

**J.K. CEMENT LIMITED**  
(Regd. Office: Kamla Tower, Kanpur)

**CHAIRMAN'S STATEMENT**

**STATEMENT BY DR. GAUR HARI SINGHANIA, CHAIRMAN  
AT THE ANNUAL GENERAL MEETING OF THE MEMBERS  
ON SATURDAY, THE 29<sup>TH</sup> JULY, 2006 AT KANPUR**

Dear Members,

I extend you a warm welcome to this 12<sup>th</sup> Annual General Meeting of your Company. This meeting gives me an opportunity to welcome new members who have become shareholders of the Company upon allotment of equity shares through Public offer made in March, 2006. Our public issue has been a great success. Our family is now grown to over 1.28 lacs.

### **INDIAN ECONOMY**

Indian economy during fiscal 2005-06 displayed strong fundamentals. A Growth rate of around 8% sustained over last three years augurs well for achieving double digit growth in the near future. Investors' confidence has propelled the capital markets to dizzy heights. The corporate sector also continues to report unprecedented profitability. Government's efforts for development of infrastructures have started yielding results.

### **INDUSTRIAL SCENARIO**

Growth of Cement Industry is always linked to economic growth of the country. Cement demand has posted a healthy growth of 11.16% in fiscal 2005-06, which is substantially higher than 8.57% of the previous fiscal. Industry's production was also higher. However, this created a favourable demand supply scenario leading to price increase. Industry experts expect this trend to continue for at least 2 – 3 years before new capacities announced are implemented. The prices are now at a level, which support new units to come in. It is a matter of great satisfaction that the present growth in cement industry is based on fundamentals of development of infrastructure in the country and growth of housing sector both in rural and urban India. Government's relentless efforts in this direction are worth appreciating. I am very confident that cement industry in India is bound to progress heaps and bounds.

White cement industry has limited growth possibilities and options both in terms of production facilities and market opportunities. Product substitutes play a vital role in affecting the demand of white cement. Growth of white cement industry during 2005-06 fiscal was 3.6% only.

### **AUDITED ACCOUNTS**

Your Company's audited accounts for the year ended 31.3.2006 alongwith the Director's Report, Auditors' Report, etc. have been with you for quite some time and with your permission I take them as read. I hope you would agree with me that performance of 2005 – 06 have been satisfactory.

## **STEPS FOR CREATING WEALTH FOR ALL SHAREHOLDERS**

I am proud to report that we have achieved a number of accomplishments this past year that gives me great confidence to achieve our targets in 2006 – 07 and beyond.

First, we drew and began implementing the strategic blue print, which would enable us to hone our competitive strengths. This follows the significant turnaround that our business achieved post acquisition of cement units. These initiatives include investments to reduce our power costs and further leverage our facilities by increasing intermediate process capabilities such as grinding.

Secondly, we successfully completed our initial public offering, and in the process, strengthened our balance sheet immensely. The warm response to our IPO will go a long way in motivating us at JK Cement to continue on the path of aggressive growth.

We have also witnessed a strong improvement in our operational performance. We have reported our best ever numbers, and even proposed a maiden dividend of 15 per cent in the very first full year of working on the enhanced capital. Our continued determination and commitment has been to deliver profitable growth, to all stakeholders, through operational excellence and increasing returns, which is evident from our performance.

The thrust on improving the national capabilities through infrastructure aids us in our pursuit of growth. We will continue to ride this strong economic trend and leverage the potential. However, there is an inherent challenge in this. We must work towards creating an organization that remains impervious to cyclicity. Our carefully crafted strategy of making continuous investments for increasing our capacity (both through process improvements and greenfield expansions), together with a cost leadership, will not only make us competitive but also make our operations sustainably profitable in the long run.

As reported last, the Company has finalized its future growth plan to maintain its leading role in cement sector. At present its activities are centralised in the State of Rajasthan only. It has plans to spread its wings to other states by setting up new grinding units and grass root new plants. As a first step, it has already decided to set up a Grey Cement plant in the state of Karnataka for which mines are available with Jaykaycem Ltd., a sister concern. A scheme to implement this project within the Company's fold is in advanced stage of finalisation.

Simultaneously, your management is very cautious of impact of oil prices spiral on production cost which need to be minimized in order to be competitive in the present

market scenario. Keeping this in mind, schemes for reducing power cost per tonne of cement have been given priorities. Details of these schemes are given in the Director's Report. All these schemes shall result in substantial reduction in power cost.

I am sure that all these schemes will gradually improve the shareholders' value over a period.

### **CURRENT YEAR WORKING**

The Grey Cement units are operating at 100% capacity utilization and impact of better prices would substantially improve the profits of the Company in the current year. The Grey Cement capacity expansion plan of 0.5 million tones has been completed in June '06 within the planned cost and time frame. The additional production in the subsequent quarters will further strengthen the Company's position in the market and improve the profitability. White Cement capacity expansion from 0.35 to 0.4 million tones is in advanced stage and will be completed in Septemeber'06. As regards power projects, majority orders have been placed and these projects are expected to meet the timeline.

### **SOCIAL INTITIATIVES**

Your management is fully cautious of its responsibilities towards social cause such as the quality of life of employees, welfare of the community and protection of the environment. Company made substantial contributions to the Prime Minister's Relief Fund for Tsunami victims for their rehabilitation out of this tragic disaster.

Company regularly carry out various activities in support of community around its manufacturing facilities by organizing health camps, financial aid and honour to meritorious students, subsidized education, free bus service to students of nearby villages and construction of temples, dharmshala, hospitals etc.

### **ACKNOWLEDGEMENT**

Our employees at all levels are invaluable assets for the company. I fully realise that their support and dedication only can help the management to pursue the path to achieve new goals set by the company.

At the end I assure the shareholders that we have just started our journey and we have targets and aims to grow in a fashion where everyone attached with the company gets fully rewarded. In this journey, I seek your continued support with renewed dedication and vigour.

**NOTE: This does not purport to be a record of the proceedings of the Annual General Meeting.**