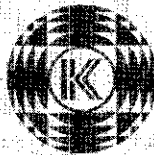
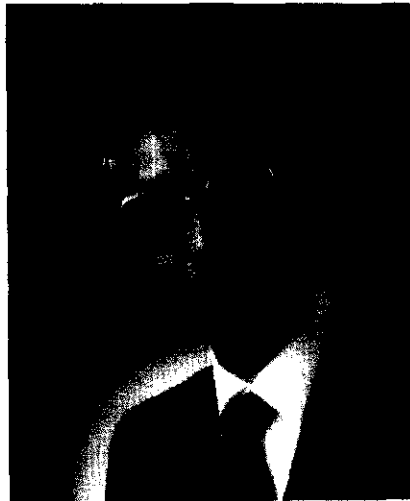


**ANNUAL
REPORT
&
ACCOUNTS
1998-99**

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KESORAM INDUSTRIES LIMITED



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

80th ANNUAL REPORT & ACCOUNTS 1998-99

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

Smt. Manjushree Khaitan

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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NOTICE

TO THE MEMBERS

NOTICE is hereby given that the Eightieth Annual General Meeting of KESORAM INDUSTRIES LIMITED will be held on Thursday, the 22nd July, 1999 at 10.30 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, 1999.
2. To declare dividends on the Preference and Ordinary Shares for the year ended 31st March, 1999.
3. To appoint Directors in place of Sarvashree B. K. Birla, B. P. Bajoria and P. K. Mallik, 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 as Special 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 and the terms of payment."

SPECIAL BUSINESS

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

5. "RESOLVED that Smt. Manjushree Khaitan, an Additional Director of the Company, who shall hold office upto the date of this Annual General Meeting as per provisions of Section 260 of the Companies Act, 1956, be and is hereby appointed a Director of the Company."
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, for mortgaging and/or charging by the Board of Directors of the Company, all the immovable and movable properties of the Company wheresoever situate, both present and future and the whole of the undertaking of the Company and/or conferring power to enter into and take possession of the assets of the Company in certain events to or in favour of :
 - (i) ICICI Limited (ICICI),
 - (ii) Banks constituting the Banking Consortium led by State Bank of India financing the working capital requirement of the Company (Kesoram Bankers),
 - (iii) Banks constituting the Banking Consortium led by State Bank of India financing the working capital requirement of 'Birla Tyres', the consortium of parties including the Company running and operating the Company's Tyre factory (Birla Tyres Bankers).
 A. to secure -
 - (I) ICICI, by way of first charge, its -
 - (i) Rupee Loan not exceeding Rs. 18 Crores and
 - (ii) Corporate Loan not exceeding Rs. 30 Crores,
 - (II) Kesoram Bankers, by way of second charge, subservient to the term loans granted/to be granted by the existing first charge holders thereon, its working capital credit limits granted not exceeding Rs. 115 Crores,
 - (III) Birla Tyres Bankers, by way of second charge on the immovable properties of the Tyre factory, subservient to the term loans pertaining to the Tyre factory granted/to be granted by the existing first charge holders thereon, its working capital credit limits granted to 'Birla Tyres' not exceeding Rs. 153 Crores.

together with interest thereon, liquidated damages, premium on prepayment and all costs, charges, expenses and all other monies payable by the Company to ICICI, Kesoram Bankers and Birla Tyres Bankers respectively in terms of the respective Subscription Agreement/Deed of Hypothecation/Letters of Sanction/Memorandum of Terms and Conditions, entered into/to be entered into by the Company, in respect of the aforesaid loans etc.

B. to the Board of Directors of the Company agreeing with the said ICICI, in terms of the Subscription Agreement/Deed of Hypothecation/Letters of Sanction/Memorandum of Terms and Conditions to reserve a right to take over the management of business and concern of the Company in certain events."

"RESOLVED FURTHER that the Board of Directors of the Company be and is hereby authorised to finalise with ICICI, Kesoram Bankers and Birla Tyres Bankers the documents for creating aforesaid mortgage and/or charge and for reserving the aforesaid right and to do all such acts, matters and things as may be necessary for giving effect to the above Resolution."

