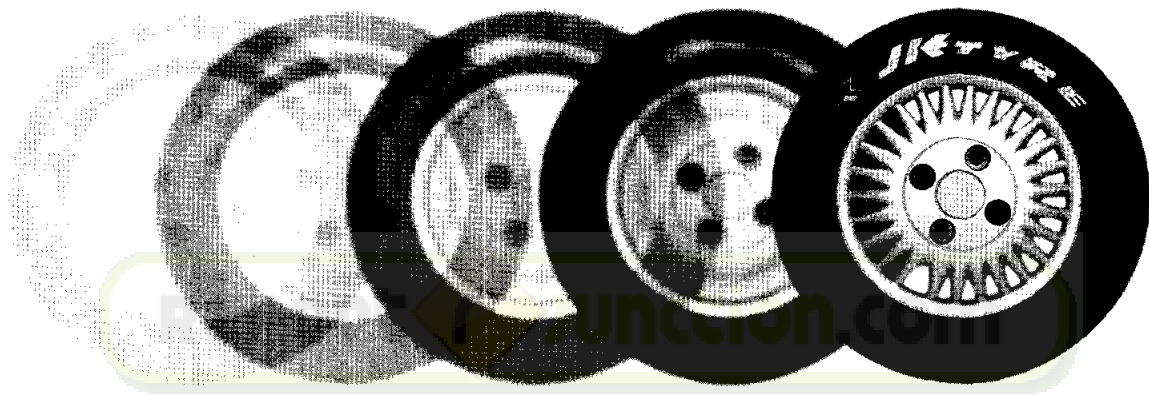


A N N U A L R E P O R T 2 0 0 0 - 2 0 0 1



TURNING INFINITE ODDS INTO FINITE OPPORTUNITIES



J. K. Industries Ltd.



Dear Fellow Shareholders,

This has been a very challenging year for the Company and yet a fulfilling one. JK Tyre responded splendidly to the challenges.

Despite the odds of curtailed demand due to the economic slowdown, our plants continued to operate at full capacity and high efficiency levels comparable to the best in the world. We produced more tyres to further improve our market share and outperformed the tyre industry in growth. I am happy to note that JK Tyre alongwith Vikrant has emerged as the 2nd largest Tyre manufacturer in India and the 16th largest in the world.

With continued thrust on exports, JK Tyre has become a preferred brand in many leading international markets and is exported to 55 countries across 6 continents. To meet growing needs of our customers worldwide, we commenced sourcing tyres from other countries - a pioneering initiative in the Indian tyre industry.

The odds did not make us lose focus of customer needs. To come closer to our customers, our extensive distribution network expanded further, spearheaded by 87 Steel Wheels - one-stop tyre sales-cum-service centres.

After pioneering the radial revolution in the passenger car segment we took this revolution further to truck and bus tyres thus giving to the Indian consumer a new product with latest technology.

An example of an innovative response to challenges was the management's ability and agility to continue to operate the Kankroli Tyre Plant at full capacity by hauling over 100 tankers of water per day, from distances as far as 85 kms., owing to the severe drought conditions in Rajasthan.

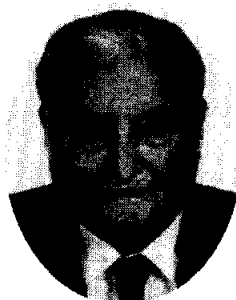
On the agricultural front, I am happy to note that lacs of farmers across 9 States are reaping the benefits of the high-yielding seeds developed by the JK Agri-Genetics. Cane development efforts have resulted in considerably higher cane production. In our own humble way, we were mitigating the problems of shortage of power in Uttar Pradesh by supply of power to the U.P. Power Corporation.

The year has paved the way for continued success in future filled with exciting new possibilities. Your Company is prepared with aggressive and innovative strategies. Let us together look forward to taking your organisation to much greater heights.

A handwritten signature in black ink, appearing to read 'H. Singhania'. The signature is fluid and cursive, written on a white background.

