



For the Long Term



JK Cement LTD.
Abridged Annual Report 2009-10

Celebrating 125 years of a legend



Lala Kamlapat Singhania

Founder - J.K. Organisation
7th November, 1884 – 31st May, 1937

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CORPORATE INFORMATION

CHAIRMAN

Dr. Gaur Hari Singhania

MANAGING DIRECTOR & CEO

Yadupati Singhania

DIRECTORS

Ashok Sharma

Achintya Karati

Jyoti Prasad Bajpai

Jayant Narayan Godbole

Dr. Krishna Bihari Agarwal

Kailash Nath Khandelwal

Raj Kumar Lohia

Suparas Bhandari

AUDITORS

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

Chartered Accountants

Westcott Building,

The Mall, Kanpur - 208 001.

REGISTRAR & SHARE TRANSFER AGENT

J. K. Synthetics Ltd.

Kamla Tower,

Kanpur - 208 001

Email: jkshr@jkcement.com

CENTRAL MARKETING OFFICE

Ghalib Institute, Mata Sundari Lane,

New Delhi - 110 002.

PLANTS

Grey Cement Plants

Kailash Nagar, Nimbahera, Dist. Chittorgarh, Rajasthan

Mangrol, Dist. Chittorgarh, Rajasthan

Gotan, Dist. Nagaur, Rajasthan

Muddapur, Dist. Bagalkot, Karnataka

White Cement Plant

Gotan, Dist. Nagaur, Rajasthan

Thermal Power Plants

Bamania, Shambhupura, Dist. Chittorgarh, Rajasthan

Kailash Nagar, Nimbahera, Dist. Chittorgarh, Rajasthan

Gotan, Dist. Nagaur, Rajasthan

Muddapur, Dist. Bagalkot, Karnataka

Waste Heat Recovery Power Plant

Kailash Nagar, Nimbahera, Dist. Chittorgarh, Rajasthan

KEY MANAGEMENT PERSONNEL

R. G. Bagla, **Group Executive President**

A. K. Saraogi, **President (Corporate Affairs) & CFO**

Ashok Ghosh, **President (H.R.) & New Initiatives**

B. K. Arora, **President (Works) - White Cement**

D. Ravishanker, **President (Works) - Grey Cement**

M. P. Rawal, **President (T & MS)**

R. C. Shukla, **President (Marketing) - Grey Cement**

V. P. Singh, **President (Marketing) - White Cement**

COMPANY SECRETARY

Shambhu Singh

BANKERS

Allahabad Bank

Andhra Bank

Canara Bank

Dena Bank

Exim Bank

IDBI Bank Ltd.

Indian Bank

Indian Overseas Bank

Jammu & Kashmir Bank

United Bank of India

REGISTERED OFFICE

Kamla Tower,

Kanpur - 208 001.

NOTICE

Notice is hereby given that the Sixteenth Annual General Meeting of J.K. CEMENT LIMITED will be held at Sir Padampat Singhanian Auditorium of the Merchants' Chamber of Uttar Pradesh, 14/76, Civil Lines, Kanpur on Saturday the 31st July, 2010 at 12.00 Noon. to transact the following business

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2010, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To confirm the interim dividend and declare final Dividend on Equity Shares.
3. To appoint a Director in place of Shri K. N. Khandelwal, 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 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.
5. 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.
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 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

7. **"RESOLVED THAT** pursuant to the provisions of Section 293(1)(d) and all other applicable provisions, if any, of the Companies Act, 1956 and pursuant to the provisions of the Articles of Association of the Company and in partial modification to the earlier resolution(s) passed in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company to borrow in any manner from time to time any sum or sums of moneys at its discretion on such terms and conditions as the Board of Directors may deem fit, notwithstanding that the moneys to be borrowed by the Company together with the moneys already borrowed (apart from temporary loans obtained from the Company's Bankers in the ordinary course of business) from the financial institutions, Company's bankers and/or from any person or persons, firms, bodies corporate whether by way of loans, advances, deposits, bill discounting, issue of debentures, bonds or any financial instruments or otherwise and whether secured or unsecured which may exceed the aggregate of the paid up capital of the Company and its free reserves that is to say, reserves not set apart for any specific purpose, provided that the maximum amount of money so borrowed by the Board and outstanding at any one time shall not exceed the sum of Rs.3500 crores (Rupees three thousand five hundred crores only)."

