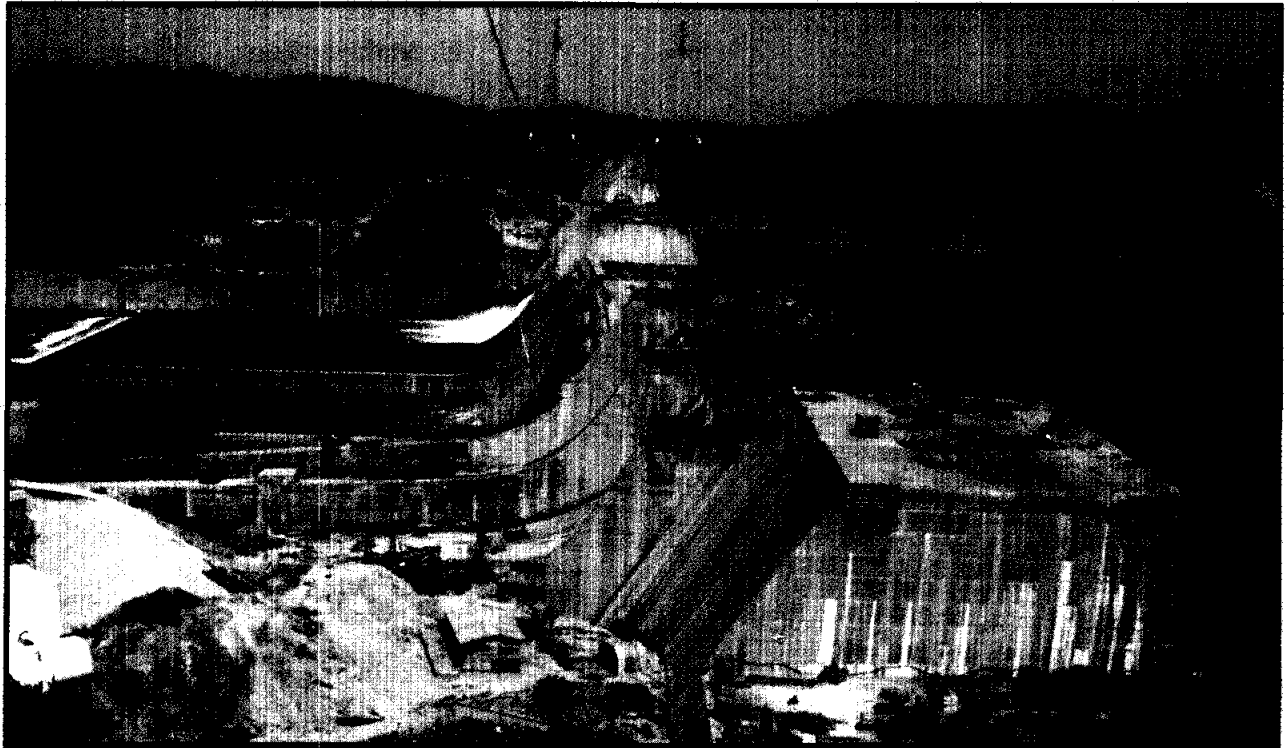


# 62nd ANNUAL REPORT 2000-2001



**CEMENTING A STRONG FOUNDATION  
FOR THE FUTURE**

Report  junction.com

**JK CORP**  
LIMITED 

## BOARD OF DIRECTORS

**Hari Shankar Singhania**

*Chairman*

**Bharat Hari Singhania**

*Vice Chairman & Managing Director*

**A.K. Doda**

**B.V. Bhargava**

**Gajanan Khaitan**

**Govind Hari Singhania**

**Harsh Pati Singhania**

**Nand Gopal Khaitan**

**Pravinchandra V. Gandhi**

**Raghupati Singhania**

**U. Mahesh Rao**

**V.K. Guruswamy**

**Vinita Singhania**

*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

**REGISTRAR & SHARE  
TRANSFER AGENT**

ABC Computers Private Ltd.  
Srivenkatesh Bhawan  
212-A, Shahpurjat  
Behind Panchsheel Club  
New Delhi-110 049  
Tel. No. 6490769

