



04

2005

2006

2007

2008

2009

*Milestone after  
milestone on the  
expressway to prosperity.*

## BOARD OF DIRECTORS

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**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

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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

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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.

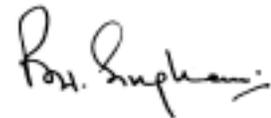
The Company's other ambitious project of setting up of a Captive Thermal Power Generating capacity of 36 MW is also progressing well. It is expected that the Power Plant will be commissioned within FY 07. The commissioning of this project would mark the end of Company's dependence on the power from the 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 66<sup>th</sup> Annual Report together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> 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
<b>Appropriations</b>		
- 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 (PBIDT) 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 31<sup>st</sup> March 2006 and operative w.e.f. 1<sup>st</sup> 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. 1<sup>st</sup> 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 1<sup>st</sup> 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 31<sup>st</sup> 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 31<sup>st</sup> March 2006, is being conducted by the Cost Auditors and their report will be submitted to the Ministry of Company Affairs, Government of India.

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## **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 29<sup>th</sup> May 2006.

**ANNEXURE TO THE DIRECTORS' REPORT FOR THE YEAR ENDED 31<sup>ST</sup> MARCH 2006**

**a) Conservation of Energy**

The Company took following major initiatives with an intention to conserve energy and to reduce fuel and power consumption :

- ❖ Enlargement of Pre-heater down corner duct of Kiln-3.
- ❖ Installation of Water spray system in Pre-heater down corner duct of Kiln-3.
- ❖ Modification of Kiln inlet segment plates in Kiln -2.
- ❖ Modification of Raw Mill Fan inlet cone in VRM-1.
- ❖ Installation of PD blower in place of Primary Air Fan in Kiln -3 to improve flame momentum and effective heat transfer in Kiln.
- ❖ Optimization of air flow of cooler fans in Kiln-2 and Kiln-3.
- ❖ Reduction of Pre-heater outlet oxygen % in Kiln-2 and Kiln-3.
- ❖ Modification of logic control of PD blower at CF silo Top to avoid idle running.
- ❖ Increase PPC cement production from 33% to 45%.
- ❖ Modification of logic control of mill vent and separator bag house compressor with close loop of DP in Cement Mill No-4.

These modifications resulted in reduction of power consumption from 84 Kwh / MT to 82 Kwh / MT units and fuel consumption from 93 Kg / MT to 84 Kg / MT of cement.

**b) Technology absorption, adaptation and innovation by technology adaptation**

All the above improvements have been completed and the technologies have been fully absorbed and the plant is performing at its optimum capacity.

**c) Research and Development**

During the year, the Company has spent Rs. 20.07 lacs. This is equivalent to 0.03% of the turnover.

**d) Exports, Foreign Exchange Earnings and Outgo**

	Rs. in lacs
i) Foreign Exchange earned	Nil
ii) Foreign Exchange used (CIF value of Imports of raw materials, stores and spares and capital goods, loans, consultancy and know-how fee etc.)	659.34

**PARTICULARS OF CONSERVATION OF ENERGY**

SL. No.	Particulars	Unit	2005-06	2004-05
<b>A.</b>	<b>POWER AND FUEL CONSUMPTION</b>			
<b>1.</b>	<b>Electricity</b>			
<b>(a)</b>	<b>Purchased :</b>			
	Units	Kwh in Lacs	2,035.45	1,575.46
	Total amount	Rs. in Lacs	8678.20	6511.82
	Rate/Unit	Rs.	4.26	4.13
<b>(b)</b>	<b>Own Generation :</b>			
	<b>Through Diesel Generators :</b>			
	Units	Kwh in Lacs	328.01	696.82
	Units Per Litre of Diesel Oil	Rs. in Lacs	3.64	3.65
	Cost/Unit (Including Interest and Depreciation)	Rs.	5.46	3.92
<b>2.</b>	<b>Coal</b>			
	Quality (Grade)		A to D	A to D
	Where used		Used for Calcining Raw Meal	
	Quantity	MT	2,47,193	2,59,715
	Total Cost	Rs. in Lacs	8177.37	9017.45
	Average Cost	Rs./MT	3308	3472
<b>3.</b>	<b>Other/Internal Generation</b>	-	-	-
<b>B.</b>	<b>CONSUMPTION PER UNIT OF PRODUCTION</b>			
	Electricity	Kwh./MT	82	84
	Coal	Kg./MT	84	93

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

- Sales Turnover Rs. 700 crores against Rs.592 crores in the previous year viz. a growth of 18%.
- Capacity utilisation 123 %.
- Cement production of 29.41 lac MT (including clinker for sale) against 27.18 lac MT in the previous year , a growth of 8%.
- Cash Profit has increased to about Rs. 109 crores from Rs. 73 crores in the previous year.
- Significant improvement in the Profit after Tax by 113% from Rs. 26.05 crore in the previous year to Rs. 55.45 crore.

### INDUSTRY SCENARIO

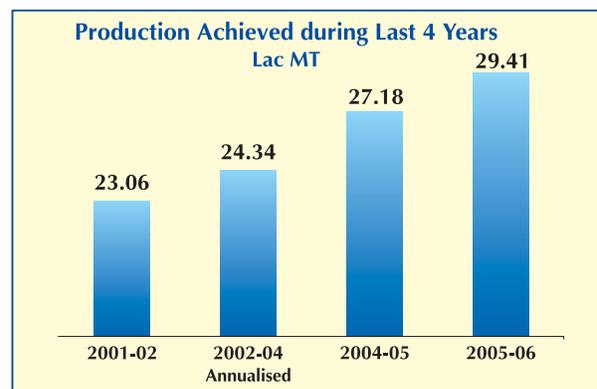
The Cement Industry has recorded a healthy growth of about 10% against the previous year's growth of 8%. This growth is keeping in line with the healthy growth that the Indian economy is registering.

Our marketing zone registered a demand growth of 10% of which Northern region achieved a growth 11.9% while Gujarat, a major constituent of our market, grew by a nominal 4.7% only.

### COMPANY'S PERFORMANCE

The Company's production (including clinker sale) increased to 29.41 lac MT from 27.18 lac MT **thereby achieving 123%**

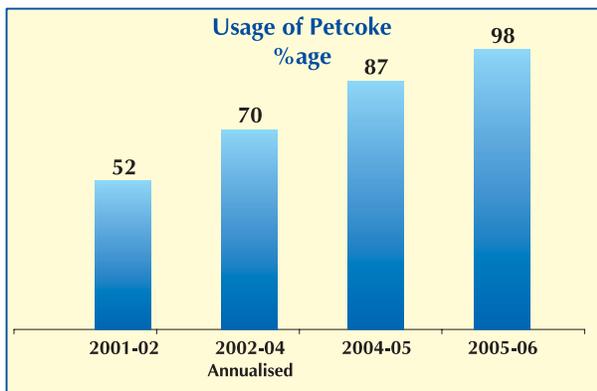
**capacity utilisation.** The Company's cement and clinker sales increased from 27.84 lac MT to 30.12 lac MT, a growth of 8.2% while the cement sales grew by 9%. The Company's turnover at Rs. 700 crores has registered a growth of about 18%.



The demand growth of 10% in our marketing zone has been impressive viewed against the growth of 7.50% and 6.45% in 2004-05 and 2003-04 respectively. The corresponding increase in the capacity during the year 2005-06 has been only about 3%. The lower capacity addition has helped in reducing the overhang of the supplies thereby bringing about the much needed improvement in the cement prices during 2005-06. The improved prices, however, had to bear the burden of steep hike in the freight cost, especially in the road sector, which was firstly impacted by the increase in the petroleum prices and secondly in the last quarter due to a Hon'ble Supreme Court's order in November which restricted the loading capacity of the trucks, on which the road transportation sector has been working so far. This has led to severe shortage of truck availability especially in the State of Rajasthan and hence impacted the freight rates. During

the year the petroleum prices were hiked twice, the cumulative effect of which was 20%. The increase in the petroleum prices impacted cost of the fuel which is mainly based on Petcoke, a crude by-product, as also the cost of the captive power generation which is diesel based.

The Company's un-interrupted efforts to improve its efficiencies have been yielding positive results year on year and this year too has been no exception. The usage of Petcoke has increased to 98%.



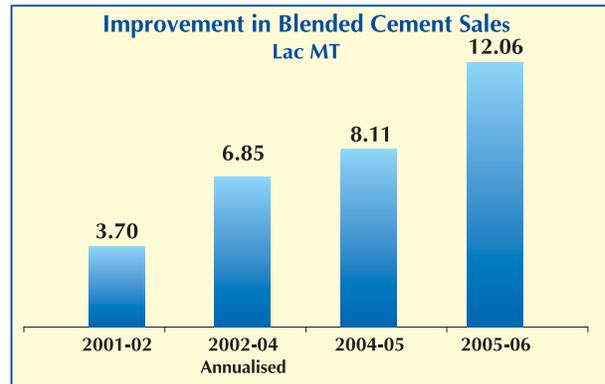
The power consumption have been brought down by 2 units to 82 Kwh/MT of cement from 84 Kwh/MT of cement in previous year. Similarly coal consumption has been reduced to 84 Kg/MT of cement from 93 Kg/MT of cement in the previous year. These improvements during the year have helped the Company to contain the increase in cost of production to just 1% despite the cost of inputs going much higher.

### Marketing

The Company's thrust on prime positioning of JK Lakshmi brand and redistribution of marketing areas to contain the logistic cost have largely been successful. A

major percentage of Company's sale is now coming from the near by markets of Rajasthan and Gujarat.

The Company's consistently high quality and its continuous efforts to improvise the services have been instrumental in the high level of satisfaction amongst our customers. Efforts are also being made to increase the basket of construction related product offerings so as to provide a single window solution to all our customers for their construction related requirements. The sale of blended cement during the year has increased by nearly 50% from 8.11 lac MT to 12.06 lac MT.



The sale of **JK Lakshmi Ready Mix Concrete** has increased to nearly 1 lac cu.mt.



Company's officials at the Ready Mix Concrete Plant, Jaipur

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with the increase of three more RMC plants in the Company's fold.

### **Internal Control System**

The Company has a sound system of internal controls for the recording & reporting of the various financial transactions, efficiency of operations and compliance with relevant laws and regulations. In order to ensure that all checks and balances are in place and all the internal control system in order, regular and exhaustive internal audit is conducted by the Company's own internal audit department.

The important findings of the audit are reviewed by The Audit committee who keeps a close watch on compliance with the laid down internal control systems.

### **Human Resource Development**

The Company's commitment and belief in the ability of the HR Management to drive success into the business has been reinforced by the Company's working this year. The employee engagement and involvement has been focused on many of our initiatives and the employees manifested this engagement in their strong belief and pride in the Organisation and their constant efforts to make things better. This manifestation results in producing positive outcome for key stakeholders, customers, associates and investors at large.

The Company had the honour of being short listed in the Business Today Best Companies to Work in their Survey of 2005. Mercer Human Resource Consulting, an

international HR Consulting firm, developed the methodology and shortlisted the companies.

The Company also won the Group's prestigious "**People Management Award**", making it the unbeaten recipient on four times. This award is given to that company in the J.K. Organisation which adopts the best People Management practices as evaluated against rigorous criteria laid down by a committee involving outside agency as well.

To further strengthen the management process, a number of new initiatives were taken during the year which included the Competency Mapping of the Senior Executives and working out their training needs based on the assessed gaps. Towards improving the existent Talent Management System, leadership programmes were conducted for various levels of management in collaboration with MDI, Gurgaon.

### **Social Responsibility**

Fulfillment of social responsibility is treated with same seriousness as any other business objective of the Company. The spectrum of the activities which the Company undertakes are directed towards welfare of our own employees to the upliftment of residents of villages in and around our plant, to the security of the masons and contractors who form the backbone of construction industry to the welfare of the society at large. The key initiatives which the Company undertook during the year include free medical camps, further fillip to the integrated family

programme “Naya Savera”, adult literacy, etc. The Company and Akshaya Pratishtan in collaboration with the Ministry of Social Justice and Empowerment had arranged a medical camp at Jaykaypuram for the physically challenged. The camp evoked hearty response with as many as 231 cases of disablement were treated. Amongst these, for 150 cases the appropriate supportive equipments were provided free of cost. Besides, another 150 physically challenged people were distributed with wheel-chairs, calipers, etc.

Amongst the various medical camps organized during the year, the eye camp generated considerable enthusiasm from the residents of the local villages, with medical treatment being offered to 225 patients and 22 operations for eye ailments. Free medicines for the post operative treatment, including spectacles, etc. were distributed.



Free Eye Camp organised by the Company at Works, Jaykaypuram, Sirohi, Rajasthan.

