

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

Factory

Banjari, Distt. Rohtas - 821 303
Bihar

Corporate Office

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

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

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:

<u>Meeting Serial Number</u>	<u>Date</u>	<u>Meeting Serial Number</u>	<u>Date</u>
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.**

<u>Meeting Sl. No.</u>	<u>Date</u>	<u>Meeting Sl. No.</u>	<u>Date</u>
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.

<u>Sl. No.</u>	<u>Name of Members of Audit Committee</u>	<u>No. of meetings held during the tenure</u>	<u>No. of meetings attended</u>
1	Shri D. N. Bhandari, Chairman (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 :**

- a) Oversight of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
- b) Recommending appointment and removal of auditors, fixation of audit fee, approval of payment to statutory auditors for any other services rendered by them.

- c) Reviewing with the management the annual and quarterly financial statements before submission to the board for approval with a focus on matters required to be included in the Directors Responsibility Statement to be included in the Board's report in terms of Clause (2AA) of Section 217 of the Companies Act, 1956, accounting policies and any changes therein, major accounting entries involving estimates based on the exercise of judgement by management, qualifications in draft audit report, significant adjustments arising out of audit, going concern assumptions, compliance with accounting standards, legal compliance and compliance with listing agreement, related party transactions, adequacy of internal audit function including staff structure and seniority of the Officers, reporting structure, coverage and frequency of internal audit, performance of Statutory and Internal Auditors as well as adequacy of Internal Control Systems.
 - d) Reviewing, with the Management, the statement of uses/application of funds raised through any kind of issue of share capital, the statement of funds utilized for purposes other than those stated in the offer document /prospectus/notice and the report submitted by the Monitoring Agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendation to the Board to take steps in this matter.
 - e) Discussion with the Internal Auditors, any significant findings and follow up thereon.
 - f) Reviewing the findings of any internal investigation by the Internal Auditors into matters involving suspected fraud or irregularity or failure of internal control system of a material nature.
 - g) Discussion with statutory auditors on the nature and scope of audit and post audit discussion to ascertain area of concern.
 - h) Reviewing the company's financial and risk management policies and the reasons for defaults, if any, in payments to depositors, debenture holders, shareholders and creditors.
 - i) Approval of appointment of CFO after assessing the Qualification, experience and background of the candidate.
 - j) To carry out any other function as required in discharge of the duties mentioned in the above mentioned Terms of Reference of Audit Committee.
 - k) To look into the reasons of substantial defaults in the payment to the depositors, debenture holders and creditors.
- (iv) Besides, the Audit Committee has been given the following powers to exercise its functions efficiently and effectively :
- a) to investigate any activity within its terms of reference,
 - b) to seek significant information from any employee,
 - c) to obtain outside legal or other professional advice,
 - d) to secure attendance of outsiders with relevant expertise, if it considers necessary.
- (v) The audit Committee reviews the following :
- (a) Management discussion and analysis of financial condition and results of operations.
 - (b) Statement of significant related party transactions.
 - (c) Management letters/Letters of Internal Control weaknesses issued by the Statutory Auditors.
 - (d) Internal Audit reports relating to internal control weaknesses.
 - (e) Appointment, Removal and terms of remuneration of the Chief Internal Auditors.

4. Remuneration Committee :

(i) The Remuneration Committee comprises the following directors :

- | | | |
|----|----------------------|---|
| 1. | Dr. K.C. Varshney | Non-Executive Independent Director - Chairman |
| 2. | Shri D.N. Bhandari | Non-Executive Independent Director - Member |
| 3. | Shri B.C. Srivastava | Non-Executive Independent Director - Member |

The Remuneration Committee met on 13th Feb., 2014 to consider the grant of Annual increment to the executive directors of the Company.

(ii) **The following are the terms of reference of the Remuneration Committee :**

- 1) To fix up the Remuneration Package of the Managing Director/Wholetime Director/Executive Directors/Manager and to change or vary the terms and conditions of their appointment subject to Statutory Regulations.
- 2) To decide upon the re-appointment of the Managing Director/Wholetime Director and other Executive Directors/Manager along with their remuneration and recommend to the Board.
- 3) In order to retain the best talents and to motivate them, to review the remuneration packages in line with the trend in the industry and other organisations of similar magnitude.
- 4) To frame an overall Remuneration Policy for the Managing Director/Wholetime Director and other Executive Directors/Manager including the Superannuation and other compensation payments within the overall statutory limits.
- 5) To keep in view while deciding upon remuneration payable to the Managing Director/Wholetime Director/Executive Directors/Manager, the complexities of the business of the company, problems faced by it and efforts made to resolve the same.

(iii) **Attendance during the year**

The following members attended the meeting of the Remuneration Committee held on 13th February, 2014.

- | | | |
|----|----------------------|------------|
| 1) | Dr. K.C. Varshney | - Chairman |
| 2) | Shri D.N. Bhandari | - Member |
| 3) | Shri B.C. Srivastava | - Member |

(iv) **Remuneration Policy**

The Company's remuneration policy has been outlined in the 'Terms of Reference' of the Remuneration Committee as stated above.

5. Share Transfer and Shareholders' Grievance Redressal Committee :

- (i) The Committee comprises the following directors :
- | | | |
|----|---|--|
| a) | Shri D.N. Bhandari
(upto 22.5.2014) | Independent Non-Executive Director -Chairman |
| b) | Shri Satyadeva Prakash Sinha
(upto 11.04.2014) | Executive Director - Member |
| c) | Shri Shailendra Prakash Sinha | Executive Director - Member |
- (ii) Name and designation of compliance officer P.K. Chaubey
President (Fin) & Co. Secretary
- (iii) Number of shareholders' complaints received so far 3
- (iv) Number of complaints not solved to the satisfaction of the shareholders
- (v) Number of pending complaints

6. General Body meetings

- (i) Location and time where last 3 AGMs were held

Sn	AGM SI.No.	Location	Date	Time
1	73rd AGM	Kalyanpur Cements Ltd. 2&3, Dr. Rajendra Prasad Sarani, Kolkata - 700 001	27.9.2013	11.30 A.M.
2	72nd AGM	Kalyanpur Cements Ltd. 2&3, Dr. Rajendra Prasad Sarani, Kolkata - 700 001	29.9.2012	11.30 A.M.
3	71st AGM	Kalyanpur Cements Ltd. 2&3, Dr. Rajendra Prasad Sarani, Kolkata - 700 001	24.9.2011	11.30 A.M.

In addition, the company holds Extra-Ordinary General Meetings as and when necessary.

- (ii) Special Resolutions relating to reappointment of managerial personnel and the remuneration payable to them were passed in the Extraordinary General Meeting held on 8.4.2013.
- (iii) No special resolution was passed during the year 2013-14 through postal ballot.
- (iv) In view of information provided at (iii) above, this is not applicable.
- (v) No special resolution requiring a postal ballot is being proposed at the ensuing Annual General Meeting.
- (vi) Wherever applicable, the procedure laid down in the Companies Act 1956 (now newly enacted Companies Act, 2013) for Postal Ballot is / will be followed by the Company.

7. Disclosures :

(i) Basis of related party transactions

- a) The details of related party transactions in accordance with Accounting Standard - 18 issued under the Companies (Accounting Standards) Rules 2006 have been provided in para 6 of Note 19 to the Balance Sheet of the Company. The details of such transactions are placed before the Audit Committee from time to time.
- b) The transactions with the related parties are in the normal course of business only or as provided in the applicable laws.

(ii) Disclosure of Accounting Treatment -

In preparation of financial statements, the company has followed the norms prescribed in the Accounting Standard.

(iii) Board Disclosures - Risk Management -

The company has reasonable internal controls and procedures in place which help assess the risk and minimise the same. The internal controls and procedures are periodically reviewed with a view to exercising control over risks and consequential losses.

(iv) Proceeds from Public issue/Rights issue/Preferential issue --

The company did not issue any share capital during the financial year 2013-14 and hence, this is not applicable.

(v) Remuneration of Directors

- (a) None of the non-Executive Directors has any pecuniary relationship/transaction with the Company.
- (b) The details of remuneration paid to directors have been given below:

Rs. in Lacs

	Shri Satyadeva Prakash Sinha, Executive Chairman	Shri Shailendra Prakash Sinha, Managing Director	Shri Anant Prakash Sinha, Joint Managing Director	Total
Salary	35.40	34.20	31.80	101.40
Benefits	24.19	22.75	19.79	66.73
Bonus	-	-	-	-
Stock Option	-	-	-	-
Pension	-	-	-	-
Provident Fund	-	4.10	3.82	7.92
Total	59.59	61.05	55.41	176.05

The remuneration has not been broken into the "fixed" and "performance linked incentive" components.

(c) Service Contract :

- (i) Notice period - 12 months Notice from either side or as mutually agreed.

