

ANNUAL REPORT

2010-11

“ 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 Dhananjay Lodha
Sri Arun Sharma
Sri B.C. Srivastava

**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, 2011***The Shareholders,*

Your Directors submit herewith their Report together with the audited accounts for the year ended 31st March '2011

1. FINANCIAL RESULTS**(Rupees in Lacs)**

	Year ended 31.03.2011	Year ended 31.03.2010
Total Turnover including other income	23756.91	23244.06
1. Profit before depreciation, interest, tax and other appropriations	(54.06)	2128.13
2. Less :		
Interest and Finance Charges & Misc. Provisions	299.79	248.33
Depreciation/ deferred revenue expenditure written off	1380.64	1383.41
Fringe Benefit Tax	0.00	5.77
3. Net Loss	(1734.49)	490.62
4. Write back of Sales Tax	8754.71	1207.11
5. Sales Tax reversed	0.00	(8754.71)
6. Loss carried to Balance Sheet	(18448.84)	(25469.06)

2.0 PRODUCTION

Clinker and Cement production further improved during the year, surpassing the previous year's performance levels, with capacity utilization of 88% in Clinker and 76% in cement production, against 83% and 68% achieved during 2009 -10.

3.0 FINANCIAL PERFORMANCE

After two years of slowdown, Indian economy made a broad based recovery in 2010-11 with Industrial Sector clocking a growth of 8.1%, Services Sector by 9.6% and Agricultural Sector by 5.4% taking the GDP growth to 8.6% overall.

However, Cement Industry entered a critical phase, with subdued demand adversely affecting capacity utilizations with lowest growth in over a decade. Cement production on All India basis increased by 4.69%, and consumption went up 4.57%. Cement prices remained under severe pressure and together with cost hikes, cut deeply into margins of the Industry.

Inflationary pressure particularly in food items which also affected public spending, was a major challenge, forcing the Govt. to roll back fiscal stimulus and resort to monetary tightening.

Despite achieving the highest ever production level, lower demand, cost hikes and steep fall in realization resulted in net loss from operations, for the Company. As a result of the aforesaid factors, the company incurred a loss of Rs. 17.34 crores during the year as compared to the profit of Rs. 4.91 crores during the previous financial year i.e. 2009-10.

4.0 FINANCES

The Company continued its efforts to strengthen plant operations and improve operating efficiency, resulting in achievement of highest ever capacity utilization of 103% in Clinker and 90% in Cement and power efficiency rate of 73 Kwh per tonne of Cement in the last quarter of 2010-11. However, pricing came under severe pressure and was lower by almost Rs. 300 per tonne, with more than 31% growth in supplies into Bihar markets in the last two years and the number of players in the Bihar market increasing from 26 in 2008-09 to 42 in 2010-11. With steep drop in margins as a result of lower prices, the Company experienced liquidity constraints. Furthermore, the prices of A and B grades of Coal were hiked by Coal India Ltd. by almost 100%.

The Govt. changed the Excise Duty structure which put an additional burden of Rs. 50/- MT which could not be passed on to the consumer. In addition, BSEB has levied Fuel Surcharge with retrospective effect, having a financial bearing of Rs. 4.5 crores for the company. Although challenged in the court of Law, if upheld, the liability on account of Fuel Surcharge would crystallize putting Company's liquidity into further stress.

The Company's reference before the Board for Industrial and Financial Reconstruction (BIFR) made in terms of the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 is still pending. BIFR has circulated the Draft Rehabilitation Scheme (DRS) to various Stakeholders for approval. The approvals are awaited.

The outlook for Cement Industry has been explained in the 'Management Discussion and Analysis' report appended as Annexure-4 to the Directors Report.

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 Bombay Stock Exchange. Magadh Stock Exchange where, too, the Company was listed has since been derecognized by SEBI. There are no arrears of Annual Listing Fees pending with 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 31.03.11.
- 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, Mr. D. N. Bhandari and Mr. B. C. Srivastava, Directors retire by rotation in this Annual General Meeting and being eligible offer themselves 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

None of the employees of the Company was in receipt of remuneration stipulated under Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975.

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

Cn behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna
Dated : 20th May, 2011

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 and B 1.2 of Schedule 16, 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 implications, if not resolved as anticipated, have been explained by the Management in the said notes.	(i) The matter relating to the dispute about 33 KV power line referred to the Arbitration has been fully explained in Paragraph B 1.1 of Schedule 16 to the accounts of the company. (ii) Bihar State Electricity Board (BSEB) has wrongly levied DPS of Rs. 6.27 crores which has been challenged in the Hon'ble Patna High Court on the ground that the DPS could not be levied by BSEB in terms of the tariff Order till the revised energy bill was issued to the Company. The Company is confident of relief in the matter from the Hon'ble Court. This point has been fully explained in Para B 1.2 of Schedule 16 to the Accounts of the Company. (iii) BSEB has levied Fuel Surcharge for the period January–September 2009 and December 2010 to February 2011 aggregating Rs. 4.50 crores. The Company has contended that this is a wrong levy and not payable and accordingly a writ petition has been filed by the Company in the Hon'ble Patna High Court. This point has also been appropriately explained in Para B 1.2 of Schedule 16 to the Accounts of the Company.
3(ii) of Auditors' Report	As stated in Para B 1.3 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 1.3 of Schedule 16 to the accounts of the Company.
3(iii) of Auditors' Report	As stated in Para B 1.5 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 1.5 of Schedule 16 to the Accounts.

