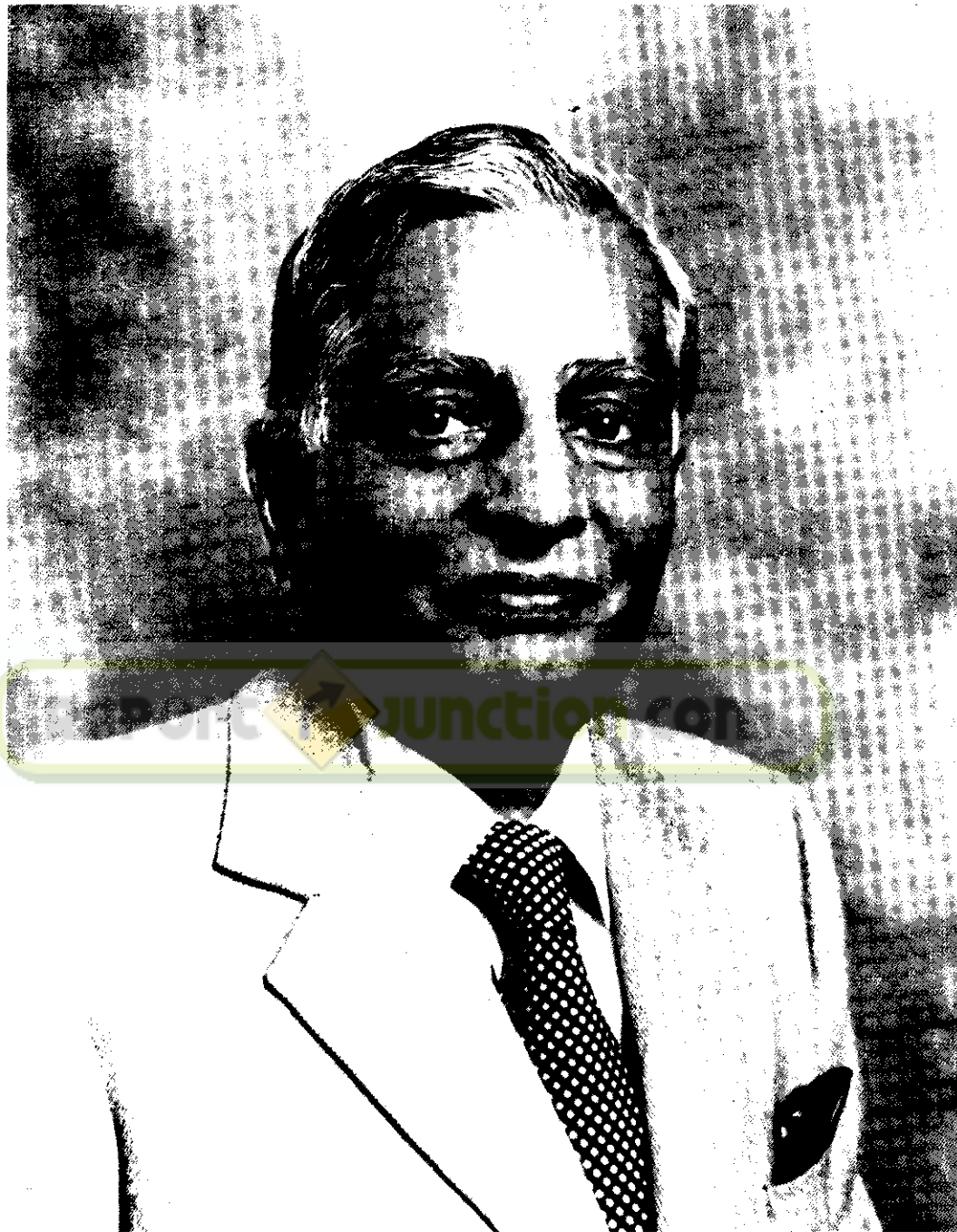


ANNUAL REPORT AND ACCOUNTS 1998-99

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Madhav Prasadji Birla  
(1918-1990)

*Visionary. Pioneer. Karmayogi. His inspiring spirit of enterprise continues to be the guiding force for all our activities and future growth.*



## BOARD OF DIRECTORS

Smt. Priyamvada Birla  
Chairman

Shri G.D. Kothari

Shri Rasiklal M. Dalal

Shri N.K. Kejriwal

Shri R.K. Choudhury

Smt. Nandini Nopany

Shri Harsh V. Lodha

Smt. Chanda Kochhar  
(Nominee of ICICI Ltd.)