(ii) Severance Fees :

In the event of change in the management of the company, due to either, merger, acquisition, amalgamation or restructuring of any kind, and if the new management desires to terminate the contract by giving 12 month notice as per above or the person opts to resigning prematurely within 12 month of change in management, the company undertakes to compensate the incumbent before vacation of office with the equivalent of 3 years remuneration or balance of contract period whichever is lower, including salary and house rent allowance or the last rent paid for a leased accommodation based on the actual remuneration for previous 12 months.

(iii) Stock Option Details : Nil

(d) The details of remuneration paid to non-Executive Directors have been given below:

In view of accumulated loss, the company does not pay any remuneration to non-executive Directors except sitting fees for attending the meetings of the Board of Directors or the Committees thereof. The details of sitting fees paid during the year ended 31st March' 2014 are as under:

Name of the Director	Amount of Sitting Fee (Rs.)
Shri D.N. Bhandari	25,000
Shri B.C. Srivastava	45,000
Dr. K.C. Varshney	45,000
Shri Mahendra Lodha	10,000
TOTAL	1,25,000

(e) Non-Executive Directors of the Company do not hold any share/convertible instruments of the Company except Mr. D.N. Bhandari who holds 176 Shares allotted to him on consolidation of fractional entitlements of Shareholders in terms of the Scheme of Compromise approved by the Hon'ble Calcutta High Court.

(f) Particulars regarding Employees as mentioned in para 13 of the Directors' Report

1	Name of the Employee - Shri Shailendra Prakash Sinha	6	Qualification and experience of the Employee Experience	i. B. Com., Certificate holder in Hotel Management from Cornell University ii. Senior Executive Programme, Stanford University - 43 Years
2	Designation of the Employee - Managing Director	7	Date of Commencement of Employment	- 23rd February, 2007
3	Remuneration Received - Rs. 61.05 Lacs	8	Age of Employee	- 64 Years
4	Nature of Employment - whether contractual or otherwise - Contractual	9	Last employment held	- Manager, Kalyanpur Cements Limited
5	Nature of duty of the Employee - Overall management of the affairs of the company subject to supervision by the Board of Directors	10	%age of Equity Shares held	- Nil

(vi) **Management-**

A Management Discussion and Analysis Report containing details in the prescribed areas has been incorporated in the Directors' Report as ANNEXURE-4. No member of the Senior Management has during the year under report, entered into any financial and commercial transactions with the company.

(vii) **Shareholders**

(a) In case of appointment or re-appointment of Directors, the requisite information is provided as under :

- a.1 Details of Shri Ravindra Prasad, appointed as an Additional Director and proposed to be appointed as Director in the Annual General Meeting.

Shri Ravindra Prasad born on 1st July 1972 is a Bachelor of Engineering (Electronics) and an MBA. He is from Indian Telecom Services and was earlier working as Director (Deptt. of Telecommunication), Govt. of India, New Delhi. He is presently working in the capacity of Director, Technical Development, Industry Department, Government of Bihar. On his nomination by Government of Bihar in place of the earlier nominee, he was appointed as Additional Director w.e.f. 13.2.2014. He does not hold Directorship in any other company nor he holds any shares in the company. He is also not related with any director of the company.

- a.2 Details of Shri Mahendra Lodha proposed to be reappointed in the Annual General Meeting.

Shri Mahendra Lodha, born in August 1956 is a practicing Chartered Accountant based at Ahmedabad. He was appointed on the Board of the Company w.e.f. 23rd February, 2007. He has rich experience and expertise in Financial Sector like Project Financing, etc. He is also a renowned Consultant and provides consultancy in various areas in Corporate and Financial field. Shri Lodha is on the Board of Several Companies namely (i) Amul Exim Ltd., (ii) Nitrex Chemicals India Ltd., (iii) Tulip Star Hotels Ltd., (iv) Rama Petrochemicals Ltd., (v) Rainbow Denim Ltd., (vi) Steelco Gujrat Ltd., and (vii) Parixit Industries Ltd. He is also member and chairman of the Committees of the Board of Directors of these Companies. Mr. Lodha does not hold any share in the company. He is also not related with any director of the company.

The Non-Executive Directors do not hold any share in the company except as mentioned at para 7(v)(e) hereinabove.

(b) **Relationship**

None of the directors of the company is related with the directors proposed to be appointed / reappointed.

- (c) The Quarterly Results and presentations are not sent by the company to the Analysts. The company regularly sends its Quarterly Results to the Stock Exchanges where its shares are listed.
- (d) The Company had formed a Board Committee under Chairmanship of Shri D. N. Bhandari, a Non Executive Independent Director to look into redressal of the shareholders' and investors' complaints. The Committee is designated as "Share Transfer and Shareholders' Grievance Redressal Committee".
- (e) The Board has already formed a committee known as "Share Transfer and Shareholders' Grievance Redressal Committee" for expeditious transfer of shares and the Company expeditiously transfers the shares as and when requests for such transfers are received.

- (viii) There were no occasions of penalty /strictures imposed on the company by Stock Exchange or SEBI or any Statutory Authority on any matter related to capital markets during last 3 years.
- (ix) Whistle Blower Policy is yet to be implemented. However, no person willing to approach Audit Committee has been denied access to the committee.
- (x) Details of Compliance of Code of Corporate Governance are provided in paragraph No. 10 hereof.

8 Means of Communication

- (i) The Company publishes its quarterly results on regular basis.
- (ii) The quarterly results are published in the following Newspapers:-
- (a) The Financial Express, Kolkata
- (b) Pratidin, a Bengali Daily, Kolkata
- (iii) The Company has a functional website namely www.kalyanpur.com
- (iv) The company does not display the official news release. In fact, the company generally does not issue news releases.
- (v) The company from time to time makes presentation to the State Govt., the Banks, Financial Institutions or the prospective lenders in relation to its financial performance. The company does not make any presentation to the Analysts.

9. General Shareholder Information:

- (i) AGM date, time and venue : Thursday, the 11th September, 2014 at 11.30 A.M.
KALYANPUR CEMENTS LIMITED
2 & 3, Dr. Rajendra Prasad Sarani,
(Formerly known as Clive Row)
Kolkata - 700 001.
- (ii) Financial Year : 2013-14
- (iii) Book closure date : 4th September, 2014 to 11th September, 2014
- (iv) Dividend payment date : Since the company does not have distributable profit, the Board of Directors have not recommended any dividend.
- (v) Listing at stock exchange : i) Calcutta Stock Exchange, Kolkata
ii) BSE Ltd., Mumbai
- (vi) Stock Code : 21105 - Calcutta Stock Exchange, Kolkata
502150 - BSE Ltd., Mumbai
- (vii) Market Price data : During the Financial Year 2013-14, only 300 shares were traded at Bombay Stock Exchange. The said 300 shares were traded @ Rs. 13.71 per share. The other relevant information is given below:

(Fig.in Rs.)

Month	No. of Shares	High	Low
January'14	300	13.71	13.71

- (viii) Performance in comparison to Board-based indices such as BSE Sensex, CRISIL Index, etc. : Since the volume of shares traded is very small, the comparison of company's shares performance with Broad-based indices like BSE Sensex, CRISIL Index etc. will not be feasible.
- (ix) Registrar & Transfer Agents (RTAs) : Link Intime India (P) Ltd.
59C, Chowringhee Road, 3rd Floor,
Kolkata - 700 020,
Phone : 033-22890540
Fax: 033-22890539
E-Mail: Kolkata@linkintime.co.in
- x) Share transfer system : In terms of directive of SEBI to have a common agency for registration of transfers under both physical and dematerialized modes, both the transfer functions have been entrusted to the above RTAs.
- (xi) Distribution of shareholding : The distribution is as under:

Distribution of Shareholding Details

: The distribution is as under

Sl. No.	No. of Equity Shares	No. of Shareholders	No. of Shares	% of Share holdings
1	Upto 50	694	8799	0.04%
2.	51-100	57	4779	0.02%
3.	101-500	41	9998	0.05%
4.	501-1000	21	16372	0.08%
5.	1001-5000	11	26348	0.12%
6.	5001-10000	2	18130	0.09%
7.	10001-50000	3	83176	0.39%
8.	50001-100000	2	171982	0.81%
9.	100001-500000	1	225128	1.06%
10.	500001 & above	6	20684342	97.50%
	Total	838	21249054	100.00%

Shareholding Pattern :

Particulars of holders	% of Shareholding
Promoters	53.30%
FIs, Banks, State Govt. Enterprises	15.48%
Other Corporate Bodies	31.00%
Public	0.22%
TOTAL	100.00%

- xii) Dematerialization of shares & Liquidity : The company's shares have been dematerialized by CDSL with ISIN INE991E01022. NSDL has however not provided connectivity on the ground that the Company's Net Worth does not meet NSDL's criteria.
- xiii) Outstanding GDRs/ADRs/Warrants or any Convertible instruments, Conversion date and likely impact on equity : N I L
- xiv) Plant location : P.O. Banjari, Dist. Rohtas, Bihar.
- xv) Address for correspondence : (i) Head Office:
Maurya Centre, 1-Fraser Road,
Patna-800 001.
- (ii) Registered Office:
2 & 3 Dr. Rajendra Prasad Sarani,
(Formerly known as Clive Row),
Kolkata - 700 001.