By Order of the Board

Registered Office :
9/1, R. N. Mukherjee Road
Calcutta-700 001
Dated, the 26th day of April, 1999

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 Registers of Members of the Company will remain closed from 30th June, 1999 to 22nd July, 1999 (both days inclusive).
3. The instruments of share transfers complete in all respects should reach the Company prior to closure of the Registers 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 Registers of Members on 22nd July, 1999 or to their mandatees/bankers and dividend warrants will be despatched on 23rd August, 1999.
5. No tax will be deducted at source on payment of dividend.
6. 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.
7. 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.
8. Members are requested to notify change in address, if any, immediately to the Share Department of the Company quoting their folio numbers.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173(2) OF THE COMPANIES ACT, 1956

Item No. 5

Smt. Manjushree Khaitan was appointed as an Additional Director of the Company in the month of October, 1998 and shall hold office upto the date of this Annual General Meeting.

A notice from a member under Section 257 of the Companies Act, 1956 has been received by the Company intimating his intention to propose the candidature of Smt. Manjushree Khaitan as a Director of the Company. Smt. Khaitan is associated with several companies, associations and trusts and has varied experience and capabilities in the field of management and administration. As such, it will be in the interest of the Company to appoint her as a Director.

Your Directors recommend appointment of Smt. Khaitan as a Director.

None of the Directors except Shri B. K. Birla and Smt. Manjushree Khaitan is interested or concerned in the Resolution.

Item No. 6

To meet the increased long/short term working capital needs the Company and Birla Tyres had been granted loans and credit limits (facilities) by financial institutions/banks and to secure such further facilities, the Company would have to mortgage/charge all the movable and immovable assets of the Company including that of the Tyre factory as may be required by the financial institutions/banks.

As the documents to be executed by the Company in this connection will contain the power to take over the management of the Company in certain events, it is necessary for the members to pass a Resolution under Section 293(1)(a) of the Companies Act, 1956 for the purpose of creation/extension of the mortgage/charge both existing and future.

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

The Board of Directors recommends the passing of the Resolution in the interest of the Company.

None of the Directors except Shri Girish Mehta, Nominee Director of ICICI Ltd. is interested or concerned in the Resolution.



REPORT OF THE DIRECTORS**FOR THE YEAR ENDED 31ST MARCH, 1999***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, 1999.

FINANCIAL RESULTS

	31st March, 1999 Rs.	31st March, 1998 Rs.
Turnover (including Inter-Section Transfers)	6,81,69,56,224	7,15,33,89,077
Gross Profit	48,83,58,981	56,49,85,079
Add : Company's Share of Profit of 'Birla Tyres' Operations	6,68,04,357	4,36,49,309
	55,51,63,338	60,86,34,388
Less : Depreciation (Net)	50,47,05,810	40,44,22,469
	5,04,57,528	20,42,11,919
Less : Provision for Minimum Alternate Tax (MAT)	30,00,000	2,00,00,000
Net Profit	4,74,57,528	18,42,11,919
Add :		
(i) Transfer from Investment Allowance Reserve no longer required	52,05,000	2,41,00,000
(ii) Balance of Profit & Loss Account brought forward from last year	24,15,53,900	25,95,94,693
Amount available for appropriation which the Directors have appropriated as under :	29,42,16,428	46,79,06,612
(a) Debenture Redemption Reserve	6,42,58,550	6,53,00,000
(b) Capital Redemption Reserve	99,84,400	—
(c) Proposed Dividends including interim dividend on Preference Shares	11,02,70,621	13,64,11,556
(d) Tax on Proposed Dividends*	1,10,27,063	1,36,41,156
(e) General Reserve I	1,10,00,000	1,10,00,000
(f) Balance carried forward to next year	8,76,75,794	24,15,53,900
	29,42,16,428	46,79,06,612

*In the event of the Finance Bill, 1999 being passed into law, surcharge on the above mentioned dividend tax would be adjusted against the balance in the tax provision account.

DIVIDENDS

We recommend the following dividends for the year ended 31st March, 1999 for consideration and approval of the shareholders at the ensuing Annual General Meeting of the Company :

	31st March, 1999 Rs.	31st March, 1998 Rs.
(a) On 15,00,000 Redeemable Cumulative Preference Shares of Rs. 100 each fully paid-up @ 17.5% per annum	2,62,50,000	2,62,50,000
(b) On 3,00,000 Redeemable Cumulative Second Preference Shares of Rs. 100 each fully paid-up @ 14% per annum	42,00,000	42,00,000
(c) Interim dividend to be deemed final on 99,844 Redeemable Cumulative Second Preference Shares of Rs. 100 each fully paid-up and redeemed on 31.03.99 @ 14% per annum	13,97,816	13,97,816
	3,18,47,816	3,18,47,816
(d) On 5,22,81,870 Ordinary Shares of Rs. 10 each @ Rs. 1.50 per share (previous year Rs. 2 per share)	7,84,22,805	10,45,63,740
	11,02,70,621	13,64,11,556

ISSUED AND SUBSCRIBED CAPITAL

99,844 14% Redeemable Cumulative Second Preference Shares aggregating Rs. 99,84,400 were redeemed on 31.03.99 and an equivalent amount was transferred to Capital Redemption Reserve.

