65th ANNUAL REPORT 2004-2005

CEMENTING the road to SUCCESS

JK CORP LIMITED

BOARD OF DIRECTORS

Hari Shankar Singhania
Chairman

Bharat Hari Singhania
Vice Chairman & Managing Director

B.V. Bhargava

Nand Gopal Khaitan

Pradip Roy

Pravinchandra V. Gandhi

Raghupati Singhania

U. Mahesh Rao

V.K. Guruswamy

Vinita Singhania
Managing Director

Shailendra Chouksey
Whole-time Director

S.K. Wali
Whole-time Director

OFFICES

Registered Office
Jaykaypuram-307 019,
Basantgarh,
Dist. Sirohi (Rajasthan)

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

REGISTRAR & SHARE TRANSFER AGENT
MCS Limited,
Shri Venkatesh Bhawan,
W-40, Okhla Indl. Area, Phase-II,
New Delhi-110 020
Ph.: 26384917-20

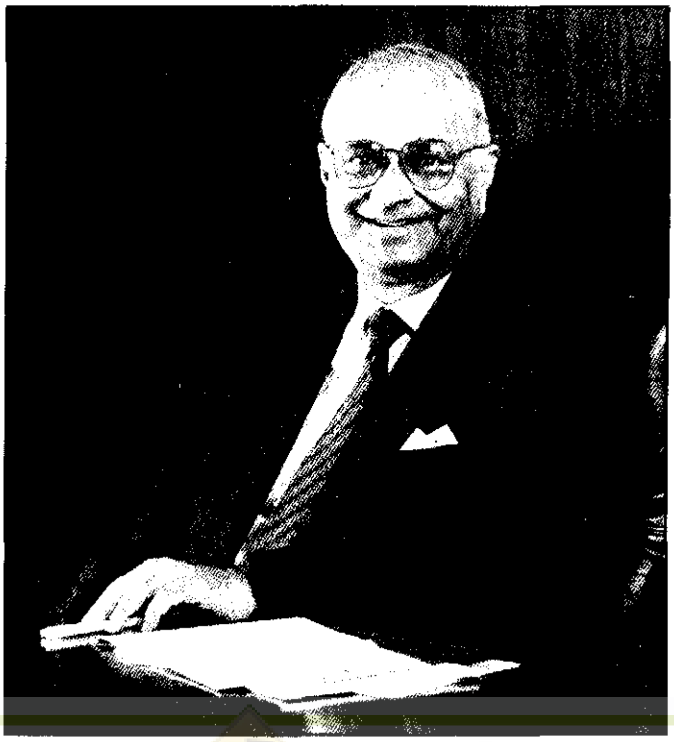
PLANT

Lakshmi Cement
Jaykaypuram-307 019,
Basantgarh,
Dist. Sirohi (Rajasthan)

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 MESSAGE

Dear Shareholders,

The most important national event of the year 2004-05 was the change in Government at the Centre as a result of General Elections in 2004. The new coalition Government United Progressive Alliance (UPA) led by Dr. Manmohan Singh as Prime Minister replaced the National Democratic Alliance (NDA) Government. This once again demonstrated that democracy has taken firm roots in the country.

On the economic front, the growth of nearly 7% despite low agriculture growth, underlines the resilience of Indian economy. Manufacturing sector has once again emerged as the growth driver of economy with 9% growth. It is heartening that the new Government is continuing the process of economic reforms and with emphasis on all inclusive growth, covering rural as well as the weaker sections of the society. The Bharat Nirman programme of the Government is aimed at providing the required growth momentum and employment opportunities to all.

Continued focus on infrastructure development such as roads, ports, airports, housing and water augurs well for the cement industry. The recent initiatives to encourage Public-Private Partnership (PPP) should boost spending on these vital sectors and their improved implementation.

India is now recognised as one of the prime potential economic growth centres in the world resulting in enormous interest in the country and attracting large inflow of investments.

