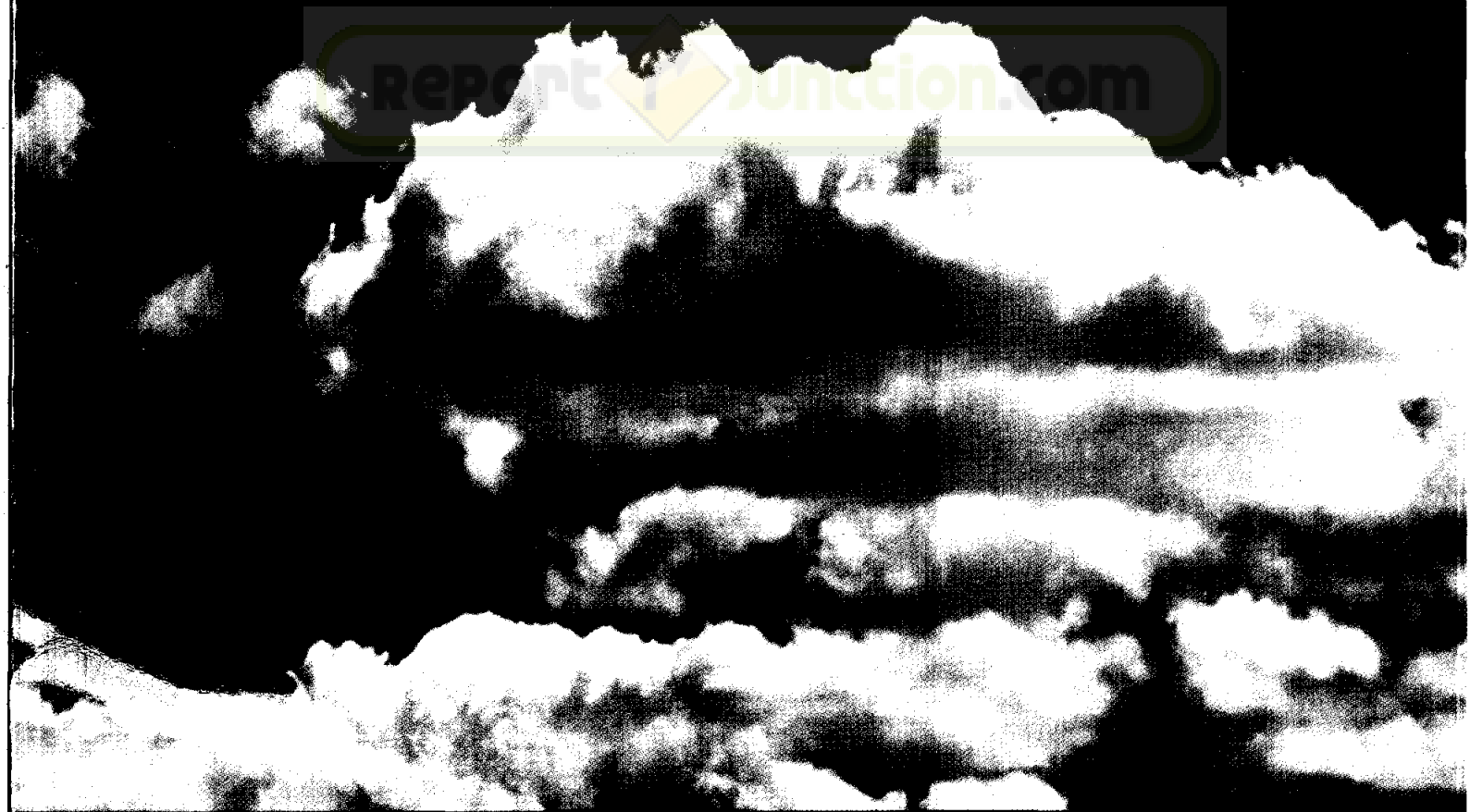




BIRLA
CORPORATION
LIMITED



ANNUAL REPORT AND ACCOUNTS 2000 - 2001



Madhav Prasadji Birla
(1918-1990)