The “Naya Savera”, the integrated family welfare programme, which was launched in July 2004 in collaboration with the Population Foundation of India was provided further momentum this year with the Naya Savera

team conducting 728 Mobile Clinic Visits, 2168 Household Visits with nearly 12000 beneficiaries till date.

The **JK Lakshmi Sahyogi Sanrakshan Club**, an institution created by the company is covering over 34000 members which include masons, small contractors and other skilled workers of the construction industry, who do not normally have medical/insurance cover. The Company under the auspices of this Club has so far distributed Rs. 11 lacs.



Gramin Panchayat Samiti Pradhan giving a cheque to the bereaved family of a mason under JK Lakshmi Sahyogi Sanrakshan Club's, Masons Insurance Scheme.

## Environment

The Company is deeply conscious of its responsibility towards environment. The extensive plantation of the trees, keeping the emissions within the strict norms, treatment of the effluents and conservation of water are some of the issues which the Company has been focusing. It is a matter of satisfaction that Company's efforts have been recognized by no less than the institute, Centre for Science and Environment (CSE). In one of its biggest Green Rating Project (GRP) undertaken JK Lakshmi Cement has been rated as **third best cement company in the country** due to

its consistent above average performance in all the sections.

JK Lakshmi Cement's Jaykaypuram Plant is the first cement plant in the country to use Common Effluent Treatment Plant (CETP) sludge for energy generation and does this in cooperation with regulators. This plant has State of the Art bag filters to control emission in almost all the sections.

## OUTLOOK

Cement sector during the year has contributed significantly to the growth in the manufacturing sector as well as to the growth of country's GDP. The increase in the consumption indicates that the much required investment in the infrastructure development of the country is finally being deployed. The demand supply position being in a healthy situation, the price environment has improved

considerably and it is expected that sufficient investment would flow in, in creating new capacities, to enable the industry to keep pace with the increased requirement of the economy.

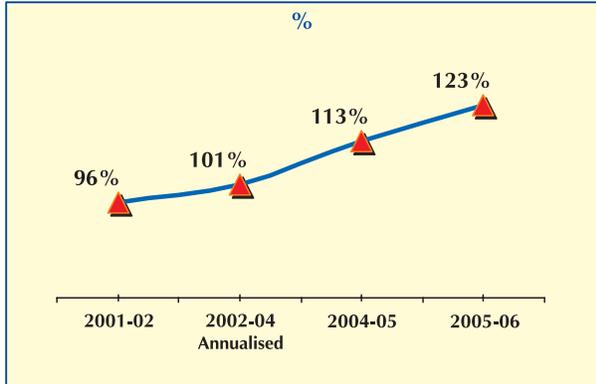
The emerging strong position of Indian economy and the ever increasing requirement of the infrastructure sector indicates a continuous growth in the cement consumption in the range of 8% to 10% for atleast next few years. The Company's expected completion of the ongoing projects during the coming year would give further fillip to Company's track record of maintaining a healthy growth. The Company's favourable location enabling it to cater to both Northern and Western markets, its ability to continuously improve its operation with a constant customer focus and a very strong brand position promises a bright future for your Company.



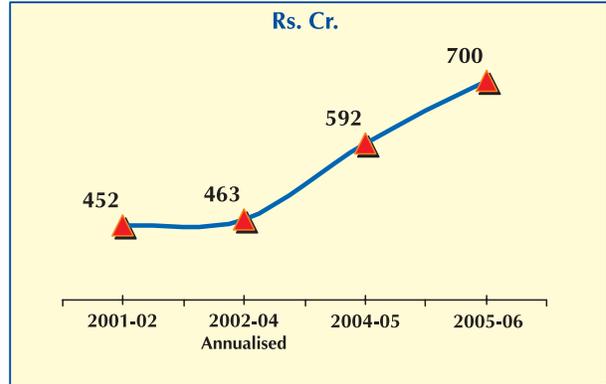
*Some prominent constructions in the state of Rajasthan and Gujarat built with JK Lakshmi Cement*

**MILESTONE AFTER MILESTONE ON THE EXPRESSWAY TO PROSPERITY**

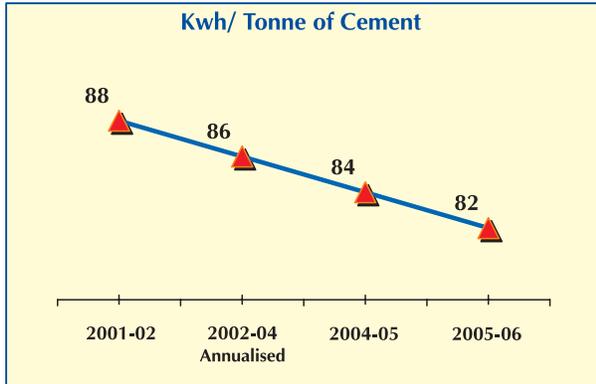
**Capacity Utilisation**



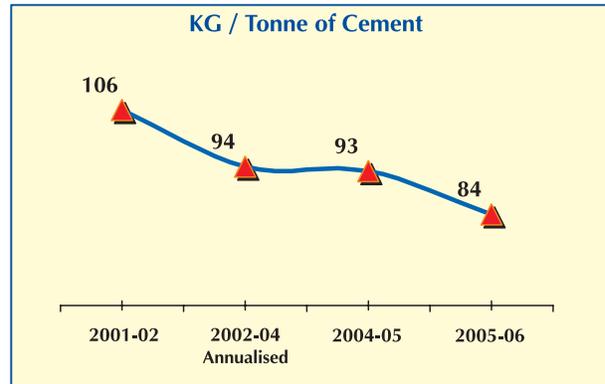
**Sales Turnover**



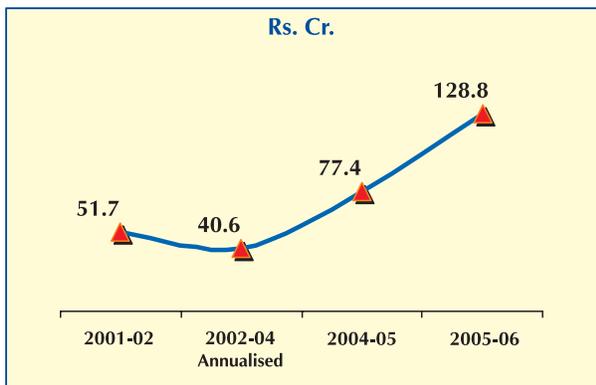
**Power Consumption**



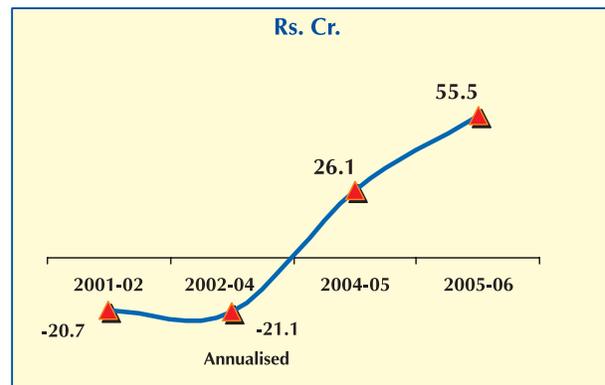
**Fuel Consumption**



**Gross Profit (PBIDT)**



**Net Profit (PAT)**



## CORPORATE GOVERNANCE REPORT

**1. COMPANY'S PHILOSOPHY ON CODE OF GOVERNANCE :** Corporate Governance is an integral part of values, ethics and best business practices followed by the Company. The core values of the Company are :

- commitment to excellence and customer satisfaction.
- maximising long term shareholders' value.
- socially valued enterprise and
- caring for people and environment.

In a nutshell, the philosophy can be described as observing of business practices with the ultimate aim of enhancing long term shareholders' value and commitment to high standard of business ethics. The Company has in place a Code of Corporate Ethics and Conduct reiterating its commitment to maintain the highest standards in its interface with stakeholders and clearly laying down the core values and corporate ethics to be practised by its entire Management Cadre.

**2. BOARD OF DIRECTORS :** The Company's Board presently consists of twelve Directors comprising of eight Non-executive Directors (NED) of which six are independent (IND). The Chairman is Non-executive. Five Board Meetings were held during 12 months period from 1<sup>st</sup> April 2005 to 31<sup>st</sup> March 2006, on 20.04.2005, 24.05.2005, 26.07.2005, 27.10.2005, and 30.01.2006. Attendance and other details are given below :

The Board periodically reviews Compliance reports of all laws applicable to the Company and has put in place procedure to review steps taken by the Company to rectify instances of non-compliances, if any.

The Company already has been having for the last three years a Code of Conduct in position for Management Cadre Staff (including Executive Directors). In terms of the new provision of Clause 49 of the Listing Agreement and contemporary practices of good corporate governance, the Board has laid down a Code of Conduct for all Board Members and Senior Management of the Company and the same is available on the website ([www.jklakshmi.com](http://www.jklakshmi.com)). All the Board Members and Senior Management Personnel have affirmed compliance with the Code.

**3. AUDIT COMMITTEE :** The Company has an Audit Committee of Directors since 1987. The 'Terms of Reference' of the Committee have been revised in conformity with the provisions of Section 292A of the Companies Act 1956 and new/revised Clause 49 of the Listing Agreement. The Committee consists of five non-executive Directors, namely, Shri B.V. Bhargava (Chairman), Shri Pradip Roy (IDBI Nominee), Shri Nand Gopal Khaitan, Shri Pravinchandra V. Gandhi and Shri Raghupati Singhania, of which first four are independent. Managing/Whole-time Directors are Permanent Invitees to the Audit Committee. The Chief Finance Officer regularly attends the meetings and the Company Secretary acts as the Secretary of the Committee.

Sl. No.	Director	Category	No. of Board Meetings Attended	Attendance at last AGM (29.8.2005)	Outside Directorships (Col.6) and Committee positions (Col. 7 & 8)		
					Director-ships**	Committee Membership	Committee Chairmanship
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1.	Shri Hari Shankar Singhania, Chairman	NED	5	No	2	-	-
2.	Shri Bharat Hari Singhania, Vice Chairman & Managing Director	Executive	5	Yes	3	-	-
3.	Shri B.V. Bhargava	IND	4	Yes	9	6	2
4.	Shri Nand Gopal Khaitan	IND	4	No	12	5	2
5.	Shri Pravinchandra V. Gandhi	IND	5	No	3	-	1
6.	Shri Pradip Roy (IDBI Nominee)*	IND	5	No	4	1	-
7.	Shri Raghupati Singhania	NED	3	No	7	1	-
8.	Shri U. Mahesh Rao (ICICI Nominee)*	IND	4	No	3	3	1
9.	Shri V.K. Guruswamy (LIC Nominee)*	IND	4	No	-	-	-
10.	Shri S. Chouksey, Whole-time Director	Executive	5	Yes	1	-	-
11.	Shri S.K. Wali, Whole-time Director	Executive	5	Yes	-	-	-
12.	Smt. Vinita Singhania, Managing Director	Executive	5	Yes	-	-	-

\*\* Excludes Directorships in private limited companies, foreign companies, memberships of Managing Committees of various chambers/bodies/Section 25 Companies.

\* Lender/Investor

During the financial year ended 31<sup>st</sup> March 2006, five meetings of the Audit Committee were held. Dates of meetings (number of members attended): 20.04.2005 (5), 24.05.2005 (4), 26.07.2005 (4), 27.10.2005 (4) and 30.01.2006 (4). The Statutory Auditors attended all the aforesaid meetings.

#### **4.1 REMUNERATION COMMITTEE (non-mandatory) :**

The Company does not have any permanent Remuneration Committee. A Remuneration Committee comprising of Independent Directors including nominee Directors of Financial Institutions was constituted on 24.05.2005 to determine the remuneration of the Whole-time Directors.

#### **4.2 REMUNERATION PAID TO DIRECTORS :**

**(i) Executive Directors :** The aggregate value of salary, perquisites and contribution to Provident Fund and Superannuation Funds for the financial year ended 31<sup>st</sup> March 2006 to the Vice Chairman & Managing Director, Managing Director, Whole-time Directors is as follows. Shri Bharat Hari Singhania: Rs. 80,34,363/-, Smt. Vinita Singhania: Rs. 75,92,323/-, Shri S.K. Wali: Rs. 35,14,529/- and Shri S. Chouksey: Rs. 35,08,129/-. No Commission was paid to the said Directors during the year.

The Company does not have any stock option scheme. In the case of Whole-time Directors notice period is six months. Severance fee for the Vice Chairman & Managing Director and Managing Director is remuneration for the unexpired residue term or three years, whichever is shorter.

**(ii) Non-executive Directors :** The Company has paid sitting fees aggregating to Rs. 6,18,000/- to all Non-executive Directors for attending the meetings of the Board and/or Committees thereof. The sitting fees paid is within the limits prescribed under the Companies Act 1956. No other payments were made to such Directors. Non-executive Directors did not have any other material pecuniary relationship or transactions vis-a-vis the Company during the year except as stated above.