I am really pleased with the Company's performance during the year. The Company has achieved a growth of over 12% in production and sales, the turnover increasing to Rs. 592 crores. The Company has also been able to maintain faster growth momentum vis-à-vis the industry for the last four years. I am optimistic about the future of cement industry as well as that of your Company, as the buoyancy in the Indian economy is on the rise and your Company is well geared to contribute its share to the progress of country's core sector.

Thank you,

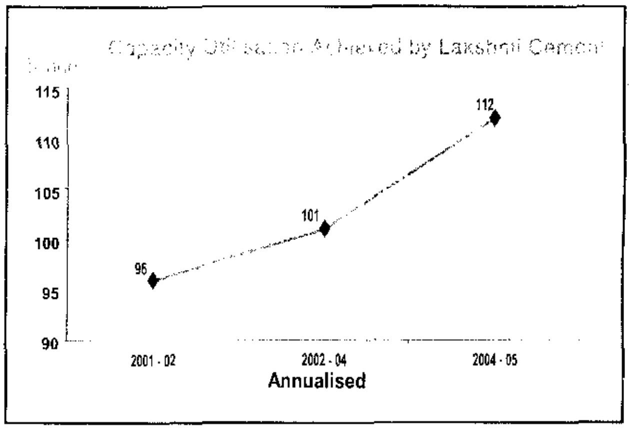
Hari Shankar Singhania
Chairman

Shri Bharat Hari Singhania

Review by the Vice Chairman and Managing Director

Your comments on the performance of the Company during the year

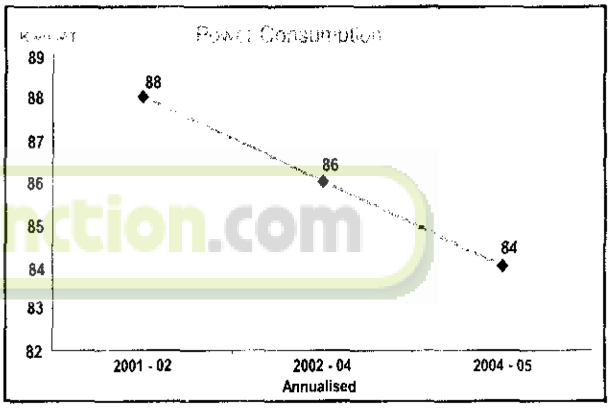
The Year 2004-05 has indeed been a satisfying year as the Company has been able to achieve significant landmarks in almost all its areas of operation. The Company could increase its production by about 12%. **This represents 112% of its capacity utilisation.** Similarly the Company could achieve 13% of sales growth at 27.84 lac MT (including clinker sales) which is much higher than the growth recorded by the industry on all India level at 6.7% and 6.5% by the Northern region which represents Company's main markets. The Company's cash profit zoomed to Rs. 73 crores as against Rs. 16.10 crores in the previous year (on annualised basis). The Company posted Profit After Tax of Rs. 26.05 crores as against a loss of Rs. 21.06 crores in the previous financial year (on annualised basis).



The Company during the year has bagged the prestigious Greentech Safety Award 2003-04 for Safety and Environment from the Greentech Foundation and the Golden *Peacock National Award for Environment Management System from the World* Environment Foundation.

What were the major challenges during the year and how did the Company meet them?

Yes *indeed*, the *year was a very dynamic one* which brought *in its wake a number of* challenges. The growth in the cement consumption at 6.7% in the North was much below the expected level. This challenge was met both by marketing aggressively to gain higher market share and simultaneously by increasing our market reach. The Company could thus achieve higher sale growth of 13% to absorb its higher production. Another daunting challenge was to meet the impact of the rising cost of fuel and energy on account of increase in the petroleum prices. This challenge was met by improving the operating efficiencies. Our power consumption was brought down to 84 Kwh/MT of cement and the usage of Petcoke was increased from 70% to 87%, which in terms of cost by unit of heat value is lower than coal or other conventional fuels. The increase in the petroleum prices also had a cascading impact on various input costs, including freight, which in case of Cement Industry is a major cost driver. To meet this challenge our marketing distribution was realigned to bring down the average distance of travel.



