

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31ST MARCH, 2017

The Board presents its Ninety-eighth Annual Report together with the Audited Financial Statements of the Company for the year ended 31st March, 2017.

FINANCIAL RESULTS

₹ in crores

Particulars	31 st March, 2017	31 st March, 2016
Total Revenue from:		
Continuing operations	3891.96	4217.57
Discontinuing operations	-	288.77
Total Revenue	3891.96	4506.34
Profit/(Loss) before interest, depreciation, tax and other amortizations ("EBIDTA")	134.80	(165.30)
Add : Exceptional Income	121.35	755.35
Less : Depreciation and Amortization Expenses (Net of transfer from Revaluation Reserve)	108.97	122.31
Finance Costs	268.98	677.53
Tax Expenses - Net	2.33	-
	380.28	799.84
Profit/(Loss) for the year from continuing operations	(124.13)	(209.79)
Profit/(Loss) for the year from discontinuing operations	-	(34.50)
Profit on disposal of Assets and Liabilities of discontinuing operations	-	381.41
Profit/(Loss) for the year	(124.13)	137.12
Balance of Profit/(Loss) at the beginning of the year	(451.23)	(588.35)
(Loss) Carried Forward	(575.36)	(451.23)

DIVIDEND

No dividend is proposed in view of the loss during the year.

SHARE CAPITAL

The Paid-up Equity Share Capital as on 31st March, 2017 remained at ₹117.27 crores. The Company has not, during the year, issued any shares with or without differential voting rights, granted stock options or issued sweat equity shares.

SECURED REDEEMABLE NON-CONVERTIBLE DEBENTURES

10.50% Secured Redeemable Non Convertible Debentures amounting to ₹200 crores issued during the previous year were redeemed in full on 13th April, 2016.

DEPOSITS

The Company has not, during the year, accepted any deposit within the meaning of Section 73 of the Companies Act, 2013 ("the Act"). Deposits amounting to ₹4.46 lakhs from two persons remained unclaimed as at the end of the year. There were no deposits not in compliance with the requirements of Chapter V of the Act.

GENERAL REVIEW

Despite encountering significant challenges during the year, the Company earned a positive Earnings Before Interest, Depreciation, Taxation and other Amortisations ("EBIDTA") of ₹134.80 crores as against a negative EBIDTA of ₹165.30 crores in the previous year.

Total Revenue for the year on a standalone basis was ₹3891.96 crores as compared to ₹4217.57 crores in the previous year.

Sale volumes and net sales realisations of the Cement Business came under stress during the year owing to subdued demand in the areas which it services. This position was further exacerbated by capacity additions in this area resulting in further pressure on price realisations. To make matters worse, input cost increases during the year also impacted margins even though the Business made measured advances in value engineering of cement inputs. The Business's brand recall gained in strength in the wake of several initiatives carefully conceived to underline the quality superiority of the *Birla Shakti* brand in the market.

The task before the Tyre Business during the year was to realign manufacturing capabilities upon the transfer and ultimate disposal of the Business's Uttarakhand manufacturing facility. Despite unavailability of production from the Uttarakhand facility during the year, the Business maintained its presence in the market. This would not have been possible without a renewed quality emphasis together with the development of market oriented products. Thus, a complete range of tubeless tyres for two and three wheelers, a premium range of bias tyres for the commercial vehicle segment, christened *Platina*, and an entirely new range of radial tyres also for the commercial vehicle segment were put into the market. Investments, during the year, in increasing the *Birla Tyres* brand awareness and recall was yet another high point. Sponsorship of the Kolkata based *Atletico de Kolkata* football team that won the Indian Super League 2016 ("ISL 2016"), for instance, was a success. *Birla Tyres* had also been a major sponsor of the ISL 2016. Its "Tireless" advertisement campaign was also well accepted. Steep increases in prices of major inputs during the second half of the year, however, ranked as a major dampener to its efforts at business consolidation in the revised scenario. Nonetheless, the Business endeavoured to counteract this situation with better sourcing as well as product re-engineering.

MANAGEMENT DISCUSSION & ANALYSIS AND CORPORATE GOVERNANCE

A Management Discussion & Analysis and the Report on Corporate Governance are attached as **Annexures I and II** respectively of this Annual Report.

RISK MANAGEMENT

The Company has a Risk Management Policy tailored to appropriately appraise the state of the Company's business risks. The Policy is so structured as to evaluate risks at several operational levels so that processes to monitor business risks are effectively identified and mitigation procedures implemented.

