



Report

Junction

JK LAKSHMI
CEMENT

HAZAROTI
GUARANTEE

4
2005

2006

2007

2008

2009

*Milestone after
milestone on the
expressway to prosperity.*

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. : (011) 41406149, 41406151-52

PLANT

Lakshmi Cement

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

AUDITORS

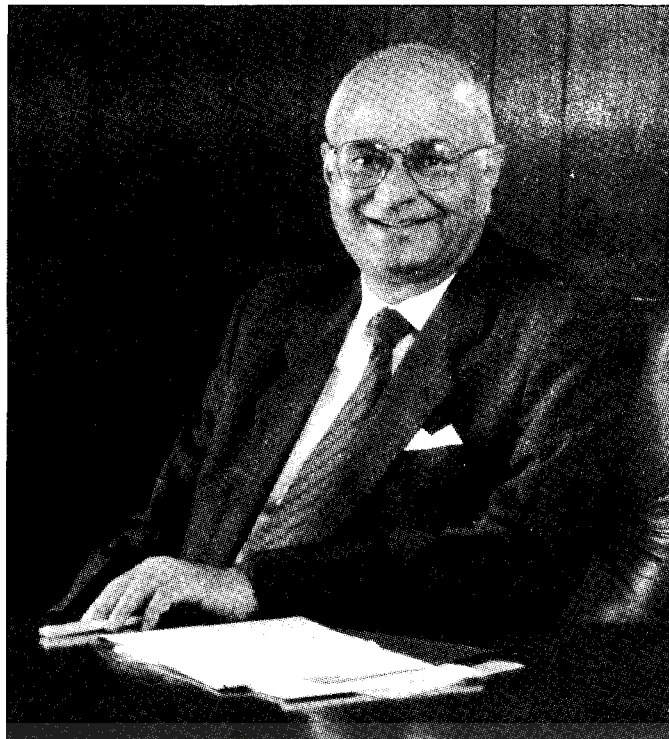
Lodha & Co.
Chartered Accountants

BANKERS

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

COMPANY SECRETARY

Brijesh K. Daga



CHAIRMAN'S MESSAGE

Dear Shareholders,

It is gratifying that the Company achieved sales of 3 million tonnes and a total income of Rs. 708 crores. The Operating Profit was also an all time high at Rs. 128.81 crores. The Profit after Tax was more than double. It is also a matter of satisfaction that the Company has been working at high level of efficiencies, capacity utilization and other operating parameters. Through continuous stress on cost compression it has been able to effect sizeable savings. JK Lakshmi Cement brand occupies a premium position in the market. These reflect the capability of Team JK Lakshmi in taking the Company forward.

The cement industry, one of the core industries, reaffirmed its rightful place in the Indian economy registering a double digit growth of 10%. The fast pace of India's annual economic growth at 8% and over would call for major infrastructure development in roads, bridges, ports, canals, power, urban development, housing

and rural sector besides the realty sector. These would inevitably mean a sharp rise in the domestic requirement for cement.

Increased construction activities taking place in the neighbouring countries, particularly Middle East, has also opened up window of opportunities for cement exports. India was able to export sizeable quantities in recent years and this would grow.

The Company is keen to play its due role in this important industry by further all round growth. We have an exciting and challenging future and we bank upon your valued support to build on the emerging opportunities. We are thankful to you for your continued support.

Best Wishes,



Hari Shankar Singhania
Chairman



Vice Chairman and Managing Director's Statement

It is indeed a matter of great satisfaction that the Company has been able to keep moving forward and surpass the targets set for itself. The Company has superceded all the previous landmarks in various areas of operation during the year 2005-06, thus reaping full benefits of the Company's strategy of focusing on its core business, viz.: cement. It has achieved 123% capacity utilization with sales crossing 3 million tonnes mark. The turnover of the Company increased by 18% to over Rs. 700 crores, while its Profit Before Interest, Depreciation and Tax grew by a whopping 66% to Rs. 128.81 crores as against Rs. 77.40 crores. The Profit after Tax more than doubled to Rs. 55.45 crores against Rs. 26.05 crores in the previous year.