Sl. No.	Remarks	Explanation
3(iv) of Auditors' Report	<p>In terms of Note B 11 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.</p> <p>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.</p>	This is a statement of fact and the Company enjoys peaceful possession of all its immovable properties.
3(vi) of Auditors' Report	<p>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. 1734.49 Lacs, for the year and write back of Sales Tax dues of Rs. 8754.71 lacs amount to Rs. 18448.84 lacs against the capital and reserve of Rs. 4836.54 lacs which leaves a negative networth of Rs. 13612.30 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 B13 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 Interests Act, 2002. A Scheme of Compromise under the Companies Act, 1956 between the Company and its shareholders 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, 2011 in respect of dues over six months are as below :</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>

Sl. No.	Remarks	Explanation
(ix) of Annexure to the Auditors' Report	<p>a) Sales Tax (Retained) - Rs. 2040.16 lacs Granted by State Government as per Industrial Policy 1989. 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 instalments.</p> <p>b) Royalty on Limestone – Rs. 466.28 lacs. As per information and explanation received, BIFR, in its DRS, has provided for payment of these dues in instalments.</p> <p>c) 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 (c) above are undisputed.</p>	<p>The Draft Rehabilitation Scheme (DRS) circulated by BIFR provides for payment of these dues in instalments. DRS provided for payment of Rs. 500 lacs in 1st year of the Scheme which has since been paid.</p> <p>DRS provides for payment of Royalty dues of Rs. 316.28 lacs in instalments 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. The payment of these dues will be made in terms of the approval of the DRS by the Govt. of Bihar which is awaited.</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 instalments 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 loss in the current financial year but cash profit 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 networth, 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: 20th May, 2011

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 Shailendra 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	Non-Executive	Independent	-	
11	Shri Dhananjay Lodha	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, 2011 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	No
06	Shri B.C. Srivastava	5	5	Yes
07	Dr. K.C. Varshney	5	4	No
08	Shri Mahendra Lodha	5	-	No
09	Shri Arun Sharma	5	3	No
10	Shri K. Balasubramanian	5	3	No
11	Shri Dhananjay Lodha	5	3	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	1	1	1	-
Shri Shailendra Prakash Sinha	3	-	1	-
Shri Anant Prakash Sinha	2	-	-	-
Shri Mahesh Prasad	N.A.	N.A.	N.A.	N.A.
Shri D.N. Bhandari	1	-	1	2
Shri B.C. Srivastava	2	-	2	-
Dr. K.C. Varshney	3	-	-	3
Shri Mahendra Lodha	9	-	4	5
Shri Arun Sharma	1	-	2	-
Shri K. Balasubramanian	1	-	-	-
Shri Dhananjay Lodha	2	-	1	-

The position indicated above includes the Directorship 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, 2011, the Board of Directors held 5 meetings. These were held on :

Meeting Serial Number	Date	Meeting Serial Number	Date
1	29 th May, 2010	4	28 th Jan. 2011
2	23 rd July, 2010	5	18 th March, 2011
3	22 nd Oct., 2010		

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 (upto 22.10.2010)	Member	Non-Executive Independent
03	Dr. K.C. Varshney	Member	Non-Executive Independent
04	Shri Arun Sharma	Member	Non-Executive Independent
05	Shri Dhananjay Lodha (w.e.f. 22.10.2010)		
06	Shri B.C. Srivastava (w.e.f. 22.10.2010)		

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 31.3.2011.**

- 1) 29th May, 2010
- 2) 23rd July, 2010
- 3) 22nd Oct., 2010
- 4) 28th Jan, 2011

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 (upto 22.10.2010)	3	-
3	Dr. K. C. Varshney	4	3
4	Shri Arun Sharma	4	2
5	Shri Dhananjay Lodha (w.e.f. 22.10.2010)	1	-
6	Shri B.C. Srivastava (w.e.f. 22.10.2010)	1	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 external 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.

(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 |
| 4. Shri Arun Sharma | Non-Executive Independent Director – Member |

During the year under report, the Remuneration Committee did not have any business and therefore it did not hold any meeting during the year ending 31st March 2011. The Remuneration Committee however met on 20th May 2011 to consider 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 20th May 2011.

