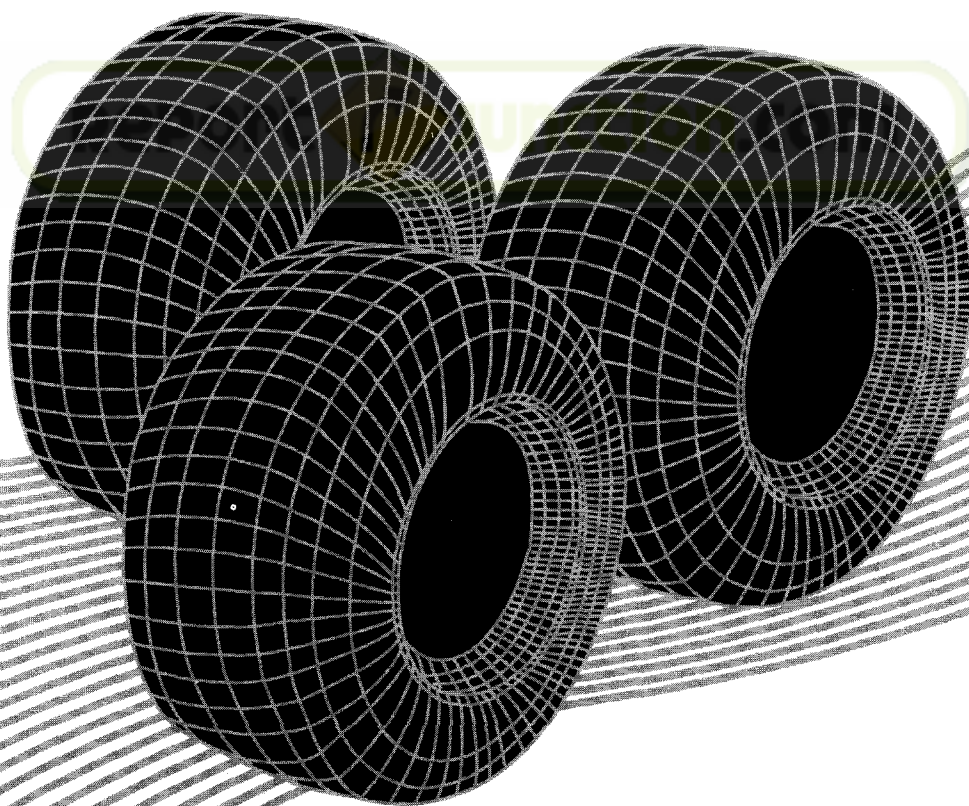


PIONEERING  
TECHNOLOGY



**J.K. Industries Ltd.**



Dear Fellow Shareholders,

It is indeed satisfying that the Company achieved an impressive growth of 24% and attained a turnover of nearly Rs.3,000 crores during the year. The Company pioneered Radial Technology in India. It launched Passenger Radial Tyres for the first time in the country in 1979. Later on in the year 1989 we were again the first to start production of Truck Radial Tyres in the country. We took the road less travelled and invested heavily in technology. Radialisation in the passenger segment has now reached 90% and in truck segment it is fast growing. It is gratifying to note that our strategic investments have yielded rich dividends.

India is in the Golden Era of growth and confidence – an era full of opportunities and challenges. With increased focus on investments in infrastructure, especially in highway development, the road transport sector in India is going through an exciting period with prospects of a bright future. JK Industries maintained its leadership by exploiting the growing market as also overcome the challenges posed by the competition, from the domestic players and imports.

The Company has been able to deliver world class products to customers in urban and rural areas through commitment to excellence coupled with focus on R&D, innovative marketing and a well trained and dedicated workforce at all levels. The pioneering spirit and other strengths should enable us to attain still greater heights and achieve ambitious plans that we have set for ourselves.

The restructuring process for segregating Tyre Business and Investments initiated earlier has now been taken to its logical conclusion. The company is now fully focused on the tyre business and this along with a strong growth potential should result in further enhancement of shareholder value.

I look forward to your continued support in our growth endeavours.

My best wishes for a Happy and Prosperous 2007 for you and your families.

