

## CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance as per the format prescribed by SEBI and incorporated in clause 49 of the Listing Agreement is set out below :

### 1. Company's philosophy on Code of Governance

At J.K. Cement, we view corporate governance in its widest sense, almost like trusteeship. The Company's philosophy on Corporate Governance is to enhance the long-term economic value of the Company, its stakeholders i.e. the society at large by adopting better corporate practices in fair transparent manner by aligning interest of the Company with that of its shareholders/other key stakeholders.

Corporate Governance is not merely compliance and not simply creating checks and balances, it is an ongoing measure of superior delivery of Company's objects with a view to translate opportunities into reality.

In so far as compliance with the requirements of Clause 49 of the Listing Agreement with the Stock Exchange(s) is concerned, the Company is in full compliance with the norms and disclosures that have to be made.

### 2. Board of Directors

#### (i) Composition of the Board

In compliance with the corporate governance norms in terms of constitution of the Board, the Board is headed by its Non-executive Chairman, Dr. Gaur Hari Singhania. The Independent Directors on the Board are experienced, competent and highly reputed persons from their respective fields. The Independent Directors take active part at the Board and Committee Meetings, which adds value in the decision making process of the Board of Directors.

As on 31st March, 2006 the composition of the Board of Directors is given herein below :

- One Promoter, Non-Executive, Non Independent Director
- One Promoter, Executive, Non Independent Director
- Three Non-Executive, Non Independent Directors
- Three Non Executive, Independent, Directors

#### (ii) Attendance of each director at the Board Meetings and last Annual General Meeting

During the last financial year ended March 31, 2006, seven Board Meetings were held on the following dates : -

- (i) 26th April, 2005 (ii) 11th June, 2005, (iii) 30th July, 2005, (iv) 24th October, 2005, (v) 31st October, 2005, (vi) 26th November, 2005 and (vii) 14th January, 2006

The attendance of each Director at Board Meetings and at the last Annual General Meeting (AGM) was as under : -

Sl. No.	Name of Director	No. of Board Meetings attended	Attendance at the last AGM
1.	Dr. Gaur Hari Singhania	6	YES
2.	Shri Yadupati Singhania	7	YES
3.	Shri J.P. Bajpai	6	YES
4.	Shri K.N. Khandelwal	6	YES
5.	Shri R.K. Lohia	3	NO
6.	Shri Alok Dhir	3	YES
7.	Shri Ashok Sharma#	3	N.A.
8.	Shri A. Karati #	2	N.A.

# Appointed as Additional Directors w.e.f. 24.10.2005

#### (iii) The number of Directorships on the Board and Board Committees of other Companies, of which the Directors are members / Chairman is given as under: -

Sl. No.	Name of Director	Position	No. of other Directorships	No. of Board Committees (Other than J. K. Cement Ltd.) in which	
				Chairman	Member
1.	Dr. Gaur Hari Singhania <i>Chairman</i>	Promoter, Non Executive, Non Independent	6	1	1
2.	Shri Yadupati Singhania <i>Managing Director</i>	Promoter, Executive, Non Independent	13	-	2
3.	Shri J. P. Bajpai	Non Executive, Non Independent	5	-	-
4.	Shri K. N. Khandelwal	Non Executive, Non Independent	4	-	1
5.	Shri Alok Dhir	Non Executive, Non Independent	4	-	-
6.	Shri R. K. Lohia	Non Executive, Independent	6	-	-
7.	Shri Ashok Sharma #	Non Executive, Independent	-	-	-
8.	Shri Achintya Karati #	Non Executive, Independent	9	-	12

# Appointed as Additional Directors w.e.f. 24.10.2005

### 3. Audit Committee

#### (i) Broad Terms of Reference

The terms of reference of Audit Committee cover the matters specified for Audit Committee under clause 49 of the Listing Agreement as well as under Section 292A of the Companies Act, 1956.

#### (ii) Composition of the Committee

As on 31.03.2006, the following Directors were the members of the Audit Committee :-

- (i) Shri Ashok Sharma (Chairman) : Independent,  
Non Executive Director
- (ii) Shri R.K. Lohia : Independent,  
Non Executive Director
- (iii) Shri A. Karati : Independent,  
Non Executive Director
- (iv) Shri Alok Dhir : Non Independent,  
Non Executive Director
- (v) Shri K.N. Khandelwal : Non Independent,  
Non Executive Director



All these Directors possess knowledge of Corporate Finance/ Accounts / Company Law/ Industry. The Company Secretary is the Secretary for such meetings. The Statutory Auditors of the Company attend the meetings as special invitees.

