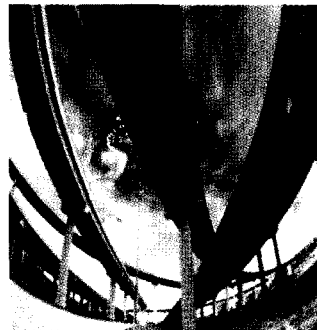
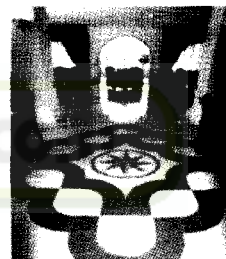


2005 - 2006 ANNUAL REPORT



Report



JK Cement Ltd.

BOARD OF DIRECTORS**Dr. Gaur Hari Singhania***Chairman***Yadupati Singhania***Managing Director & CEO***Ashok Sharma****Alok Dhir****Achintya Karati****Jyoti Prasad Bajpai****Kailash Nath Khandelwal****Raj Kumar Lohia****AUDIT COMMITTEE****Ashok Sharma***Chairman***Alok Dhir****Achintya Karati****Kailash Nath Khandelwal****Raj Kumar Lohia****SHAREHOLDERS'/INVESTORS'
GRIEVANCE COMMITTEE****Jyoti Prasad Bajpai***Chairman***Kailash Nath Khandelwal****Raj Kumar Lohia****REMUNERATION COMMITTEE****Raj Kumar Lohia***Chairman***Alok Dhir****Jyoti Prasad Bajpai****KEY MANAGEMENT PERSONNEL****R. G. Bagla***Group Executive President***A. K. Saraogi***President (Corporate Affairs) & CFO***M. P. Rawal***President (T & MS)***D. Ravishanker***President (Works) - Grey Cement***B. K. Arora***President (Works) - White Cement***Ashok Ghosh***President (H.R.) & New Initiatives***R. C. Shukla***Sr. Vice President (Marketing) - Grey Cement***Pankaj Chandra***Sr. Vice President (Marketing) - White Cement***COMPANY SECRETARY****Manish Bajpai****AUDITORS****M/s. P. L. Tandon & Co.***Chartered Accountants**Westcott Building,**The Mall, Kanpur-208 001.***CONTENTS**

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**BANKERS**

Allahabad Bank

Andhra Bank

Canara Bank

Dena Bank

Indian Bank

Indian Overseas Bank

Jammu & Kashmir Bank

United Bank of India

REGISTRARS & TRANSFER AGENTS

J. K. Synthetics Ltd.

Kamla Tower,

Kanpur-208 001.

REGISTERED OFFICEKamla Tower,
Kanpur - 208 001

Report Junction.com

WORKS

J. K. Cement Works

Nimbahera (Rajasthan)

J. K. Cement Works

Mangrol (Rajasthan)

J. K. White Cement Works

Gotan (Rajasthan)

J. K. Thermal Power

Bamania (Rajasthan)

CENTRAL MARKETING OFFICEGhalib Institute, Mata Sundari Lane,
New Delhi - 110 002

NOTICE

Notice is hereby given that the Twelfth Annual General Meeting of **J.K. CEMENT LIMITED** will be held in Sir Padampat Singhania Auditorium of the Merchants' Chamber of Uttar Pradesh, 14/76, Civil Lines, Kanpur on Saturday, the 29th July, 2006 at 12:00 Noon to transact the following business :-

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2006, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare Dividend on Equity Shares.
3. To appoint a Director in place of Shri R.K. Lohia, who retires by rotation pursuant to the provisions of Article 140 of the Articles of Association of the Company and being eligible offers himself for reappointment.
4. To elect a Director in place of Shri Alok Dhir, who retires by rotation pursuant to the provisions of Article 140 of the Articles of Association of the Company and being eligible offers himself for reappointment.
5. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General meeting and to fix their remuneration. The retiring auditors M/s P.L. Tandon & Company, Chartered Accountants, Kanpur, are, however eligible for re-appointment.