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

Hari Shankar Singhania

## BOARD OF DIRECTORS

Hari Shankar Singhania  
Chairman

Raghupati Singhania  
Vice Chairman & Managing Director

Arvind Narottam Lalbhai

Arvind Singh Mewar

Bakul Jain

Govind Ballabh Pande

Om Prakash Khaitan

Sobha Nambisan, IAS

Dr. Vinayshil Gautam

Bharat Hari Singhania  
Managing Director

Vikrampati Singhania  
Dy. Managing Director

Swaroop Chand Sethi  
Whole-time Director

Report  junction.com

### Auditors

Lodha & Co.  
Chartered Accountants

### Bankers

Bank of India  
Corporation Bank  
Indian Bank  
Punjab National Bank  
State Bank of Bikaner & Jaipur  
State Bank of India  
State Bank of Mysore  
Syndicate Bank  
The Federal Bank Ltd.  
UCO Bank

### Plants

Jaykaygram, Kankroli, Rajasthan  
Banmore, Madhya Pradesh  
Mysore Plant I, Karnataka  
Mysore Plant II, Karnataka

### Registered Office

7, Council House Street,  
Kolkata - 700 001

### Administrative Office

3, Bahadurshah Zafar Marg,  
New Delhi - 110 002

### Vice President (Corp. Laws) & Company Secretary

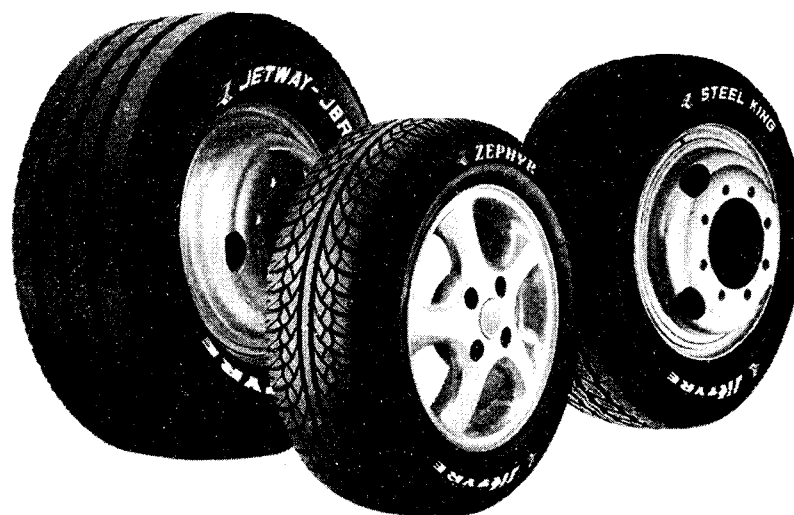
P K Rustagi

Visit us at [www.jktyre.com](http://www.jktyre.com)



## CONTENTS

Vice Chairman & Managing Director's Message	1
Directors' Report	2 - 8
Annexure To Directors' Report	9 - 10
Management Discussion and Analysis	11 - 19
Corporate Governance Report	20 - 23
Social Responsibility and Community Service	24 - 25
Auditor's Report	26 - 27
Balance Sheet and Profit & Loss Account	28 - 45
Auditor's Report on Consolidated Financial Statement	46
Consolidated Balance Sheet and Profit & Loss Account	47 - 58
Balance Sheets of Subsidiary Companies	59 - 65





Dear Shareholders,

In the year gone by, your Company achieved an all time high production of 67.85 lac tyres and turnover of Rs. 2,970 crores, an increase of 24% over the previous year.

JK Tyre has been on the forefront of technological leadership. I go back to the years when we started this journey. In 1979 we pioneered Passenger Radial technology in India. We revolutionized the Indian Passenger Tyre market and currently over 90% of the Indian Cars have switched to radials and we continue to play a dominant role in this important segment.

Continuing this pioneering spirit, JK Tyre has several firsts to its credit, such as introduction of eco-friendly Green tyres, high speed V-rated passenger radials, asymmetric tyres etc.

In 1989, once again we pioneered JK Tyre Truck Radials in India, which are now manufactured at our state-of-the-art facility at Mysore, the only world class factory so far in India. We introduced several innovative marketing techniques e.g selling cost per kms for the commercial tyre users. Truck/Bus radialisation is presently 2.8% and is expected to grow to about 15% by 2012. I am glad your Company is in full preparedness to encash this opportunity.

Your Company has continued its focus on Off the Road (OTR) tyres. The production of OTR tyres increased by 84% in the current year. Further expansion of OTR capacity is underway in view of the growing potential of this segment.

We at JK Tyre have always believed that technology will drive the future, and this conviction led us to the establishment of an independent R&D Institute "HASETRI" – Hari Shankar Singhania Elastomer and Tyre Research Institute, the only one of its kind yet in the country.

We have always kept customers at the top of our mind. To serve our tyre users better your Company once again took the lead by establishing JK Tyre Steel Wheels – one stop chain of Exclusive Radial Tyre Outlets, by now 125, which provide comprehensive value added services to the customers.

