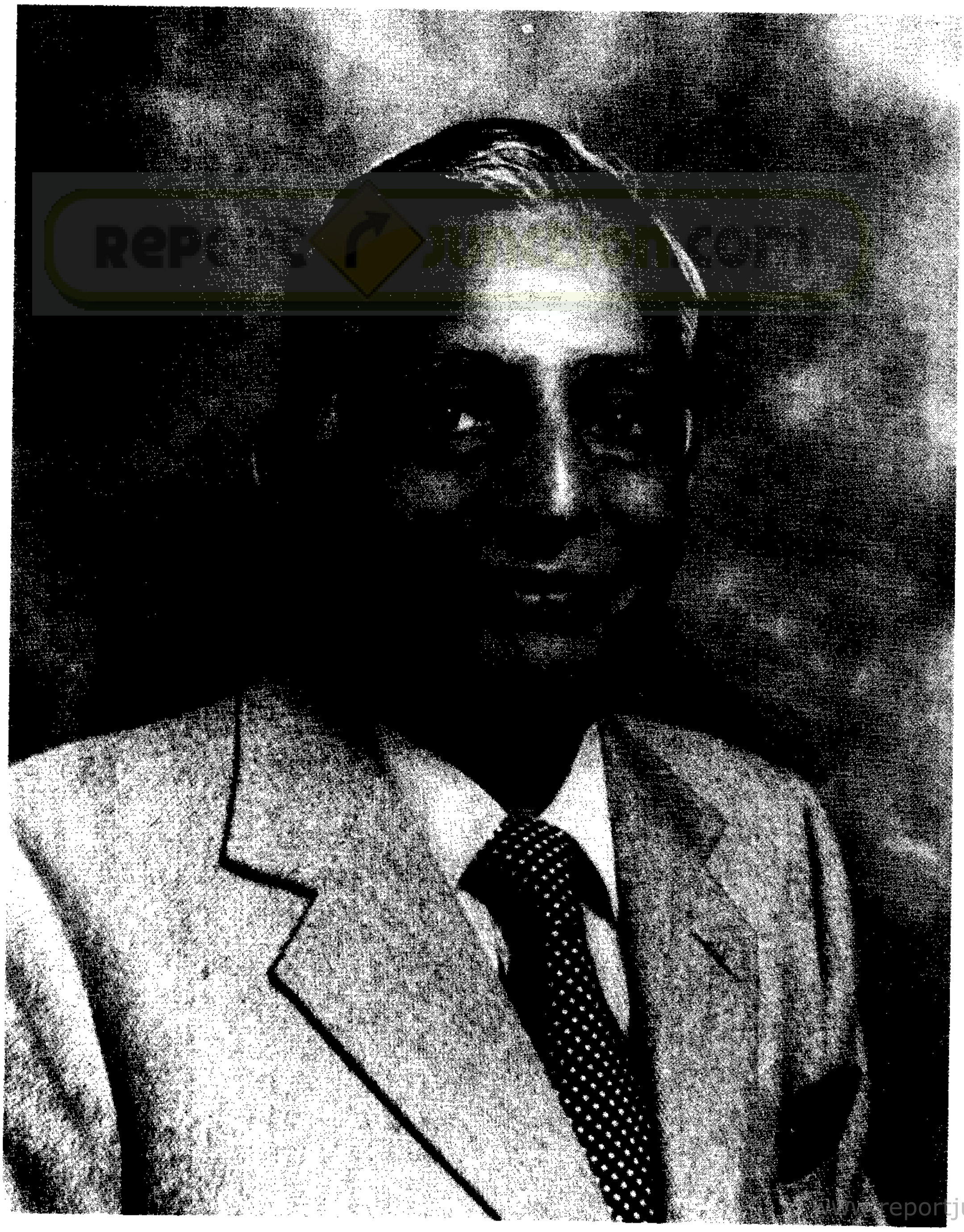
ANNUAL REPORT AND ACCOUNTS 1999-2000

BIRLA CORPORATION



Madhav Prasadji Birla

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)

