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ANNUAL REPORT 2009 – 10

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"KALYANPUR"
Cements Limited

Board of Directors

Sri Satyadeva P. Sinha, Executive Chairman
Sri Shailendra P. Sinha, Managing Director
Sri Anant P.Sinha, Joint Managing Director
Sri Mahesh Prasad
Sri D.N.Bhandari
Sri B.C.Srivastava
Dr. K.C.Varshney
Sri Arun Sharma
Sri Mahendra Lodha
Sri K.Balasubramanian
Sri Dhananjay Lodha

1. Auditors

M/s M. Mukerjee & Co.

2. Internal Auditors

M/s B. Gupta & Co.

3. Cost Auditors

M/s Mitra, Bose & Associates

Registered Office

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

Corporate Office

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

Audit Committee

Sri D.N.Bhandari, Chairman
Dr. K.C.Varshney
Sri Mahendra Lodha
Sri Arun Sharma

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

Sri D.N.Bhandari, Chairman
Sri S.P.Sinha
Sri Shailendra P.Sinha

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

Factory

Banjari, Distt. Rohtas - 821 303
Bihar

DIRECTORS' REPORT

FOR THE YEAR ENDED 31st MARCH, 2010

The Shareholders,

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March '2010

1. FINANCIAL RESULTS

(Rupees in Lacs)

	Year ended 31.03.2010	Year ended 31.03.2009
Total Turnover including other income	23244.06	18,050.68
1. Profit before depreciation, interest, tax and other appropriations	2128.13	425.61
2. Less :		
Loss on Assets discarded	-	1.21
Interest and Finance Charges & Misc. Provisions	248.33	187.83
Excise Duty of Previous Year	-	316.05
Depreciation/deferred revenue expenditure written off	1383.41	1,475.75
Fringe Benefit Tax	5.77	9.27
3. Net Profit / (Loss)	490.62	(1564.50)
4. Write back of Sales Tax and Loan	1207.11	2787.59
5. Sales Tax Reversed	(8754.71)	
6. Loss carried to Balance Sheet	(25469.06)	(18,412.08)

2.0 PRODUCTION

As a result of plant improvement completed by Dec.'09, Clinker and Cement capacity utilization during the year went up to 83% and 68% respectively as against 74% and 60% achieved last year. This was mainly helped by capacity utilization of over 100% in clinker and 85% in Cement during the last quarter of the year.

3.0 FINANCIAL PERFORMANCE

The year 2009 was amongst the most challenging for the Indian economy which saw it successfully emerge out from severe global slowdown coupled with poor agricultural output in the country. Significant improvement in the industrial production during later part of the year helped recovery. Driven by strong growth in Industrial and services sector, GDP growth for 2008-09 is expected to cross 7.2% against 6.7% last year and is projected to register an even higher growth in the current year.

Fresh cement production capacities continued to be added with 25 million tonnes of additional capacity coming on stream during 2008-09, pushing Cement production by 12%. Fiscal stimulus rolled out by the Govt. to combat slowdown, led to consumption growth of 13% during the year. The Company's total income improved to Rs. 232 crores registering an increase of 28% over the previous year.

Improved production coupled with 10% increase in prices and better operating efficiencies, helped the Company to make a turnaround with a net profit of Rs. 4.91 crores against the net loss of Rs. 15.65 crores during 2008-09. However, the reversal of sales tax credit taken earlier based on the Interim Order of the Hon'ble Supreme Court in the Profit and Loss Account, consequent upon the final verdict of the Apex Court in Sales

Tax exemption case had the net effect of increasing the cumulative loss by Rs. 75.48 crores over the cumulative loss of Rs. 184.12 crores as on 31.3.2009.

The Company's reference under Sick Industrial Companies (Special Provisions) Act 1985 is under consideration of the Board for Industrial and Financial Reconstruction (BIFR) and BIFR has since circulated the Draft Rehabilitation Scheme (DRS) for consideration of various Stakeholders. The DRS circulated by BIFR envisages various measures required for reviving the Company.

