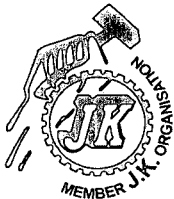


In a Different League

J K Cement Limited | Abridged Annual Report 2007-08

Report  Junction.com



Forward Looking Statement

In this Annual Report, we have disclosed forward-looking information to enable investors to comprehend our prospects and take 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 achievements 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 keep 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.

Contents

| | |
|--|----|
| Corporate Information | 1 |
| Notice | 2 |
| Chairman's Message | 4 |
| Management Discussion and Analysis | 6 |
| Director's Report | 10 |
| Corporate Governance Report | 14 |
| Auditor's Report on Abridged Accounts | 25 |
| Abridged Accounts of J K Cement Limited | 30 |
| Directors' Report of Jaykaycem Ltd. | 42 |
| Auditor's Report of Jaykaycem Ltd. | 44 |
| Financial Statements of Jaykaycem Ltd. | 47 |
| Auditor's Report of Consolidated Abridged Accounts | 56 |
| Consolidated Abridged Financial Statements | 58 |

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dr. Gaur Hari Singhania
Chairman

Yadupati Singhania
Managing Director & CEO

Ashok Sharma

Achintya Karati

Jyoti Prasad Bajpai

Kailash Nath Khandelwal

Raj Kumar Lohia

Suparas Bhandari

Jayant Narayan Godbole

Dr. K. B. Agarwal

BANKERS

Allahabad Bank

Andhra Bank

Canara Bank

Dena Bank

Indian Bank

Indian Overseas Bank

Jammu & Kashmir Bank

United Bank of India

REGISTERED OFFICE

Kamla Tower,
Kanpur - 208 001.

CENTRAL MARKETING OFFICE

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

WORKS

J. K. CEMENT WORKS

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

J. K. WHITE CEMENT WORKS

Gotan (Rajasthan)

J.K. THERMAL POWER

Bamania (Rajasthan)

UTILITIES

THERMAL POWER PLANT

Kailash Nagar,
Nimbahera,
Distt. Chittorgarh

WASTE HEAT RECOVERY POWER PLANT

Kailash Nagar,
Nimbahera,
Distt. Chittorgarh

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

V. P. Singh
President (Marketing) – White Cement

R. C. Shukla
Sr. Vice President (Marketing) – Grey Cement

Anil Kumar Agarwal
Sr. Vice President (Finance & Tax) and Compliance Officer

AUDITORS

M/s. P. L. Tandon & Co.

Chartered Accountants

Westcott Building,

The Mall, Kanpur - 208 001.

REGISTRARS & TRANSFER AGENT

J. K. Synthetics Ltd.

Kamla Tower,

Kanpur – 208 001

Email : jkshr@jkcements.com

J. K. CEMENT LIMITED

Regd. Off : Kamla Tower, Kanpur - 208 001

NOTICE

NOTICE is hereby given that the Fourteenth Annual General Meeting of **J. K. CEMENT LIMITED** will be held at Sir Padampat Singhania Auditorium of the Merchants' Chamber of Uttar Pradesh, 14/76, Civil Lines Kanpur on Saturday, the 26th day of July, 2008 at 12:00 Noon to transact the following business :

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2008, 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 Raj Kumar 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 appoint a Director in place of Shri Achintya Karati, 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 a Director in place of Shri Ashok Sharma, 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.
6. 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 PL. 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

7. "RESOLVED THAT pursuant to Article 123 of the Articles of Association of the Company and Section 258 of the Companies Act, 1956 the Board be and is hereby empowered to appoint Directors maximum upto 12 (Twelve)."
8. "RESOLVED THAT Dr. K.B. Agarwal, 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."

By order of the Board

Place: Kanpur.

