

REPORT ON CORPORATE GOVERNANCE

In compliance with the requirements of clause 49 of the Listing Agreement with the Stock Exchanges, your Company submits the Annual Report on Corporate Governance.

1. Company philosophy on code of Governance

We view Corporate Governance in its widest sense, almost like trusteeship. Corporate Governance is not merely compliance and not simply creating checks and balances, it is an ongoing measure of superior delivery of Company's object with a view to translate opportunity into reality.

Your Company continues to follow procedures and practice in conformity with the Code of Corporate Governance as outlined in clause 49 of the Listing Agreement.

2. Board of Directors

(a) Composition/Category

The strength of the Board of Directors as on 31st March, 2009 is 12 (Twelve). The composition is given below :-

- One Promoter, Executive, Non-independent Director
- Three Promoters, Non-Executive, Non-independent Directors
- One Non-Executive, Non-independent Director
- Seven Independent, Non-Executive Directors

The composition of the Board of Directors, the number of Directorship on the Board and Board Committees of other companies, of which the Directors are Members/Chairman under Report is given as under :-

| Sl. No. | Name of Director | Category | Inter-se Relationships between Directors | | No. of other Directorships# | No. of Board Committees (Other than J.K. Cotton) in which | |
|---------|---|--|--|-------------|-----------------------------|---|--------|
| | | | Director with whom related | Relation | | Chairman | Member |
| 1 | Dr. Gaur Hari Singhania <i>Chairman, Managing Director and CEO</i> | Promoter, Executive, Non Independent | Shri Govind Hari Shri Yadupati | Brother Son | 5 | - | - |
| 3 | Shri Yadupati Singhania <i>Vice Chairman</i> | Promoter, Non Executive, Non Independent | Dr. Gaur Hari | Father | 9 | - | - |
| 3 | Shri Govind Hari Singhania | Promoter, Non-Executive, Non Independent | Dr. Gaur Hari | Brother | 1 | - | - |
| 4 | Shri Nidhipati Singhania | Promoter, Non-Executive, Non Independent | - | - | - | - | - |
| 5 | Shri P. K. Saraf | Non-Executive, Non-Independent | - | - | - | - | - |
| 6 | Shri Lalit Mohan Agarwal | Non-Executive, Independent | - | - | - | - | - |
| 7 | Shri D. K. Kapila Nominee of BIFR | Non-Executive, Independent | - | - | 5 | 2 | 1 |
| 8 | Shri S. P. Arora* Nominee of IFCI | Non-Executive, Independent | - | - | 1 | - | - |
| 9 | Shri R. R. Mansingh | Non-Executive, Independent | - | - | 1 | - | - |
| 10 | Dr. J. N. Gupta | Non-Executive, Independent | - | - | 1 | - | 1 |
| 11 | Shri R.K. Saxena | Non-Executive, Independent | - | - | - | - | - |
| 12 | Shri Ganesh Chaudhary Nominee of AFL | Non-Executive, Independent | - | - | - | - | - |
| 13 | Shri R. P. Singh** Nominee of IFCI | Non-Executive, Independent | - | - | 4 | - | - |

* Appointed as Director w.e.f. 27th May, 2008

** Ceased to be Director w.e.f. 27th May, 2008

Excluding Private Limited Companies and Companies registered under section 25 of the Companies Act, 1956

JUGGILAL KAMPLPAT COTTON SPINNING & WEAVING MILLS CO. LTD.

(b) Attendance of each director at the Board Meeting and at the last Annual General Meeting

During the financial year ended 31st March, 2009, four Board Meetings were held on the following dates :-

- 27th May, 2008
- 31st July, 2008
- 31st October, 2008
- 16th January, 2009

Attendance of each director at the Board Meeting and at the last Annual General Meeting was as under :

| Sl. No. | Name of Director | No. of Board Meetings attended | Attendance at the Last AGM held on 08.08.08 |
|---------|----------------------------|--------------------------------|---|
| 1 | Dr. Gaur Hari Singhania | 4 | YES |
| 2 | Shri Yadupati Singhania | 4 | YES |
| 3 | Shri Govind Hari Singhania | 4 | YES |
| 4 | Shri Nidhipati Singhania | 3 | NO |
| 5 | Shri P.K.Saraf | 3 | YES |
| 6 | Shri Lalit Mohan Agarwal | 4 | NO |
| 7 | Shri D.K.Kapila | 3 | NO |
| 8 | Shri S. P. Arora# | 2 | NO |
| 9 | Shri R.R.Mansingh | 3 | YES |
| 10 | Dr. J.N.Gupta | 4 | NO |
| 11 | Shri R.K.Saxena | 4 | NO |
| 12 | Shri Ganesh Chaudhary | 3 | NO |
| 13 | Shri R. P. Singh* | 0 | NO |

Appointed as director w.e.f. 27th May, 2008.