- | | | | |
|----|----------------------|---|----------|
| 1) | Dr. K.C. Varshney | - | Chairman |
| 2) | Shri D.N. Bhandari | - | Member |
| 3) | Shri B.C. Srivastava | - | Member |
| 4) | Shri Arun Sharma | - | 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	Independent Non-Executive Director – Chairman
b) Shri Satyadeva Prakash Sinha	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 - 13

(iv) Number of complaints not solved to the satisfaction of the shareholders - Nil

(v) Number of pending complaints - Nil

6. General Body meetings

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

Sn	AGM Sl.No.	Location	Date	Time
1	70 th AGM	Kalyanpur Cements Ltd. 2&3, Dr. Rajendra Prasad Sarani, Kolkata – 700 001	28.9.2010	11.30 A.M.
2	69 th AGM	Kalyanpur Cements Ltd. 2&3, Dr. Rajendra Prasad Sarani, Kolkata – 700 001	19.9.2009	11.30 A.M.
3	68 th AGM	Kalyanpur Cements Ltd. 2&3, Dr. Rajendra Prasad Sarani, Kolkata – 700 001	27.9.2008	11.30 A.M.

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

(ii) No special Resolution was passed in the Annual General Meeting held on 28.9.2010.

(iii) No special resolution was passed during the year 2010-11 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 for Postal Ballot is 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 by the Institute of Chartered Accountants of India have been given in Note B-16 of Schedule 16 to the Annual Accounts 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.

(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 2010-11 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	30.00	28.80	25.80	84.60
Benefits	20.46	17.53	18.02	56.01
Bonus	-	-	-	-
Stock Option	-	-	-	-
Pension	-	-	-	-
Provident Fund	-	3.46	3.09	6.55
Total	50.46	49.79	46.91	147.16

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

Service Contract :

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

(b) **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 months 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.

Stock Option Details : Nil

(c) 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', 2011 are as under :

Name of the Director	Amount of Sitting Fee (Rs.)
Shri D.N. Bhandari	35,000
Shri B.C. Srivastava	30,000
Dr. K.C. Varshney	35,000
Shri Arun Sharma	25,000
Shri K. Balasubramanian	15,000
Shri Dhananjay Lodha	15,000
TOTAL	1,55,000

(d) 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.

(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 re-appointment of Directors, the requisite information is provided as under :

Details of the Directors proposed to be reappointed :

1. Shri Mahendra Lodha

Shri Mahendra Lodha is a practicing Chartered Accountant based at Ahmedabad. 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 like Steelco Gujarat Ltd., Arvind Products Ltd. Nitrex Chemicals India Ltd., etc. Besides being on the Board of the companies, Shri Lodha is also associated as Member / Chairman of various committees of the Board of those companies.

2. Shri D.N. Bhandari

Shri D.N. Bhandari born in April, 1934, is a Science Graduate. He has over 40 years of experience of working with the Company and has held various positions including as the head of Plant in the capacity of Technical Director. He specializes in Cement Manufacturing Technology and has a name in Cement Industry.

3. Shri B.C. Srivastava

Shri B.C. Srivastava born in August, 1945 is a Metallurgical Engineer. He worked in various capacities in Steel Authority of India Ltd., Rourkela Steel Plant. He also worked as Sr. Consulting Engineer / Technical Director in a reputed consulting Company, M/s. M.N. Dastur & Co. Ltd., Kolkata posted in Libya. Mr. Srivastava worked as Managing Director, BITCO, Patna and Executive Director, MSL India Ltd. Presently he is an Industrial and Management Consultant. He is on the Board of M/s. Eclat Industries Ltd. and General Sampoon Insurance Co. (P) Ltd. besides being on the Board and the committees of the Board of Directors of the Company.

The Non-Executive Directors do not hold any share in the company except as mentioned at Para 7(v)(d) herein above.

(b) Relationship

Shri Mahendra Lodha is related with Shri Dhananjay Lodha, a Director of the Company. Other Directors proposed to be reappointed are not related with any Director of the company.

- (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 has formed a Board Committee under Chairmanship of 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". The constitution of the committee is given at Paragraph No. 5.
- (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 does not have a website. Hence it does not display its results on the website.
- (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. in relation to its Financial Restructuring Package under consideration of the Govt. of Bihar. The Company does not make any presentation to the Analysts.

9. General Shareholder Information :

- (i) AGM date, time and venue : Saturday, the 24th September, 2011 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 : 2010-11
- (iii) Book closure date : 19th September, 2011 to 24th September, 2011
- (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) Bombay Stock Exchange, Mumbai
iii) Magadh Stock Exchange, Patna
- (vi) Stock Code : 21105 – Calcutta Stock Exchange
502150 – Bombay Stock Exchange

- (vii) Market price data : Trading in Company's shares was earlier suspended by Bombay Stock Exchange (BSE). The suspension in trading was revoked by BSE with effect from 1.2.2010 and trading has started in a small way. The market price data of the year 2010-11 is given below :

(Fig. in Rs.)

