

# FACTS THAT WOULD REFUTE FIR 15/2016/PKD

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- a. Malabar Cements, in addition to its integrated plant in Walaye where its mines is located, also has a Clinker Grinding Unit (CGU) at Pallipuram, Cherthala in Alleppey District which was set up in 2004. Operations in the CGU at Cherthala was stopped in 2008 due to issues resulting from due to low capacity utilization. The CGU was re-opened in 2015. When the Walayar Plant of Malabar Cements Ltd is working in full swing producing more than 50000 MT of Cement in a month, the entire Clinker produced in Walayar (37000 MT) gets fully used there. Consequently, for operating the Cherthala Plant, Clinker has to be purchased from Open Market. In 2015, Global tenders were floated through the NIC e-procurement Portal for Purchase of Clinker due to full use of Clinker produced in-house and the Company was successful only after many rounds of e-tendering and stoppage of an experimental arrangement with the Cement Corporation of India. No Indian Companies showed interest for participating in the tender that was given wide publicity. The imported Clinker is stored in the godowns in Cochin Port Trust and moved to the CGU in Cherthala in Trucks as per requirement.
- b. In 2015, bought out Clinker Requirement because of enhanced sale from the Walayar Plant and cutting and replacement of the Kiln Shell during end May- June 2016 was estimated by the Department Heads in Malabar Cements. Based on Board approval in the revenue budget of 2015-16, around 50000 MT of imported clinker was used in the Walayar Plant during 2015-16 due maintain market presence and avoid drain of Fixed Costs of Rs. 21 lakhs / day that would have resulted in a loss of Rs. 6 crores.

- c. Practically, considering the break downs in the 33 year old KILN and the time required for the need for periodic maintenance as well as for the change of refractory brick which is a consumable, Malabe Cements Ltd (MCL) can produce 405000 MT of Clinker per annum. Clinker when ground and mixed with Fly Ash and gypsum at a proportion of 25% and 4% respectively, gives Portland Pozzolana Cement (PPC). The cement mill in Walayar plant can produce 5,80,000 MT of cement, at the maximum, using clinker produced in Malabar Cements Ltd during an year.
- d. For manufacturing Portland Pozzolana Cement in the Cherthala plant of the company which can produce 2,25,000 MT of cement running in three shifts, bought out clinker is required. Using clinker produced in Walayar Plant in the Cherthala will be at the expense of loss of cement production the Walayar Plant. When the Cherthala Plant which was closed down in 2008 was reopened in 2014, the company decided to source clinker from the Cement Corporation of India (CCI). When the market in the Deccan region for Cement picked up, CCI increased sale of their brand in Andhra Pradesh and was not willing to supply clinker to MCL. Hence MCL resorted to global electronic Tendering using the National Informatics Centre Portal to also ensure that optimal production of Cement is achieved in the Walayar Plant also. Clinker thus imported was stored in the godown of Cochin Port Trust and moved to Cherthala unit of the company as and when required.
- e. Coming to the question of non-availability of Clinker manufactured in Malabar Cements Ltd for production of cement in the Walayar Plant during June / July 2015, it is to be noted that there was a 40 day shut down in the only Kiln of MCL in Walayar Plant. The horizontal structure seen between two towers in the below photograph, is the KILN. The photo on the right side is the SILO. The shut down for shell replacement resulted in shortfall of 50,000 MT of clinker. All the clinker in the Walayar Plant was used for producing PPC and accelerating sales. To maintain cement production using the Cement mill and to ensure presence in Palakkad and Central / Northern Kerala markets from the Walayar Plant during the Kiln

shell replacement period, use of bought out imported clinker stored in the Cochin Port Trust was a requirement. Otherwise, there will be loss of Rs.15-20 lakhs per day on account of fixed cost like salaries for MCL..



- f. In the Revenue budget approved by the Board, permission was there to use imported clinker in the Walayar Plant to avoid the opportunity losses due to non-availability of clinker resulting from KILN Shell replacement in the Walayar Plant of MCL. The Board approved Revenue Budget permitting use of up to 55000 MT of imported clinker in the Walayar Plant would substantiate this. The company used only 50769 MT of imported clinker in Walayar during 2015-16. The comparative analyses of imported clinker vis-à-vis clinker from CCI in both the plants of MCL would establish the quality of imported clinker. The grindability of imported clinker due to high Tri Calcium Silicate content resulted in increase of cement production in a day upto 3000 MT and high fly ash addition resulting in lowering of cement production costs.
- g. Use of imported clinker in the Walayar Plant during the period of Kiln shell replacement during June / July 2015 resulted in uninterrupted production and sale and a huge increase in Contribution amounting to Rs.11.35 Crores. Based on the marginal costing principle as the company was operating above the Break Even Level shown this contribution became It can be seen that the percentage of Manufacturing expenses to Total income, after accounting for the cost of imported clinker has dropped from 62.51% in 2013-14 to 61.11% in 2015-16. The allegations in the FIR that a loss of Rs. 5.50 Crores was incurred is false. The below graphs shows

the trends in Profits before Extra-ordinary expenses. The observations of the C&AG are also a testimony to this achievement.