### (iii) Meetings and Attendance

During the financial year ended 31st March, 2006 four meetings were held on 11th June, 2005, 30th July, 2005, 31st October, 2005 and 14th January, 2006.

The Committee approved and recommended the annual accounts for the year 2004-05 in their meeting held on 11th June, 2005.

The attendance at the Committee Meetings was as under : -

Sl. No.	Name of Director	No. of Meetings attended
1.	Shri Ashok Sharma	2
2.	Shri A. Karati	1
3.	Shri R. K. Lohia	3
4.	Shri K. N. Khandelwal	4
5.	Shri Alok Dhir	2

**Note :** The Audit Committee was reconstituted on 24.10.2005 to comply with the amended clause 49 of the Listing Agreement.

## 4. Remuneration Committee

### (i) Broad Terms of Reference

To review and decide the policy on specific remuneration package of Managing Director, Whole Time Director(s), Executive/Non-executive Chairman and Executive/Non-executive Vice Chairman of the Company.

To decide on terms of remuneration of Non-executive Directors of the Company.

### (ii) Composition of the Committee

Remuneration Committee of the Company as on 31.03.2006 comprised of :

- |                                     |  |
|-------------------------------------|--|
| (i) Shri Raj Kumar Lohia (Chairman) | : Independent<br>Non Executive<br>Director     |
| (ii) Shri J. P. Bajpai              | : Non Independent<br>Non Executive<br>Director |
| (iii) Shri Alok Dhir                | : Non Independent<br>Non Executive<br>Director |

### (iii) Meetings and Attendance

During the financial year ended 31st March, 2006 only one meeting was held on 11th June, 2005.

The attendance at the above Meeting was as under : -

Sl. No.	Name of Director	No. of Meetings attended
1.	Shri Raj Kumar Lohia (Chairman)	1
2.	Shri J. P. Bajpai	1
3.	Shri Alok Dhir	1

**Note :** The Remuneration Committee was reconstituted on 24.10.2005 to comply with the amended clause 49 of the Listing Agreement.

## (iv) Remuneration Policy

The Company's remuneration policy is based on the principles of (i) pay for responsibility (ii) pay for performance and potential and (iii) pay for growth. Keeping in view the above, the Remuneration Committee is vested with all the necessary powers and authorities to ensure appropriate disclosure on remuneration to the Managing Director including details of fixed components and performance linked incentives.

As for the Non-executive Directors, their appointment on the Board is for the benefit of the Company due to their vast professional expertise in their individual capacity. The Company suitably remunerates them by paying sitting fee for attending the meetings of the Board and various sub-committees of the Board and commission on profits.

## (v) Details of Remuneration to the Directors for the year ended 31st March, 2006

Sl. No.	Name of Director	Salary	Benefits*	Commis- sion	Sitting Fee	Total
1	Dr. Gaur Hari Singhania	-	-	10,00,000	1,14,000	11,14,000
2	Shri Yadupati Singhania*	17,50,000	64,793	50,00,000	-	68,14,793
3	Shri J.P. Bajpai	-	-	2,50,000	1,45,000	3,95,000
4	Shri K.N. Khandelwal	-	-	2,50,000	1,48,000	3,98,000
5	Shri Raj Kumar Lohia	-	-	2,50,000	52,000	3,02,000
6	Shri Alok Dhir**	-	-	2,50,000	24,000	2,74,000
7	Shri Ashok Sharma #	-	-	2,50,000	50,000	3,00,000
8	Shri A. Karati #	-	-	2,50,000	30,000	2,80,000

\* Benefits do not include payment of contribution to Provident Fund and Superannuation Fund, which are exempted prerequisites under Para 2 Section II Part II of Schedule XIII of the Companies Act, 1956.

# Part of the year

\* Appointment of Managing Director & CEO is for a period of 3 years i.e. upto 31.03.2007.

\*\* Shri Alok Dhir is partner of Dhir & Dhir Associates, who have professional relationship with the Company on need basis. During the year, the Company has paid Rs. 1,93,500 as professional fee.