Efforts both on improving the efficiency parameters and cost compression on one hand and maximizing the production and sales realization on the other, have been the mainstay of the Company's strategy. It is satisfying that Company has made substantial progress on both the fronts. The Team JK Lakshmi derives utmost satisfaction from the successful execution of the strategies. The Company could achieve reduction of

2 Kwh/MT of cement in the power consumption, viz. 84 Kwh/MT of cement in the previous year to 82 Kwh/MT of cement this year. The coal consumption was reduced to 84 Kg/MT of cement as against 93 Kg/MT of cement in the previous year. The Petcoke consumption has been further increased to 98%. These efforts in the area of cost optimization has helped the company to contain the increase in cost of production to just 1% inspite of steep increase in the cost of the inputs triggered by increase in the petroleum prices as well as increase in the transportation costs.

With a view to optimise realization, a three pronged strategy was adopted. Firstly, redistributing higher sales in nearby markets thereby reducing the travel distance. Secondly, servicing higher realization and more profitable segments in quick time and finally, better positioning of JKLC products by offering better value for money to the customers on the strength of its quality, upgraded technical support and other value added services.

Progress made by the Company on the on-going projects for improving the efficiency as well as setting up of grinding unit (to bridge the gap between the clinkerisation and the cement grinding capacities) has been fairly satisfactory. The first phase of these projects have been completed ahead of schedule and the entire project is expected to be completed by September 2006. Completion of this project would not only enable the Company to reach efficiency levels at par with the more efficient cement units of the country but also scale up its production capability to 3.2 million tonnes per annum.

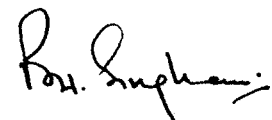
The Company's other ambitious project of setting up of a Captive Thermal Power Generating capacity of 36 MW is also progressing well. It is expected that the Power Plant will be commissioned within FY 07. The commissioning of this project would mark the end of Company's dependence on the power from the State Grid which besides being very expensive suffers from inconsistent quality. The cheaper cost of the captive power generating capacity would further improve the bottomline of the Company.

In tradition with the J.K. Organisation's strong commitment to human resource development, Company has taken series of innovative steps towards building of competencies and leadership skills. New initiatives were also taken in the areas of community development including family welfare camps, medical camps and distribution of supportive equipments to the physically challenged persons in the nearby areas of our plant. Company's concern for maintaining ecological balance has been recognized and it has been rated as the third best cement company in the country in the Green Rating Project undertaken by Centre for Science and Environment.

Backed by the need for mammoth infrastructure development of the country the outlook of the Cement Industry remains buoyant. Growth in domestic consumption, both at the national and regional level, is expected to be in double digit in the long term. This reinforces our belief at the long term growth perspective for this vital core sector industry. The Company is exploring all the possible avenues to further expand its capacities keeping an eye at retaining its place as a niche regional player with a healthy bottomline.

We are looking forward to another promising year ahead.

Thanking you,



Bharat Hari Singhania
Vice Chairman and Managing Director

DIRECTORS' REPORT

TO THE MEMBERS

Your Directors have pleasure in presenting the 66th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2006.

FINANCIAL RESULTS

	Rs. in Crores	
	2005-06	2004-05
Sales & Other Income	707.93	601.50
Profit before Interest & Depreciation	128.81	77.40
Profit before Depreciation	109.32	73.00
Profit after Tax	55.45	26.05
Appropriations		
- Debenture Redemption Reserve	10.85	-
- General Reserve	5.55	-
- Balance Carried Forward	39.05	-

OPERATIONS

Your Company continued to move forward on almost all the fronts in the year 2005-06, once again achieving healthy growth in production, sales and profits. The Company's Sales and Other Income grew to Rs. 708 crores. The Operating Profit (PBITD) at Rs.128.81 crores was higher by 66%. The Profit after Tax was Rs. 55.45 crores as against Rs. 26.05 crores in the previous year, registering a growth of 113%.

The Company's cement production including clinker for sale has been at a record high of 29.41 lac MT, against 27.18 lac MT in the previous year. Sales for the year crossed 3 million tonnes.

The overall cement demand at national as well as our zonal levels registered a growth of over 10%. This has led to healthy balance between demand and supply, leading to improved cement prices.

Company's continued emphasis on improvement of efficiency parameters and cost compression has helped it to contain the increase in cost of production to just about 1% when the petroleum prices rose by as much as 20% besides increase in the cost of other inputs.

During the year, the Cement Industry, especially in the State of Rajasthan, witnessed a steep increase in the road freight due to almost 50% reduction in the truck availability. This was due to and as a consequence of a Supreme Court ruling in November 2005 prohibiting overloading of trucks. However, the Company was able to improve its realization by continuing its efforts to reduce the distribution cost and improve market mix.

