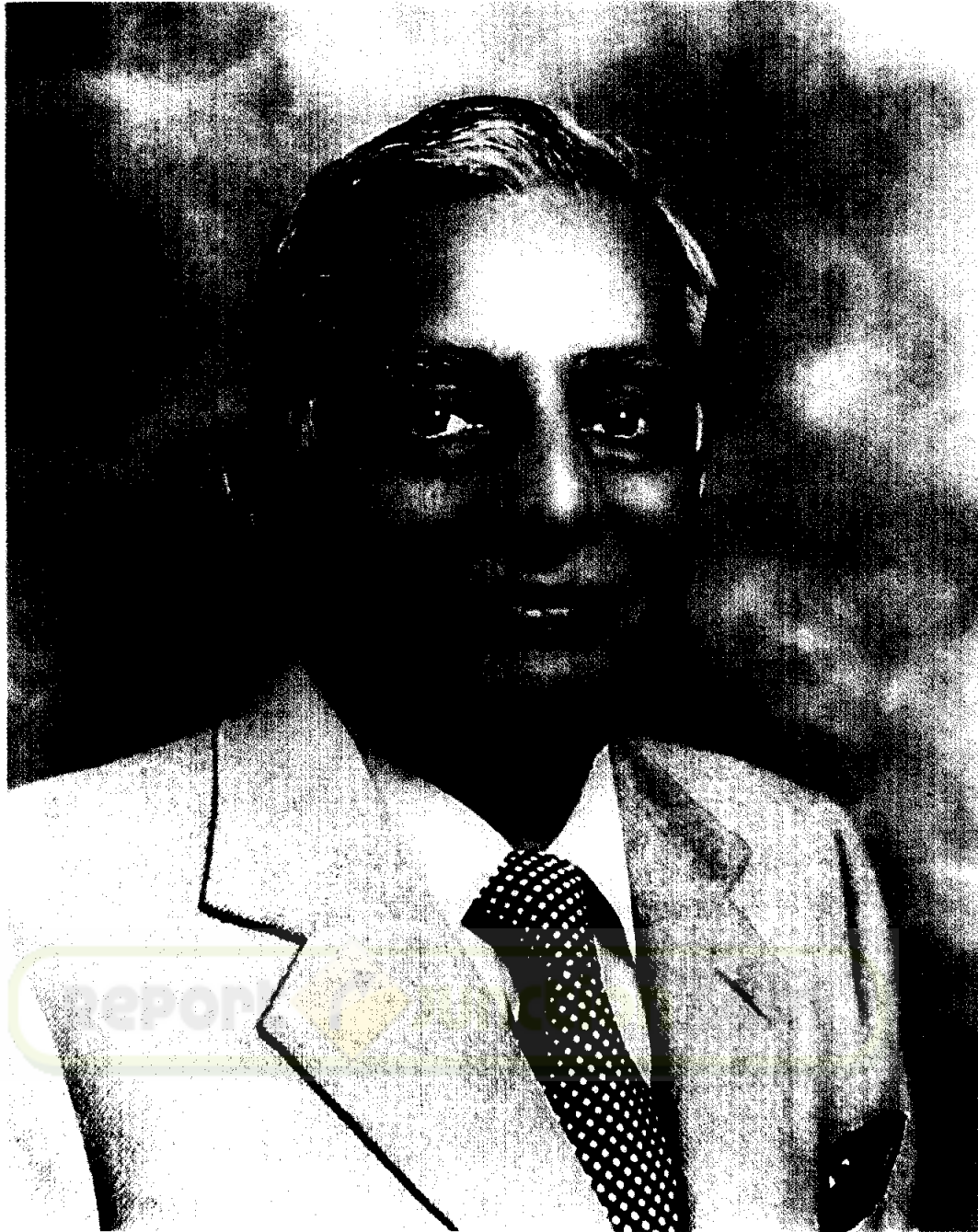


**BIRLA**  
**CORPORATION**  
**LIMITED**  
MP BIRLA GROUP

**ANNUAL REPORT AND ACCOUNTS**  
**2001 - 2002**



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 R. S. Lodha  
Co-Chairman

Shri N. K. Kejriwal

Smt. Nandini Nopany

Shri Harsh V. Lodha

Shri Arnab Basu  
(Nominee of ICICI Bank Ltd.)