Special Business :

To consider and, if thought fit, to pass with or without modification(s) the following resolutions :

As Ordinary Resolutions :

6. "RESOLVED THAT Shri Ashok Sharma, in respect of whom the Company has received a notice u/s 257 of the Companies Act, 1956 from a Shareholder proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company, liable to retirement by rotation."
7. "RESOLVED THAT Shri Achintya Karati, in respect of whom the Company has received a notice u/s 257 of the Companies Act, 1956 from a Shareholder proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company, liable to retirement by rotation."
8. "RESOLVED THAT in supersession of the earlier resolution passed by the Shareholders in their Annual General Meeting held on 20.08.2005 and pursuant to the provisions of Section 293(1)(e) and other applicable provision(s), if any, of the Companies Act, 1956, the Board of Directors of the Company be and is hereby authorised to contribute from time to time, in any financial year, to any charitable and other funds or general charities or other purposes not directly related to business of the Company or the welfare of its employees upto a sum of Rs. 5,00,00,000/- (Rupees five crores) or 5% (five percent) of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the

Companies Act, 1956 during three financial years immediately preceding, which ever is greater."

BY ORDER OF THE BOARD

Regd. Office :
Kamla Tower, Kanpur.
Dated : 29th April, 2006


MANISH BAJPAI
Company Secretary

NOTES :

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**
2. Copy of the documents referred to in the notice are available for inspection at the Registered office of the Company on any working day between 10:00 A.M. and 6:00 P.M., except Saturday.
3. The relative Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 in respect of Special Business under Items No. 6, 7 & 8 of the accompanying notice dated 29th April, 2006, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from 21st July, 2006 to 29th July, 2006, both days inclusive.
5. The dividend as recommended by the Board of Directors and approved by the members will be paid to those members, whose names shall appear on the Company's Register of Members on 21st July, 2006. In respect of shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details furnished by National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).
6. Members are requested to notify immediately change of address, if any, to their Depository Participants (DPs) in respect of their shareholding in Demat Accounts and to the Company's Share Transfer Registrars in respect of their shareholding in physical segment by mentioning folio nos. etc.
7. Members are requested to bring their copies of the Annual Report, as Copies of the Report will not be distributed again at the Meeting.
8. Members seeking any information with regard to the accounts of the Company are requested to write to the Company at its Registered Office, so as to reach at least 10 days before the date of the Meeting to enable the Management to keep the information ready.
9. Proxies, in order to be effective, must be received at the Registered Office of the Company not less than 48 hours before the commencement of the meeting. Members, who hold shares in Dematerialised Form, are requested to bring their Depository Account Number and Client I.D. Number for identification.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

ITEM NO. 6 :-

Shri Ashok Sharma was appointed as Additional Director of the Company by the Board of Directors in its meeting held on 24.10.2005 and he holds office upto the date of this Annual General Meeting.

A notice u/s 257 of the Companies Act, 1956 has been received

from a shareholder along with the requisite fee, intending to propose the candidature of Shri Ashok Sharma for the office of Director of the Company.

Mr. Sharma holds a Bachelor of Law degree from Kanpur University. He is a qualified Chartered Accountant from the Institute of Chartered



Annual Report

Accountants of India, New Delhi. He has vast experience in the fields of finance and audit spanning 25 years. He is a practicing Chartered Accountant and handles the audit assignments of private sector organisations, banks, insurance companies and financial institutions. He is a member of the Disciplinary Committee of the Uttar Pradesh Stock Exchange Association Limited. He is also a member of the Rehabilitation Committee for Uttar Pradesh Small Industries Corporation Limited, Corporate Committee of CIRC of ICAI, Indian Council of Arbitrators and Kanpur Income Tax Bar Association. He does not hold the position of Director in any other Company except J.K. Cement Ltd. As on 31.03.2006, he was holding 640 Equity Shares of the Company allotted in the recent public issue of the Company.

The resolution at item no. 6 is, therefore, commended for your approval. None of the other Directors is concerned or interested in the proposed resolution except Shri Ashok Sharma.

ITEM NO. 7 :-

Shri Achintya Karati was appointed as Additional Director of the Company by the Board of Directors in its meeting held on 24.10.2005 and he holds office upto the date of this Annual General Meeting.

A notice u/s 257 of the Companies Act, 1956 has been received from a shareholder along with the requisite fee, intending to propose the candidature of Shri Achintya Karati for the office of Director of the Company.