JK Tyre successfully completed a Business Process Re-engineering (BPR) exercise eliminating non value added activities across its operations. A BPR initiative of this magnitude was first ever undertaken in the Indian corporate world.

I must acknowledge that the best of ideas have come from the people within the organization. At JK Tyre, we keep innovative spirit alive & roaring which has become a part of our business strategy.

Wishing you all a very Happy and Prosperous New Year.

Raghubati Singhania  
Vice Chairman & Managing Director





## DIRECTOR'S REPORT

### TO THE MEMBERS

The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 30th September, 2006.

Turnover during the year was at an all time high of Rs.2970 crores recording an impressive increase of 24% over that of previous year. Operating Profit for the year at Rs.169 crores increased by 29%. After providing for cost of borrowings, depreciation and taxation, Profit After Tax for the year was Rs.17 crores.

The Company has achieved these results despite unprecedented increase in the cost of raw materials. Company's continued emphasis on efficiency parameters, technology upgradation and cost compression has helped the Company to improve operating results.

### APPROPRIATIONS

The amount available for appropriation, including surplus from previous year & debenture redemption reserve no longer required is, Rs. 61.93 crores. The Directors propose this to be appropriated as under:

	Rs. Crores
Debenture Redemption Reserve	5.27
General Reserve	20.00
Dividend	7.70
Corporate Dividend Tax	1.08
Surplus carried to Balance Sheet	27.88

### RESTRUCTURING

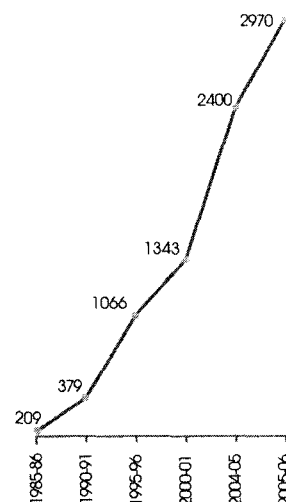
A Scheme of Arrangement and Demerger (Scheme) between J K Industries Ltd. and Nefflier Technologies Ltd. (name since changed to Nefflier Finco Ltd.) filed



View of Curing Section

in the Hon'ble High Court at Calcutta on 19th June, 2006 was approved at the shareholders' meeting held on 7th September, 2006 under the Order of the Hon'ble High Court. The Scheme has since been sanctioned by the Hon'ble High Court at Calcutta pursuant to Sections 391-394 of the Companies Act, 1956. The Scheme has become effective on 11th January, 2007 and is operative from 1st October, 2005. Impact of the Scheme has been incorporated in the Audited Accounts for the year under review.

**TURNOVER (Rs. crores)**  
CAGR OVER 20 YEARS - 15%



On the Scheme becoming effective as aforesaid, the 'Demerged Undertaking' comprising of business



Dr. Raghupati Singhania at launch of General Motor's Formula Chevrolet on JK's Formula Tyres

of holding and dealing in investments and some other assets and properties of the Company and liabilities and obligations thereof stood transferred to and vested in Netflir Finco Ltd.

On re-organization of the Share Capital in terms of the Scheme, for every existing 100 Equity Shares of Rs.10 each of the Company, the Shareholders were issued 75 fully paid Equity Shares of Rs.10 each of the Company and 25 fully paid Equity Shares of Rs. 10

each of Netflir Finco Ltd. Accordingly the paid up Equity Share Capital of the Company stood reorganized from Rs.41.06 crores to Rs.30.79 crores.

On the Scheme becoming effective, Hansdeep Investment Limited, Hidrive Finance Limited, Panchanan Investment Limited and Radial Finance Limited have ceased to be the subsidiaries of the Company.

### PREFERENTIAL ISSUE

The Company has augmented its long term resources and its networth by issue of 36,00,000 Equity Shares aggregating to Rs.37.80 crores to a group Company on preferential allotment basis.