Dr. Dharmendra Bhandari  
(Nominee of Unit Trust of India)

Shri K. C. Mittal  
Managing Director

## AUDIT COMMITTEE

Shri Harsh V. Lodha  
Chairman

Shri N. K. Kejriwal

Shri Arnab Basu

## COMPANY SECRETARY

Shri Ramesh Kumar Damani

## 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,  
Kolkata - 700 001

## SENIOR MANAGEMENT TEAM

### CORPORATE

Shri P. K. Chand  
Jt. President  
Finance, Accounts & MIS

Shri K. K. Sharma  
Jt. President  
Management Audit

### DIVISION HEADS

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

Shri D. Chanda  
President  
Birla Cements 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  
Sr. Vice-President  
Carbide, Vinoleum and  
Synthetics Divisions

## CONTENTS

Financial Highlights	1
Sources & Application of Funds	2
Directors' Report	3
Particulars in respect of Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo	6
Management Discussion & Analysis Report	10
Corporate Governance Report	15
Auditors' Report	18
Balance Sheet	20
Profit & Loss Account	21
Schedules	22
Cash Flow Statement	38
Statement regarding Subsidiary Companies	40
Subsidiary Companies' Directors' Report, Auditors' Report & Accounts :	
Assam Jute Supply Company Limited	41
Talavadi Cements Limited	49
Lok Cements Limited	57
Consolidated Financial Statements of Birla Corporation Limited & its Subsidiaries	63



Smt. Priyamvada Birla  
Chairman



Shri R.S. Lodha  
Co-Chairman



Shri K. C. Mittal  
Managing Director



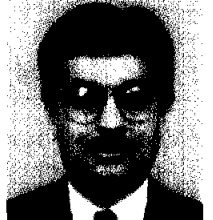
**DIRECTORS**



Shri N. K. Kejriwal



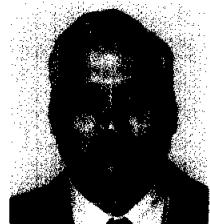
Smt. Nandini Nopany



Shri Harsh V. Lodha



Shri Arnab Basu



Dr. Dharmendra Bhandari

**FINANCIAL HIGHLIGHTS**

(Rs. in Lacs)

	2001-2002	2000-2001	1999-2000	1998-99	1997-98	1996-97	1995-96	1990-91
<b>OPERATING RESULTS</b>								
<b>Turnover</b>	<b>112391</b>	<b>102130</b>	<b>101184</b>	<b>87330</b>	<b>97204</b>	<b>104706</b>	<b>106465</b>	<b>53229</b>
Surplus before Interest & Depreciation	7065	6567	4632	3248	2416	8090	13448	8833
Interest	3621	4371	5253	5341	4543	4493	3993	2277
<b>Surplus/(Deficit) after Interest but before Depreciation</b>	<b>3444</b>	<b>2196</b>	<b>(621)</b>	<b>(2093)</b>	<b>(2127)</b>	<b>3597</b>	<b>9455</b>	<b>6556</b>
Depreciation	3516	3507	3213	3263	3008	2859	2629	2639
Income/Wealth Tax	4	(40)	2	6	(23)	2	2450	(4)
Net Profit	(76)	(1271)	(3836)	(5362)	(5112)	736	4376	3921
Dividend	—	—	—	339	397	611	1070	611
<b>Retained Earnings</b>	<b>3440</b>	<b>2236</b>	<b>(623)</b>	<b>(2099)</b>	<b>(2104)</b>	<b>2984</b>	<b>5935</b>	<b>5949</b>
<b>ASSETS &amp; LIABILITIES</b>								
Fixed Assets :								
Gross Block	86190	84515	82202	81386	78415	76109	73471	49028
Net Block	33819	35253	36444	38917	39159	37871	35890	26581
Current & Other Assets and Investments	31266	32953	30559	27644	30693	33632	35335	19057
<b>Total Assets</b>	<b>65085</b>	<b>68206</b>	<b>67003</b>	<b>66561</b>	<b>69852</b>	<b>71503</b>	<b>71225</b>	<b>45638</b>
Represented by :								
Share Capital	7701	7701	5501	3056	3056	3056	3056	2038
Reserves & Surplus	15464	15558	14995	13598	19446	25595	25707	18455
<b>Net Worth</b>	<b>23165</b>	<b>23259</b>	<b>20496</b>	<b>16654</b>	<b>22502</b>	<b>28651</b>	<b>28763</b>	<b>20493</b>
Borrowings	26496	30778	31492	36831	35575	29932	24249	15942
Current Liabilities & Provisions	15424	14169	15015	13076	11775	12920	18213	9203
<b>RATIOS</b>								
Earnings per Ordinary Share (Rs.)	(0.10)	(2.17)	(6.97)	(17.54)	(16.73)	2.41	14.32	19.25
Cash Earnings per Ordinary Share (Rs.) (annualised)	4.47	4.05	(1.13)	(6.87)	(6.88)	11.77	22.92	32.18
Net Worth per Ordinary Share (Rs.)	30.08	30.20 *	37.26 *	54.50	73.64	93.76	94.13	100.60
Debt Equity Ratio (on long-term loans)	0.62:1	0.79:1	0.61:1	1.10:1	0.75:1	0.45:1	0.40:1	0.45:1
Current Ratio	1.38	2.05	1.90	1.95	2.45	2.46	1.85	1.95

