

JK LAKSHMI
C E M E N T

A company that has stood the test of time and made a mark for itself in all spheres.

A company that has won the hearts of its customers with its commitment to excellence.

A company that aspires to build a better tomorrow, not just for itself, but the whole country.

JK Lakshmi Cement Ltd. - Celebrating 25 years of Mazbooti Guaranteed.

JK LAKSHMI
C E M E N T Ltd. 

BOARD OF DIRECTORS

Hari Shankar Singhania

Chairman

Bharat Hari Singhania

Vice Chairman & Managing Director

B.V. Bhargava

Pradip Roy

Nand Gopal Khaitan

Pravinchandra V. Gandhi

Raghupati Singhania

P. Narasimharamulu

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
District Sirohi (Rajasthan).

PLANT

Lakshmi Cement

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

Administrative Office

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

AUDITORS

Lodha & Co.
Chartered Accountants

REGISTRAR & SHARE

TRANSFER AGENTS

MCS Limited
Shri Venkatesh Bhawan,
W-40, Okhla Indl. Area, Phase – II,
New Delhi – 110 020
Ph. (011) 41406149, 41406151-52,
41609386, 41709885,
Fax No. 91-11-41709881

BANKERS

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

COMPANY SECRETARY

Brijesh K. Daga

COMPANY'S WEBSITE

www.jklakshmicement.com



Dear Shareholders,

It is a matter of great joy that Company's Cement Operations will be completing 25 years since its commencement in August 1982. The journey has indeed been a momentous one and shall be celebrated appropriately. Our capacity at 3.4 million tonne is now 7 times of the original capacity. In next 18 months, the capacity shall stand enhanced to 5 million tonne. For the year ended 31st March 2007, the Company's turn over of Rs. 974 crores and Profit after Tax of Rs. 178 crores are the highest ever achieved. In this Silver Jubilee year, I am happy that the Directors have recommended a dividend of 10% thus bringing the company back on the dividend list. Hopefully, we shall be able to do much better in the years to come.

I am happy that during these years the company has emphasised on continuous upgradation of the technology, resulting in higher performance in the plant and attainment of the highest quality standards. This has helped JK Lakshmi Brand to establish as a premium brand.

Indian economy continues to make strident progress with impressive growth. The areas of infrastructure and housing have particularly witnessed rapid developments. India has joined the rank of trillion dollar economy.

Cement consumption has seen double digit growth continuously for last 2 years. By all indications the growth momentum would continue. India's per capita consumption of cement has grown by 30% to 130 Kgs in 6 years. However, it still remains much below the average World per capita consumption of 355 Kgs as also the per capita consumption of growing economies like Brazil (191 Kgs), Thailand (366 Kgs), etc. This reflects the great potential which the Indian cement industry has.

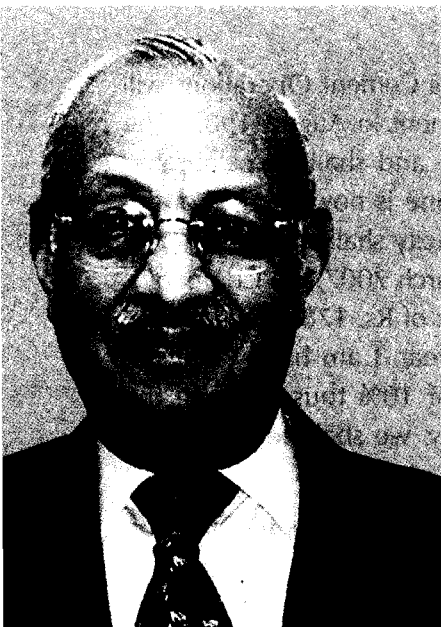
Cement is among the highly taxed commodity in India. Tax on various heads accounts for over 45% of the ex-factory price. Obviously this needs correction in the interest of infrastructure, urban development, housing and other consumers.

As I look ahead, I am confident that the Company shall further grow appropriately and play its due role.

At this time I would like to thank the dedicated management team and the employees at all levels who have made this progress possible. I would also like to thank our shareholders and stakeholders who have helped and supported us in this journey.