Dr. A. K. Bhattacharya  
(Nominee of Unit Trust of India)  
(from 25th January, 1999)

Shri K. C. Mittal  
Managing Director

Shri N.P. Ghuwalewala  
Wholtime Director  
(up to 23rd April, 1999)

## AUDITORS

H.P. Khandelwal & Co.  
Chartered Accountants

## BRANCH AUDITORS

Price Waterhouse  
Chartered Accountants

Clark, Gardner, Wolf & Co.  
Chartered Accountants

## REGISTERED & PRINCIPAL OFFICE

Birla Building, 9/1, R.N. Mukherjee Road,  
Calcutta-700 001.

## REGISTRAR & TRANSFER AGENT

ABC Computers Private Limited  
National Council of Education, Bengal  
Jadavpur University Campus  
Jadavpur, Calcutta - 700 032

## SENIOR MANAGEMENT TEAM

Shri R.P. Pansari  
Executive President  
Finance & Corporate  
Planning

Shri S.B. Roongta  
President  
Satna Cement Works,  
Birla Vikas Cement &  
Raebareli Unit

Shri D. Chanda  
Jt. President  
Birla Cement Works  
& Chittor Cement Works  
Shri P.S. Marwah  
Sr. Vice President  
Durgapur Cement Works

Shri S.S. Murthy  
President  
Auto Trim Division

Shri Vijay Sharma  
Jt. President  
Jute Division

Shri A. Chatterjee  
President  
Birla Carbide & Gases  
Birla Vinoleum  
Birla Synthetics  
(till 7th May, 1999)

## COMPANY SECRETARY

Shri Manoj Maheshwari

## CONTENTS

Financial Highlights	1
Sources & Application of Funds, Distribution of Shareholdings	2
Directors' Report	3
<i>Particulars in respect of Conservation of Energy, Technology Absorption and Foreign Exchange</i>	
Earnings and Outgo	10
Particulars of Employees	14
Auditors' Report	15
Balance Sheet	18
Profit & Loss Account	19
Schedules	20
Cash Flow Statement	34
Statement regarding Subsidiary Companies	36
Subsidiary Companies' Directors' Report, Auditors' Report & Accounts :	
Assam Jute Supply Company Limited	37
Talavadi Cements Limited	45
Lok Cements Limited	53



