

# augmenting abilities

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**J K Cement Limited**  
Annual Report 2006-07

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## Forward Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

## CORPORATE INFORMATION

### 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  
 Suparas Bhandari  
 Jayant Narayan Godbole

### 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  
 A.D. Khatri, President (Projects)  
 Ashok Ghosh, President (H.R.) & New Initiatives  
 R.C. Shukla, Sr. Vice President (Marketing) – Grey Cement  
 Pankaj Chandra, Sr. Vice President (Marketing) – White Cement

### BANKERS

Allahabad Bank  
 Andhra Bank  
 Canara Bank  
 Dena Bank  
 Indian Bank  
 Indian Overseas Bank  
 Jammu & Kashmir Bank  
 United Bank of India

### COMPANY SECRETARY

Ashish Sabharwal

### AUDITORS

M/s. P. L. Tandon & Co.  
 Chartered Accountants  
 Westcott Building,  
 The Mall, Kanpur-208 001

### REGISTRARS & TRANSFER AGENTS

J. K. Synthetics Ltd.  
 Kamla Tower  
 Kanpur – 208 001

### REGISTERED OFFICE

Kamla Tower  
 Kanpur – 208 001

### WORKS

#### J. K. Cement Works

Nimbahera (Rajasthan)  
 Mangrol (Rajasthan)  
 Gotan (Rajasthan)

#### J. K. White Cement Works

Gotan (Rajasthan)

#### J. K. Thermal Power

Bamania (Rajasthan)

### CENTRAL MARKETING OFFICE

Ghalib Institute, Mata Sundari Lane,  
 New Delhi – 110 002

Gaur Hari Singhania



## Dear Shareholders

It gives me great pleasure to announce that we have moved into the future. From being ready for growth, we are in a position to augment our abilities. We have not only expanded our vision, but have also built on our strengths and leveraged the opportunities that a widely resurgent India presents. JK Cement has increased its production capacities, started work on a Greenfield cement plant in Karnataka and expanded its operations. All this puts us on the threshold of a significant growth curve.

I am happy to report to you that JK Cement undertook major initiatives in its capacities and abilities to register a strong upward rise.

JK Cement is one of the oldest companies in India. A pioneer of technology, we are the first to be using a 4-stage dry process cement plant in the country.

We have continued to retain our focus on using the most contemporary of technology and source it from advanced market such as Denmark & Japan, which reinforces our stringent attention to productivity, efficiency and quality.

The brand name itself is highly recognizable with dealer and distributor relationships lasting a solid 20 to 30 years. The evolution of the market in the meantime has also fuelled our growth. With a 9-10 per cent growth in the industry there is a demand – supply gap which is expected to continue for the next few years. The main drivers behind this factor are the developments in infrastructure in the country and the main marketing segments of the Government and the housing sector. To continue our growth trend we are expanding our footprint. From a leader of the northern markets, we are now attempting to establish a stronger foothold in the southern markets. Our Greenfield plant in Mudhol, Karnataka with a capacity of 3.5 MTPA is the first step in this direction.

We have also taken significant initiatives towards the reduction of costs and creating a stronger balance sheet. In this direction plans are underway to establish 50 MW power facilities at our existing plants at Nimbahera and Gotan.

In addition to augmenting abilities at the gross block level, we are also investing in augmenting our intellectual capital. We sent more employees abroad for industry specific seminars while conducting in-house worker training programmes. We have one of the four World Bank led training institutes in India and our focus on skill building and training is the cornerstone of our operations.

We believe that for any business to be successful in the long run, it has to be sustainable. Towards this end, we are developing our host communities, contributing to the growth of our region and stakeholders at large. We remain committed to fulfilling our social responsibilities in the areas of health, education and employment in line with the long standing JK philosophy.