Hari Shankar Singhania
Chairman

Board of Directors



Arvind Narottam Lalbhai



Arvind Singh Mewar



L M Thapar



O P Khaitan



B C Bose



Bakul Jain



M G Bakre



S C Sethi
Whole Time Director



Vikrampati Singhania
Dy. Managing Director



Bharat Hari Singhania
Managing Director



Raghupati Singhania
Managing Director

Auditors

Lodha & Co.
Chartered Accountants

Bankers

Bank of India
Canara Bank
Dena Bank

Punjab National Bank
State Bank of
Bikaner & Jaipur
The Bank of Rajasthan Ltd.
The Federal Bank Ltd.
UCO Bank

Plants

JK Tyre: Jaykaygram,
Rajasthan
Banmore, Madhya Pradesh
JK Sugar: Mirganj, Bareilly,
Uttar Pradesh
Pharmaceutical: UPSIDC
Ind. Area, Gajraula, U.P.

Registered Office:

7, Council House Street,
Kolkata - 700 001.

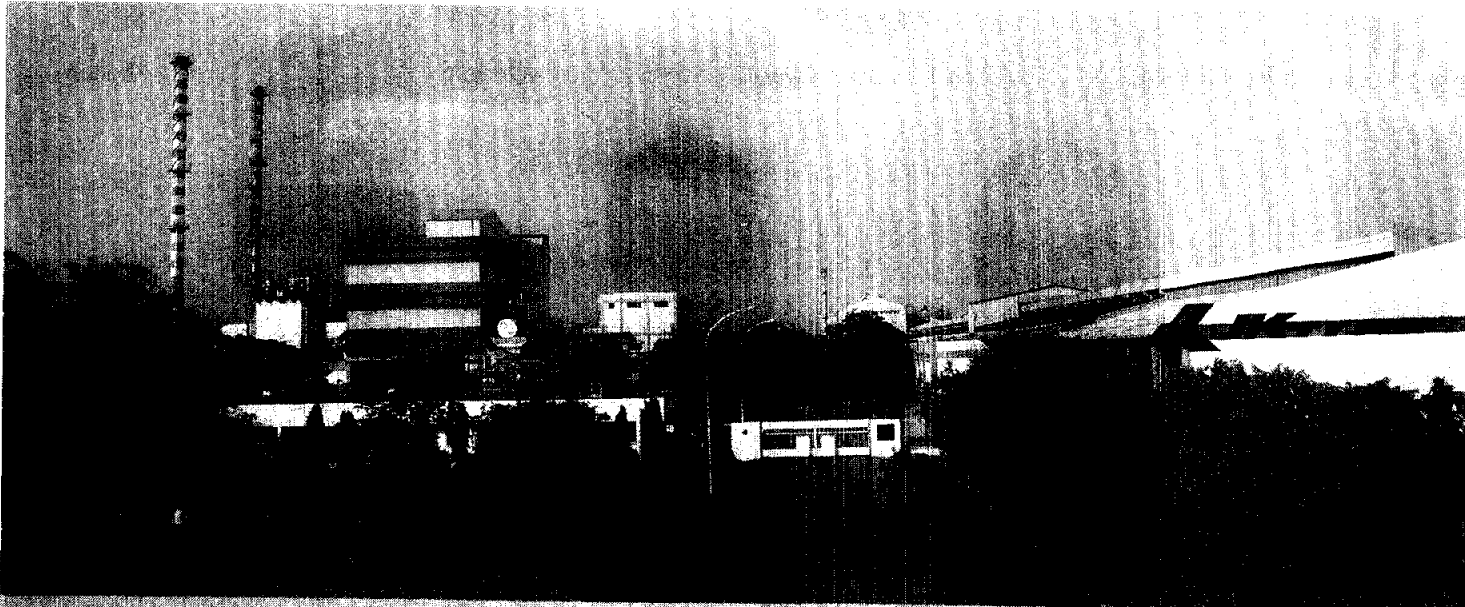
Administrative Office:

3, Bahadurshah Zafar Marg,
New Delhi - 110 002.

Visit us at www.jktyre.com

State-of-the-art Manufacturing Facilities

Banmore Tyre Plant



Kankroli Tyre Plant



Directors' Report

TO THE MEMBERS

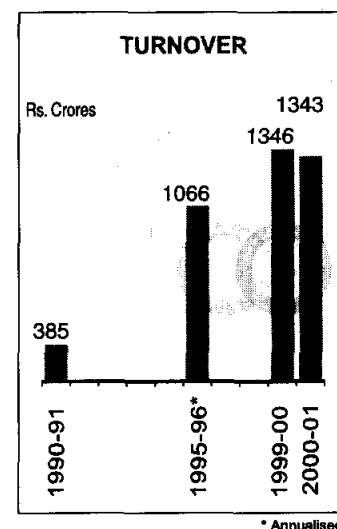
The Directors have pleasure in presenting the Annual Report and Audited Accounts of the Company for the year ended 31st March, 2001.

