

Annual Report 2010-2011



Towards a Green Future

**JK LAKSHMI**  
C E M E N T Ltd. 

# Centennial year Celebrations of Lala Lakshmipat Singhanian



Glimpses of the various activities organised throughout the year to celebrate the Centennial year of Lala Lakshmipat Singhanian, Key Architect of J.K. Organisation



## Chairman's Message

The year 2010-11 has been an year of opportunities and challenges. Despite sluggish global economic conditions and prevailing uncertainties in the global environment, the Indian economy has continued to grow at a decent pace of 8.5%. The growth story of the Indian economy needs to be powered by infrastructure development.

During the Year, the Company has continued to grow both in terms of its clinkerisation capacity as also in its captive power generation. In the coming year, we plan to significantly enhance our capacities. The Company has embarked on a series of initiatives which would involve investment, both in augmenting capacities by setting up of new plants and diversification into new areas.

It has been a difficult year for the cement industry which witnessed substantial capacity additions resulting into sizeable surplus besides surging cost of inputs. With India placing high emphasis on infrastructure development, demand for cement is expected to grow significantly in the years to come notwithstanding the temporary slow downs, which the Cement Industry may have faced.

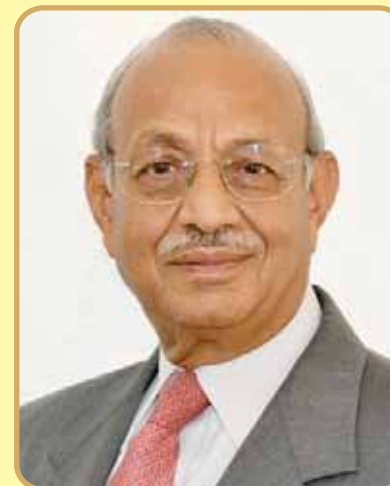
As a Group, we remain committed to Corporate and Social Responsibility. In all of our actions, we strive to ensure that all economic, environmental and social factors are given due attention. We believe that this approach, driven by our core values: caring for people, commitment to excellence and business integrity, has enabled us to be more responsible to serve the Nation and the Society in a better way.

I take this opportunity to express my sincere thanks to all the Shareholders for their continued trust in the management of the Company. I would also like to thank all our customers, dealers, suppliers, business associates, financial institutions, banks and the employees for their invaluable support and cooperation.

**Hari Shankar Singhanian**  
Chairman

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## Vice Chairman's Message

Cement Industry has been witnessing a steady and continuous growth in its capacity. With the addition of over 120 Million Tonnes during the last four years, the total installed capacity of the Indian Cement Industry today stands at about 290 Million Tonnes. This would mean that target set by the Government for 11th Five Year Plan has been achieved a year ahead of schedule. The industry therefore is sufficiently geared to meet the cement requirement for both normal and the emerging needs of our growing economy.

This capacity addition has also brought about challenges in its wake. The demand for cement in the Financial Year 2010-11 grew only by 5% in the country as against Planning Commission projection of about 10-12%. This has resulted in a situation of considerable surplus, bringing the prices to uneconomic levels in many markets. As a result margins of the industry got squeezed. This unexpected low growth however does not alter the forecast of a good growth in the coming years as our economy races to its destined position in the global arena and thereby offering enough opportunities in the medium to long-term for absorption of the surplus capacities as also raising appetite for further capacities.

During the year, industry also had to face the challenge of steep rise in the cost of its inputs. Significant increase in the prices of oil in the international market had a cascading effect on the cost of all type of fuels including coal but especially that of the petcoke. Our Company, as you would recollect, has been one of the pioneers in using this alternative fuel for the savings which it brings in the cost per unit of energy. The Company is seized of these cost-push challenges coupled with falling realisation and is taking steps to mitigate adverse impact on its working.