Mr. Karati holds a Bachelor of Law degree from Calcutta University. He has vast experience in the financial and legal fields spanning 31 years. He has worked in diverse areas of commercial, legal and secretarial matters. He retired as Country Head, Government and Institutional Solutions Group, ICICI Bank Limited (erstwhile Industrial Credit and Investment Corporation of India Limited) in March, 2004. During his association with ICICI Limited, he served in various capacities, including Deputy Zonal Manager (North) and Head of Major Client Group (North). Presently, he is a Senior Advisor to ICICI Securities Limited and is also associated with ICICI Prudential Life Insurance Company Limited. He also heads the Government and Institutions group of National Commodity and Derivative

Exchange of India. He holds the post of Director in BPL Display Devices Limited, Flex Industries Limited, ICICI-West Bengal Infrastructure, Shyam Telecom Limited, Sangam (India) Limited, Danin Enterprises Private Limited, Delton Cables Limited, Hindustan Motors Limited. As on 31.03.2006, he was holding 640 Equity Shares of the Company allotted in the recent public issue of the Company.

The resolution at item no. 7 is, therefore, commended for your approval. None of the other Directors is concerned or interested in the proposed resolution except Shri Achintya Karati.

ITEM NO. 8 :-

Section 293(1)(e) of the Companies Act, 1956 provides that a Company can make contributions to charitable and other funds not directly related to its business or to the welfare of its employees; provided that the aggregate of such contributions in any financial year do not exceed Rs. 50,000/- or 5% of the Company's average net profits as determined in accordance with the provisions of Sections 349 and 350 of the Companies Act, 1956 during the three financial years immediately preceding, which ever is greater. Since in the preceding 3 financial years viz. 2002-03, 2003-04 and 2004-05, there were no sufficient profits as computed under Sections 349 and 350 of the Companies Act, 1956, thus to facilitate the Board of Directors to make donations/ contributions from time to time, exceeding the above limits, it is considered necessary to seek your approval by way of an ordinary resolution.

The resolution at item no. 8, is therefore, commended for your approval.

None of the Directors is concerned or interested in the proposed resolution.

BY ORDER OF THE BOARD

Regd Office :
Kamla Tower, Kanpur.
Dated : 29th April, 2006

Manish Bajpai
MANISH BAJPAI
Company Secretary

DIRECTORS' REPORT

Dear Members,

Your Directors submit their Twelfth Annual Report and audited statements of account for the year ended 31st March, 2006.

Your Directors, while welcoming the new shareholders, convey their thanks to all those, who have supported the Company's first offer of Equity Shares to Public, which has been a great success.

2. FINANCIAL RESULTS

	Rs./Lacs
Gross Turnover	110867.84
Profit before depreciation and tax	8322.76
Less : Depreciation	3101.83
Profit Before Tax	5220.93
Provision for Tax :	
— Fringe Benefit Tax	150.00
— Current Tax	434.00
— Deferred Tax	1380.00
Profit After Tax	3256.93
Add : Balance brought forward from the previous year	633.39
Less : General Reserve	2000.00
Proposed Dividend on Equity Shares (including tax thereon)	1196.02
Balance to be carried forward	694.30

3. OVERALL PERFORMANCE

The year under report has been the first full year of operations of cement units in the Company. The Company achieved profit before tax of Rs.52.21 crores and turnover of Rs.1108.68 crores. Earning per share at Rs.6.37 in the very first year of its full operations indicates the Company's satisfactory performance. The equity issue made in March, 2006, which raised Rs. 296 crores, has also improved the Company's financial strength. Net worth of the Company as on 31.3.2006 was Rs. 354.00 crores compared to Rs. 54.59 crores as at 31.3.2005.

4. DIVIDEND

Your Directors are happy to recommend the dividend @ Rs. 1.50 per share on Equity Shares for the financial year ended 31.3.2006, which when approved will be paid to all the Equity Shareholders registered on 21.07.2006.

5. OPERATIONS

GREY CEMENT

During the year under report production of Grey Cement at 35.11 lacs tons as against installed capacity of 35.50 lacs tons resulted in capacity utilisation of 98.9%. There has been gradual increase in price realisation due to higher off-take supported by growth in demand. This enabled the unit to achieve higher profits inspite of increase in petroleum prices and higher freight incidence.