Smt. Priyamvada Birla  
Chairman



Shri K. C. Mittal  
Managing Director

#### DIRECTORS



Shri G. D. Kothari



Shri R. M. Dalal



Shri N. K. Kejriwal



Shri R. K. Choudhury



Smt. Nandini Nopany



Shri Harsh V. Lodha



Smt. Chanda Kochhar



Dr. A.K. Bhattacharya



## FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1992-93	1987-88
<b>OPERATING RESULTS</b>								
<b>Turnover</b>	<b>87330</b>	<b>97204</b>	<b>104706</b>	<b>106465</b>	<b>88263</b>	<b>78288</b>	<b>64446</b>	<b>34776</b>
Surplus before Interest & Depreciation	3248	2416	8090	13448	9535	7693	7725	2870
Interest	5341	4543	4493	3993	3991	3967	3230	1143
<b>Surplus/(Deficit) after Interest but before Depreciation</b>	<b>( 2093 )</b>	<b>( 2127 )</b>	<b>3597</b>	<b>9455</b>	<b>5544</b>	<b>3726</b>	<b>4495</b>	<b>1727</b>
Depreciation	3263	3008	2859	2629	2418	2316	3219	1282
Income/Wealth Tax	6	( 23 )	2	2450	249	( 125 )	103	69
Net Profit	( 5362 )	( 5112 )	736	4376	2877	1535	1173	376
Dividend	339 *	397 **	611	1070	1070	764	764	285
<b>Retained Earnings</b>	<b>( 2099 )</b>	<b>( 2104 )</b>	<b>2984</b>	<b>5935</b>	<b>4226</b>	<b>3087</b>	<b>3628</b>	<b>1373</b>
<b>ASSETS &amp; LIABILITIES</b>								
Fixed Assets :								
Gross Block	81386	78415	76109	73471	69251	65339	61491	34750
Net Block	38917	39159	37871	35890	34374	32885	31996	21204
Current & Other Assets and Investments	27644	30693	33632	35335	28081	25650	25947	10875
<b>Total Assets</b>	<b>66561</b>	<b>69852</b>	<b>71503</b>	<b>71225</b>	<b>62455</b>	<b>58535</b>	<b>57943</b>	<b>32079</b>
Represented by :								
Share Capital	3056	3056	3056	3056	3056	3056	3056	2038
Reserves & Surplus	13599	19446	25595	25707	22570	21050	21025	14375
<b>Net Worth</b>	<b>16655</b>	<b>22502</b>	<b>28651</b>	<b>28763</b>	<b>25626</b>	<b>24106</b>	<b>24081</b>	<b>16413</b>
Borrowings	36831	35575	29932	24249	25723	24050	24396	8871
Current Liabilities & Provisions	13075	11775	12920	18213	11106	10379	9466	6795
<b>RATIOS</b>								
Earnings per Ordinary Share (Rs.)	—	—	2.41	14.32	9.42	5.02	3.84	1.85
Cash Earnings per Ordinary Share (Rs.)	—	—	11.77	22.92	17.33	12.19	13.94	1.84
Net Worth per Ordinary Share (Rs.)	54.50	73.64	93.76	94.13	83.86	78.89	78.81	80.57
Debt Equity Ratio (on long-term loans)	1.10:1	0.75:1	0.45:1	0.40:1	0.54:1	0.63:1	0.66:1	0.35:1
Current Ratio	1.95	2.45	2.46	1.85	2.41	2.45	2.73	1.56:1

\* Subject to necessary approvals

\*\* Includes Rs. 61 lacs for Corporate Dividend Tax of 1996-97.



## SOURCES AND APPLICATION OF FUNDS

(Rs. in Lacs)

SOURCES OF FUNDS	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
1. Generation from Operations—						
Surplus/(Deficit) after taxes	( 5362 )	( 5112 )	736	4376	2877	1535
Depreciation	3263	3008	2859	2629	2418	2316
	( 2099 )	( 2104 )	3595	7005	5295	3851
2. Capital Subsidy	—	—	—	1	6	8
3. Borrowings (Net)	1256	5642	5684	( 1474 )	1673	( 346 )
4. Reduction in Working Capital	4469	2070	—	322	—	1270
	<u>3626</u>	<u>5608</u>	<u>9279</u>	<u>5854</u>	<u>6974</u>	<u>4783</u>
<b>APPLICATION OF FUNDS</b>						
1. Fixed Assets	3167	4937	5076	4316	4200	3958
2. Investments	123	( 1 )	197	468	905	61
3. Increase in Working Capital	—	—	2936	—	1105	—
4. Dividend	336	672	1070	1070	764	764
	<u>3626</u>	<u>5608</u>	<u>9279</u>	<u>5854</u>	<u>6974</u>	<u>4783</u>

Figures in brackets are negative

## DISTRIBUTION OF SHAREHOLDINGS\*

Range	No. of Shareholders	%	No. of Shares held	%
1 to 500	21797	95.3	1683237	5.5
501 to 1000	486	2.1	349526	1.1
1001 to 5000	444	1.9	910223	3.0
5001 to 10000	58	0.3	384390	1.3
10001 and above	82	0.4	27230301	89.1
Total	22867	100	30557677	100

\* as on 31.3.99





## **DIRECTORS' REPORT**

### **To the Shareholders**

Your Directors have pleasure in presenting the Annual Report together with the Audited Accounts of the Company for the year ended March 31, 1999.