There are other concerns which can be addressed through effective collaboration of the industry with the Government. Logistics is one such area which is becoming increasingly important with the share of logistics cost going up in the final delivered price to the customer. Bulk loading, better road infrastructure, greater augmentation of fleet of wagons, etc. would address this concern. High taxation on the cement industry is yet another important issue which needs serious consideration for healthy growth of this industry. The direct and the indirect tax incidence today works out to nearly 60% of Ex-factory realisation, which is higher in comparison to other countries. It is critical that the Government favourably addresses this long pending concern of the industry.

Cement industry has taken pro-active steps in sensitising the Government, including the local bodies, on the utility and advantage of concrete roads which can bring significant long-term savings to the economy. We look at 2011-12 and beyond with optimism. The path ahead is promising as well as challenging.

**Bharat Hari Singhania**  
Vice Chairman & Managing Director



# Board of Directors

**Hari Shankar Singhania**  
Chairman

**Bharat Hari Singhania**  
Vice Chairman & Managing Director

**Dr. Raghupati Singhania**

**Dr. Ajay Dua**

**K. N. Memani**

**Shailendra Chouksey**  
Whole-time Director

**B. V. Bhargava**

**N. G. Khaitan**

**Raj Kumar Bansal**

**Pradeep Dinodia**

**S. K. Wali**  
Whole-time Director

**Vinita Singhania**  
Managing Director

**COMPANY SECRETARY:**  
**OFFICES:**

Brijesh K. Daga  
**Registered Office** - Jaykaypuram-307 019, Basantgarh, District Sirohi (Rajasthan).  
**Administrative Office** - Nehru House, 4, Bahadur Shah Zafar Marg, New Delhi-110 002.

**PLANTS:**

I. JK Lakshmi Cement, Jaykaypuram-307 019, Basantgarh, District Sirohi (Rajasthan).  
II. JK Lakshmi Cement, Motibhoyan, Kalol, District Gandhinagar (Gujarat).

**AUDITORS:**

Lodha & Co., Chartered Accountants

**BANKERS:**

State Bank of India  
Punjab National Bank  
IDBI Bank Ltd.  
Axis Bank Ltd.

**REGISTRAR & SHARE  
TRANSFER AGENTS:**

MCS Limited, Shri Venkatesh Bhawan, F-65, First Floor, Okhla Indl. Area, Phase-I, New Delhi-110 020.  
Ph. (011) 41406149, 41406151-52, 41609386, 41709885. Fax No. (011) 41709881

**COMPANY WEBSITE:**

www.jklakshmicement.com  
www.jkorg.in



## Managing Director's Message

Amidst substantial capacities built-up in Cement Industry to the tune of 30 Million Tonnes during the last fiscal year and the rather unexpected steep fall in the cement demand growth of about 5%, the Industry experienced severe pressure on the capacity utilisation as also on the price realisation. In this back drop, the Company could register a decent performance and achieve 91% capacity utilisation.

The Company strengthened further its focus on managing costs and improving efficiencies. To partly offset the steep hike in the fuel cost, a key cost component, the Company could manage to lower consumption of fuel at 82 Kg/MT as against 85 Kg/MT last year. Mounting logistic costs mainly caused by increase in the diesel cost has also been a major concern. The Company resorted to increasing its rail co-efficient to reduce its impact. These are two major cost drivers in cement business.

Commissioning of Green Power and expansion of clinkerisation capacity at a minimal capital cost is yet another step forward to meet the challenges.

We believe that delivering projects on time and on budget is critical to long term success of the business. It is heartening that successful augmentation of Kiln I has resulted in raising the Company's clinker production capacity from 36.3 Lac MT to 39.6 Lac MT. Further, through our structured and dynamic project management practices, the Company has successfully commissioned a 18MW Captive Power Plant and 12 MW Green Power Project through Waste Heat Recovery, taking the Company's total captive power capacity to 66MW. With this, the Company has achieved self-sufficiency on Power front. This would help us to keep energy costs, a key component of production costs, lower and improve profitability.

With the emphasis on continued growth, the work on both the Company's projects of Split Location Grinding Unit of 5.5 Lac Tonnes at Jharli (Haryana) and the Greenfield project of setting up a 27 Lac Tonnes cement plant at Durg has been progressing satisfactorily. This will raise the Company's total installed capacity to about 80 Lac Tonnes per annum by March 2013. The Company has also drawn ambitious plans for expanding its RMC business.