## 5. Shareholders' Grievance Committee

### (i) Composition

The Committee as on 31.03.2006 comprised of :

- Shri J.P. Bajpai (Chairman)
- Shri K.N. Khandelwal
- Shri Raj Kumar Lohia

(ii) Mr. Manish Bajpai, Company Secretary is the Compliance Officer of the Committee.

### (iii) Functions

The Committee specifically looks into redressal of shareholders' and investors' complaints such as transfer of shares, non-receipts of shares, non-receipt of dividend declared and to ensure expeditious share transfer process. To review the status of investors' grievances, redressal

mechanism and recommend measures to improve the level of investors' services. The Company received 549 complaints during the F.Y. 2005-06, out of which 545 complaints were redressed and 4 complaints were unresolved as at 31.03.2006. Pending complaints have been attended to after the close of the year.

## (ii) Meeting and Attendance

During the financial year ended 31st March, 2006, four meetings were held on 11th June, 2005, 30th July, 2005, 31st October, 2005 and 14th January, 2006.

The attendance at the above meetings was as under :-

Sl. No.	Name of Director	No. of Meetings attended
1.	Shri J. P. Bajpai	4
2.	Shri K. N. Khandelwal	4
3.	Shri Raj Kumar Lohia	2

## 6. General Body Meetings

Dates and time of last three Annual General meetings held are given below :-

Financial Year	Date	Time
2002 – 03	20 <sup>th</sup> September, 2003	1.30 P.M.
2003 – 04	30 <sup>th</sup> September, 2004	3.00 P.M.
2004 – 05	20 <sup>th</sup> August, 2005	12.00 Noon

Except for the last Annual General Meeting, which was held at the Auditorium of the Merchants' Chamber of U.P., all other meetings were held at the Registered Office of the Company at Kamla Tower, Kanpur.

Except two Special Resolutions regarding payment of commission to Managing Director and CEO and the Non-executive Directors, which were passed in the Annual General Meeting of the Company held on 20.08.2005, no other Special Resolution was passed in the other two meetings.

There were no matters required to be dealt/passed by the Company through postal ballot in any of the aforesaid meetings, as required under the provisions of Section 192 A of the Companies Act, 1956. There is no matter proposed to be dealt/passed by the Company through postal ballot in the ensuing Annual General Meeting.

The Chairman of the Audit Committee was present at the last AGM held on 20th August, 2005 to answer the queries of the Shareholders.

Besides above, an Extraordinary General Meeting was also held on 26th November, 2005, in which two Special Resolutions were passed.

## 7. Disclosures

- (i) There are no materially significant transactions with the related parties viz. Promoters, Directors or the Management, their Subsidiaries or relatives conflicting with Company's interest. Suitable disclosure as required by the Accounting Standard (AS18) has been made in the Annual Report.
- (ii) With regard to Pecuniary relationship or transactions of non-executive directors vis-a-vis the Company that have potential conflict with the interest of the Company at large,

the Company has sought legal opinion from M/s Dhir & Dhir Associates on need basis. Shri Alok Dhir, Director of the Company is a Managing Partner in M/s Dhir & Dhir Associates. However there is no potential conflict of interest of the Company at large.

- (iii) No penalties or strictures have been imposed on the Company by Stock Exchange or SEBI or any statutory authority on any matter related to capital markets.
- (iv) Compliance with the non-mandatory requirements of Clause 49 of the listing Agreement. The Company has complied with the non-mandatory requirements relating to the remuneration committee to the extent detailed above and has not complied with the other non mandatory requirements.

## Disclosures regarding appointment or re-appointment of Directors

According to the Articles of Association of the Company, two Directors namely Shri R.K. Lohia and Shri Alok Dhir will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-election. Given below are the abbreviated resumes of the aforesaid Directors pursuant to clause 49 of the listing Agreement.

