

# 61ST ANNUAL REPORT 1999 - 2000



**JK CORP**  
LIMITED

## BOARD OF DIRECTORS

**Hari Shankar Singhania**

*Chairman & Managing Director*

**Bharat Hari Singhania**

*Managing Director*

**A.K. Doda**

**B.V. Bhargava**

**Dhirendra Kumar**

**Gajanan Khaitan**

**Govind Hari Singhania**

**Nand Gopal Khaitan**

**Pravinchandra V. Gandhi**

**P.K. Pandit**

**Raghupati Singhania**

**U. Mahesh Rao**

**Vinita Singhania**

*Dy. Managing Director*

**Harsh Pati Singhania**

*Dy. Managing Director*

**Surendra Malhotra**

*Whole-time Director*

## OFFICES

### Registered Office

Jaykaypur-765 017,  
Rayagada (Orissa)

### Administrative Office

Nehru House,  
4, Bahadur Shah Zafar Marg,  
New Delhi-110 002

## PLANTS

### JK Paper Mills

Jaykaypur-765 017,  
Rayagada (Orissa)

### Lakshmi Cement

Jaykaypuram-307 021,  
Basantgarh,  
Dist. Sirohi (Rajasthan)

## REGISTRARS & SHARE TRANSFER AGENT

ABC Computers Private Ltd.  
Srivenkatesh Bhawan  
212-A, Shahpurjat  
Behind Panchsheel Club  
New Delhi-110049  
Tel. No. 6490769

### JK Magnetics

B-4, Surajpur Industrial Area II,  
Surajpur-203 207,  
Dist. Ghaziabad (Uttar Pradesh)

## AUDITORS

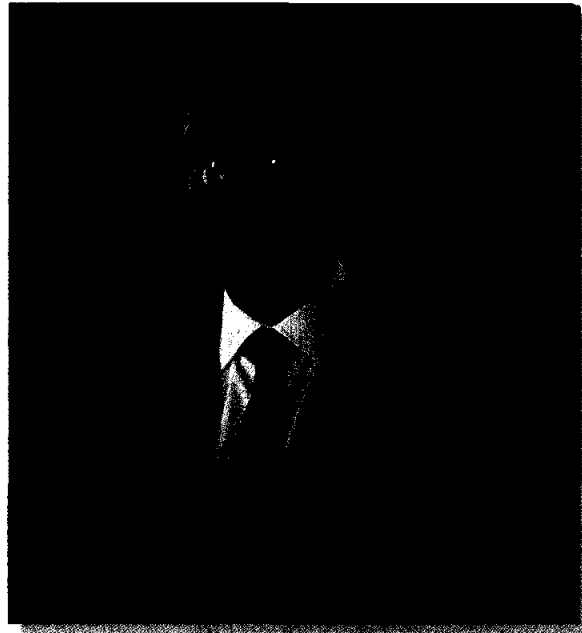
Lodha & Co.  
Chartered Accountants

## BANKERS

State Bank of India  
Punjab National Bank  
Canara Bank  
Bank of Baroda

## COMPANY SECRETARY

Brijesh K. Daga



### CHAIRMAN'S REVIEW

Dear Shareholders,

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Your Company, with a record of success over six decades, is today reinventing itself in order to align it to the emerging challenges.

The saga began in 1938 when the Company registered under the name of Straw Products Limited (name changed to JK Corp in 1994) started operation with a capacity of 3600 tons of Straw Board per annum employing 358 persons and a sales turnover of about Rs.8.00 lakhs per annum. Since then, with your support, the Company crossed several milestones growing from strength to strength to be acknowledged as a leader in the Indian Corporate Sector.

With the commissioning of JK Paper Mills in 1962, the Company emerged as a leading manufacturer of highest quality of writing and printing papers, a position, which is retained even today. In order to seize the emerging opportunities and create value, it diversified into Cement in early 80's and later into Polyester and Magnetic Tapes. It also co-promoted J.K. Industries Limited in the early 70's which today is a leading tyre manufacturing Company.

JK Corp achieved a series of landmarks over the last two decades. The Gross Revenue of the Company, which had touched Rs.180 Crores in the 80s, reached Rs.750 Crores in 90s. During the 10 year period till 1995-96, Revenues grew at a compounded annual rate of 22% and Profit before tax at 37%.

The era of 90s has been highly eventful for India as well as the world. The challenges of liberalisation and the opening of Indian economy demanded large investments in our capital intensive industry segments to be able to meet the compulsions of global competition. In our core areas of Paper and Cement, the Company invested Rs. 1,100 crores to enhance capacity significantly, and to make the operations more competitive. By adopting dynamic strategies we geared up to become one of the most efficient producers of Paper and Cement.

The East Asian economic crisis and prolonged global slowdown could not be anticipated and took a severe toll on the Indian economy. As a result all the businesses of the Company could not take advantage of their new capacities and suffered adversely.