### DIVIDEND

Your Directors are pleased to recommend an increased dividend of 25% (Rs. 2.50 per Equity Share)

### JK Tyre - Pioneers of Radial Technology in India:

- Introduced Passenger Radials in 1977
- Truck/Bus Radials in 1999

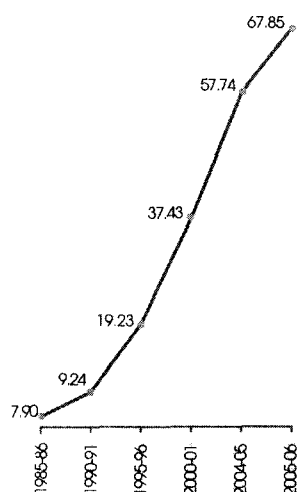


### 1st Indian Company to launch:

- Hi-Performance "V-Rated" Directional Tyres
- First OE Fitment of Tubeless Radials
- Eco Friendly Silica Tyres
- Asymmetric Tyres for Entry - "C" segment cars. Ultima Royale



**TYRE PRODUCTION (Lac Nos.)**  
CAGR OVER 20 YEARS - 12%





D. Ganguly VP (Works), Mysore & Dr. R. Mukhopadhyay, Director (R&D) receiving Rajiv Gandhi National Quality Award 2005, from Shri Sharad Pawar, Hon'ble Union Minister

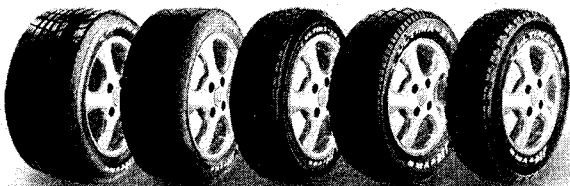
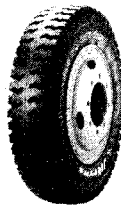
on the Equity share Capital of Rs. 30.79 crores. The dividend outgo will be Rs. 8.78 crores (inclusive of dividend tax of Rs. 1.08 crores).

## OPERATIONS

Production during the year at 67.85 lac tyres registered an increase of 17.5%. During the year Expansion

## Wide Ranging Products:

- Highest Mileage Bias Lug Truck Tyre in India - 'JET ONE'
- Only company to offer strong Dual Bead 18PR Bias LCV Tyre
- 'Ultima XPC': The ultimate power for Little Elephant - Tata Ace
- Complete range of Taxi Radials: 'Rally'- for Ambassador, Omni, Indica and Indigo
- World Class Motorsports Tyres for Racing, Rallying and Karting



Project enhancing capacities of Truck Radial by 50% and Passenger Radial by 30% was completed. The coming year shall have the benefit of these expanded capacity, which will further strengthen JK Tyre's leadership in the Indian Tyre Market.

The Passenger Car industry is witnessing exciting times with

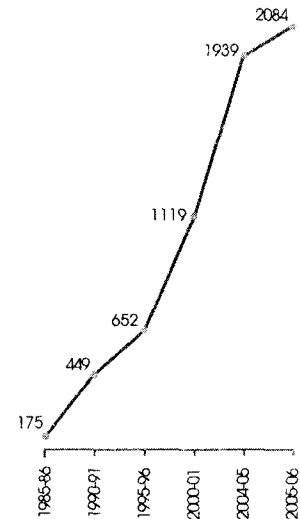
surge in the demand as well as larger number of newer models being put on the roads. The global major players are setting up their facilities in India at a fast pace. The Company has partnered with Original Equipment Manufacturers (OEMs) and has kept pace by developing tyres for newer models in a short cycle time.

The Company is seizing this opportunity and has taken on hand further expansion in Passenger Radial and LCV Bias tyre capacities to meet the growing demand of JK Tyres.

Commercial vehicle segment is also witnessing larger growth driven by an accelerated economic activity. The development of multi-axle vehicles have generated demand for truck radial tyres. Foreseeing a demand for these tyres, your Company has enlarged its truck radial capacity at its state-of-the-art plant at Mysore.

Off The Road (OTR) tyres capacity was also expanded, during the year. With emphasis on growth of infrastructure, the Company is

**GROSS BLOCK (Rs. crores)**  
CAGR OVER 20 YEARS - 14%







A.K. Bajoria receiving prestigious Niryat Shree Award, 2005 from Shri Kamal Nath, Minister of Commerce & Industry, Govt. of India

planning further growth in this segment.

### GLOBAL PRESENCE

Your Company continued to have a wider foot print on the global markets. Its exports at Rs. 435 crores resulted in a growth of 14% over last year. Our extensive marketing network, spread across 70 countries, in 6 continents is the strength behind the excellent growth in the global business over these years. Outsourcing of JK Tyre branded products from China for international markets is gaining momentum and will further increase in the coming years.