GOING CONCERN STATUS

There were no significant or material orders passed by regulators or courts or tribunals' impacting the Company's going concern status and/or its future operations.

INTERNAL FINANCIAL CONTROLS

The Board reviews from time to time the adequacy and effectiveness of the Company's internal financial controls. This year was no exception. The reviews conducted during the year did not reveal any material deficiencies in the internal financial control structure.

EVALUATION OF BOARD PERFORMANCE

The performance of the Board, each Board Member individually, including each of the Independent Directors, as well as the working of Board Committees was subjected to evaluation during the year. The Board did not deviate from the assessment mechanism adopted in the previous year. A brief statement on the methodology adopted appears in the Report on Corporate Governance.

As required under the provisions of the Act, a Meeting of all Independent Directors was convened and held during the year.

NUMBER OF BOARD MEETINGS

A tentative calendar of Board Meetings to take place in each year is prepared and circulated to Board Members before the beginning of each Financial Year. During the year, six Board Meetings were convened and held. These details are provided in the Report on Corporate Governance.

NOMINATION AND REMUNERATION POLICY

The Company's Nomination and Remuneration Policy prepared in conformity with the requirements of the provisions of Section 178(3) of the Act is attached in **Annexure III** to this Report.

AUDIT COMMITTEE

The Audit Committee is chaired by Amitabha Ghosh, an eminent Chartered Accountant with additional qualification in Banking. Vinay Sah, Kashi Prasad Khandelwal, Sudip Banerjee and Lee Seow Chuan are Members of the Committee. Tridib Kumar Das, Whole-time Director & Chief Financial Officer is a permanent invitee to the Meetings. The Company Secretary acts as Secretary to the Committee.

All recommendations of the Audit Committee were duly accepted by the Board and there were no instances of any disagreement between the Committee and the Board.

CORPORATE SOCIAL RESPONSIBILITY

In the absence of profit, there were no compulsions whatsoever on the Company to incur any spends on Corporate Social Responsibility ("CSR") during the year. A no compulsion situation acted as an added impetus for the Company to keep up all its programmes initiated earlier so as to positively contribute in its small way to societal well-being keeping in mind the provisions of Section 135 of the Act.

The CCFC-Kesoram Football Academy, the soccer nursery promoted by the Company, remains a pivotal CSR project. A nucleus of trainees selected during the year from hundreds of hopefuls are being rigorously coached by a team of senior trainers in the finer points of the game. The project aims not only to foster the game of football in the country but also emerge as a source of livelihood for the trainees who are drawn from the weaker sections of society. For the Company, that achievement will rank as an ornate diadem in its humble quest to serve society at large.

The CSR Policy is available on www.kesocorp.com. As at 31st March, 2017, the Board Committee on CSR consisted of Manjushree Khaitan as Chairperson, Amitabha Ghosh and Tridib Kumar Das.

The Report on CSR activities as required under the Companies (Corporate Social Responsibility Policy) Rules, 2014 is given in **Annexure IV** to this Report.

RELATED PARTY TRANSACTIONS

As required under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR Regulations, 2015"), related party transactions are placed before the Audit Committee for approval. Wherever required, prior approval of the Audit Committee is obtained on an omnibus basis for continuous transactions and the corresponding actual transactions become a subject of review at subsequent Audit Committee Meetings.

All related party transactions/arrangements entered during the year were on an arm's length basis and in the ordinary course of business.

There were no materially significant related party transactions entered into by the Company with the Promoters, Directors, Key Managerial Personnel or other designated persons, which could conflict with the interest of the Company as a whole and, as such, disclosure in Form AOC-2 pursuant to Rule 8(2) of the Companies (Accounts) Rules, 2014 is not required.

The Company's Related Party Transaction Policy appears on its website with web link www.kesocorp.com/DOCS/management_corner.php#slide_5.

SUBSIDIARY AND JOINT VENTURE COMPANY

As at 31st March, 2017, the Company had a wholly-owned subsidiary, Cygnet Industries Limited ("Cygnet") and a Joint Venture Company Gondkhari Coal Mining Limited ("Gondkhari").

The Company's shareholding interest in Cavendish Industries Limited, a material unlisted subsidiary, was disposed of on 13th April, 2016.

Effective close of business 31st March, 2016, the Company's rayon and transparent paper undertaking was transferred, upon obtaining the required approvals, to Cygnet. As at close of business on 31st March, 2017, Cygnet was a wholly-owned subsidiary. This position continues as on date. Consequently, the Consolidated Financial Statements of the Company in respect of the year appear on Pages 125 to 160.