WHITE CEMENT

The capacity of White Cement plant has been enhanced by 50,000 M.T. per annum from 28th February, 2006. The production of white cement at 226729 tons during the year resulted in capacity utilisation of 74.5%. Growth in demand was below expectation and the production was regulated to keep pace with the demand. This had adverse affect upon the profitability of the unit.

6. PROJECTS IN PROGRESS

Your directors have taken up various schemes for cost saving and enhancement in capacity in phased manner. Schemes involving capital expenditure of Rs. 236 crores being financed by

the funds raised through issue of equity shares made in March, 2006 are -

(i) Cost Saving Schemes

Power is a major component of cost of production. Company has to rely at present on state grid and diesel generating sets which are relatively expensive source of power. Due to this the average power cost in our case is significantly higher compared to other plants who have their own captive power plants.

With a view to reduce power cost the Company is implementing three projects (1) 20 M.W Petcoke based power plant. (2) 13.2 M.W. Waste heat Recovery power plant which will generate power from gases emitted in production process, and (3) Replacement of existing 7.5 M.W. turbine by a 10 M.W turbine at Bamania. These power projects will generate power at substantially lower cost. Besides Waste Heat Recovery power plant will also generate revenues from carbon trading. These schemes are likely to be completed by June, 2007 in phases.

(ii) Capacity Enhancement

Grey Cement plants are operating at present at almost full capacity. To capitalise on the high growth in Northern India and to meet increased demand of blended cement, Company intends to increase production capacity by increasing the grinding capacity at Nimbahera by 5,00,000 tons which is likely to be implemented by June, 2006.

Company is also in the process of enhancing the capacity of White Cement by 1,00,000 tons per annum in two phases to meet the peak seasonal demand as well as to meet future growth in demand. First phase to increase capacity by 50,000 tons has already been implemented in February, 2006. Second phase is expected to be implemented by June, 2006.

Future Growth plans

Your directors are also exploring the possibilities for putting up new grinding facilities / grass root plant for manufacture of grey cement for which details are being studied in depth.

7. FINANCE

(a) During the year under report, the Company has allotted 20 million Equity Shares of Rs. 10/- each at a premium of Rs. 138/- on 9.3.2006 through Public issue made vide prospectus dated 19.2.2006 through Book Building Route. The said Issue was subscribed by 1.815 times. With this issue the number of shareholders have increased to 1,28,000 (approx.).

(b) During the year, Company raised Term Loans aggregating Rs. 25 crore from Indian Overseas Bank and Canara Bank, which have been utilised in repayment of costlier loan.

(c) During the year, Company has been sanctioned Working Capital Facility of Rs.65 crores in the form of Cash Credit, Letter of Credit and Bank Guarantees limits.

8. RE-VALUATION OF ASSETS

As reported last, the Company had re-valued certain assets at the time of acquisition of Cement undertakings on 4.11.2004 and accretion on this account was credited to "Revaluation Reserve A/c." During the year, some additional sales tax liability pertaining to the period prior to acquisition date has fallen upon the Company, which has been capitalised and consequently the Revaluation Reserve has reduced.

9. LISTING OF SHARES

The Company's Equity Shares are duly listed with Bombay Stock



Exchange Ltd. and National Stock Exchange of India Ltd.

10. CORPORATE GOVERNANCE

A report on Corporate Governance is enclosed as part of Annual Report alongwith the Auditors' Certificate on its compliance.

11. PERSONNEL**11.1 INDUSTRIAL RELATIONS**

The industrial relations during the period under review generally remained cordial at all Cement plants.

11.2 PARTICULARS OF EMPLOYEES

List of employees getting salary in excess of the limits as specified under the provisions of sub-section (2A) of Section 217 throughout or part of the financial year under review is annexed.

12. PUBLIC DEPOSITS

Your Company has not invited any deposits from public / shareholders in accordance with Section 58A of the Companies Act, 1956.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO.

Particulars with regard to Conservation of Energy, Technology Absorption, Foreign Exchange Earnings and out go in accordance with the provisions of Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosures of particulars in the Report of Board of Directors) Rules, 1988 in respect of Cement plants are annexed and form part of the Report.