10. Report on Corporate Governance

10.1 Mandatory Requirements

All the mandatory requirements of Clause 49 have been complied with by the company.

10.2 Non-Mandatory Requirements

The extent of compliance of non mandatory requirements is given below:

- a) The Company has constituted a Remuneration Committee for deciding upon remuneration packages for Executive Directors and for Compliance with the requirements laid down on the subject.
- b) The Company however is yet to comply with other non mandatory requirements i.e. (i) half yearly communication with the shareholders, (ii) regime of unqualified financial statements, (iii) training of Board members (iv) mechanism for evaluating non-executive Board members, and (v) whistle blower policy.

11. (i) Compliance Certificate from Auditors : This has been obtained
- (ii) Any qualification in Auditor's Report : The Auditors have made some qualifications which, together with the management replies/explanations have been given in Annexure-1 to the Directors' Report.
12. CEO/CFO Certification : As required under clause 49 of the listing Agreement, the CEO/CFO certification is provided in the Annual Report.

13. Code of Conduct

: Board of Directors have laid down a Code of Conduct for all Board members and senior management of the company. The code of conduct has been posted on the company's website. The directors and senior members of the Management of the Company have affirmed compliance with the code for the financial year 2013-14. A declaration to this effect by the Managing Director is included in the certificate provided in terms of para 12 above.

On behalf of the Board

(Shailendra Prakash Sinha)
Managing Director

(Dr. K.C. Varshney)
Director

(B.C. Srivastava)
Director

Patna

Date : 23rd May, 2014

ANNEXURE TO DIRECTORS' REPORT

Statement Pursuant to Section 217(1) (e) of the Companies Act, 1956
read with the Companies (Disclosure of Particulars in
the Report of Board of Directors) Rules, 1988.

A. CONSERVATION OF ENERGY:

- | | |
|--|--|
| (a) Energy Conservation measures taken : | Commissioning of new coal burner to reduce coal consumption |
| (b) Additional investment and proposal, if any, being implemented for reduction of consumption of energy. | Solid flow gate for fly ash feeding |
| (c) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production. | Reduction of coal consumption by 10 Kcal/Kg of clinker and better burning of clinker leading to higher additive consumption. |

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FORM "A"

**FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO CONSERVATION OF ENERGY**

A. POWER & FUEL CONSUMPTION

	Year ended 31.03.2014			Year ended 31.03.2013		
	Lac units (KWH)	Total Amount (Rs. in Lacs)	Rs. Per unit	Lac units (KWH)	Total Amount (Rs. in Lacs)	Rs. Per unit
1. Electricity						
a) Purchased (State Power Utility Company)	616.47	3614.18	5.86	669.13	3784.64	5.66
b) Own Generation through Diesel Generator	-	-	-	-	-	-

	Year ended 31.03.2014			Year ended 31.03.2013		
	Gross Qnty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./tonne)	Gross Qnty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./tonne)
2. Quality of Coal						
Non-Coking Coal - Long Flame (Grade A / B) (Used in Kiln for Clinker Manufacture)	0.923	7355.82	7969.07	1.055	8456.67	8017.17
Rice Husk	0.002	9.64	4102.69	0.014	59.33	4134.83

3. Consumption per unit of Production

	Industry Norm (Dry Process)	Year ended 31.03.2014	Year ended 31.03.2013
Electricity (KWH / ton Cement)	100 -115	96	91
Coal for Kiln (K. Cal / Kg. Clinker)	750-850	750	739

FORM "B"**FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO TECHNOLOGY ABSORPTION****Research & Development (R&D)**

1. Specific area in which R&D has been carried out by the Company :
 - Optimizing of clinker grinding circuit
2. Benefits as a result of the above R&D
 - Reduction of overall power consumption in grinding of clinker
3. Future plan of action :
 - Establish new operating parameter for clinker grinding unit

4. Expenditure on R&D	Rs. in Lacs
a) Capital	
b) Recurring	4.82
c) Total	4.82
d) Total R&D Expenditure as percentage of total turnover (%)	0.02.%

FOREIGN EXCHANGE EARNING AND OUTGO :

	Rs. in Lacs
1. Foreign Exchange Earned	nil
2. Foreign Exchange Outgo (Expenditure on Foreign Travel)	2.72

On behalf of the Board

(Shailendra Prakash Sinha)
Managing Director

(Dr. K.C. Varshney)
Director

B.C. Srivastava)
Director

Patna

Dated : 23rd May, 2014

MANAGEMENT DISCUSSION AND ANALYSIS

1. Industry Structure and developments

Indian cement industry expanded rapidly after it was delicensed in 1991. It expanded in a major way between 2007 and 2012, when , encouraged by sustained economic growth coupled with the boom in the infrastructure and real estate from 2005 onwards, Cement companies added fresh capacities. Around half of the existing capacity of 360 million tonnes , were added during this period.

The potential for development in the infrastructure and housing sectors encouraged many transnational companies like HOLCIM ,Hiedelberg , Lafarge , Italicementi, and CRH to take up stakes in Indian Companies , which in many cases was increased to acquire controlling stakes. Some of the major acquisitions in recent years have been Raymonds and Tata Cements by Lafarge , ACC and Gujarat Ambuja by HOLCIM and My Home Industries by CRH.

However, increase in interest rates by the Govt, to tame inflationary pressures coupled with cutback in Govt. spending on infrastructure from 2010 led to steep drop in Cement demand . The industry was left with huge oversupplies and unutilized capacity .Furthermore, the spending of USD one trillion on infrastructure proposed in the 12th five year plan period from 2012 till 2017 was yet to get underway, though the cement industry is well on way to achieve the installed capacity target of 480 mil. Tonnes by 2017 set in the 5- year plan.

The margin of the cement industry has been severely eroded by loss of pricing power on one hand and continued increase in cost of power , fuel and transportation following Govt. decision to cut back on subsidies . There were 14 hikes in price of diesel alone since January'2013. The Cement Industry has since been facing mounting problems , which has given impetus to the process of consolidation in the industry to achieve better economies of scale , market access and improved pricing power . Jaypee Cements , under huge debts , have divested their majority stake in their 2.1 mill. tonne plant at Bokaro in favour of Dalmia Cements as well as their stake in their 2 plants of 2.8 mil. Tonnes each in favour of Ultratech. Binani Cements ,with a total capacity of 6 mil. Tonnes from 2 plants in Rajasthan have suspended operations at their two plants in Rajasthan .HOLCIM and Lafarge , the two largest cement producers in the world have announced merger plans , after which their combined capacity in India will go upto 68 mill. tonnes . Similar such acquisitions are also under negotiations .

2.0 Opportunities and Threats

2.1 Opportunities

The Govt. since 2010 has kept interest rate high to curb inflationary pressures in the economy , which has largely been unsuccessful. While this has led to steep fall in demand , inflation has continued to remain high. In view of the present state of the economy and moribund demand , the Govt . may soon cut interest rates and reduce Excise duty , which may once again revive demand. Further , it is also being anticipated that the stalled infrastructure projects may soon be restarted , which will start an infrastructure boom and reduce oversupplies. Moreover, cement industry in India has entered a phase of consolidation with larger players acquiring the smaller ones to gain market share , which will improve the pricing power of the industry.

2.2 Threats

The Cement sector has been reeling under crisis for last 3 years due to massive oversupplies, inadequate demand and continued cost increases. None of the above factors are likely to change in the near term. Capacity additions continue unabated in the hope of reaping benefit in the long term, when demand revives. The cost of coal, power and transport are also expected to maintain an upward trend, as the Govt may persist with its policy of doing away with subsidies. Further, despite failing to control inflation in the last 3 years by persisting with tight monetary policy, the Govt may still not delink inflation from bank rates, which will continue to curb demand in the economy.

3.0 Segmentwise / productwise performance

The Company is a single product manufacturer and there is no other product segment. Since 90 % of its product is marketed in Bihar, it has virtually only one geographical segment.

4.0 Outlook

India's housing and infrastructure deficits point to huge potential for development and the cement sector will benefit immensely as and when momentum picks up. Infrastructure as a percentage of GDP has been steadily increasing over the last two 5-year plans increasing from 5 % in the 10th Plan to 7.2 % in the 11th Plan. In the 12th 5-year Plan, the Govt. plans to increase this to 9.1 % of GDP, equal to an investment of Rs.51,464 billion and additional demand of 145 mill. tonnes between 2013-17. The fact that cement majors have built up capacities in advance is an indicator of their expectation that demand will sooner or later pick up. The focus of the Government on strengthening of infrastructure and promotion of low cost affordable housing is expected to drive the demand for cement. According to CARE Research, which is a division of CARE Ratings, in the event of Low Cost Housing going forward, this could mean cement demand of 270-290 mill. tonnes in the next 3-4years.