4.0 FINANCES

The Company continued its efforts to optimize production levels and operating efficiency by carrying out necessary replacements in critical areas of operation. The major installations carried out during the year were Belt Bucket elevator system in the Clinker Roller Press, a new dense phase system for feeding fly ash and ground clinker and a steel silo for storage and feeding fly ash. The Company is in the process of adding a new packer and replacing the old Roller Press in Clinker Grinding Section. Further improvement in production and operating efficiencies are expected to result from the proposed changes.

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, Bombay Stock Exchange and Magadh Stock Exchange. There are no arrears of Annual Listing Fees pending with the Company. The Bombay Stock Exchange has since permitted trading in the shares of the company.

7.0 AUDITORS' REPORT

Although the remarks contained in the Auditors' Report have been appropriately explained in the Notes on Account in Schedule-16, replies to the qualifications / adverse comments made by the Auditors are separately enclosed as ANNEXURE-1.

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 31.03.2010.
- 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 profit of the Company for the Year.
- 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 been implemented by the Company and a separate section thereon is included in the Directors' Report as ANNEXURE-2

10.0 DIRECTORS

The Board of Directors appointed Shri. K. Balasubramanian and Shri Dhananjay Lodha as Additional Directors w.e.f. 30.10.2009 and 30.01.2010 respectively. The Shareholders of the company in their meeting held on 8th March, 2010 confirmed their appointment as Directors.

Under Articles 108 & 109 of the Articles of Association of the Company, Shri Mahesh Prasad, Shri Arun Sharma and Dr. K. C. Varshney, directors retire by rotation in this Annual General Meeting and being eligible offer themselves for re-appointment.

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

A statement setting out the particulars regarding employees of the Company as required under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975 is enclosed hereto as **ANNEXURE-4**.

14.0 MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis has been appended to the Report, in terms of the Listing Agreement, as **ANNEXURE-5**.

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 Asset Reconstruction Company (India) Ltd., Financial Institutions / Banks, State Govt. and Central Govt. in carrying out its operations.

On behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna

Dated : 29th May, 2010

ANNEXURE – 1

AUDITOR'S REMARKS AND MANAGEMENT'S REPLIES

Sl. No.	Remarks	Explanation
3(i) of Auditors' Report	As stated in Para B 1.1 of Schedule 16, the claims of BSEB are disputed in respect of 33 KV and 132 KV power connections. The above disputes as informed by the Company are now nearing resolution as explained in para B 1.1 of Schedule 16.	The Company represented before Bihar State Electricity Board (BSEB) for resolving various billing disputes in connection with 33 KV and 132 KV power connections to the Plant. BSEB has taken steps and reconciled the dues of the company which is subject to approval of the Board of BSEB. The company is hopeful of resolution of all outstanding issues with BSEB in near future and thereafter the corrected bill indicating the actual amount due from the company will be served by BSEB. This has also been explained in detail in para B1.1 of Schedule 16 to the Accounts of the Company.
3(ii) of Auditors' Report	As stated in Para B 1.2 of Schedule 16, the claims of Cement Regulation Account are disputed.	The Company has disputed before the Hon'ble Delhi High Court, the demand raised by the Ministry of Industry in respect of the levy under Cement Regulation Account amounting to Rs. 2.08 crores on the ground that the levy is not correct and hence interest thereon is also not payable. The point has been fully explained in Para B 1.2 of Schedule 16 to the accounts of the company.
3(iii) of Auditors' Report	As stated in Para B 1.4 of Schedule 16, Sales tax liability amounting to Rs. 439.25 lacs (including Rs. 198.27 lacs of penalty and interest) is disputed.	This has been fully explained in paragraph No. B 1.4 of schedule 16 to the Accounts.
3(iv) of Auditors' Report	In terms of Note B 13 of Schedule 16 to the Accounts, the documents relating to the title of all immovable properties including land at Banjari were deposited with IFCI Limited, which has assigned its loan earlier granted to the Company to ARCIL-Kalyanpur Cements Ltd. Trust. Although documents and papers relating to the title of immovable properties could not be produced before us for our verification we were assured that the Company enjoyed peaceful possession of the said immovable properties.	This is a statement of fact and the company enjoys peaceful possession of all its immovable properties.