Your Company has been conscious of its responsibility towards Nature and has ensured that its growth and initiatives are most eco-friendly. Massive "Vriksha Ropan" activities and partly substituting consumption of fuel by bio-mass are some of the steps taken in this direction.

For JK Lakshmi, principles of Corporate Social Responsibility and Corporate Citizenship are fundamental to its existence. Towards this end, the Company has made significant contributions in the areas of community welfare, environment conservation and upliftment of the disadvantaged and economically weaker sections of the society. Besides, focus is also on the education of tribal women and children particularly in the villages nearby the Company's Plant.

Our achievements are manifold, but the task ahead is more challenging. With the successful track record and a highly engaged and empowered team of professionals, I am confident that the Company would continue to keep its growth momentum.

**Vinita Singhania**  
Managing Director



# The Year That was....



Smt. Vinita Singhania, Managing Director, receiving the prestigious Leading Businesswoman Award



JK Lakshmi Cement being conferred with the Safety Innovation Award



JK Lakshmi Cement Officials come together with business associates to celebrate Holi Milan



Shri Bharat Hari Singhania, Vice Chairman & Managing Director, along with other Directors and Company Officials reviewing the progress of Adult Literacy Programme session



JK Lakshmi Cement Dealers enjoying with their families during their trip abroad



JK Lakshmi Cement pavillion at a Trade Exhibition

# The Green Initiative



Smt. Vinita Singhania, Managing Director, taking part in the tree plantation drive



JK Lakshmi Cement being awarded the Green Manufacturing Excellence Award

## Responsiveness to a critical need

At JK Lakshmi Cement Limited, corporate management is seized of the critical urgency to implement green practices in industry. With a sense of immense ecological responsiveness JK Lakshmi Cement has initiated exemplary measures relating to energy conservation, materials utilisation, water conservation, emissions reduction, effluents reduction, waste utilisation, product & services, biodiversity & general compliance and ultimately the business results.

Recently JK Lakshmi Cement Ltd. has put up various innovative / environment friendly projects such as:

- Waste heat recovery 12 MW power plant i.e. a saving of 55000 MT of CO2 per annum
- Installation of fly ash drying system
- Installation of biomass handling system i.e. replacement of fossil fuel by biomass

JK Lakshmi Cement Ltd. also took the lead to become the first cement manufacturer in India to adopt a green colour coding of its cement bags to promote a green future.

## Recognition that is a measure of our success

At JK Lakshmi Cement Ltd., responsibility for the environment is deeply embedded in the corporate conscience, whether it be extensive plantation of trees, keeping emissions within strict norms, treatment of the effluents or conservation of water. Over the years, our efforts have been consistently recognised.

- JK Lakshmi Cement Limited's Cement Plant in Rajasthan was rated as the Greenest Cement Plant in Rajasthan
- Third Greenest Cement Plant in India
- Energy Conservation Award
- Green Tech Safety Award
- Golden Peacock Environment Management Award
- The National Award for the Second Best Environment Excellence in Limestone Mines for the year

## Winning a singular honour

In addition to the above recognitions, JK Lakshmi Cement is proud to have been awarded the "Leaders Award in Large category for the Green Manufacturing Excellence Award" instituted by renowned U.S. based business research and consulting firm - Frost & Sullivan. JK Lakshmi Cement is the first cement company in India to receive this honour.

Based on the assessment conducted by the Frost & Sullivan team, JK Lakshmi outshone the other 44 contenders to receive this honour. This only underscores the Company's best practices for ecological responsiveness.

JK Lakshmi Cement is proud to have been bestowed with this prestigious award, which comes as a recognition for all its efforts put in towards having a green environment.