*V*isionary. 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.)
(up to 20 April, 2001)

Dr. A. K. Bhattacharya
(Nominee of Unit Trust of India)

Shri Arnab Basu
(Nominee of ICICI Ltd.)
(from 20 April, 2001)

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, Kolkata - 700 032

REGISTERED & PRINCIPAL OFFICE

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

SENIOR MANAGEMENT TEAM

CORPORATE

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

Shri P K Chand
Senior Vice-President
Finance, Accounts & MIS

Shri K K Sharma
Senior Vice-President
Management Audit

Shri S N Banerjee
Senior Vice-President
Technical Consumer
Services

DIVISION HEADS

Shri S.B. Roongta
President
Satna Cement Works
Birla Vikas Cement
Cement Division, Raebareli
Satna Cement Works Steel Foundry

Shri D. Chanda
President
Birla Cement Works
Chittor Cement Works

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

Shri V. K. Sharma
Jt. President
Jute & Auto Trim Divisions

Shri A. K. Dalmiya
Senior Vice-President
Carbide, Vinoleum and
Synthetics Divisions

COMPANY SECRETARY

Shri Ramesh Kumar Damani

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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



Dr. A. K. Bhattacharya



Shri Anub Basu

**FINANCIAL HIGHLIGHTS**

(Rs. in lacs)

	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1994-95	1989-90
OPERATING RESULTS								
Turnover	102130	101184	87330	97204	104706	106465	88263	46784
Surplus before Interest & Depreciation	6567	4632	3248	2416	8090	13448	9535	4639
Interest	4371	5253	5341	4543	4493	3993	3991	1979
Surplus/(Deficit) after Interest but before Depreciation	2196	(621)	(2093)	(2127)	3597	9455	5544	2660
Depreciation	3507	3213	3263	3008	2859	2629	2418	2105
Income/Wealth Tax	(40)	2	6	(23)	2	2450	249	85
Net Profit	(1271)	(3836)	(5362)	(5112)	736	4376	2877	469
Dividend	—	—	339	397	611	1070	1070	367
Retained Earnings	2236	(623)	(2099)	(2104)	2984	5935	4226	2207
ASSETS & LIABILITIES								
Fixed Assets :								
Gross Block	84515	82202	81386	78415	76109	73471	69251	46025
Net Block	35253	36444	38917	39159	37871	35890	34374	27001
Current & Other Assets and Investments	32953	30559	27644	30693	33632	35335	28081	15858
Total Assets	68206	67003	66561	69852	71503	71225	62455	42859
Represented by :								
Share Capital	7701	5501	3056	3056	3056	3056	3056	2038
Reserves & Surplus	15558	14995	13598	19446	25595	25707	22570	15979
Net Worth	23259	20496	16654	22502	28651	28763	25626	18017
Borrowings	30778	31492	36831	35575	29932	24249	25723	16151
Current Liabilities & Provisions	14169	15015	13076	11775	12920	18213	11106	8691
RATIOS								
Earnings per Ordinary Share (Rs.)	—	—	—	—	2.41	14.32	9.42	2.30
Cash Earnings per Ordinary Share (Rs.) (annualised)	4.05	—	—	—	11.77	22.92	17.33	12.64
Net Worth per Ordinary Share (Rs.)	30.20*	37.26*	54.50	73.64	93.76	94.13	83.86	88.44
Debt Equity Ratio (on long-term loans)	0.79:1	0.61:1	1.10:1	0.75:1	0.45:1	0.40:1	0.54:1	0.59:1
Current Ratio	2.05	1.90	1.95	2.45	2.46	1.85	2.41	1.81

* On the increased Share Capital



SOURCES AND APPLICATION OF FUNDS

(Rs. in Lacs)