Gondkhari Coal Mining Limited ("Gondkhari"), a Special Purpose Vehicle ("SPV"), was incorporated in 2009 as a Joint Venture between the Company (45.46% shareholding), Maharashtra Seamless Limited (30.30% shareholding) and Dhariwal Power & Alloys Private Limited (formerly known as Dhariwal Infrastructure Limited) (24.24% shareholding). The joint venture was set up as per Central Government directives to develop and work the Gondkhari Coal Block in the State of Maharashtra that the Central Government had allocated. The Supreme Court, vide judgment dated 25th August, 2014, read with Order dated 24th September, 2014, cancelled the allocation of all coal blocks (including Gondkhari) by the Central Government. The deallocation of the coal block has made the SPV virtually defunct.

In view of the provisions of Paragraphs 11, 28 of Accounting Standards ("AS") 21 and Paragraph 38 of AS 27, consolidation of the Financial Statements of these companies as at 31st March, 2017 are not mandated. Therefore, a Report on the performance and financial position of these companies, as required under Rule 8(1) of the Companies (Accounts) Rules, 2014, is not annexed to this Report.

A Statement containing salient features of the financial statement of the wholly-owned subsidiary in Form AOC-1 is attached in Annexure V to this Report.

PARTICULARS OF LOANS, GUARANTEES AND INVESTMENTS

The following inter corporate financial exposures were taken by the Company during the year:

Company	Balance as at 31 st March, 2017 (₹ in crores)
A. Cygnet, wholly-owned subsidiary	
(i) Investment	30.05
(ii) Loan	529.29
B. Camden Industries Limited	
(i) Loan	0.58

Subject to the above, the Company has taken no other financial exposure to any other company within the meaning of the provisions of Sections of 186 of the Act during the year whether in terms of loans, guarantees or investments.

VIGIL MECHANISM

The Whistle Blower Policy of the Company is available on its website www.kesocorp.com.

STATUTORY AUDITORS AND REPORT

Messrs. Price Waterhouse, Chartered Accountants, ("PW") were appointed Auditors for a period of three years at the Company's Ninety-sixth Annual General Meeting ("AGM") from the conclusion of the Ninety-fifth AGM till the conclusion of the Ninety-eighth AGM. As such, PW retire at the conclusion of the Ninety-eighth AGM. In view of the provisions of Section 139 of the Act, PW can no more continue as the Auditors. The Board, upon the advice of the Audit Committee, wishes to recommend the appointment of Deloitte Haskins & Sells, Chartered Accountants, as Auditors for a period of five years from the conclusion of the Ninety-eighth AGM. A Resolution to this effect is being proposed at the forthcoming AGM.

The Report of the Statutory Auditors for the year ended 31st March, 2017, forming part of the Annual Report does not contain any qualification, reservation, observation, adverse remark or disclaimer.

COST AUDITORS

Upon a recommendation from the Audit Committee, Mani & Co., Cost Accountants were appointed to audit the cost accounting records maintained by the Company, for the Financial Year ended 31st March, 2017 at a total remuneration of ₹5.02 lakhs, excluding taxes and reimbursement of out of pockets as stated herein:

Product	Name of Cost Auditor	Remuneration in lakhs
Cement	Mani & Co.	3.10
Tyre, Tube & Flaps	Mani & Co.	1.92
Total		5.02

As per Section 148(3) of the Act, the remuneration payable to the Cost Auditors requires ratification by Shareholders. An appropriate Resolution, to this effect, is being proposed at the forthcoming Annual General Meeting.

SECRETARIAL AUDITOR

The Board reappointed Salil Banerjee, FCS, Practising Company Secretary (CP Registration No. 1140) to audit the secretarial records of the Company in respect of the Financial Year 2016-17.

The Report of the Secretarial Auditor is attached in **Annexure VI** to this Report. There are no qualifications in the Report.

PARTICULARS OF EMPLOYEES

Disclosures pertaining to remuneration and other particulars as prescribed under the provisions of Section 197 of the Act read with Rule 5 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 are set out in **Annexure VII** and forms part of this Report. None of the employees listed in the said Annexure is related to any Director of the Company.

As per the provisions of Section 136 of the Act, this Annual Report and Accounts is being sent to each Member and others entitled thereto, excluding the information on employee particulars as per Rule 5(2) and Rule 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended. This information is readily available for inspection by Members at the Company's Registered Office between 3 PM and 5 PM on all working days (excluding Saturdays) up to the date of the forthcoming Annual General Meeting. Should any Member be interested in obtaining a copy (including through email: gg@kesoram.net), s/he should write to the Company Secretary at the Company's Registered Office.

