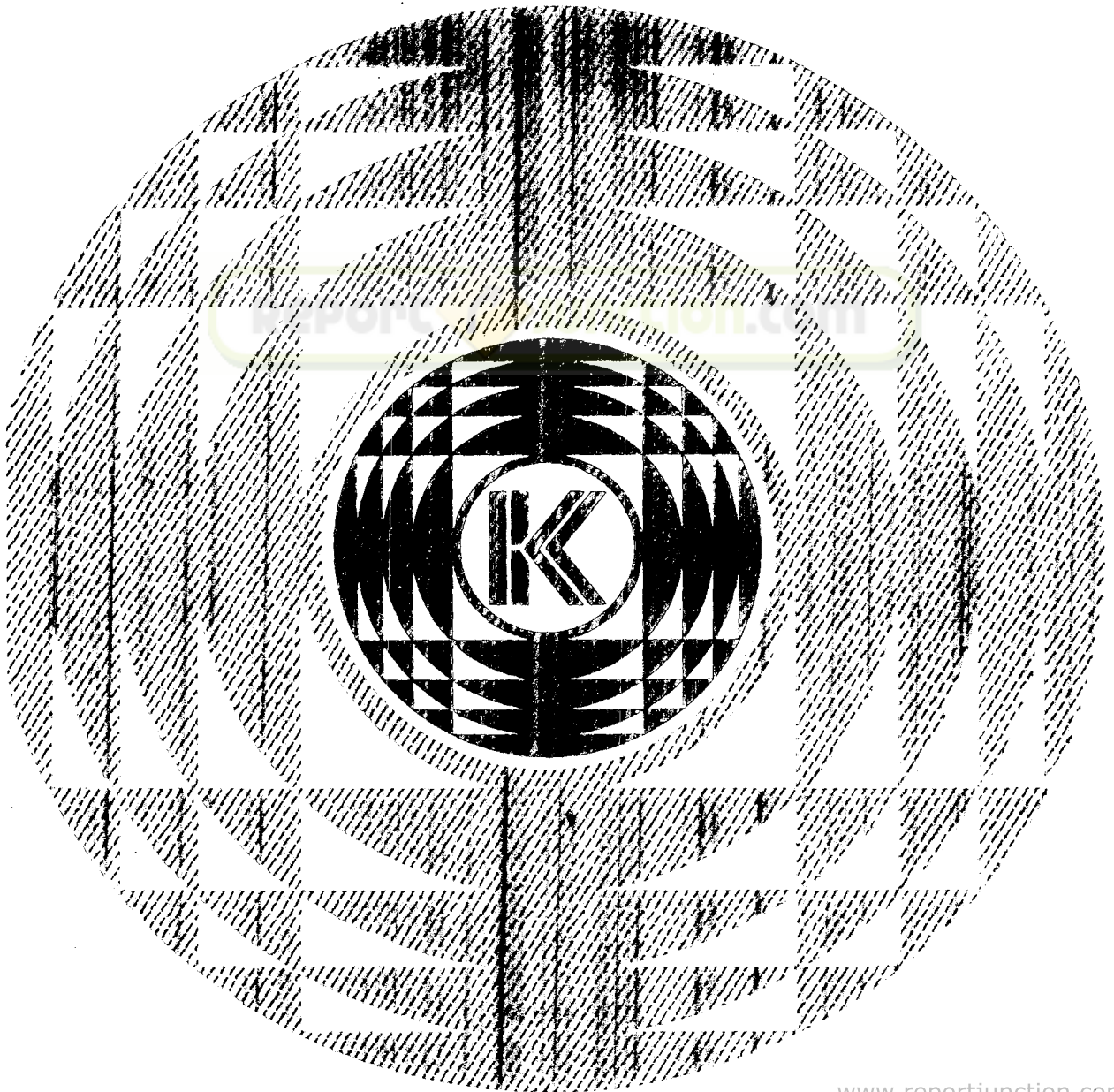


ANNUAL REPORT & ACCOUNTS 1977-78

KORAM INDUSTRIES LIMITED

MD	/		BKC	/
CS	/		DPY	/
RO	/		DIV	/
TRA	/		AC	/
AGM	/	/	SHI	/
YE	/	/		/





Our Chairman Syt. B. K. Birla



The Group Logo — As represented by the 21st Century Atlas

Atlas, the Titan — *Collective Strength*

Atlas, bearer of the heavens is synonymous with vast, all encompassing strength and is used to symbolise the Group's own collective strength. It reflects the combined qualities of astute and dynamic management while emphasising the Group's tenacity, consistency, reliability and overall leadership.

The Sun — *Enlightenment and Growth*

The Sun, as a source of infinite energy and inspiration, is used here in conjunction with the Atlas head to represent the vitality and powerful presence of the Group — both in its industrial prowess and its financial, technological and intellectual skills.

The Earth Segments — *Diversified Activities*

Each of the latitudes around the Titan represent various sections — industrial, agricultural, financial and other activities of the Group. As with the infinite variety of the world, so is the strength of the Group, made up of its diverse activities.

The Globe — *Global Vision*

The Group's global presence and vision is reflected in the entirety of the Earth's sphere.

The Base — *Solid Foundations*

The strength of the entire edifice depends upon the strength of the foundation embedded in the bedrock, represented here by the Group Name.

The Symmetry — *The Resilience, Versatility and Stability*

Seen in its entirety, each of the elements — Atlas, the Sun, the Earth divisions, the Globe and the Base, together sum up a well conceptualised and balanced conglomerate.

Strong Foundation

Sustained Growth

Proven Leadership

79th ANNUAL REPORT & ACCOUNTS 1997-98

Shareholders seeking information on accounts published herein are requested to send their queries to the Company at least TEN days before the date of the Meeting.



Supplying of copies of Annual Reports at the Annual General Meeting had been stopped in view of the high cost of paper and printing. The members are, therefore, requested to bring their copies of the same at the Meeting.



Kesoram Industries Limited

Directors

Syt. B. K. Birla

Chairman