SOURCES OF FUNDS	2000-2001	1999-00	1998-99	1997-98	1996-97	1995-96
1. Generation from Operations –						
Surplus/(Deficit) after taxes	(1271)	(3836)	(5362)	(5112)	736	4376
Depreciation	3507	3213	3263	3008	2859	2629
	2236	(623)	(2099)	(2104)	3595	7005
2. Capital Subsidy	—	—	—	—	—	1
3. Borrowings (Net)	(715)	(5339)	1256	5642	5684	(1474)
4. Reduction in Working Capital	—	—	4469	2070	—	322
5. Increase in Share Capital	2200	2445	—	—	—	—
6. Share Premium	1980	5378	—	—	—	—
	5701	1861	3626	5608	9279	5854
APPLICATION OF FUNDS						
1. Fixed Assets	2462	886	3167	4937	5076	4316
2. Investments	1343	20	123	(1)	197	468
3. Increase in Working Capital	1896	616	—	—	2936	—
4. Dividend	—	339	336	672	1070	1070
	5701	1861	3626	5608	9279	5854

Figures in brackets are negative

DISTRIBUTION OF SHAREHOLDINGS AS ON 31.03.2001

Range	No. of Shareholders	%	No. of Shares held	%
1 to 500	24311	91.94	2455285	3.19
501 to 1000	946	3.58	721363	0.94
1001 to 5000	944	3.57	2056252	2.67
5001 to 10000	98	0.37	824687	1.07
10001 and above	142	0.54	70947760	92.13
Total	26441	100	77005347	100



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, 2001.

	31st March, 2001		31st March, 2000	
	Rs. in Crores	Rs. in Crores	Rs. in Crores	Rs. in Crores
ACCOUNTS & FINANCIAL MATTERS				
Income for the year		1044.00		1037.99
Gross profit before interest		65.67		46.32
Interest charge		43.71		52.53
		21.96		(6.21)
Provision for :				
i) Depreciation	35.07		32.13	
ii) Taxation	0.02	35.09	0.02	32.15
Surplus/(Deficit) after provisions		(13.13)		(38.36)
Additions/(Deductions)				
i) Excess provisions/refund of Income Tax relating to earlier years	0.42		—	
ii) Transfer from Debenture Redemption Reserve	—		1.00	
iii) Transfer from Investment Allowance Reserve	—		2.11	
		0.42		3.11
Total Surplus/(Deficit)		(12.71)		(35.25)
Withdrawn from General Reserve		12.71		35.25
		—		—



DIVIDEND

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

GENERAL

Total Income at Rs. 1044 crores during the year has marginally increased as compared to the earlier year. However, the Company recorded Gross Profit before Interest of Rs. 65.67 crores showing an increase of 41.77 % over the previous year's figure at Rs. 46.32 crores. The substantial improvement in the profitability could be achieved owing to improvement in the cement realisations, efficient operations, improved productivity and cost control measures undertaken by the Company. Interest cost has also reduced by 17% at Rs. 43.71 crores. The Cash profit during the year has been Rs. 21.96 crores as against a Cash loss of Rs. 6.21 crores in the corresponding year. Overall, the financial year 2000-2001 ended on a satisfactory note.

CEMENT INDUSTRY

The year 2000-2001 was another critical year for the cement industry, which witnessed a negative growth in cement consumption. Drought situation in Rajasthan, Gujarat and Madhya Pradesh and lack of infrastructural spending by the Government together with paucity of funds for large projects led to a negative growth in the demand. The hopes for a growth rate of 9 to 10% in consumption of cement remained elusive. Cement prices remained low for major part of the year and fell even below the levels of 1996. However, the realisations started looking upward in later part of the year and it is expected that the prices shall stay at the current levels and growth expectations in demand shall materialise due to increased thrust of the

Government on Infrastructure projects in general and the 'Golden Quadrangle' project in particular, housing sector and reconstruction following the national calamities.

The export market improved and total exports during the year have been 31.36 lac M.T. as against 19.5 lac M.T. in the previous year. The exports could have improved further but for the arrival of cheap Indonesian/Chinese cement in large quantities in Bangladesh.

