

McKinsey off from Kesoram roadmap assignment

Our Bureau

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Kesoram Industries Ltd has removed the management consultant McKinsey from the assignment of drawing up a profitable roadmap for the BK Birla group company.

Mr Arvind Singh, CEO of the loss-making tyre division of Kesoram, told *Business Line* that McKinsey was no more on the job since May this year. Mr Singh was briefing media after the 93rd AGM of Kesoram here on Wednesday.

McKinsey's services were hired by the company in January last year. In the past one year, the division is being run by a new management team led by Mr Singh. The new team, Mr Singh claimed, could reduce losses in the fourth quarter of FY12. He hoped the results of the first quarter FY13

would reflect the same trend. The division's poor performance was responsible for Kesoram's FY12 net loss of Rs 379.74 crore.

He said the current focus was on increasing tyre sales, particularly in the replacement segment, for other than buses and trucks. Currently, 65 per cent of the turnover comes from bus and truck tyres. But the tyres for two and three-wheelers, sports and multi-utility vehicles as also specialised vehicles for farm and mining sectors fetch better margins.

PASSENGER CAR RADIALS

Mr Singh, however, said the passenger car radial tyre project at the Balasore (Odisha) unit now stood frozen. The company took up in 2009-10 an 80-tonne-a-day at then esti-



Mr Basant Kumar Birla, Chairman, and Ms Majushree Khaitan, Director, Kesoram Industries Ltd, at the 93rd AGM of the company in Kolkata on Wednesday. — A. Roy Chowdhury

mated cost of Rs 450 crore. The 2009-10 Directors' Report had

said: "The civil construction for the above expansions is in

full swing and order for the major machineries and equipment have already been placed."

The company spent between Rs 350 crore and Rs 400 crore on the incomplete and unimplemented project, Mr Singh said. The project cost may now be Rs 700 crore, he felt. The original deadline for completion was by March last year.

The tyre division CEO did not answer the query on what had gone wrong for the project. But he cited current declining trend in sales of passenger cars as one of the reasons for not pursuing the project.

The official said the company was not looking for steel radial technology tie-up, instead building in-house technological capability. The stock on Wednesday closed at Rs 151, up 3.85 per cent, on the NSE.