Shri K. G. Maheshwari

Shri Pramod Khaitan

Shri B. P. Bajoria

Shri P. K. Choksey

Shri Girish Mehta

(Nominee of I.C.I.C.I.)

Shri D. N. Mishra

(Nominee of L.I.C.)

Shri Amitabha Ghosh

(Nominee of UTI)

Shri P. K. Mallik

Shri K. K. Khemka

(Manager of the Company)

Senior Executives

Shri K. K. Khemka

Senior President (Rayon & T.P. Sections)

Shri S. K. Birla

Senior President (Textile Section)

Shri S. K. Parik

*Senior President
(Finance & Taxation) & Secretary*

Shri K. C. Jain

Senior President (Cement Sections)

Shri J. D. Palod

*President
(Rayon Section & T.P. Sections)*

Shri O. P. Poddar

*President
(Commercial - Cement Sections)*

Shri P. K. Goyenka

*President
(Vasavadatta Cement Section)*

Auditors

Messrs Price Waterhouse

Bankers

State Bank of India

Standard Chartered Bank

Citi Bank N.A.

Allahabad Bank

The Hongkong & Shanghai

Banking Corporation

UCO Bank

Central Bank of India

Canara Bank

Oriental Bank of Commerce

American Express Bank Ltd.

State Bank of Hyderabad

Registered Office

9/1, R. N. Mukherjee Road

Calcutta - 700 001

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(The above position is existing as on 27.4.98)

NOTICE

TO THE MEMBERS

NOTICE is hereby given that the Annual General Meeting of KESORAM INDUSTRIES LIMITED will be held on Monday the 6th July, 1998 at 10.00 A.M. at 'KALA KUNJ', 48, Shakespeare Sarani, Calcutta-700 017, to transact the following business :

1. To consider and adopt the Reports of the Auditors and the Directors and the Audited Accounts of the Company for the year ended 31st March, 1998.
2. To declare dividends on the Preference and Ordinary Shares for the year ended 31st March, 1998.
3. To appoint Directors in place of Sarvashree P. K. Choksey, P. Khaitan and D. N. Mishra who retire by rotation, and being eligible, offer themselves for re-election.
4. To appoint auditors and fix their remuneration and in that connection to pass the following resolution :
"That pursuant to the provisions of Section 224A of the Companies Act, 1956, Messrs Price Waterhouse, Chartered Accountants, be and are hereby re-appointed as Auditors of the Company until conclusion of the next Annual General Meeting and the Board of Directors be and is hereby authorised to fix their remuneration."