"RESOLVED FURTHER THAT for the purpose of giving effect to this resolution, the Board of Directors be and is hereby authorised to do and perform all such acts, deeds matters and things as it may in its absolute discretion deem necessary, proper or desirable and to settle any question, difficulty, doubt that may arise in respect of the borrowing(s) aforesaid and also to delegate all or any of the above powers to such Committee of Directors or the Managing Director or the Director or the Principal Officer of the Company and further to do all such acts, deeds and things and to execute all documents and writings as may be necessary, proper, desirable or expedient to give effect to this resolution".

8. **"RESOLVED THAT** pursuant to the provisions of Section 293(1)(a) and all other applicable provisions, if any, of the Companies Act, 1956, and in partial modification to the earlier resolution(s) passed in this regard, consent of the Company be and is hereby accorded to the Board of Directors of the Company to create mortgages/charges/ hypothecation in any manner whatsoever on all or any of the immovable and movable properties of the Company present and future, of the whole or substantially the whole of the undertaking of the Company, ranking pari-passu or otherwise and/or second and/or subservient and/or subordinate to the mortgages/charges/hypothecation already created or to be created in future by the Company for securing any loans and/or advances and/or guarantees and/or any financial assistance obtained or may be obtained from financial institutions, banks or machinery suppliers and/or any other persons or institutions providing finance for purchase of assets and/or for the business of the Company or for working capital or for purchase of specific items of machinery and equipments under any deferred payment scheme or bills discounting scheme or in favour of trustees for Debentureholders/Bondholders/FCCB holders that may be appointed

hereafter, as security for the debentures / bonds /FCCBs that may be issued by the Company, with power to take over the management, business and concern thereof in certain events of default, on such terms and conditions and at such times and in such form and manner as the Board of Directors may deem fit, so that the total outstanding amount at any time so secured shall not exceed the aggregate of the amounts consented by the Company by the Resolution passed at this meeting pursuant to Section 293(1)(d) of the Companies Act, 1956 i.e. Rs.3500 crores (Rupees three thousand five hundred crores only) together with interest thereon and further interest, if any, cost, charges, expenses, remuneration payable to the trustees and all other monies payable by the Company”.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to and cause to prepare, finalise, approve and execute on behalf of the Company with the lenders, banks, machinery suppliers, persons, institutions and trustees for the Debenture/Bond/FCCB holders, the documents, deeds, agreements, declarations, undertakings and writings as may be necessary and expedient for giving effect to the foregoing resolution and also to delegate all or any of the above powers to the Committee of Directors or the Managing Director or the Director or the Principal Officer of the Company”.

AS SPECIAL RESOLUTION

9. **“RESOLVED THAT** pursuant to the provisions of Section 198 and 309 of the Companies Act, 1956 and in accordance with Article 130(2) of the Articles of Association of the Company and subject to the approval of the Central Government, if required, the Non-executive Directors of the Company be and are hereby authorised to receive remuneration jointly for a period of five years commencing from the Financial Year 2010-11, by way of commission not exceeding 1% of the net profit of the Company in each year computed in the manner laid down under section 349 and 350 of the Companies Act, 1956; AND THAT the said commission be apportioned amongst the Directors in such proportion as the Board may determine from year to year.”

“RESOLVED FURTHER THAT the Board of Directors be and is hereby authorised to decide that for any year or years such payment by way of commission not be made or be foregone in respect of all or any Director(s).”

BY ORDER OF THE BOARD

Shambhu Singh

Company Secretary

PLACE : Kanpur

DATED: May 29, 2010

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 No. 7, 8 and 9 of the accompanying notice dated 29th May, 2010, is annexed hereto.
4. The Register of Members and Share Transfer Books of the Company will remain closed from Tuesday 20th July, 2010 to Saturday 31st July, 2010 (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 31st July, 2010. 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 Agent 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. For any help the shareholders may contact the Company Secretary at mail id. shambhu.singh@jkcement.com

8. Members are requested to bring their copies of the Annual Report, as Copies of the Report will not be re-distributed 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 & 8

As per resolutions passed by the Shareholders under Sections 293(1)(d) and 293(1)(a) of the Companies Act, 1956 at the Annual General Meeting held on 31st July, 2010, the Board of Directors was authorised to borrow money upto a limit not exceeding Rs. 2000 Crores.

