cost. Logistics therefore plays a very important role in cost of delivery of cement to the ultimate consumer. Although the international crude prices remained soft during the recent times which eased the pressure on logistics cost, the same is now on uptrend. Any significant increase in international crude price will have the risk of negatively impacting the industry margin.

(iv) The government's emphasis on infrastructure projects will result in creation of such facilities only when required land is available. The availability of land remaining uncertain, the anticipated growth in infrastructure sector remains a cause for concern at least in short term.

6.0 Internal control systems and their adequacy

(i) The company has established effective internal controls both in operational & financial areas and the same have proved to be effective. The objective of internal control systems established by the company is to ensure efficient use and protection of the company's resources, accuracy in financial reporting and ensuring that the financial statements of the company are considered reliable and credible in providing true and fair view of the state of affairs of the company.

(ii) The company has appointed a reputed firm of Chartered Accountants who performs the internal audit of the operations and financial affairs of the company and submit their reports to the Audit Committee on quarterly basis. The internal controls are reviewed by the auditors periodically and deficiencies, if any are pointed out by them for corrective measures.

7.0 Financial performance with respect to operational performance

(i) The company presently is in the process of revival through the aegis of the Board for Industrial and Financial Reconstruction (BIFR). Since the cement market, due to over capacity situation in the industry, has remained sluggish in last few years, the company's operations & financial results also remained adversely affected. Non-renewal by the Govt. of Bihar of the company's main operative mining lease effective from Dec.'2013 compounded the problem by creating Lime Stone shortage for the company pulling down cement production by over 31% in the year under report over the earlier level.

(ii) The reduced level of operations, led by working capital difficulties and lime stone shortage coupled with flat cement prices as well as cost escalations, resulted in loss.

8.0 Material developments in human resources, industrial relations front including number of people employed.

In order to achieve full utilization of equipment and inculcate proper operation and maintenance practices, the company's personnel are exposed to latest ideas and concepts through various in house as well as external training programmes. Interactions amongst plant personnel on a daily basis also helps improve sensitivity about the plant and better identification of plant problems and their resolutions and also in identifying the areas of cost reduction. Barring few incidents of work stoppages for wage disbursements, the industrial relations generally remained cordial during the year under report. The company employed 929 people during the year.

ON BEHALF OF THE BOARD

(Shailendra Prakash Sinha)
Managing Director

Place: Patna
Date: 28.5.2016

(B.C. Srivastava)
Director