- (i) **Shri R.K. Lohia**, holds a Bachelor of Arts degree in Economics from Kanpur University. He has vast experience in the fields of commerce and industry spanning over 30 years. He is a Non executive Independent director of our Company since September 30, 2004. He is a leading industrialist of Kanpur and also serves as director on the board of a number of other Indian Companies. He is the recipient of several awards, including the Excellence Award 2005 for contribution in the field of entrepreneurship. He holds the post of Director in Lohia Starlinger Limited, Lohia Sales & Services Limited, Lohia Packaging Machines Limited, Lohia Filament Machines Limited, Lohia ICBT Limited, Rohit Polytex Limited.
- (ii) **Shri Alok Dhir** holds a Bachelor of Law degree from Delhi University and is a qualified Chartered Accountant from the Institute of Chartered Accountants of India, New Delhi. He has vast experience in the financial and legal fields spanning over 21 years. He is a Non-executive Non Independent Director and has been on the Board of Directors of our Company since October 27, 2004. He has been in the practice of law for over 16 years. He is a legal advisor to leading Indian Companies and has represented corporations, banks, financial institutions and public sector undertakings before the Supreme Court and various other courts across India. He is the founder member of the AAIFR/ BIFR Bar Association of India. He is also a member of various other organizations, including FICCI, PHD Chamber of Commerce, CII, ASSOCHAM, Indian Council of Arbitration and Indo-American Chamber of Commerce. He holds the post of Director in Dhir & Dhir Assets Reconstruction and Securitization Company Limited, Shiva Consultants (P) Limited, GPI Textile Limited, Cirrus Chemicals Private Limited, Cirrus Power Private Limited, As on 31.03.2006, he was



holding 20,000 Equity shares of the Company allotted in the recent public issue of the Company.

## 8. Code of Conduct

The Board of Directors has already adopted the Code of Ethics & Business Conduct for the Directors and Senior Management Personnel. This Code is a comprehensive code applicable to all Directors, Executive as well as Non-executive and members of the Senior Management.

A copy of the Code has been put on the Company's website [www.jkcement.com](http://www.jkcement.com).

The Code has been circulated to all the members of the Board and Senior Management Personnel and compliance of the same has been affirmed by them. A declaration signed by the Managing Director & CEO in this regard is given below :

"I hereby confirm that :

The Company has obtained from all the members of the Board and Senior Management Personnel of the Company, affirmation that they have complied with the Code of Ethics and Business Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2005-06.

Yadupati Singhania  
(Managing Director & CEO)"

## 9. Means of Communications

The Annual, Half yearly and Quarterly results are regularly submitted to the Stock Exchange(s) in accordance with Listing Agreement and the same are normally published in Business Standard, Economic Times and Amar Ujala newspapers. Management Discussion and Analysis forms part of Annual Report, which is posted to the Shareholders of the Company.

All vital information relating to the Company and its performance, including quarterly results etc. are simultaneously posted on Company's website [www.jkcement.com](http://www.jkcement.com) and on the Electronic Data Information Filing and Retrieval (EDIFAR) website maintained by SEBI in association with the National Informatics Centre (NIC).

## 10. General Shareholders Information

### (i) Annual General Meeting

Date & Time : 29th July, 2006 at 12:00 Noon.

Venue : Sir Padampat Singhania Auditorium,  
Merchants' Chamber of Uttar  
Pradesh, 14/76, Civil Lines, Kanpur.

### (ii) Financial Calendar

First Quarter Results - End of July, 2006

Second Quarter Results - End of October, 2006

Third Quarter Results - End of January, 2007

Results for the year ending 31st March 2007 - By end of June, 2007

### (iii) Date of Book Closure

21st July, 2006 to 29th July, 2006 (both days inclusive)

### (iv) Dividend payment date

The Board of Directors of the Company have recommended a dividend of Rs. 1.50 per share. The dividend shall be payable on or after 29th July, 2006

### (v) Listing on Stock Exchanges

The Equity Shares of the Company are already listed with the Bombay Stock Exchange Ltd. The Equity Shares of the Company also got listed with National Stock Exchange of India Ltd. on 13.03.2006.

### (vi) Stock Code

BSE 532644  
NSE JKCEMENT  
ISIN NUMBER INE823G01014

### (vii) Market Price Data

Month	BSE			
	High	Low	Sensex High	Sensex Low
June 2005	200.00	101.00	7,228.21	6,647.36
July 2005	155.00	112.70	7,708.59	7,123.11
August 2005	164.00	116.00	7,921.39	7,537.50
Sept. 2005	166.80	140.55	8,722.17	7,818.90
Oct. 2005	153.00	131.10	8,821.84	7,656.15
Nov. 2005	163.80	138.50	9,033.99	7,891.23
Dec. 2005	180.00	152.55	9,442.98	8,769.56
Jan. 2006	176.80	160.00	9,945.19	9,158.44
Feb. 2006	178.90	165.10	10,422.65	9,713.51
March 2006	187.00	129.00	11,356.95	10,344.26