<u>Month</u>	<u>High</u>	<u>Low</u>
April, 2010	65.85	46.55
May, 2010	44.25	42.05
June, 2010	39.95	30.10
July, 2010	30.00	24.75

- (viii) Performance in comparison to Broad-based indices such as BSE Sensex, CRISIL Index etc. : Since the Company's shares were in suspension at BSE for quite long and suspension has recently been revoked, the trading in shares has started only in a small way and therefore 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 directives of SEBI to have a common agency for registration of transfers under both physical and dematerialised 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	648	8845	0.04%
2.	51-100	58	4960	0.02%
3.	101-500	44	10701	0.05%
4.	501-1000	20	15242	0.07%
5.	1001-5000	12	21748	0.10%
6.	5001-10000	1	9730	0.05%
7.	10001-50000	3	64242	0.30%
8.	50001-100000	2	172682	0.81%
9.	100001-500000	1	225128	1.06%
10.	500001 & above	5	20715776	97.50%
	Total	794	21249054	100.00%

Shareholding Pattern :

Particulars of holders	% of Shareholding
Promoters	5.30%
FIs, Banks, State Govt. Enterprises	15.48%
Other Corporate Bodies	79.03%
Public	0.19%
TOTAL	100.00%

(xii) Dematerialisation of Shares & Liquidity : The Company's shares have been dematerialised by CDSL with ISIN INE991E01022. NSDL has however not provided connectivity so far 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. Since the company does not have a website, the code of conduct could not be posted thereon. The Directors and senior members of the Management of the Company have affirmed compliance with the code for the financial year 2010-11. 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

Satyadeva Prakash Sinha
Executive Chairman

Patna
Date : 20.05.2011

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. | Real time energy monitoring and management system for complete manufacturing process. |
| (b) Additional investment and proposal, if any, being implemented for reduction of consumption of energy. | Additional investment in Kiln sealing systems and coal firing system to reduce coal consumption by upto 10%. |
| (c) Impact of the measures at (a) above for reduction of energy consumption and consequent impact on the cost of production. | Reduction of power consumption by 11 kwh per tonne of cement produced with corresponding reduction in Cost of Production. |

FORM "A"**FORM FOR DISCLOSURE OF PARTICULARS WITH
RESPECT TO CONSERVATION OF ENERGY****A. POWER & FUEL CONSUMPTION**

	Year ended 31.03.2011			Year ended 31.03.2010		
	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 (BSEB)	600.75	2857.91	4.76	609.36	3366.20	5.52
(b) Own Generation through Diesel Generator	-	-	-	-	-	-
	Year ended 31.03.2011			Year ended 31.03.2010		
	Gross Qty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./tonne)	Gross Qty. (Lac tonnes)	Total Cost (Rs. in Lacs)	Avg. Rate (Rs./tonne)
2. (a) Non-Coking Coal - Long Flame (Grade A / B)	0.81	4624.10	5711.44	0.74	3628.65	4883.37
(b) Pet Coke	0.00	0.00	0.00	0.03	191.12	7303.17
(c) High Speed Diesel	0.00	0.00	0.00	0.23	7.94	34.50
3. Consumption per unit of Production						
	Industry Norm (Dry Process)	Year ended 31.03.2011	Year ended 31.03.2010			
Electricity (KWH / ton Cement)	100-115	79	90			
Coal for Kiln (K. Cal / Kg. Clinker)	750-850	773	785			

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 :
—Test runs of silica blocker in fuel mix to enhance quality of clinker
2. Benefits as a result of the above R&D :
—Reduction of silica content in clinker leading to higher quality of cement
3. Future plan of action :
— Production run with silica blocker in fuel mix
4. Expenditure on R&D Rs. in Lacs
 - a) Capital -
 - b) Recurring 5.67
 - c) Total 5.67
 - 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	126.62

On behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna
Dated : 20th May, 2011

MANAGEMENT DISCUSSION AND ANALYSIS

1. *Industry Structure and Developments*

Indian Cement Industry made rapid progress particularly after withdrawal of licensing in 1991 and stands today as the second largest cement producer in the world with capacity of 274 million tonnes per annum as on 31st March, 2011. Led by the real estate boom and Govt. spending on infrastructure, demand for cement during the period 2004-05 till 2008-09 grew at a CAGR of 9.23% even while capacity addition was limited to CAGR of 5.6%, an outcome of weak financial position of Cement Companies on account of surpluses in the system during the preceding years. With capacity addition limited and demand continuing to grow, supply constraints surfaced and Cement Industry operated at near capacity levels in 2006-07 at 96%. Increased pricing power of the Industry led to healthy growth in profitability from 2005 till 2009. Encouraged by improved economic outlook, buoyant demand conditions and strong profits, the Industry embarked on capacity enhancement. 108 million tonnes were added in a short period of 4 years from 2007 till 2011, which was equivalent to the capacity added in preceding 15 years. With infrastructure spending slowing down, with major road projects nearing completion and other large projects like Commonwealth games village complex having been completed, demand was inadequate to absorb the additional quantities. This gradually pulled down capacity utilization levels to 75% in 2010-11 and put realizations and margins under severe pressure. As around 50% of the new capacities were added in the Southern region, the last couple of years have seen substantial movement of cement from Southern region to Eastern region including Bihar, inspite of the high freight cost, taking the number of players in the Bihar region from 26 in 2008-09 to 42 in 2010-11.