Your Company, taking note of the changed economic environment and the slowing down of the Indian economy, took pro-active steps by drawing up plans for business and financial restructuring. As a strategy, it decided to focus on creating two independent Companies for Paper and Cement, and divested Polyester business in 1999-2000. The restructuring plan was further pursued with lenders and stakeholders. I am happy that finally after untiring efforts of the management, the restructuring has been completed. Paper business has been transferred to another Group Company, The Central Pulp Mills Limited. With this, JK Corp has been able to substantially reduce its debt and interest burden and also become a focussed cement producer of over 2.00 million tons per annum.

JK Corp has already created a competitive advantage in its cement division and has extended its network to achieve higher degree of market penetration. It has continued to build further on its already established brand equity of 'Lakshmi Cement'. All these factors in the long term, as the economy turns around in the coming years, are going to pay dividends for the courage and vision of your Company with an unflagging commitments towards its stakeholders.

I am confident that JK Corp, as a new dynamic entity would achieve new pinnacles of success.



## Group Perspective

We, at our Group level are addressing the pace of change that is needed for sustainable success in our different businesses so that we are able to maximize value for our shareholders, customers and society at large besides enriching the life of our employees.

While we have proven performance behind us in successfully managing diversified portfolios, we realize the over-riding need of focussed businesses to achieve enhanced enterprise value.

The change demands consolidation, acquisitions, restructuring in areas which hold promise for us in future. It also requires divestment of businesses that destroy the overall Enterprise Value. Our recent steps in divesting Polyester business and consolidating Paper in the CPML and Cement in JK Corp is a result of the company's broad strategy, which will manifest itself in the years ahead. We propose to pursue this philosophy in our Group till such time when India Inc. achieves a global stature and each of our companies position themselves to take on global competition in their stride, even under an adverse market environment.

The new norms of conducting business demands a new style of functioning with re-engineered business processes and an outward looking organization. In all our Group companies, we have decided to micro-tune the resources and inculcate innovative approach for delivering products as demanded by the customer. Fresh blood is being homogenized with valued experience for improving performance. New technology is being harnessed not only for manufacturing of products but also for speeding up the management processes. Good corporate governance practices which were already in position are being sharpened.

We are re-orienting our organization by merging our time tested values with the winds of change to deliver value to shareholder over a long term.

The core values of J.K. Organisation which lay emphasis on caring for the people, integrity and commitment to excellence would hold us in good stead in our endeavour.

A handwritten signature in black ink, appearing to read "Hari Shankar Singhania".

**Hari Shankar Singhania**  
*Chairman & Managing Director*

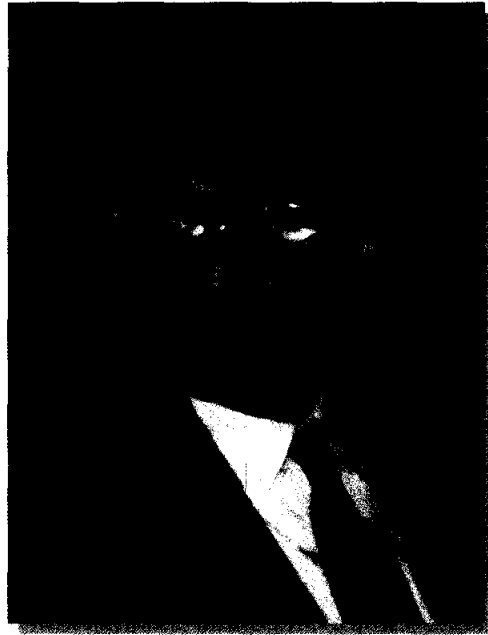


*Paper machine No. 1 at JK Paper Mills,  
Jaykaypur, Rayagada (Orissa).*



*An Aerial view of Lakshmi Cement  
state-of-the-art plant at Jaykaypuram, Sirohi.*





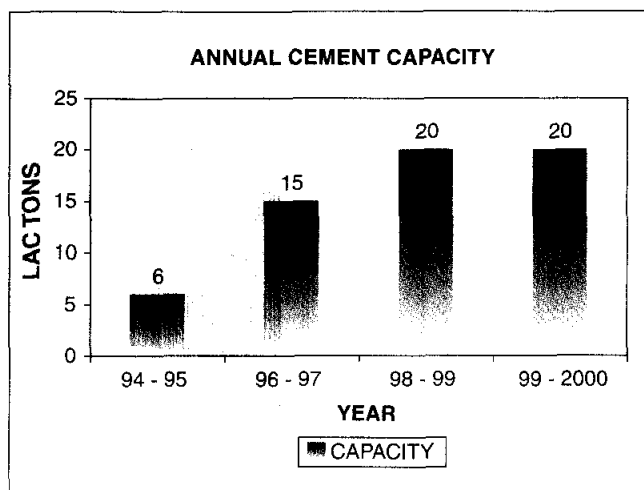
### MANAGING DIRECTOR'S STATEMENT

JK Corp for long a respectable entity in the Indian Corporate Sector with diversified business portfolio including cement recognized the importance of cement in the growth of our economy. It embarked on an ambitious expansion from 0.6 million tons in the year 1994-95 to 1.5 million tons in 1996-97 and further enhanced to 2 million tons in the year 1998-99. Sizeable investment in Paper Business was also made simultaneously, increasing its capacity by over 50 per cent by installation of a State of the Art Pulp Mill. These expansions were intended to meet higher levels of demand projected consequent to the opening of Indian economy to create cost effective competitive manufacturing capabilities.