**Note :** The Equity shares of the Company got listed with BSE on 30.06.2005

### (viii) Registrar/Transfer Agent

The Company has appointed M/s J.K. Synthetics Ltd. as Registrars and Share Transfer Agents of the Company for Physical and Demat segment. The address for communication is as under :-

M/s. J.K. Synthetics Ltd.  
(Unit J.K. Cement Ltd.)  
Kamla Tower,  
Kanpur – 208 001  
Telephone: (0512) 2371478 – 81;  
Fax: (0512) 2399854;  
email: [jkshr@jkcements.com](mailto:jkshr@jkcements.com)

### (ix) Share Transfer System

Share Transfer work of physical segment is attended to by the Company's Registrar & Share Transfer Agents within the prescribed period under law and the Listing Agreements with Stock Exchanges.

All share transfers etc. are approved by a Committee of Directors, which meets periodically.

**(x) Distribution of Shareholding as on 31.3.2006**

No. of Equity Shares held	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Upto 500	125486	97.80	5702221	8.155
501 to 1000	1984	1.54	1324886	1.895
1001 to 2000	350	0.27	537383	0.768
2001 to 3000	88	0.06	218801	0.313
3001 to 4000	133	0.10	460060	0.658
4001 to 5000	45	0.03	214388	0.307
5001 to 10000	92	0.07	659095	0.943
10001 and above	127	0.09	60810416	86.962
<b>Total</b>	<b>128305</b>	<b>100.00</b>	<b>69927250</b>	<b>100.000</b>

**(xi) Category of Shareholders as on 31st March, 2006**

Category	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shareholding
Promoters and Persons acting in concert	40	0.030	43046801	61.56
Mutual Funds and UTI	21	0.016	3219366	4.60
Banks, Financial Institutions	128	0.100	1349316	1.93
FIs	25	0.019	8950553	12.80
Bodies Corporate	1493	1.163	3860479	5.52
NRI/OCBs	2604	2.029	225995	0.32
Indian Public	123953	96.608	8980098	12.85
Others	41	0.032	294642	0.42
<b>Total</b>	<b>128305</b>	<b>100.000</b>	<b>69927250</b>	<b>100.00</b>

**(xii) Dematerialisation of Shares**

The Company's Equity Shares have been allotted ISIN (INE823G01014) both by the National Securities Depository Ltd. (NSDL) and Central Depository Services

(India) Ltd. (CDSL). The Company had made allotment of 2,00,00,000 Equity Shares of face value of Rs. 10/- to public through book building route at a premium of Rs. 138/-.

3,68,28,462 Equity Share representing 52.67% of the paid up Equity Capital of the Company have been dematerialised as on 31.03.2006.

Consequent to the follow-up offering of 2,00,00,000 Equity Shares by the Company in March, 2006, 1,42,03,298 Equity Shares representing 20.31% of the post issue paid up capital of the Company held by the promoters are locked-in for 3 years from the date of allotment i.e. till 12.3.2009 as per SEBI (DIP) Guidelines, 2000.

**(xiii)** The Company has not issued any GDRs/ADRs/warrants or any convertible instruments.

**(xiv) Plant Location**

Company has following plants (All located in Rajasthan):-

Plant	Location
Grey Cement Plant	Kailash Nagar, Nimbahera, Distt. Chittorgarh
Grey Cement Plant	Mangrol, Distt. Chittorgarh
Thermal Power Plant	Bamania, Shambupura, (For captive consumption) Distt. Chittorgarh
White Cement Plant	Gotan, Distt. Nagaur

**(xv) Address for Correspondence**

J.K. Cement Ltd.,  
Share Department,  
Kamla Tower, Kanpur – 208001.  
Telephone No.: (0512) 2371478 – 81, Fax (0512) 2399854  
Email: jkshr@jkceMENTS.com  
Website: www.jkCement.com

**AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE**

**To The Members of J. K. CEMENT LIMITED**

We have examined the compliance of conditions of Corporate Governance by J.K. CEMENT LIMITED as at 31<sup>st</sup> March, 2006, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchange(s).

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementations 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 and the representations made by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by the Institute of Chartered Accountants of India, we have to state that as per the records maintained by the Company, no investor grievance is pending for a period exceeding one month.

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

For **P. L. TANDON & CO.,**  
Chartered Accountants

**P. P. SINGH**  
Partner

Place : Kanpur  
Date : 29th April, 2006

Membership No. 72754