* Ceased to be director w.e.f. 27th May, 2008.

c) The details of number of Equity Shares of the Company held by Non-Executive Directors are as under :-

| Sl.No. | Name of Director | No. of Equity Shares held |
|--------|----------------------------|---------------------------|
| 1 | Shri Yadupati Singhania | 4075000 |
| 2 | Shri Govind Hari Singhania | 12326 |
| 3 | Shri Nidhipati Singhania | - |
| 4 | Shri P. K.Saraf | 300 |
| 5 | Shri Lalit Mohan Agarwal | - |
| 6 | Shri D. K.Kapila | - |
| 7 | Shri S. P. Arora# | - |
| 8 | Shri R.R.Mansingh | - |
| 9 | Dr. J.N.Gupta | - |
| 10 | Shri R.K.Saxena | - |
| 11 | Shri Ganesh Chaudhary | - |
| 12 | Shri R.P.Singh* | - |

Appointed as director w.e.f. 27th May, 2008.

* Ceased to be director w.e.f. 27th May, 2008.

3. Audit Committee

- (a) Composition of the Committee and Broad Terms of Reference

The Audit Committee of the Company comprises of following Directors :

| | |
|----------------------------------|--|
| Shri R.R. Mansingh (Chairman) | : Independent, Non-Executive Director |
| Shri R.K.Saxena | : Independent, Non-Executive Director |
| Shri P.K.Saraf | : Non-Independent, Non-Executive Director |

All these Directors possess knowledge of Corporate Finance / Accounts/ Company law / Industry. The Secretary of the Company is Secretary for Audit Committee.

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

(b) Meetings/Attendance

During the financial year ended 31st March, 2009, four meetings were held on 27th May, 2008, 31st July, 2008, 31st October, 2008 and 16th January, 2009.

The attendance at the Committee Meetings was as under :

| Name of Director | No. of Meetings attended |
|--------------------|--------------------------|
| Shri R.R. Mansingh | 4 |
| Shri P.K.Saraf | 3 |
| Shri R.K. Saxena | 4 |

4. Remuneration Committee

The Company is not paying any remuneration to Executive and Non-Executive Directors except sitting fees to Non-Executive Directors. Hence, the Company has not constituted any Remuneration Committee, which is also optional as per the provision of the Clause 49 of the Listing Agreement with Stock Exchanges.

Details of Remuneration to the Directors for the year ended 31st March, 2009

| Sl. No. | Name of Director | Salary | Benefits | Sitting Fee | Total |
|---------|----------------------------|--------|----------|-------------|-------|
| 1 | Dr. Gaur Hari Singhania @ | - | - | - | - |
| 2 | Shri Yadupati Singhania | - | - | 24600 | 24600 |
| 3 | Shri Govind Hari Singhania | - | - | 20000 | 20000 |
| 4 | Shri Nidhipati Singhania | - | - | 15000 | 15000 |
| 5 | Shri P.K.Saraf | - | - | 22000 | 22000 |
| 6 | Shri Lalit Mohan Agarwal | - | - | 24000 | 24000 |
| 7 | Shri D.K.Kapila | - | - | 20000 | 20000 |
| 8 | Shri S.P.Arora# | - | - | 10000 | 10000 |
| 9 | Shri R.R.Mansingh | - | - | 23000 | 23000 |
| 10 | Dr. J.N.Gupta | - | - | 20000 | 20000 |
| 11 | Shri R.K.Saxena | - | - | 24200 | 24200 |
| 12 | Shri Ganesh Chaudhary | - | - | 15000 | 15000 |
| 13 | Shri R.P.Singh* | - | - | - | - |

@ No Sitting Fees is payable w.e.f 30.10.2007 on appointment as Managing Director

Appointed as Director w.e.f. 27th May, 2008

* Ceased to be Director w.e.f. 27th May, 2008

5. Shareholders' Grievance Committee

(a) Composition

The Committee comprises of following Directors :

| | |
|------------------------------|--|
| Shri P.K.Saraf (Chairman) | : Non-Independent, Non-Executive Director |
| Shri R. R. Mansingh | : Independent, Non-Executive Director |
| Shri Lalit Mohan Agarwal | : Independent, Non-Executive Director |

The Secretary of the Company is compliance officer of the Committee.