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

Hari Shankar Singhania
Chairman



VICE CHAIRMAN AND MANAGING DIRECTOR'S STATEMENT

The year gone by has been very eventful for the Company. In the **Silver Jubilee** year of the Company's Cement Plant, it has recorded an excellent all - round performance. The Company has posted highest ever profits and sales in the last 25 years.

The Indian economy registered yet another year of impressive growth. Manufacturing sector remained the key driver. Acceleration in the development of various infrastructure and real estate projects has provided greater impetus to growth. With this the cement consumption in the country has increased to reasonable levels. The momentum in the rapid infrastructure growth is expected to continue. This would lead to a further growth in cement consumption. The outlook for the coming year therefore looks promising.

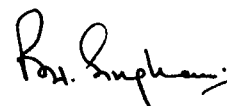
The Company continues to pursue its strategy of increasing production and sales realization on one hand and all-round improvement in efficiencies and cost compression on the other. Its ongoing expansion and efficiency improvement projects have been completed on time. Its annual production capacity during the year has gone upto 3.4 million MT and further investments are under way to increase the capacity to 5 million MT. To achieve self-sufficiency in meeting the power requirement of the Company and further reducing the power costs, we are setting up a Thermal Power Plant with a capacity of 36 MW at an investment of over Rs.160 Crore. The first phase of 18 MW has since been completed in March 2007 and the commissioning of the entire Power Plant of 36 MW is planned by June 2007.

Company's Brand "JK Lakshmi Cement" has created a niche for itself in its marketing zone. It has a strong and well established marketing and

Dealer network. The Company has been aggressively pursuing the RMC business as it believes that this modern method of use of ready mix concrete would replace the conventional site mix concrete at a much faster pace than envisaged earlier. The Company is also exploring to enter other value added product areas. These initiatives will help Company expand into newer markets.

Human Resource Development has been high on our priorities agenda. Focus all-along has been on development of the leadership pipeline, succession planning and talent management system. We are proud to have a committed, talented and focused work force. Initiatives towards community development including family welfare camps, medical camps in and around the Lakshmi Cement plant are continued. Emphasis on good Corporate Governance and maintaining ecological balance are also high on Company's agenda.

This commendable performance has been possible with the active support of entire fraternity of our lending institutions, business associates and all other stakeholders. The dedication and commitment of Team JK Lakshmi Cement gives us the confidence that the future would still be brighter.



Bharat Hari Singhania
Vice Chairman and Managing Director



REVIEW BY MANAGING DIRECTOR

1. Your Company has reported an excellent performance during the year. Could you please briefly comment? What would you attribute this performance to?

The Company has been adopting multi-pronged strategies to improve all round performance during the last 3-4 years. These strategies centre around continuous growth in production and capacity, cost compression, market optimization and improvement in the brand positioning. We feel satisfied that our efforts in all these directions have paid us rich dividends.

Our efficiency norms with respect to power and fuel consumptions are in league with the best in the industry. We have added one million tonne to our capacity in FY 07. We have optimized the freight with market redistribution and judicious combination of rail and road, besides we have considerably increased the sales of our blended cement. The brand JK Lakshmi today is a preferred choice amongst the various segments of users on the basis of its quality and the customer centric policies.

The cement prices, which have been languishing at very low and unremunerative levels in the past, has also picked up. This has significantly contributed to an increase in our turnover as well as profitability.

Besides the above, the one factor which I would like to give particular credit is the commitment and dedication of our Human Resources without whose efforts these achievements would not have been possible.

2. What have been those HR strategies which have had direct impact on the business result?

High Employee Motivation and Commitment at all levels has been built up over the years. The corner stone of the 'Turnaround Strategy' was 'High Employee Engagement' supplemented by high degree of information dissemination at all levels so as to internalize the importance of the cost compression as a competitive advantage. These initiatives helped us to reduce cost substantially, improve margins and Attract, Retain & Motivate Talent.