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modification the following Resolutions as Ordinary Resolutions :

5. "RESOLVED that pursuant to the provisions of Section 387 and 388 and other applicable provisions of the Companies Act, 1956 Shri Krishna Kumar Khemka (Shri Khemka), the Senior President of Rayon & T. P. Sections of the Company, be and is hereby re-appointed as 'Manager' of the Company in terms of the said Act, subject to the following main terms and conditions :
 - (a) The term of Shri Khemka's Office will be for a period of 5 years effecting from 1st July, 1998, terminable by either side on giving 3 months' advance notice to the other in writing.
 - (b) Subject to the superintendence, control and direction of the Board of Directors of the Company (the Board), Shri Khemka shall have the management of the whole, or substantially the whole, of the affairs of the Company including its existing and new Sections, if any.
 - (c) Shri Khemka shall also continue to be the Senior President of Rayon & T. P. Sections of the Company.
 - (d) During the period of his office as above Shri Khemka will draw the salary and enjoy the perquisites as follows :
 - (A) Salary : Not exceeding Rs. 75,000/- per month, as may be decided by the Board from time to time.
 - (B) Perquisites :
 - (i) Accommodation : Hired accommodation, monthly rent upto Rs. 5,000/-.
 - (ii) Medical reimbursement : For self and family subject to a ceiling of one month's salary per year or three months' salary over a period of three years.
 - (iii) Leave Travel Concession : For self and family as per rules of the Company.
 - (iv) Club Fees : Fees for two clubs. This will not include admission and life membership fees.
 - (v) Personal Accident Insurance : Actual premium not exceeding Rs. 1,000/- per annum.
 - (vi) Company's Contribution to Provident Fund and Superannuation Fund : Contribution to Provident Fund and Superannuation Fund as per the Rules of the Company.

(vii) Gratuity	Half a month's salary for each completed year of service.
(viii) Car & Telephone	Use of one chauffeur driven car for Company's business/personal use and two telephones at residence. Personal long distance telephone calls and use of car for private purpose shall be billed by the Company as far as practicable on actual basis failing which on an estimated basis.
(ix) Ex-gratia (Bonus)	As will be decided by the Board from time to time.
(C) Minimum Remuneration	In the event of loss or inadequacy of profits in any financial year during the tenure of service payment of salary, perquisites and other allowances shall be governed by the limits prescribed under Section II of the Part II of the Schedule XIII of the Companies Act, 1956.

AND THAT the Board be and is hereby authorised to accept such alterations in the aforesaid terms and conditions of appointment of Shri Khemka and/or the remuneration payable to him and/or make such alterations therein from time to time in such manner as may be agreed to between the Board and Shri Khemka within the limits in that behalf as contained in Schedule XIII to the said Act, or as may be modified from time to time.

FURTHER RESOLVED that Additional Employer's Contribution to the Provident Fund at the rate of 2% of the Salary paid/payable to Shri K. K. Khemka with effect from 22nd September, 1997 to 30th June, 1998 be and is hereby confirmed.