### **ACCOUNTS & FINANCIAL MATTERS**

	<u>31st March, 1999</u>		<u>31st March, 1998</u>	
	<u>Rs. in Crores</u>	<u>Rs. in Crores</u>	<u>Rs. in Crores</u>	<u>Rs. in Crores</u>
Income for the year		<u>900.11</u>		<u>986.85</u>
Gross profit before interest		32.48		24.16
Interest charge		<u>53.41</u>		<u>45.43</u>
Surplus/(Deficit) after interest		<u>(20.93)</u>		<u>(21.27)</u>
Provision for :				
i) Depreciation	32.63		30.08	
ii) Taxation	<u>.06</u>	<u>32.69</u>	<u>.05</u>	<u>30.13</u>
Surplus/(Deficit) after provisions		<u>(53.62)</u>		<u>(51.40)</u>
Additions/(Deductions):				
i) Excess provisions/refund of				
Income-Tax relating to earlier years	—		.28	
ii) Transfer from Debenture Redemption Reserve	3.50		4.50	
iii) Balance B/f from last year	<u>(24.59)</u>		<u>22.64</u>	
iv) Corporate Dividend Tax	—	<u>(21.09)</u>	<u>(.61)</u>	<u>26.81</u>
Total disposable surplus/(deficit)		<u>(74.71)</u>		<u>(24.59)</u>
APPROPRIATIONS :				
Transfer from General Reserve		78.10		3.36
Proposed Dividend	<u>(3.06)</u>		<u>(3.06)</u>	
Corporate Dividend Tax	<u>(.33)</u>	<u>(3.39)</u>	<u>(.30)</u>	<u>(3.36)</u>
Balance carried to Balance Sheet		<u>—</u>		<u>(24.59)</u>
		<u>74.71</u>		<u>(24.59)</u>
Proposed Dividend for the year @ Re. 1/- per share, i.e. at 10% (subject to necessary approvals of Central Government under the provisions of the Companies Act, 1956 and of the Financial Institutions and any other approvals as may be required) as follows :				
On 3,05,57,677 Ordinary Shares of Rs. 10/- each @ Re.1/- per share				<u>3.06</u>



## DIVIDEND

The Directors have recommended for consideration dividend of Re. 1.00 per share i.e. @ 10% out of General Reserve, subject to necessary approvals of Central Government under the provisions of the Companies Act, 1956 and of the Financial Institutions and any other approvals, as may be required.

## CHANGE OF NAME

The name of the Company was changed from "Birla Jute & Industries Limited" to "Birla Corp Limited" with effect from 31st March, 1997. It had been considered desirable to change the name again to "Birla Corporation Limited" to establish its size, image and the conglomerate character. The change has been effected from 27th October, 1998.

## GENERAL

Income at Rs. 900 crores showed a decline of 9% as compared to the previous year's Rs.987 crores on account of lower sales volume due to recessionary conditions. In spite of lower income, gross profit before interest for the year at Rs. 32 crores (previous year Rs. 24 crores) is higher mainly due to cost control measures undertaken during the year, better marketing efforts and, consequently, better realisation. Interest cost has been Rs.53 crores, against previous year's Rs. 45 crores. Thus, loss after interest but before depreciation has been

marginally lower at Rs.20.93 crores against Rs. 21.27 crores in the previous year.

## CORPORATE MATTERS

The payment of the fifth and final instalment of Rs. 20/- per debenture aggregating to Rs. 4 crores in respect of 14% Secured Non-Convertible Debentures of Rs. 100/- each privately placed with Financial Institutions was made on February 1, 1999 and accordingly these debentures were fully redeemed during the year.