JK Lakshmi Cement featuring in Top 10 Companies in India (on 2 out of 4 Criterias) in the TNS Best Employer Survey and consistently being 'Shortlisted in top 70 out of 230 companies by Hewitt in the Best Employer Survey', is a testimony of 'High Employee Engagement'.

Individual Development Plans have been drawn and necessary training/counseling/mentoring has been provided, which have helped in improving the competency as well as performance.

We have formed a 'Young Leaders Forum' comprising of young high potential executives. They meet periodically and come up with 'Out of Box Ideas' for improving Business Performance and Growth.

JK Lakshmi Cement was awarded the DMA-Watson Wyatt Award for the Best HR Innovative Practices for this Outstanding Initiative.

3. We believe considerable new capacities are coming up in your marketing area. How do you see the demand supply balance in the coming years?

National domestic cement demand has been about 150 million tonne during 2006-07. The CAGR growth of cement consumption has been about 8.5% during last five years and 10% during the last two years. We strongly believe that the momentum of infrastructure development in the country would continue for atleast some years to come which would require cement consumption to continue to grow at a double digit. At this growth level the country would require an additional 50 million tonne cement in the course of the next three years and about 100 million tonne in the next five years. We understand new capacities for which announcements have been made or for which plans have been drawn, total to 75 to 80 million tonne in the course of next 3-4 years. It is therefore expected that the growth in the capacity would be in tandem with the cement requirement of the country.

In our marketing zone also domestic demand growth has been nearly at double digit for last two years. With the Commonwealth Games scheduled

for 2010 the infrastructure development would take place at frantic pace. Besides, ambitious projects have been drawn by the State Governments of Rajasthan and Gujarat, and therefore, we do not see any let up in the demand growth in the coming years. In the coming financial year 2007-08 about 5-6 million tonne capacity is expected to be added which would be more or less adequate to meet the increased demand in the year.

There would of course be periods when temporarily supplies could be more than the demand or vice versa depending on the timing at which the new capacities actually fructify. As such there could be some impact on the price with these added supplies for some time.

4. How does the Company plan to meet the challenges and opportunities of the coming years?

We have been constantly modifying our policies and strategies to meet the ever new challenges. Having reached a capacity of about 3.5 million tonne we have already drawn plans to further increase our capacity to about 5 million tonne. We would be focusing on improving our efficiencies further as also cutting down other cost parameters, especially the logistic costs.

We also intend to focus more on value added products such as Ready Mix Concrete etc. which we believe would be growing at a much faster pace. The recent commissioning of the first phase of our Thermal Power Plant of about 18 MW in the month of March 2007 and the expected commissioning of Phase II of 18 MW by June end would be a major milestone in our cost optimization efforts. All these initiatives are expected to insulate the Company from volatility of the prices which may arise as and when the cement industry passes through the trough period of its cycle.

DIRECTORS' REPORT

TO THE MEMBERS

The Directors have pleasure in presenting the 67th Annual Report together with the Audited Accounts of the Company for the year ended 31st March 2007.

FINANCIAL RESULTS

Rs. in Crore

	2006-07	2005-06
Sales & Other Income	974.27	707.93
Profit before Interest & Depreciation	259.29	128.81
Profit before Depreciation	223.15	109.32
Profit after Tax	178.11	55.45
Debenture Redemption Reserve Written back	1.51	-
Surplus brought forward	39.05	-
Amount available for Appropriation	218.67	55.45
Appropriations		
- Deb. Redemption Reserve	1.95	10.85
- Proposed Dividend (incl. Tax on Dividend)	6.68	-
- General Reserve	150.00	5.55
- Surplus carried forward	60.04	39.05
	218.67	55.45

SHARE CAPITAL

During the year, the paid up Equity Capital of the Company stood increased from Rs. 49.77 crore to Rs. 57.09 crore. The Company had allotted 37,31,100 fully paid Equity Shares of Rs. 10 each at par aggregating to Rs. 3.73 crore, to the Financial Institutions and Banks on conversion of their Rupee Term Loan. The

Company also raised Rs. 35 crore by issue of 35,89,700 Equity Shares of Rs. 10 each at a premium of Rs. 87.50 per share to a group company by way of Preferential Allotment as per SEBI guidelines.