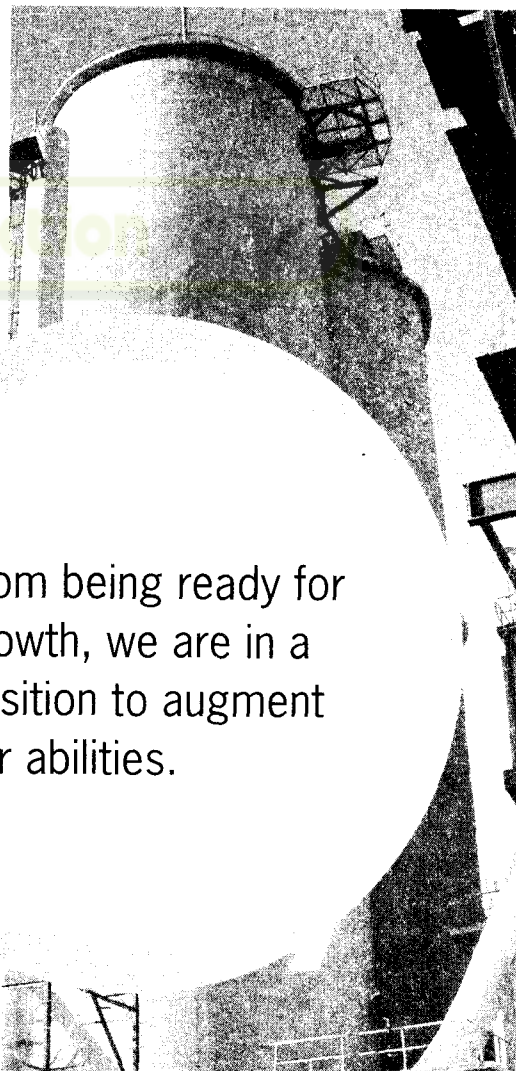
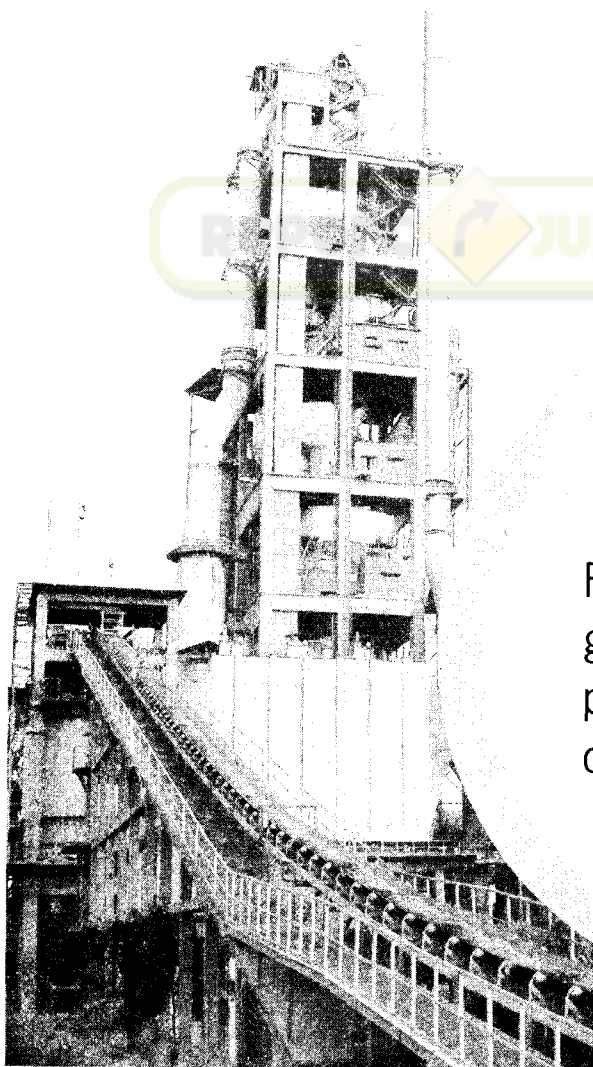
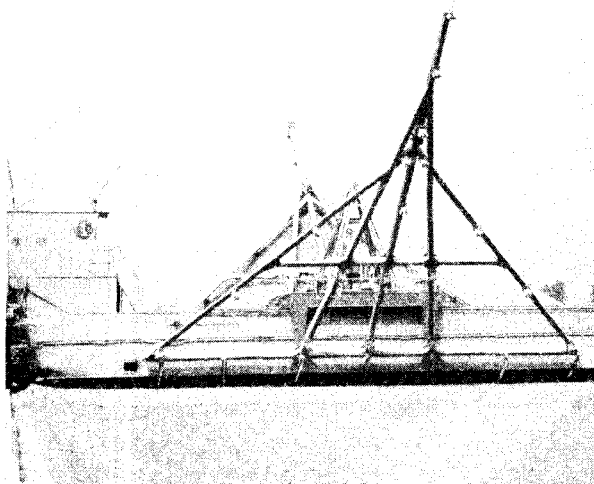
The future is ready to see a boom. We are preparing to boost our own strengths. We are ready to move ahead and enhance our own capabilities, from growth to augmentation, from strength to strength.

I am confident that you will continue to support us in this mission.

Warm regards,

Gaur Hari Singhania  
Chairman





From being ready for growth, we are in a position to augment our abilities.





**Dear Members,**

Your Directors have pleasure in submitting their Thirteenth Annual Report and audited statements of accounts for the year ended 31st March, 2007.