6. "RESOLVED that the consent of the Company be and is hereby accorded in terms of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, to the Board of Directors of the Company to mortgage and/or charge all the land, hereditaments and premises of the Company (both present and future) situate at Mouza - Dhanot, Taluk - Kalol, District - Mehsana in the state of Gujarat in favour of the Trustees for securing the undernoted Debentures aggregating Rs. 45 crores (Rupees fortyfive crores) issued by the Company together with interest, cost, charges, expenses and all other monies payable by the Company in respect thereof, viz :

- (i) 10,00,000 – 13.25% Partly Secured Redeemable Non-Convertible Debentures of Rs. 100 each.
- (ii) 10,00,000 – 12.10% Partly Secured Redeemable Non-Convertible Debentures of Rs. 100 each.
- (iii) 25,00,000 – 12.75% Partly Secured Redeemable Non-Convertible Debentures of Rs. 100 each.

RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to do and execute from time to time all such acts, deeds and things as may be necessary for giving effect to the above Resolution."

To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution :

7. "RESOLVED that pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the existing Articles of Association of the Company be and are hereby modified and altered to the extent and in the manner as hereinafter stated —

1. The existing Article 2 be modified as follows –

- (a) That the following definitions be inserted at the appropriate places :

"Beneficial Owner" "Beneficial owner shall mean beneficial owner as defined in Clause (a) of Sub Section (1) of Section 2 of the Depositories Act, 1996."

"Depository" "Depository shall mean the Depository as defined in Clause (e) of Sub Section 2 of the Depositories Act, 1996."

"Depositories Act, 1996" "Depositories Act, 1996 shall mean and include any statutory modification or re-enactment thereof for the time being in force."

"Securities & Exchange Board of India"

"Securities and Exchange Board of India means the Securities and Exchange Board of India established under Section 3 of the Securities and Exchange Board of India Act, 1992."

- (b) That the existing definition of "Member" appearing therein shall be deleted and in place thereof the following shall be substituted :

"Member means the duly registered holder from time to time of the shares of the Company and includes every person whose name is entered as a beneficial owner in the records of the depository."

- (c) That the following Proviso shall be added at the end of paragraph one viz :

"PROVIDED that the words or expressions used in these Articles and not defined in the Act but defined in the Depositories Act, 1996 shall have the same meaning respectively assigned to them in that Act."

2. That the undernoted new Article as Article 4A be added after the existing Article 4.

"Power to Company to dematerialise, rematerialise and numbering thereto"

"4A. That notwithstanding anything as herein contained, the Company shall be entitled to dematerialise or rematerialise its shares, debentures and other securities (both existing and future) pursuant to Depositories Act, 1996 and to offer its shares, debentures and other securities for subscription in a dematerialised form.

The shares in the capital shall be numbered progressively according to their several denominations. PROVIDED HOWEVER, that the provisions relating to progressive numbering shall not apply to the shares of the Company which are dematerialised or may be dematerialised in future or issued in future in dematerialised form. Every forfeited or surrendered share shall continue to bear the number by which the same was originally distinguished."

3. That the existing Article 10 with the marginal note be deleted and the following be substituted in place thereof :

"Company not bound to recognise any interest in share other than that of registered holder or beneficial owner"

"Except as ordered by a court of competent jurisdiction or as required by law, the Company shall be entitled to treat the person whose name appears on the Register of Members as the holder of any share or where the name appears as the beneficial owner of shares in the records of the Depository as the absolute owner thereof and accordingly shall not be bound to recognise any benami trust or equitable, contingent, future or partial interest in any share, or (except only as is by these Articles otherwise expressly provided) any right in respect of a share other than an absolute right thereto, in accordance with these Articles on the part of any other person whether or not it shall however express or implied notice thereof, but the Board shall be at liberty at its sole discretion to register any share in the joint names of any two or more persons or the survivor or survivors of them."

4. That the existing Article 16 be modified by adding at the end thereof the following proviso :

"PROVIDED HOWEVER that no Share Certificate(s) shall be issued for shares held by a Depository."

5. That after the existing Article 39A a new Article as Article 39B, be inserted, on the lines as follows :

"Shares held in electronic and fungible form"

"39B In the case of transfer of shares, debentures or other marketable securities where the Company has not issued any certificate and where such shares or debentures or securities are being held in an electronic and fungible form, the provisions of the Depositories Act, 1996 shall apply."