The Projects initiated by the Company to improve its operating efficiencies and cost reduction have been progressing well and are expected to be completed by September 2006, ahead of schedule. On completion of these projects, in addition to the improvement in the operating efficiencies, Company's cement production will also stand raised to 3.2 million tonnes per annum. Work on setting up of the Captive Thermal Power Generation Plant of 36 MW capacity in the Company, is in full swing and is expected to be completed by the end of this financial year. Captive power will result in considerable savings in cost.

With further improvement in operating parameters and buoyant outlook in the cement market, it is expected that Company's operating profits will improve further in the coming years.

As approved by the Shareholders, the Company's name has been changed to *JK LAKSHMI CEMENT LTD.* w.e.f. 6th October 2005.

SCHEME OF RECONSTRUCTION, ARRANGEMENT AND DEMERGER

The Company's Scheme of de-merging its Investment Division to another company has been completed.

The Scheme of Reconstruction, Arrangement and Demerger between JK Lakshmi Cement Limited (the Company) and Ashim Investment Company Limited (AICL), and their respective Shareholders and Creditors (the Scheme) was sanctioned by the Hon'ble High Courts of Rajasthan (Jodhpur) and Delhi. The said Scheme has become effective on 31st March 2006 and operative w.e.f. 1st April 2005 (the Appointed Date).

Pursuant to the Scheme -

- (i) The Investment Division of the Company comprising investments, fixed assets, current assets, loans and advances and inter-divisional loan and current liabilities stood transferred to and vested in AICL w.e.f. 1st April 2005.
- (ii) The investments of the Company in the subsidiary companies were also transferred to AICL and consequently the said companies ceased to be its subsidiaries and became subsidiaries of AICL with effect from the Appointed Date. As such, the Company is no longer required to comply with the requirements of Section 212 of the Companies Act 1956.

- (iii) All the profits accrued and/or losses incurred in respect of the business of the said Investment Division, carried on by the Company from 1st April 2005 for and in trust for AICL, were transferred to AICL.
- (iv) The pre-Scheme paid up Equity Share Capital of the Company of Rs. 55,28,46,240/- comprising 5,52,84,624 fully paid Equity Shares of Rs.10/- each (after adjustment of 25,678 Equity Shares forfeited during the year), stood reorganised and reduced to Rs.49,75,61,620/- comprising 4,97,56,162 fully paid Equity Shares of Rs.10/- each.
- (v) Full impact of the Scheme has been given in the Audited Accounts of the Company for the year ended 31st March 2006.

DIRECTORS

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

AUDITORS

M/s. Lodha & Co., Chartered Accountants, Auditors of the Company, retires at the forthcoming Annual General Meeting of the Company and being eligible offer themselves for re-appointment at that meeting. The observations of the Auditors in their Report on the Accounts read with the relevant notes, are self-explanatory.

COST AUDIT

The audit of the Cost Accounts of the Company relating to "Cement Business", for the year ended 31st March 2006, is being conducted by the Cost Auditors and their report will be submitted to the Ministry 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;
- the accounting policies selected and applied are consistent 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.

CORPORATE GOVERNANCE

Your Company reaffirms its commitment to the good corporate governance practices. Pursuant to the revised Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis Report, Corporate Governance Report and Auditors' Certificate regarding compliance of the conditions of Corporate Governance are made a part of this Annual Report.

SUBSIDIARY COMPANIES

Pursuant to the Scheme as aforesaid the Company no longer has a subsidiary.

CONSERVATION OF ENERGY ETC.

Details as required under Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, are annexed.

PARTICULARS OF EMPLOYEES

Information in accordance with the provisions of Section 217(2A) of the Companies Act 1956 read with the Companies (Particulars of Employees) Rules, 1975 as amended regarding employees is annexed to this Report. However, as per the provisions of Section 219(1)(b)(iv) of the Companies Act 1956, the Annual Report is being sent to all shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary of the Company at the Company's New Delhi Office.

ACKNOWLEDGEMENTS

Your Directors wish to place on record and acknowledge their appreciation for the continued support and co-operation received from the financial institutions, banks, various central and state government agencies, shareholders, suppliers, dealers and in particular our valued customers.

Your Directors also record their appreciation for the total dedication, hard work and commitment of employees at all levels which has enabled the Company to register improved performance despite increased competition, cost of inputs and other challenges.

On behalf of the Board of Directors

HARI SHANKAR SINGHANIA
Chairman

New Delhi
The 29th May 2006.