

J. K. COTTON LIMITED

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, 2014 is 10 (Ten). The composition is given below :-

- One Promoter, Executive, Non-independent Director
- Three Promoters, Non-Executive, Non-independent Directors
- One Non-Executive, Non-independent Director
- Five 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</i>	Promoter, Executive, Non Independent	Shri Govind Hari Shri Yadupati	Brother Son	5	-	-
2.	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.	Dr. K. B. Agarwal	Non-Executive, Independent	-	-	3	2	2
6.	Dr. J. N. Gupta	Non-Executive, Independent	-	-	2	-	-
7.	Shri K. C. Aggarwal Nominee of AFL	Non-Executive, Independent	-	-	1	-	-
8.	Dr. Anil Gupta Nominee of BIFR	Non-Executive, Independent	-	-	3	-	2
9.	Shri Jagendra Swarup	Non-Executive, Independent	-	-	3	-	3
10.	Shri Ashok Gupta	Non-Executive, Non-Independent	-	-	2	-	-

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

\$ Chairman/Membership of Audit Committee and the Shareholders' Grievance Committee alone has been considered.

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

During the financial year ended 31st March, 2014, seven Board Meetings were held on the following dates :-

- a) 21st May, 2013
- b) 4th July, 2013
- c) 13th August, 2013
- d) 10th September, 2013
- e) 6th November, 2013
- f) 3rd December, 2013
- g) 12th February, 2014

Attendance of each director at the Board Meetings 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 13.08.13
1.	Dr. Gaur Hari Singhania	6	Yes
2.	Shri Yadupati Singhania	7	Yes
3.	Shri Govind Hari Singhania	3	No
4.	Shri Nidhipati Singhania	1	Yes
5.	Dr. K.B.Agarwal	6	Yes
6.	Dr. J.N.Gupta	7	Yes
7.	Shri K.C.Aggarwal	1	No
8.	Dr. Anil Gupta	7	Yes
9.	Shri Jagendra Swarup	5	Yes
10.	Shri Ashok Gupta	7	Yes

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.	Dr. K.B.Agarwal	5
5.	Dr. J.N.Gupta	-
6.	Shri K.C.Aggarwal	-
7.	Dr. Anil Gupta	-
8.	Shri Jagendra Swarup	-
9.	Shri Ashok Gupta	-

3. Audit Committee

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

The Audit Committee of the Company comprises of the following Directors:

Dr. J. N. Gupta (Chairman)	: Independent, Non-Executive Director
Dr. K. B. Agarwal	: Independent, Non-Executive Director
Shri K. C. Aggarwal	: Independent, Non-Executive Director
Shri Jagendra Swarup	: 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, 2014, four meetings were held on 21st May, 2013, 13th August, 2013, 6th November, 2013 and 12th February, 2014.

The attendance at the Committee Meetings was as under :

Name of Director	No. of Meetings attended
Dr. J.N.Gupta	4
Dr. K.B.Agarwal	4
Shri K.C.Aggarwal	0
Shri Jagendra Swarup	3

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 Clause 49 of the Listing Agreement with Stock Exchanges.

Details of Remuneration to the Directors for the year ended 31st March, 2014

Sl. No.	Name of Director	Salary	Benefits	Sitting Fee	Total
1.	Dr. Gaur Hari Singhania @	-	-	-	-
2.	Shri Yadupati Singhania	-	-	35500	35500
3.	Shri Govind Hari Singhania	-	-	15000	15000
4.	Shri Nidhipati Singhania	-	-	5000	5000
5.	Dr. K. B. Agarwal	-	-	34300	34300
6.	Dr. J. N. Gupta	-	-	43000	43000
7.	Shri K. C. Aggarwal	-	-	5000	5000
8.	Dr. Anil Gupta	-	-	35000	35000
9.	Shri Jagendra Swarup	-	-	31000	31000
10.	Shri Ashok Gupta	-	-	39500	39500

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

5. Shareholders' Grievance Committee

(a) Composition

The Committee comprises of following Directors :

Dr. J.N. Gupta (Chairman)	: Independent, Non-Executive Director
Shri Jagendra Swarup	: Independent, Non-Executive Director
Shri Ashok Gupta	: Non-Independent, Non-Executive Director

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

(b) Functions

To review the status of shareholders'/ Investors'

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grievances, redressal mechanism and recommend measures to improve the level of investors' services. The Company had received only one complaint during the Financial Year 2013-14 and no complaint was pending as at the beginning and at the end of the Financial Year 2013-14.

(c) Meetings/Attendance

During the financial year ended 31st March, 2014, four meetings were held on 21st May, 2013, 13th August, 2013, 6th November, 2013 and 12th February, 2014.