# OPERATIONS

## Green Power

JK Lakshmi Cement is among the first few in Indian Cement Industry to have realised the potential of energy loss through hot air being exhausted to atmosphere. Our engineers embarked on to find the right technology to harness the waste gases being emitted from Pre-heater and Clinker Coolers. We in collaboration with M/s Taiheiyo Engineering Corporation and M/s Thermax Limited developed a custom built Waste Heat Recovery plant and generate around 12 MW of power from such waste heat gases. This generation process does not use any fossil fuel, hence it also results in reduction of green house gases.

Setting up of Waste heat recovery project was a challenging task due to space constraints and running plant. Innovative solutions and hard work of our engineers enabled us to commission the plant ahead of its stipulated time frame.

To make it further green, the air cooled condenser technology has been installed in the Green Power Plant to conserve the water which is a very scarce resource in Rajasthan. As a matter of fact all our Power Plants have been using air cooled condenser technology since 2007 thereby saving 20 lac litres of water every day.



Shri C.S. Sadasivan, Chief Executive - Marketing and  
Shri Ganpat Singh, Chief Executive - Works,  
at the release of the first consignment under Project Udaan (SAP)

## Green Cement

JK Lakshmi Cement has been able to use fly ash more effectively by drying it to produce world class cement. For drying the fly ash

high temperature gases released from the coolers are utilised thereby saving fossil fuel and also conserve scarce raw material.



## Maximising Efficiency

JK Lakshmi Cement has spearheaded various initiatives which have positively inspired the growth of the Company. Project Udaan – SAP implementation initiative went live this year very smoothly and without any major hiccups. With this there will be a total integration of all the functions resulting into increased efficiencies.

We are one of the few companies in India to implement multiple SAP modules in one go across multiple plants, product divisions, departments, across regions. With this, the Company will achieve high level efficiency in its working and lowering the cost of delivery to its end customer.

## Certified Excellence

JK Lakshmi Cement has been accredited with the Integrated Management Systems certifications for Quality Management Systems, Environmental Management Systems and Occupational Health & Safety Management Systems.

We take great pride in these achievements which have helped us to benchmark ourselves as the best when it comes to product manufacturing and customer service.

## Achievements Recognised

JK Lakshmi Cement has been identified as the leader in Safety Innovation and was awarded “Greentech Foundation Gold Award” and “Safety Innovation Award 2010” this year. The Company undertook major initiatives to ensure a safer working environment for its employees at the plant.

We have been recognised time and again for our efforts to achieve high level of productivity. For the 3rd year in a row, we were awarded the Productivity Excellence Award by the Rajasthan State Productivity Council. The entire work force at JK Lakshmi Cement is a fine example of excellent team work, as a result of which not even a single man hour has been lost during the last 28 years.



