

ANNUAL REPORT 2014-15

"KALYANPUR"

Cements Limited

Board of Directors

Late Satyadeva P. Sinha, Executive Chairman
(Upto 10.04.2014)

Dr. K.C.Varshney Non-Executive Chairman
(w.e.f. 25.07.2014)

Sri Shailendra P. Sinha, Managing Director

Sri Anant P.Sinha, Joint Managing Director

Sri D.N.Bhandari (Upto 22.05.2014)

Sri B.C.Srivastava

Sri Mahendra Lodha

Sri Ravindra Prasad

Smt. Lata Ajay Srivastava (w.e.f. 26.3.2015)

1. Auditors

M/s M. Mukerjee & Co.

2. Internal Auditors

M/s B. Gupta & Co.

3. Cost Auditors

M/s Mitra, Bose & Associates

Audit Committee

Sri B.C.Srivastava, Chairman

Dr.K.C.Varshney, Member

Sri Mahendra Lodha, Member

Stakeholders' Relationship Committee

Sri Ravindra Prasad, Chairman

Sri B.C.Srivastava, Member

Sri Shailendra P.Sinha, Member

Nomination and Remuneration Committee

Sri B.C.Srivastava, Chairman

Dr.K.C.Varshney, Member

Smt. Lata Ajay Srivastava, Member

Senior Management

Sri Siddharth Prakash Sinha, Executive Director

Sri Aditya Prakash Agarwal, President (Manufacturing)

Sri Faisal Alam, President (Sales & Marketing)

Sri P.K.Chaubey, Chief Financial Officer & Co. Secretary

Registered Office

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

Corporate Office

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

Factory

Banjari, Distt. Rohtas - 821 303, Bihar

DIRECTORS' REPORT**FOR THE YEAR ENDED 31ST March, 2015**

Your Directors submit herewith their report together with the Audited Accounts for the year ended 31st March, 2015. The following are the financial highlights in respect of the said Financial Year.

1.0 FINANCIAL RESULTS**Rs. in lacs**

	Year ended 31.3.2015	Year ended 31.3.2014
Total Turnover including other Income	19885.83	25665.92
1. Loss before interest, depreciation, tax and Other appropriations	1787.88	542.02
2. Less:		
i) Financial Costs	1195.77	1808.92
ii) Depreciation	487.19	768.34
3. Net Loss	3470.84	3119.28
4. Loss carried to Balance Sheet	3470.84	3119.28

2.0 OVER VIEW & PRODUCTION

Due to various economic factors, the Indian Economy witnessed sluggish growth in last 3-4 years when the GDP growth was in the region of 4.5% to 5.5%. The financial year under report however took off well as the Cement Production grew at a reasonable pace during April-November 2014 although the growth could not be sustained and the subsequent months witnessed marginal increase or decline in cement demand resulting from reduction in Government expenditure on infrastructure to contain fiscal deficit. The over all cement production, however, is estimated to have grown by about 6% in the Financial Year 2014-15. This is likely to improve during 2015-16 due to the Government's plan for providing a boost to cement demand in real estate and infrastructure sectors and cement sector is expected to grow @ 9%

during 2015-16 with production of about 290 million tons of cement. The growth trend will also continue in the next financial year i.e. 2016-17 when cement industry is likely to grow by 8% backed by sustained healthy growth in demand.

Your company, however, could not get the advantage of the uptrend, even shortlived, in cement industry due to the limestone problem arising from non-renewal of its major mining lease w.e.f. December, 2013. As a result of limestone problem, the company's production came down by about 25% during the financial year under report when the company produced 4.8 lac tons of cement against 6.39 lac tons during 2013-14 and 7.38 lacs tons during 2012-13.

3.0 FINANCIALS

3.1 Consequent upon 25% drop in production of cement due to limestone constraint as mentioned above, the sales turnover registered corresponding decrease as compared to the previous financial year and the company during the financial year 2014-15 had a total income of Rs.198.86 Crores as against the total income of Rs. 256.66 crores during 2013-14. Even though cement production improved at macro level by registering an increase of about 6% in 2014-15, the prices improved only marginally which was offset by escalation in cost of inputs like Coal and Power. Your Company continued to suffer for want of working capital having no access to Bank finance in view of its weak financial position and sickness. During the year under consideration, the company had a negative EBITDA of Rs.17.88 crores and after considering the financial costs and depreciation, the company incurred a net loss of Rs. 34.71 crores.