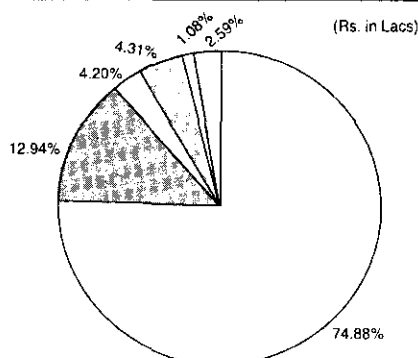
The payment of the second instalment of Rs. 20/- per debenture aggregating to Rs. 10 crores in respect of 18% Secured Non-Convertible Debentures of Rs. 100/- each privately placed with Financial Institutions was made on October 9, 1998. The third instalment of Rs.20/-per debenture along with premium of Rs.5/- on each debenture aggregating to Rs. 12.50 crores falls due on October 9, 1999.

Further, 6,00,000 - 17% Unsecured Non-Convertible Redeemable Debentures of Rs. 100/- each have been issued on private placement basis on 31st March, 1999. These debentures will be redeemed at par after five years with an option for early redemption after three years from the date of issue.

## CEMENT INDUSTRY

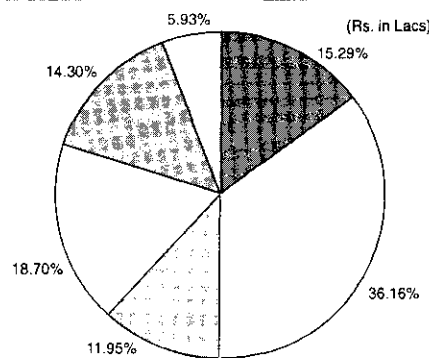
For the past two to three years, the industry is passing

**SALES BY ACTIVITIES 1998-99**



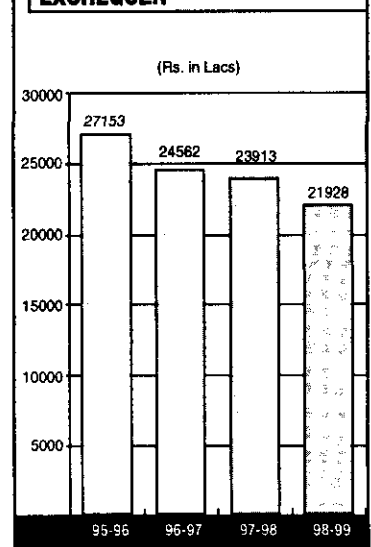
	Cement 65391 (74.88%)
	Jute Goods 11300 (12.94%)
	Synthetic & Cotton Yarn 3665 (4.20%)
	Carbide & Gases 3766 (4.31%)
	PVC Goods 946 (1.08%)
	Auto Trims 2262 (2.59%)

**REVENUE DISTRIBUTION 1998-99**



	Raw Materials 13766 (15.29%)
	Manufacturing Expenses 32547 (36.16%)
	Payments & Provisions for Employees 10755 (11.95%)
	Selling, Administration & Other Expenses 16831 (18.70%)
	Excise Duty & Taxes 12870 (14.30%)
	Interest 5341 (5.93%)
	Deficit adjusted out of reserves & surplus (2099) (2.33%)

**CONTRIBUTION TO NATIONAL EXCHEQUER**







through a bad phase. Over-capacity and depressed demand saw persistence of cut-throat competition. The fortune of the cement industry being linked to the general upswing in economy, there was no respite from the continuing recession. Political uncertainties and poor availability of funds with the Government meant curtailment of expenditure on infrastructure projects, thereby further subduing the demand.

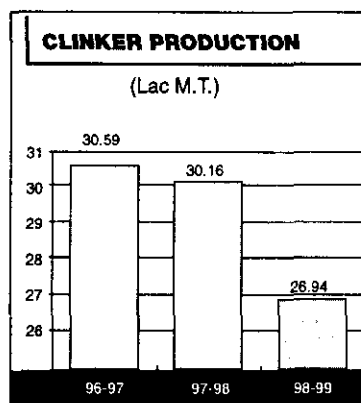
The export market was also not very encouraging due to the Asian crisis and consequent dumping by Southeast Asian producers in India's natural markets. In 1998, exports declined by 17% over the same period last year.