The attendance at the Committee Meetings was as under:

Name of Director	No. of Meetings attended
Dr. J. N. Gupta	4
Shri Jagendra Swarup	3
Shri Ashok Gupta	4

6. General Body Meetings

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

Financial Year	Date	Time	Place
2010-11	25th August, 2011	1.00 pm	Registered Office, Kamla Tower, Kanpur
2011-12	13th August, 2012	12.30 pm	Registered Office, Kamla Tower, Kanpur
2012-13	13th August, 2013	12.00 pm	Registered Office, Kamla Tower, Kanpur

Special Resolution passed at the last three AGM

Date	Short particulars of Special Resolution passed at the AGM
25th August, 2011	No Special Resolution was passed
13th August, 2012	No Special Resolution was passed
13th August, 2013	Special Resolution was passed a) Change of name of the Company

POSTAL BALLOT

Pursuant to Section 192A of the Companies Act, 1956 read with the Companies (Passing of the Resolution by Postal Ballot) Rules, 2011, consent of the shareholders was sought by Postal Ballot for Alteration in Objects Clause of the Memorandum of Association of the Company and Commencement of New Business.

The Notice dated 3rd December, 2013 containing the Special Resolutions together with Explanatory Statement and Postal Ballot Forms was dispatched to all the Shareholders of the Company whose name(s) appeared on the Register of Members as on 27th December, 2013. The last date of dispatch of notice was 4th January, 2014. The last date for receipt of duly completed Postal Ballot forms from the Shareholders was 6th February, 2014. The Company had appointed Mr. Adesh Tandon, FCS, practicing Company Secretary, as the Scrutinizer for conducting the Postal Ballot in a fair and transparent manner. After completion of the scrutiny of the Ballot papers, the Scrutinizer has made out a report and

submitted the same on 11th February, 2014 with the Chairman of the Company. On the basis of said report of the Scrutinizer, the Chairman of the Company had declared the result of the Postal Ballot on 14th February, 2014 at 12:30 p.m. at the Registered Office of the Company.

Special Resolutions passed by Postal Ballot :-

- Special Resolution to alter by way of addition of new sub clauses in the Objects Clause of the Memorandum of Association of the Company in terms of section 17 and other applicable provisions of the Companies Act, 1956;
- Special Resolution to commence and carry on all or any of the businesses and activities in terms of Section 149(2A) of the Companies Act, 1956, as mention in item no (a) above of the proposed alterations by way of addition of new sub clauses in the Objects clauses of the Memorandum of Association of the Company.

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 SEBI or any Stock Exchange 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 Govind Hari Singhania and Shri Yadupati Singhania will retire by rotation at the ensuing Annual General Meeting and being eligible, offers themselves for re-appointment. Independent Director viz. Dr. J. N. Gupta, Dr. K. B. Agarwal and Shri Jagendra Swarup are liable to retire by rotation in ensuing Annual General Meeting of the Company and being eligible, offers themselves for re-appointment. Three notices in writing have been received from members of the Company signifying their intention to propose Dr. J. N. Gupta, Dr. K. B. Agarwal and Shri Jagendra Swarup as their candidates for the Independent Director of the Company for five consecutive years.

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 Govind Hari Singhania** is Bachelor of Arts. He is associated with the company as Promoter Director since 1958. He has wide experience in man-made fibre and textile Industry. He is Vice Chairman in Jaykay Enterprises

- Ltd. He is Chairman, Governing Body of J.K. Education Foundation and Chairman, Governing Body of Sir Padampat Singhania M.E. Foundation. As on 31.3.2014, he held 12326 nos of Equity Share of the Company.
- (b) **Shri Yadupati Singhania** is B.Tech from IIT, Kanpur. He is associated with the Company as Promoter Director since 1987. At present he is Vice- Chairman of the Company. He has vast experience in Textile and Cement Industry. He is Managing Director and CEO of J.K.Cement Ltd. and Jaykay Enterprises Ltd. He is the Director of Employers Association of Northern India & President of Kanpur Productivity Council. As on 31.3.2014, he held 4075000 nos of Equity Share of the Company.
- (c) **Dr. J. N. Gupta** is M.Com., Ph.D., C.A.I.I.B, D.I.F. He has vast experience in Finance, Banking and Capital Market. He is Chief Executive Officer of Jagran Education Foundation and a member of the Board of Directors of M/s Jaiprakash Power Ventures Ltd. and M/s RSPL. As on 31.3.2014, he does not hold any Equity Share of the Company.
- (d) **Dr. K. B. Agarwal** is M. Com., LL.B., Ph.D., AICWA, FCS. He has vast experience in the fields of Finance, Accounts and Capital Market. He was President of U.P. Stock Exchange Ltd. and Merchants' Chamber of U.P. He is Vice Chairman & Director of M/s. Key Corp Ltd. He is also on the Board of Directors of J.K. Cement Ltd. and Jaykay Enterprises Ltd. As on 31.3.2014, he held 5 nos of Equity Share of the Company.
- (e) **Shri Jagendra Swarup** is an Advocate. He has been in practice for over 37 years and has vast experience in the legal field and particularly on matters relating to Corporate Laws, Banking and Taxation. He is the legal advisor to leading Indian Companies and Banks. He is holding membership of various Associations and also holding important positions in various fields viz. professional, political, commercial, educational and social. He has been a member of Legislative Council of U.P. for about four decades consecutively. He has been a Director of Jaykay Enterprises Ltd. since 2001. He is also a Director in the Board of J.K. Cement Ltd. and Frost International Ltd. As on 31.3.2014, he does not hold any Equity share 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 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 in this regard is given below:

"I, Dr. Gaur Hari Singhania, Chairman, Managing Director of J.K. Cotton Ltd. (Formerly Juggilal Kamlatpat 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 2013-14."

Dr Gaur Hari Singhania
(Chairman & Managing Director)

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 2013-14 duly signed by the CEO and CFO has been placed before the Board in the meeting held on 29th May, 2014.

11. General Shareholders Information

a) Annual General Meeting

Date /Time : Tuesday, 12th August, 2014 / 12.00 Noon
Venue : At the Registered Office of the Company,
Kamla Tower, Kanpur

b) Financial Calendar

- | | | |
|--|---|-------------------------------------|
| (1) First Quarter Results | - | On or before
14th August, 2014 |
| (2) Second Quarter Results | - | On or before
14th November, 2014 |
| (3) Third Quarter Results | - | On or before
14th February, 2015 |
| (4) Results of the year ending
31st March, 2014 | - | On or before
30th May, 2015 |

c) Date of Book Closure :

4th August, 2014 to 12th August, 2014
(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.	U.P. Stock Exchange Ltd.	2013-14	J00011
2.	Delhi Stock Exchange Ltd.	2013-14	3114

f) Share Market Data

SEBI has categorized the Company's securities under

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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 Jaykay Enterprises 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, 2014

No. of Equity Shares held	No. of Share holders	% of Share holders	No. of Shares held	% of Share holding
Upto 500	7755	96.32	749976	3.18
501 to 1000	177	2.20	136389	0.58
1001 to 2000	50	0.62	70662	0.30
2001 to 3000.	19	0.24	46851	0.20
3001 to 4000	10	0.12	35153	0.15
4001 to 5000	3	0.04	13550	0.06
5001 to 10000	11	0.14	74919	0.32
10001 and above	26	0.32	22450250	95.21
Total	8051	100.00	23577750	100.00

j) Category wise Shareholding-Equity as on 31st March, 2014

Category	No. of Share-holders	% of Share-holders	No. of Shares held	% of Share-holding
Promoters and Promoter Group	16	0.20	21723410	92.14
Mutual Funds/UTI	-	-	-	-
Financial Institutions/Banks	18	0.22	6239	0.03
Insurance Companies	4	0.05	99142	0.42
FIs	-	-	-	-
Bodies Corporate	93	1.16	440145	1.86
Individuals	7914	98.30	1107814	4.70
Others	6	0.07	201000	0.85
Total	8051	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

Company's Textile Unit is situated at 84/50, Kalpi Road, Kanpur and some of the machines are installed at J.K. Manufacturers premises at 84/29, Kalpi Road, Kanpur.

m) Address for Correspondence

J. K. Cotton Limited
Formerly Juggilal Kamlapat Cotton Spg. & Wvg. Mills Co. Ltd.
Kamla Tower, Kanpur-208001
Tele. No. (0512) 2371478-481 • Fax. (0512) 2332665

AUDITOR'S CERTIFICATE ON CORPORATE GOVERNANCE

To, The Members of
J. K. COTTON LIMITED
(Formerly Juggilal Kamlapat Cotton Spinning & Weaving Mills Co. Ltd.)

We have examined the compliance of conditions of Corporate Governance by J. K. COTTON LIMITED for the year ended 31st March, 2014, 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 has been limited to a review of the procedures and implementations thereof, adopted by the Company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said clause. 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 based on 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 clause 49 of the above mentioned Listing Agreement.

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

For P.L. TANDON & CO.,
Chartered Accountants
Firm Reg. No. 000186C
RAJENDRA GUPTA
Partner
Membership No. 073250

Place : Kanpur
Date : 29.05.2014