3.2 The last few years were not conducive for rapid growth in Indian economy due to subdued global economic sentiments and the general slow down in the economy of the country and consequent impact on Cement industry, caused by reduced spending on infrastructure projects in Government, Private and Public Private

Partnership (PPP) sectors, consistently high interest rate maintained by the Central Bank primarily to curb inflation in the economy, substantial increase in cost of power and fuel and surplus cement manufacturing capacity created in the country not absorbed due to persistently low demand. This also led to cement prices remaining flat over three years with pressure on industry margins. As a result, whereas many cement companies had depressed margins, some incurred loss.

4.0 REVIVAL OF THE COMPANY

Your company is confronted with various problems for last few years and is, at present, in the process of revival under the aegis of the Board for Industrial and Financial Reconstruction (BIFR) pursuant to the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 on the basis of a Revival Scheme sanctioned by BIFR in October, 2011. Due to unfavourable environment created by the economic slow down in the last 3 /4 years coupled with Limestone problem, the company could not achieve the parameters envisaged in the Revival Scheme sanctioned by BIFR and your company therefore has approached BIFR again with a modified revival scheme for approval of certain additional reliefs and concessions including reschedulement of payment of dues. BIFR is yet to take a view on the modified scheme comprising therein the proposed changes seeking reliefs / reschedulement of dues.

5.0 MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

- a) The extract of the Annual Return

The extract of the Annual Return in the Form

MGT-9 has been placed at Annexure -2

- b) No. of meetings of the Board

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

- c) Director's responsibility Statement

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

- d) Declaration by independent Directors

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

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

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

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

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

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

- g) Particulars of loans, guarantees or investments

The company has not provided any loans,

guarantees or made investments in any other company.

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

The company has not entered into a contract with any related party during the year under report. There have been no related party transactions made by the company with the Promoters, Directors and the Key Managerial Personnel which could be in conflict with the interest of the company. The details of related party transactions which pertained to the managerial remuneration are set out in Note 19 to the Balance Sheet.

- i) The State of the Company's Affairs

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

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

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

- k) Dividend.

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

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

No significant event has occurred leading to any material change in the State of Affairs of the company and no commitments affecting the financial position of the company have been made during the period i.e. between end of financial year (31.3.2015) and the date of this report (22.5.2015)

- m) The Energy conservation technology absorption, etc.

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

- n) Risk Management Policy

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

- o) Corporate Social Responsibility

The Companies Act, 2013 requires a company to spend at least 2% of the average net profit earned during previous three financial years on various areas specified in schedule -VII to the Act. Since the company did not have profit in any of the three financial years, it is not obliged to spend in respect of the areas of Corporate social responsibility as mandated by the Act. Nevertheless the company has, for long, been pursuing certain corporate social responsibilities out of its own philanthropic initiatives which are as under:

- i) Running a High School providing free co-education to about 650 students including the wards of local people (not connected with the company's employees).

- ii) Running a Women Degree College providing subsidized education to the Girls of nearby areas.

- iii) Providing emergency medical treatment to the people in the hospital owned and maintained by the company.

- iv) Organizing free camps for medical checkup and treatment from time to time.

- v) Providing free water to local farmers for irrigation purpose.

- p) Annual evaluation of performance of the Board

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

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

i) The Financial summary or highlights

This has been provided at paragraphs 1.0 to 4.0

ii) The change in the nature of business, if any
There is no change in the nature of the business conducted by the company

iii) Change in the directors or key managerial personnel during the year

a) Shri Shailendra P. Sinha was reappointed as Managing Director by the Board of Directors and Shareholders for a period of 3 years w.e.f. 23rd February, 2013. His reappointment and remuneration were approved by the Central Government also. In order to comply with the provisions of section 203(2) of the Companies Act, 2013 he was appointed as a Key Managerial Personnel

b) Shri P.K. Chaubey who has been working with the company in the capacity of President (Finance) & Company Secretary for last several years was reappointed as Chief Financial Officer and Company Secretary in the capacity of a Key Managerial Personnel.

c) Shri D.N. Bhandari ceased to be director of the company w.e.f. 23rd May, 2014

consequent upon his resignation from the Board.

d) Shri Satyadeva Prakash Sinha, the Executive Chairman unfortunately expired on 11th April, 2014.

e) The Board has appointed Smt. Lata Ajay Srivastava as an Independent Director w.e.f. 26.03.2015.