**AUDITORS**

Lodha & Co.  
Chartered Accountants

### PLANTS

**Lakshmi Cement**

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

**JK Magnetics**

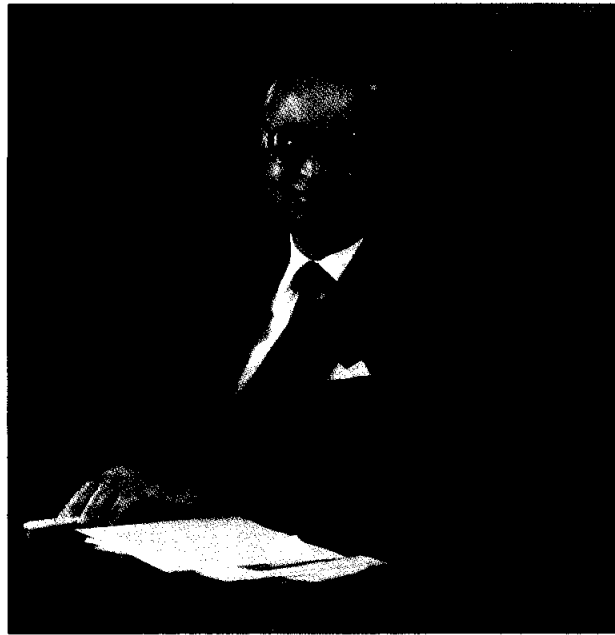
B-4, Surajpur Industrial Area II,  
Surajpur-203 207,  
Dist. Ghaziabad (Uttar Pradesh)

**BANKERS**

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

**COMPANY SECRETARY**

Brijesh K. Daga



### CHAIRMAN'S STATEMENT

The year gone by has been a monumental one. India was ravaged by a severe earthquake in Gujarat, America hit by terrorism for the first time, and India, its victim for long, was shaken by an attack on our Temple of Democracy-Parliament House on 13th December.

There was global economic slowdown. The pace of growth in the Indian economy was also considerably lower than the last year and the expectations. It is heartening that the Government have initiated several steps to re-invigorate the economy. The year saw greater momentum in the implementation of the Golden Quadrilateral Road and highways projects. In the housing sector too there were increased activities. These augur well for higher growth in cement industry, and therefore offer better prospects for a cement focussed Company like yours. The imperatives of a globalised economy necessitate imparting much higher thrust to other areas of basic infrastructure as well.

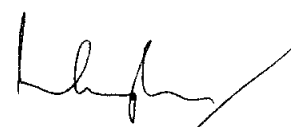
We believe that the two principal value drivers for our growth is our ability to nurture and develop human capital and provide maximum customer satisfaction. The continued emphasis laid by Management on human resource by encouraging innovation, enterprise

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and spirit of 'ownership' amongst its employees has paid rich dividend. An example is the enhancement of capacity by 4.3 lakh tons achieved during the year without incurring any significant capital expenditure. Costs have been lowered and efficiencies improved.

By continuous endeavour on improving the quality of its products, the Company has successfully transended from being a manufacturer of a "commodity" to a "brand" - 'Lakshmi Cement'. In today's competitive environment, the quality of a product by itself is not the only tool for acquiring a competitive edge. Service to the customer and the entire delivery chain has been receiving constant attention to give increased satisfaction to the customer and generate a feeling of being "cared for". The enlargement of the Company's network, widening customer base and repeat purchases are indicators that the Company's strategies are bearing fruit.

The good corporate governance practices sharpended over the years, commitment to our core values and infusion of the latest technology, including IT, would bring better returns to the stakeholders. The confidence and support of each would be key components for success.



**Hari Shankar Singhania**  
*Chairman*





### **Vice-Chairman and Managing Director Discusses the Key Issues**

#### **How has the restructuring benefited the Company?**

JK Corp Ltd is an over six decade old company. It had grown into a multi-product company with diverse businesses. In keeping with new paradigm of globalized economy, where a focussed company is perceived to deliver greater shareholder value, JK Corp has been restructured. The company earlier divested its polyester division and in the recent restructuring process it has divested the Paper division to Central Pulp Mills Ltd., another group company, to form a focussed paper company, called JK Paper Ltd. The restructured JK Corp Ltd now stands focussed essentially on cement business where we have been in business for two decades, with a small Magnetic Tape division which constitutes about 2.5% of the turnover.

This company which started with a cement capacity of 5 lac tonne now has a capacity of 24 lac tonne per annum. This restructuring process has enabled the Company thereby to concentrate its resources on cement as its core business and add value to the stakeholders.