(b) Functions

To review the status of shareholders'/ Investors' grievances, redressal mechanism and recommend measures to improve the level of investors' services. The Company received 3 complaints during the Financial Year 2008-09 and all the 3 complaints were redressed and there was no complaint pending as at 31.03.2009.

(c) Meetings/Attendance

During the financial year ended 31st March, 2009, four meetings were held on 27th May, 2008, 31st July, 2008, 31st October, 2008 and 16th January, 2009.

The attendance at the Committee Meetings was as under :-

| Name of Director | No. of Meetings attended |
|--------------------------|--------------------------|
| Shri P.K.Saraf | 3 |
| Shri R.R. Mansingh | 4 |
| Shri Lalit Mohan Agarwal | 4 |

6. General Body Meetings

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

| Financial Year | Date | Time | Place |
|----------------|------------------|----------|--|
| 2005-06 | 28th Aug., 2006 | 12.30 pm | Registered Office, Kamla Tower, Kanpur |
| 2006-07 | 26th June, 2007 | 2.30 pm | Registered Office, Kamla Tower, Kanpur |
| 2007-08 | 8th August, 2008 | 1.00 pm | Registered Office, Kamla Tower, Kanpur |

Special Resolution passed at the last three AGM

| Date | Short particulars of Special Resolution passed at the AGM |
|------------------|---|
| 28th Aug., 2006 | No Special Resolution was passed |
| 26th June, 2007 | 1. Alteration of Capital Clause of Articles of Association 2. Conversion of Promoters' Contribution into Equity. |
| 8th August, 2008 | Approval of Appointment of Dr. Gaur Hari Singhania as Managing Director |

Further, no Special Resolution was put through postal ballot

as required under the provisions of Section 192A of the Companies Act, 1956 last year nor it is proposed this year.

7. Disclosures

- There was no significant transaction of material nature with the related parties viz. Promoters, Directors or the Management or their subsidiaries or relatives during the year that has potential conflict with the interest of the Company. Suitable disclosures as required by the Accounting Standard (AS18) have been made in the Annual Report.
- There are no pecuniary relationship or transactions of non-executive directors vis-à-vis the Company that have potential conflict with the interest of the Company at large.
- 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 market during the last three years.
- The Company has complied with the non-mandatory requirements of Clause 49 of the Listing Agreement as far as possible.
- Disclosures regarding appointment or reappointment of Directors :

According to the Articles of Association of the Company, two directors viz. Shri Lalit Mohan Agarwal and Shri R. K. Saxena will retire by rotation at the ensuing Annual General Meeting of the Company and being eligible offer themselves for re-appointment. Pursuant to clause 49 of the Listing Agreement relating to the Code of Corporate Governance, the particulars of the aforesaid Directors are given below :

- Shri Lalit Mohan Agarwal is M. Sc. (Physics). He has wide experience of production and labour matters in Jute industry.
- Shri R. K. Saxena is M.A. (Economics) & M.A. (Sociology). He has wide experience in banking and finance.

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 and members of the Senior Management.

A copy of the Code of Conduct has been put on the Company's website www.jkcotton.com.

The Code of Conduct 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 Chairman, Managing Director & CEO in this regard is given below :

"I, Dr. Gaur Hari Singhania, Chairman, Managing Director

JUGGILAL KAMPLAPAT COTTON SPINNING & WEAVING MILLS CO. LTD.

& CEO of Juggilal Kamlapat Cotton Spg. & Wvg. Mills Co. Ltd. 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 code of Ethics and Business Conduct framed for Directors and Senior Management Personnel in respect of the financial year 2008-09."

Dr Gaur Hari Singhania
(Chairman, Managing Director & CEO)

9. Means of Communications

The Annual, Half Yearly and Quarterly results are submitted to the Stock Exchanges in accordance with Listing Agreement and the same are published regularly in the newspapers. All vital information relating to the Company and its performance, including quarterly results etc. are also posted on the Company's website www.jkcotton.com.

10. CEO/CFO Certification

A Certificate in accordance with provision of Clause 49(V) of the Listing Agreement in respect of the Financial Year 2008-09 duly signed by the CEO and CFO has been placed before the Board in the meeting held on 9th June, 2009.

11. General Shareholders Information

a) Annual General Meeting

Date /Time : Wednesday the 23rd September, 2009 / 1.00 P.M.