The number of Equity Shares (shares) held by Non-Executive Directors are: Shri Hari Shankar Singhania-92,510 shares, Shri B.V. Bhargava 3,700 shares, Shri Nand Gopal Khaitan-Nil shares, Shri P.V. Gandhi-Nil shares, Shri Pradip Roy-Nil shares, Shri Raghupati Singhania-63,000 shares, Shri U.Mahesh Rao -Nil shares, Shri V.K. Guruswamy- Nil shares. The Company does not have any outstanding convertible Instrument except convertible portion of Optionally Convertible Bonds/Rupee Term Loan – IV aggregating to Rs. 4.35 Crores held by Financial Institutions/Banks, convertible into fully paid up Equity Shares of Rs. 10/- each at par, option to be exercised by 8<sup>th</sup> July 2006.

#### **5. SHAREHOLDERS/INVESTORS GRIEVANCE**

**COMMITTEE :** The Company has Shareholders/ Investor Grievance Committee at the Board level which consists of three Directors, namely, Shri Raghupati Singhania (Chairman of the Committee), Shri N.G. Khaitan and Shri Bharat Hari Singhania. Shri B.K. Daga, Vice President & Company Secretary, is the *Compliance Officer* who oversees the investors grievances such as Transfer/Transmission of shares/ Dematerialisation, non-receipt of dividend/interest and redemption proceeds on Debentures, non - receipt of annual report, etc.

During the 12 months period ended 31<sup>st</sup> March 2006, four meetings of the said Committee were held on 20.04.2005, 26.07.2005, 27.10.2005 and 30.01.2006. The Company received 29 complaints, which were promptly attended/resolved to the satisfaction of the investors. In addition, the Company also has a Committee of Directors (COD), which approves registration of transfer of shares in physical mode etc. on fortnightly basis. During this period, 31 meetings of the COD were held. All valid requests for transfers of shares in physical form were processed in time and there are no pending transfer of shares.

**6. GENERAL BODY MEETINGS :** Location and time for the last three Annual General Meetings (AGMs): The first two AGMs of the Company were held at its erstwhile Regd.Office:Jaykaypur-765 017, Dist. Rayagada, (Orissa) on 17.2.2003 (2.30 P.M.) and 16.7.2004 (3.30 P.M.) and the last AGM at its present Regd. Office: Jaykaypuram, Dist. Sirohi, (Rajasthan) on 29.08.2005 (2.30 P.M.). Special Resolutions regarding appointment of Statutory Auditors, re-appointment/appointment of Managing /Whole-time Directors, delisting of Equity Shares from the Bhubaneswar Stock Exchange Limited, change of the name of the Company from JK Corp Limited to JK Lakshmi Cement Limited, loans/investments and further issue of capital, were passed at the said meetings.

No special resolutions were required to be put through postal ballot last year.

**7. (a)** Disclosures on materially significant related party transactions i.e., transactions of the Company of material nature, with its promoters, the directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large : None. Suitable disclosure as required by Accounting Standard (AS-18) on Related Party Transactions has been made in the Annual Report.

**(b)** Details of non-compliance by the Company, penalties, strictures imposed on the Company by Stock

Exchange or SEBI or any Statutory Authority, on any matter related to capital market, during the last three years: There were no cases of non-compliance of any matter related to capital markets during the last three years.

(c) The Company has strengthened its risk management system and has further laid down procedures to inform Board members about risk assessment and minimization procedures. These procedures are being periodically reviewed to ensure that executive management controls risk through means of a properly defined framework.

**8. MEANS OF COMMUNICATION :** Quarterly, half-yearly and annual results are normally published in the leading English newspapers, namely, *The Financial Express / Business Standard* and one regional daily "*Rajasthan Patrika*" (Jaipur), having wide circulation and promptly furnished to the Stock Exchanges for display on their respective websites. The financial results are also displayed on the Company's website – www.jklakshmi.com. As the results are published in newspapers having wide circulation and also displayed on the Company's website, quarterly and half-yearly results are not separately sent to the Shareholders. Full version of the Annual Report, Corporate Governance Report, Financial Results and Shareholding Pattern of the Company are posted on the Electronic Data Information Filing and Retrieval (EDIFAR) website namely : www.sebiedifar.nic.in. The website is also accessible through a hyperlink 'edifar' from SEBI's official website : www.sebi.gov.in.

"Management Discussion & Analysis" forms part of the Annual Report.

## 9. GENERAL SHAREHOLDERS' INFORMATION :

### (i) Annual General Meeting (AGM) :

(a) Date and time : Please refer to Notice for the AGM being sent along with the Annual Report.

Venue : Regd. Office:  
Jaykaypuram - 307019,  
Basantgarh, Dist. Sirohi (Raj.)

(b) As required under Clause 49 IV (G), a brief resume and other particulars of the appointment of the Directors retiring by rotation at the aforesaid AGM and seeking reappointment are being given in the Explanatory Statement to the Notice convening the said meeting.

### (ii) Financial Calendar (Tentative) :

Financial Reporting	By end
• For the 1st quarter ending 30.06.2006	: July 2006
• For the 2nd quarter ending 30.09.2006	: October 2006
• For the 3rd quarter ending 31.12.2006	: January 2007
• For the year ending 31.03.2007 (Audited)	: May/June 2007
• Annual General Meeting for the Financial Year 2006-07:	July/August 2007

(iii) **Date of Book Closure :** Please refer to Notice for the AGM being sent along with the Annual Report.

(iv) **Dividend :** NIL

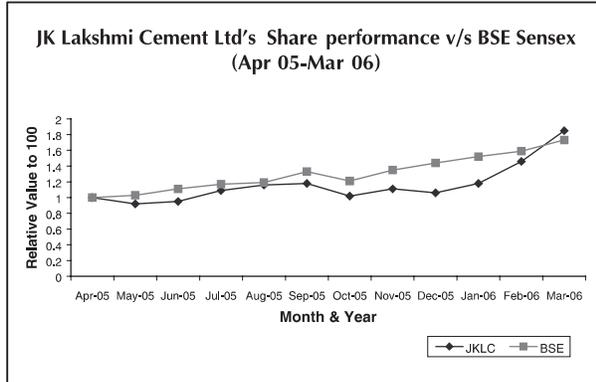
(v) **Listing of Equity Shares on Stock Exchanges (including Security Code) :** The Equity Shares of the Company are listed on the Bombay Stock Exchange, (500380). Listing fee for the year 2005-06 has been paid to the said Stock Exchange.

As approved by the shareholders at the last AGM, the Company made necessary Application for voluntary delisting of its Equity Shares from Bhubaneswar Stock Exchange. Listing fee for the year 2005-06 has been paid to the said Exchange.

### (vi) Stock Market Price Data :

Months (2005-2006)	Bombay Stock Exchange Ltd. (BSE) (Rs.)	
	HIGH	LOW
April 2005	65.90	49.00
May 2005	64.90	47.70
June 2005	62.70	53.10
July 2005	72.80	58.50
August 2005	77.00	63.00
September 2005	86.80	65.00
October 2005	78.00	60.30
November 2005	84.00	64.10
December 2005	74.25	63.00
January 2006	78.95	66.50
February 2006	94.80	73.55
March 2006	128.00	92.00

**(vii) JK Lakshmi Cement Ltd's Share Performance v/s BSE Sensex (Apr 05-March 06) :**



**(viii) Distribution of Shareholdings as on March 31, 2006:**

Category (No. of Shares)	No. of Equity Shares	%	No. of Shareholders	%
1-500	48,03,848	8.69	99,789	96.99
501-1000	11,39,315	2.06	1,391	1.35
1001-5000	26,88,887	4.87	1,129	1.10
5001-10000	18,69,885	3.38	277	0.27
10001 & above	4,47,82,689	81.00	304	0.29
<b>TOTAL</b>	<b>5,52,84,624</b>	<b>100</b>	<b>1,02,890</b>	<b>100</b>

**(ix) Scheme of Reconstruction, Arrangement and Demerger :** Pursuant to the aforesaid Scheme between the Company and Ashim Investment Company Ltd. sanctioned by the Hon'ble High Courts of Rajasthan (Jodhpur) and Delhi, which became effective on 31<sup>st</sup> March 2006, the 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 shares forfeited), stood reorganized and reduced to Rs. 49,75,61,620/- comprising of 4,97,56,162 fully paid Equity Shares of Rs. 10/- each.

Accordingly, the Company has issued and allotted on 22<sup>nd</sup> April 2006, new 4,97,56,162 fully paid Equity Shares of Rs.10/- each in lieu of the existing 5,52,84,624 Equity Shares of Rs.10/- each, to the eligible members as on 19.4.2006 ("Record Date" fixed for the purpose) on reorganization of its Share Capital and consolidation pursuant to the aforesaid Scheme. Share Certificates have been dispatched to all the shareholders holding Shares in physical form except in the case of Prohibitory Order, Transmission etc. and where address confirmation of shareholders in Gulf countries is to be received. **The Share Certificates in respect of the existing Equity Shares are deemed to be cancelled and non-est and non-**

**tradable on any Stock Exchange.** Shareholders may write to the Company Secretary for any clarification.

**The New ISIN No. for the aforesaid shares, allotted by the Depositories, namely, NSDL and CDSL is INE 786A01024 (earlier INE 786A01016). In respect of the shareholders holding Shares in Demat mode as on the Record Date, the Equity Shares in dematerialized form have been credited to their respective Accounts with NSDL and CDSL in lieu of and in substitution of the existing shares before aforesaid reorganization of Capital of the Company. The new Equity Shares have been listed on the Bombay Stock Exchange Ltd. and the trading in the new Shares commenced on 10th May 2006.**

**(x) Share Transfer System :** All valid requests for transfer/transmission of shares in physical form are processed within a period of 15-20 days from the date of receipt thereof and Share Certificates duly transferred are immediately returned to the transferee/lodger, as the case may be. In the case of Shares held in electronic form, the transfers are processed by NSDL/CDSL through the respective Depository Participants.

**(xi) Dematerialisation of Shares and Liquidity :** Trading in the Equity Shares of the Company is permitted only in dematerialised form. Shareholders may therefore, in their own interest, dematerialise their holdings in physical form, with any one of the Depositories namely NSDL and CDSL. New ISIN No. of the Company is INE 786A01024. As on 31<sup>st</sup> March 2006, 86.27% of the Equity Shares stands dematerialised. The Equity Shares of the Company are actively traded on the Bombay Stock Exchange. **In respect of shares held in demat form, all the requests for nomination, change of address and rematerialisation etc. are to be made only to the Depository Participant with whom the shareholders have opened their Demat Account.**

**(xii) Outstanding GDRs and likely impact on Equity :** Out of the 68,75,000 GDRs issued by the Company in 1994, each convertible into one fully paid Equity Share of Rs.10/- each, there are 5,13,076 GDRs outstanding (after giving impact of the aforesaid demerger scheme), which is 7.46% of the total GDRs issued. The underlying shares representing the outstanding GDRs are already included in the existing Equity Share Capital of the Company.

**(xiii) Plant Location :**

**Lakshmi Cement:** Jaykaypuram-307019,  
Basantgarh,  
District Sirohi (Rajasthan)

(xiv) **Address for correspondence regarding share transfers and other matters :**

**1. JK Lakshmi Cement Limited,**

**Secretarial Department,**

Gulab Bhawan (Rear Block)

6A, Bahadur Shah Zafar Marg,

New Delhi- 110 002.

Ph. : (011) 2331 1112-15 (Extns. 152, 329, 419, 633)

Fax : 91-11-2373 9475, 2371 2680

E-mail: bkdgaj@jkmil.com

**2. Registrar & Share Transfer Agents (RTA) :**

**MCS Ltd.,**

Shri Venkatesh Bhawan,

W-40, Okhla Indl. Area, Phase – II,

New Delhi – 110 020.

Ph. (011) 41406149, 41406151-52,

Fax : 91-11-41406148 E-mail: mcsdel@vsnl.com

**Shareholders are requested to quote their Folio No./ DP Id No./Client Id No. and details of shares held in physical/demat mode, E-mail Ids and Telephone/Fax numbers for prompt reply to their communications.**

**(xv) Declaration :**

This is to confirm that all the Directors and Senior Management Personnel of the Company have affirmed

compliance with the Code of Conduct for Directors and Senior Management adopted by the Board.