**FINANCIAL RESULTS**

The Financial highlights of the Company are as under;

1 PARTICULARS	(Rs. lacs)	
	2006-07	2005-06
Gross Turnover	152966.52	110867.84
Profit before depreciation and tax	30513.99	8322.76
Less: Depreciation	3315.77	3101.83
Profit Before Tax	27198.20	5220.93
Provision for Tax:		
- Fringe Benefit Tax	200.00	150.00
- Current Tax	7045.85	434.00
- Deferred Tax	2152.14	1380.00
Profit After Tax	17800.21	3256.93
Add: Balance brought forward from the previous year	694.30	633.39
Less: Transfer to General Reserve	10000.00	2000.00
Less: Proposed Dividend on Equity Shares (including tax thereon)	2863.52	1196.02
Balance to be carried forward	5630.99	694.30

**2. Overall performance**

The Company during the year under review recorded growth on all the fronts. Its gross turnover increased by 38%. The operating profit rose to Rs.339.9 crores from Rs.136.9 crores in 2005-06. Earning per share increased by 301 % to Rs.25.57 (Previous year Rs.6.37).

**3. Consolidated financial statements**

During the year the Company has acquired the entire shareholding of Jaykaycem Ltd. and thereupon Jaykaycem Ltd. became wholly owned subsidiary of the Company. Jaykaycem Ltd. is holding mining rights of lime stone in Mudhol (State of Karnataka) and a green field Grey Cement Plant is being set up under this Company. The project is under implementation and therefore there are only pre-operative expenses. Hence only consolidated Balance Sheet of the Company and Jaykaycem Ltd. has been prepared. These statements alongwith Auditors Report thereon form part of the Annual Report.

**4. Dividend**

Your Directors are pleased to recommend the dividend @ Rs.3.50 per share on Equity Shares for the financial year ended 31.3.2007(previous year Rs. 1.50 per share). While taking decision on the dividend, your Directors have kept in consideration the Company's commitments in various capital expenditure schemes.

**5. Operations****Grey Cement**

During the year under report, the production of Grey cement at Nimbahera and Mangrol plants was higher at 3.64 million tons compared to 3.51 million tons in the previous year. Sales volume also increased in tandem with production. Higher realizations during the current year coupled with increase in production of blended cement resulted in substantially higher profits after setting of price increase of various inputs.

**White Cement**

The production of white cement at 248880 M.T. during the year under review against 226729 M.T. in 2005-06 recorded growth of 9.77%. This was mainly on account of robust growth of around 65% recorded in export volumes (37294 tons vs. 22472 tons). The growth in domestic market(including Nepal) was 3.59%. Increased market of value added products mainly wall putty also contributed to additional profits.

**6. Status of projects in hand****6.1. I.P.O.Funded Schemes**

a) Waste Heat Recovery Plant of 13.2 MW  
Turbine and Generator set have already arrived at site. The EPC contract has been awarded to M/s.Thermax. 70% work has already

## director's report 06-07

been completed. Project is expected to be implemented in phases during schedule maintenance of kilns between August – November, 2007.

### b) Petcoke based power plant of 20 MW

Turbine and Generator set have already arrived at site. Erection and commissioning work is in full swing. Around 80% of work has already been completed. Project is likely to be completed by June, 2007.

### c) Replacement of existing Turbine

The assembly of turbine is in final stages of completion with the supplier. Auxiliary and other items have already arrived at site. As per the revised schedule, the turbine is likely to be commissioned during the quarter July- September, 2007.

### d) Increase in production capacity at Grey Cement plant – 500000 M.T.

This project was completed in June, 2006 as per the schedule.

### e) Increase in production capacity of White cement plant – 50000 M.T.

Late delivery of equipments by suppliers had resulted in some delay in the implementation. This project has been implemented in March, 2007.

## 6.2. Greenfield Grey Cement at Karnataka in Jaykaycem Ltd.

A Greenfield Grey Cement project is being set up in Jaykaycem Ltd. ( wholly owned subsidiary of the Company) at Mudhol in the State of Karnataka with a capacity of 3.5 million tones at an estimated project cost of Rs.1050 crores (Rs.950 crores to be spent in first phase and Rs.100 crores in second phase for putting up a Grinding Unit at Bellary). The project cost includes cost of Captive Power plant of 50 MW. Foundation stone of the plant was laid on 8th December, 2007. The Company is in process of obtaining various approvals. Necessary land has already been acquired and order for long delivery items of plant and equipments have already been placed. Financial closure of the project is likely to be completed by end of September, 2007. The Company proposes to invest about Rs. 400 Crores in the said project from its internal accruals. A total sum of Rs.76.40 crores has already been spent on the project. Barring unforeseen circumstances, the project is expected to be on stream in first quarter of 2009.

During the year, the Company has acquired from IDBI the assets of Nihon Nirmaan Ltd. at Gotan for Rs.42 crores. The Company has decided to utilize this facility to produce Grey cement. It has been decided to revamp these facilities at an estimated cost of Rs.70 crores. After revamping, the capacity of plant is expected to be 4 Lacs tons. Revamping work has already started and it is likely to be completed by December, 2007. In the meantime, the Company has already started Grinding facilities at the plant w.e.f. 19.3.2007.

