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BOARD OF DIRECTORS

Hari Shankar Singhanian

Chairman

Bharat Hari Singhanian

Vice Chairman & Managing Director

A.K. Doda

B.V. Bhargava

Nand Gopal Khaitan

Pravinchandra V. Gandhi

Raghupati Singhanian

U. Mahesh Rao

V.K. Guruswamy

Vinita Singhanian

Managing Director

Shailendra Chouksey

Whole-time Director

S.K. Wali

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

AXC Computers Private Ltd.
Srivenkatesh Bhawan,
212-A, Shahpurjat,
Behind Panchsheel Club,
New Delhi - 110 049
Tel. No. 26490769

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. Gautam Budh Nagar,
(Uttar Pradesh)

BANKERS

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

COMPANY SECRETARY

Brijesh K. Daga

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CHAIRMAN'S STATEMENT

May I at the outset wish the entire fraternity of our shareholders, business associates and employees a very happy and prosperous New Year.

It is a matter of satisfaction that the Indian economy once again demonstrated its resilience and showed a healthy growth of about 5.5% in 2001-02 despite adverse circumstances both on economic and political fronts. This year there are clear indications of industrial revival. Higher exports, lower interest rates, moderate inflation and comfortable foreign exchange resources augur well. Viewed in the context of general slow down in world economy, this is even more gratifying.

Per capita consumption of cement in India is merely 100 kgs even as compared to other developing countries: China (450 kgs), Malaysia (500 kgs) and Thailand (285 kgs). Consumption of basic material like cement is an important economic indicator for a country. We can increase cement consumption by opening up opportunities like roads, housing, infrastructure and urban development.

I am glad that the areas of road construction and housing have received serious attention in recent years. Road construction has got boost from the Government's National Highway

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Development Programme and housing has been encouraged by a host of factors including tax incentives, low interest rates, easy availability of housing loans and higher disposable income.

The recent decision of the government to undertake pilot projects of 200 Kms of concrete roads under the Pradhan Mantri Gramin Sadak Yojana is a very welcome one. These sample roads could be the show-case for a technically superior connectivity of the future. Housing can get additional impetus if the land use restrictions are relaxed and efforts are made to promote the construction of pucca houses in rural areas through the use of concrete blocks.

While these are important, the greatest stimulation of demand would come from a lower burden of indirect taxes on the cement industry.

The incidence of indirect taxes such as excise, sales tax, octroi, royalty, etc. is as high as 60% of the pre-tax prices of cement. To illustrate, the retail price of cement at say Rs.2,400 per ton includes an element of Rs.900 per ton of such indirect taxes, which means at pre-tax price of Rs.1,500, the indirect tax burden is 60%.

In countries where per capita consumption has increased, the low indirect tax burden has been an important element. The reduction of such indirect taxes in India would make cement affordable to larger sections of the population and help create better infrastructure. Any revenue loss due to reduction in the level of indirect taxes would be more than compensated by higher volumes of consumption.

In a year of fierce competition, the cement prices fell sharply by about 9%. I am very encouraged by the spirit of our people at Lakshmi Cement, particularly the management team, in responding to this challenge. Application of latest technologies, better management and prudent use of resources led to improved all-round efficiencies and reduction of cost by 12%.

Power and fuel costs were drastically reduced. Manpower productivity was increased to the highest level in the industry. Distribution network was strengthened and appreciable savings in marketing and logistic costs were made. The company's operating parameters are in the league of most efficient plants in the country. More importantly, capacity was raised without any capital expenditure and production rose by 18 %.

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As a result, despite lower sales realisation, higher profitability was achieved. I would like to record my appreciation of the commitment of all those at Lakshmi Cement who made this possible.

While the company can be legitimately proud of its achievements it is not complacent. We have been focussing on improving our management and operational skills.

Development of human resources, our greatest asset, continues to receive highest priority. Greater employee involvement in decision making as well as in implementation has encouraged commitment and motivation. Emphasis on good Corporate Governance and environment friendly operations is also high on Company's agenda.

The outlook for the coming year looks promising. With robust growth of cement consumption by nearly 10% and with no major additions to capacity, the imbalance between supply and demand should be considerably reduced. This should lead to better operating environment for cement industry.

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

Hari Shankar Singhania
Chairman



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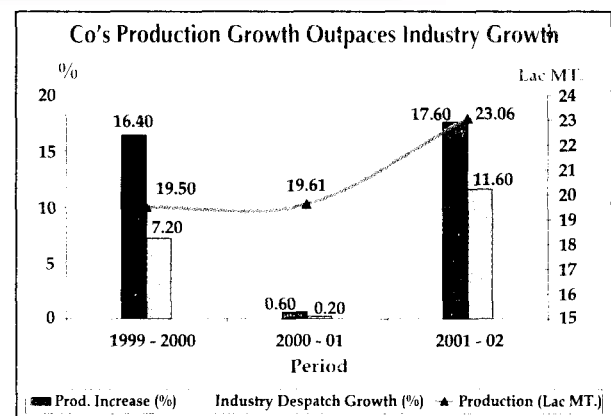


Shri Bharat Hari Singhania

Vice Chairman and Managing Director Discusses the Key Issues

How has your company performed during the year?