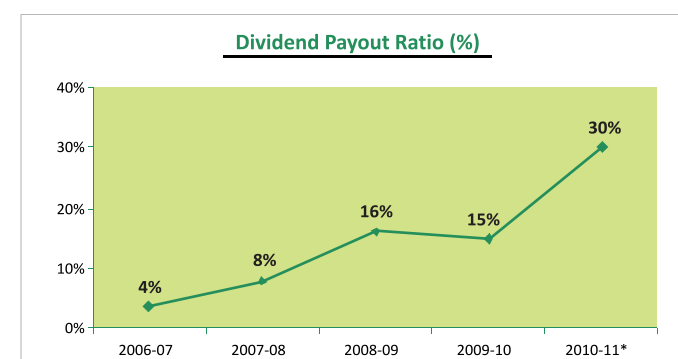
# FINANCE

## Shareholders' Wealth

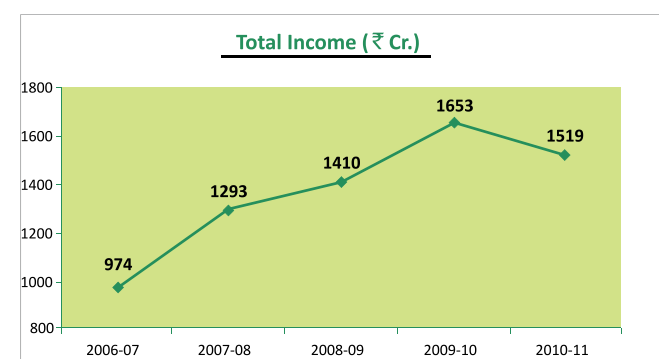
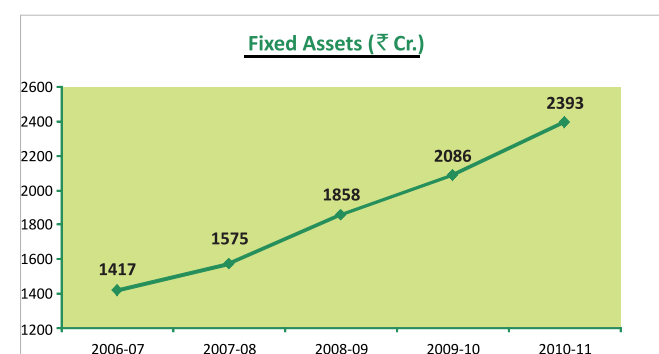
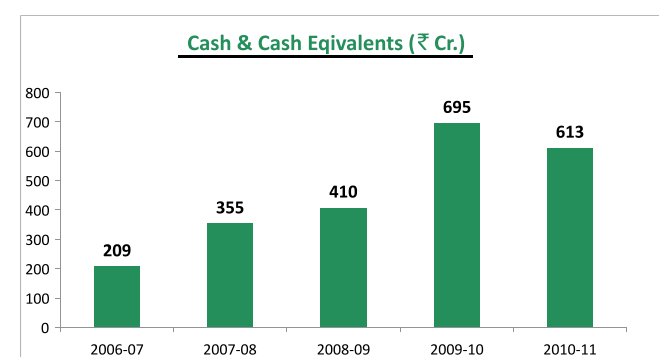
Enhancement of Shareholders' Wealth continues to be one of the most important agenda of the Company. In the pursuit of this objective, several measures have been taken by the Company viz. Stock Split from ₹ 10/- per Share to ₹ 5/- per Share in the year 2009-10 and doubling of Payout Ratio from 15% to 30% in 2010-11.

## Rating

Based on the Company's financial discipline & fiscal prudence along with its strong financial fundamentals as also the strength of its Balance Sheet, the Rating Agencies have granted to the Company, the highest possible Short Term Rating of 'PR1+' and a High Safety Long Term Rating of 'AA-'.



\*Recommended



## Gearing

The Company continues to have its Total Debt Equity Ratio at a comfortable level of 0.99 and Net Debt to Equity position at 0.39. This leaves ample scope for further leveraging the Balance Sheet to fund its future growth plans. The Company has already tied up its entire long term loan requirement of ₹ 850 Crores for the Greenfield Cement Plant being set up at Durg in Chattisgarh at a total capital outlay of ₹1250 Crores. The balance requirement will be met through internal accruals. These loans have been granted by various Banks at the most competitive rates possible in the present interest rate scenario.

## Liquidity

The Company constantly manages its liquidity so as to ensure that its utilisation is synchronised with Company's growth plans. The Company's Cash and Cash Equivalent as on 31<sup>st</sup> March, 2011 amounted to ₹ 613 Crores, which have been deployed in Fixed Deposits with Banks, CDs, Bonds and FMPs of various Mutual Funds, etc. The Company continues to perform the balancing act of generating superior returns by judicious and tax efficient deployment of financial resources while ensuring Safety of Capital. The other Current Assets & Liabilities are monitored on regular basis to keep them at optimum level.

## Interest Cost

The Company continues to reduce its interest cost by replacing high cost loans with low cost funds. The interest cost on the Working Capital Borrowings is also being reduced through continuous issuance of the Commercial Paper at the lowest possible rates and also by availing Buyer's Credit from time to time.

## Investors' Relation

The Company is regularly meeting its Investors and Financial Analysts to update them about its present and future plans. Investors' grievances, if any, are resolved smoothly and in the shortest possible time.