Demand grew by 6.83% during 1998-99 and the same is expected to be around 8% to 9% in the current year. There are several tax and fiscal benefits announced in the Budget for 1999-2000 for boosting the housing and infrastructure sectors. The industry is hopeful that these incentives will have the desired effect on demand. On the supply side, no significant increase in capacity is expected in the next two years, due to the supply overhang and low profitability.

During the year, production by the large cement plants have been 81.61 million M.T. compared to 76.74 million M.T. in 1997-98, showing a 6.35% growth. The installed capacity of large cement plants has increased from 100.30 million M.T. as on April 1, 1998, to 106.45 million M.T. now and very little capacity addition is in the pipeline. The industry's capacity utilization during 1998-99 has been 78%.

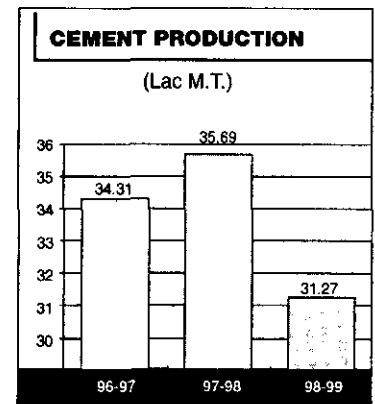
### CEMENT DIVISION

At **Satna**, because of demand-supply mismatch, clinker production was 13.24 lac M.T. (previous year 16.14 lac M.T.), representing 85.42% capacity utilization. Cement production was 12.64 lac M.T. against last year's 16.26 lac M.T., representing a capacity utilization of



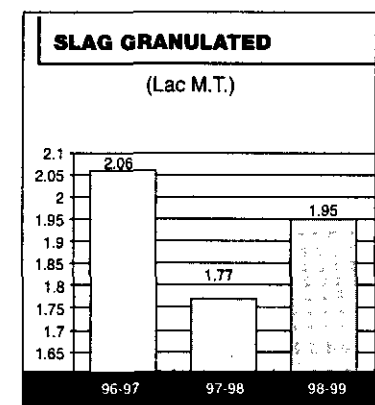
81.55%. During 1998-99, exports to Bangladesh did not materialize due to low price and efforts were made to increase our stake in Nepal. We exported 1.49 lac M.T. to Nepal while exports to Nepal and Bangladesh in the previous year were 1.31 lac M.T.

At **Chittor**, clinker and cement production were 13.70 lac M.T. and 14.30 lac M.T., against the previous year's 14.02 lac M.T. and 14.90 lac M.T. respectively. While the overall production has been lower on account of



demand-supply mismatch, in Chittor Cement the production of clinker at 9.50 lac M.T. and cement at 9.77 lac M.T. has been the highest ever. The use of better quality imported coal helped in bringing down the cost of coal per M.T. of clinker. During the year, production of fly ash-based pozzolana cement was taken up with fly ash from the Kota thermal station. This fly ash-based cement is being marketed under the brand name of "SAMRAT".

At **Durgapur**, granulated slag production had been 1.95 lac M.T. (previous year 1.77 lac M.T.) and cement production 3.90 lac M.T. (previous year 4.53 lac M.T.). Cement production was less by 14%



mainly because of demand-supply mismatch. Exports to Bangladesh and Nepal at .93 lac M.T. (previous year 1.08 lac M.T.) were less by 14% mainly because of heavy floods in Bangladesh and the entry of cheaper Indonesian and Chinese cement. Birla Cement "SAMRAT", a value-added high-power slag cement, was launched in three West Bengal districts in March, 1999.