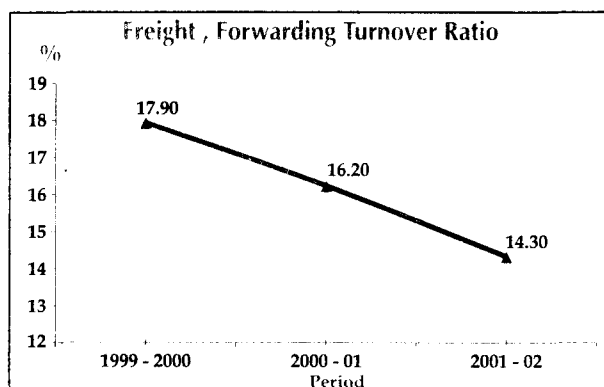
JK Corp has shown improved working during the year backed by a satisfactory performance of the cement division. The Company's cement production, including clinker for sale, went up from 19.61 lac MT to 23.06 lac MT, namely an increase of 17.6% in a year when the Cement Industry in general recorded a growth of 12%. The Company's gross sales turnover stood at about Rs. 452 crores, up by 7% from the previous year's figure of about Rs. 422 crores. The operating profit (PBIDT) has improved by 26% to Rs. 51.71 crores from Rs. 40.90 crores in the previous year. What is, however, most notable is that this performance has been achieved despite a severe fall of over 8 to 9% in the selling prices in our marketing zone during October 2001 to September 2002. The Company recorded cash profit of Rs. 10.36 crores as against a loss of Rs. 7.16 crores in the previous year. The performance of Company has been, therefore, satisfactory on all accounts.



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How have these achievements been possible?

The mantra of cost compression has been ingrained in all sections cutting across the functional

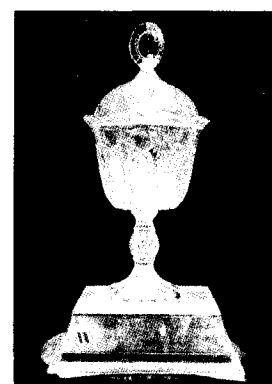


boundaries. Increased usage of Petcoke as well as reduction in coal consumption has resulted in a saving of about Rs. 1233 lacs while substantial increase in the power factor as well as on account of other savings, we have been able to reduce power costs by over Rs. 400 lacs during the year. Another important area where the Company has been able to effect substantial savings to the tune of Rs. 1250 lacs is in the

logistic and other marketing costs. Similar savings have also been achieved in the area of material costs and interest costs, mainly by improved working capital management. We ascribe the improved performance, including the achievements in the cost compression, to the adoption of modern management techniques, the latest IT initiatives and above all the sincerity and dedication of the young motivated team that we have in the organisation.

What initiatives have been taken to keep your team motivated in such adverse situation?

Our Company sincerely believes in execution of a well sculptured Human Resource strategy in the pursuit of excellence. Company's HR strategy is a blend of best practices, modern tools synchronizing with the time tested core values of JK Organisation. "Caring for the people" is the philosophy which the company strongly believes in. In fact, the company's achievement in terms of capacity enhancement from 19.60 lac MT to 24.00 lac MT without any capex speaks volumes of the employees awareness and involvement in the company's growth. We derive lot of satisfaction from the Quality Circle activities which has blossomed into a fullfledged movement in all the sections of the plant. The continuous selection of our Quality Circle team for presenting in the international conventions is a testimony to this movement. Awarding of Delhi Management Association and Watson Wyatt Worldwide award for Excellence in Innovative HR practices confirms that our HR strategies are in place.



DMA & Watson Wyatt Trophy for Excellence in Innovative HR Practices

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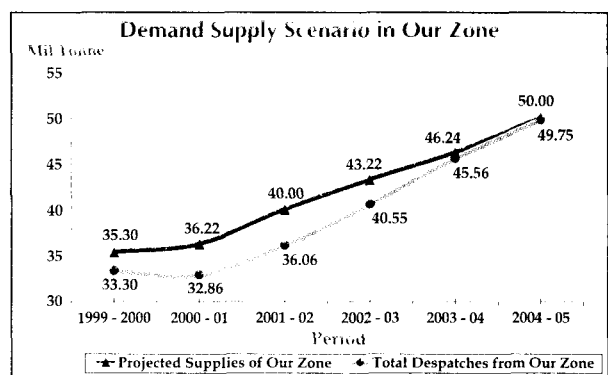
What risks do you perceive in your business and what are your plans to face the same?

Cement consumption in India, though maintaining a Compounded Average Growth Rate of 8% over last one decade, varies considerably from year to year. A fall in cement consumption therefore in any year can have adverse impact on the pricing (due to mismatch between demand and supply situation) and hence on the health of the Company. The Company believes the only way to meet vagrancies of fluctuating prices is by producing cement at a cost as low as possible. Towards this end the Company has aggressively been making efforts to be amongst the least cost producers. Company has also been maintaining a growth in terms of capacity addition higher than the industry's average growth.