6. That the existing Article 40 be modified by adding after the words "transfer of a share" appearing in the first line thereof the following words viz –

"except in case of transfer of Securities effected by the transferor and the transferee both of whom are entered as beneficial owners in the records of the depository."

7. That the existing Article 41 be modified by adding at the end of Sub-Article (i) the following words viz :
- "The Company shall keep a "Register of Transfers" and therein shall be entered the particulars of every transfer or transmission of any share held in material form."
8. That after the existing Article 61 the following new Article as Article 61A, on the lines as hereinafter stated, be inserted :
- "Specific beneficial provisions of Companies Act, 1956 not to apply to Depository" "61A On the shares, debentures and securities held by Depository on behalf of the beneficial owners as defined in the Depositories Act, 1996, the provisions of Section 153, 153A, 153B, 187B, 187C and 372 of the Act shall not apply."
9. That the existing Article 177 be modified by adding at the end thereof the following proviso :
- "Service of documents or notices by Members" "Provided that where the securities are held in a depository, documents/notices may be served by such depositories who is/are the beneficial owner in respect thereof, on the Company by means of electronic mode or by delivery of depository floppies or discs."
10. That the existing Article 188 will be modified as follows :
- (a) That the existing first paragraph be modified by adding the following words "and the Depositories Act, 1996" after the existing word "Act" appearing at the end line thereof.
- (b) That the existing Sub-Article (iii) be deleted and in place thereof the following Sub-Article be substituted viz :
- "iii) A Register and Index of Members in accordance with Section 151 of the Act and the Depositories Act, 1996 with details of shares held in material and dematerialised forms in any media as may be permitted by law including in any form of electronic media. The Register and Index of beneficial owners maintained by a Depository under Section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of members for the purpose of the Act. The Company shall have the power to keep in any state or country outside India a branch Register of members resident in that state or country."
- (c) That the existing Sub-Article (V) be deleted and in place thereof the following Sub-Article be substituted viz :
- "v) A Register and Index of Debentureholders in accordance with Section 152 of the Act and the Depositories Act, 1996. The Register and Index of beneficial owners maintained by a depository under Section 11 of the Depositories Act, 1996 shall be deemed to be Register and Index of Debentureholders for the purpose of this Act. The Company shall have the power to keep in any state or country outside India a branch Register of Debentureholders resident in that state or country."

By Order of the Board

Registered Office :
9/1, R. N. Mukherjee Road
Calcutta-700 001
Dated, the 27th day of April, 1998

S. K. PARIK
Senior President (Finance & Taxation)
& Secretary

Notes :

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and vote instead of himself and the proxy need not be a member. Proxies should be received by the Company not less than 48 hours before the meeting.
2. The Register of Members of the Company will remain closed from 10th June, 1998 to 6th July, 1998 (both days inclusive).
3. The instruments of share transfers complete in all respects should reach the Company prior to closure of the Register of Members as stated above.
4. The payment of Dividend on Shares, if declared at the aforesaid meeting, will be made to those members whose names shall appear on the Company's Register of Members on 6th July, 1998 or to their mandatees/bankers and dividend warrants will be despatched on 17th July, 1998.
5. No tax will be deducted at source on payment of dividend.

6. Members are requested to bring with them the printed Annual Reports being sent to them, along with the Notice, to avoid inconvenience.
7. As per provisions of Section 205A of the Companies Act, 1956, the Company has already transferred to the General Revenue Account of the Central Government the amount of all unclaimed dividends declared upto and including the financial year ended 31st March, 1994. Hence, to claim dividend upto the said period, the members are advised to approach the Registrar of Companies, West Bengal, 234/4, Acharya Jagadish Chandra Bose Road, Calcutta-700 020.
8. Members desirous of getting any information about the accounts and operations of the Company are requested to address their queries to the Secretary of the Company well in advance so that the same are received at least seven days before the date of the meeting to enable the management to keep the information readily available at the meeting.
9. Members, who are holding shares in identical order of names in more than one folios, are requested to write to the Company to consolidate their holdings in one folio.
10. Members are requested to notify change in address, if any, immediately to the Share Department of the Company quoting their folio numbers.