In tangible terms, the restructured Company would have the benefit of a clean start with no earlier carry over losses and with much reduced interest burden due to lesser interest bearing debts and reduced interest rates. Interest burden during the year was Rs.48.03 crores as against Rs. 97.75 crores on an annualised basis in the previous year. This alongwith easier payment schedule would give the Company improved cash flows. This would help improve the Company's financial health and profitability.

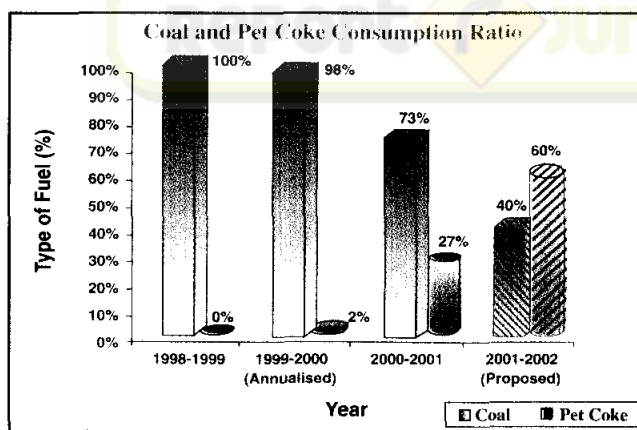
**How has the performance of your Company been during this year ?**

The performance of the Company during the year has shown substantial improvement. **Profit before Interest and Depreciation in the current year jumped to Rs.40.90 crores as against Rs. 7.60 crores in the previous year on annualised basis after excluding the operating profit of Paper Business, which has since been divested.**



*Computerised controls at Lakshmi Cement Plant*

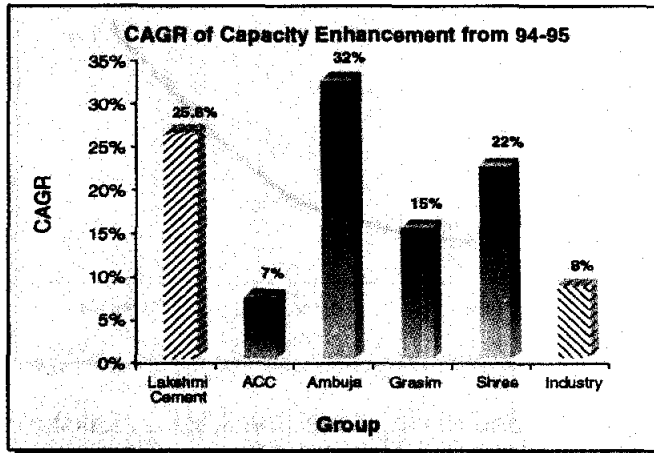
This has been possible due to improved efficiencies, better logistic management, cost reduction measures, use of alternate fuel and due to increase in prices for part of the year. The usage of Petcoke which was barely 4% in the beginning of the year is presently around 60%. The production of blended cement has increased from 10% in the year 1999-2000 to 18% during the current year.



**The profit could have been much higher** but for the steep increase in the input costs, notably that of imported

coal where the prices have registered a sharp increase of almost 17%, as well as the cost of power by the State Electricity Board. Besides these increases in the major cost drivers,

there has been substantial increase in the royalty on limestone.



In addition to the aforementioned improvements in the operations the Company has also been able to enhance its capacity from 19.69 lac tonne to 24 lac tonne without incurring any significant capital expenditure, solely by debottlenecking and internal improvements. The compounded average growth rate in capacity creation from 1994-95 till 2000-01 has been

around 26% which is much better than the industry's average of about 8%.

**What are your major strengths and how do you plan to leverage the same to meet future challenges arising out of consolidation process in the industry?**

We believe that a dedicated and committed team is one of our major strengths. We recognise that Company has been able to improvise on its various facets of working due to sheer hard work and sincerity of our motivated team at all levels. The Company is laying considerable emphasis on the training for enriching the quality and enhancement of the capability of our people through application of various modern tools. This emphasis on training alongwith our stress on maximum employee involvement are our mainstay for establishing an integrated approach towards HRM.