2.0 *Opportunities and Threats*

2.1 *Opportunities*

Indian economy returned to 9% growth level and is predicted to further grow at 9% in 2011-12. Of particular significance in terms of its potential to impact rural income and improve consumption, has been the recovery in Agricultural sector, which grew by 5.4%. Infrastructure spending which accounts for 7.8% of GDP in India is still low compared to 15% in China and accordingly this is sought to be increased during the 12th Plan period with proposed spending of 1 Trillion dollars. In the current year's budget, the allocation has been hiked by 23% to Rs. 2,14,000 crores. In order to garner resources for the massive spending programme, it is proposed to tap increased FDI, for which the FII limit for investment in 5-year infrastructure bonds, has been hiked to 25 billion dollars from the earlier limit of 5 billion dollars. Govt. bodies like Railways and NHAI have been allowed to raise tax free bonds upto Rs. 30,000 crores for financing its infrastructure projects. All this is likely to result in higher spending on infrastructure and improve demand for cement.

2.2 *Threats*

Faced with the twin threats of high cost and falling realization, a very challenging period lies ahead of the Cement Industry at least in short term. With falling realisation, Cement Industry will be forced to absorb cost increase of 100% in price of high grade coal, the highest ever hike, as well as increase in Excise duty on Cement, which will erode Industry's margins further. As around 50% of the capacity additions, have been in the Southern region, the coming period will see increased movement of cement into Eastern region from South. In the absence of adequate demand, Cement prices and capacity utilization of the Industry are expected to further decline in the short-term affecting the Industry's profitability.

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

Poor infrastructure is seen a drag on India's economy. The estimated loss in GDP on account of infrastructural inadequacy, worked out by Mckinsey is 200 billion dollars. In order to take the economy to double digit growth trajectory, India has to raise the level of investment, which is 7.8% of GDP compared to 15% of China. Hence, infrastructural development continues to remain the key focus area of the Govt. With the Govt. having already planned an outlay of 1 trillion dollars on infrastructure during the 12th plan period, and the allocation for the current year hiked by 23%, the medium and long term outlook for cement is bright. However, cement industry is expected to experience tremendous downward pressure on capacity utilization and prices in short term.

With addition of 94 million tonnes of capacity in 3 years from 2007-08 till 2009-10, capacity addition has slowed down in 2010-11, with only 11.70 million tonnes added during the year. Hence the supply pressures should start easing up from 2012-13.

The bumper food grain harvest in 2010-11 should boost rural income and keep food inflation under check. This should result in channelisation of savings into construction activity from next year.

5.0 Risks and concerns

Should cement manufacturers continue with their plans for capacity addition, recovery in capacity utilization and cement prices may get further delayed.

6.0 Internal Control Systems and their adequacy

The Company has adequate internal control systems which are reviewed by the Management and the 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. Moreover, the company is in the process of modernizing its information system through installation of a new ERP.

7.0 Financial performance with respect to operational performance

The Plant is fully geared to operate at 90% capacity on sustained basis, as evident from the performance in the final quarter of 2010-11, with 103% capacity utilization in Clinker and 90% in cement. Efforts to improve Plant operation are continuing on an ongoing basis and a major maintenance programme has been scheduled in the month of July'11, after which plant efficiency and productivity is expected to further improve. However, inspite of achieving the highest ever production level, the Company is facing severe pressure on its margins on account of fall in cement prices and increased input cost, which is resulting into losses and severe working capital constraints.

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 of reputed Institutes, as far as possible. Interactions amongst plant personnel on a daily basis also improve sensitivity about the plant, which helps in 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 1129 persons during the year.

On behalf of the Board

Satyadeva Prakash Sinha
Executive Chairman

Patna

Dated : 20th May, 2011

Date : 20th May, 2011

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, 2011 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

20th May, 2011

To
The Board of Directors
Kalyanpur Cements Limited
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 Account, Schedules annexed to the Balance Sheet and Profit & Loss Account and Cash Flow Statement of the Company for the year ended 31st March, 2011 and to the best of our knowledge and belief, we declare that

- 1.1 The 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 Member 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) Significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements.
- 1.6 We have not become aware of any significant fraud during the year ended 31st March, 2011.

For KALYANPUR CEMENTS LIMITED.