Venue : At the Registered Office of the Company, Kamla Tower, Kanpur

b) Financial Calendar

- (1) First Quarter Results - End of July 2009
- (2) Second Quarter Results - End of October 2009
- (3) Third Quarter Results - End of January 2010
- (4) Results of the year ending - End of June 2010
31st March 2010

c) Date of Book Closure

16th September, 2009 to 23rd September, 2009
(Both Days Inclusive)

d) Dividend payment date

Not applicable (No dividend is proposed)

e) Listing Information

The details regarding payment of listing fee to the Stock Exchanges is given below :

| Sl. No. | Name of Stock Exchange | Listing Fee paid upto | Stock Code No. |
|---------|--|-----------------------|----------------|
| 1 | The U.P. Stock Exchange Association Ltd. | 2008-09 | JKCO |
| 2 | Delhi Stock Exchange | 2008-09* | - |

*Paid during Financial year 2009-10

f) Share Market Data

SEBI has categorized the Company's securities under compulsory demat trading on rolling basis. However, NSDL/CDSL have declined the Company's request for dematerialisation of its shares on the ground that its net worth was negative. Hence, there has not been any trading in Stock Exchange in the shares of the Company during the year.

g) Registrar/Transfer Agent

M/s J.K. Synthetics Ltd., having Registered Office at Kamla Tower, Kanpur is Registrar/Transfer Agent of the Company, who provides all services for Share registry in physical segment.

h) Share Transfer System

Share Transfer work of physical segment is attended to by the Company's Registrar & Transfer Agents within the prescribed period under law and the Listing Agreements with Stock Exchanges. All share transfer etc. are approved by a committee of Directors, which meets periodically.

i) Distribution of Shareholding as on 31st March, 2009

| No. of Equity Shares held | No. of Share holders | % of Share holders | No. of Shares held | % of Share holding |
|---------------------------|----------------------|--------------------|--------------------|--------------------|
| Upto 500 | 7765 | 96.28 | 750852 | 3.18 |
| 501 to 1000 | 178 | 2.21 | 137364 | 0.58 |
| 1001 to 2000 | 49 | 0.61 | 68326 | 0.29 |
| 2001 to 3000 | 19 | 0.24 | 46851 | 0.20 |
| 3001 to 4000 | 10 | 0.12 | 35123 | 0.15 |
| 4001 to 5000 | 3 | 0.04 | 13550 | 0.06 |
| 5001 to 10000 | 14 | 0.17 | 98319 | 0.42 |
| 10001 and above | 27 | 0.33 | 22427365 | 95.12 |
| Total | 8065 | 100.00 | 23577750 | 100.00 |

j) Category wise Shareholding-Equity as on 31st March, 2009

| Category | No. of Share-holders | % of Share-holders | No. of Shares held | % of Share-holding |
|------------------------------|----------------------|--------------------|--------------------|--------------------|
| Promoters and Promoter Group | 16 | 0.20 | 21723347 | 92.13 |
| Mutual Funds/UTI | 1 | 0.01 | 3800 | 0.02 |
| Financial Institutions/Banks | 18 | 0.22 | 6239 | 0.03 |
| Insurance Companies | 4 | 0.05 | 99142 | 0.42 |
| Fils | - | - | - | - |
| Bodies Corporate | 93 | 1.15 | 345150 | 1.46 |
| Individuals | 7927 | 98.29 | 1118072 | 4.74 |
| Others | 6 | 0.07 | 282000 | 1.20 |
| Total | 8065 | 100.00 | 23577750 | 100.00 |

k) Dematerialisation of Shares :

The Company is a sick industrial company within the meaning of the Sick Industrial Companies (Special Provisions) Act, 1985. The Company had approached the National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL) for dematerialisation of its equity shares. However, NSDL and CDSL have declined the Company's request on the ground that its net worth was negative.

l) Plant Location

Cotton Textile Unit is situated at 84/50, Kalpi Road, Kanpur and some of the new machineries are installed

at J.K. Manufactures premises at 84/29, Kalpi Road, Kanpur. The lockout in the Mill was lifted on 19.01.2009 and production operations have started w.e.f. 2.04.2009. The operations will be augmented in a phased manner depending upon progress in maintenance work of the Mill Buildings, Plant & Machinery and utilities.

m) Address for Correspondence

J. K. Cotton Spg. & Wvg. Mills Co. Ltd.
Kamla Tower, Kanpur-208001
Tele. No. (0512) 2371478-481
Fax. (0512) 2399854

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

To, The Members of
JUGGILAL KAMLAPAT COTTON SPINNING AND
WEAVING MILLS COMPANY LIMITED.

We have examined the compliance of conditions of Corporate Governance by JUGGILAL KAMLAPAT COTTON SPINNING & WEAVING MILLS CO. LIMITED as at 31st March, 2009, 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 Grievances were 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.

Place : Kanpur
Date : 9th June, 2009

For P.L. TANDON & CO.,
Chartered Accountants.
(P. P. SINGH)
Partner
Membership No. 72754