\* On the increased Share Capital



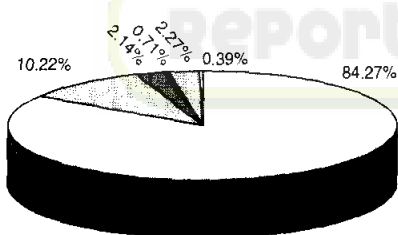
## SOURCES AND APPLICATION OF FUNDS

(Rs. in Lacs)

SOURCES OF FUNDS	2001-2002	2000-2001	1999-00	1998-99	1997-98	1996-97
1. Generation from Operations –						
Surplus/(Deficit) after taxes	(76)	(1271)	(3836)	(5362)	(5112)	736
Depreciation	3516	3507	3213	3263	3008	2859
	3440	2236	(623)	(2099)	(2104)	3595
2. Borrowings (Net)	(4282)	(715)	(5339)	1256	5642	5684
3. Reduction in Working Capital	8888	—	—	4469	2070	—
4. Increase in Share Capital	—	2200	2445	—	—	—
5. Share Premium	—	1980	5378	—	—	—
6. Deferred Tax	2	—	—	—	—	—
	8048	5701	1861	3626	5608	9279
<b>APPLICATION OF FUNDS</b>						
1. Fixed Assets	2229	2462	886	3167	4937	5076
2. Investments	5819	1343	20	123	(1)	197
3. Increase in Working Capital	—	1896	616	—	—	2936
4. Dividend	—	—	339	336	672	1070
	8048	5701	1861	3626	5608	9279

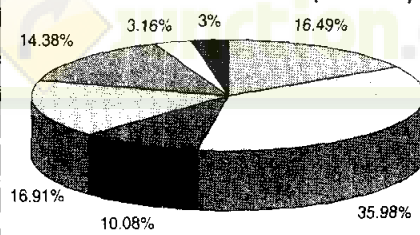
Figures in brackets are negative

### SALES BY ACTIVITIES 2001-2002 (Rs. in Lacs)



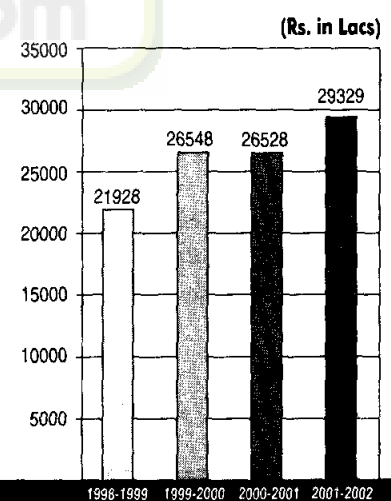
- Cement : 94713 (84.27%)
- Jute Goods : 11487 (10.22%)
- Carbide & Gases : 2406 (2.14%)
- PVC Goods : 801 (0.71%)
- Auto Trims : 2547 (2.27%)
- Steel Castings : 437 (0.39%)

### REVENUE DISTRIBUTION 2001-2002 (Rs. in Lacs)



- Raw Materials : 18881 (16.49%)
- Manufacturing Expenses : 41205 (35.98%)
- Payment & Provision of Employment : 11539 (10.08%)
- Selling, Administration & Other Expenses : 19373 (16.91%)
- Excise Duty : 16466 (14.38%)
- Interest : 3621 (3.16%)
- Retained Earnings : 3440 (3.00%)