However, full potential of this investment/expansion could not be harnessed as a result of unprecedented turbulence caused due to downturn of domestic as well as global economy in the last five years. The net result was an erosion of shareholders value in the short run. To tackle the situation, the company has adopted a multi-pronged approach of undertaking major financial and business restructuring on the one hand and adoption of cost cutting measures, improving efficiency parameters on the other. Consequent to the restructuring process, Paper & Cement businesses have been separated and JK Corp has now emerged as a focussed company with cement as its core business with substantially reduced debt, lower interest burden and no carry over losses.

### Cement Overview

During the period under review the production and the sales of your Company registered an impressive 14.7% and 17.3% growth respectively on an annualized basis. This growth viewed in the context of growth in cement consumption experienced in our marketing zone at 7% reflects a credible performance.

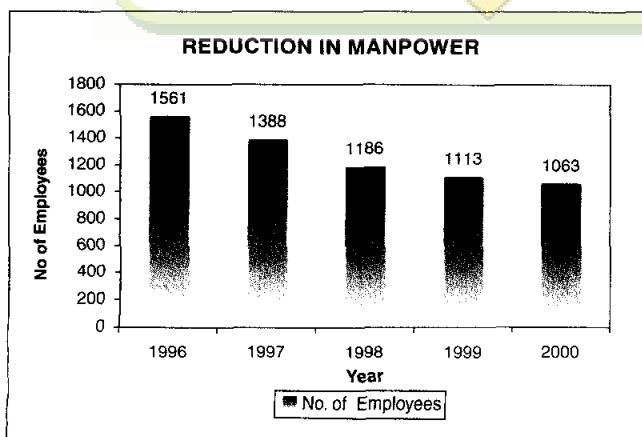


However, growth in demand fell far short of the capacity created in the industry. This overhang resulted in fierce price war which in turn lowered the net sales realisation to levels not seen since 1992-93.

The erosion in bottomline could be somewhat contained on account of significant improvement in its efficiency parameters in the areas of power consumption and use of alternative fuels, cost cutting measures and all round improvement with single minded focus.

Between April, 1996 and September, 2000 the man-power was reduced by 32%, power consumption was brought down to 87 Kwh/MT. The percentage of blended cement in product-mix was increased from 4% to over 15%.

Notwithstanding the drastic fall in cement consumption in FY 2000-01 we firmly believe that the imperatives of growth in Indian economy, especially the infrastructure sector would dictate a growth



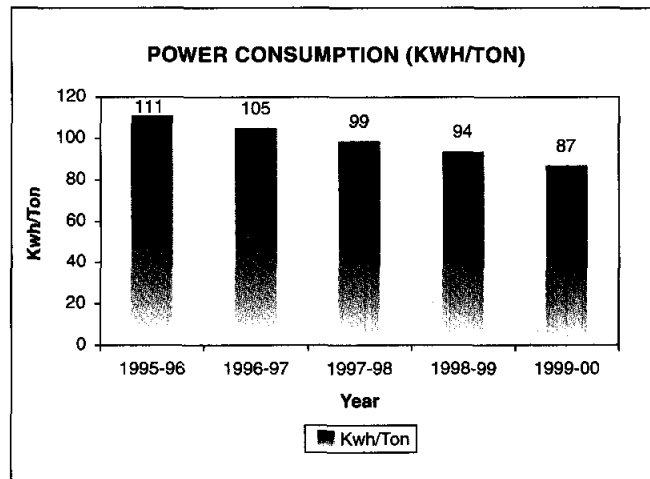
of over 8% in the coming years in the cement consumption. The government has already embarked on projects of far reaching consequence, especially in the road and housing sectors. The rural economy is all set to get a boost with widespread monsoon this year. Fresh opportunities are bound to be knocking on the doors of the cement industry.



Your company has planned to take advantage of these opportunities on the plank of a *relentless focus on cost cutting measures*, customer satisfaction and above all a comprehensive strategy on human resource development. We are gearing to enhance our capital and manpower productivity, leverage on the brand equity and wide distribution network. Synergy with JK Udaipur Udyog Ltd, an associate company in cement business provides an opportunity for integration of

improved logistic management, product rationalisation, enhanced customer reach and above all an indelible foot print in our marketing zone with a combined capacity of over 3 million tons.

With this JK Corp would endeavour to create value for its stake-holders by a restructured and focussed company in the Cement Business.



Report

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*Bharat Hari Singhania*  
**Bharat Hari Singhania**  
 Managing Director



**JKM**MAGNETICS

*High precision Slitting machine in operation,  
JK Magnetics plant, Surajpur (U.P.)*

*Product offerings from Lakshmi Cement,  
JK Paper & JK Magnetics*