Shri K. C. Mittal
Managing Director

AUDITORS

H.P. Khandelwal & Co.
Chartered Accountants

BRANCH AUDITORS

Price Waterhouse
Chartered Accountants

Clark, Gardner, Wolf & Co.
Chartered Accountants

REGISTRAR & TRANSFER AGENT

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

REGISTERED & PRINCIPAL OFFICE

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

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
President
Birla Cement Works
Chittor Cement Works

Shri P.S. Marwah
Jt. President
Durgapur Cement Works

Shri Vijay Sharma
Jt. President
Jute Division

Shri A. K. Dalmiya
Sr. Vice President
Birla Carbide & Gases
Birla Vinoleum
Birla Synthetics

Dr. S. Goswami
Asst. Vice President
Auto Trim Division

CONTENTS


Smt. Priyamvada Birla
Chairman

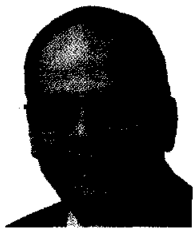

Shri K. C. Mittal
Managing Director

DIRECTORS


Shri G. D. Kothari


Shri R. M. Dalal


Shri N. K. Kejariwal


Shri R. K. Choudhury


Smt. Nandini Nopany


Shri Harsh V. Lodha


Smt. Chanda Kochhar


Dr. A.K. Bhattacharya

FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94	1988-89
OPERATING RESULTS								
Turnover	**101184**	**87330**	**97204**	**104706**	**106465**	**88263**	**78288**	**40484**
Surplus before Interest & Depreciation	4632	3248	2416	8090	13448	9535	7693	4446
Interest	5253	5341	4543	4493	3993	3991	3967	1330
Surplus/(Deficit) after Interest but before Depreciation	**(621)**	**(2093)**	**(2127)**	**3597**	**9455**	**5544**	**3726**	**3116**
Depreciation	3213	3263	3008	2859	2629	2418	2316	1802
Income/Wealth Tax	2	6	(23)	2	2450	249	(125)	210
Net Profit	(3836)	(5362)	(5112)	736	4376	2877	1535	1104
Dividend	—	339	397	611	1070	1070	764	367
Retained Earnings	**(623)**	**(2099)**	**(2104)**	**2984**	**5935**	**4226**	**3087**	**2539**
ASSETS & LIABILITIES								
Fixed Assets :								
Gross Block	82202	81386	78415	76109	73471	69251	65339	42765
Net Block	36444	38917	39159	37871	35890	34374	32885	26481
Current & Other Assets and Investments	30559	27644	30693	33632	35335	28081	25650	14094
Total Assets	**67003**	**66561**	**69852**	**71503**	**71225**	**62455**	**58535**	**40575**
Represented by :								
Share Capital	5501	3056	3056	3056	3056	3056	3056	2038
Reserves & Surplus	14995	13598	19446	25595	25707	22570	21050	16799
Net Worth	**20496**	**16654**	**22502**	**28651**	**28763**	**25626**	**24106**	**18837**
Borrowings	31492	36831	35575	29932	24249	25723	24050	13668
Current Liabilities & Provisions	15015	13076	11775	12920	18213	11106	10379	8070
RATIOS								
Earnings per Ordinary Share (Rs.)	—	—	—	2.41	14.32	9.42	5.02	5.42
Cash Earnings per Ordinary Share (Rs.)	—	—	—	11.77	22.92	17.33	12.19	14.27
Net Worth per Ordinary Share (Rs.)	37.26*	54.50	73.64	93.76	94.13	83.86	78.89	92.47
Debt Equity Ratio (on long-term loans)	0.61:1	1.10:1	0.75:1	0.45:1	0.40:1	0.54:1	0.63:1	0.47:1
Current Ratio	1.90	1.95	2.45	2.46	1.85	2.41	2.45	1.72

* *On the increased Share Capital*

SOURCES AND APPLICATION OF FUNDS

(Rs. in Lacs)

