

Report Junction

BIRLA
CORPORATION
LIMITED
MP BIRLA GROUP



**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



Priyamvadaji Birla
(1928-2004)

*Vidya, Shraddha, Chintan and Utkarsh governed
her approach to life and will be guiding us
always in our pursuit for excellence*



Shri R. S. Lodha
Co-Chairman



Shri K. C. Mittal
Managing Director

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DIRECTORS



Shri N. K. Kejriwal



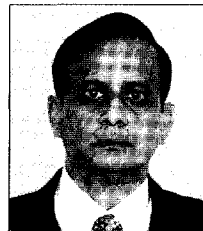
Smt. Nandini Nopany



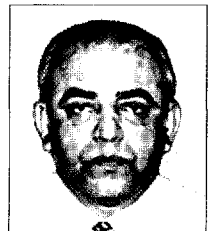
Shri Harsh V. Lodha



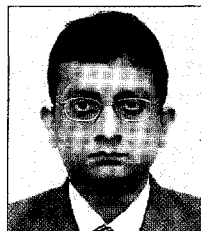
Dr. Dharmendra Bhandari



Shri Jayanta Kumar Ray



Shri Pracheta Majumdar



Shri Ajay Saraf



Shri Vikram Swarup



BOARD OF DIRECTORS

Smt. Priyamvada Birla
Chairman (till 3.7.2004)

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., till 26.11.2003)

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

Shri Jayanta Kumar Ray
(Nominee of IDBI, from 8.9.2003)

Shri Pracheta Majumdar
(from 28.10.2003)

Shri Ajay Saraf
(Nominee of ICICI Bank, from 27.11.2003)

Shri Vikram Swarup (from 28.4.2004)

Shri K. C. Mittal
Managing Director

AUDIT COMMITTEE

Shri Harsh V. Lodha
Chairman (till 19.7.2004)

Shri N. K. Kejriwal

Shri Arnab Basu (till 26.11.2003)

Shri Pracheta Majumdar (from 30.12.2003)

Shri Ajay Saraf (from 30.12.2003)

COMPANY SECRETARY

Shri Ramesh Kumar Damani

AUDITORS

H. P. Khandelwal & Co.
Chartered Accountants

BRANCH AUDITORS

Deloitte Haskins & Sells
Chartered Accountants

REGISTERED & PRINCIPAL OFFICE

Birla Building (3rd & 4th floor)
9/1, R. N. Mukherjee Road
Kolkata - 700 001

SENIOR MANAGEMENT TEAM

CORPORATE

Shri B. R. Nahar
Executive President

Shri P. C. Nalwaya
Sr. Joint President
Central Cell

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

Shri K. K. Sharma
Joint President
Management Audit

DIVISION HEADS

Shri D. Chanda
President
Birla Cement Works
Chandaria Cement Works

Shri P. S. Marwah
President
Satna Cement Works
Birla Vikas Cement
Cement Division, Raebareli
Vindhyachal Steel Foundry

Dr. D. Ghosh
Joint President
Durgapur Cement Works

Shri P. Chatterji
Joint President
Jute Division

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

Shri A. Kumar
Vice-President
Coordinator
Auto Trim Division

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FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1997-1998	1992-1993
OPERATING RESULTS								
Turnover	124318	112420	112391	102130	101184	87330	97204	64446
Surplus before Interest & Depreciation	10039	7043	7065	6567	4632	3248	2416	7725
Interest	2514	3157	3621	4371	5253	5341	4543	3230
Surplus/(Deficit) after Interest but before Depreciation	7525	3886	3444	2196	(621)	(2093)	(2127)	4495
Depreciation	3367	3220	3516	3507	3213	3263	3008	3219
Income/Wealth Tax	2	247	4	(40)	2	6	(23)	103
Net Profit	4156	419	(76)	(1271)	(3836)	(5362)	(5112)	1173
Dividend	869	-	-	-	-	339	397	764
Retained Earnings	6654	3639	3440	2236	(623)	(2099)	(2104)	3628
ASSETS & LIABILITIES								
Fixed Assets :								
Gross Block	90301	88909	86190	84515	82202	81386	78415	61491
Net Block	32547	33490	33819	35253	36444	38917	39159	31996
Current & Other Assets and Investments	32099	31978	31266	32953	30559	27644	30693	25947
Total Assets	64646	65468	65085	68206	67003	66561	69852	57943
Represented by :								
Share Capital	7701	7701	7701	7701	5501	3056	3056	3056
Reserves & Surplus	18049	15738	15464	15558	14995	13598	19446	21025
Net Worth	25750	23439	23165	23259	20496	16654	22502	24081
Borrowings	20712	26487	26496	30778	31492	36831	35575	24396
Current Liabilities & Provisions	18185	15543	15424	14169	15015	13076	11775	9466
RATIOS								
Earnings per Ordinary Share (Rs.)	5.40	0.54	(0.10)	(2.17)	(6.97)	(17.54)	(16.73)	3.84
Cash Earnings per Ordinary Share (Rs.) (annualised)	8.64	4.73	4.47	4.05	(1.13)	(6.87)	(6.88)	13.94
Net Worth per Ordinary Share (Rs.)	33.44	30.44	30.08	30.20*	37.26*	54.50	73.64	78.81
Debt Equity Ratio (on long-term loans)	0.25:1	0.41:1	0.62:1	0.79:1	0.61:1	1.10:1	0.75:1	0.66:1
Current Ratio	1.25	1.31	1.38	2.05	1.90	1.95	2.45	2.73