DIVIDEND

The Directors are pleased to recommend a dividend of 10% (Re. 1 per Equity Share) on the increased Equity Share Capital of Rs. 57.09 crore (5,70,76,962 fully paid Equity Shares of Rs. 10 each) with necessary approvals. The Dividend outgo will be Rs. 6.68 crore (inclusive of Tax on Dividend of Rs. 0.97 crore).

OPERATIONS

Your Company has registered a robust performance on all the fronts during the year 2006-07. The Company has achieved highest ever profits in its entire history. Its sales and other income rose to Rs. 974.27 crore, an increase of 37.62% over the previous year. Operating Profit (PBIDT) doubled to Rs.259.29 crore and Profit after Tax (PAT) zoomed to Rs.178.11 crore, a phenomenal growth of around 221% over the previous year. The Company's cement production, including clinker for sale was at 31.26 lac MT as against 29.41 lac MT in the previous year and the total sales stood at 31.53 lac MT.

Production could have been even higher but for the unscheduled stoppage of the Kilns and Cement Mill due to unprecedented heavy rains during the second quarter of financial year 2006-07 which created a flood-like situation in the

Company's plant and surrounding areas affecting both the road and rail linkage to the markets for nearly 7 days.

The Company has achieved a significant milestone by timely commissioning of Phase I (18 MW) of Captive Thermal Power Project in March 2007. The second phase of further 18 MW Captive Power Project is likely to be completed by the end June 2007. As a result, the Company will be self-sufficient for most of its power needs and the power cost shall be significantly reduced, thereby improving the profitability further.

The Company has successfully completed the projects undertaken by it relating to improvement in the Operating Efficiency and Capacity Enhancement of its Kilns. Further, the Company has commissioned its Cement Mills No. 4 & 5 in a record time thereby raising the cement capacity by over a million tonne to 3.4 million tonne during the year. However, full impact of these expansions would be captured in the financial year 2007- 08.

During the year, there was healthy demand growth in the cement industry at around 9.5%. The growth was higher in our marketing zone at 10%. To take full advantage of the strong growth in demand, the Company is further enhancing its capacity to 5 million tonnes. The Group continues to be fully committed for the rapid growth of this Company and is bringing Rs. 75 crore as capital.

OUTLOOK

The Company continues to be optimistic about the growth of cement industry in India. With the Indian economy registering an impressive growth for the last

two years and with the view to gainfully integrating it in the main stream growth of global economy, the need to augment and create a robust infrastructure has been fully realized. Emphasis on development of housing, road, ports and other infrastructures is now being seriously addressed. Cement is an important input in these developmental needs. It is, therefore, expected that this industry will register a double digit growth in the years to come and play its meaningful role.

DIRECTORS

Shri N.G. Khaitan and Shri B.V. Bhargava 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, Auditors of the Company, retire and are eligible for re-appointment. The observations of the Auditors in their Report on Accounts read with the relevant notes are self-explanatory.

COST AUDIT

Audit of the Cost Accounts of the Company relating to 'Cement' for the year ended 31st March 2007 will be conducted by the Cost Auditors and Cost Audit Report will be submitted to the Ministry of Company Affairs, Government of India.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act 1956, and based on the confirmations received from the concerned officers, the 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 the financial year ended 31st March 2007;
- 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 Clause 49 of the Listing Agreement with the Stock Exchanges, Management Discussion and Analysis, Corporate Governance Report and Auditors' Certificate regarding compliance of the conditions of Corporate Governance are made a part of this Annual Report.

CONSERVATION OF ENERGY ETC.

Pursuant to 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, particulars of energy conservation,

technology absorption, foreign exchange earnings and outgo are annexed and forms part of the Annual Report.

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 regarding employees is given in Annexure B to the Directors' 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 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, rising input costs and other challenges.

On behalf of the Board of Directors

HARI SHANKAR SINGHANIA

New Delhi

Chairman

Date: 16th May 2007.