SOURCES OF FUNDS	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95
1. Generation from Operations—						
Surplus/(Deficit) after taxes	(3836)	(5362)	(5112)	736	4376	2877
Depreciation	3213	3263	3008	2859	2629	2418
	(623)	(2099)	(2104)	3595	7005	5295
2. Capital Subsidy	—	—	—	—	1	6
3. Borrowings (Net)	(5339)	1256	5642	5684	(1474)	1673
4. Reduction in Working Capital	—	4469	2070	—	322	—
5. Increase in Share Capital	2445	—	—	—	—	—
6. Share Premium	5378	—	—	—	—	—
	1861	3626	5608	9279	5854	6974
APPLICATION OF FUNDS						
1. Fixed Assets	886	3167	4937	5076	4316	4200
2. Investments	20	123	(1)	197	468	905
3. Increase in Working Capital	616	—	—	2936	—	1105
4. Dividend	339	336	672	1070	1070	764
	1861	3626	5608	9279	5854	6974

Figures in brackets are negative

DISTRIBUTION OF SHAREHOLDINGS*

Range	No. of Shareholders	%	No. of Shares held	%
1 to 500	24059	93.21	2353662	4.28
501 to 1000	808	3.13	594298	1.08
1001 to 5000	755	2.93	1558290	2.83
5001 to 10000	80	0.31	559531	1.02
10001 and above	109	0.42	49938038	90.79
Total	25811	100	55003819	100

* *as on 31.3.2000*

BIRLA CORPORATION LIMITED

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, 2000.

	31st March, 2000		31st March, 1999	
	Rs.in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
ACCOUNTS & FINANCIAL MATTERS				
Income for the year		1037.99		900.11
Gross profit before interest		46.32		32.48
Interest charge		52.53		53.41
Surplus/(Deficit) after interest		(6.21)		(20.93)
Provision for :				
i) Depreciation	32.13		32.63	
ii) Taxation	0.02	32.15	0.06	32.69
Surplus/(Deficit) after provisions		(38.36)		(53.62)
Additions/(Deductions):				
i) Transfer from Debenture Redemption Reserve	1.00		3.50	
ii) Transfer from Investment Allowance Reserve	2.11		—	
iii) Balance B/f from last year	—		(24.59)	
iv) Corporate Dividend Tax	—	3.11	—	(21.09)
Total Surplus/(Deficit)		(35.25)		(74.71)
Withdrawn from General Reserve		35.25		78.10
Proposed Dividend		—	(3.06)	
Corporate Dividend Tax		—	(0.33)	(3.39)
		—		—

DIVIDEND

In view of the accumulated losses, your Directors regret their inability to recommend any further dividend.

GENERAL

Income at Rs. 1038 crores registered an increase of 15% as compared to the previous year's Rs. 900 crores on account of significant higher sales volume. Gross profit before interest for the year at Rs. 46 crores (previous year Rs. 32 crores) is higher owing to efficient operations, improved productivity and cost control measures undertaken during the year. Interest cost reduced by about Rs. 1 crore. The loss after interest but before depreciation has been lower at Rs. 6.21 crores as against Rs. 20.93 crores in the previous year. On the whole, in the given circumstances, the Company's performance is satisfactory.

CEMENT INDUSTRY

The cement industry, during the year, witnessed unprecedented growth of 15% in the consumption of cement over previous year. The surge in demand has nearly wiped out the demand-supply mismatch. The various new infrastructure-related projects and incentives announced by the Government for housing and infrastructure sectors have contributed to this growth and are expected to lend further buoyancy to the industry. A growth rate of 9% to 10% in consumption is likely to be sustained in coming years and with no significant capacity additions expected, the demand is likely to chase supply. However, the cut-throat competition is likely to persist even with good demand growth. The year witnessed many takeovers/acquisitions of companies and the trend is likely to continue in the years to come.