K. N. Khandelwal

Dated: 20th May, 2008

Director

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 item nos. 7 & 8 of the accompanying notice dated May 20, 2008, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from July 18, 2008 to July 26, 2008, both days inclusive.
5. The dividend as recommended by the Board of Directors and approved by the members shall be paid to those members, whose names shall appear on the Company's Register of Members on July 18, 2008. In respect of shares in electronic form, the dividend will be payable on the basis of beneficial ownership as per details to be 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 Registrar & Share Transfer Agents in respect of their shareholding in physical segment by mentioning folio nos., etc.

7. Members are requested to convert their share lying in physical form to the Demat form for easy transferability of shares.
8. Members are requested to bring their copies of the Annual Report, as Copies of the Report will not be distributed again at the Meeting.
9. 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.
10. 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 Physical/Dematerialised Form, are requested to bring their Folio No./ Depository Account Number and Client I.D. Number for identification.
11. Pursuant to Clause 49 of the Listing Agreement relating to Corporate Governance, the particulars of Directors proposed to be appointed or re-appointed are given in the Report on Corporate Governance attached to the Directors' Report.

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

ITEM NO. 7 :

As per the Article 123 of the Articles of Association of the Company, until otherwise determined by General Meeting, the number of Directors on the Board of the Company shall not be less than three and more than twelve. The Company vide resolution passed in the Annual General Meeting held on 30.09.2004 had fixed the maximum number of directors on the Board of the Company to 10(Ten). It is proposed for your approval to increase the maximum number of directors on the Board from 10(Ten) to 12(Twelve).

The resolution at item no.7 is, therefore, recommended for your approval.

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

ITEM NO. 8 :

Dr. K. B. Agarwal, was appointed as Additional Director of the Company by the Board of Directors in its meeting held on 25.08.2007 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 Dr. K. B. Agarwal for the office of Director of the Company. A brief profile of Dr. K. B. Agarwal, as required under Clause 49(IV)(G) of the Listing Agreement, is given in the report on Corporate Governance enclosed to the Directors Report.

The resolution at item no.8 is, therefore, recommended for your approval. Except Dr. K. B. Agarwal, none of the other Directors is concerned or interested in the proposed resolution.

By order of the Board

Place: Kanpur.
Dated: 20th May, 2008

K. N. Khandelwal
Director



Gaur Hari Singhania

Chairman's Message

Dear Shareholders,

At JK Cement, 2007-08 was a year of accomplishment. One in which our achievements enabled our transition into a different league. It is indeed very satisfying to share with you some of these developments that reflect the fulfilment of our corporate commitments and our continued focus on rapid, sustainable growth.

The most important development in 2007-08 was the unrelenting focus on project execution and capacity augmentation. For much of the past year, our energies were concentrated on the expansion of our capacities, which include a greenfield unit in Karnataka, the retrofitting of our recently acquired facility in Rajasthan, and a split grinding unit in Rajasthan.

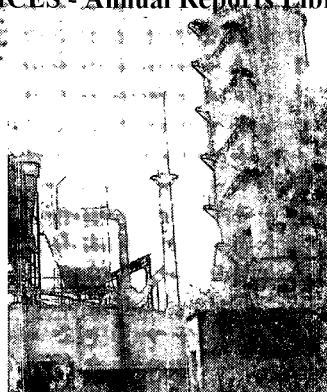
In a rapidly developing economic environment, core construction materials such as cement are in constant demand, given their direct correlation with GDP growth. The present capacity in India is just equivalent to demand with additional capacities required to cater to the future increase in demand arising from the construction and real estate industries in India. In such a scenario, capacity augmentation by industry is an imperative. Almost as a necessary analogy – the pressures on equipment suppliers and on resource providers are immense – resulting in many planned capacity schedules getting delayed.

Seen in this perspective, the progress of our capacity expansion is indeed very encouraging, driven by our intrinsic understanding of

the developments in the Indian Cement industry.

When commissioned, each of our initiatives will result in a near doubling of our present capacity, besides marking our transition into a national player.