DISCLOSURE UNDER SEXUAL HARASSMENT OF WOMEN AT WORKPLACE

The Company has in place the requisite Internal Committees as envisaged in the Sexual Harassment of Women at workplace (Prevention, Prohibition and Redressal) Act, 2013.

No complaints on the issues covered by the above Act were received during the year.

DIRECTORS' RESPONSIBILITY STATEMENT:

Pursuant to Section 134(5) the Act and, based upon representations from the Management, the Board, to the best of its knowledge and belief, states that:

- (a) in the preparation of the Annual Accounts, applicable accounting standards has been followed along with proper explanation relating to material departures;
- (b) such accounting policies have been selected and applied consistently and such judgments and estimates have been made that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st March, 2017 and of the loss for that period;
- (c) proper and sufficient care was taken for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (d) the Annual Accounts have been prepared on a going concern basis;
- (e) internal financial controls have been laid down to be followed by the Company and that such internal financial controls are adequate and operating effectively; and
- (f) proper systems have been devised to ensure compliance by the Company with the provisions of applicable laws and that such systems were adequate and working effectively.

DIRECTORS

Manjushree Khaitan's (DIN 00055898) term as a Whole-time Director will end owing to efflux of time from close of business on 4th February, 2018. It is proposed to renew her term for another two years and an appropriate Resolution, to this effect is being proposed at the forthcoming AGM. Her brief profile is given in the Report on Corporate Governance.

Tridib Kumar Das (DIN 01063824), was appointed as a Whole-time Director, effective 1st April, 2016. The arrangement was determined through mutual consent from close of business hours on 31st March, 2017. It is proposed to appoint him afresh for a three year term effective 1st April, 2017 and an appropriate Resolution, to this effect is being proposed at the forthcoming AGM. His brief profile appears in the Report on Corporate Governance.

All Independent Directors have furnished to the Company the requisite declarations that they meet the independence criteria as laid down under Section 149(6) of the Act and the Listing Agreement/SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Vinay Sah (DIN 02425847), Director, nominated by Life Insurance Corporation of India, retires by rotation and, being eligible, offers himself for reappointment. His brief profile is given in the Report on Corporate Governance.

KEY MANAGERIAL PERSONNEL

The following functioned as Key Managerial Personnel during the year:

Manjushree Khaitan	Executive Vice Chairperson
Tridib Kumar Das	Whole-time Director and Chief Financial Officer
Gautam Ganguli	Company Secretary

Upon cessation of employment, Arvind Kumar Singh, Chief Executive Officer – Business Operations and Enrico Malerba, Chief Business Officer ceased to be Key Managerial Personnel effective 5th May, 2016 and 1st March, 2017, respectively.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNING AND OUTGO

Information on conservation of energy, technology absorption and foreign exchange earnings and outgo stipulated under Section 134(3)(m) of the Companies Act, 2013 read with Rule 8 of The Companies (Accounts) Rules, 2014, set out in **Annexure VIII** to this Report.

MATERIAL CHANGES BETWEEN THE END OF THE FINANCIAL YEAR AND DATE OF REPORT

There have been no material changes between the end of the Financial Year and the date of this Report.

EXTRACTS FROM ANNUAL RETURN

Details forming part of extract from the Company's Annual Return in Form MGT 9 are furnished in **Annexure IX** to this Report.

ANNEXURES FORMING PART OF THIS REPORT

Annexure	Particulars
I	Management Discussion & Analysis
II	Report on Corporate Governance
III	Nomination & Remuneration Policy
IV	Report on Corporate Social Responsibility (CSR) activities
V	AOC – 1
VI	Secretarial Audit Report
VII	Remuneration related disclosures per Section 197
VIII	Energy Conservation Particulars
IX	Annual Return Extracts

APPRECIATION

The Board wishes to gratefully acknowledge the understanding and support received by the Company from its employees. It would wish to thank the banking system, the Central Government, the various State Governments and the local authorities for the support received during the year.

This Report will be incomplete without a specific appreciation for the Members of the Company who have shown immense confidence and understanding in the Company's well being.

Basant Kumar Birla
Chairman

Manjushree Khaitan
Executive Vice Chairperson

Amitabha Ghosh
Kashi Prasad Khandelwal
Sudip Banerjee
Lee Seow Chuan
Vinay Sah

Director

Tridib Kumar Das
*Whole-time Director &
Chief Financial Officer*

Gautam Ganguli
Company Secretary

Place: Kolkata
Date: 28th April, 2017