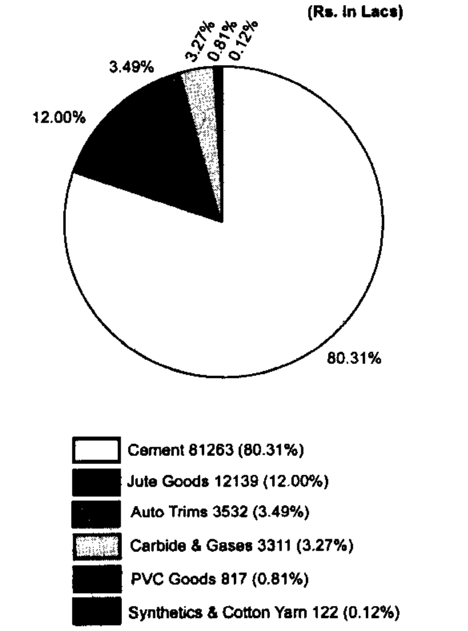
The export market remained subdued. The total exports during the year have been at 19.5 lac M.T. as against 20.6 lac M.T. in 1998-99 showing a decline of 5.3%. This is mainly due to dumping of cement in Bangladesh by Indonesia and Thailand.

CEMENT DIVISION

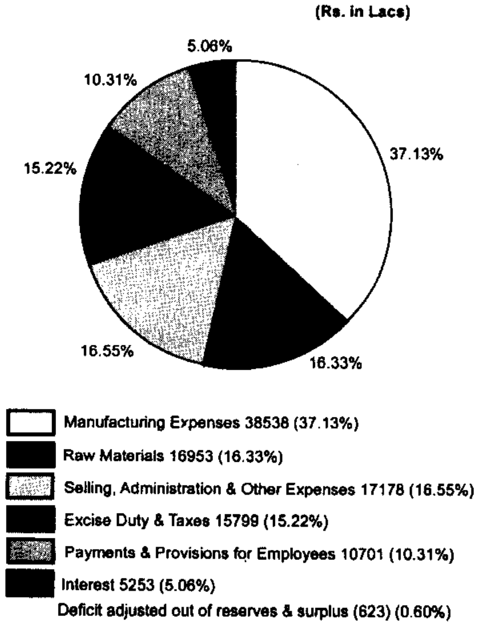
We are glad to inform that our Cement Division performed exceedingly well during the year and set score of records in terms of production, productivity and sales.

However, on the price front, due to intense competition, the prices remained depressed resulting in lower realisation. In fact, in some of our marketing areas it was even lower than 1996-97 levels.