5.0 Risks and concerns

Cement sector is in grip of negative factors and Companies are continuously losing pricing power and costs continue to rise. Power, fuel and freight costs make up around 60-65 % of the total cost. CARE Research, anticipates that power and fuel costs will further increase by 10 % in 2014. Diesel prices were up 15% this fiscal and it is estimated that freight costs / tonne will again go up 15 % in 2014. Further, capacity is way ahead of consumption. Between 2009 and 2013, capacity increased at CAGR of around 10 %. However, fresh capacity continue to be added to secure future demand with addition of around 66 mill tonnes expected during the period 2014-16. This will further erode margins of the Industry. Infrastructure Projects have been delayed by spiralling costs, land acquisition and environmental issues. With land acquisition and environmental laws getting more stringent, infrastructure projects may get further delayed and impede investments.

6.0 Internal Control Systems and their adequacy

The Company has adequate internal control systems which are reviewed by the Management and the Internal Auditors through quarterly audit of various areas of Company's operations to ensure that the systems are being properly complied with and transparency is maintained. The Observations of the Auditors alongwith Company's replies are placed before the Audit Committee of the Directors on regular basis for reviewing their adequacy.

7.0 Financial performance with respect to operational performance

As a result of lower plant availability due to increased frequency of unplanned stoppages , capacity utilization levels in both Clinker and Cement declined during the year . As total arrivals were far in excess of demand , It was difficult to maintain price levels , as manufacturers pushed sales by cutting prices to beat competition . In view of the market condition and continued increase in input costs , it was increasingly difficult to cover the cost at existing levels of realization and input supplies were maintained with great difficulty by further increasing liability levels . Major high cost spares and consumables were arranged on deferred payment terms.

8.0 Material developments in Human resources / Industrial Relations front , including number of people employed

In order to achieve full utilisation 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 help improve sensitivity about the plant and better identification of plant problems and their resolutions and also in identifying areas of cost reduction. The Industrial Relations remained cordial during the year under report. The Company employed 1087 persons during the year.

On behalf of the Board

(Shailendra Prakash Sinha)
Managing Director

(Dr. K.C. Varshney)
Director

(B.C. Srivastava)
Director

Patna
Dated : 23rd May, 2014

23rd May, 2014

To
The Board of Directors
Kalyanpur Cements Ltd.
2 & 3, Dr. Rajendra Prasad Sarani
Kolkata - 700 001.

Dear Sirs,

Sub: CEO/CFO Certification in terms of Clause 49 of Listing Agreement

We hereby certify that we have reviewed the Balance Sheet, Profit & Loss Statement, Notes annexed to the Balance Sheet and Profit & Loss Statement and Cash Flow Statement of the company for the year ended 31st March, 2014 and to the best of our knowledge and belief, we declare that

- 1.1 These statements do not contain any materially untrue statement or omit any material fact or contain statement that might be misleading.
- 1.2 These statements together present a true and fair view of the company's affairs and are in compliance with the existing accounting standards, applicable laws and regulations.
- 1.3 There are, to the best of our knowledge and belief, no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's Code of Conduct. The Directors as well as Senior Members of Management have also affirmed compliance with the Code of Conduct.
- 1.4 We accept the responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of the Internal Control System of the Company pertaining to financial reporting and that we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- 1.5 We have indicated to the Auditors and the Audit Committee
 - (a) Significant changes in the Internal Control over financial reporting during the year.
 - (b) That the accounting policies followed during the earlier year have been consistently applied during the financial year ended on 31.03.2014.
- 1.6 We have not become aware of any significant fraud during the year ended 31st March, 2014.

For KALYANPUR CEMENTS LTD.

(SHAIENDRA P. SINHA)
MANAGING DIRECTOR

(P. K. CHAUBEY)
PRESIDENT (FINANCE)
& CO. SECY.

Date: 23rd May, 2014

CERTIFICATE

To the Members of
KALYANPUR CEMENTS LIMITED

We have examined the compliance of conditions of Corporate Governance by KALYANPUR CEMENTS LIMITED, for the period ended on 31 March, 2014 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us:

We certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We state that no investor grievance(s) is pending against the company as per the records maintained by the Shareholder/ Investors' Grievance Committee.

We further state that such compliance is neither an assurance as to the further viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For and on behalf of
M. MUKERJEE & CO.
Chartered Accountants

(Spandan Sengupta)
Partner
Membership No. 135833
FRN No. 303013E

INDEPENDENT AUDITOR'S REPORT

To the Members of the Kalyanpur Cements Limited

Report on the Financial Statements

We have audited the accompanying financial statements of **KALYANPUR CEMENTS LIMITED**, which comprise the Balance Sheet as at March 31, 2014 and the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair-view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act 1956. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, wherever due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

M. MUKERJEE & CO.
Chartered Accountants

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") as amended, issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As stated in para 1.1 and 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 the financial implication, if not resolved as anticipated, have been explained by the Management in the said Note.
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.
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.**
5. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit ;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books [and proper returns adequate for the purposes of our audit have been received from branches not visited by us ;
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account ;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of subsection (1) of section 274 of the Companies Act, 1956 and
 - f. since the Central Government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

24, Netaji Subhas Road
Kolkata-700 001

Camp - Patna
May 23, 2014

M. MUKERJEE & CO.
Chartered Accountants
FRN : 303013E

SPANDAN SENGUPTA
Partner
Membership No: 135833

ANNEXURE TO AUDITOR'S REPORT

- (i) According to the information and as explained to us :
- a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The fixed assets have been physically verified by the management at reasonable intervals and material discrepancies, if any, have been properly dealt with in the books of account.
 - c) No substantial part of the fixed assets has been disposed off during the year.
- (ii) According to the information and as explained to us :
- a) Physical verification of inventory has been conducted at reasonable intervals by the management.
 - b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) The Company did not grant any loan to Companies, firms or other parties covered under section 301 of the Act for which register has been maintained.
- (iv) According to the information and as explained to us, there is an adequate internal control procedure commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods. The Company reviews and monitors the internal control procedures and weaknesses of major importance which are addressed promptly.
- (v) According to the information and as explained to us :
- a) The particulars of contracts or arrangements referred in section 301 of the Act have been so entered in the Register required to be maintained under that section.
 - b) Transactions made in pursuance of such contracts or arrangements including those which are above Rs. 5 lakhs per party per annum have been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
- (vi) According to the information and as explained to us, the Company has not accepted deposits from the public as defined in Sections 58A and 58AA or any other relevant provisions of the Act and the rules framed there under.
- (vii) According to the information and as explained to us, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) The Company is required to maintain cost records in respect of clinker and cement production. We have broadly reviewed the books and prima facie it appears to us that the books and records are maintained. We have, however, not made a detailed examination of the books to ascertain if they are correctly maintained.
- (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 :-**
- 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 .

M. MUKERJEE & C O.
Chartered Accountants

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.

c) Provident Fund, EPS, - Rs. 1076.51 Lacs

d) Tax deducted at Source (TDS) - Rs. 233.92 Lacs

All the dues except at (b) above are undisputed.

- (x) 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.
- (xi) 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.
- (xii) According to the information and as explained to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- (xiii) According to the information and as explained to us, provisions of any special statute applicable to chit fund are not applicable to this company.
- (xiv) According to the information and as explained to us, the Company is not dealing or trading in shares, securities, debentures and other investment.
- (xv) According to the information and as explained to us, the Company has not given any guarantee for loans taken by others from Banks or Financial Institutions.
- (xvi) According to the information and as explained to us, the Company has obtained priority debt of Rs. 175.00 lacs during the year..
- (xvii) According to the information and as explained to us, funds raised for short term basis have not been used for long term investment
- (xviii) During the year the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Act.
- (xix) The Company has not issued any debentures during the year.
- (xx) According to the information and as explained to us, the Company has not raised any money by public issue during the year.
- (xxi) According to the information and as explained to us, no fraud on or by the Company came either to the notice of the Company or to us.