### CONTRIBUTION TO NATIONAL EXCHEQUER FOR THE YEAR ENDED 2001-2002 (Rs. in Lacs)







## 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, 2002.

## FINANCIAL RESULTS

	Rs. in Crores	
	31st March, 2002	31st March, 2001
Income for the year	1145.30	1044.00
Gross profit before interest	70.65	65.67
Interest charge	36.21	43.71
	34.44	21.96
Provision for :		
i) Depreciation	35.16	35.07
ii) Taxation (including deferred tax)	0.04	0.02
Surplus/(Deficit) after provisions	(0.76)	(13.13)
Additions/(Deductions)		
i) Excess provisions/refund of Income Tax relating to earlier years	—	0.42
ii) Transfer from Debenture Redemption Reserve	2.50	—
iii) Transfer from Investment Allowance Reserve	10.70	—
	13.20	0.42
Total Surplus/(Deficit)	12.44	(12.71)
Withdrawn from General Reserve	—	12.71
Balance carried to Balance Sheet	12.44	—

## DIVIDEND

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

## GENERAL REVIEW

During the year, Company recorded a turnover of Rs. 1123.91 crores as against Rs. 1021.30 crores in the previous year. Total income for the year at Rs.1145.30 crores has increased by 9.70% over the previous year. Gross Profit before Interest has been Rs. 70.65 crores as against Rs. 65.67 crores in the previous year. Interest cost reduced during the year by Rs. 7.51 crores to Rs.36.21 crores as a result of restructuring of the debt profile of the Company and better working capital management. Cash Profits increased to Rs. 34.45 crores from Rs. 21.96 crores in the previous year, an increase of 56.88%. The improvement in performance was a result of improved Cement realisations, increased productivity and cost-control measures undertaken and vigorously pursued by the Company. A detailed discussion on the performance of each Division has been comprehensively covered in the Management Discussion & Analysis Report attached hereto.

## EXPORTS

Total exports during the year at Rs.57.74 crores have been lower as compared to Rs. 72.51 crores in the previous year. The exports of Cement to Nepal were down from 2.29 lac M.T. in the previous year to 1.67 lac M.T. due to political disturbances affecting the demand from the large projects. The exports to Bangladesh was negligible during the

year due to unremunerative prices resulting from arrival of cheap Indonesian and Chinese Cement in large quantities in that country.

## CORPORATE MATTERS

The upgradation/modernisation taken up at Chittor Cement Works was completed during the year under review. Due to various modification and de-bottlenecking carried out in both the plants at Chittorgarh, the installed capacity at Chittor and the Company as a whole increased to 20.00 lac tonnes and 45.10 lac tonnes respectively.

An expansion project has been taken up at Raebareli which will increase the capacity of Cement Grinding to 6.30 lac tonnes p.a. from 3.60 lac tonnes p.a. and the project is expected to be completed by August, 2002.

During the year, the Company preponed the redemption of 17% Non-Convertible Redeemable Unsecured Debentures of Rs. 100/- each aggregating to Rs. 800 lacs. The 1st instalment of Rs.25/- each of 15.5% Privately Placed Non-Convertible Redeemable Secured Debentures of Rs.100/- each was paid as per schedule.

As a part of continuing efforts to reduce employee cost, rationalise manpower and improve productivity, Voluntary Retirement Scheme was introduced at Durgapur Cement Works during the year. Total 111 employees availed the Scheme.

## REPORT ON CORPORATE GOVERNANCE

Your Company is fully committed to good corporate governance practices. A detailed report on Corporate Governance is annexed



to this Annual Report. The Company has complied with the conditions of corporate governance as stipulated in Clause 49 of the Listing Agreement with Stock Exchanges. The certificate obtained from the auditors of the Company regarding compliance of conditions is annexed to this report.

## UTILISATION OF FUNDS

(pursuant to Clause 43 of the Listing Agreement)

	(Rs. in lacs)	
	Actual use	up to
	Estimates	31.3.2002
i) Utilisation of funds vis-à-vis		
Estimates made in the Letter		
of Offer dated 27th December, 2000 :		
(a) Upgradation/Modernisation at		
Chittorgarh	1200	982
(b) Part funding of cash losses	2930	2930
(c) Rights Issue expenses	50	29
	<u>4180</u>	<u>3941</u>

## RECOGNITIONS & AWARDS

During the year the Satna and the Durgapur Units were awarded CAPEXIL Export Award which was 11th consecutive year of receiving exports awards. The Company has been awarded the Golden Trading House Status Certificate by the Directorate General of Foreign Trade in recognition of its long-standing contribution to exports in accordance with the provisions of the EXIM Policy 1997-2002.