CEMENT DIVISION

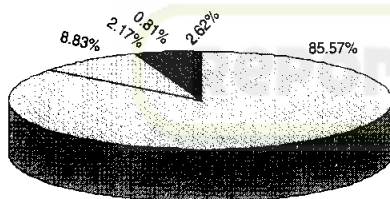
We are glad to inform that our Cement Division once again performed well during the year and set score of records in terms of production, productivity and sales. Due to improved Sales Realisations in the later part of the year, profitability of the division improved considerably.

Cement production and despatches of Satna along with Raebareli were 17.66 lac M.T. and 17.87 lac M.T., respectively and improved the corresponding all time high figures of 16.99 lac M.T. and 16.73 lac M.T. achieved during the previous year. This was achieved despite the overall negative growth of the industry. The Raebareli Unit was fully stabilised and recorded a capacity utilisation of 95.28% at 3.43 lac M.T. The fly ash consumption also increased to 22.36% and efforts are continuing to improve it further.

The performance of Chittor Units was yet again commendable and the plant improved its earlier records of cement production and despatches. The capacity utilisation stood at 122% with a production of 17.06 lac M.T. and despatches were all time high at 17.10 lac M.T. An upgradation/modernisation scheme has been taken up at Chittor Cement Works at a total estimated cost of Rs. 12.00 crores which will result

SALES BY ACTIVITIES 2000-2001

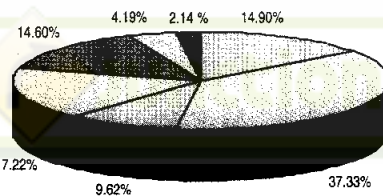
(Rs. in Lacs)



- ☐ Cement 87390 (85.57%)
- ☐ Jute Goods 90017 (8.83%)
- ☐ Carbide & Gases 2219 (2.17%)
- ☐ PVC Goods 830 (0.81%)
- ☐ Auto Trims 2674 (2.62%)

REVENUE DISTRIBUTION 2000-2001

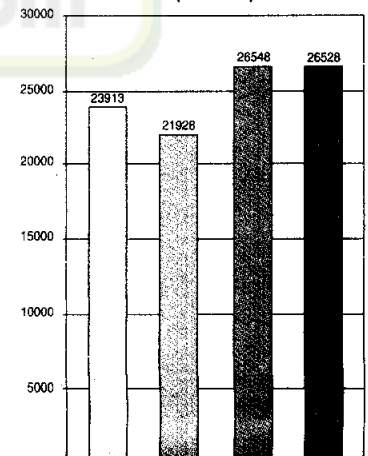
(Rs. in Lacs)



- ☐ Raw Materials 15976 (14.90%)
- ☐ Manufacturing Expenses 38970 (37.33%)
- ☐ Payments & Provisions for Employees 10042 (9.62%)
- ☐ Selling, Administration & other Expenses 17561 (17.22%)
- ☐ Excise Duty & Taxes 15284 (14.60%)
- ☐ Interest 4371 (4.19%)
- ☐ Retained Earnings 2236 (2.14%)

CONTRIBUTION TO NATIONAL EXCHEQUER

(Rs. in Lacs)





into higher production of cement and substantial saving in power consumption.

Cement production at Durgapur Unit has been at 4.73 lac M.T. as compared to 4.88 lac M.T. in the previous year. The cement dispatches were also slightly less at 4.66 lac M.T. as against 4.89 lac M.T. last year.

The unit had to face a very lean demand in its marketing zone. The exports were also lower at 0.39 lac M.T. as against 0.61 lac M.T. in the corresponding year due to comparatively non-remunerative prices. However, in spite of these setbacks, the Unit has been able to perform satisfactorily and achieve better financial results due to improved domestic realisation.