24, Netaji Subhas Road
Kolkata-700 001

Camp - Patna
May 23, 2014

M. MUKERJEE & CO.
Chartered Accountants
FRN : 303013E

SPANDAN SENGUPTA
Partner
Membership No: 135833

BALANCE SHEET AS ON 31ST MARCH, 2014

(₹ Lacs)

	Note No.	Figures as at the end of Current reporting period ended 31st March, 2014	Figures as at the end of previous reporting period ended 31st March, 2013
I. Equity and Liabilities			
1.0 Shareholders' Funds			
a) Share Capital	1	2,787.14	2,787.14
b) Reserves & Surplus	2	(29,149.40)	(26,030.12)
c) Money received against share warrants		-	-
Total Shareholder's Fund		(26,362.26)	(23,242.98)
2.0 Share application money pending allotment		-	-
3.0 Non-Current Liabilities			
a) Long-term borrowings	3	9,510.85	7,716.38
b) Deferred Tax Liabilities(Net)		0.00	0.00
c) Other Long term Liabilities		1,752.02	1,793.66
d) Long-term provisions		1,654.52	1,677.42
Total Non-Current Liabilities		12,917.39	11,187.46
4.0 Current Liabilities			
a) Short-term borrowings	4	841.95	967.50
b) Trade Payables		7,411.21	6,467.00
c) Other Current Liabilities		17,924.80	17,225.11
d) Short-term provisions		202.53	140.41
Total Current Liabilities		26,380.49	24,800.02
5.0 Total Equity & Liabilities		12,935.62	12,744.50
II. Assets			
1.0 Non-Current Assets			
a) Fixed Assets			
i) Tangible Assets	5	6,285.11	7,046.11
ii) Intangible Assets		1.39	1.39
iii) Capital Work-in-progress		-	16.72
iv) Intangible Assets under development		-	-
Total Fixed Assets		6,286.50	7,064.22
b) Non-Current Investments		-	-
c) Deferred Tax Assets (Net)		-	-
d) Long Term Loans & Advances	6	2,207.50	679.66
e) Other Non-Current Assets		-	-
Total Non-Current Assets		8,494.00	7,743.88
2.0 Current Assets			
a) Current Investments	7	-	-
b) Inventories		2,008.98	2,648.30
c) Trade Receivables		204.39	422.57
d) Cash & Cash Equivalants		238.39	388.71
e) Short Term Loans & Advances	8	1,403.19	1,437.84
f) Other Current Assets	9	586.67	103.20
Total Current Assets		4,441.62	5,000.62
Total Assets		12,935.62	12,744.50
Accounting Policies	18		
Notes to Balance Sheet	19		

This is Balance Sheet referred to in our report of even date

24, Netaji Subhas Road
Kolkata-700 001
Camp : Patna
Date : 23 May, 2014

M. MUKERJEE & CO.
Spandan Sengupta
Partner
CHARTERED ACCOUNTANTS
MEMBERSHIP NO. 135833
FRN. 303013E

P. K. Chaubey
**PRESIDENT (FINANCE) &
COMPANY SECRETARY**

Shailendra P. Sinha
MANAGING DIRECTOR

Dr. K. C. Varhney
DIRECTOR

B.C. Srivastava
DIRECTOR

PROFIT & LOSS STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2014

(₹ Lacs)

Particulars	Note No.	Figures for the current reporting period ended 31st March, 2014	Figures for the previous reporting period ended 31st March, 2013
I Revenue			
1 Revenue from Operations	10		
Sales Revenue		26,446.06	30,223.66
Less: Excise Duty		3,784.08	4,317.19
Revenue from Operations (Net)		22,661.98	25,906.47
II Other Income	11	3,003.94	1,604.72
III Total Revenue		25,665.92	27,511.19
IV Expenses			
1 Cost of Materials Consumed	12	3,502.73	4,309.46
2 Other Manufacturing Expenses	13	15,226.40	16,352.72
3 Changes in Inventories of Finished Goods, Work in Progress and Stock in Trade	14	534.01	351.10
4 Employee benefits Expenses	15	3,478.67	3,314.70
5 Finance Costs	16	1,808.92	1,582.59
6 Depreciation and Amortisation		768.34	993.42
7 Freight & Selling Expenses		2,851.16	3,453.29
8 Other Expenses	17	609.46	687.08
9 Total Expenses		28,779.69	31,044.36
V Profit before exceptional and extraordinary items and Tax(III-IV)		(3,113.77)	(3,533.17)
VI Exceptional Items			
VII Profit before extraordinary items and Tax(V-VI)		(3,113.77)	(3,533.17)
VIII Extraordinary Items			
IX Profit before Tax(VII-VIII)		(3,113.77)	(3,533.17)
X Tax Expenses:			
1 Current Tax -FBT		5.51	-
2 Deferred Tax			
XI Profit/(Loss)for the period from continuing operations(IX-X)		(3,119.28)	(3,533.17)
XII Earnings per equity share:			
1 Basic		(14.68)	(16.63)
2 Diluted			
Accounting Policies	18		
Notes to Profit & Loss Statement	20		

This is Profit & Loss Statement referred to in our report of even date

24, Netaji Subhas Road
Kolkata-700 001
Camp : Patna
Date : 23 May, 2014

M. MUKERJEE & CO.
Spandan Sengupta
Partner
CHARTERED ACCOUNTANTS
MEMBERSHIP NO. 135833
FRN. 303013E

P. K. Chaubey
**PRESIDENT (FINANCE) &
COMPANY SECRETARY**

Shailendra P. Sinha
MANAGING DIRECTOR

Dr. K. C. Varhney
DIRECTOR

B.C. Srivastava
DIRECTOR

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

NOTE - 1				
(₹ Lacs)				
Particulars	As at 31st March, 2014		As at 31st March, 2013	
1.1 SHARE CAPITAL				
Authorised Capital				
Preference Shares				
44,11,766 0.1% Cumulative Redeemable Preference Shares of Rs.15/- each		661.76		661.76
2,00,82,351 Unclassified Preference Share of Rs. 10/-each		2,008.24		2,008.24
Equity Shares				
7,00,00,000 Equity Shares of Rs 10/- each		7,000.00		7,000.00
Total		9,670.00		9,670.00
ISSUED & SUBSCRIBED CAPITAL				
Preference Shares				
44,11,766 0.1% Cumulative Redeemable Preference Shares of Rs.15/- each		661.76		661.76
Equity Shares				
21,267,965 Equity Shares of Rs 10/- each		2,126.80		2,126.80
Total		2,788.56		2,788.56
Paid-up Capital				
Preference Shares				
44,11,766 0.1% Cumulative Redeemable Preference Shares of Rs.15/- each		661.76		661.76
Equity Shares				
21,249,054 Equity Shares of Rs 10/- each	2,124.91		2,124.91	
Add : Forfeited Shares (Amount originally paid-up)	<u>0.47</u>	2,125.38	<u>0.47</u>	2,125.38
Total		2,787.14		2,787.14

- 1.2 Redemption of Preference Shares: In terms of the Scheme of Compromise approved by the Hon'ble Calcutta High Court, the Preference shares were to be redeemed in three annual installments i.e. 2009-10, 2010-11 and 2011-12 @ Rs. 2.21 Crs. every year. The Companies Act, 1956, however, provides that the Preference shares can be redeemed either out of the profit available for distribution of dividend or out of the fresh proceeds of shares issued for the said purpose. Since the company did not either have profit available for distribution of dividend or any fresh proceed of shares, a legal opinion was obtained from M/s. Khaitan & Co., Advocates & Solicitors, Kolkata whether the preference shares could be redeemed by the company. They have opined that the Preference shares of the company could not be redeemed under the present circumstances.
- 1.3 There is no change in the number of shares at the end of the reporting period as compared to the same at the beginning of the reporting period.
- 1.4 The Company does not have any holding company or ultimate holding company.

1.5 The details of share holding exceeding 5% at the beginning and end of the reporting periods are as under:

Sl. No.	Name of Share holder	As on 31.03.2014		As on 31.03.2013	
		No. of shares	Holding(%)	No. of shares	Holding(%)
1	Maurya Management Pvt.Ltd.	1,125,342	5.31	1,125,342	5.31
2	Asset Reconstruction Co. (India) Ltd.	3,079,000	14.49	3,079,000	14.49
3	Elate Investments & Holdings (Pvt.) Ltd.	5,420,000	25.51	5,420,000	25.51
4	Vivid Colors Pvt. Ltd.	10,200,000	48.00	10,200,000	48.00
	Total	19,824,342	93.31	19,824,342	93.31

- 1.6 The Preference Shares carry the preferential rights as provided in the Companies Act 1956. There is no restriction on distribution of dividends and repayment of Capital with respect to any shares and the same would be governed by the provisions of the Companies Act,1956.
- 1.7 No Shares have been reserved for issue under options and contracts /commitments for the sale of shares / disinvestments.
- 1.8 No shares have been allotted as fully paid up pursuant to contracts without payment being received in cash.
- 1.9 No bonus shares have been issued and no shares have been bought back.
- 1.10 No convertible securities are outstanding at the end of the reporting period nor any calls are unpaid.
- 1.11 The Company proposes to raise Equity Share Capital of Rs.10.63 Crores on Rights Basis and had filed a Draft Letter of Offer with Securities and Exchange Board of India (SEBI). SEBI has granted approval vide its observation letter dated 30th October,2013. The proposed issue as per SEBI observation letter is required to open within a period of 12 months i.e. upto 30th October,2014

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

NOTE-2

₹ Lacs

Particulars	As at 31st March,2014	As at 31st March,2013
RESERVES AND SURPLUS		
Capital Reserves	0.11	0.11
As per last account		
Security Premium Reserve	2,049.29	2,049.29
As per last account		
Surplus		
As per last account	(28,079.52)	(24,546.35)
Add: Net Profit/(Loss) transferred from Profit/(Loss) Statement	(3,119.28)	(3,533.17)
Surplus i.e. balance in Profit & Loss Statement	(31,198.80)	(28,079.52)
Total	(29,149.40)	(26,030.12)