Vinita Singhania

Managing Director

**Disclosure of names of persons constituting group in relation to JK Lakshmi Cement Limited pursuant to Regulation 3(1)(e)(i) of the SEBI (Substantial Acquisition of Shares & Takeovers) Regulations 1997 :**

JK Lakshmi Cement Limited, Mayfair Finance Ltd., Sidhi Vinayak Investment Ltd., Terrestrial Finance Ltd., Yashodhan Investment Ltd., J.K. Industries Ltd., Hansdeep Investment Ltd., Panchanan Investment Ltd., Radial Finance Ltd., Hidrive Finance Ltd., Netflir Technologies Ltd., JK Paper Ltd., Fenner (India) Ltd., BMF Investments Ltd, JK Agri Genetics Ltd., Florance Alumina Ltd., JK Sugar Ltd., Bengal & Assam Company Ltd., Navbharat Vanijya Ltd., Juggilal Kamapat Udyog Ltd., Pranav Investment (MP) Company Ltd., Param Subham Vanijya Ltd., JK Credit & Finance Ltd., Ashim Investment Company Ltd., M/s. Habras International, M/s. Juggilal Kamapat Lakshmiapat and Directors of the promoter group and their relatives.

## AUDITORS' CERTIFICATE

**To the Members of JK Lakshmi Cement Limited (formerly JK Corp Limited)**

We have examined the compliance of conditions of Corporate Governance by JK Lakshmi Cement Limited (formerly JK Corp Limited) for the year ended 31<sup>st</sup> March 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with, in all material respect with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement. The Company's management has undertaken to provide information regarding dates of the forthcoming AGM and book closure, in the Notice convening the said meeting.

We state that no investor grievance is pending for a period exceeding one month against the Company as per records maintained by the company, shareholders/investors grievance committee.

We further state that such compliance is neither an assurance as to future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For LODHA & CO.  
*Chartered Accountants*

N.K. LODHA  
*Partner*

Membership No. : 85155

New Delhi  
The 29<sup>th</sup> day of May 2006

## AUDITORS' REPORT

To the Members of

**JK LAKSHMI CEMENT LIMITED**

We have audited the attached Balance Sheet of **JK LAKSHMI CEMENT LIMITED (formerly JK CORP LIMITED)**, as at 31<sup>st</sup> March 2006, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Companies (Auditors' Report) Order, 2003 (as amended) (The Order) issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act 1956 (The Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
2. Further to our comments in the Annexure referred to in Paragraph 1 above, we report that :
  - (a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
  - (d) In our opinion, the Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report comply with the

Accounting Standards referred to in Section 211 (3C) of the Companies Act 1956;

- (e) As per the information and explanations given to us, none of the directors of the Company is disqualified from being appointed as a director under Clause (g) of sub section (1) of section 274 of the Companies Act 1956;
- (f) Attention is invited to note no. 29 of schedule 19 regarding deferred tax assets recognised by the company based on management perception as stated in the said note.
- (g) Having regard to adjustment carried out of book value of net assets transferred (including inter company loan), miscellaneous expenditure to the extent not written off and accumulated losses against surplus on business valuation and share premium, pursuant to the Scheme of Reconstruction, Arrangement and Demerger sanctioned by Hon'ble High Courts of Rajasthan (Jodhpur) and Delhi, the same has been explained in note no. 1 of Schedule 19.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Notes thereon, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India :

- i) In the case of Balance Sheet, of the state of affairs of the Company as at 31<sup>st</sup> March 2006;
- ii) In the case of the Profit & Loss Account, of the Profit for the year ended on that date; and
- iii) In the case of Cash Flow Statement, of the Cash Flows for the year ended on that date.

For LODHA & CO.  
Chartered Accountants

New Delhi  
The 29<sup>th</sup> day of May 2006

N.K. LODHA  
Partner  
Membership No. : 85155

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**ANNEXURE TO THE AUDITORS' REPORT**  
**(Referred to in paragraph (1) of our Report of**  
**even date of JK LAKSHMI CEMENT LIMITED**  
**(formerly JK CORP LIMITED) for the year ended**  
**31<sup>st</sup> March 2006.)**

1. (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.  
(b) The fixed assets have been physically verified by the Management according to the programme of periodical verification in phased manner which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets. The discrepancies noticed on such physical verification were not material.  
(c) As per the records and information and explanations given to us, fixed assets disposed off during the year were not substantial.
2. (a) The inventory of the company (except stock lying with third parties and in transit), has been physically verified by the management at reasonable intervals.  
(b) The procedures of physical verification of inventory followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.  
(c) The Company is maintaining proper records of inventory. The discrepancies noticed on such physical verification of inventory as compared to book records were not material.
3. The Company has neither granted nor taken any loans, secured or unsecured to and from companies, firms or other parties as covered in the register maintained under section 301 of the Companies Act 1956. Accordingly, the provisions of clause 4 (iii) (b) to (d), (f) & (g) of the Order are not applicable.
4. In our opinion and according to the information and explanations given to us, there is adequate internal control system commensurate with the size of the Company and the nature of its business for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal control system.
5. (a) According to the information and explanations provided by the management and based upon audit procedures performed, we are of the opinion that the particular of contracts or arrangements referred to in Section 301 of the Act have been entered in the register required to be maintained under that section.  
(b) According to the information and explanations given to us and based upon audit procedures performed, we are of the opinion that the transactions made in pursuance of such contracts or arrangements (exceeding the value of Rs. 5 lacs in respect of any party during the financial year) have been made at prices which are generally reasonable having regard to prevailing market prices at the relevant time.
6. In our opinion and according to the information and explanations given to us, the Company has complied with the directives issued by the Reserve Bank of India and the provisions of section 58A and 58AA of the Act or any other provisions of the Act and the rules framed thereunder with regard to deposits accepted from the public. We have been informed that no order has been passed by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or other Tribunal in this regard.
7. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
8. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie, the prescribed records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
9. (a) According to the records of the Company, the Company is generally regular in depositing undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income tax, sales tax, wealth tax, service tax, custom duty, excise duty, Cess and other material

statutory dues with the appropriate authorities and there are no undisputed statutory dues payable for a period of more than six months from the date they become payable as at 31<sup>st</sup> March 2006.

- (b) According to the records and information and explanations given to us, there are no dues in respect of income tax, service tax, custom duty and wealth tax that have not been deposited with the appropriate authorities on account of any dispute and the dues in respect of sales tax, excise duty and cess that have not been deposited with the appropriate authority on account of dispute and the forum where the dispute is pending are given below :

Name of the Statute	Nature of the dues	Amount (Rs. in lacs)	Period	Forum where dispute is pending
Sales Tax Act	Sales Tax	3.80	1987-89	Tribunal
		114.86	2002-06	High Court
		122.74	1992-94	
		42.14	1995-00	
		248.19	1999-01	
Central Excise Act	Excise duty	85.07	2000-02	High Court
		46.00	1978-81	
		2.08	1984-85	
		232.92	1996-97	
Minerals (Validation) Act, 1992	Cess	13.38	1994-95	High Court

10. The Company does not have accumulated losses at the end of financial year and has not incurred cash losses during the current financial year and in the immediately preceeding financial year.
11. In our opinion, on the basis of audit procedures and according to the information and explanations given to us, the company has no default as on 31<sup>st</sup> March 2006 in repayment of dues to financial institutions and banks, in view of the debt restructuring as stated in note no 10 of schedule 19.
12. According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. The Company is not a chit fund or a nidhi / mutual benefit fund /society, therefore, the provisions of clause 4 (xiii) of the said Order are not applicable to the Company.
14. According to the information and explanations given to us, the Company is not dealing in or trading in shares, securities, debentures and other investments.
15. According to the information and explanations given to us, the Company has not given any guarantee for loans taken by others from bank or financial institutions.
16. On the basis of information and explanations given to us, the term loans had been applied for the purposes for which they were obtained. However, no term loan has been taken by the Company during the year.
17. On the basis of information and explanations given to us and on an overall examination of the financial statements of the Company, we are of the opinion that no funds raised on short-term basis have been used for long-term investment.
18. According to the information and explanations given to us, the Company has not made any preferential allotment of shares to any parties or companies covered in the register maintained under section 301 of the Companies Act 1956.
19. On the basis of records made available to us and according to information and explanations given to us, the Company has created securities on property situated in Gujarat in respect of debentures outstanding during the year. However, securities pursuant to the restructuring scheme are yet to be modified as stated in footnote B (1) of Schedule 3.
20. The Company has not raised any money through a public issue during the year.
21. Based on the audit procedure performed and on the basis of information and explanations provided by the management, no fraud on or by the Company has been noticed or reported during the course of the audit.

For LODHA & CO.  
Chartered Accountants

N.K. LODHA  
Partner

New Delhi  
The 29<sup>th</sup> day of May 2006

Membership No. : 85155

## BALANCE SHEET

### As at 31st March 2006

Rs. in Crores (10 Million)

	Schedule	31st March 2006	31st March 2005
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds</b>			
Capital	1	49.77	55.29
Reserves and Surplus	2	163.44	142.21
		<u>213.21</u>	<u>197.50</u>
<b>Loans</b>			
Secured Loans	3	606.62	616.43
Unsecured Loans	4	85.07	81.10
		<u>691.69</u>	<u>697.53</u>
Total		<u>904.90</u>	<u>895.03</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets</b>			
Gross Block		1175.48	1064.19
Less: Depreciation		538.09	484.52
Net Block	5	637.39	579.67
Capital Work in Progress including Advances		87.89	20.31
		<u>725.28</u>	<u>599.98</u>
<b>Investments</b>	6	0.11	171.61
<b>Deferred Tax Assets (Net)</b>		38.04	38.04
<b>Current Assets, Loans and Advances</b>			
Inventories	7	36.64	32.75
Sundry Debtors	8	20.99	16.24
Cash and Bank Balances	9	12.09	22.56
Loans and Advances	10	124.29	34.20
		<u>194.01</u>	<u>105.75</u>
<b>Less: Current Liabilities and Provisions</b>	11	52.54	55.44
<b>Net Current Assets</b>		<u>141.47</u>	<u>50.31</u>
<b>Miscellaneous Expenditure</b> (To the extent not written off or adjusted)		-	1.00
<b>Profit and Loss Account</b>			
Balance as per annexed Profit and Loss Account		-	34.09
Total		<u>904.90</u>	<u>895.03</u>
Notes on Accounts	19		

Schedules 1 to 11 and 19 attached to the Balance Sheet are an integral part thereof.

As per our report of even date

For LODHA & CO.  
Chartered Accountants

N.K. LODHA  
Partner  
New Delhi, the 29th May 2006

B.K. DAGA  
Secretary

H.S. SINGHANIA

B.H. SINGHANIA  
VINITA SINGHANIA  
N.G. KHAITAN  
PRADIP ROY  
P.V. GANDHI  
R.P. SINGHANIA  
U.M. RAO  
V.K. GURUSWAMY  
S. CHOUKSEY  
S.K. WALI

Chairman  
Vice Chairman &  
Managing Director  
Managing Director

Directors

## PROFIT AND LOSS ACCOUNT For The Year Ended 31st March 2006

Rs. in Crores (10 Million)

	Schedule	2005-06	2004-05
<b>INCOME</b>			
Sales		<b>700.03</b>	591.73
Less : Excise Duty		<b>117.55</b>	104.83
Net Sales		<b>582.48</b>	486.90
Other Income	12	<b>7.90</b>	9.77
		<b>590.38</b>	496.67
Increase / (Decrease) in Stocks	13	<b>(5.33)</b>	4.60
		<b>585.05</b>	501.27
<b>EXPENDITURE</b>			
Employees	14	<b>30.98</b>	27.82
Manufacturing Expenses	15	<b>311.67</b>	293.88
Other Expenses	16	<b>113.59</b>	102.17
		<b>456.24</b>	423.87
<b>PROFIT BEFORE INTEREST AND DEPRECIATION</b>		<b>128.81</b>	77.40
Cost of Borrowings	17	<b>19.49</b>	4.40
<b>PROFIT BEFORE DEPRECIATION</b>		<b>109.32</b>	73.00
Depreciation	18	<b>53.07</b>	48.95
<b>PROFIT AFTER DEPRECIATION</b>		<b>56.25</b>	24.05
Exceptional Items (Note 12 - Schedule 19)		-	1.57
Fringe Benefit Tax		<b>0.80</b>	-
Deferred Tax Credit (Net) (Note 29 - Schedule 19)		-	0.43
<b>PROFIT AFTER TAX</b>		<b>55.45</b>	26.05
Investment Allowance Reserve no longer required		-	1.25
Balance brought forward		<b>(34.09)</b>	(61.39)
Set off from - Business Valuation/Share Premium (Refer note 1 of Schedule 19)		<b>34.09</b>	-
		<b>55.45</b>	(34.09)
<b>APPROPRIATIONS</b>			
Debenture Redemption Reserve		<b>10.85</b>	-
General Reserve		<b>5.55</b>	-
Balance carried forward		<b>39.05</b>	(34.09)
		<b>55.45</b>	(34.09)
Basic Earnings per Share (Rs.) - Cash		<b>21.81</b>	13.20
- After Tax		<b>11.14</b>	4.71
Diluted Earnings per Share (Rs.)		<b>10.25</b>	4.71

Notes on Accounts 19

Schedules 12 to 19 attached to the Profit and Loss Account are an integral part thereof.