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

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

v) Deposits

The company has not invited or accepted any deposit.

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

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

vii) Adequacy of internal financial controls

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

7.0 DIRECTORS'S RESPONSIBILITY STATEMENT

(a) The Directors confirm that in preparation of the annual accounts for the financial year

ended 31st March, 2015, the applicable accounting standards have been followed;

- (b) The directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
- (c) The directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- (d) The directors have prepared the annual accounts on a going concern basis;
- (e) The directors have laid down internal financial controls which are adequate and are operating effectively;
- (f) The directors have devised proper systems to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

9.0 Corporate Governance

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

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

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

- a) The criteria for evaluation of performance of independent directors
 - i) Attendance in the meetings of the Board

as well as the Committees thereof.

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

- b) The Criteria for evaluation of performance of the non Independent Directors / Executive Directors.

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

- i) Attendance in the meetings of the Board as well as the Committees thereof.
- ii) Effective participation in the meetings

and providing timely inputs on the matters brought before the Board or the Committees.

- iii) Adherence to and affirmation with ethical standards and Code of Conduct of the company and timely disclosure of interest, if any, acquired subsequently.
 - iv) Efforts for improvement in operations of the company for its long term revival.
 - v) Efforts made for obtaining the government's approval / support in respect of various issues either under BIFR Scheme or otherwise.
 - vi) Team work attributes and supervising and training of staff members.
 - vii) Compliance with various laws, Capital Market Regulations, Corporate Governance practices, listing conditions and reporting of frauds etc. in time.
 - viii) Protecting the interest of whistle blower under vigil mechanism and safeguarding the confidential information of the company.
- The chairperson of the Board will be evaluated on the basis of the above criteria depending on whether he is an independent or a non-independent director.
- c) Criteria for evaluation of performance of the entire Board of Directors and its Committees
- i) Adequacy of composition of the Board of Directors and the Committees in terms of (a) Board diversity (b) technical knowledge and skills (c) mix of independent & non independent directors and legal requirements.
 - ii) Holding statutorily required number of meetings of the Board and the committees thereof and ensuring that the meetings are held properly in adequate

length of time providing sufficient time to the directors for deliberations in the meetings.

- iii) Level of transparency in providing information to the Board and the Committees enabling proper understanding of the issues confronted by the company and ensuring the quality, adequacy and timeliness of flow of information between the Company Management and the Board as well as the Committees.
 - iv) Adequate opportunity and encouragement to the directors for open communication, meaningful participation and timely resolution of the issues.
 - v) Ensure that the Independent Directors meet the requirement of independence prescribed under section 149(6) of the Act.
 - vi) Establishing an environment which facilitates effective disclosure, fiscal accountability and high ethical standard.
 - vii) Ensuring that the company's internal control mechanism in respect of the operations and financial matters is effective and capable to avoid irregularities and frauds and that the financial statements of the company are credible to provide true and fare view of the state of affairs of the company.
 - viii) Providing regular financial updates to the board.
 - ix) Ensuring compliance with the provisions of Corporate Governance, insider trading, the conditions of the listing agreement and other Capital Market regulations as applicable to the company.
- The evaluation has been made in respect of the performance of various directors on four scales.

9.2 Determining qualifications, positive attributes and independence

1.0 The Nomination and Remuneration Committee is required to formulate the criteria for determining the qualifications, positive attributes and independence of a director and recommend to the board a policy relating to the remuneration for the directors, key managerial personnel and other employees. The Nomination & Remuneration Committee formulated a Remuneration policy and approved the same in their 11th meeting held on 23.05.2014 and recommended the Policy to the Board of Directors for approval and the Board of Directors in their meeting held on 23.05.2014 approved the said remuneration policy. The Nomination and Remuneration Committee however, has now formulated the criteria for determining qualification, positive attributes and independence of a director for appointment on the board of the directors of the company as under and the same has been approved by the Board and implemented.

1.1 Criteria for Qualification –

- a) The directors to be appointed on the Company's Board will have the minimum academic qualification of Graduation.
- b) The Wholetime Directors shall be professionally qualified in the related fields.

1.2 Positive attributes –

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

1.3 Independence

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

9.3 The Policy on Board diversity

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

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

10.0 "REMUNERATION POLICY"

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