DEBENTURES

- (a) Rs. 12 crores were raised in the form of Partly Secured Non-Convertible Debentures to meet Working Capital requirements on private placement basis, carrying interest ranging from 10% to 15% per annum depending upon Mumbai Interbank Offer Rate (MIBOR) and bank's spread.
- (b) Debentures due for redemption were paid in time as well as instalments on due date.
- (c) 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

Even with the continuing satisfactory technical performance of both the cement plants, overall recession, poor Government off-take and sluggish demand coupled with unremunerative prices have adversely affected the profitability of the Section.

The performance of the two captive thermal power plants of the Cement Sections during the year has been satisfactory.

Profitability of the Rayon Section was affected due to severe demand recession, decreasing sale prices of its finished products aggravated by increasing inflationary input costs.

Both the technical and financial performances of Spun Pipes Section continued to be satisfactory with improvements over 1997-98.

Most of the composite textile mills in India, based on cotton are facing very serious difficulties.

Birla Tyres showed excellent results.

TEXTILE SECTION

Indian Cotton Textile Industry continued to be under severe demand recession and spiralling input costs which resulted in the closure of many other units in India. We adopted several measures to stay afloat like procurement of imported cotton, production curtailment to reduce accumulation of finished stock and other measures of cost reduction. However, unfortunate neglect by the workmen in improving quality, productivity and their unhelpful work culture eroded whatever gains achieved through these measures.

From 21.12.98, every day the workmen organised large scale unauthorised and illegal frequent meetings/demonstrations/obstructions within the factory premises, thus disrupting and vitiating the working environment. Workmen resorted to an illegal strike on 4th January, 1999, thus a situation arose where the management was left with no alternative than to suspend the operation of the Textile Division from 5th January, 1999, and there is no change in the situation since then.

RAYON AND TRANSPARENT PAPER SECTIONS

Severe demand recession in the Viscose Filament Yarn industry – both in home and export markets – adversely affected this unit's performance, the production being 6711 tons as compared to 6723 tons in 1997-98. Many cost reductions measures were implemented in 1998-99.

Home market demand was depressed resulting from reduced exports of Fabrics, and customers' preference for cheaper substitute products. The Unit's yarn exports was higher at 608 tons (9% of the production), about 50% more than 1997-98 exports of 415 tons.

Transparent Paper performance was equally adversely affected under similar environment.

The total production of T.P. during the year under review was 2320 tons against 2715 tons in 1997-98 due to poor demand. Export markets in South East Asia and Iran were also dull due to cheaper Chinese supplies. Export during the year was 310 tons (13.4% of the production) against 331 tons (12.2%) exported last year. However, trial orders from new markets like Italy, Belgium and UAE were received and executed and repeat orders are expected in 1999-2000.

The productions of Sulphuric Acid, Carbon-di-Sulphide and Sodium Sulphate were fairly satisfactory. Keeping in view the importance of environment protection, necessary equipments have been installed for proper pollution control.

This Section's profitability was adversely affected because of sluggish demand, significant decreased sale prices coupled with increased input costs of power rates, Dearness Allowance etc. The technical performance of the Section was generally satisfactory.

The Section received the First Prize for Excellence in Energy Conservation and Management (1997) from the Indian Chemical Manufacturers Association.

The Section again received the National Energy Conservation Award (1998) from the Ministry of Power, Government of India for the fourth year in succession.

Labour relations continue to be satisfactory.

SPUN PIPES SECTION

The technical performance and financial results of Spun Pipe Unit were satisfactory. With the installation of new equipment and major renovation of the plant, production in 1998-99 was 34291 M/Tons as against 29853 M/Tons in 1997-98. This ongoing re-engineering steps are likely to result in further rise in Production in 1999-2000.

The relations between the workmen and Management remained cordial. The raw material availability currently is satisfactory and is expected to remain so.

During this year, the Unit received ISO-9002 certification.