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**NOTE - 3**

(₹ Lacs)

Particulars	As at 31st March,2014	As at 31st March,2013
3.1 Non-Current Liabilities		
(a) Long Term Borrowings		
1 Bonds / Debentures (Secured)		
Non-Convertible Debentures		
1 IFCI Ltd.	-	6,665.85
2 Assets Care & Reconstruction Enterprise Ltd	7,945.85	-
2 Term Loans		
Assets Care & Reconstruction Enterprise Ltd.	1565.00	-
3 Other Term Loans (Secured)		
IFCI Ltd. (as Nodal Agency for Excise Loan from Govt. of India)		350.37
4 Deferred Payment Liabilities (Unsecured)		
Deferred Sales Tax	-	700.16
Total	9,510.85	7,716.38
(b) Deferred Tax Liabilities (Net)		
(c) Other Long Term Liabilities (Unsecured)		
1 Unsecured Loan from Related Parties	100.00	100.00
2 Other Long Term Liabilities (Unsecured)	1,652.02	1,693.66
Total	1,752.02	1,793.66
(d) Long Term Provisions		
1 Accrued Leave Liabilities	287.11	288.79
2 Accrued Gratuity Liabilities	1,367.41	1,388.63
Total	1,654.52	1,677.42
Total	12,917.39	11,187.46

- 3.2 The Non-Convertible Debentures (NCDs) have been secured by creating mortgage on land at Chimur, district Chandrapur, Maharashtra in favour of Debenture Trustees namely IDBI Trusteeship Services Ltd., Mumbai besides mortgage on all other immovable properties.
- 3.3 The NCDs held by the Strategic Investors, M/s. Vivid Colors Pvt. Ltd. were sold by them to IFCI Ltd., pursuant to a Memorandum of Understanding (MOU) and a Debenture Sale Agreement both dated 28th June, 2012 between IFCI Ltd., the Company and the Strategic Investors with a provision of buy-back of the NCDs by the Strategic Investors, as security for settlement of the transaction between IFCI Ltd. and the Company. Subsequently on assignment of the debt of Rs. 15.65 crores by IFCI Ltd. in favour of Asset Care & Reconstruction Enterprise Ltd.(ACRE), the NCDs were transferred in favour of ACRE pursuant to an MOU, with similar provision of buy back of NCDs by the Strategic Investors, on clearing the dues of Rs.15.65 Crores by KCL to ACRE Ltd. The transaction would be concluded as per the MOU dated 28th June,2013.
- 3.4 As per Scheme of Compromise, approved by the Hon'ble Calcutta High Court no interest is payable on the Non-Convertible Debentures.
- 3.5 As per the Scheme sanctioned by BIFR, the unsecured loans of Rs.200 lacs [Rs.100 lacs at 3.1 (c)(1) and Rs.100 lacs included in 3.1 (c)(2)] are convertible into equity shares at par with a lock-in period of 3 years ; from the date of allotment.

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

NOTE - 4

(₹ Lacs)

Particulars	As at 31st March,2014	As at 31st March,2013
4.1 Current Liabilities		
(i) Short Term Borrowings		
(a) Loan Repayable on Demand		
Loans from Banks	31.95	392.50
(b) Other Loans & Advances	810.00	575.00
Total	841.95	967.50
(ii) Trade Payables		
(a) Sundry Creditors for Supply & Services	7,369.30	6,458.76
(b) Sundry Creditors -Micro and Small Enterprises	41.91	8.24
Total	7,411.21	6,467.00
(iii) Other Current Liabilities		
(a) Current Maturities of Long Term Debts		
Excise Loan from Govt. of India	702.37	352.00
Non Convertible Debentures	-	1,280.00
(b) Interest Accrued and due on Borrowings	103.59	176.27
(c) Interest Accrued and due on Statutory Liabilities	737.94	528.39
(d) Unpaid Matured Debentures	.	36.00
(e) Loan from IFCI Ltd.	.	1,565.00
(f) Other Payables	16,380.90	13,287.45
Total	17,924.80	17,225.11
(iv) Short Term Provisions		
(a) Provision for Employee Benefits		
Accrued Leave Liabilities	40.80	35.56
Accrued Gratuity Liabilities	160.36	102.95
Bonus	1.37	1.90
(b) Others		
Total	202.53	140.41
Total	26,380.49	24,800.02

4.2 Loans from Banks (Sl.No.(i)(a) include the loans of Rs.31.95 Lacs (Prev.Yr.Rs.22.54Lacs)against Fixed Deposits and overdraft of Rs.0.00 Lacs(Prev.Yr.Rs.369.96Lacs).

4.3 Status of Security	As on 31st March,2014	As on 31st March,2013
Following amounts are secured by mortgage on Fixed Assets of the Company		
Current Maturities of Long Term Debts		
Excise Loan from Govt. of India	702.37	352.00
Non Convertible Debentures		
IFCI Ltd.	-	1,280.00
Interest Accrued and due on Borrowings	-	11.93
Unpaid Matured Debentures & Interest accrued thereon		
Non Convertible Debentures		
Industrial Investment Bank of India (IIBI)	-	36.00
Total	702.37	1,679.93

The Interest free Central Excise Loan from Govt. of India disbursed through IFCI Ltd. has been secured by creating mortgage on immovable properties of the Company.

4.4 Loan from IFCI - 1,565.00

Secured by Non-Convertible debentures issued to the Strategic Investors and sold to IFCI Ltd. with a provision of buy-back and pledge of shares held by the Investors in the Company. Also refer to Note 3.3

4.5 Details of continuig defaults

Sl. No.	Name of Lenders	Default as on 31st Mar'14	Period of Default	Default as on 31st Mar'13	Period of Default
			Payable on 31st Mar'14		Payable on 31st Mar'13
1	Industrial Investment Bank of India (IIBI)	-	-	36.00	-Do-
2	Excise Loan from Govt. of India	352.00	-Do-	102.00	-Do-
3	Total	352.00	-Do-	138.00	-Do-

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET
NOTE - 5

(₹ Lacs)

FIXED ASSETS

Sl. No	Description of Assets	Gross Block			Depreciation			Net Block			
		Cost upto 31 March 2013 (1)	Additions during year 2013-14 (2)	Sold or Discarded during year 2013-14 (3)	Cost upto 31 March 2014 (4)	Depreciation upto 31 March 2013 (5)	Adjustment of depreciation on Sold / Discarded Assets 2013-14 (6)	Provision for depreciation 2013-14 (7)	Total depreciation upto 31 March 2014 (5+6+7) (8)	As on 31 March 2014 (9)	As on 31 March 2013 (10)
Tangible Assets											
1	Land	4.07	0.00	0.15	3.92	0.00	0.00	0.00	0.00	3.92	4.07
2	Quarry Developement	1,605.21	0.00	0.00	1,605.21	1,101.05	0.00	72.17	1,173.22	431.99	504.16
3	Plant & Machinery	24,379.95	0.00	0.00	24,379.95	19,071.37	0.00	579.02	19,650.39	4,729.56	5308.58
4	New Building Factory	1,729.70	0.00	0.00	1,729.70	1,029.90	0.00	55.95	1,086.85	642.85	699.8
5	New Building Non-factory	446.68	0.00	0.00	446.68	133.58	0.00	7.15	140.73	305.95	313.1
6	Railway Siding	670.47	0.00	0.00	670.47	582.78	0.00	35.25	618.03	52.44	87.69
7	Furniture & Fittings	45.47	0.17	0.00	45.64	30.38	0.00	1.38	31.76	13.88	15.09
8	Motor Cars	79.04	0.00	0.00	79.04	31.89	0.00	6.69	38.58	40.46	47.15
9	Roads & Bridges	10.36	0.00	0.00	10.36	9.83	0.00	0.00	9.83	0.53	0.53
10	Office Equipments	272.63	7.32	0.00	279.95	225.82	0.00	8.16	233.98	45.97	46.81
11	Electrical Equipments	128.86	0.00	0.00	128.86	109.73	0.00	1.57	111.30	17.56	19.13
Total Tangible Assets		29,372.44	7.49	0.15	29,379.78	22,326.33	0.00	768.34	23,094.67	6,285.11	7,046.11
Intangible Assets											
1	Software	5.88	0.00	0.00	5.88	4.49	0.00	0.00	4.49	1.39	1.39
Total Tangible & Intangible Assets		29,378.32	7.49	0.15	29,385.66	22,330.82	0.00	768.34	23,099.16	6,286.50	7,047.50
Figures for Previous Year		29,221.09	160.25	3.02	29,378.32	21,338.01	0.61	993.42	22,330.82	7,047.50	

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**NOTE - 6**

(₹ Lacs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
6.1 Non-Current Assets		
Long Term Loans & Advances		
(a) Capital Advance	-	3.79
(b) Security Deposits	536.79	325.65
(c) Other Loans & Advances	1,670.71	350.22
Total	2,207.50	679.66
	As at	As at
	31st March, 2014	31st March, 2013
6.2 Nature of Securities		
Secured, considered good	-	-
Unsecured, considered good	2,207.50	679.66