## AUDITORS' REPORT

The Notes to the Accounts referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

## SOCIAL OBLIGATIONS & ENVIRONMENT

As a part of fulfilling its social obligations, the Company continued to contribute to various social activities and organised 'Adult Education Programme' and other Projects for welfare and upliftment of villagers in the areas around the factories. The Company is supporting various educational and medical institutions for the welfare of the employees as well as public of the vicinity. Eye Screening & Operation Camps have been organised at Chittorgarh and Birlapur during the year under review.

## JOINT VENTURES

### Birla-DLW Ltd.

Despite adverse global market situation, the Company has improved its export performance to Europe. Significant improvements were achieved in various operational areas and with several cost-cutting measures, the Company's overall profitability has also improved during the year.

With the assistance of foreign partner, attempts are being made to develop export markets in Far-east, Japan, Australia, New Zealand etc. as well as enhancing sales volume in domestic market.

## SUBSIDIARY COMPANIES

Particulars relating to the subsidiary companies, as required under Section 212 of the Companies Act, 1956, are annexed to the Balance Sheet of the Company.

## DIRECTORS' RESPONSIBILITY STATEMENT

As required by Section 217(2AA) of the Companies Act, 1956, your Directors state that –

- in the preparation of the annual accounts for the year ended 31.03.2002, the applicable accounting standards have been followed;
- the accounting policies adopted in the preparation of the annual accounts have been applied consistently (read with notes as appearing in Schedule 25 on Accounting Policies and Notes on Accounts) and reasonable & prudent judgments and estimates have been made so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year 2001-2002 and of the loss for the year ended 31.03.2002;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts for the year ended 31st March, 2002 have been prepared on a going concern basis.

## ENERGY CONSERVATION, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

As required under Section 217(1)(e) of the Companies Act, 1956, details relating to Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo are given in the Annexure, which is attached hereto and forms part of the Directors' Report.

## PARTICULARS OF EMPLOYEES

The Company has no employee getting remuneration as prescribed under Section 217(2A) of the Companies Act, 1956, read with amended Companies (Particulars of Employees) Rules, 1975 during the year under review.

## DIRECTORS

Shri R.K. Choudhury retired from the Board on 14th September, 2001. Shri R.M. Dalal and Shri G.D. Kothari resigned from the Board during the year in view of their advanced age. The nomination of Dr. A.K. Bhattacharya was withdrawn during the year under review. The Board places on record its appreciation for the valuable guidance received from the outgoing Directors.

Shri R.S. Lodha has been inducted as Director of the Company to fill the casual vacancy arising due to the resignation of Shri R.M. Dalal and has been appointed as Co-Chairman of the Board of Directors. Dr. Dharmendra Bhandari has been appointed as nominee Director of Unit Trust of India in place of Dr. A.K. Bhattacharya.

Smt. Priyamvada Birla and Smt. Nandini Nopany retire from the Board by rotation and, being eligible, offer themselves for re-election.





## AUDITORS

Messrs. H.P. Khandelwal & Co., Chartered Accountants, retire as Auditors of the Company and, being eligible, offer themselves for re-appointment.

Messrs. Price Waterhouse, Chartered Accountants, Branch Auditors of the Company's Soorah Jute Mills, retire as Branch Auditors and, being eligible, offer themselves for re-appointment.

Messrs. Clark, Gardner, Wolf & Co., Chartered Accountants, Branch Auditors of the Company's Birla Vinoleum unit, retire as Branch Auditors and, being eligible, offer themselves for re-appointment.

Shri Somnath Mukherjee, Cost Accountant, had been appointed Cost Auditor relating to Cement, Jute Goods and Cotton Textiles manufactured by the Company for the year under review in terms of the Central Government's approval.

## APPRECIATION

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

In Soorah Jute Mills, a bipartite settlement was arrived at after protracted negotiations with the Workers' Union and the mill reopened on 17th August, 2001 after Suspension of Operations for more than 9 months.

The Company's Synthetics Unit at Birlapur continued to be under 'Suspension of Work'. Serious labour problems at the private Railway Siding of the Carbide & Gases Division compelled the Management to declare 'Suspension of Operations' at the Unit with effect from 29.10.2001. The workmen of the Birla Jute Mills went on a sudden illegal strike from 16th March, 2002. Barring these, relations with employees continued to be cordial at all its Units. The Board conveys gratitude to all the employees.