This is the Profit and Loss Account referred to in our report of even date

For LODHA & CO.  
Chartered Accountants

N.K. LODHA  
Partner  
New Delhi, the 29th May 2006

B.K. DAGA  
Secretary

H.S. SINGHANIA

B.H. SINGHANIA  
VINITA SINGHANIA  
N.G. KHAITAN  
PRADIP ROY  
P.V. GANDHI  
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U.M. RAO  
V.K. GURUSWAMY  
S. CHOUKSEY  
S.K. WALI

Chairman  
Vice Chairman &  
Managing Director  
Managing Director

Directors

**Schedule 1****CAPITAL****Authorised :**

	31st March 2006	Rs. in lacs (0.1 Million) 31st March 2005
Equity Shares - 12,50,00,000 of Rs.10 each	12500.00	12500.00
Preference Shares - 50,00,000 of Rs.100 each	5000.00	5000.00
Unclassified Shares	2500.00	2500.00
	<u>20000.00</u>	<u>20000.00</u>

**Issued,Subscribed and Paid up :**

Equity Shares 4,97,56,162 ( Previous year 5,53,10,302) of Rs.10 each fully paid up	4975.62	5531.03
Less : Calls in arrears	-	2.76
	<u>4975.62</u>	<u>5528.27</u>
Add : Forfeited Shares	1.06	0.42
	<u>4976.68</u>	<u>5528.69</u>

**Notes :**

- Pursuant to the Scheme of Reconstruction, Arrangement and Demerger having become effective :
  - An amount of Re. 1/- in the face value of Rs. 10/- fully paid up has been cancelled and the balance paid up value of Rs. 9/- per Equity Share is consolidated into fully paid up Equity Share of Rs. 10/- each.
  - Balance under Forfeited Share as on 01/04/2005 has been transferred to General Reserve.
- Of the above Equity Shares 15,88,500 (Previous year 17,65,000 ) Shares were allotted as fully paid Bonus Shares by capitalisation of Reserve and Share Premium.
- Of the above Equity Shares 97,88,062 ( Previous year 1,08,75,625 ) Equity Shares were allotted as fully paid up pursuant to contracts without payment being made in cash.
- The above Equity Shares exclude 25,678 partly paid up Shares, forfeited during the year.

**Schedule 2****RESERVES AND SURPLUS**

Rs. in lacs (0.1 Million)

Description	1st April 2005	Additions	Transfers	31st March 2006
Capital Reserve	74.24	-	-	74.24
Revaluation Reserve	3714.46	-	342.50 (b)	3371.96
Surplus on Business Valuation	-	11955.00 (a)	11955.00 (c)	-
Capital Redemption Reserve	2330.00	-	-	2330.00
Share Premium Account	8101.85	4.64 (d)	3083.75 (e)	5022.74
General Reserve Account	-	554.91 (f)	-	554.91
Debenture Redemption Reserve	-	1085.06	-	1085.06
Profit & Loss Account	-	3905.30	-	3905.30
	14220.55	17504.91	15381.25	16344.21

**Notes :**

- Pursuant to the Scheme refer note 1 and 7(a) of schedule 19.
- Includes Rs.258.53 lacs towards additional depreciation arising out of revaluation of fixed assets and Rs 83.97 lacs for assets sold / adjusted.
- Pursuant to the Scheme (refer note 1 of schedule 19) utilised for adjusting the book value of assets and liabilities transferred to AICL (net Rs.11529.20 lacs), miscellaneous expenditure to the extent not written off (Rs.100.61 lacs) & transferred to Profit & Loss Account (Rs. 325.19 Lacs).
- Amount received on calls in arrear.
- Transferred to Profit & Loss Account pursuant to the Scheme (refer note 1 of schedule 19).
- Includes Rs. 0.42 lacs transferred from Forfeited Shares (refer note 1 of schedule 19).

	31st March 2006	Rs. in lacs (0.1 Million) 31st March 2005
<b>Schedule 3</b>		
<b>SECURED LOANS</b>		
(a) Non-Convertible Debentures (earlier 13.5% Non Convertible Debentures)	<b>2169.21</b>	2116.19
(b) Zero Coupon Non Convertible Debentures (earlier Partly Convertible Debentures)	<b>1215.90</b>	1117.32
(c) Optionally Convertible Bonds	<b>1394.87</b>	1394.87
(d) Zero Coupon Bonds	<b>2557.45</b>	2557.45
(e) Term Loans from Financial Institutions	<b>39184.90</b>	38946.77
(f) Term Loans from Banks	<b>13970.41</b>	14141.55
(g) Working Capital Loans from Banks	<b>169.51</b>	1369.24
	<b>60662.25</b>	61643.39

**Notes :**

**A. Terms of redemption of Debentures/Bonds**

1. (i) 13.5% Secured Non-Convertible Debentures of Rs.1,000/- each - Series B, C, D & E and Series UB, UC & UD aggregating to Rs.2169.21 lacs existing as on the Appointed Date (hereinafter referred to as the "earlier 13.5% NCDs"), stand reorganised into eight new Series designated as Series I to VIII carrying varying interest rates with effect from 30.9.2003 (Appointed Date under the Scheme, refer note 10(a) of schedule 19).

The aforesaid Non-convertible Debentures (NCDs) of Rs.1000 each aggregating to Rs.2169.21 lacs are redeemable as under :

VIR Series - I (Rs.173.54 lacs) in 2 equal quarterly instalments falling due from quarter ending December-2006, VIR Series - II (Rs.108.48 lacs), VIR Series - III (Rs.130.16 lacs), VIR Series - IV (Rs.130.16 lacs), VIR Series - V (Rs.43.40 lacs), VIR Series - VI (Rs.65.08 lacs), VIR Series - VII (Rs.1084.60 lacs), VIR Series - VIII (Rs.433.79 lacs) in 4 equal quarterly instalments falling due from quarter ending June-2007, June-2008, June-2009, June- 2010, June- 2011, June- 2012 and June- 2013 respectively. These NCD's are redeemable together with premium on redemption @ 16.7%, 9.05%, 9.6%, 9.8%, 9.95%, 10.15%, 10.35% and 10.60% respectively.

- (ii) Deferred interest on (i) above Rs.425.21 lacs (Previous year Rs. 389.31 lacs) included in Schedule 3 (e) above.

- (iii) Non-convertible portion of Zero Coupon Debentures (earlier Partly Convertible Debentures) of Rs.1215.90 lacs are redeemable as under:

- (a) Series A (Rs.98.58 lacs), Series B (Rs.65.72 lacs), Series C (Rs.262.90 lacs), Series D (Rs. 164.31 lacs) aggregating to Rs. 591.51 lacs in equal quarterly instalments in financial years 8% in 2006-07 (Oct.06-March-07); 10% in 2007-08; 25% in 2008-09; 25% in 2009-10; 10% in 2010-11; 22% in 2011-12.  
(b) Series E (Rs.131.45 lacs), Series F (Rs.197.17 lacs) Series G ( Rs.131.46 lacs) in four equal quarterly instalments falling due from quarter ending June- 2007, June- 2008 and June- 2009 respectively and  
(c) Balance of Series D (Rs. 164.31 Lacs) in two equal quarterly instalments falling due from quarter ending December 2006.

- (iv) Optionally Convertible Bonds (OCBs) of Rs.1000/- each aggregating to Rs.1394.87 lacs are redeemable as under :

- (a) Series A (Rs.69.74 lacs), Series B (Rs.209.23 lacs), Series C (Rs.174.36 lacs), aggregating to Rs. 453.33 lacs in equal quarterly instalments in financial years 8% in 2006-07 (Oct.06- March-07); 10% in 2007-08 ; 25% in 2008-09; 25% in 2009-10; 10% in 2010-11; 22% in 2011-12. (b) Series D (Rs.278.97 lacs), Series E (Rs.209.23 lacs) and Series F ( Rs.278.98 lacs) in four equal quarterly instalments falling due from

quarter ending June- 2007, June- 2008 and June- 2009 respectively and (c) Balance of Series C (Rs. 174.36 Lacs) in two equal quarterly installments falling due from quarter ending December 2006.

The above OCBs include an amount of Rs.61.89 lacs which is optionally convertible into 6,18,900 equity shares of Rs. 10/- each at par. Upon such conversion, the outstanding OCBs (Rs.1394.87 lacs) shall stand reduced by Rs. 61.89 lacs and shall become interest free w.e.f. 1st April 2000 till these are fully paid.

- (v) a) Zero Coupon Bonds - I of Rs.1000/- each aggregating to Rs.1134.34 lacs are redeemable as under : Series I-A (Rs.567.17 lacs) and Series I-B (Rs.567.17 lacs) in 2 equal half yearly instalments falling due from half year ending September 2010 and September 2011 respectively.
- b) Zero Coupon Bonds - II (a) of Rs.1000/- each aggregating to Rs.967.00 lacs are redeemable as under: Series II-A ( Rs.483.50 lacs) and Series II-B (Rs.483.50 lacs) in 2 equal half yearly instalments falling due from half year ending September 2010 and September 2011 respectively.
- c) Zero Coupon Bonds - II (b) of Rs.100/- each aggregating to Rs.456.11 lacs out of which Rs. 367.27 lacs are redeemable at the end of 10th year from the date of issue i.e 1.4.2000 and Rs. 88.84 lacs are redeemable in equal quarterly instalments in financial years 8% in 2006-07 (Oct.06- March-07); 10% in 2007-08; 25% in 2008-09; 25% in 2009-10; 10% in 2010-11; 22% in 2011-12.

Each quarterly/ half yearly instalments as stated in (i) to (v) above falls due on the 1st day of the succeeding month of the relevant quarter / half year.

- 2 Term Loans aggregating to Rs.373.11 lacs from Financial Institutions/Banks are optionally convertible into 37,31,100 Equity Shares of Rs. 10/- each at par. Upon such conversion, the outstanding Term Loans aggregating to Rs. 8410.13 lacs shall stand reduced by Rs. 373.11 lacs and shall become interest free w.e.f 1st April 2000 till these are fully paid.

## B. Security

1. Subsisting charges in respect of Term Loans and Debentures over immovable and movable assets of the Company shall continue to be in full force and effect as before upto the date fresh charges for Restructured debt are created in terms of the Restructuring Scheme. The charges to be created over immovable and movable assets of the Company shall rank pari passu subject to prior charges of the Company's bankers for working capital on specified movables.

Necessary steps and formalities to extinguish the charges of debts relating to erstwhile Paper Undertaking over the assets of the Company are being taken in consultation with the Financial Institutions/Banks.

2. Term Loans from Banks include Rs.2796.11 lacs (including deferred interest Rs.690.11 lacs) towards Working Capital Term Loans which is to be secured.
3. Working Capital Loans are secured by hypothecation of Stores, Raw Materials, Finished Goods, Stock-in-Process and Book Debts etc. and by way of second charge on the immovable assets.

## Schedule 4

### UNSECURED LOANS

	31st March 2006	Rs. in lacs (0.1 Million) 31st March 2005
(a) Deferred Sales Tax	5743.69	6976.95
(b) Trade Deposits	989.68	866.27
(c) Fixed Deposits	473.45	267.07
(d) Others	1300.00	-
	<u>8506.82</u>	<u>8110.29</u>

**Schedule 5**

**FIXED ASSETS**

Rs. in lacs (0.1 Million)

Description	1st April 2005 Gross Book Value	Additions on Business Valuation on 01.04.2005 (c)	Additions/ Adjustments	Sales/ Adjustments (d)	31st March 2006 Gross Book Value	Depreciation				31st March 2006 Net Book Value	31st March 2005 Net Book Value
						Upto last Year	For the year	On sales/ Adjustments	To Date		
Land	162.20	1303.46	-	147.05	(a) <b>1318.61</b>	-	-	-	-	<b>1318.61</b>	162.20
Leasehold Land	65.51	-	-	30.73	<b>34.78</b>	14.47	0.40	7.51	7.36	<b>27.42</b>	51.04
Buildings	4979.03	480.95	105.08	965.67	<b>4599.39</b>	1230.81	100.53	127.13	1204.21	<b>3395.18</b>	3748.22
Plant and Machinery	96369.33	9593.07	169.31	10.48	(b) <b>106121.23</b>	45628.05	5256.11	5.72	50878.44	<b>55242.79</b>	50741.28
Furniture, Fixtures and Equipments	631.42	-	61.43	37.50	(b) <b>655.35</b>	507.89	23.29	21.67	509.51	<b>145.84</b>	123.53
Vehicles and Locomotives	1284.41	112.49	92.03	62.22	<b>1426.71</b>	492.40	91.17	46.95	536.62	<b>890.09</b>	792.01
Railway Siding	2926.81	465.03	-	-	<b>3391.84</b>	578.87	93.82	-	672.69	<b>2719.15</b>	2347.94
Total	106418.71	11955.00	427.85	1253.65	<b>117547.91</b>	48452.49	5565.32	208.98	53808.83	<b>63739.08</b>	57966.22
Previous Year	109275.83	-	881.20	3738.32	106418.71	45987.76	5274.59	2809.86	48452.49	57966.22	

**Notes:**

- (a) Includes cost of Land Rs.1.44 lacs pending registration.
- (b) Includes Rs. 53.03 lacs (Previous year Rs. 59.27 lacs), assets held for disposal.
- (c) Pursuant to the Scheme (refer note 1 of Schedule 19).
- (d) Includes Land, Leasehold Land, Buildings and Furniture (WDV as on 01.04.2005: Rs. 146.27 lacs, Rs. 23.23 lacs, Rs 758.36 lacs and Rs. 5.07 lacs respectively) transferred pursuant to the Scheme (refer note 1 of Schedule 19).