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

NOTE - 7

(₹ Lacs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
7.1 Current Assets		
(i) Current Investments	0	0
(ii) Inventories		
(a) Raw Materials	111.30	367.43
(b) Work-in-Progress	164.63	184.85
(c) Finished Goods	114.72	412.57
(d) Stores & Spares	1,618.33	1,683.45
Total	2,008.98	2,648.30
(iii) Trade Receivable		
(a) Trade Receivable due for a period exceeding 6 months	43.01	46.15
(b) Trade Receivable due for a period upto 6 months	161.38	376.42
Total	204.39	422.57
(iv) Cash & Cash Equivalents		
(a) Balance with Banks	112.83	89.53
(b) Cheques, Drafts on hand	50.86	43.89
(c) Cash on hand	27.03	37.18
(d) Other Bank Balances (FDs)	47.67	218.11
Total	238.39	388.71
Total Current Assets	2,451.76	3,459.58

7.2 Method of valuation of inventory

Inventory has been valued as under

- a) Raw Materials & Work in Progress - At weighted average cost or net realisable value, whichever is lower.
- b) Finished Goods - At lower of the cost or realisable market value.
- c) Stores & Spares - At average cost.

7.3 Classification of Trade Receivables based on the nature of security

- | | | |
|-------------------------------|--------|--------|
| a) Secured, considered good | 1.33 | 4.38 |
| b) Unsecured, considered good | 203.06 | 418.19 |
| c) Doubtful | | |

7.4 Debts due by Directors or other officers of the Company or by specified class of firms or private companies.

7.5 Cash & Cash Equivalents

- | | | |
|---|-------|--------|
| a) Earmarked Balances with Banks | Nil | Nil |
| b) The balance at Sl. No.(iv)(d) includes the followings | | |
| (i) The Fixed Deposits kept as margin for issue of Bank Guarantee | 15.10 | 188.05 |
| (ii) Fixed deposit with more than 12 month maturity | 0.10 | 0.10 |
| (iii) Bank deposit held as security for borrowings | 32.47 | 29.96 |
| c) Repatriation restrictions | N.A. | N.A. |

7.6 The Excise Duty amounts related to the closing and opening stock of Finished Goods amounting respectively to Rs. 15.58 lacs and Rs. 59.24 lacs have been included in the respective value of stocks in Silo, at depots and in transit and recognized separately under Note 14 forming part of the Profit & Loss Statement in terms of the provisions of the Accounting Standard (AS)-9.

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

NOTE - 8

(` Lacs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
8.1 Short Term Loans & Advances		
(a) Loans & Advances to related parties	-	-
(b) Loans & Advances to Others	371.07	184.28
(c) Excise Duty Advance	826.61	1,048.56
(d) TDS / Entry Tax	205.51	205.00
Total	1,403.19	1,437.84

8.2 Classification of Short Term Loans & Advances based on the nature of security

a) Secured, considered good

b) Unsecured, considered good

c) Doubtful

1,403.19

1,437.84

-

-

8.3 Loans & Advances due by Directors or other officers of the Company or by specified class of firms or private companies.

-

-

NOTE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

NOTE - 9

(` Lacs)

Particulars	As at 31st March, 2014	As at 31st March, 2013
Other Current Assets		
(a) Prepaid Railway Freight	7.24	32.54
(b) Other Receivables	579.43	70.66
(c) Others	-	-
Total	586.67	103.20

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT

NOTE - 10

(₹ Lacs)

Particulars	For The Year Ended 31-Mar-14	For The Year Ended 31-Mar-13
Revenue from Operations		
Sale of Products	26,423.62	30,190.82
Other Operating Revenue	22.44	32.84
Total	26,446.06	30,223.66
Less :		
Excise Duty	3,784.08	4,317.19
Total	22,661.98	25,906.47

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT

NOTE - 11

(₹ Lacs)

Particulars	For the year ended 31-Mar-14	For the year ended 31-Mar-13
Other Income		
1 Value Added Tax Reimbursement (Refer 3.0 of Note 20 on Profit & Loss Statement)	1,238.95	1,523.20
2 Profit on Sale of Assets (Refer 10.0 of Note 20 on Profit & Loss Statement)	1,657.04	0.00
3 Interest Income On Fixed Deposit - Banks (including TDS Rs.0.30 Lac Current Year.Prev. Year Rs.1.65 lac)	2.99	19.63
4 Dividend Income	0.00	0.00
5 Other non-operating income	104.96	61.89
Total	3,003.94	1,604.72

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT**NOTE - 12**

(₹ Lacs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Cost of Materials Consumed		
Gypsum	800.77	957.07
Fly Ash	2,154.49	2,650.91
Iron Ore	498.07	686.40
Lime stone	49.40	14.78
Pozzolana	0.00	0.07
Carbon Black	0.00	0.23
Total	3,502.73	4,309.46

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT**NOTE - 13**

(₹ Lacs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Other Manufacturing Expenses		
Power & Fuel	10,979.65	12,300.65
Consumption of Stores & Spare Parts	596.54	504.23
Consumption of Packing Materials	1,194.07	1,154.66
Repairs to Buildings	0.00	0.00
Repairs to Machinery	299.86	434.56
Repairs to Others	19.85	28.99
Mining Equipment Handling Charges	1,640.92	1,397.04
Royalty & Cess	357.89	381.80
Freight & Transport Charges	137.62	150.79
Total	15,226.40	16,352.72

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT

NOTE - 14

(₹ Lacs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
14.1 Changes in Inventories		
Closing Stocks		
Limestone	10.80	226.74
Materials - in - process	164.63	184.85
Finished goods	114.72	412.57
Total Closing Stocks	290.15	824.16
Opening Stocks		
Limestone	226.74	601.26
Materials - in - process	184.85	400.91
Finished goods	412.57	173.09
Total Opening Stocks	824.16	1,175.26
Changes in Inventories		
Limestone	215.94	374.52
Materials - in - process	20.22	216.06
Finished goods	297.85	(239.48)
Total Variation in Stocks	534.01	351.10

14.2 The Excise Duty amounts related to the closing and opening stock of Finished Goods amounting respectively to Rs. 15.58 lacs and Rs. 59.24 lacs have been included in the respective value of stocks in Silo, at depots and in transit and recognized separately in the Profit & Loss Statement in terms of the provisions of the Accounting Standard (AS)-9.

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT

NOTE - 15

(₹ Lacs)

Particulars	For the year ended 31st March, 2014	For the year ended 31st March, 2013
Employee Benefits Expense		
Salaries & Wages	2,589.11	2,398.44
Bonus and Leave Wages	42.11	72.64
Directors' Salary & Benefits	168.14	165.40
Contribution to Provident & Superannuation Funds (including Rs. 7.92 Lac for Directors' provident fund-Prev. Year Rs.7.77 lac)	347.20	320.06
Staff Welfare Expenses	332.11	358.16
Total	3,478.67	3,314.70

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT

NOTE - 16

(` Lacs)

Particulars	For the year ended 31-Mar-14	For the year ended 31-Mar-13
Finance Costs		
Interest Expense		
1 On Borrowings	580.38	592.15
2 On BSEB & Statutory Dues	1,224.54	978.44
3 On Security Deposits	4.00	12.00
Total	1,808.92	1,582.59

NOTE ANNEXED TO AND FORMING PART OF THE PROFIT & LOSS STATEMENT

NOTE - 17

(` Lacs)

Particulars	For the year ended 31-Mar-14	For the year ended 31-Mar-13
Other Expenses		
1 Rent	55.23	56.07
2 Insurance	41.04	39.14
3 Rates & Taxes	2.18	2.56
4 Other Overhead Expenses		
Auditors Remuneration & Expenses		
Auditors	3.75	3.75
For Management Services	2.31	0.95
For reimbursement of expenses	3.08	3.03
Legal Expenses	34.99	45.74
Printing, Stationery & Advertisement	14.27	25.89
Postage, Telegram, Telephone & Lighting	24.40	25.99
Travelling & Motor Car Expenses	137.90	153.13
Miscellaneous Expenses	133.36	119.94
Bank Charges & Commission	11.79	29.04
Directors' Fee for Board Meeting	1.25	1.70
Research Fees	4.82	5.50
Commission on Sales	70.06	80.74
Consultation Fees & Expenses	69.03	86.97
Right Issue Expenses	0.00	6.94
Total Other Expenses	609.46	687.08

KALYANPUR CEMENTS LIMITED**ACCOUNTING POLICIES ON BALANCE SHEET AND PROFIT & LOSS STATEMENT FOR THE
YEAR ENDED 31st MARCH, 2014.****NOTE - 18**

The Financial Statements of Kalyanpur Cements Ltd. have been prepared on accrual basis of accounting. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The Management makes reasonable estimates and assumptions which help prepare the accounts giving true and fair view of the financial position of the Company. The significant accounting policies are described as below :