(SHAIENDRA P. SINHA)
MANAGING DIRECTOR

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

KALYANPUR CEMENTS LIMITED
2 & 3, DR. RAJENDRA PRASAD SARANI, KOLKATA-700 001

REPORT OF THE AUDITORS

We have audited the attached Balance Sheet of KALYANPUR CEMENTS LIMITED as at 31 March, 2011 and also the annexed Profit and Loss Account and the Cash Flow Statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with Auditing Standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Companies (Auditor's Report) (Amendment) Order, 2004 issued by the Central Government of India in terms of Sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in Paragraph 4 of the said Order.
3.
 - i) As stated in Para B 1.1 and B 1.2 of Schedule 16, 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 notes.
 - ii) As stated in Para B 1.3 of Schedule 16, the claims of Cement Regulation Account are disputed.
 - iii) As stated in Para B 1.5 of Schedule 16, sales tax liability amounting to Rs. 439.25 lacs (including Rs. 198.27 lacs of penalty and interest) is disputed.
 - iv) In terms of Note B 11 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.
 - v) As stated in Part B 4.0 of Schedule-16, the Company has written back the Sales tax amount of Rs. 8754.71 lacs shown as liability in the financial year 2009-10 pursuant to the order of the Hon'ble Supreme Court and subsequently in the DRS circulated by BIFR. This has the effect of reducing the accumulated loss and the liabilities as on 31.03.2011.
 - vi) **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. 1734.49 lacs for the year and write back of Sales Tax dues of Rs.8754.71 lacs amount to Rs. 18448.84 lacs against the capital and reserve of Rs. 4836.54 lacs which leaves a negative**

network of Rs.13612.30 lacs. In view of this negative network, 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 B13 of Schedule 16 to the Accounts.

4. Subject to Para 3(i) to 3(iv) above and further to our comments in the Annexure referred to in Paragraph 2 above, we report that
- i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - ii) 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.
 - iii) The Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion and subject to our comments in Para 3(i) to 3(iv) the Balance Sheet, Profit & Loss Account and the Cash Flow Statement dealt with by this report comply with the accounting standards, referred to in sub-section (3C) of Section 211 of Companies Act, 1956.
 - v) On the basis of written representations received from the directors, as on 31st March, 11 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 11 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - a. In the case of Balance Sheet of the state of affairs of the Company as at 31 March, 2011.
 - b. In the case of the Profit and Loss Account of the loss for the year ended on that date and
 - c. In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

24, Netaji Subhas Road
Kolkata-700 001
Camp – Patna
20th May, 2011

M. MUKERJEE & CO.
Chartered Accountants

(SPANDAN SENGUPTA)
Partner
Membership No : 135833
FRN 303013E

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 lacs 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, 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, 2011 in respect of dues over six months are as below :-

- a) **Sales Tax (Retained) - Rs. 2040.16 lacs**

Granted by State Government as per Industrial Policy 1989.

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 dated 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 instalments.

- b) **Royalty on Limestone - Rs. 466.28 lacs**

As per information and explanation received, BIFR, in its DRS, has provided for payment of these dues in instalments.

- c) **Cement Regulation Account - Rs.208.23**

The above dues of Cement Regulation Account have been challenged in Delhi High Court.

All the dues except at (c) 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 financial year but cash Profit in the immediately preceding financial year.**
- (xi) There has been no default in payments made to financial institutions, banks and debenture holders during the year.
- (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 not taken term loan 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.

M. MUKERJEE & CO.
Chartered Accountants

24, Netaji Subhas Road
Kolkata-700 001
Camp – Patna
20th May, 2011

(SPANDAN SENGUPTA)
Partner
Membership No : 135833
FRN 303013E

BALANCE SHEET AS AT 31st MARCH, 2011

(Rupees in Lacs)

	Schedule No.	As at 31st March, 2011		As at 31st March, 2010	
SOURCES OF FUNDS					
1. Shareholders' funds					
(a) Capital	1	2,787.14		2,787.14	
(b) Reserves & Surplus	2	2,049.40	4,836.54	2,049.40	4,836.54
2. Loan Funds					
a) Secured Loans	3	12,400.53		15,204.43	
b) Unsecured Loans	4	10,513.80	22,914.33	16,891.24	32,095.67
Total Sources of Funds			27,750.87		36,932.21
APPLICATION OF FUNDS					
1. Fixed Assets					
a) Gross Block	5	28,792.35		27,598.37	
b) Less : Depreciation		19,927.17		18,575.92	
c) Net Block		8,865.18		9,022.45	
d) Capital Work-in-Progress		190.83	9,056.01	69.46	9,091.91
2. Investments	6		0.00		0.00
3. Current Assets, Loans & Advances					
a) Current Assets	7	4,302.33		5,238.82	
b) Loans & Advances	8	1,435.57		2,436.21	
		5,737.90		7,675.03	
Less : Current Liabilities & Provisions	9	5,548.15		5,369.24	
Net Current Assets			189.75		2,305.79
4. Miscellaneous Expenditure					
(To the extent not written off or adjusted) Deferred Revenue Expenditure			56.27		65.45
5. Profit & Loss Account					
Balance at Debit			18,448.84		25,469.06
Total Application of Funds			27,750.87		36,932.21