EXPLANATORY STATEMENT AS REQUIRED UNDER SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Shri Krishna Kumar Khemka was re-appointed as Manager of the Company pursuant to the provisions of Section 388 read with Section 387 of the Companies Act, 1956 for a term of 5 years by a resolution passed at the Annual General Meeting of the Company held on 17th December, 1993. His present term of office shall be expiring on 30th June, 1998. In compliance with the provisions of Section 269 of the Act, it is incumbent upon the Company to appoint a Managing Director/Wholtime Director or a Manager.

The remuneration including perquisites proposed to be paid to Shri Khemka are within the limits provided under Schedule XIII of the said Act.

The Resolution under this item is intended to obtain the approval of the members to the proposed re-appointment of Shri Khemka and your Directors recommend its approval.

A general increase was made by the Central Government in the rate of Provident Fund Contribution from 10% to 12% with effect from 22nd September, 1997. The said increase was effected by the Company for its employees as well as to Shri K. K. Khemka, and will continue upto 30.6.1998 when the present arrangement will come to an end. This change may amount to alteration in the terms of appointment and by way of abundant caution this resolution has been proposed for your approval.

None of the Directors except Shri K. K. Khemka is interested in the Resolution.

Item No. 6

The Company for the purpose of its business issued 45,00,000 Partly Secured Non-Convertible Debentures of Rs. 100/- each and allotted to various Banks and for such issuance the Company has made arrangement for offering the immovable properties of the Company situated at Gujarat (both present and future), as mentioned in the Resolution, as security for the said debentures in favour of the Trustee for the Debentureholders.

By way of abundant caution the consent of the shareholders is sought under Section 293(1)(a) of the Companies Act, 1956.

The Resolution set out against Item No. 6 of the covering Notice is intended for the purpose.

The Board of Directors recommend passing the resolution in the interest of the Company.

None of the Directors is interested or concerned in the Resolution.

Item No. 7

In view of the promulgation of the Depositories Act, 1996 it has become incumbent to amend the provisions of the Articles of Association of the Company on the lines and in details stated in the Resolution.

The Company had gone for depository and entered into an agreement with National Securities Depository Limited for the purpose.

The Board of Directors recommend the passing of the Resolution contained in Item No. 7 of the Notice.

None of the Directors is concerned or interested in the passing of the said Resolution.

REPORT OF THE DIRECTORS**FOR THE YEAR ENDED 31ST MARCH, 1998**

Dear Members,

We have pleasure in presenting the Annual Report and the Audited Statements of Accounts of the Company for the year ended 31st March, 1998. In view of the depressed market conditions prevailing in the cement, textile and refractory industries, the 1997-98 performance is a fairly satisfactory one.

FINANCIAL RESULTS

	31st March, 1998 Rs.	31st March, 1997 Rs.
Turnover (including Inter-Section Transfers)	7,15,33,89,077	6,07,20,99,919
Gross Profit	56,49,85,079	72,86,84,157
Add : Company's Share of Profit of 'Birla Tyres' Operations	4,36,49,309	2,96,16,494
	60,86,34,388	75,83,00,651
Less : Depreciation (Net)	40,44,22,469	29,87,03,503
	20,42,11,919	45,95,97,148
Less : Provision for Minimum Alternative Tax (MAT)	2,00,00,000	6,00,00,000
Net Profit	18,42,11,919	39,95,97,148
Add :		
i) Transfer from Investment Allowance Reserve no longer required	2,41,00,000	2,74,00,000
ii) Transfer from Development Grant/Subsidy on Fixed Assets fully depreciated	—	7,50,000
iii) Balance of Profit & Loss Account brought forward from last year	25,95,94,693	25,97,32,549
Amount available for appropriation which the Directors have appropriated as under :	46,79,06,612	68,74,79,697
i) Debenture Redemption Reserve	6,53,00,000	9,58,00,000 (Net)
ii) Proposed Dividends	13,64,11,556	12,00,77,276
iii) Tax on Proposed Dividends	1,36,41,156	1,20,07,728
iv) General Reserve I	1,10,00,000	20,00,00,000
v) Balance carried forward to next year	24,15,53,900	25,95,94,693
	46,79,06,612	68,74,79,697