Another major challenge has been to improve our sale of blended cement in the predominantly OPC consuming states of Rajasthan and Gujarat which accounts for major share of our distribution as part of realigned strategy. The Company could increase blended cement sale to 8.11 lac MT as against 6.85 lac MT in the previous year, on the basis of its quality of blended cement and brand equity of JK Lakshmi Cement as a powerful brand in this segment.

What is your outlook of the Indian Cement Industry at all India level and Northern Region in particular, both in the immediate future and in the next 2-3 years?

The Cement sector has consistently performed much better compared to most of the other core industries. For India to gain rightful place in world economy, it would have to continue, rather accelerate; its emphasis and momentum of building its infrastructure. Successive Governments have wisely realised this fact and various projects involving construction activities, be it in area of road, housing, modernisation of airports or ports have been undertaken and is a testimony to this growing realisation. The cement sector would be an obvious beneficiary and there is a near consensus that this sector would witness a growth of over 8% per annum on a long term basis. The Year on Year increase in the capacity utilisation of the industry (84% in the FY 04-05) confirms the narrowing down of the gap between the demand and supply. The quantum growth in the exports of Indian cement and clinker (5.1 million in FY 02 to 10 million in FY 05) on account of increased construction activities in the Middle-East, has also contributed significantly towards removing the hangover of excess supplies. Closer home, in the Northern region and Gujarat which are our prime markets, the demand is poised to overtake the supplies in near future. The Northern market grew by 6.5% while the Gujarat market grew by 10.8% in 2004-05. With the Delhi Government's frantic preparation for hosting of Commonwealth Games scheduled for 2010, the National Capital Region which forms a major part of our markets in the North, would see a healthy growth of cement for next 3-4 years. The State of Gujarat is expected to maintain the tempo of growth on the back of continued healthy demand of the international markets from Gujarat, which accounts for over 75% of India's total export of cement and clinker. Northern Cement industry seems to have crossed the trough of its business cycle when due to excess supplies the cement industry operated at uneconomic level for last over three years.

How do you look at the Company's performance in the coming year?

We are quite optimistic on the Company's performance in the coming year. The Company's capacity has increased with the completion of first phase of its expansion-cum-efficiency improvement project in June of this year. The Company's grinding capacity is also being augmented which is likely to be completed by December 2005. This would increase its cement sales which would improve its contribution further.

One of the major areas of concern for the Company has been its high cost of purchased power. Setting up of captive power plant, though a SPV to reduce power cost has reached its final stage and it is hoped that the thermal power project will be operational before the close of next year. This will substantially bring down company's cost.

Thus with increased production, lower costs, better operating parameters as a result of completion of the first phase and healthy market conditions, we look forward to a more promising coming year.

Company has moved a proposal to segregate its cement business and the investments so as to make the Company totally focussed on its cement activities. The necessary In Principal approvals from the concerned financial institutions have already been obtained and the scheme is being finalised. This is expected to result in maximising the value for all the stakeholders.

What is the Vision of your Company?

Your Company has been consistently growing at about 7% to 8% for last 5 years. The CAGR growth of cement industry during the same period on all India basis has been around 6%. The Company's endeavour is to maintain this tempo of growth and continuously increase its market share, especially in its prime markets. Towards this end, Company's expansion project, first phase of which has recently been completed and final phase of which would be completed by September 2006 taking company's production capacity beyond 3 million tonnes, is very timely and will help the Company to maintain its position in its region.

The Company's brand revitalisation exercise launched last year has started yielding results and we are confident that this brand would emerge as one of the most **preferred brand** in our marketing areas. The Company is also pursuing the policy of driving up the value chain and has already entered the business of ready mix concrete with success. The Company would continue to explore the possibilities of further growth in this area and add other value added construction related products which will take the Company closer to the ultimate consumer and meet his growing and varied needs. This strategy, we hope, will be rewarding for all.

The Company is proud of its dedicated team, both its employees and associates, who are committed to give a concrete shape to the Company's Vision.