Sl. No.	Remarks	Explanation
3(vi) of Auditors' Report	<p>Without qualifying our opinion, though the accounts have been drawn on going concern concept, profit for the current year was Rs. 490.62 Lacs, which together with net carry forward loss of Rs. 18412.08 Lacs, as increased by reversal of write back of sales tax dues as mentioned in point 3 (v) above amounts to Rs. 25469.06 lacs against the capital and reserve of Rs.4836.54 Lacs leaving a negative networth, of Rs. 20632.52 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 of compromise. Reference may be made to clause no.(x) of annexure of Auditors' Report read with Note B15 of Schedule 16 to the Accounts.</p>	<p>The Company made a reference to BIFR in March' 01 and was registered as a sick Industrial Company in April'01. BIFR declared the company as a sick industrial company in its hearing held on 28.05.02 and appointed IFCI Ltd. as Operating Agency under the Provisions of Sick Industrial Companies (Special Provisions) Act, 1985. In the meantime, an Asset Reconstruction company namely Asset Reconstruction Company (India) Ltd. (ARCIL) acquired the debts of the company from various Financial Institutions and Banks in terms of the Assignment Agreements pursuant to the provisions of the Securitisation & Reconstruction of Financial Assets & Enforcement of Security Interest, Act, 2002. A Scheme of Compromise under the Companies Act, 1956 between the Company and its share holders and Secured Creditors was also approved by the Hon'ble Calcutta High Court on 21.11.2006. Subsequently, BIFR held several hearings and has now circulated a Draft Rehabilitation Scheme (DRS) prepared by the Operating Agency and finalized by BIFR to various agencies including the Govt. of Bihar. The DRS is under consideration of the State Govt. as well as other agencies and the Company is hopeful of approval of DRS by the State Govt. as well as other Agencies and subsequently by BIFR. On implementation of the DRS, the Company's accumulated losses will get wiped out and the Net Worth turn positive in the 6th year of the scheme period. The company therefore expects to continue as a going concern.</p>
(ix) of Annexure to the Auditors' Report	<p>According to information and as explained to us, barring few exceptions, the Company generally is regular in depositing undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees' State Insurance, Income-tax, Sales-tax, Wealth tax, Service tax, Custom Duty, Excise Duty, Cess and any other statutory dues with the appropriate authorities. The extent of arrears as on 31st March,2010 in respect of dues over six months are as below :</p> <p>a) Sales Tax (Retained) - Rs. 2190.16 Lacs Granted by State Government as per Industrial Policy 1989.</p>	<p>With improvement in operations & financials, the position of payment of statutory dues has significantly improved. The position with regard to each of the dues is given below :</p> <p>The Draft Rehabilitation Scheme (DRS) circulated by BIFR provides for payment of Rs. 2190.16 lacs in installments. In addition,</p>

Sl. No.	Remarks	Explanation
	<p>As per information and explanation received, the sales tax dues upto 30.09.02 have been stayed by the Hon'ble Board for Industrial and Financial Reconstruction (BIFR) vide the order dt. 20.09.2002. Such dues would be ordered to be recovered as per the Rehabilitation Scheme to be finalized by BIFR. In addition, BIFR, in the DRS circulated by it, has provided for payment of these dues in installments.</p> <p>b) Sales Tax Exemption amount – Rs. 7939.71 lacs. BIFR, in the DRS circulated by it, has provided for payment of these dues in installments</p> <p>c) Royalty on Limestone – Rs. 316.28 Lacs As per information and explanation received, BIFR, in its DRS, has provided for payment of these dues in installments.</p> <p>d) Cement Regulation Account – Rs. 208.23 lacs. The above dues of Cement Regulation Account have been challenged in Delhi High Court.</p> <p>All the dues except at (d) above are undisputed.</p>	<p>DRS also provides for payment of Rs. 500 lacs in 1st year of the Scheme.</p> <p>DRS provides for payment of Rs. 7939.71 lacs in installments besides payment of Rs. 815 lacs in the 1st year of the scheme. Moreover, DRS also envisages grant of VAT Subsidy of Rs. 165.04 crores during the period of the scheme.</p> <p>DRS provides for payment of Royalty dues of Rs. 316.28 lacs in installments besides payment of Rs. 150 lacs in the 1st year of the scheme and payment of Rs. 66 lacs already made to the concerned department of the Govt. of Bihar.</p> <p>DRS provides for payment of CRA dues of Rs. 208.23 lacs in 7th year of the scheme i.e. 2015-16. However, BIFR has subsequently directed for payment of this amount in two installments in 2nd and 3rd year of the scheme.</p>
(x) of Annexure to the Auditors' Report	<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 profit in the current financial year but cash loss in the immediately preceding financial year.</p>	<p>This is a statement of fact and as a result of erosion of the Company's total network, it is already registered with BIFR as explained in reply to auditors comment at Para No. 3 (vi) of their Report.</p>

On behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna
Dated: 29th May, 2010

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 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	-	-
02	Shri Shalendra Prakash Sinha	Executive	Promoter	-	-
03	Shri Anant Prakash Sinha	Executive	Promoter	-	-
04	Shri Mahesh Prasad	Non-Executive	Independent	-	Nominee of the Govt. of Bihar
05	Shri D.N. Bhandari	Non-Executive	Independent	176	Please ref. Clause 7(v)(d)
06	Shri B.C. Srivastava	Non-Executive	Independent	-	
07	Dr. K.C.Varshney	Non-Executive	Independent	-	
08	Shri Mahendra Lodha	Non-Executive	Independent	-	
09	Shri Arun Sharma	Non-Executive	Independent	-	Nominee of Asset Reconstruction Company (India) Ltd. (both Lender and Equity Investor).
10	Shri K. Balasubramanian (w.e.f. 30.10.2009)	Non-Executive	Independent	-	
11	Shri Dhananjay Lodha (w.e.f. 30.01.2010)	Non-Executive	Independent	-	

The company presently has three Directors on its Board from Promoter category. The remaining eight directors are non-Executive independent Directors in terms of the definition of Independent Director contained in Clause 1(A) (iii) of Clause 49 of the Listing Agreement.

2. (b) The attendance record of the Directors at the Board Meetings during the financial year ended on 31st March, 2010 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	5	5	No
02	Shri Shailendra Prakash Sinha	5	5	No
03	Shri Anant Prakash Sinha	5	5	No
04	Shri Mahesh Prasad	5	1	No
05	Shri D.N. Bhandari	5	4	Yes
06	Shri B.C. Srivastava	5	5	No
07	Dr. K.C. Varshney	5	5	No
08	Shri Mahendra Lodha	5	2	No
09	Shri Arun Sharma	5	4	No
10	Shri K. Balasubramanian	3	2	No
11	Shri Dhananjay Lodha	2	2	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 Chairman
Shri Satyadeva Prakash Sinha	1	1	1	-
Shri Shailendra Prakash Sinha	3	-	1	-
Shri Anant Prakash Sinha	2	-	-	-
Shri Mahesh Prasad	4	-	-	-
Shri D.N. Bhandari	1	-	1	2
Shri B.C. Srivastava	2	-	1	-
Dr. K.C. Varshney	3	-	1	3
Shri Mahendra Lodha	9	-	5	5
Shri Arun Sharma	1	-	2	-
Shri K. Balasubramanian	1	-	-	-
Shri Dhananjay Lodha	2	-	-	-

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 on March 31, 2010, the Board of Directors held 5 meetings. These were held on :

Meeting Serial Number	Date	Meeting Serial Number	Date
1	23 rd May, 2009	4	30 th Jan, 2010
2	25 th July, 2009	5	20 th March, 2010
3	30 th Oct., 2009		

3. The Audit Committee:

(i) The Audit Committee comprises the following Directors :

01.	Shri D.N. Bhandari	Chairman	Non-Executive	Independent
02.	Shri Mahendra Lodha	Member	Non-Executive	Independent
03.	Dr. K.C. Varshney	Member	Non-Executive	Independent
04.	Shri Arun Sharma	Member	Non-Executive	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.

(ii) The following meetings of Audit Committee were held during the year ended 31.3.2010.

- (1) 23rd May, 2009
- (2) 25th July, 2009
- (3) 30th October, 2009
- (4) 30th January, 2010.

The following is the attendance record of audit committee members at the meetings of Audit Committee.

Sl.No.	Name of Members of Audit Committee	No. of meetings held in their tenure	No. of meetings attended
1	Shri D. N. Bhandari, Chairman	4	3
2	Shri Mahendra Lodha	4	2
3	Dr. K. C. Varshney	4	4
4	Shri Arun Sharma	4	3

(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.