DIVIDENDS

We recommend the following dividends for the year ended 31st March, 1998 for consideration and approval of the shareholders at the ensuing Annual General Meeting of the Company :

	31st March, 1998 Rs.	31st March, 1997 Rs.
(a) On 15,00,000 Redeemable Cumulative Preference Shares of Rs. 100 each fully paid-up @ 17.5% per annum (for 1996-97 proportionate on the basis of periods and to the extent of amount called and paid-up)	2,62,50,000	2,32,71,884
(b) On 3,99,844 Redeemable Cumulative Second Preference Shares of Rs. 100 each fully paid-up @ 14% per annum	55,97,816	55,97,816
(c) On 5,22,81,870 Ordinary Shares of Rs. 10 each @ Rs. 2 per share (previous year Rs. 2 per share including proportionate dividend for shares allotted underlying Global Depository Receipts Issued)	10,45,63,740	9,12,07,576
	13,64,11,556	12,00,77,276

DEBENTURES

- (a) Rs. 45 crores raised in the form of Debentures on private placement basis and outstanding, carrying interest ranging from 12.10% to 13.25% per annum by way of measure to keep interest burden low.
- (b) The last and final instalment of redemption of Rs. 1.98 crores in respect of 6,00,000 - 15% Non-Convertible Debentures carrying interest @14% was duly paid.
- (c) Instalments falling due were paid in time.
- (d) Funds raised through Debentures are being utilised for specific purposes.

FIXED DEPOSIT

At the end of the financial year under review, one deposit of Rs. 50,000 remained undisbursed and is still unsettled due to dispute amongst the claimants.

GENERAL REVIEW

The technical performance of both the Cement Plants continues to be satisfactory, but due to overall surplus availability of cement including local production as compared to the Country's demands, prices were mostly uneconomical and depressed and continue to be so.

The captive thermal power plants at both the Cement Sections have gone into production. After initial teething problems, their generation now have stabilised at a satisfactory level.

The technical and financial performance of the Rayon Section was generally satisfactory.

The working of Birla Tyres continues to be good. The present lease agreement has been extended by another two years at a mutually agreed increased lease rental.

TEXTILE SECTION

Indian Cotton Textile Industry in general continues to be under severe demand recession both in home and export markets. Paradoxically production cost has increased substantially because of steep rises in cotton prices and other input items including power, coal, wages etc., whereas there is a fall in prices of finished products. However, currently during the last few months, there is a trend of diversion of cotton textile finished products from export to domestic markets, unfortunately, resulting in further slide in sale prices.

Regretably productivity of workers continues to be low, with disproportionately high damage and wastage etc. Several meetings with union officials to ensure improved productivity levels both quantity and qualitywise for mutual benefits of both have not so far produced any tangible results. Thus the operating results continue to be adverse causing considerable damage to the Unit's health.

Our efforts to rationalise the Unit's productive operation have not so far been successful in the absence of willingness, consent and co-operation of the concerned unions and Government machinery. Other corrective measures in this respect are now being considered.

RAYON AND TRANSPARENT PAPER SECTIONS

The production of Rayon Yarn was maintained at previous year's level at 6723 tons against 6709 tons of 1996-97.

During the year Rayon Yarn demand was satisfactory and price had an upward trend. Export at 6.2% was more or less at the same level of the last year.

TP market demand was highly unsatisfactory. Consequently, production of T.P. was much lower for the year 1997-98 at 2715 tons as against 3392 tons in 1996-97 due to cut in output from November, 1997 onwards because of adverse market conditions. Further, due to stiff market competition and easy availability to cheaper substitutes the sales of T.P. remained low almost throughout the year and stocks increased substantially.