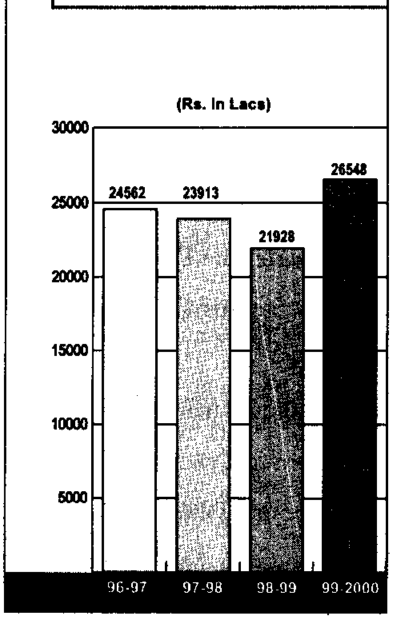
SALES BY ACTIVITIES 1999-2000



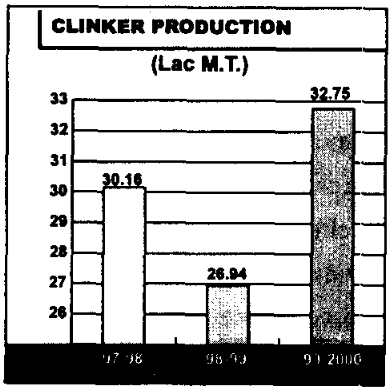
REVENUE DISTRIBUTION 1999-2000



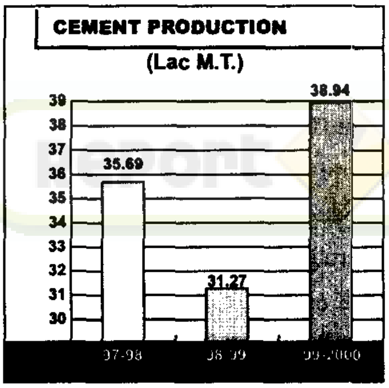
CONTRIBUTION TO NATIONAL EXCHEQUER



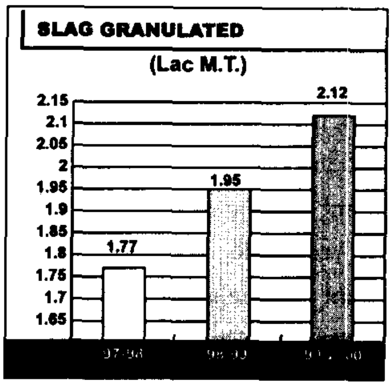
At **Satna,** all-time record production of clinker at 17.57 lac M.T. was achieved. Cement production stood at 13.87 lac M.T., which together with 3.12 lac M.T. at **Raebareli** (which is fully dependent for supply of clinker on Satna) is the highest ever achieved. Cement despatches, at 16.73 lac M.T., is again a record considering Satna and Raebareli together. PPC production has also been highest ever with increased use of fly-ash. Exports to Nepal were 1.57 lac M.T. as against 1.49 lac M.T. the previous year. **Raebareli** Grinding Unit had its first full year of operation during which a capacity utilization of 87% was achieved, which is creditable.



For **Chittor,** 1999-2000 was a landmark year. Efficient operations and uptime availablility of plants resulted in achieving new heights in clinker production at 15.18 lac M.T. and cement production at 17.08 lac M.T., resulting in capacity utilization at 121% and cement despatches at 17.03 lac M.T.



Durgapur unit, in its silver jubilee year, set a new record in cement production at 4.88 lac M.T. with an increase of 24.8% over previous year. The granulated slag prouduction had been 2.12 lac M.T., registering a growth of 8.72% over previous year. Cement despatches had been at 4.89 lac M.T. Cement exports were lower at 0.61 lac M.T. as against 0.93 lac M.T. in 1998-99 mainly due to very low rates in Bangladesh consequent to dumping of cement by Indonesia and Thailand.

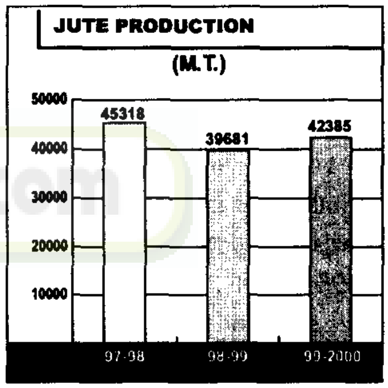


The brand name "Birla Cement Samrat" has established itself well in the market for our plants.

The on-going cost cutting measures have yielded positive results. The power consumption per tonne of production was brought down from 102 kwh to 98 kwh. Reduction in coal cost in real terms, more generation of comparatively cheap power from captive sources, reduction in number of employees and control on overhead expenses are some of the measures undertaken. Thrust on similar measures shall continue during the current year as well.

JUTE DIVISION

During 1999-2000 the raw jute crop was about 75 lac bales as against 85 lac bales in the previous year. This shortfall resulted in higher raw jute prices in later part of the year. However, the price increase in jute products did not cover the increase in raw jute cost leave alone the increase in other input and manpower costs.



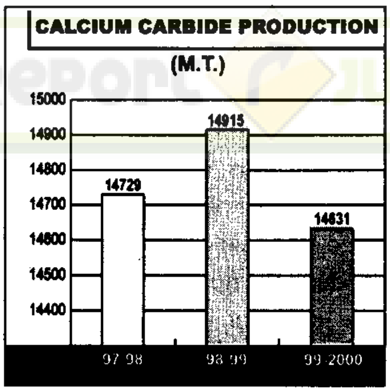
This year the sowing has commenced with good initial rains, and a good crop is expected which should result in raw jute prices at reasonable levels.