REFRACTORY SECTION

The unit was under lock-out due to persistent industrial relation problems from 29.03.98 to 28.08.98. The unit re-opened with a hopeful indication of improvement. However, Indian Refractory Industry in general continues to be under severe demand recession. This is basically due to the on going recession in the Steel Industry. However, with improvement in Cement Industry, we are expecting better performance of this Section in coming years.

CEMENT SECTIONS

(a) General

Though the technical performance of both the Cement Sections was satisfactory, severe recession prevailing in Cement Industry, poor Government off-take and sluggish demand coupled with un-remunerative prices have adversely affected the profitability of Cement Sections. The cement prices were relatively better in the first quarter of the year, but thereafter the prices started declining and continued sluggish.

The Government thrust on Housing Sector, Roads etc. should boost-up the cement demand during incoming months and hopefully recession in Cement Industry should gradually bottom-out.

Products of both the Sections continue to enjoy strong market reputation due to its consistent quality.

Both the Cement Sections have taken many operational and cost control measures resulting in reduced overall costs of cement production and power generation, despite increases in direct input costs like Coal, Raw Materials, purchased power etc.

To achieve better overall equipment efficiency and productivity, TPM (Total Productivity Maintenance) activities are under implementation.

As reported last year, Government of India had excluded Cement from the purview of the Jute Packaging Material Act, 1987 for a period of two years as per Notification dated 30.6.1997. However, due to the persistent efforts of Cement Industry through Cement Manufacturers' Association (CMA), the Ministry of Textiles, vide Notification S.O. No. 1076(E) dated 15th December, 1998 deleted Cement from the list of commodities to be packed in jute, under the said Act, for the year 1998-99.

(b) Kesoram Cement

The production figures of this Section are given hereunder :

	1998-99 (Tonnes)	1997-98 (Tonnes)
Clinker	6,65,357	7,21,601
Cement	6,88,305	7,46,474

Clinker and cement productions were regulated as cement prices were unremunerative during most part of the year. The supply was in excess of demand mainly due to addition of several Cement Plants in various parts of India coming into production in 1998-99.

Performance of Captive Thermal Power Plant of 15 MW during the year under review has been satisfactory. Total power generation achieved was 80 million Units and average Plant Load Factor was 66%. However, power generation from the Captive Thermal Power Plant of this Section is being regulated in keeping with the requirement of Cement Plant and minimum power is purchased from State Electricity Board.

With regard to renewal of Basantnagar Limestone Mining Lease, the renewed Lease Deed has been executed during the year.

Environmental and Social Obligations

Continuous tree plantation programmes is being implemented in the surrounding areas to maintain the ecological balance. To maintain pollution free clean environment inside the factory and in colony premises on a sustainable basis, the implementation of Environmental Management System, as per ISO-14001 is in progress.

As a part of community development activities for the welfare of villagers in adjoining areas, this Section is organising Eye Surgical Camps, Family Welfare Camps, Health Camps, Pulse Polio Programmes, Farmers' Training Programmes, Distribution of agricultural implements and seeds, Animal Health Camps, Adult Education Programmes etc. Also assistance is being extended to the villagers for construction of Shelters, Community Halls, Schools, Bore Wells etc.

Awards

This Section bagged "Best Pay Roll Savings Group Award" among the private sector organisations in the State of Andhra Pradesh for the year 1997-98, for encouraging savings among employees.

Limestone Mines of this Section have won four 1st prizes for Overall Performance, Afforestation, Waste Dump Management and Reclamation and Rehabilitation in the competitions held for 1998-99 by Mines Environment and Mineral Conservation Council.

Basantnagar Limestone Mines also won four first prizes in the competitions organised by Mines Safety and Productivity Council for Safe Drilling and Blasting Practices, Injury Rate Performance, Environment and Pollution Control and Overall Performance.

(c) Vasavadatta Cement

The technical performance of this Section continues to be excellent. The average capacity utilisation of both the Units has been 105% which is well above the Industries' All India capacity utilisation of about 85% inspite of production loss of around 90,000 Tonnes of Clinker and 1,00,000 Tonnes of Cement due to 20 days illegal strike by loading workmen.

The production figures of the Section are given hereunder :

	1998-99 (For Unit I & II) (Metric Tonnes)	1997-98 (For Unit I & II) (Metric Tonnes)
Clinker	12,25,821	12,90,700
Cement	12,54,170	12,24,720

The overall power supply position in Karnataka during the year has been satisfactory.

To have self sufficiency in power, one 6.3 MW new D. G. set is being installed, which is likely to be commissioned in May/June 1999.