Moreover, in the Annual General Meeting held on 10th June, 2009 of Jaykaycem Ltd, the erstwhile wholly owned subsidiary of the Company resolutions under the provisions of Section 293(1)(d) and 293(1)(a) of the Companies Act were passed by the Shareholders authorising the Board of Directors to borrow money upto a limit not exceeding Rs. 1500 Crores

Pursuant to the Scheme of Amalgamation approved by the Hon'ble High Court of Judicature at Allahabad on 4.8.09 the erstwhile Jaykaycem Limited stands merged and/or amalgamated with the Company with effect from 24.08.09 i.e. the date on which the Hon'ble High Court Order dated 4.8.09 filed/e-filed with Registrar of Companies, Kanpur and/or Ministry of Corporate Affairs. As per Clause 3.6.1(ii) of the Sanctioned Scheme, the borrowing power of erstwhile Jaykaycem Limited also stands merged with the borrowing powers of the Company. In other words, the present borrowing power of the Company stands at Rs.3,500 Crores. However, the present resolutions are being put up for approval for a combined limit of Rs.3,500 Crores.

The resolution at item no. 7 and 8 are, therefore, recommended for your approval. None of the Directors of the Company is concerned or interested in the aforesaid resolution.

Item No. 9

The Non-executive Directors of your Company are paid only sitting fee for attending the meetings of the Board of Directors and meetings of other sub-committees of the Board.

Considering that in the present scenario with various rules, guidelines, regulations and directions as issued from time to time by the Securities & Exchange Board of India, the Companies Act, 1956, the National Stock Exchange and Bombay Stock Exchange and other authorities, the Non-executive Directors have onerous duties and responsibilities and have to devote considerable time and energy for the conduct of the business of the Company. In view of the above your Board of Directors have deemed fit to remunerate the Non-executive Directors by way of Commission upto 1% of net profits of the Company for a further period of five years commencing from the financial year 2010-11.

The resolution at item No.9 is therefore recommended for your approval.

All the Directors except Shri Yadupati Singhania may be deemed to be concerned or interested in the resolution.

BY ORDER OF THE BOARD

Shambhu Singh

Company Secretary

PLACE : Kanpur

DATED: May 29, 2010

CHAIRMAN'S MESSAGE



GAUR HARI SINGHANIA
Chairman

Dear Shareholders

This year, we celebrated the 125th Birth Anniversary of Lala Kamlapat Singhania, the iconic founder of the J.K. Organisation. The celebrations were an occasion for us to rededicate ourselves to his grand vision and ideals.

Indeed, for all these years, we have focused on building growth capacity for our nation, and relationships with our stakeholders. Our approach is therefore always to build long-term value for all that engage with us. This is amply reflected in our performance too, if we see the consistent growth, expansion and value augmentation that we have reported in the five years since our IPO. There has been consistent capacity growth, improvement in efficiency, augmentation of power-generation capacity, improving margins. One element however has remained unchanged – our relationships. We surely have built new ones, but have grown and strengthened the existing ones.

The fiscal 2009-10 has been a year of renewal of confidence and optimism in the Indian economy, as it has rebounded strongly from the impact of the global financial crisis and demonstrated its inherent strength and growth potential. We believe that we can look forward to a period of sustained growth driven by India's strong domestic fundamentals.

“There has been consistent capacity growth, improvement in efficiency, augmentation of power-generation capacity, improving margins. One element however has remained unchanged – our relationships. We surely have built new ones, but have grown and strengthened the existing ones.”

“Going ahead, we will continue to focus on growing our cement manufacturing capacity, and on our portfolio of value-added products . We will also look to becoming more geographically diversified, in order to have a more balanced and de-risked growth going ahead.”

During the year we took several proactive steps to increase productivity and efficiencies which has clearly reflected in through our improved financial results despite increase in input costs and moderate demand growth, which picked up only from the third quarter. We are also streamlining offerings to focus on higher volume and more profitable markets while reducing complexity and costs. We have improved our safety performance thus created a safer, more productive workplace for our people.