From enhancing our domestic footprint, we have taken steps to go beyond national boundaries. We entered into a Memorandum of Understanding with Fujairah Municipality in the United Arab Emirates, through our subsidiary J K Cement Works (Fujairah) FZC, to set up a 2.25 MTPA grey cement plant to service the steadily increasing demand in the GCC region. Once again, this reflects our investment in a strategy that is global in nature and looks to address opportunities, wherever they might be.



FOR MUCH OF THE PAST YEAR, OUR ENERGIES WERE CONCENTRATED ON THE EXPANSION OF OUR CAPACITIES, WHICH INCLUDE A GREENFIELD UNIT IN KARNATAKA, THE RETROFITTING OF OUR RECENTLY ACQUIRED FACILITY IN RAJASTHAN, AND A SPLIT GRINDING UNIT IN RAJASTHAN.

Rapidly increasing production costs is a cause of worry to all players in the industry. The cost increase factors are external where industry can play no role to control but industry is taking effective steps to reduce the fuel cost by installing captive power plants. At J K Cement, we have countered this effectively with achieving a self sufficiency in captively generated energy.

JK Cement is committed to serving the community which nurtures it. Besides our constant endeavour to protect the environment we are also active in promoting development and education in our area of operation. It is delighting to inform that we established the Sir Padampat Singhania University at Udaipur, under the aegis of the JK Cement Nimbahera Foundation, a public trust, which is one of the

most advanced higher education facilities in the region.

We are thus working concurrently on number of strategic fronts :

- from concretising our capacity expansion plans, to addressing our markets better
- from optimising our production processes and making our operations energy efficient to securing supplies by captively producing power
- from extending our grey cement leadership to creating a large number of value added products based on our white cement

- from building an organisation of the future, to helping build a future for our stakeholders.

On behalf of all my colleagues on the Board and in the company, I thank you for your unstinted support to our growth and our initiatives. I look forward to the next year more encouraging and path-breaking developments.

Warm regards,



Gaur Hari Singhania

Management Discussion And Analysis Report

INDIAN ECONOMY

The Indian economy continues as one of the fastest growing economies in the world. Accelerated growth led by manufacturing and services sectors have enabled the corporate to record strong performances. A GDP growth of around 9 percent in consecutive years and robust domestic consumption shows encouraging signs of continued growth. Indian economy is expected to grow at around 7 to 8 percent during 2008-09 compared to 8.7 percent during 2007-08 as the monetary tightening undertaken over the last 2 years and world economic slowdown is expected to moderate the overall demand situation.

CEMENT INDUSTRY STRUCTURE AND DEVELOPMENT

Grey Cement

The Indian Cement Industry not only ranks second in the production of cement in the world but also produces quality cement to meet global standards. The induction of advanced technology has helped the industry immensely to conserve energy and fuel and to save materials substantially.

The cement industry in India is highly fragmented; there are 139 large cement plants with estimated annual installed capacity of 189 million tonnes. However, the top seven-eight players in the industry accounts for about 50 percent of the capacity and industry is consolidating through mergers and acquisitions. The industry is also regionalized, as cement units are concentrated in clusters, close to the limestone deposits. Competition is also regionalized since low-value commodity makes transportation over long distances un-economical.

Cement demand has posted a healthy growth rate of 8 percent in tandem with strong economic growth of the country. The industry achieved production of 168 million tons in fiscal 2007-08 compared to 156 million tons during corresponding previous year. In North India where the Company operates, the demand growth was at 12 percent. The demand has grown at a CAGR of 8 percent for last 15 years and there is nothing cyclical about cement demand. We believe that the present growth rate will be maintained with all drivers of demand, namely, housing, infrastructure, and corporate capex on an upswing.

Recently, the excise duty rates on bulk cement and clinker has been amended. As per amendment, bulk cement to attract excise duty of Rs. 400 per MT or 14 percent ad-valorem, whichever is higher and clinker excise duty at Rs. 450 per MT.

Further, excise duty on the packaged cement with a price of above Rs. 250 per bag (50 kg) has been changed to ad-valorem rate of 12 percent instead of Rs. 600 per tonne charged earlier.