Accounting Policies & Notes on Accounts

16

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

24, Netaji Subhas Road
Kolkata-700 001
Camp : Patna
Date : 20 May, 2011

M. MUKERJEE & CO.
Spandan Sengupta
Partner
CHARTERED ACCOUNTANTS
MEMBERSHIP NO. 135833
Firm Registration No. 303013E

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

Satyadeva P. Sinha
EXECUTIVE CHAIRMAN

Shailendra P. Sinha
MANAGING DIRECTOR

B.C. Srivastava
DIRECTOR

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31st MARCH, 2011

(Rupees in Lacs)

	Schedule No.	2010-11 For the year-ended 31st March, 2011		2009-10 For the year ended 31st March, 2010	
INCOME					
Sales	10	26,889.67		25,704.03	
Less : Excise Duty Paid		3,270.48	23,619.19	2,612.79	23,091.24
Miscellaneous Income	11		137.72		152.82
Total Income			23,756.91		23,244.06
EXPENDITURE					
Manufacturing Expenses	12		16,309.96		13,729.97
Variation in Stocks	13		(510.06)		(281.72)
Salaries, Wages & Welfare Expenses	14		3,065.36		2,970.37
Freight & Selling Expenses			4,310.12		4,045.41
Other Expenses	15		635.59		651.90
Interest :					
On Fixed Loans		58.50		58.50	
On Other Accounts		241.29	299.79	189.83	248.33
Deferred Revenue Expenditure - Written Off.			29.38		27.00
Depreciation			1,351.26		1,356.41
Fringe Benefit Tax			0.00		5.77
Profit/(Loss) for the year carried down			(1,734.49)		490.62
Total Expenditure			23,756.91		23,244.06
Profit/(Loss) for the year brought down			(1,734.49)		490.62
Sales Tax reversed			0.00		(8,754.71)
Write back of Sales Tax Dues (Note No. B4 of Schedule-16)			8,754.71		1,207.11
Debit balance as per last Account			(25,469.06)		(18,412.08)
Profit/(Loss) carried to Balance Sheet			(18,448.84)		(25,469.06)

Accounting Policies & Notes on Accounts

16

This is the Profit & Loss Account referred
to in our report of even date.

Satyadeva P. Sinha
EXECUTIVE CHAIRMAN

Shailendra P. Sinha
MANAGING DIRECTOR

B.C. Srivastava
DIRECTOR

24, Netaji Subhas Road
Kolkata-700 001
Camp : Patna
Date : 20 May, 2011

M. MUKERJEE & CO.
Spandan Sengupta
Partner
CHARTERED ACCOUNTANTS
MEMBERSHIP NO. 135833
Firm Registration No. 303013E

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

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE - 1**

(Rupees in Lacs)

	As at 31st March, 2011	As at 31st March, 2010
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 Authorised Capital	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		
21,249,054 Equity Shares of Rs. 10/- each	2,124.91	2,124.91
Total Issued & Subscribed Capital	2,786.67	2,786.67
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: Equity Shares Forfeited Account	0.47	0.47
Total Paid-up Capital	2,787.14	2,787.14

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE - 2**

(Rupees in Lacs)

	As at 31st March, 2011	As at 31st March, 2010
RESERVES AND SURPLUS		
Capital Reserves	0.11	0.11
Share Premium Account	2,049.29	2,049.29
Total Reserves & Surplus	2,049.40	2,049.40

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

(Rupees in Lacs)

	As at 31st March, 2011	As at 31st March, 2010
SECURED LOANS :		
1. (i) Arcil - Kalyanpur Cements Ltd. Trust & (ii) Arcil - KCL - II Trust Tranche I of the Debts.	2,175.00	3,425.00
2. Non-Convertible Debentures		
(i) Vivid Colors Pvt. Ltd.	9,203.85	10,426.85
(ii) Industrial Investment Bank of India Limited	110.52	190.92
(iii) Allahabad Bank	178.79	309.29
3. Other Secured Loans		
IFCI Ltd. as Nodal Agency for Excise Loan from Govt. of India	732.37	852.37
Total Secured Loans	12,400.53	15,204.43

Notes :

- All the above loans have been secured by creating first charge by way of mortgage on all the immovable properties of the Company coupled with hypothecation of all its movable properties in favour of Secured lenders. 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 other immovable properties as above.
- Loans from Allahabad Bank were secured by creating a first charge by way of hypothecation of Current Assets in favour of the Bank and also by creating a second charge by way of mortgage and/or hypothecation on fixed assets and Machinery / Stores to cover to the extent of Rs. 309.29 lacs for prior year and Rs. 178.79 lacs for current year consequent upon approval of Scheme of Compromise by Calcutta High Court.
- All the above secured loans have been guaranteed to the full extent by Sri Satyadeva Prakash Sinha and Sri Shailendra Prakash Sinha.
- As per Scheme of Compromise, no separate interest is payable on the above secured loans.