Gujarat and Rajasthan are two of our main marketing areas and the rural consumption in these two states constitutes a significant percentage of the total consumption. Due to inadequate rainfall during last four years these two states have been reeling under drought like situation having its impact on cement consumption and therefore on the ruling cement prices affecting our profitability. To face this situation, Cement Division has been identifying newer markets and increasing its network in such markets. For combating water shortage also, Company has adopted various measures, including identification of new bore-wells, spreading water literacy, judicious use of limited water resource and adoption of newer water harvesting technology.

What in your view is the assessment in the short-term and middle term for your company?

2001-02 has been a year of satisfactory growth in the cement consumption, both at the national level as well as at our regional level. The infrastructure projects, especially in the road and housing sectors, played a vital role in sustaining this growth. It is a widely accepted perception that there would be no looking back as far as growth of cement consumption is concerned. This combined with the fact that no new capacities are in the offing in our marketing areas in the immediate term, the supply-demand situation is likely to reach a balance situation shortly. The company, notwithstanding the expected improvement in the pricing situation, is committed to continue its cost compression drive using the latest IT tools such as e-procurement, web enabled marketing system etc. and sweating of its assets to maintain its pace of growth. The management team as well as the employees are all fired up to aggressively pursue innovative strategies to improve the Company's bottomline.



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DIRECTORS' REPORT

To The Members

Your Directors present the 63rd Annual Report and Audited Accounts of the Company for the year ended 30th September 2002.

FINANCIAL RESULTS

During the year under review, Cement production was higher by 18% over the previous year. Sales and other income increased by 8.4% over last year despite competitive market conditions and a fall in the selling price of about 8%. As a result of all-round cost reduction including cost of debt and better working capital management, the Company has been able to generate a Cash Profit of Rs. 10.36 Crores.

	Rs. in Crores	
	2001-02	2000-01
Sales and Other Income	467.81	431.75
Operating Profit (PBITD)	51.71	40.90
Interest	41.35	48.06
Cash Profit (PBDT)	10.36	(7.16)
Depreciation	50.34	51.02
Profit/(Loss) after Depreciation	(39.98)	(58.18)
(Diminution)/Reversal of diminution in the value of Investments	4.82	(15.03)
Deferred Tax Credit	14.51	—
Profit /(Loss) after Tax	(20.65)	(73.21)

CEMENT

An impressive growth of around 18% in production and sales quantities compared favourably with Industry growth of about 12% during the corresponding period. Production was higher at 23.06 lac MT against 19.61 lac MT and sales increased to 23.24 lac MT from 19.79 lac MT in the previous year. Turnover at Rs. 445 crores was up by Rs. 34 crores compared to Rs. 411 crores last year. The Company could improve its profitability despite fall in prices by about Rs. 160 per MT in its marketing areas.

Supported by vigorous activities in the road building segment and fillip to the housing activities by tax incentives provided by the Government, the Cement Industry could maintain growth of about 12% during October 2001 to September 2002 (9.6% during April 2001-March 2002). This healthy growth in consumption could not be translated into improved prices due to increased availability of Cement as a result of increase in the Capacity by about 15.4 million tonnes (April 2001-March 2002) and higher production of blended cement.

To meet the challenges arising out of the situation, your Company continued to lay strong emphasis on enhancement of productivity, improvement of efficiency parameters and all-round cost reduction. Various cost reduction and other measures taken during the year include higher usage of petcoke, optimum consumption of power, better working capital management, manpower rationalisation and savings due to improved distribution and better logistics.

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Continued focus on these efforts will help the Company to improve its performance further in the coming years. With Government's emphasis in development of roads, houses and other infrastructure projects, the consumption of Cement is expected to maintain a healthy growth .

JK MAGNETICS

Magnetic Tape Industry continued to reel under pressure from the alternate media such as CDs, DVDs, MP3, FM Radio Station etc. Magnetic Tape division of your Company which constitutes 2% of its turnover was no exception. Despite drastic and bold measures taken by the Company to reduce the cost to make the Unit viable, the continuous fall in the prices adversely affected the volume and margin of the Division.

DIRECTORS

Shri S.K. Wali and Shri S. Chouksey have been appointed as Whole-time Directors of the Company both for a period of three years w.e.f. 1st August 2002. Necessary resolutions regarding their appointment and remuneration have been recommended for approval of the Shareholders.

Shri Hari Shankar Singhania and Shri P.V. Gandhi retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

Shri Surendra Malhotra has relinquished the office of Whole-time Director w.e.f. 1st November 2002. The Board places on record its appreciation of the valuable services rendered by Shri Malhotra during his tenure of office.

AUDITORS

M/s. Lodha & Co., Chartered Accountants, the Auditors of the Company, retire and are eligible for re-appointment. The appointment of the Auditors is required to be made by a Special Resolution pursuant to Section 224A of the Companies Act 1956. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Section 217(2AA) of the Companies Act 1956, your Directors state that :

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures in the financial statement ;
- the accounting policies have been selected and applied consistently and judgements and estimates made 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 or Loss of the Company for that period ;
- proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the said Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities ; and
- the annual accounts have been prepared on a going concern basis.