White Cement

The world-wide white cement industry size is about one percent of grey cement industry and in India it is much less than compared to the grey cement industry size of about 189 million tonne per annum.

Unlike grey cement, the white cement industry in India is highly concentrated. There are only three manufacturers of white cement in India out of which Tranvancore Cement is restricted to Kerala, whereas JK White and Birla White, the two largest players are having national presence and account for a major chunk of India's production

capacity. Consequently, prices of white cement have been relatively less volatile.

The growth of domestic white cement industry was negligible during 2007-08.

Wall putty continued to find increasing acceptance from the end consumers and recorded significant growth in 2007-08 over 2006-07.

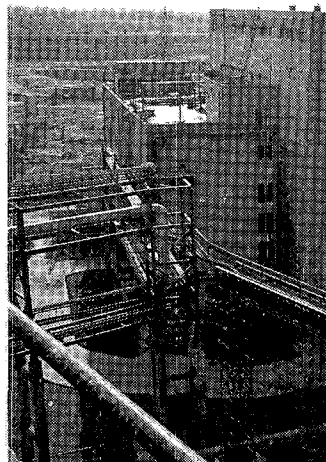
OUTLOOK

Industry

The cement industry is implementing major capacity additions over the existing level of 189 million tonnes per annum. 22 million tonnes (14 million tonnes integrated unit and 8 million tonnes grinding unit) was added during the year 2007-08. Significant capacity addition is expected during 2008-09.

The prospects of cement industry over the medium term are encouraging on the back of robust demand witnessed from housing sector, infrastructure and commercial construction. Cement demand will further receive a fillip from significant rise in industrial projects.

Further, 11th Five Year Plan includes Rs. 18,000 crores Dedicated Rail Freight Corridor to be developed by Indian Railways between Delhi and Mumbai would be a big demand driver for cement. A Delhi-Mumbai Industrial Corridor, planned in synchronization with the freight corridor and estimated to attract huge investment of Rs. 3,60,000 crores, would propel cement demand to unprecedented highs. The growth in demand should help in sustaining the improved realization.



THE CEMENT INDUSTRY IS IMPLEMENTING MAJOR CAPACITY ADDITIONS OVER THE EXISTING LEVEL OF 189 MILLION TONNES PER ANNUM.

Company

The Company's performance in the current fiscal is likely to show an improvement over the last year on account of (a) additional production from the acquired plant of Nihon Nirman Ltd. for part of the year; (b) full year benefit of commissioning of 20MW Captive Power Plant & 13.2 MW Waste Heat Recovery Power Plant and replacement of 10 MW Turbine; (c) Continuous focus on cost reductions.

Efforts have been made to increase popularisation of the applications of White Cement by involving general masses. Increased awareness is being built up through mass media and word of mouth campaign.

OPPORTUNITIES AND THREATS

The Eleventh Five Year Plan suggests that the economy could grow between 8 and 9 percent per year.

Further, growth in GDP and cement consumption has a correlation and over the last 10 years the cement consumption is always higher with rare exceptions. The ratio happens to be 1: 1.2/1.3. This also supports the assumption that cement growth should be 2 percent over the GDP growth.

In view of above and accelerated growth of infrastructure, it is assumed that the cement demand would be around 11 percent.

With demand expected to grow at around 11 percent, additional capacity of 21 million tonnes per annum will be required to match the demand.

However with the improved margins there is a possibility of over bunching of capacities in the long term as most of the players have already announced new capacities and the pace of capacity addition may be higher than demand growth. Besides continuous intervention of the Government in the rising cement price could lead an adverse effect.

Looking to the growth in economy, housing sector and commercial construction and low white cement consumption as compared to international consumption rate there is immense opportunity to increase the white cement growth. White cement wall putty, a value added product of white cement, has been continuously recording significant growth rate. The high growth rate of realty and construction industry is expected to create huge demand for putty. Cement wash application is being popularised in semi urban areas.