1. The accounts have been drawn-up on the basis of historical cost. Impact of changing prices has not been given either in the Financial Statements or in the notes thereto.
2. Depreciation on historical cost is calculated on straight line method in terms of Section 205 (2)(b) read with Section 350 and Schedule XIV of the Companies Act, 1956. In respect of sale/disposal of fixed assets during the year, no depreciation is provided.
3. The carrying amounts of Fixed assets are reviewed at each Balance Sheet date and if there is any indication of impairment based on internal/external factors, the impairment loss is recognized wherever the carrying amount of an asset exceeds its estimated recoverable amount. Previously recognized impairment loss is further provided or reversed depending on change in circumstances.
4. Stock of Raw Materials and Work-in-Progress have been valued at weightage average cost or net realizable value, whichever is lower. Stock of Finished Goods has been valued at the lower of the cost or net realisable market value. Stores & Spares are valued at average cost.
5. Retirement benefits in the form of Gratuity and Leave are determined on actuarial basis at the end of the year.
6. Fixed assets are valued at historical cost less depreciation.
7. Contingent Liabilities as disclosed, have not been provided for. Other liabilities are accounted for in the year in which the same are determined.
8. **Revenue Recognition**
Revenue is recognised to the extent that it can be reliably measured and is probable that the economic benefits will flow to the Company.
Sale of Goods: Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of excise duty, sales returns and sales tax.
Interest: Revenue is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.
Dividend: Revenue is recognised when the right to receive is established.
9. Expenses are recognised on accrual basis.
10. Transactions involving foreign exchange are translated into Rupee on the basis of prevailing exchange rates on the date of transaction. Impact of difference in exchange rate is accounted for in the year in which the transactions are finally determined.
11. Occurrences of events after the Balance Sheet date and having material effect on the revenue statements of the year under review are considered in drawing-up the accounts.
12. Company's accounts are being maintained on going concern basis.

KALYANPUR CEMENTS LIMITED**NOTES ON BALANCE SHEET AS ON 31st MARCH, 2014.**

NOTE - 19

1.0 Contingent Liabilities :**Claims against the Company not acknowledged as debt:**

1.1 In respect of 33KV power connection: Prior to August'93 whereafter the company started drawing power on 132 KV line consequent upon enhancement in contract demand from 10.5 MVA to 15.0 MVA, the company used to draw power on 33 KV line. In respect of the power supplied by BSEB through 33 KV line, there were some disputes between the company and BSEB on account of difference between the enhanced tariff claimed by BSEB and the tariff admitted by the company for the period upto 31.03.1994. The total amount under dispute aggregated to Rs. 336.53 lacs against which the company advanced Rs. 272.85 lacs till 31.12.1982 under the Court Order.

According to an agreement between the company and BSEB dated 30.06.1986, a Retired Judge of Patna High Court was appointed as "Arbitrator Sole" to settle the disputes between BSEB and the company and submit his Award. While the arbitration proceedings were in progress, the "Arbitrator Sole" died and the new Arbitrator was to be appointed. However, even though the arbitration proceedings were in progress and unfortunately the "Arbitrator Sole" died, an Award, allegedly signed by the Arbitrator, was filed by BSEB in the Civil Court, Patna for making the same the Rule of the Court. Under the situation, the company has not accepted the award and has challenged its veracity.

1.2 Other disputes in respect of 33 KV and 132 KV lines : The company had been representing before BSEB for resolving various disputes and after reconciliation of accounts between the company as well as BSEB, the dues payable by the company were determined as Rs. 40.75 Crs as on 31st March, 2008. The said amount included Rs. 27.10 Crs towards AMG/MMG/DPS. The company was eligible for relief of Rs. 27.10 Crs pursuant to Industrial Incentive Policy, 2006 whereunder a sick unit was exempted from payment of AMG/MMG/DPS for a period of five years from the date of sickness and therefore the company's actual liability was Rs. 13.65 Crs only.

However, at the time of issuing the revised Energy Bill, BSEB wrongly levied DPS of Rs. 6.27 Crs on the ground that since the dues were reconciled as on 31st March, 2008, the company was liable to pay the said amount soon after reconciliation and since the same was not paid, the company was liable to pay DPS thereon. The Company's argument that DPS cannot be levied in terms of the Tariff Order till the revised Energy Bill was issued was not accepted by BSEB and the company, under duress, had to agree to pay the DPS amount of Rs. 6.27 Crs to avoid disconnection of the electricity line. Aggrieved by the order of BSEB to levy the DPS of Rs. 6.27 Crs even though the correct energy bill after reconciliation had not been issued, the company has approached the Hon'ble Patna High Court.

In the meanwhile, BSEB levied AMG/MMG/DPS of Rs. 27.10 crores in the Company's energy bill for the past period besides levying DPS of Rs. 15.72 crores on the said dues of Rs. 27.10 crores. The Company, challenging these two levies, filed an Inter-locutory Application (IA) in the earlier writ petition in the Hon'ble Patna High Court as these levies were contrary to the decision of the State government as well as the Revival scheme sanctioned by BIFR. The Hon'ble Patna High Court has now disposed of the case vide its order and judgement dated 12.8.2013 wherein the Court has pronounced the following orders:-

1. The AMG/MMG/DPS of Rs. 27.10 crores and the interest thereon are not leviable against the company.

2. In case of levy of DPS of Rs. 6.27 crores on the reconciled dues of Rs. 13.65 crores, a Committee has been constituted by the Hon'ble Patna High Court, comprising the Industrial Development Commissioner as Chairman and Secretary, Energy as well as the Chairman, BSEB as its members, to examine the facts related to the stand taken by BSEB and the Company before BIFR with regard to levy of DPS of Rs. 6.27 crores. The committee however, is yet to meet and decide the matter.

On the basis of the documents, evidences and the stand taken by BSEB before the State Level Empowered (APEX) Committee as well as BIFR, the company is confident that it will not be liable to pay the DPS of Rs. 6.27 crs. as this levy was not correct and was contrary to the approval of the State Govt. and the BIFR and therefore the same continues to be treated as contingent liability.

- 1.3 The company had entered into a Fuel Supply Agreement (FSA) with Central Coalfields Ltd. (CCL), a subsidiary of Coal India Ltd. (CIL) for supply of coal to meet its requirement under a Long Term Coal Linkage issued by the Govt. of India, Ministry of Energy, Deptt. of Coal. The first FSA was executed on 30.1.2004 which was valid for three years. The second FSA was executed on 25.4.2008 and the same was valid for five years which was to expire on 30.4.2013. Pursuant to the provisions of FSA, the company had furnished to CCL, a Security Deposit of Rs. 123.94 lacs by way of Bank Guarantee. The FSA provided for lifting of an Annual Contractual Quantity (ACQ) with a provision for review thereof on expiry of 3 years from the date of FSA. After substantial increase in pit head price of Coal effective from February, 2011 and in view of technical aspects of the Plant's operation, the company on expiry of three years from the date of FSA requested CCL for review of ACQ which request was followed up subsequently by the Company at the highest level.

The ACQ however, was not reviewed despite explicit provision to that effect in the FSA and CCL unilaterally terminated the same on 30.4.2013 on the ground of lifting of coal quantity which was lower than the ACQ. CCL also levied damage of Rs. 4.96 crores for not lifting the coal as per ACQ even though such damage was not leviable as the ACQ was liable to be reviewed and CCL did not review the same. They subsequently forfeited the security deposit by invoking the Bank Guarantee of Rs. 123.94 Lacs

The Company has filed a writ petition in the Hon'ble Jharkhand High Court against the unilateral and arbitrary action of CCL and considering its strong position, the company is hopeful of refund of the security amount by CCL and accordingly, the amount forfeited by them has not been considered as expenditure. The Company is confident of waiver of the damages also and this is why the same has not been acknowledged as liability.

- 1.4 Unexecuted Capital Commitments :** Estimated amount of Contracts remaining to be executed on Capital Account and not provided for amount to Rs. 26.70 Lacs (Previous Year Rs. 26.53 Lacs).

- 1.5 Cumulative Dividend on Preference Shares :** On approval of the scheme of compromise by the Hon'ble Calcutta High Court, the Preference share capital was reduced by 85%. The Preference shares, after reduction of the share capital have face value of Rs. 15/- each. The said Preference shares carry a coupon rate of 0.1%. The cumulative dividend on such shares with effect from the date of approval of the scheme of compromise i.e. 21st November, 2006 till 31st March '14 amounted to Rs. 4.87 lacs.

Guarantees

- 1.6 Counter-guarantees given by the Company :** Counter Guarantees to Banks in respect of Guarantees given by them amount to Rs. 11.60 Lacs (Previous Year Rs. 135.34 Lacs).

- 2.0 As per the Rehabilitation Scheme sanctioned by BIFR, the deferred sales tax dues amounting to Rs. 700.16 lacs have been rescheduled to be paid during 2014-15.