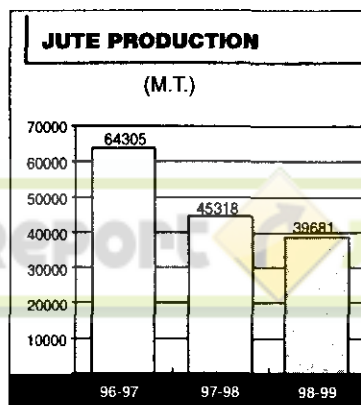


At **Raebareli**, the 3.60 lac M.T. p.a. cement grinding unit, based on fly ash, was commissioned in December, 1998 as per schedule. By putting up the unit, your Company will increase its market share of fly ash cement and this will improve the overall contribution to the Company.

During the year, in all the units, several cost control measures like reduction of contract demand of electricity supply from Electricity Boards, use of cheaper captive power instead of grid power, reduction in coal cost and consumption in real terms, reduction in the number of employees on overtime/casual wages, control on overhead expenses, control on working capital use and its tight management were undertaken.

### JUTE DIVISION

Raw jute prices remained buoyant. Jute goods production in Birla and Soorah Jute Mills was 39,681 M.T. against the previous year's 44,818 M.T. During the year, in Birla Jute Mills, the production levels were lower on account of resistance by the unions and the workers in implementation of the hands rationalisation scheme. Due to resistance by the unions and the workers, Birla Jute Mills remained closed for seven days. The first phase of the hands rationalization scheme was implemented which resulted in the reduction of 376 hands. Soorah Jute Mills also remained closed for three days on account of strike by workmen on the issue of increased dearness allowance. Exports were lower at 12,023 M.T. The division will continue to lay emphasis on the production of value-added items and exports. Unprecedented increase in dearness allowance to workmen and all-round increase in the costs of other inputs have lowered the division's margins as the same could not be passed on to the consumers.

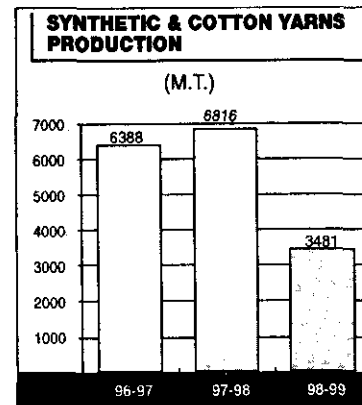


### SYNTHETICS DIVISION

The domestic and export markets for synthetic yarn were

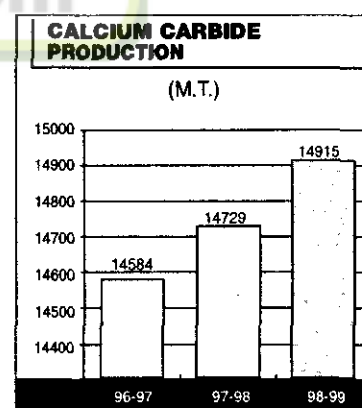
poor during the year. Surplus availability and poor off-take of fabric held down domestic prices. Exports could be sustained at the previous year's level, despite sluggish off-take. Power and manpower costs play a key role in this

industry and ours being an old unit, manpower productivity has been low in general. From the middle of 1998, the losses being sustained by the unit were prohibitive. Since discussions with the unions for improving productivity norms were not fruitful, the unit declared suspension of work from November 2, 1998, following a strike by the workmen. Discussions with the unions are in progress. On account of work suspension for five months during the year under review, production was only 3,481 M.T. against 6,816 M.T. in the previous year.



### CARBIDE & INDUSTRIAL GASES

Production of carbide at 14,915 M.T. had been somewhat better than that in the previous year. However, power tariff revisions resulted in significant increase in production costs, which will make this industry uneconomical. Pressure on selling prices continued and the higher power and manpower costs could not be recovered. Realisations continued to be low with the main competition stemming from low-cost imports. Production of dissolved acetylene gas improved by 13% with improved realisation.



### AUTO TRIM DIVISION

There was substantial increase in the production of door panels for the Maruti Zen model produced at Birlapur and Gurgaon and also an increase in the production of