Smt. Vinita Singhania, Managing Director and Shri S.A. Bidkar, C.F.O. along with other Company Officials at the Group's Inter-Company Finance, Tax, Cost and Company Law Meet



Shri S.A. Bidkar, C.F.O.; Smt. Vinita Singhania, Managing Director; Shri S.K. Wali and Shri Shailendra Chouksey, Whole-time Directors, at the Analysts' Meet



Shri S.K. Wali, Whole-time Director; Shri S.A. Bidkar, C.F.O. and Shri C.K. Bagga, V.P. - Accounts & Finance, at the Bankers' Consortium Meet



# MARKETING



## Customer-centric Innovation

“Customer First” – the mantra that laid the strong foundation of our growth story and making us the most preferred brand across our market. Since inception, JK Lakshmi Cement has focused on providing the customer with superior quality cement in the country. That promise has been an inspiration for us.



The promise inspired us to come up with innovative methods to reach out to our customers and provide them with a product which is unmatched in terms of quality and assures the customer Mazbooti Guaranteed. Continuous improvements in the services have been a major factor in increasing our customer base.

## Strengthening Relationships

The Company has a strong commitment towards strengthening relationships with customers i.e. Business Associates and the influencer's fraternity comprising of Architects and Masons, by organising knowledge sharing session and mason meets across its markets. The discussions at such events help us to understand the customer needs better and take steps to improve the product offering and enhance customer service.

The number of dealers registered with Company's unique dealer loyalty programme “JK Lakshmi Champs” is on a rise. Through the programme JK Lakshmi Cement has been able to create a bond with not only the dealer but also with his family. All the dealers and their families are delighted with the Champs programme and have relentlessly expressed their delight to JK Lakshmi Cement. The program has built the relationship between the Company and the Business Associates stronger and has helped in rewarding the performing dealers for their efforts.



Interaction with Architects at a Knowledge Sharing Session



Dealers' Meet organised by JK Lakshmi Cement

## Go Rural to Win

JK Lakshmi Cement has spearheaded various marketing initiatives in the industry. One such initiative “Go Rural to Win” has helped the Company to reach out to the customers in the rural markets.

Under this initiative, JK Lakshmi Cement adopted an “Integrated Micro-Marketing” approach. Various activities are being organised with high involvement of the consumer, resulting in increased brand awareness as well as substantial increase in sales.



Technical service officers answering to queries in a consumer camp



Visitors taking part in the 'Mazbooti Challenge' contest at a road show



Arm-wrestling contest held during the rural marketing initiative



JK Lakshmi Cement official providing product information to the rural customers

## Moving Closer to Customer

To further reach out to its customers in Northern India, JK Lakshmi Cement has laid the foundation for its new grinding unit in the state of Haryana. Located in Jharli, the unit will add 6 Lac MT per annum to the production capacity of the Company.

The work at the grinding unit is on the fast track and is set to be completed by the end of this financial year which will help the brand to increase product availability across the markets of Haryana, Punjab, Delhi and Uttar Pradesh.



Smt. Vinita Singhania, Managing Director, performing the Bhoomi Poojan ceremony at the upcoming Grinding Unit at Jharli, Haryana



# HUMAN RESOURCES

## Highly Committed Workforce

JK Lakshmi Cement enjoys the status of being one of the preferred employers in the country. To retain this position, the Company conducts an Employee Satisfaction Survey (ESS) every two years to assess the satisfaction levels of the employees in the Company. This survey is carried out and reported by TNS India – a renowned name in the field of research and analysis. They carry out the survey independently and calculate the TRI\*M index.

The TRI\*M Index is a measure of employee satisfaction. The framework of ESS entails satisfaction/feedback on working environment and terms and conditions of employment, pride in the organisation and existing level of loyalty to the Company, desire to contribute to Company's success, meeting long term and short term Company objectives.

The index ratings for JK Lakshmi Cement have grown from 77 in the year 2005, 80 in the year 2007, 81 in the year 2009 to 85 in the year 2011. With this score, the Company has exalted to being amongst the top 10% at global level. This is indeed a validation of our strength of having a highly committed and satisfied workforce.