14. AUDITORS' REPORT

Auditors' Report to the shareholders does not contain any qualification.

15. COST AUDIT

Cost Audit records have been maintained in respect of Grey Cement and White Cement for the year 2005-06 and cost audit would be completed in respect of these units.

16. DIRECTORS

16.1 During the year under report Shri Ashok Sharma and Shri Achintya Karati were appointed as Additional Directors on the Board of Directors of the Company and they hold office up to the ensuing Annual General Meeting. The Company has received two separate notices u/s 257 of the Companies Act, 1956 from shareholders, proposing the candidature of Shri Ashok Sharma and Shri Achintya Karati for the office of Director of the Company along with the requisite fees. You are requested to consider their appointment.

16.2 Your Directors, welcome the new incumbents namely Shri Ashok Sharma and Shri Achintya Karati on the Board of Directors of the Company.

16.3 Two of your Directors namely Shri R.K. Lohia and Shri Alok Dhir will retire by rotation at the ensuing Annual General Meeting and are eligible for reappointment.

17. RESPONSIBILITY STATEMENT

The Directors confirm that :

- (i) in the preparation of the annual accounts, the applicable accounting standards have been followed and that no material departures have been made from the same.
- (ii) they have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that year;
- (iii) they have taken proper and sufficient care for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (iv) they have prepared the annual accounts on a going concern basis.

18. AUDITORS

M/s. P.L. Tandon & Co., Chartered Accountants, Kanpur, Auditors of the Company, will retire from their office at the ensuing Annual General Meeting. They are, however, eligible for re-appointment. They have furnished a Certificate to the effect that their appointment will be in accordance with limits specified in sub-section (IB) of Section 224 of the Companies Act, 1956. You are requested to consider their appointment.

19. COST AUDITORS

Pursuant to the directives of the Central Government and provisions of Section 233-B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct the cost audit of Cement units for the year 2005-06.

20. ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation for the valuable assistance and support received by your Company from Allahabad Bank, Indian Overseas Bank, United Bank of India, Andhra Bank, Dena Bank, Indian Bank, Union Bank of India, J & K Bank, Canara Bank, Govt. of Rajasthan and Central Govt. The Board also thanks the employees at all levels for their dedication and commitment for successful operations of the Cement plants.

FOR AND ON BEHALF OF THE BOARD


CHAIRMAN

Place : Kanpur
Dated : 29th April, 2006

Information under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Directors' Report for the year ended 31st March, 2006

(A) Employed throughout the Financial year under review and was in receipt of remuneration for the Financial year in the aggregate of not less than Rs. 24,00,000/-

Name	Age	Qualification	Designation	Date of Commencement of Employment	Experience (Years)	Remuneration (Rs.)	Particulars of last Employment, Employer, Last Position, No. of Years
Singhania Yadupati	52	B. Tech. (Civil)	Managing Director & C.E.O.	01.04.2004	25	72,03,600	Nil

- Notes :
- Nature of employment in respect of Shri Yadupati Singhania is contractual, where the contract is for three years expiring on 31.03.2007.
 - Remuneration includes, interalia, value of perquisites computed on the basis of Income-Tax Rules, 1962, Company's contribution to Provident Fund, Superannuation Fund and Commission but excludes Company's contribution to Gratuity Fund.

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in clause 49 of the Listing Agreement is set out below :

1. Company's philosophy on Code of Governance

At J.K. Cement, we view corporate governance in its widest sense, almost like trusteeship. The Company's philosophy on Corporate Governance is to enhance the long-term economic value of the Company, its stakeholders i.e. the society at large by adopting better corporate practices in fair transparent manner by aligning interest of the Company with that of its shareholders/other key stakeholders.

Corporate Governance is not merely compliance and not simply creating checks and balances, it is an ongoing measure of superior delivery of Company's objects with a view to translate opportunities into reality.

In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange(s) is concerned, the Company is in full compliance with the norms and disclosures that have to be made.