## Schedule 6

### INVESTMENTS

LONG-TERM INVESTMENTS (Fully Paid up unless otherwise specified) (Other than trade)	Class of Shares / Debentures	31st March 2006		31st March 2005	
		Nos.	Book Value Rs. in Lacs (0.1 Million)	Nos.	Book Value Rs. in Lacs (0.1 Million)
<b>Name of Bodies Corporate</b>					
J.K. Industries Ltd.	Equity	-	-	37,95,698	3723.58
JK Paper Ltd.	Equity	-	-	73,82,159	2129.26
J.K.Udaipur Udyog Ltd.	Equity	-	-	1,64,59,104	156.36
JK Pharmachem Ltd.	Equity	-	-	90,00,000	1860.00
JK Agrigenetics Ltd.	Equity	-	-	5,21,359	707.28
JK Sugar Ltd.	Equity	-	-	7,82,038	452.02
J.K.Investors (Bombay) Ltd.	Equity	-	-	25	0.01
Ferro Alloys Corporation Ltd.	Equity	-	-	450	0.04
Juggilal Kamlatpat Jute Mills Co. Ltd.	Equity	-	-	200	0.03
ICICI Bank Ltd.	Equity	-	-	27,000	5.40
2% Debentures in Bharat Chamber of Commerce *	Debentures	-	-	50	0.25
Orissa Polyfibres Ltd.(Rs. 100)*	Equity	10	-	10	-
<b>Subsidiary Companies</b>					
Mayfair Finance Ltd.	Equity	-	-	1,70,20,040	1702.00
Sidhi Vinayak Investment Ltd.	Equity	-	-	1,56,30,040	1563.01
Terrestrial Finance Ltd.	Equity	-	-	1,74,70,040	1747.00
Yashodhan Investment Ltd.	Equity	-	-	1,56,80,040	1568.00
Panchmahal Properties Ltd.	Equity	-	-	3,51,230	35.12
Mayfair Finance Ltd. - Zero Coupon Bonds	Bonds	-	-	7,50,000	750.00
Terrestrial Finance Ltd. - Zero Coupon Bonds	Bonds	-	-	7,50,000	750.00
<b>Others *</b>					
Units under Venture Capital Unit Scheme-1990 of UTI	Units	5,000	0.37	5,000	0.37
6.75% Tax Free UTI Bonds	Bonds	10,770	10.77	10,770	10.77
Straw Products Consumers Co-operative Stores Ltd.	Equity	-	-	250	0.02
			<b>11.14</b>		<b>17160.52</b>
Aggregate book value of quoted investments			<b>10.77</b>		9033.94
Aggregate market value of quoted investments			<b>10.99</b>		9568.15
Aggregate book value of unquoted investments			<b>0.37</b>		8126.58

### Purchased and sold during the year :

Prudential ICICI Liquid Plan-Inst.Plus- Growth Option 30,02,966.931 Units, Prudential ICICI Floating Rate Plan - Growth 26,38,313.590 Units, Prudential ICICI Floating Rate Plan C - Growth 27,88,492.818 Units, Prudential ICICI Inst.Short Term Plan-Cum. Option 52,73,228.572 Units, Principal Floating Rate Fund -SMP-Inst.Opt.Growth Plan 1,18,21,251.702 Units, Principal Floating Rate Fund -FMP-Inst.Opt.Growth Plan 55,71,961.888 Units, LIC MF Liquid Fund - Growth Plan 1,42,79,063.151 Units, LIC MF Floating Rate Fund-Short Term Plan-Growth Plan 1,36,26,867.930 Units, Can Liquid Fund- Inst. Growth 49,30,071.861 Units, Can Floating Rate Short Term Growth Fund 1,03,71,104.022 Units.

Figures less than Rs.500/- have been shown at actual in bracket.

\* Above are other than transferred pursuant to the Scheme ( Refer Note no. 1 of schedule 19 )

	31st March 2006	Rs. in lacs (0.1 Million) 31th March 2005
<b>Schedule 7</b>		
<b>INVENTORIES</b>		
(As certified by the Management)		
Stores and Spares	2700.85	1790.14
Raw Materials	125.03	53.62
Finished Goods	392.47	601.02
Stock-in-Process	445.42	829.92
	<b>3663.77</b>	<b>3274.70</b>
 <b>Schedule 8</b>		
<b>SUNDRY DEBTORS</b>		
(Unsecured and considered good)		
Exceeding six months	58.16	69.56
Other Debts	2040.67	1554.45
	<b>2098.83</b>	<b>1624.01</b>
 <b>Schedule 9</b>		
<b>CASH AND BANK BALANCES</b>		
Cash on hand	7.71	4.93
Remittances in transit and Cheques on hand	225.02	270.01
Balance with Scheduled Banks :		
On Current Accounts	167.47	102.87
On Deposit Accounts (includes lodged with Banks Rs. 1.91 lacs - Previous year Rs. 6.14 lacs)	800.83	1870.19
On Cash Credit Account	-	0.02
On Savings Bank Account (Employees Security Deposit)	8.27	7.98
	<b>1209.30</b>	<b>2256.00</b>
 <b>Schedule 10</b>		
<b>LOANS AND ADVANCES</b>		
(Unsecured and considered good)		
Advances recoverable in cash or in kind or for value to be received	11137.86	2566.17
Income-tax Advance Payments (Net)	229.86	82.63
Deposits with Government Authorities and Others	1060.74	771.28
	<b>12428.46</b>	<b>3420.08</b>

	31st March 2006	Rs. in lacs (0.1 Million) 31st March 2005
<b>Schedule 11</b>		
<b>CURRENT LIABILITIES AND PROVISIONS</b>		
<b>Current Liabilities</b>		
Acceptances	93.57	120.41
Sundry Creditors	2486.17	2322.67
Other Liabilities	2087.35	2213.64
Investor Education and Protection Fund (Refer Note 17- Schedule 19)	86.31	87.75
Interest accrued but not due on loans	<u>323.61</u>	<u>268.65</u>
	<b>5077.01</b>	<b>5013.12</b>
<b>Provisions</b>		
Provision for Retirement benefits	<u>177.03</u>	<u>530.38</u>
	<b><u>5254.04</u></b>	<b><u>5543.50</u></b>
	<b>2005-06</b>	<b>2004-05</b>
<b>Schedule 12</b>		
<b>OTHER INCOME</b>		
Income from Long Term Investments :		
Dividends	-	108.70
Interest (tax deducted at source Nil)	0.73	-
Profit on sale / adjustment of Fixed Assets (Net of Loss Rs. 0.54 lacs - Previous year Rs. 1.40 lacs)	234.73	29.26
Profit on sale of Long Term Investments	-	211.89
Profit on sale of Current Investments	32.23	77.65
Liabilities / Provisions no longer required (Net) (Refer note 13 (c) - Schedule 19)	474.41	516.67
Miscellaneous Income	<u>48.13</u>	<u>32.72</u>
	<b><u>790.23</u></b>	<b><u>976.89</u></b>
<b>Schedule 13</b>		
<b>INCREASE IN STOCKS</b>		
<b>Opening Stocks</b>		
Stock-in-Process	829.92	386.42
Finished Goods	<u>601.02</u>	<u>572.27</u>
	<b><u>1430.94</u></b>	<b><u>958.69</u></b>
<b>Closing Stocks</b>		
Stock-in-Process	445.42	829.92
Finished Goods	<u>392.47</u>	<u>601.02</u>
	<b><u>837.89</u></b>	<b><u>1430.94</u></b>
Differential Excise Duty on Increase / (Decrease) of Finished Goods	<u>(60.24)</u>	<u>12.31</u>
Increase / (Decrease) in Stocks	<b><u>(532.81)</u></b>	<b><u>459.94</u></b>

	2005-06	2004-05
Rs. in lacs (0.1 Million)		
<b>Schedule 14</b>		
<b>EMPLOYEES</b>		
Salaries, Wages, Bonus and Gratuity etc.	2284.75	1980.05
Contribution to Provident and Other Funds	230.04	192.78
Employees' Welfare and Other benefits	583.18	609.64
	<u>3097.97</u>	<u>2782.47</u>
<b>Schedule 15</b>		
<b>MANUFACTURING EXPENSES</b>		
Raw Materials Consumed	6314.13	5257.75
Purchase of Finished Goods	1571.94	1810.90
Consumption of Stores and Spares	4916.73	4406.79
Power, Fuel and Water	18068.88	17701.04
Repairs to Buildings	21.22	21.70
Repairs to Machinery	274.54	190.08
	<u>31167.44</u>	<u>29388.26</u>
<b>Schedule 16</b>		
<b>OTHER EXPENSES</b>		
Insurance	163.42	169.86
Rent (Net of Realisation Rs. 30.66 lacs – Previous year Rs.133.64 lacs)	121.29	17.47
Transport, Clearing and Forwarding Charges	8174.26	7196.39
Commission on Sales	878.02	866.00
Directors' Fee	6.18	1.85
Deferred Revenue Expenditure written off	-	73.57
Balances written off (Net)	8.28	1.35
Provision for doubtful debts/advances	-	201.01
Rates and Taxes	24.48	37.29
Advertisement, Bank Charges, Printing and Stationery, Postage, Telegrams and Telephones, Travelling, Brand Usage Charges and Miscellaneous Expenses	1983.94	1652.43
	<u>11359.87</u>	<u>10217.22</u>
<b>Schedule 17</b>		
<b>COST OF BORROWINGS</b>		
Interest on :		
Term Loans, Debentures and Fixed Deposits	2094.83	474.40
Others	135.99	245.75
	<u>2230.82</u>	<u>720.15</u>
Less : Interest Income	282.29	280.41
	<u>1948.53</u>	<u>439.74</u>

	Rs. in lacs (0.1 Million)	
	2005-06	2004-05
<b>Schedule 18</b>		
<b>DEPRECIATION</b>		
Depreciation on Fixed Assets	5565.32	5274.59
Less : Transferred from Revaluation Reserve	258.53	379.62
	<u>5306.79</u>	<u>4894.97</u>

### Schedule 19

### NOTES ON ACCOUNTS

#### A. Significant Accounting Policies

1. Accounts are maintained on accrual basis. Claims / refunds / fuel surcharge not ascertainable with reasonable certainty are accounted for on settlement / receipt basis.
2. Fixed Assets are stated at cost adjusted by revaluation / business valuation.
3. Expenditure during construction / erection period is included under Capital Work-in-Progress and allocated to the respective fixed assets on completion of construction / erection.
4. Assets and liabilities related to foreign currency transactions are stated at exchange rate prevailing at the end of the year. Exchange difference in respect of fixed assets acquired from outside India is adjusted to the carrying cost of fixed assets and in respect of others is charged to Profit & Loss Account. Premium / Discount in respect of forward contracts is recognized over the life of the contract.
5. Long term investments are stated at cost. Provision for diminution in the value of long term investments is made only if such a decline is other than temporary in the opinion of the management. The current investments are stated at lower of cost and quoted / fair value computed categorywise.
6. Inventories are valued at lower of cost and net realisable value (except scrap/waste which are valued at net realisable value). The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.
7. Export incentives, Duty drawbacks and Other benefits are recognized in the Profit and Loss Account. Project subsidy is credited to Capital Reserve.
8. Revenue expenditure on Research and Development is charged to Profit and Loss Account and capital expenditure is added to Fixed Assets.
9. Borrowing cost is charged to Profit and Loss Account except cost of borrowing for acquisition of qualifying assets which is capitalised till the date of commercial use of the asset.
10. (i) Depreciation on Buildings, Plant & Machinery and Railway Siding is provided as per straight line method considering the rates in force at the time of respective additions of the assets made before 2.4.1987 and on additions thereafter at the rates and in the manner specified in Schedule XIV to the Companies Act 1956. Depreciation on Other Assets is provided on written down value method as per the said Schedule as amended. Continuous Process Plants as defined in Schedule XIV have been considered on technical evaluation. Depreciation on addition due to exchange rate fluctuation is provided on the basis of residual life of the assets. Depreciation on impaired assets is provided on the basis of their residual useful life.  
(ii) Leasehold Land is being amortised over the lease period.  
(iii) Depreciation on the increased amount of assets due to revaluation / business valuation is computed on the basis of residual life of the assets as estimated by the valuers on straight line method.
11. Gratuity and leave encashment benefits are accounted for on the basis of actuarial valuation. Other retirement benefits are accounted on accrual basis.