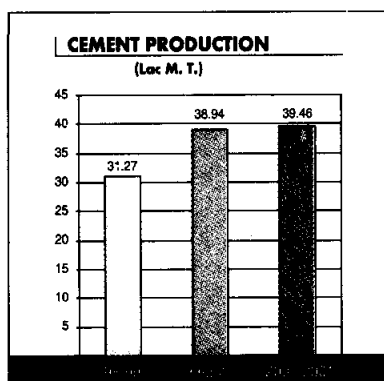
The brand SAMRAT continued to gain popularity in the market. The total production of blended cement by the Company has been 17.08 lac M.T. as against 15.09 lac M.T. in the previous year.

The input cost increased substantially during the year due to increase in royalty on limestone, freight, cost of power from the grid and manpower costs. However, due to concerted efforts towards cost cutting measures and improvement in productivity and efficiency, the Company has been able to restrict the impact of increase in its cost of production. Emphasis has been laid on maximum generation of power from captive sources to reduce the cost of power. Efforts to reduce power consumption are continuing and power consumption per ton, which had come down from 102 to 98 in the previous year, has further reduced to 94 in the current financial year. Better working capital management was achieved due to strict control over debtors and inventory, which were reduced considerably during the year.

JUTE DIVISION

The jute industry witnessed yet another turbulent year with labour unions becoming more hostile. The industry was marred by strikes and lock-outs. Raw jute crop for the year has been estimated at 92 lac bales which together with imports from Bangladesh and the carry over stock from the previous year is expected to be sufficient to meet the requirement of the industry. However, towards the end of the year, the raw jute prices have moved up substantially.

Both the jute units of the Company namely Birla Jute Mills and Soorah Jute Mills had partial working during the year. The Birla Jute Mills was under lockout from 3rd April, 2000 to 11th July, 2000. An amicable settlement was arrived at with the workers' unions for improved productivity levels. In Soorah Jute Mills, due to indifferent approach/attitude of the workers/union to the justified requirements of the Company and various persisting problems, particularly relating to high conversion cost and low



productivity as compared to other mills in the industry, the management was constrained to declare suspension of work since 30th October, 2000.

The total working days for Birla Jute Mills and Soorah Jute Mills have been 242 and 146, respectively, as a result of which the production fell to 30567 M.T. from 42385 M.T. in the previous year. The sales were also adversely affected at 31724 M.T. as against 43190 M.T. in the previous year. However, the Company was able to increase realisation both in domestic as well as export market due to focus on sale of more value added products.

During the current year, the demand for jute goods is expected to increase with better foodgrain crops and higher purchases by the Government. The performance of Birla Jute Mills is expected to improve following the emphasis on reducing the cost of production and increasing the production of value added products. Efforts are on for negotiations and settlement with the union for reopening and smooth working of the Soorah Jute Mills.

SYNTHETICS DIVISION

The unit is continuing under 'Suspension of work' since November 2, 1998. Representations made to the Government of West Bengal last year seeking certain relief to make the operations of the mill viable are being pursued. The situation in the blended spinning yarn industry continues to be bleak with many more mills suspending their operations during the year.

CARBIDE & INDUSTRIAL GASES DIVISION

The Carbide plant was shut down for about five and half months for major overhauling and relining of furnace. As a consequence, the unit could produce only 8088 M.T. of calcium carbide as against 14631 M.T. in the previous year. The prices of carbide remained under pressure due to continued dumping from China and Bhutan which affected the profitability of the unit adversely.

West Bengal State Electricity Board has proposed substantial increase in the power tariff which, if implemented, will adversely affect the performance of the division. The Company has made representations against the proposals and is hopeful of a favourable response.

BIRLA VINOLEUM DIVISION

The performance of the unit continued to be dismal during the year despite an increase in production and sales over the previous year. The capacity utilisation was low as the unit had to compete with cheaper compact PVC flooring imported from Korea and Thailand. The production and sales of CP sheets have been lower due to subdued demand. The profitability of the unit was also affected because of substantial increase in input prices due to weakening of Indian Rupee against US Dollar. Efforts are being made to expand the domestic as well as overseas market and to implement the cost control measures.