2. Board of Directors

(i) Composition of the Board

In compliance with the corporate governance norms in terms of constitution of the Board, the Board is headed by its Non-executive Chairman, Dr. Gaur Hari Singhania. The Independent Directors on the Board are experienced, competent and highly reputed persons from their respective fields. The Independent Directors take active part at the Board and Committee Meetings, which adds value in the decision making process of the Board of Directors.

As on 31st March, 2006 the composition of the Board of Directors is given herein below :

- One Promoter, Non-Executive, Non Independent Director
- One Promoter, Executive, Non Independent Director
- Three Non-Executive, Non Independent Directors
- Three Non Executive, Independent, Directors

(ii) Attendance of each director at the Board Meetings and last Annual General Meeting

During the last financial year ended March 31, 2006, seven Board Meetings were held on the following dates :-

(i) 26th April, 2005 (ii) 11th June, 2005, (iii) 30th July, 2005, (iv) 24th October, 2005, (v) 31st October, 2005, (vi) 26th November, 2005 and (vii) 14th January, 2006

The attendance of each Director at Board Meetings and at the last Annual General Meeting (AGM) was as under :-

Sl. No.	Name of Director	No. of Board Meetings attended	Attendance at the last AGM
1.	Dr. Gaur Hari Singhania	6	YES
2.	Shri Yadupati Singhania	7	YES
3.	Shri J.P. Bajpai	6	YES
4.	Shri K.N. Khandelwal	6	YES
5.	Shri R.K. Lohia	3	NO
6.	Shri Alok Dhir	3	YES
7.	Shri Ashok Sharma #	3	N.A.
8.	Shri A. Karati #	2	N.A.

Appointed as Additional Directors w.e.f. 24.10.2005

(iii) The number of Directorships on the Board and Board Committees of other Companies, of which the Directors are members / Chairman is given as under: -

Sl. No.	Name of Director	Position	No. of other Directorships	No. of Board Committees (Other than J. K. Cement Ltd.) in which	
				Chairman	Member
1.	Dr. Gaur Hari Singhania <i>Chairman</i>	Promoter, Non Executive, Non Independent	6	1	1
2.	Shri Yadupati Singhania <i>Managing Director</i>	Promoter, Executive, Non Independent	13	-	2
3.	Shri J. P. Bajpai	Non Executive, Non Independent	5	-	-
4.	Shri K. N. Khandelwal	Non Executive, Non Independent	4	-	1
5.	Shri Alok Dhir	Non Executive, Non Independent	4	-	-
6.	Shri R. K. Lohia	Non Executive, Independent	6	-	-
7.	Shri Ashok Sharma #	Non Executive, Independent	-	-	-
8.	Shri Achintya Karati #	Non Executive, Independent	9	-	12

Appointed as Additional Directors w.e.f. 24.10.2005

3. Audit Committee

(i) Broad Terms of Reference

The terms of reference of Audit Committee cover the matters specified for Audit Committee under clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956.

(ii) Composition of the Committee

As on 31.03.2006, the following Directors were the members of the Audit Committee :-

- (i) Shri Ashok Sharma (Chairman) : Independent,
Non Executive Director
- (ii) Shri R.K. Lohia : Independent,
Non Executive Director
- (iii) Shri A. Karati : Independent,
Non Executive Director
- (iv) Shri Alok Dhir : Non Independent,
Non Executive Director
- (v) Shri K.N. Khandelwal : Non Independent,
Non Executive Director



All these Directors possess knowledge of Corporate Finance/ Accounts / Company Law/ Industry. The Company Secretary is the Secretary for such meetings. The Statutory Auditors of the Company attend the meetings as special invitees.

(iii) Meetings and Attendance

During the financial year ended 31st March, 2006 four meetings were held on 11th June, 2005, 30th July, 2005, 31st October, 2005 and 14th January, 2006.

The Committee approved and recommended the annual accounts for the year 2004-05 in their meeting held on 11th June, 2005.

The attendance at the Committee Meetings was as under : -

Sl. No.	Name of Director	No. of Meetings attended
1.	Shri Ashok Sharma	2
2.	Shri A. Karati	1
3.	Shri R. K. Lohia	3
4.	Shri K. N. Khandelwal	4
5.	Shri Alok Dhir	2

Note : The Audit Committee was reconstituted on 24.10.2005 to comply with the amended clause 49 of the Listing Agreement.