**Schedule 19 (Contd.)**

12. Current Tax is the amount of tax payable on the estimated taxable income for the current year as per the provisions of Income Tax Act 1961. Deferred Tax Assets and Liabilities are recognised in respect of current year and prospective years. Deferred Tax Assets is recognized on the basis of reasonable/virtual certainty that sufficient future taxable income will be available against which the same can be realised.
13. Compensation paid to employees under voluntary retirement scheme is treated as Deferred Revenue Expenditure and is amortised over a period of 5 years .

**B. Notes on Accounts**

1. Pursuant to 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) sanctioned by the Hon'ble High Courts of Rajasthan (Jodhpur) and Delhi, which has become effective on 31<sup>st</sup> March 2006 -
  - (i) The Investment Division of the Company comprising Investments (Rs.171.49 crores), Fixed Assets (Rs.9.33 crores), Current Assets, Loans and Advances (Rs.1.65 crores) and Inter-divisional Loan (Rs.60 crores) and Current Liabilities (Rs.1.65 crores), stood transferred to and vested in AICL w.e.f. April 1 2005 (Appointed Date under the Scheme).
  - (ii) The paid up Equity Share Capital of the Company of Rs.55,28,46,240/- comprising 5,52,84,624 fully paid up Equity Shares of Rs.10/- each (after adjustment of 25,678 Equity Shares forfeited), stood reorganized and reduced to Rs.49,75,61,620/- comprising 4,97,56,162 fully paid up Equity Shares of Rs.10/- each. {An amount of Rupee one in the face value of Rs.10/- of each fully paid Equity Share of the Company was cancelled/extinguished ( Rs.5.53 crores ) as unrepresented, and the balance paid up value of Rs.9/- per Equity Share was consolidated into fully paid Equity Shares of Rs.10/- each}.
  - (iii) Rs.0.42 lacs of share forfeiture account has been adjusted in General Reserve.
  - (iv) The inter-divisional owing of Rs.60 crores by AICL to the Company is represented as unsecured zero coupon term loan repayable by AICL in equal annual installments over a period of 18 years after an initial two year repayment moratorium.
  - (v) The Balance Sheet of the Company as on April 1 2005 has been reorganized to take into consideration the business valuation of the Cement business carried out by financial consultants and valuers, the assets and liabilities of the Company were accordingly adjusted . The resultant surplus of Rs.119.55 crores was utilized for adjusting the book value of the assets and liabilities pertaining to the Investment division (net Rs. 115.29 crores) that is vested in AICL by the Scheme as aforesaid as adjusted by extinguishment of share capital referred at item (ii) above. Miscellaneous expenditure to the extent not written off (Rs. 1.01 crores) and accumulated losses (Rs 34.09 crores) of the Company as at the Appointed Date were also adjusted against the aforesaid surplus (Rs. 4.26 crores) and the Share Premium Account (Rs.30.84 crores) of the Company in that order.
  - (vi) The Company carried on the business of the Investment Division w.e.f. 1.4.2005 for and on account of and in trust for AICL and all profits accrued and/or losses incurred in respect of the business of Investment Division were accordingly transferred to AICL.
  - (vii) The necessary steps and formalities in respect to transfer of investments and assets in favour of AICL are under implementation.
  - (viii) For the reasons stated herein above, the figures of current year are not comparable with the figures of Previous year.
2. Estimated amount of contracts remaining to be executed on capital account (Net of Advances) Rs 13371.94 lacs (Previous year Rs. 1060.22 lacs).
3. Contingent liabilities in respect of claims not accepted by the Company and not provided for Rs.950.89 lacs (Previous year Rs.947.54 lacs). Details there-of are Excise duty liabilities in respect of matters in appeal Rs.366.07 lacs, Sales Tax liability in respect of matters in appeals Rs.168.68 lacs and other matters Rs.416.14 lacs ( Previous year Rs 366.07 lacs, Rs163.19 lacs, Rs 418.28 lacs respectively).
4. In respect of certain disallowances and additions made by the Income Tax Authorities, appeals are pending before the Appellate Authorities and adjustment, if any, will be made after the same are finally determined.

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**Schedule 19 (Contd.)**

5.
  - a) Contingent liability for non-use of jute bags for Cement packing upto 30th June 1997, as per Jute Packaging Materials (Compulsory use of Packaging Commodities) Act 1987 is not ascertained and the matter is subjudice. The Government has excluded Cement Industry from application of the said Order from 1<sup>st</sup> July 1997.
  - b) Other contingent liabilities amounts to Rs. 1129.84 lacs (Previous year Rs. 6622.00 lacs) in respect of accumulated interest as on 31<sup>st</sup> March 2006 on OCBs aggregating to Rs. 1394.87 lacs (Previous year Term loans/OCBs Rs. 9805.00 lacs ) w.r.t. a lender who has not consented to the conversion option (refer note 10 (b) herein below), the payment of which was due in the year 2004-05 and onwards, if cash flow permits.
6. Under the Sales Tax exemption granted by the State Government, contingent liability may arise, if the Hon'ble Supreme Court of India, in case of another Company on the same subject, decides contrary to the judgement of Hon'ble High Court of Rajasthan, presently amount cannot be ascertained.
7.
  - a) Factory and Service Buildings and Plant & Machinery of Lakshmi Cement Plant were revalued as at 1<sup>st</sup> April 1990. Certain fixed assets of Lakshmi Cement and J.K. Magnetics Division of the Company were revalued and updated as at 1<sup>st</sup> April 1997 and certain Buildings, Plant & Machinery and other assets of Lakshmi Cement Plant were revalued and/or updated as at 31<sup>st</sup> March 2000 based on report of the valuer on business valuation of Cement business, fixed assets value is redetermined at net replacement cost basis on 1<sup>st</sup> April 2005 (refer note 1 herein above and resultant surplus of Rs. 11955.00 lacs has been included in schedule 2). The Gross Block as at 31.03.2006 includes cumulative surplus of Rs. 30055.80 lacs (Previous year Rs. 18100.80 lacs) arising on revaluation/business valuation.
  - b) Balance in Revaluation Reserve is net of Rs.7033.92 lacs, after providing for additional depreciation (Previous year Rs.7573.20 lacs).
  - c) Adjusted balance in surplus on business valuation after providing for additional depreciation is Rs. 11454.18 lacs (Previous year Nil) (refer note 1 herein above).
8. Sundry Debtors exceeding six months and loans and advances are net of provisions for doubtful debts Rs.1092.94 lacs and Rs. 293.77 lacs respectively (Previous year Rs. 1739.32 lacs and Rs. 508.79 lacs respectively) and are after bad debts of Rs.625.70 lacs and Rs.215.02 lacs respectively (Previous year Rs.9.12 lacs and Nil respectively).
9. Sales include own consumption at cost Rs. 99.10 lacs (Previous year Rs.29.57 lacs).
10.
  - a) Pursuant to the Scheme of arrangement u/s 391 of the Companies Act 1956 between the Company & its secured creditors sanctioned by the Hon'ble High Court of Rajasthan (Jodhpur) on 20th July 2005 effective from 30th September 2003. All loans and debentures have been rescheduled as per the scheme. Interest on step up basis and premium on repayment of loans and redemption of debentures as per the scheme will be accounted for as and when the same accrue and fall due.
  - b) The Hon'ble High Court of Rajasthan (Jodhpur) vide its Order dated 5<sup>th</sup> May 2006 has sanctioned the modification in the conversion option to be exercised in one instalment in place of three instalments as per the earlier scheme. Thus the option for conversion is exercisable by the concerned secured creditors in one instalment in respect of an amount of Rs.435.00 lacs out of Rs.9805.00 lacs (RTL IV and OCBs) into 43.50 lac Nos. of fully paid up equity shares of Rs.10/- each at par. Consequent to conversion the principal amount of RTL IV/OCBs shall stand reduced to the extent of conversion and shall become interest free.
11. Salaries, Wages, Bonus and Gratuity etc. include Rs. 31.07 lacs and Rs. 205.63 lacs in respect of repairs to Buildings and Machinery respectively (Previous year Rs 27.33 lacs and Rs 201.15 lacs respectively).
12. For the current year there is no amount under Exceptional Item (Previous year Rs. 136.99 lacs, Rs. 2942.80 lacs, Rs. 2585.67 lacs, Rs. 62.72 lacs respectively for Provision for Doubtful debts / advances, Reversal of Diminution, Provision for diminution in the value of long-term investments and impairment of Fixed Assets).
13.
  - a) Consumption of Stores and Spares is net of scrap sale Rs.116.71 lacs (Previous year Rs. 157.74 lacs).
  - b) Interest income under Schedule 17 includes Rs.281.33 lacs on deposits with banks and others (Previous year Rs. 220.00 lacs on income tax refund and Rs.59.64 lacs on Bank Deposits). ( Tax deducted at source Rs. 48.85 lacs, Previous year Rs. 11.95 lacs).
  - c) Liabilities/Provisions no longer required (net) includes Rs. 445.31 (refer note 10 herein above) and Rs. 20.68 lacs recovery against provision for doubtful debts. ( Previous year Rs 301.72 lacs and Rs. 25.00 lacs towards one

**Schedule 19 (Contd.)**

- time settlement with a bank and recovery against provision for doubtful debts respectively ). Miscellaneous expenses include Rs 47.19 lacs towards prior period expenses (Previous year Rs.91.80 lacs).
14. a) Foreign exchange gain (net) amounting Rs. 22.94 lacs (Previous year Rs.29.15 lacs) has been included in respective heads of account in Profit & Loss Account.
- b) Additions to plant and machinery include decrease of Rs.0.51 lacs on account of foreign exchange rate fluctuations. (Previous year increase Rs. 56.90 lacs).
- c) Foreign currency exposure not hedged are Rs.1359.85 lacs (equivalent to US\$ 30.31 lacs).
15. Research and Development expenditure amounting to Rs.20.07 lacs (Previous year Rs 18.28 lacs) has been debited to Profit and Loss Account.
16. In view of demerger of Investment division, Consolidated Financial Statements as per AS 21 and AS 23 are not required.(refer note 1 herein above).
17. Investor Education and Protection Fund includes Rs.10.67 lacs for unclaimed fixed deposits (31.03.2005 Rs.10.48 lacs), Rs.33.67 lacs for unclaimed amount on debentures (31.03.2005 Rs.34.59 lacs) and Rs.41.97 lacs interest accrued on above (31.03.2005 Rs. 42.67 lacs)
18. Depreciation includes Rs. 1298.64 lacs ( Previous year Rs.918.90 lacs) against revalued amount of fixed assets/surplus on business valuation and an amount of Rs.258.53 lacs (Previous year Rs. 379.62 lacs) withdrawn from Revaluation Reserve and transferred to Profit and Loss Account.
19. Miscellaneous expenditure to the extent not written off Nil ( Previous year Rs 100.62 lacs being compensation to employees under VRS).
20. a) Sundry Creditors include Rs.1.33 lacs (Previous year Rs.6.31 lacs) due to small scale industrial undertakings to the extent such parties have been identified from available information and Rs.2484.84 lacs (Previous year Rs.2316.36 lacs) due to the creditors other than small scale industrial undertakings. There are no small scale industrial undertakings where outstanding exceeds for more than 30 days.
- b) Some of the Balances of debtors and creditors are in process of confirmation.
21. The name of the company has been changed from JK Corp Limited to JK Lakshmi Cement Limited w.e.f. 6<sup>th</sup> October 2005. The Company has only one business segment i.e. 'Cement'.
22. Under Loans and advances, advances recoverable in cash or in kind include Loan amounting to Rs. 6000.00 lacs (Previous year Nil).

	Rs. in lacs (0.1 Million)	
	2005-06	2004-05
23. Amount paid to Auditors :		
(i) Statutory Auditors :		
Audit Fee	4.50	3.75
For Taxation Matters	0.50	0.50
For Other Services	2.08	1.78
Reimbursement of Expenses	0.16	0.83
	<b>7.24</b>	<b>6.83</b>
(ii) Cost Auditors :		
Cost Audit Fee	0.20	0.20
Reimbursement of Expenses	-	0.02
	<b>0.20</b>	<b>0.22</b>
24. Remuneration to Managing Directors and Whole-time Directors :		
i) Salaries	133.32	116.20
ii) Contribution to Provident and Other Funds *	35.99	31.37
iii) Perquisites (Value as per Income Tax Rules)	57.18	48.88
	<b>226.49</b>	<b>196.45</b>

\*Excludes provision for Gratuity and Leave encashment, where the actuarial valuation is done on overall Company basis.