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE - 4**

(Rupees in Lacs)

	As at 31st March, 2011	As at 31st March, 2010
UNSECURED LOANS		
Other Loans & Advances - Includes interest- Rs. 8.68 lacs (Previous Year- Rs. 8.97 lacs) on Security Deposits.	10,513.80	16,891.24
Total Unsecured Loans	10,513.80	16,891.24

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET

SCHEDULE - 5

(Rupees in Lacs)

FIXED ASSETS

Sl. No.	Description of Assets	Gross Block				Depreciation				Net Block	
		Cost upto 31 March 2010	Additions during Year 2010-11	Sold or Discarded during Year 2010-11	Cost upto 31 March 2011	Depreciation upto 31 March 2010	Adjustment of depreciation on Sold / Discarded Assets 2010-11	Provision for depreciation 2010-11	Total depreciation upto 31 March 2011 (5-6+7)	As on 31 March 2011	As on 31 March 2010
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1.	Land	4.07	0.00	0.00	4.07	0.00	0.00	0.00	0.00	4.07	4.07
2.	Quarry Development	1,605.21	0.00	0.00	1,605.21	884.57	0.00	72.16	956.73	648.48	720.64
3.	Plant & Machinery	22,656.12	1,167.10	0.00	23,823.22	15,895.79	0.00	1,157.36	17,053.15	6,770.07	6,760.33
4.	New Building Factory	1,729.43	0.27	0.00	1,729.70	862.03	0.00	55.45	917.48	812.22	867.40
5.	New Building Non-Factory	446.68	0.00	0.00	446.68	112.19	0.00	7.13	119.32	327.36	334.49
6.	Railway Siding	659.70	6.10	0.00	665.80	477.77	0.00	34.72	512.49	153.31	181.93
7.	Furniture & Fittings	32.87	11.95	0.00	44.82	26.49	0.00	1.20	27.69	17.13	6.38
8.	Motor Cars	65.19	0.00	0.00	65.19	15.61	0.00	5.61	21.22	43.97	49.58
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	256.50	6.93	0.00	263.43	195.97	0.00	9.73	205.70	57.73	60.53
11.	Electrical Equipments	127.99	0.00	0.00	127.99	93.77	0.00	6.37	100.14	27.85	34.22
12.	Software	4.25	1.63	0.00	5.88	1.90	0.00	1.52	3.42	2.46	2.35
	TOTAL	27,598.37	1,193.98	0.00	28,792.35	18,575.92	0.00	1,351.25	19,927.17	8,865.18	9,022.45
	Figures for Previous Year	27,284.86	313.51	0.00	27,598.37	17,219.51	0.00	1,356.11	18,575.92	9,022.45	

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

(Rupees in Lacs)

Sl. No.	PARTICULARS	As at 31st March, 2011	As at 31st March, 2010
	CURRENT INVESTMENTS (UNQUOTED) (at Cost or Market Value whichever is lower) Financial Investment	tr.	tr.
	MUTUAL FUND :		
1	FT India Life Stage Fund of Funds – The 50s Plus Floating Rate Plan	0.00	0.00
2	ABN AMRO Flexi Debt Fund	0.00	0.00
3	LIC MF Floating Rate Fund.	0.00	0.00
		0.00	0.00

(tr. Indicates value less than Rs. 005 Lacs)

SCHEDULE ANNEXED TO AND FORMING PART OF THE BALANCE SHEET**SCHEDULE - 7**

(Rupees in Lacs)

	As at 31st March, 2011		As at 31st March, 2010	
CURRENT ASSETS				
A) INVENTORIES				
(As certified by the Management)				
1. Stores (at average cost or net realisable value, whichever is lower)	1,552.21		2,638.82	
Less : Provision for non-moving stores	70.00	1,482.21	70.00	2,568.82
2. Stock-in-trade (at lower of cost or market value since realised)		431.47		469.41
3. Raw Materials (at average cost or net realisable value, whichever is lower)		1,016.96		234.98
4. Work-in-Progress (at average cost or net realisable value, whichever is lower)		310.30		488.46
Total Inventories		3,240.94		3,761.67
B) SUNDRY DEBTORS				
1. Debts outstanding for a period exceeding 6 months (Considered Good)	147.66		44.69	
2. Other Debts (Considered Good)	259.62	407.28	339.71	384.40
C) CASH & BANK BALANCES				
1. Cash-in-hand including cheques & drafts amounting to Rs. 80.22 Lacs (Previous Year Rs. 414.07 Lacs) as certified by Management	90.27		461.80	
2. (i) With Scheduled Banks on Current Accounts	157.78		211.13	
(ii) With Scheduled Banks on Term Deposit Account	406.06	654.11	419.82	1,092.75
Total Current Assets		4,302.33		5,238.82