FINANCIAL RESULTS

Your Company achieved a record turnover of Rs. 1342.77 Crores during the year despite sluggish market conditions.

	(Rs. Crores)
Operating Profit (PBIDT)	146.13
Interest	<u>96.50</u>
Profit before depreciation	49.63
Depreciation (Net of transfers from Capital Reserve)	<u>33.04</u>
Profit before tax	16.59
Tax	-
Profit after tax	<u>16.59</u>
Debenture Redemption Reserve no longer required	51.38
Surplus from previous year	31.71
Balance	<u>99.68</u>
which the Directors have appropriated as under :	
Debenture Redemption Reserve	5.00
Capital Redemption Reserve	2.00
Molasses Storage Maintenance Reserve	0.01
General Reserve	60.00
Proposed Dividends	6.99
Tax on Dividends	<u>0.72</u>
Total	74.72
Surplus balance carried forward	<u>24.96</u>

It was a very challenging year with the economy slowing down impacting the transport sector amongst others, affecting demand for tyres. As a result, the tyre prices were further depressed whereas input costs continued to rise. Despite this your Company was able to increase tyre production and improve market share. "JK Tyre" alongwith "Vikrant" maintained its leadership both in the domestic as well as export markets.



Sugar division achieved substantial increase in production and sales. Agri-Genetics continued to perform well. With a view to focus on the Company's main businesses, the operations of JK International division were discontinued during the year.

The Company aggressively pursued various initiatives to reduce costs and improve productivity and efficiency.

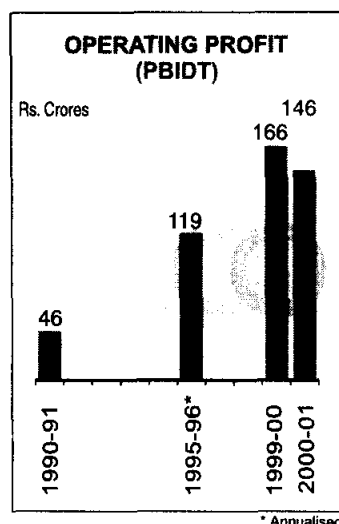
DIVIDENDS

The Directors are pleased to recommend Dividend of 20% on Equity Shares (Rs.2 per share of Rs. 10 each) in addition to Dividend on the Preference Shares as per terms thereof. The total Dividends (inclusive of Dividend Tax of Rs. 0.72 Crores) will absorb Rs. 7.71 Crores.

COMMITMENT TO ENVIRONMENT AND QUALITY



The Company has always put emphasis on maintaining high quality standards and ecology. As a recognition of commitment to quality, JK Tyre has



already received the accreditation of ISO 9001 and QS 9000 for all its operations. Besides, JK Tyre has also received accreditation of ISO 14001 (Environment Management System) for both its plants as an endorsement of its concern for environment & conservation of natural resources. This indeed is a testimony to

Company's consistent efforts towards maintaining high quality standards and protection of environment.

VIKRANT TYRES LTD.

During the year Vikrant Tyres, a subsidiary of your Company, achieved a turnover of Rs. 401.65 Crores which would have been higher but for substantial loss of production for 63 days on account of workmen's illegal strike. World class All Steel Truck Radial Tyres produced at the Company's state of the art Plant have met with consumer preference in the domestic as well as global markets. The Company has the distinction of being the only one in the country manufacturing All Steel Truck Radial Tyres, as also exporting these globally, meeting stringent quality standards.

Your Company has taken several initiatives in synergising the operations of "JK Tyre" and "Vikrant" in the areas of marketing, distribution, procurement and supply chain management. This will add value to the operations of Tyre business.

J.K. DRUGS & PHARMACEUTICALS LTD.

The market for Bulk Drugs continues to be very competitive adding pressure on the operations. The Company has curtailed manufacturing of Formulations. Under these circumstances, the operations of the Company resulted in loss during

the year, inspite of improved performance in certain sections of the business.

As part of the strategy, the Company focused on building long term alliances with international players as suppliers of quality intermediates. As a result, export sales increased from Rs. 19 Crores to Rs. 26 Crores.