Jute goods production in Birla and Soorah Jute Mills was 42385 M.T. as against 39681 M.T. in 1998-99. The domestic sales recorded 32081 M.T. with a growth of 12% over previous year. Exports, however, fell by 8% at 12023 M.T., mainly due to change in the demand pattern of export. The rationalisation scheme introduced in Birla Jute Mills, wherein 376 hands were reduced in Septemeber 1998, continued and further 80 hands were reduced. The indefinite industrywise strike was declared from March 22, 2000, but on the basis of bipartite understanding, some mills reopened from March 23, 2000, including Soorah Jute Mills. At Birla Jute Mills, due to continuance of the unjustified strike by the workers and various persisting problems, particularly low productivity, the management was constrained to declare a lock-out of the mill with effect from 3rd April, 2000.

SYNTHETICS DIVISION

Suspension of work, declared on November 2, 1998, continued during the year. Representations have been made to the Government of West Bengal for granting certain reliefs to make the operations of the mill viable and are being vigorously pursued. The situation in the blended spinning yarn industry continues to be unfavourable and many mills have further suspended their operations during the year.

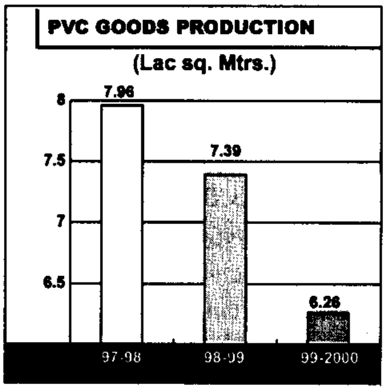
CARBIDE & INDUSTRIAL GASES



Production of carbide at 14631 M.T. is silightly lower than last year's production of 14915 M.T., while sales stood at 13573 M.T. as against previous year's figure of 15473 M.T. Sales suffered badly due to dumping of carbide by China, Indonesia and Bhutan at very low prices. Over the years, there has been steep increase in the cost of power, which is a major cost element, on account of which the Company is finding it difficult to compete on price front. Hence, representations have been made to the Government of West Bengal for certain reliefs and the Company is hopeful of a favourable response.

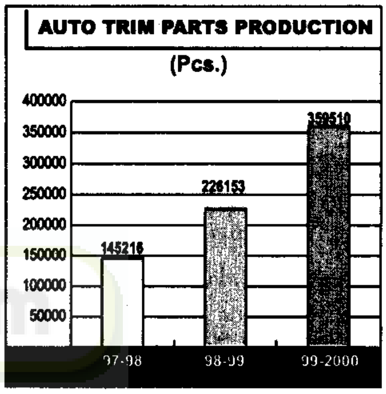
BIRLA VINOLEUM

The performance of the unit has suffered mainly on account of heavy arrival of compact PVC flooring from Korea and Thailand at very cheap prices. The CP sheet production, however, has increased substantially. With Auto Trim Division performing well, the prospects for CP sheet are promising.



AUTO TRIM DIVISION

The Division is making rapid progress with the automobile industry looking bullish. Production stood at 359510 pcs. as against previous year's figure of 226153. The production of trims for Maruti Zen and Alto as well as for Telco Safari increased while production for Opel Astra had to be restricted owing to poor offtake. The Division received orders from Hindustan Motors for the supply of certain interiors for Ambassador cars. Trims for spares market are under development for certain models. During the year the Division exported 74400 jute felt pre-cut blanks.



Emphasis is being laid on one-step technology for the production of trims since the products will be environment friendly as well as economical. Further, these will be recyclable. The technology is under trial at Birlapur plant and the initial response is encouraging.

The growing economy, Government deregulation, increase in urbanization and better financing are likely to