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the 65th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2005.

FINANCIAL RESULTS

Rs. in Crores

	2004-05	2002-04	
	12 Months	18 Months	Annualised
Sales & Other Income	**601.50**	716.43	477.61
Profit before Interest & Depreciation	**77.40**	60.91	40.60
Profit before Depreciation	**73.00**	24.17	16.10
Profit / (Loss) after Tax	**26.05**	(31.58)	(21.06)

OPERATIONS

During the year under review, the Company's Sales and Other Income was Rs. 601.50 Crores representing a growth of 26% over the previous year (annualised basis). The Operating Profit at Rs. 77.40 Crores (previous year Rs. 40.60 Crores – on annualised basis) was higher by 91%. After providing for Interest, Depreciation and Deferred Tax, Profit after Tax was at Rs. 26.05 Crores as against loss of Rs. 31.58 Crores for 18 months period (Rs. 21.06 Crores on annualised basis) in the previous year.

The Company has been able to improve on all the parameters of its working. Its Cement production including Clinker sales has grown up by 12% to 27.18 lac MT. Cash Profits have shown substantial improvement at Rs. 73 Crores against Rs. 16.10 Crores (annualised basis)in the previous year. Optimization of Company's distribution coupled with improved Cement prices in North have improved Company's realisation by 14%. The profits could have been still better but for the substantial increase in the fuel cost by as much as 35%. Further improvement in the power consumption to 84 Kwh/MT of Cement was achieved while the average Petcoke usage have been increased to 87%.

The growth in the Cement consumption both at national and our zonal level was below the expected level of around 8%. However, a better balance in the demand and supply was achieved during the year as the new capacity addition was limited. Prices during the current year have already shown positive improvements and it is expected that the price levels would remain favourable in the coming year as well.

The budget pronouncements indicate the Government's intent to maintain focus on the infrastructure development and continue its encouragement to the housing sector. The commencement of various projects in relation to Commonwealth Games scheduled to be held in 2010 are expected to contribute further to the infrastructure development and consequently to the consumption of Cement in the northern markets.

The project undertaken by the Company during the year to further improve its operating efficiencies and reduce cost is ahead of schedule and its first phase is expected to be completed by June'05. With the completion of its second phase by the second quarter of the next financial year, the Company's production capacity would cross 3 million tonnes mark and bring about improved efficiencies and reduction in cost. The project of setting up of a Captive Power Plant of 36MW has also made progress, on the completion of which the cost of power would be reduced further. With these measures and improved market situation , the Company's profitability will improve further.

The Company has exited from Magnetic Tape business, the operations of which were under suspension.

With a view to make the Cement business of the Company more focussed, enabling its faster growth and development, a proposal is under consideration for segregation of Cement business and Investments. This would result in value maximisation of all stakeholders. Steps are being taken for formulation of detailed proposals in this regard.

The Company had also undertaken a major branding exercise which includes rechristening of brand "Lakshmi Cement" to "JK Lakshmi Cement" with success. With a view to fully capture its intrinsic value, it is proposed to change the name of the Company to JK Lakshmi Cement Ltd., so that the name reflects the true nature of the Company's business.

DIRECTORS

Shri Sushil Kumar Wali and Shri Shailendra Chouksey have been re-appointed as Whole-time Directors of the Company for a further period of three years each w.e.f. 1.8.2005 respectively.

Shri Raghupati Singhania, Shri Sushil Kumar Wali and Shri Shailendra Chouksey retire by rotation at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-appointment.

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.

Subsequent to the report, the Hon'ble High Court of Rajasthan has sanctioned the Company's Scheme of Compromise and/or Arrangement on 20th July 2005. In view thereof, there is no outstanding overdue of secured creditors.

COST AUDIT

Audit of the Cost Accounts of the Company relating to 'Cement' for the year ended 31.3.2005 will be conducted by the Cost Auditors and Cost Audit Report will be submitted to the Department of Company Affairs, Government of India.

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 accunting poliçies have been selected and applied consistently and judgements