CONSERVATION OF ENERGY ETC.

The details as required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988 are annexed.

DIRECTORS

Shri Hari Shankar Singhania, Shri Arvind Narottam Lalbhai and Shri Arvind Singh Mewar retire by rotation and being eligible, offer themselves for reappointment at the Annual General Meeting.

SUBSIDIARY COMPANIES

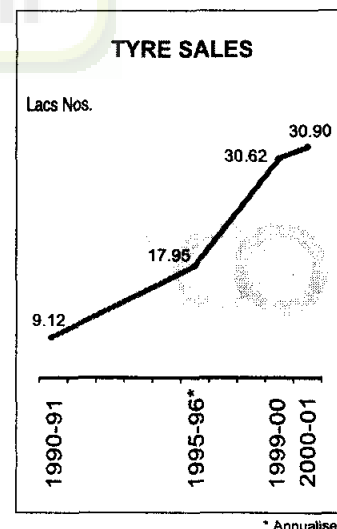
The particulars required under the provisions of the Companies Act 1956 in respect of the subsidiary companies are annexed.

AUDITORS

M/s Lodha & Company, Chartered Accountants, the Auditors of the Company, retire and are eligible for reappointment. The appointment of the Auditors is required to be made by a Special Resolution pursuant to Section 224-A of the Companies Act 1956. The observations of the Auditors in their Report on Accounts read with the relevant notes are self explanatory.

COST AUDIT

Audit of the Cost Accounts of the

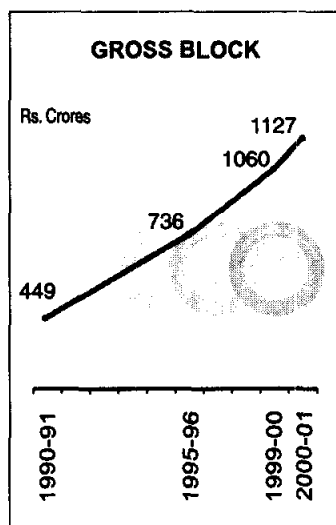




Company relating to Tyres & Tubes for the period 31st March, 2001 will be conducted by the Cost Auditor and Cost Audit Report will be submitted to the Department of Company Affairs, Govt. of India.

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 Report and Accounts are being sent to all Shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Secretary at the Company's New Delhi address.



CORPORATE GOVERNANCE

The requirement of providing "A Management Discussion & Analysis Report" and a "Report on Corporate Governance" as per Clause 49 of the revised Listing Agreement with the Stock Exchanges is applicable to the Company for the financial year ending 31st March 2002. However, as a responsible Corporate citizen, the Directors are providing substantial information in relation to the above in this year's Report itself.

AUDIT & SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

Audit Committee - Your Company has been having very elaborate and well structured Internal Audit System commensurate with the size and complexity of the operations. An Audit Committee of the Board of Directors has been in place since 1986. The terms of reference of this Committee have been revised as per the provisions of the Companies Act 1956 and also the Listing Agreement with the Stock Exchanges.

Shareholders/Investors Grievance Committee - Your Company has also been having a structured system for reviewing shareholders/investors complaints. A specific Committee of Directors has now been constituted, as per provisions of the Listing Agreements to look into redressal of such complaints.

DIRECTORS RESPONSIBILITY STATEMENT

As required under Section 217 (2AA) of the Companies Act 1956, your Directors state that:

- i) In the preparation of the Annual Accounts, the applicable accounting standards have been followed alongwith proper explanation relating to material departures in the financial statement;
- ii) the accounting policies have been selected and applied consistently and judgements and estimates have been reasonably and prudently made when required 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 and loss of the Company for that period;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts for the financial year have been prepared on a going concern basis.

ACKNOWLEDGEMENTS

Your Directors wish to acknowledge the continued support and cooperation received from the Financial Institutions, Banks, various Government Agencies, the Technical Collaborators M/s Continental AG, Germany, Customers, Suppliers, Dealers and in particular the Shareholders. Your Directors also acknowledge and appreciate the commitment and dedication of the employees at all levels which have been instrumental in the growth of your Company.

On behalf of the Board

The 19th June, 2001
New Delhi

H.S. SINGHANIA
CHAIRMAN

Annexure to the Directors' Report

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO.

The Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

A. Conservation of Energy

Energy conservation measures have been a critical success factor to maintain Company's objective of continuous improvement in operational efficiency of its plants.

At Tyre division, during the financial year under review, various energy conservation measures have been implemented to reduce consumption of Power, Air, Water and Steam. Measures adopted include replacement of Roof A.C. Sheets by FRP for maximising use of natural day light, arresting leakages of air and steam, proper insulation for hot and cold water lines preventing loss of heat, VFDs for pumps and air supply fans, rubber processing mills, automatic control of compressors through PLC for avoiding idle running of compressors, sewage water recycling for plant usage and boiler efficiency improvement reducing fuel consumption.

At Sugar division, during the year various steps for conservation of energy have been taken including PLC on mills & cane preparatory devices, Installation of hydraulic drives on pressure feeders and Woodward governor on Back pressure turbine.

B. Specific Area of Additional Investment and Proposals

A number of further energy saving projects are in the process of implementation which include Flash steam usage in H.W. generator, PCI Air recovery, Auto loading/unloading of Chillers, Installation of voltage stabilizer in Grid supply for improving power quality and usage, up-gradation of turbine de-superheater system for improving steam usage efficiency, automatic control of power intensive 2-Roll mixing mill operations to avoid idle running and also its overloading through improved electronic control.

PARTICULARS OF CONSERVATION OF ENERGY

	<u>2000-2001</u>	<u>1999-2000</u>
I. Power & Fuel Consumption		
1. Electricity		
a) Purchased:		
Unit (Kwh in lacs)	569.48	530.98
Total Amount (Rs. lacs)	2476.78	2069.65
Rate/Unit (Rs.)	4.35	3.90
b) Own Generation:		
Diesel Generator		
Unit (Kwh in lacs)	34.35	92.55
Unit/Ltr. of Diesel Oil (Kwh)	3.20	3.54
Cost/Unit (Rs.)	5.81	4.46
TURBO GENERATOR		
(i) Thru Coal		
Unit (Kwh in lacs)	294.73	264.31
Unit/MT of Coal	1201.19	1071.40
Cost/Unit (Rs.)	1.75	1.92
(ii) Thru Bagasse		
Unit (Kwh in lacs)	185.64	130.48
Unit/MT of Bagasse	198.21	207.16
Cost/Unit (Rs.)	0.92	1.00
2. Coal		
Quantity (MT)	70424.00	72565.90
Total Amount (Rs. lacs)	1416.92	1456.01
Average Rate (Rs./MT)	2012	2006
3. Furnace Oil		
Quantity (KL)	135	140
Total Amount (Rs. lacs)	13.12	10.35
Average Rate (Rs./Ltr.)	9.75	7.39
II. Consumption per unit of production:		
Electricity (Kwh/MT)		
Tyre Division	970	937
Sugar	394	372
Coal/Furnace Oil		
Tyre Division	0.56	0.52



C. Technology Absorption

1. Research & Development

a) Areas of R&D Activities:

JK TYRE

In today's customer-driven market, demanding both quality and lower cost, the Company continued its Research and Development activities to harness maximum benefit for process and product by adapting all round technological development in close coordination with its technical collaborator (Continental A.G., Germany).

"HARI SHANKAR SINGHANIA ELASTOMER AND TYRE RESEARCH INSTITUTE (HASETRI)" an autonomous SIRO (Scientific & Industrial Research Organisation) accredited Institute and in-house R&D centre has achieved a great deal in terms of substitution of materials, development of high-tech products suiting most stringent service conditions. Through its result oriented efforts, HASETRI has achieved renewed recognition as SIRO Organisation.

Keeping abreast with customers' expectations, the R&D has helped launch new pattern radial tyres for new generation vehicles in Passenger and LCV category. With most recent techniques in our research process and in-house capabilities, the Company has developed objective type of testing for vehicle handling, noise & vibration control etc. which has been highly appreciated by leading auto manufacturers.

JK AGRI-GENETICS

The R&D Centre is continuously working on development of high quality hybrid seeds. In addition, the division has further stepped-up its efforts in plant breeding research. A state-of-the-art Bio-technology Research Centre has also been established.

b) Research & Development Expenses

The capital expenditure incurred on R&D during the period was Rs.75.56 lacs and recurring expenditure Rs.867.35 lacs. The total expenditure on R&D was 0.71% of the net turnover.