JK Lakshmi Cement - Gujarat Cricket Team



## Building Competencies

We are known for our innovative HR Practices and initiatives to nurture and build competencies. Regular programs like Competency Development, Coaching & Mentoring Modules, PRIDE Scheme and Young Leader Forum are organised with a mission to develop a competitive task force. As an integral part of development of senior executives, a 360° approach is being adopted to provide feedback from their seniors, peers and subordinates on two high impact behaviours/competency followed with structured coaching by external facilitator.

Various outbound activities and management development programs were organised to strengthen the bond among the members of Team JK Lakshmi.

This year another innovative HR program, Coffee with MD was initiated, to stimulate the involvement of and ideas from the Company's young executives. The response to the program has been encouraging.



Smt. Vinita Singhania, Managing Director;  
Shri Shailendra Chouksey and Shri S.K. Wali, Whole-time Directors,  
along with the winners of the "Coffee with MD" initiative



Team JK Lakshmi being awarded the "Gold Award"  
in an International Convention on Quality Concepts Circle

## Honouring Excellence

JK Lakshmi Cement was again recognised as the industry leader this year in the field of HR and was awarded the Greentech HR Excellence Award. The award recognises, rewards and promotes exceptional contributions in the field of HR.

The achievement is an honour to the proactive practices that have been adopted by the Company and the steps taken to nurture and develop each and every individual associated with us.



Shri R.K. Gupta, Head - Human Resources,  
receiving the "Greentech HR Excellence Award" won by JK Lakshmi Cement



## DIRECTORS' REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the 71<sup>st</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March 2011.

### FINANCIAL RESULTS

	₹ in Crores
	2010-11
Sales & Other Income	1518.99
Profit before Interest & Depreciation	214.34
Profit before Depreciation	163.40
Profit after Tax	59.13
Surplus brought forward	104.35
<b>Amount available for appropriation</b>	<b>163.48</b>
Appropriations	
- Dividend (incl. tax on Dividend)	17.77
- General Reserve	50.00
- Surplus carried to Balance Sheet	95.71
	<b>163.48</b>

### DIVIDEND

Your Directors are pleased to recommend a dividend of 25% per Equity Share on the Equity Share Capital of ₹ 61.18 crore (12,23,58,924 fully paid Equity Shares of ₹ 5 each). The Dividend outgo would amount to ₹ 17.77 crore (inclusive of dividend distribution tax of ₹ 2.48 crore).

## OPERATIONS

The year 2010-11 was a challenging year for the Cement Industry. Substantial capacity build up in the previous 2-3 years combined with further addition of nearly 30 million tonnes during the financial year created a situation of sizeable surplus, especially in the Company's operating zone. Most of our markets experienced considerable price pressures, whereas cost of inputs particularly that of fuel increased substantially. As a result, the Company's performance was adversely affected. During the year 2010-11, the Company recorded a sales turnover of ₹ 1488 crore and an Operating Profit of ₹ 214.34 crore.

### EXPANSIONS

Your Directors are pleased to report that, the expansion work undertaken by the Company for setting up 18 MW Captive Power Plant and 12 MW Green Power Project, through Waste Heat Recovery, have been successfully completed. With this the Company's power capacity has risen by 30 MW to 66 MW. Additionally, the Company has entered into a long term agreement on Private Partnership basis for supply of 21 MW power at rate substantially lower than that of the State Grid. This would raise the Company's total Captive Power availability to 87MW, full benefits of which would be available from Financial Year 2012 onwards.

Work on the Company's Split Location Grinding unit of 5.5 lac tonnes at Jhajjar (Haryana) is also under way and the project is expected to be completed by March 2012.

The Company's Greenfield project of setting up a 2.7 million tonnes Cement Plant at Durg in Chattisgarh at an estimated project cost of ₹ 1250 crore is progressing smoothly. Most of the necessary land has been acquired. The Project is expected to be operative by March 2013. With this, the Company's total installed capacity will go upto about 8 million tonnes p.a.