White cement applications face major threat from competing products. For instance, the white cement paint industry continued with marginal growth due to

Management Discussion And Analysis Report

more usage of new generation polymer based exterior paints. The perception of mosaic tiles continues to be low compared to substitutes such as marble, ceramic and vitrified tiles, granite, which enjoys high esteem value due to attractive designs shades and less time to complete the floor. Moreover, there is a mushroom growth in the number of wall putty manufacturers while even larger paint manufacturer such as Asian Paint, Berger, Nerolac, Nitco are already supplying putty.

The recent ban on cement export could also hamper the realisation.

RISKS AND CONCERNS

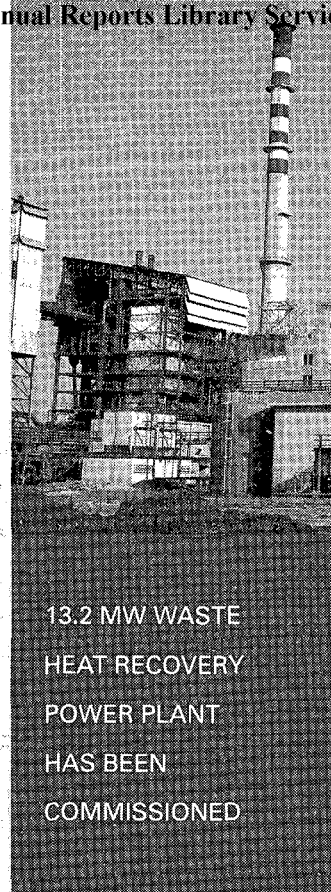
Concerns to the Indian cement industry are high cost of power & Coal, high freight cost, inadequate infrastructure, and poor quality of coal.

In order to utilize the additional production capacity in pipeline, the Government has identified the following thrust areas for increasing demand:

- Further push to housing development programmes;
- Promotion of concrete highways and roads;
- Use of ready-mix concrete in large infrastructure projects; and
- Construction of concrete roads in rural areas under Prime Minister's Gram Sadak Yojana

Any delay or change in Government policy may adversely affect cement demand.

The growth in cement consumption is linked to the GDP. Further, Cement consumption also depends on external factors such as infrastructural spending and fiscal incentives given by the



13.2 MW WASTE
HEAT RECOVERY
POWER PLANT
HAS BEEN
COMMISSIONED

government. Although the chances of country going into recession are remote, the recession would affect the cement demand adversely and this may also impact the cement prices.

Cement is a heavily taxed commodity with both the Central and the State Government levying the taxes. Any other increase in taxes will have an adverse impact on the profitability.

Proposed Government action to bring Cement under Essential commodities Act could adversely affect the Industry.

On the input side coal availability is emerging as a risk in spite of the fact that India is the world's third largest coal producer. Continuous increase in price of coal is hampering the profitability. Sectors that will be directly impacted by the coal shortage are power, cement and steel. It could be the right time for the Government to seriously look into the possibility of opening the coal sector for

privatization besides effectively implementing its policy of opening coal sector for captive coal mining.

Any further worsening of domestic coal availability and transportation infrastructure could hamper cement production.

HIGHLIGHTS OF THE YEAR

- Production and sale of cement touched an all-time high of 3.77 million tonnes and 3.76 million tonnes respectively during the year.
- Commissioning of the 20 MW Captive Power Plant.
- Replacement of 10 MW Turbine.
- Commissioning of 13.2 MW Waste Heat Recovery Power Plant.
- Financial closure of Rs. 525 crores term loan for Karnataka Project under wholly owned subsidiary JayKayCem Ltd.
- Signed MOU with Fujairah Government for setting up a 2.2 million tonnes cement plant.
- Increase in the production of value added product (putty) at white cement plant by 39 percent.

HUMAN RESOURCES

Hiring the talent, motivating and retaining them and ensuring their development is a foremost challenge in today's business environment. Your company focuses on building an expert talent base. We groom existing talent as well as fresh recruits from reputed professional institutions in a variety of areas to enable them to take on positions of greater responsibility. On and off the jobs training programs are organized through internal and external