2. TECHNOLOGY ABSORPTION, ADAPTATION & INNOVATION :

The Company is putting great emphasis on absorption of design and manufacturing technology. All efforts are made to adopt the technology provided by technical collaborator as well as to implement indigenously developed improvements.

D. Export, Foreign Exchange Earnings and Outgo:

		(Rs. lacs)
	2000-2001	1999-2000
Foreign Exchange Earnings		
(On account of		
Export Sales FOB value)	13449.41	14167.26
Foreign Exchange Outgo	15284.23	14113.38

Management Discussions and Analysis

(The requirement of providing "A Management Discussion Analysis Report" and a "Report on Corporate Governance" as per Clause 49 of the revised Listing Agreement of the Stock Exchanges is applicable to the Company for the financial year ending 31st March 2002. However as a responsible corporate citizen, the Directors are providing substantial information in relation to the above in this year's report itself.)

OVERVIEW

In the year under review, your **Company achieved a Turnover of Rs. 1342.77 Crores with Operating Profit of Rs. 146.13 Crores.** After providing for financial charges and depreciation, the Net Profit for the year was Rs. 16.59 Crores.

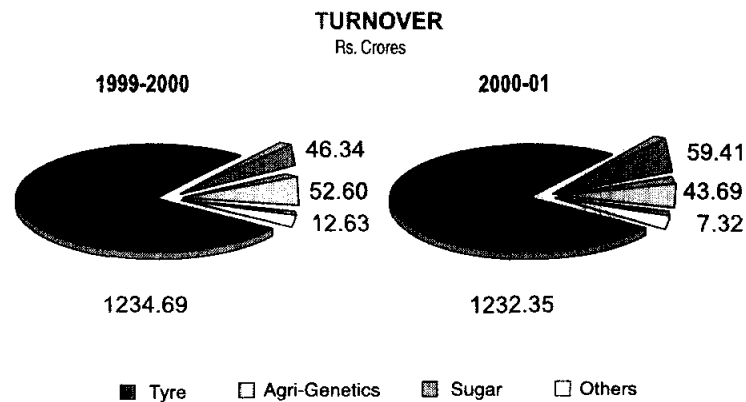
It was a very challenging year. The continued slow down in the Indian economy impacted the transport sector amongst others, affecting demand for tyres. This, depressed tyre prices further, while input costs continued to rise during the year.

It is a matter of satisfaction that your **Company increased tyre production and improved market share** despite these adversities. **"JK Tyre" along with "Vikrant" maintained its leadership both in domestic as well as the export markets.**

Sugar division achieved substantial increase in production and sales. Agri-Genetics continued to perform well.

The Company aggressively pursued various initiatives to reduce costs and improve productivity and efficiency. With these Initiatives, your

Company is well positioned to meet the future challenges which lie ahead in the highly competitive new economic order.



TYRE

Tyre is a product, demand of which is directly related to the performance of Road Transport sector which in turn is dependent on the economic activity in the country, be it Industrial or Agri-

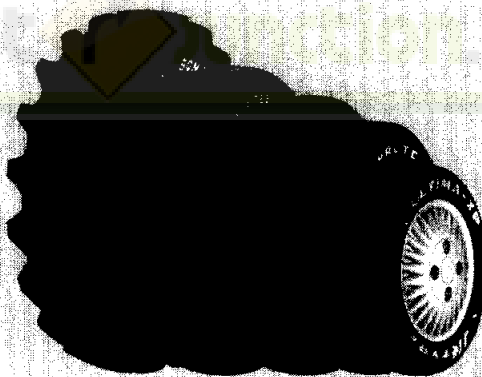
cultural. During the year, the freight available for movement of goods to the transport sector was rather low on account of depressed outputs in the key industrial segments of the economy. Even the agricultural sector witnessed slow down.

These factors hampered the growth in Tyre demand particularly for Commercial Tyres (Trucks, Buses and LCVs) and Farm Tyres. More so, Tyre Industry in India has excess capacity in these segments. Significant improvement in the Road Transport Sector is thus

dependent upon the speedy economic turnaround.

The year under review witnessed a drastic cut in manufacture of tractors as a result of slackening demand. It is hoped that some improvement will take place with good monsoon in the coming season.

The Passenger Car segment on the other hand witnessed growth which is expected to continue.



The Widest Range of Tyres