We have taken several initiatives to enhance our brand equity and visibility. Further, we built a distribution network in the Southern and Western regions and also strengthened our existing distribution network in sub-urban and rural areas to cater to robust housing sector demand.

We commissioned our greenfield grey cement plant at Karnataka with installed capacity of 3 Million Tonnes per annum in September 2009

and started commercial dispatches from October 2009. Along with that we commissioned a 50 MW coal based Captive Power Plant at the Karnataka unit. We also celebrated the silver jubilee of our White Cement Plant at Gotan, the first limestone-based White Cement Plant in India. Therefore, while we added newer capacities, we also reached milestones in our existing ones.

J.K. Cement is positioned well for the long term due to our financial strength, superior quality product with an enhanced brand name, a proven business strategy that has helped us to succeed in strong and weak economic environments, and a dedicated team of people working together to achieve our business goals. Going ahead, we will continue to focus on growing our cement manufacturing capacity, and on our portfolio of value-added products . We will also look to becoming more geographically diversified, in order to have a more balanced and de-risked growth going ahead.

I wish to thank all people at J.K. Cement for their personal commitment and efforts in making 2009-10 another successful year for your Company, and express appreciation for the support of our customers, suppliers, shareholders and directors.

Warm Regards



GAUR HARI SINGHANIA

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDIAN ECONOMY

The Indian economic growth rate has been quite rapid compared to other emerging economies primarily due to higher reliance on domestic demand. Recording a decent 7.2 percent growth in 2009-2010, indicated fast-paced recovery by the Indian economy and it continued to be the second fastest growing economy after China. The growth trajectory is expected to continue on the back of strong domestic demand and huge outlay on infrastructure planned by the Government. Government aims to increase the infrastructure spending to 9% of the GDP by 2012 compared to 5.5% at present. The spending on the infrastructure is likely to benefit the revenue and earnings growth of many related sectors.

The long-term domestic outlook remains buoyant with the progressive reforms, increasing FDI, robust investments, growing incomes and aspirations.



CEMENT INDUSTRY STRUCTURE AND DEVELOPMENT

Grey Cement

The forecasts for Cement Industry were (1) substantial capacity addition and (2) no sign of significant demand growth on account of impact of slowdown on the construction and the Cement Industry. However, these forecasts did not come true. Although the real estate sector in metros did witness a slowdown due to liquidity crisis, this was compensated by increased infrastructure spending as part of the stimulus package and increased demand from rural and semi-urban housing, low cost housing initiatives etc. Consequently, Cement demand has posted a growth rate of 8% during the year. The capacity addition during the year was 37 million tonnes despite cancellation / postponement of some of the projects.

However, the effective supply was much less due to delays in commissioning and stabilisation of various units. Consequently, the capacity utilization level in 2009 - 10 remained at 85% and this has eased pressure on selling prices.

White Cement

The world-wide White Cement Industry size is about one per cent of Grey Cement Industry and in India it is much less than compared to the Grey Cement Industry size of about 260 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 produces around 24,000 tonnes per annum and the entire production is sold in Kerala and borders of Tamil Nadu, whereas JK White and Birla White two largest players are having national presence and account for the substantial majority of India's production capacity. Consequently, prices of White Cement have been relatively less volatile.

Despite economic slowdown, Domestic White Cement industry posted growth of 12% during 2009-10.

Wall Putty also continued to find increasing acceptance from the end consumers and recorded significant growth in FY10 over FY09. The Company's Putty sales have increased by 47% during 2009 - 10.

OUTLOOK

Economy

Indian economy is well positioned to quickly get back to a sustainable high growth trajectory with inherent advantages of strong domestic consumption, low export dependence, political stability and regulated financial sector. Thus, it is less vulnerable to the roll back of stimulus measures and overall economic outlook is favourable with some concern of inflationary pressure particularly of food prices.

Industry

Rising housing construction in the rural and urban real estate sector, affordable housing and infrastructure development will be the key demand drivers. Therefore, cement demand is expected to grow at a steady pace of 9 - 10% during next few years.

There will be significant capacity addition of 40 - 50 million tonnes in 2010 -11, more than 50% of which is coming up in Southern and Western regions. These capacity additions