## 6.4. Power plant at Gotan

The company is putting up a Captive Power plant of 7.5 MW at Gotan

for captive use at an estimated cost of Rs.40 crores. The order for main plant & machinery has been placed. The project is expected to be implemented in second quarter 2008.

## 7. Finance

a) During the year Company raised Term Loan of Rs.37.5 crores from Allahabad Bank, to part finance the acquisition of assets of Nihon Nirmaan Ltd., Gotan.

b) During the year Company has been sanctioned enhancement in Working Capital Facility (both funded and non-funded) to Rs. 105 crores from Rs.65 crores.

## 8. Subsidiary company

The account of subsidiary company are annexed alongwith the statement pursuant to section 212 of the Companies Act, 1956.

## 9. Corporate governance

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

## 10. Personnel

### 10.1 Industrial Relations

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

### 10.2 Particulars of Employees

List of employee 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.

## 11. Public deposits

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

## 12. 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.

## 13. Auditors' report

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



**14. Cost audit**

Cost Audit records have been maintained in respect of Grey Cement and White Cement for the year 2006-07 and cost audit would be completed in respect of these units.

**15. Directors**

a) The Board of Directors have re-appointed Shri Yadupati Singhania, as Managing Director at its meeting held on 27.1.2007, for a period of 5 years w.e.f. 1.4.2007 on terms and conditions enumerated in the resolution being put up for your approval.

b) During the year under the report Shri Jayant Narayan Godbole and Shri Suparas Bhandari 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 these two persons for the office of Director of the Company along with the requisite fees.

c) Two of your Directors namely Shri Jyoti Prasad Bajpai and Shri Kailash Nath Khandelwal will retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for reappointment.

**16. Directors 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.

**17. Auditors**

M/s. P.L. Tandon & Co. Chartered Accountants, Kanpur, Auditors of the Company, have retired 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 (1B) of Section 224 of the Companies Act, 1956. You are requested to consider their appointment.

**18. 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 2006-07.

**19. Acknowledgements**

Your Directors wish to place on record their appreciation for the valuable assistance and support received by your Company from Banks, Govt. of Rajasthan, Central Govt. and their departments. The Board also thanks the employees at all levels for their dedication, commitment and hard work put in by them for company's achievements.

FOR AND ON BEHALF OF THE BOARD

Place: Kanpur.

Dated : 12th May, 2007

CHAIRMAN

## J.K. CEMENT LIMITED

### INFORMATION REQUIRED UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

#### A. CONSERVATION OF ENERGY

(a) Energy conservation measures taken:

##### Grey Cement

- Installation of Cement Mill 5 to increase production of Cement Mill 4 alongwith close circuiting.
- Installation of Cement Mill 6 to increase production of Cement Mill 3 alongwith close circuiting
- Enlargement of down comer duct of PH 2 to save power.
- Replacement of Cement Mill 4 separator
- Feeding of flyash at outlet of Cement Mill 3 from flyash silo
- Close circuiting of 1 & 2 Cement Mills.
- ESP upgradation work at Kiln 4
- Additional Elevator for Cement Mill No.8
- Dust & Spillage Control System

##### White Cement

- Steam exhaust cyclone dust collection arrangement modified for online re-feeding, eliminating the operation of additional drag chain to conserve energy.
- Calciner installed to enhance kiln capacity and achieve further reduction in energy consumption.
- A clay crusher was developed and installed at raw mill to take care of large size lumps and to cater demand for increased capacity resulting in smooth operation and energy conservation.

(b) Additional Investments & proposals being implemented for reduction in conservation of energy.

##### Grey Cement

- Installation of 13.0 MW waste heat recovery power plant.
- Installation of 20 MW Pet coke based captive power plant.
- Installation of 10 MW Turbine at Bamania to replace existing 7.5 MW Turbine.
- Installation of control & automation system at Kiln -3.

##### White Cement

##### Installation of Air Heater

(c) Impact of the measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.

Direct & indirect measures as referred in (a) and (b) above is expected to result in saving of present energy consumption in coming year and consequent impact on saving in cost of production.

#### B. TECHNOLOGY ABSORPTION

(i) Research & Development, specific area in which R & D has been carried out.

##### Grey Cement

- Increase in flyash in PPC production

##### White Cement

- Clinker dryer circuit optimization to achieve homogeneous seasoning resulting in improved cement quality
- Kiln inlet modified with improved seal to reduce the fresh air entry to improve the Clinkerisation process
- The clinkerisation process controls switched to free lime control in place of clinker litre weight control by installing latest X-Ray analyzer having XRF & XRD features