AUTO TRIM DIVISION

The financial performance of the division has been satisfactory during the year. The production of Door Trims was 276921 Pcs. as against 359510 Pcs. in the previous year due to restricted off-take by the automobile industry. Emphasis is being laid on research and development. The division has been able to develop cost effective recyclable one step thermo compression technology. Tooling has been developed for interior trims of Ambassador car and the samples produced are under evaluation. Encouraging response has been received for Polypropylene blended jute felt for automotive application.

JOINT VENTURES

Birla-DLW Limited : Performance of the Company was severally affected during the year as export orders for major part of the year were not received from the joint venture partner DLW AG. The operations of the calender machine had to be suspended due to lack of volumes. Discussions have been initiated with the joint venture partners for fresh orders. Efforts made to develop the domestic and overseas markets are yielding results.

Birla Redland Readymix Limited : Redland Plc. U.K., the joint venture partners, are not optimistic about the prospects of Readymix Concrete in India and hence have intimated their unwillingness to go ahead with the project. Accordingly, the Joint Venture Company has decided not to pursue the joint venture project any further.

EXPORTS

Total exports during the year at Rs.72.51 crores have marginally increased from the previous year. The exports of cement could not increase due to non-remunerative prices in Bangladesh. However, exports to Nepal increased from 1.57 lac M. T. in the previous year to 2.29 lac M.T. leading to an increase in the market share in Nepal. The special variety of cement containing low alkali produced by our Satna unit is preferred for hydro-electric projects in Nepal.

CORPORATE MATTERS

Allotment of 2,20,01,528 Ordinary Shares of Rs.10/- each at a premium of Rs.9/- per share issued on rights basis was made on 28th March,2001 in accordance with the scheme approved by The Calcutta Stock Exchange Association Ltd.

During the year, with the consent of the Debentureholders, redemption of 4th & 5th instalments of Rs.20/- each of the 18% Non-Convertible Debentures has been deferred by two years from the respective due dates and the coupon rate has been reduced to 15% from 18% per annum.

CORPORATE GOVERNANCE

Pursuant to the amendments in the Listing Agreements and the Companies Act, 1956, the Audit Sub-Committee of the Board has been reconstituted as Audit Committee. The Board is reviewing the practices followed by the Company and actions

are being taken to implement the Code of Corporate Governance as applicable to the Company before the end of the ensuing financial year 2001-2002.

UTILISATION OF FUNDS

(pursuant to Clause 43 of the Listing Agreement)

	Estimates	(Rs. in lacs) Actual use up to 31.3.2001
i) Utilisation of funds (including borrowing) vis-à-vis Estimates made in the Letter of Offer dated 6th August, 1999 :		
(a) Repayment of Long term Debts (October, 1999 to March, 2001)	6880	5968
(b) Normal Capital Expenditure (Up to September, 2000)	3000	1744
(c) Margin money for additional working capital	800	800
(d) Rights Issue expenses	60	35
	<u>10740</u>	<u>8547</u>
ii) Utilisation of funds vis-à-vis Estimates made in the Letter of Offer dated 27th December, 2000 :		
(a) Upgradation/Modernisation at Chittorgarh	1200	577
(b) Part funding of cash losses	2930	2930
(c) Rights Issue expenses	50	26
	<u>4180</u>	<u>3533</u>

RECOGNITIONS & AWARDS

During the year, the Chittor Unit was awarded a Certificate of merit for productivity for the year 1998-99 by the National Productivity Council and Satna Unit was awarded National Safety Award for the year 1996 as Runner up for achieving the Lowest Frequency Rate of Accidents.

The Company received CAPEXIL's Special Award for export of cement for the fifth time in a row.

AUDITORS' REPORT

The observations made in the Auditors' Report have been dealt with in the Notes to the Profit & Loss Account and the Balance Sheet in Schedule 24 of the Accounts. These are self-explanatory and do not call for further comments.

APPRECIATION

We wish to place on record appreciation for the continued co-operation and support extended to us by the Financial Institutions and Bankers.

Relations with employees continued to be cordial at all units