Yours faithfully,

(Mrs.) Priyamvada Birla

R. S. Lodha

(Mrs.) Nandini Nopany

N. K. Kejriwal

Harsh V. Lodha

Amab Basu

K. C. Mittal

Chairman

Co-Chairman

Directors

Managing Director

Kolkata

Dated, the 22nd April, 2002

Report  junction.com



**PARTICULARS AS REQUIRED UNDER COMPANIES (DISCLOSURES OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988, AND FORMING PART OF THE DIRECTORS' REPORT FOR THE YEAR ENDED 31ST MARCH, 2002**

	Auto Trim	Carbide	Cement
<b>A. Conservation of Energy</b>			
a) Energy Conservation measures taken	<p>Various energy conservation measures taken e.g. replacement of press booster pump by non-electric system, energy saver system for air conditioning plant and localised control for illumination system at Birlapur.</p> <p>Capacitor capacity enhanced to optimize power factor and plant &amp; street illumination scheme restructured to save energy at Chakan.</p>	<p>Motor rating of submersible pump optimized.</p> <p>Illumination system optimized.</p>	<p>Replacement of two Fan system by three Fan system for raw mill, low efficiency fans with high efficiency fans, high pressure pneumatic transport system by medium pressure transport system for cement, installation of low pressure cyclones for raw mill and pyroprocessing, variable speed drive for fans system re-orientation of mill fly ash feeding system and use of more fly ash have resulted in energy saving for Satna unit.</p> <p>Upgradation of Chittor Cement Works, optimization of plant operation, use of imported/better quality indigenous coal, installation of variable frequency drives for fans, pressure drop reduction system for preheater cyclones, replacement of old fan by high efficiency fans, replacement of energy intensive pneumatic transport by efficient mechanical transport system and use of fly ash for manufacture of cement have resulted in energy savings at Chittor units.</p> <p>Installation of frequency and voltage transducers to reduce electrical losses, restructuring of maximum demand to make it commensurate production. Installation of close loop circuit for Cement Mill No. 2, modification of P.D. pump circuit to reduce mill stoppage frequency, optimization of grinding media loading for improved productivity. Improved maintenance and operational planning have resulted in lower power consumption in Granulation and Dryer section. Illumination system restructured and provided with clock based switching system, this has resulted in energy saving at Durgapur unit.</p> <p>Rationalisation of gypsum crusher drive, optimization of use of compressed air for silo aeration and tanker unloading have resulted in energy savings at Raebareli unit.</p>
b) & c) Additional investment, proposals, if any, and impact	<p>Energy conservation committee constituted to study other areas for conservation of energy.</p>	<p>Energy audit is being carried out every year by an accredited Energy Auditor authorised by Government of West Bengal.</p> <p>Raw material rationalised to improve quality and reduce power.</p>	<p>Installation of pressure drop reduction system for preheater cyclones, replacement of high pressure transport system by medium pressure transport system for cement kiln outlet seal, pneumatic transport system by mechanical transport system, old bucket elevator by energy efficient bucket elevator at Satna units.</p> <p>Replacement of low efficiency fans by high efficiency fans, static separator by high efficiency separator, installation of system to use alternate fuel, upgradation of process control system at Chittor units.</p> <p>Installation of vertical pregrinder for clinker, close circuiting of cement mill, mechanical transport system in place of pneumatic system at Raebareli unit. All above measures will result in energy savings.</p>
d) Power & Fuel Consumption	Form 'A' annexed	Form 'A' annexed	Form 'A' annexed
<b>B. Technology Absorption</b>			
e) Research & Development			
1) Specification of Technology absorption and/or R&D	<p>Development of one-step technology based on LoPreFin in addition to two-step technology based on Polypropylene and Greenwood as well as Polypropylene and Natural fibre along with transport mechanism and infra-red heating system has been identified and various initial trials have been made giving encouraging results.</p>	<p>Do not have separate R&amp;D Department</p>	<p>Actively collaborates with National Council for Cement &amp; Building Materials (NCCBM) for research &amp; development activity.</p>
2 & 3) Benefit and future plan of action	<p>With the introduction of additional one-step technology, the industry will be benefitted by lower cost of product, simplified process as well as introduction of environment-friendly technology.</p>	—	—
<b>C. Foreign Exchange Earning &amp; Outgo</b>			
f) Export activities	<p>During the year jute cut blanks have been exported to Australia.</p>	—	<p>Recipient of Special Export Award, instituted by CAPEXIL, for 2000-2001 for exports to Bangladesh &amp; Nepal. Further efforts are being made to maximise exports.</p>
g) Total Foreign Exchange used (All Divisions) Rs. 1604.32 lacs			
h) Total Foreign Exchange earned (including export in Indian Currency Rs. 5773.81 lacs) (All Divisions)			