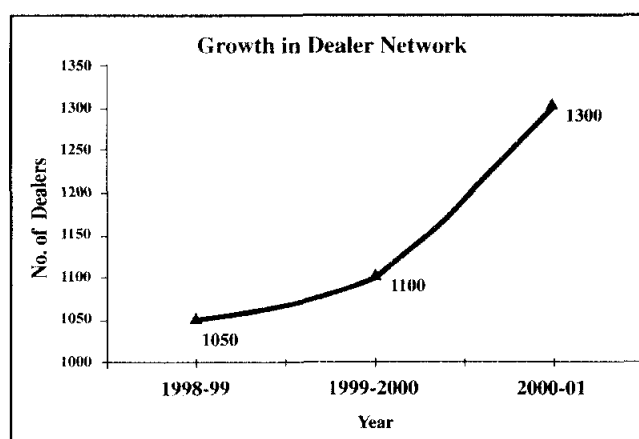
*A cross-functional team solving an issue*

Our other major area of strength is the customer centric philosophy adopted in our working. Short term as well as long term initiatives have been taken to move our customers up the value chain. Initiatives in the Customer Relationship Management have helped us to build



a strong network of 1300 loyal and strong dealers who in turn are continuously improving upon the customer value proposition to our end customers with the support of our technical cell services and other marketing interventions.

Customers today have an option of four different grades to chose from, distinguishable by their unique product characteristic and distinguished packaging. Lakshmi Cement has been one of the pioneer in recognising and paying their due to the associates in construction such as masons and petty contractors. The success of Lakshmi Sahyogi Sanrakshan Club is a testimony to this.



*A Masons & Contractors' meet in progress*

**Information Technology** is being put to full use to install web enabled connectivity between Works and various branch offices/dumps, transmission of on-line despatch information and statement of accounts to our dealers etc.

Our Cement business, as discussed, has been continuously improving on all its efficiency parameters, especially in the areas of fuel consumption, power

consumption, manpower productivity, working capital management, etc.

We recognise that the only area where we are comparatively in a disadvantageous position is in the area of cost of power as we do not have adequate captive generation. The Company is making serious efforts to augment its captive capacity and reduce the cost of power. **Once this issue gets resolved we would be in the league of most cost efficient plants in our region.**



It is a fact that in a fragmented market pricing is the casualty as a result of which consolidations are bound to happen. Cement Industry has not been an exception. Recently Cement Industry has witnessed realignment and strategic partnerships which will also have a bearing in our region. We too have forged an alliance with JK Udaipur Udyog Ltd, another group company in the cement business, having a capacity



*Brands which inspire confidence*

of about one million tonne. Thus we have access to combined 3.40 million tonne thereby placing us in the third position in our region. **This gives us a sufficient footprint in the markets of our region to stand on our own based on our cost efficiency and our other strengths as outlined above.**

#### **What in your opinion is the supply-demand situation in the Cement Industry?**

The Cement Industry has been reeling under a situation of surplus for last three years. The situation got compounded with the negative growth in the financial year 2000-01. Cement Industry is a region specific industry where the surplus and deficits which occur in a region have a bearing on its pricing. Our produce finds its market mostly in the northern states besides the domestic states of Rajasthan and Gujarat. Unfortunately in these two states the growth has been far from satisfactory on account of continued drought for the last three years in Rajasthan and subsequently due to earthquake in Gujarat.

The situation fortunately is heading for a change. To start with, the growth during April-September 2001 has been 6% in Northern market and 7% in Gujarat. The various infrastructure projects undertaken by the Central Government and the State Governments, such as Golden Quadrilateral, Pradhan Mantri Gram Sadak Yojana, etc. have gained momentum. Besides, the encouragement being given to housing sector by way of incentives in the income tax computation as well as lowering of the interest rates has led to a much increased loan disbursement by the banks and the housing finance companies. All these

activities have started fructifying into increased consumption of cement. The rehabilitation of earthquake affected areas in the state of Gujarat has also added to this increased consumption. After a drought of nearly three years, a comparatively normal monsoon in most of our areas is expected to boost the rural economy in particular which in turn is expected to generate increased demand for cement. Fortunately the growth of new capacities which was quite rapid in the past is now getting confined to increase mainly by way of debottlenecking only. Practically no fresh capacity is expected to materialise in our marketing area in near future. **All these factors lead us to believe that the supply and demand position, especially in our marketing zone is likely to reach a balance situation shortly** which would result in improving the realisation on a consistent basis.



*Housing - a major driver for growth in  
Cement consumption*