4. Remuneration Committee

(i) Broad Terms of Reference

To review and decide the policy on specific remuneration package of Managing Director, Whole Time Director(s), Executive/Non-executive Chairman and Executive/Non-executive Vice Chairman of the Company.

To decide on terms of remuneration of Non-executive Directors of the Company.

(ii) Composition of the Committee

Remuneration Committee of the Company as on 31.03.2006 comprised of :

- | | |
|-------------------------------------|--|
| (i) Shri Raj Kumar Lohia (Chairman) | : Independent Non Executive Director |
| (ii) Shri J. P. Bajpai | : Non Independent Non Executive Director |
| (iii) Shri Alok Dhir | : Non Independent Non Executive Director |

(iii) Meetings and Attendance

During the financial year ended 31st March, 2006 only one meeting was held on 11th June, 2005.

The attendance at the above Meeting was as under : -

Sl. No.	Name of Director	No. of Meetings attended
1.	Shri Raj Kumar Lohia (Chairman)	1
2.	Shri J. P. Bajpai	1
3.	Shri Alok Dhir	1

Note : The Remuneration Committee was reconstituted on 24.10.2005 to comply with the amended clause 49 of the Listing Agreement.

(iv) Remuneration Policy

The Company's remuneration policy is based on the principles of (i) pay for responsibility (ii) pay for performance and potential and (iii) pay for growth. Keeping in view the above, the Remuneration Committee is vested with all the necessary powers and authorities to ensure appropriate disclosure on remuneration to the Managing Director including details of fixed components and performance linked incentives.

As for the Non-executive Directors, their appointment on the Board is for the benefit of the Company due to their vast professional expertise in their individual capacity. The Company suitably remunerates them by paying sitting fee for attending the meetings of the Board and various sub-committees of the Board and commission on profits.

(v) Details of Remuneration to the Directors for the year ended 31st March, 2006

Sl. No.	Name of Director	Salary	Benefits*	Commission	Sitting Fee	Total
1	Dr. Gaur Hari Singhania	-	-	10,00,000	1,14,000	11,14,000
2	Shri Yadupati Singhania*	17,50,000	64,793	50,00,000	-	68,14,793
3	Shri J.P. Bajpai	-	-	2,50,000	1,45,000	3,95,000
4	Shri K.N. Khandelwal	-	-	2,50,000	1,48,000	3,98,000
5	Shri Raj Kumar Lohia	-	-	2,50,000	52,000	3,02,000
6	Shri Alok Dhir **	-	-	2,50,000	24,000	2,74,000
7	Shri Ashok Sharma #	-	-	2,50,000	50,000	3,00,000
8	Shri A. Karati #	-	-	2,50,000	30,000	2,80,000

* Benefits do not include payment of contribution to Provident Fund and Superannuation Fund, which are exempted perquisites under Para 2 Section II Part II of Schedule XIII of the Companies Act, 1956.

Part of the year

* Appointment of Managing Director & CEO is for a period of 3 years i.e. upto 31.03.2007.

** Shri Alok Dhir is partner of Dhir & Dhir Associates, who have professional relationship with the Company on need basis. During the year, the Company has paid Rs. 1,93,500 as professional fee.

5. Shareholders' Grievance Committee

(i) Composition

The Committee as on 31.03.2006 comprised of :

- Shri J.P. Bajpai (Chairman)
- Shri K.N. Khandelwal
- Shri Raj Kumar Lohia

(ii) Mr. Manish Bajpai, Company Secretary is the Compliance Officer of the Committee.

(iii) Functions

The Committee specifically looks into redressal of shareholders' and investors' complaints such as transfer of shares, non-receipts of shares, non-receipt of dividend declared and to ensure expeditious share transfer process. To review the status of investors' grievances, redressal

mechanism and recommend measures to improve the level of investors' services. The Company received 549 complaints during the F.Y. 2005-06, out of which 545 complaints were redressed and 4 complaints were unresolved as at 31.03.2006. Pending complaints have been attended to after the close of the year.

(ii) Meeting and Attendance

During the financial year ended 31st March, 2006, four meetings were held on 11th June, 2005, 30th July, 2005, 31st October, 2005 and 14th January, 2006.