### ENVIRONMENT CONSERVATION - A WAY OF LIFE

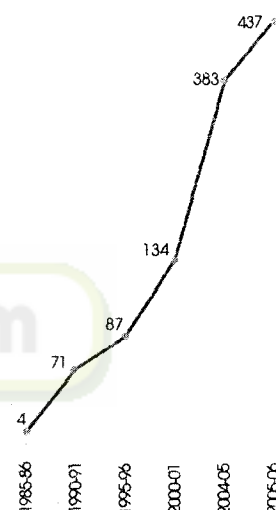
We at JK Tyre believe that business development and environment management are inseparable

activities. The Company has laid highest emphasis on greening the environment which has been a continued process over the last several years. Till date, over 6 lac trees have been planted in and around the plants as a part of the ongoing afforestation programme. The Company has also developed and is maintaining several public parks at different locations to create green environment in the area.

With a view to conserve scarce natural resources, Effluent Treatment, Waste Water Management by installing water efficient equipment wherever possible, are some of the measures taken at our Plant locations.

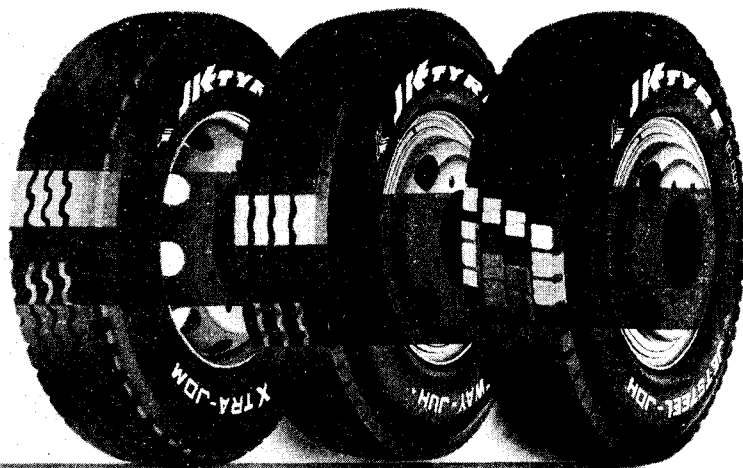
Rajasthan being water scarce State, efficient water management and rain water harvesting have been focus areas from last many years.

**EXPORTS (FOB Value in Rs. crores)**  
CAGR OVER 20 YEARS - 28%



### JK Tyre - Truck Radial Advantages:

- Up to 10% fuel savings
- Longer life with over 50% more durability than nylon tyres
- Less maintenance costs
- Reduced cargo damage due to smoother ride
- Better traction on both wet and dry roads
- Excellent high speed capability
- Puncture resistant





OTR Curing Machine

Kankroli Tyre Plant (Jaykaygram) has received "Green Tech Environmental Award" from CII which is the testimony of Company's concern for the environment.

All our tyre plants are ISO 14001

accredited and maintain highest level of environmental and safety standards. Environmental audit by Pollution Control Board Authorities and other agencies ensure compliance of all the Environmental Protection Laws of the Land.

## RECOGNITIONS

Besides prestigious business awards like, Leading Tyre Exporter, Product Quality and Human Resource Excellence, Company has been recognized by Maruti Udyog Limited as leading vendor and conferred with "Award for overall Design Excellence" and "Overall Supplier Performance". We have also been awarded best "Vendor Managed Inventory Award" by Eicher Motors. It is our privilege to be sole supplier to world platform model "LOGAN" in India being launched by Renault of France in collaboration with Mahindra & Mahindra.

Company's Kankroli Plant has been recognized with special accolades in the form of CII GBC Energy Efficient Plant award.

## CONSERVATION OF ENERGY ETC.

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are annexed.

## DIRECTORS

Shri Hari Shankar Singhania and Shri Arvind Narottam Lalbhai retire by rotation and being eligible, offer themselves for re-appointment at the Annual General Meeting.

The Board of Directors appointed Smt. Sobha Nambisan, IAS as an Additional Director pursuant to Section 260 of the Companies Act, 1956 with effect from 14th July, 2006 representing Karnataka State Industrial Investment & Development Corporation Limited in place of Shri I M Vittala Murthy, IAS, who ceased to be Director w.e.f. the said date. She would hold office up to the date of the ensuing Annual General Meeting. The Company has received a notice in writing from a member proposing her candidature for the office of Director, liable to retire by rotation. The Board recommends the appointment. Shri R K Vashishtha, representing Life Insurance Corporation of India (LIC) ceased to be a Director of the Company with effect from 26th October, 2006. The Board records its



The Hon'ble Finance Minister of India, with the winners of Lakshmipat Singhania-IIM, Lucknow National Leadership Awards along with Chairman, Board of Governors, IIM- Lucknow, Shri Hari Shankar Singhania