**Schedule 19 (Contd.)**

		Rs. in lacs (0.1 Million)	
		2005-06	2004-05
25.	Expenses charged to Raw Material (Limestone) account include :		
	Salaries, Wages, Bonus and Gratuity etc.	292.71	308.96
	Contribution to Provident Fund	14.10	13.43
	Employees' Welfare	46.96	41.39
	Consumption of Stores and Spares	1305.27	1065.33
	Power, Fuel and Water	216.61	210.69
	Repairs to Machinery	124.19	77.93
	Insurance	3.59	4.85
	Rates and Taxes	5.88	5.29
	Royalty	1627.34	1514.71
	Miscellaneous Expenses	46.38	11.59
		<b>3683.03</b>	<b>3254.17</b>

## 26. Related Party Disclosure :

List of Related Parties :

## a) Subsidiaries : \*

Mayfair Finance Ltd., Sidhi Vinayak Investment Ltd., Terrestrial Finance Ltd., Yashodhan Investment Ltd., Panchmahal Properties Ltd.

## b) Associates :

J.K. Industries Ltd., JK Paper Ltd., J.K. Udaipur Udyog Ltd.\*, JK Sugar Ltd.\*, JK Agrigenetics Ltd.\*

## c) Key Management Personnel :

Shri Bharat Hari Singhania, Vice Chairman &amp; Managing Director, Smt. Vinita Singhania, Managing Director, Shri S.K. Wali, Whole-time Director, Shri S. Chouksey, Whole-time Director.

\* Ceased w.e.f. 01/04/2005 refer note 1 herein above.

The following transactions were carried out with related parties in the ordinary course of business :

Nature of transactions	Rs. in lacs(0.1 Million)		
	Subsidiaries	Associates	Key Management Personnel
i) Sale of Fixed Assets	-	-	-
	(-)	(0.02)	(-)
ii) Reimbursement of Expenses :			
- Received	(-)	338.97	-
	(8.89)	(224.19)	(-)
- Paid	-	311.84	-
	(-)	(274.38)	(-)
iii) Purchase of Goods	-	17.50	-
	(-)	(3.78)	(-)
iv) Sale of Goods	-	121.38	-
	(-)	(34.28)	(-)
v) Brand Usage Charges	-	-	-
	(-)	(9.14)	(-)
vi) Provision for doubtful debts / advances	-	-	-
	(-)	(113.13)	(-)
vii) Outstanding as at year end :			
- Receivable	-	62.90	1.30
	(-)	(17.30)	(2.59)
- Payable	-	0.29	-
	(-)	(9.36)	(-)

**Notes :**

- Details of remuneration to Key Management Personnel are given in Note No.24
- Figures given in brackets represent Previous year.



**Schedule 19 (Contd.)**

## 30. Particulars of Capacity (Per annum) Production, Sales and Stocks :

Description	Unit	Installed Capacity (a) Quantity	Production Quantity	Sales		Opening Stocks		Closing Stocks	
				Quantity	Rs. in lacs	Quantity	Rs. in lacs	Quantity	Rs. in lacs
Cement	Tonnes	<b>24,00,000</b>	<b>26,63,459</b>	(b) <b>30,11,581</b>	(c) <b>70002.91</b>	<b>34,200</b>	<b>601.02</b>	<b>19,535</b>	<b>392.47</b>
		(24,00,000)	(24,42,700)	(27,83,695)	(59,172.64)	(31,522)	(572.27)	(34,200)	(601.02)

**Notes :**

- (a) As certified by the Management.  
(b) Includes Clinker sale 2,77,433 Tonnes (Rs.4949.76 lacs) - (Previous year 2,75,060 Tonnes (Rs.4074.63 lacs))  
(c) Including other sales amounting to Rs.102.51 lacs (Previous year -Nil).  
(d) Figures in Bracket represent previous year.
31. Purchase of Finished Goods 56,024 Tonnes - Rs.1571.94 lacs (Previous year : 68,613 Tonnes - Rs.1810.90 lacs)
32. Particulars of Raw Materials consumed :

Description	2005-06		2004-05	
	Quantity Tonnes	Amount Rs. In lacs (0.1 Million)	Quantity Tonnes	Amount Rs. In lacs (0.1 Million)
Limestone	<b>35,15,015</b>	<b>3683.03</b>	34,74,637	3254.17
Gypsum	<b>1,49,954</b>	<b>1048.83</b>	1,52,940	926.93
Fly ash	<b>2,37,316</b>	<b>1169.01</b>	1,60,321	686.50
Others		<b>413.27</b>		390.15
		<b>6314.13</b>		5257.75

## 33. Disclosure pursuant to Clause 32 of the Listing Agreement :

- i) Loans & Advances in the nature of Loans to Subsidiaries/Associates : Nil  
ii) Investment by the loanee in the share of the Parent Company and Subsidiary Company : Nil

Note : Loans/Advances to employees as per company's policy are not considered.

**Schedule 19 (Contd.)**

		Rs. in lacs (0.1 Million)			
		2005-06	2004-05		
34.	Other Particulars :				
	a) Expenditure in Foreign Currency (as remitted) on account of :				
	i) Interest payment in Rupees to Financial Institutions/Banks on Foreign Currency Loans	6.08	70.17		
	ii) Consultancy and know-how fee	26.66	75.40		
	iii) Others	37.46	55.21		
		<b>70.20</b>	200.78		
	b) C.I.F. Value of Imports :				
	i) Raw Materials	-	-		
	ii) Stores and Spares	589.14	579.42		
		<b>589.14</b>	579.42		
		<b>2005-06</b>	<b>2004-05</b>		
	c) Raw Materials, Stores and Spares consumed :	<b>Rs. in Lacs (0.1 Million)</b>	<b>% of Total</b>	<b>Rs. in Lacs (0.1 Million)</b>	<b>% of Total</b>
	i) Raw Materials :				
	Imported	-	-	-	-
	Indigenous	6314.13	100.00	5257.75	100.00
		<b>6314.13</b>	<b>100.00</b>	5257.75	100.00
	ii) Stores and Spares :				
	Imported	435.91	8.66	334.99	7.34
	Indigenous *	4597.53	91.34	4229.54	92.66
		<b>5033.44</b>	<b>100.00</b>	4564.53	100.00

\* Including Scrap sale Rs.116.71 lacs (Previous year Rs157.74 lacs)

35. Previous year's figures have been re-arranged and re-cast wherever necessary.

As per our report of even date  
For LODHA & CO.  
Chartered Accountants  
N.K. LODHA  
Partner  
New Delhi, the 29th May 2006

B.K. DAGA  
Secretary

H.S. SINGHANIA

B.H. SINGHANIA  
VINITA SINGHANIA  
N.G. KHAITAN  
PRADIP ROY  
P.V. GANDHI  
R.P. SINGHANIA  
U.M. RAO  
V.K. GURUSWAMY  
S. CHOUKSEY  
S.K. WALI

Chairman  
Vice Chairman &  
Managing Director  
Managing Director

Directors

**Balance Sheet Abstract and Company's General Business Profile as per Schedule VI, Part IV of the Companies Act 1956**

**I. Registration Details :**

Registration No.	019511
State Code	17
Balance Sheet Date	31.03.2006

**II. Capital Raised During the Year  
(Amount in Rs.Thousands)**

Public Issue	NIL
Bonus Issue	NIL
Rights Issue	NIL
Private Placement	NIL

**III. Position of Mobilisation and Deployment of Funds  
(Amount in Rs.Thousands)**

Total Liabilities	95,74,400
Total Assets	95,74,400
SOURCES OF FUNDS	
Paid-up Capital	4,97,668
Reserves & Surplus	16,34,421
Secured Loans	60,66,225
Unsecured Loans	8,50,682
APPLICATION OF FUNDS	
Net Fixed Assets	72,52,835
Investments	1,114
Net Current Assets	14,14,632
Deferred Tax Asset	3,80,415
Miscellaneous Expenditure	-
Accumulated Losses	-

**IV. Performance of the Company  
(Amount in Rs. Thousands)**

Turnover including Other Income	70,79,314
Total Expenditure	65,16,809
Profit before Tax	5,62,505
Fringe Benefit Tax	8,020
Profit After Tax	5,54,485
Earnings per Share (Rs.)	11.14
Dividend Rate (%)	NIL

**V. Generic Names of Principal Products / Services of the Company  
(As per Monetary terms)**

Item Code No.	2523.29.01
	Grey Portland Cement

H.S. SINGHANIA	Chairman
B.H. SINGHANIA	Vice Chairman & Managing Director
VINITA SINGHANIA	Managing Director
N.G. KHAITAN	] Directors
PRADIP ROY	
P.V. GANDHI	
R.P. SINGHANIA	
U.M. RAO	
V.K. GURUSWAMY	
S. CHOUKSEY	
S.K. WALI	

## CASH FLOW STATEMENT

### For the Year ended 31st March 2006

Rs. in lacs (0.1 Million)

	2005-06	2004-05
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before Tax and exceptional items	5625.05	2404.56
Adjustments for :		
Depreciation	5306.79	4894.97
Income from Investments/Interest	(283.02)	(389.11)
Profit on sale of assets/investments	(266.96)	(318.80)
Interest expenses (Gross)	2230.82	720.15
Deferred Revenue Expenditure written off	-	73.57
Provision for doubtful debts/advances	-	201.01
Liabilities, no longer required (Net)	<u>(474.41)</u>	<u>(516.67)</u>
Operating Profit before Working Capital changes	12138.27	7069.68
Adjustments for:		
Trade and Other Receivables	(2983.86)	943.56
Inventories	(389.07)	79.99
Trade and Other Payables	<u>(341.92)</u>	<u>(382.66)</u>
Cash generated from Operations	8423.42	7710.57
Fringe Benefit Tax	(80.20)	-
<b>Net Cash from Operating Activities</b>	<b>8343.22</b>	<b>7710.57</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(7186.44)	(2772.77)
Sale of Fixed Assets	270.90	67.95
Sale of Investments	32.48	854.16
Interest Received	456.96	44.88
Dividends Received	<u>-</u>	<u>108.70</u>
<b>Net Cash in Investing Activities</b>	<b>(6426.10)</b>	<b>(1697.08)</b>

## Cash Flow Statement (Contd.)

Rs. in lacs (0.1 Million)

	2005-06	2004-05
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Long-term borrowings	1633.20	587.38
Repayment of Long-term borrowings	(1218.23)	(3225.14)
Short-term borrowings	(1199.73)	(1872.24)
Interest Paid	(2179.06)	(305.89)
Unclaimed Dividend Paid	-	(4.68)
<b>Net Cash from Financing Activities</b>	<b>(2963.82)</b>	<b>(4820.57)</b>
<b>D. Increase/Decrease ( ) in</b>		
Cash and Cash Equivalents	(1046.70)	1192.92
<b>E. Cash and Cash Equivalents as at the beginning of the year</b>	<b>2256.00</b>	<b>1063.08</b>
<b>F. Cash and Cash Equivalents as at the close of the year</b>	<b>1209.30</b>	<b>2256.00</b>

### Notes :

1. Cash and Cash Equivalents include :

Cash, Cheques on hand and remittances in transit	232.73	274.94
Balances with Scheduled Banks	976.57	1981.06
	<b>1209.30</b>	<b>2256.00</b>

2. The effect of the Scheme of Reconstruction, Arrangement and Demerger as given in note no. 1 of Schedule 19 is cash neutral and as such not considered in this statement.

3. Previous year's figures have been re-arranged and re-cast wherever necessary.

As per our report of even date

For LODHA & CO.  
Chartered Accountants

N.K. LODHA  
Partner  
New Delhi, the 29th May 2006

B.K. DAGA  
Secretary

H.S. SINGHANIA

B.H. SINGHANIA  
VINITA SINGHANIA  
N.G. KHAITAN  
PRADIP ROY  
P.V. GANDHI  
R.P. SINGHANIA  
U.M. RAO  
V.K. GURUSWAMY  
S. CHOUKSEY  
S.K. WALI

Chairman  
Vice Chairman &  
Managing Director  
Managing Director

Directors



Ms. Sunita Narain, Director, CSE (Center for Science and Environment) with Shri S.K. Wali, Whole-time Director and other Company officials with the "Green Leaves Award"



Smt. Vinita Singhania, Managing Director, distributing wheel chairs at the free camp organised for the disabled at Jaykaypuram, Sirohi, Rajasthan.