The attendance at the above meetings was as under :-

Sl. No.	Name of Director	No. of Meetings attended
1.	Shri J. P. Bajpai	4
2.	Shri K. N. Khandelwal	4
3.	Shri Raj Kumar Lohia	2

6. General Body Meetings

Dates and time of last three Annual General meetings held are given below :-

Financial Year	Date	Time
2002 - 03	20 th September, 2003	1.30 P.M.
2003 - 04	30 th September, 2004	3.00 P.M.
2004 - 05	20 th August, 2005	12.00 Noon

Except for the last Annual General Meeting, which was held at the Auditorium of the Merchants' Chamber of U.P., all other meetings were held at the Registered Office of the Company at Kamla Tower, Kanpur.

Except two Special Resolutions regarding payment of commission to Managing Director and CEO and the Non-executive Directors, which were passed in the Annual General Meeting of the Company held on 20.08.2005, no other Special Resolution was passed in the other two meetings.

There were no matters required to be dealt/passed by the Company through postal ballot in any of the aforesaid meetings, as required under the provisions of Section 192 A of the Companies Act, 1956. There is no matter proposed to be dealt/passed by the Company through postal ballot in the ensuing Annual General Meeting.

The Chairman of the Audit Committee was present at the last AGM held on 20th August, 2005 to answer the queries of the Shareholders.

Besides above, an Extraordinary General Meeting was also held on 26th November, 2005, in which two Special Resolutions were passed.

7. Disclosures

- There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their Subsidiaries or relatives conflicting with Company's interest. Suitable disclosure as required by the Accounting Standard (AS18) has been made in the Annual Report.
- With regard to Pecuniary relationship or transactions of non-executive directors vis-a-vis the Company that have potential conflict with the interest of the Company at large,

the Company has sought legal opinion from M/s Dhir & Dhir Associates on need basis. Shri Alok Dhir, Director of the Company is a Managing Partner in M/s Dhir & Dhir Associates. However there is no potential conflict of interest of the Company at large.

- No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.
- Compliance with the non-mandatory requirements of Clause 49 of the listing Agreement. The Company has complied with the non-mandatory requirements relating to the remuneration committee to the extent detailed above and has not complied with the other non mandatory requirements.

Disclosures regarding appointment or re-appointment of Directors

According to the Articles of Association of the Company, two Directors namely Shri R.K. Lohia and Shri Alok Dhir will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-election. Given below are the abbreviated resumes of the aforesaid Directors pursuant to clause 49 of the listing Agreement.

- Shri R.K. Lohia**, holds a Bachelor of Arts degree in Economics from Kanpur University. He has vast experience in the fields of commerce and industry spanning over 30 years. He is a Non executive Independent director of our Company since September 30, 2004. He is a leading industrialist of Kanpur and also serves as director on the board of a number of other Indian Companies. He is the recipient of several awards, including the Excellence Award 2005 for contribution in the field of entrepreneurship. He holds the post of Director in Lohia Starlinger Limited, Lohia Sales & Services Limited, Lohia Packaging Machines Limited, Lohia Filament Machines Limited, Lohia ICBT Limited, Rohit Polytex Limited.
- Shri Alok Dhir** holds a Bachelor of Law degree from Delhi University and is a qualified Chartered Accountant from the Institute of Chartered Accountants of India, New Delhi. He has vast experience in the financial and legal fields spanning over 21 years. He is a Non-executive Non Independent Director and has been on the Board of Directors of our Company since October 27, 2004. He has been in the practice of law for over 16 years. He is a legal advisor to leading Indian Companies and has represented corporations, banks, financial institutions and public sector undertakings before the Supreme Court and various other courts across India. He is the founder member of the AAIFR/ BIFR Bar Association of India. He is also a member of various other organizations, including FICCI, PHD Chamber of Commerce, CII, ASSOCHAM, Indian Council of Arbitration and Indo-American Chamber of Commerce. He holds the post of Director in Dhir & Dhir Assets Reconstruction and Securitization Company Limited, Shiva Consultants (P) Limited, GPI Textile Limited, Cirrus Chemicals Private Limited, Cirrus Power Private Limited, As on 31.03.2006, he was