*On the increased Share Capital

SOURCES AND APPLICATION OF FUNDS

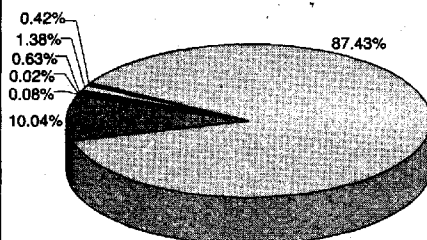
(Rs. in Lacs)

SOURCES OF FUNDS	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
1. Generation from operations –						
Surplus/(Deficit) after taxes	4301	419	(76)	(1271)	(3836)	(5362)
Depreciation	3367	3220	3516	3507	3213	3263
	<u>7668</u>	<u>3639</u>	<u>3440</u>	<u>2236</u>	<u>(623)</u>	<u>(2099)</u>
2. Borrowings (Net)	(5774)	(9)	(4282)	(715)	(5339)	1256
3. Reduction in Working Capital	661	832	8888	–	–	4469
4. Increase in Share Capital	–	–	–	2200	2445	–
5. Share Premium	–	–	–	1980	5378	–
6. Deferred Tax	–	245	2	–	–	–
	<u>2555</u>	<u>4707</u>	<u>8048</u>	<u>5701</u>	<u>1861</u>	<u>3626</u>
APPLICATION OF FUNDS						
1. Fixed Assets	2569	3037	2229	2462	886	3167
2. Investments	(883)	1670	5819	1343	20	123
3. Increase in Working Capital	–	–	–	1896	616	–
4. Dividend	869	–	–	–	339	336
	<u>2555</u>	<u>4707</u>	<u>8048</u>	<u>5701</u>	<u>1861</u>	<u>3626</u>

Figures in brackets are negative

Sales by Activities 2003-2004

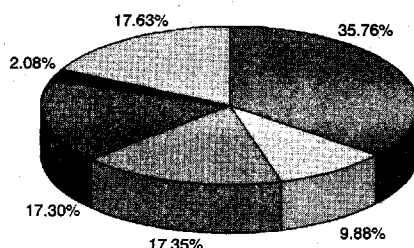
(Rs. in Lacs)



- Cement : 108690 (87.43%)
- Jute : 12476 (10.04%)
- Synthetics & Cotton Yarn : 100 (0.08%)
- Carbide & Gases : 21 (0.02%)
- PVC Goods : 790 (0.63%)
- Auto Trims : 1716 (1.38%)
- VSF : 525 (0.42%)

Revenue Distribution 2003-2004

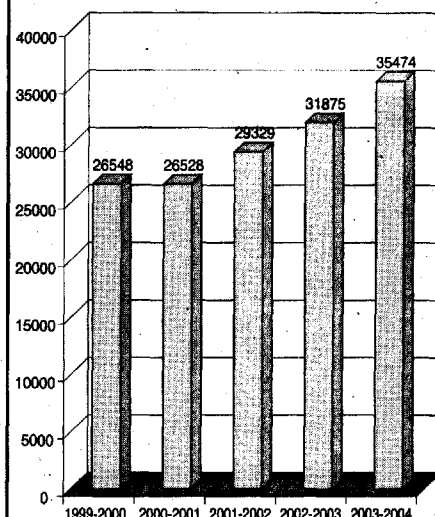
(Rs. in Lacs)



- Raw Materials : 21290 (17.63%)
- Manufacturing Expenses : 43174 (35.76%)
- Payments to & Provisions for Employees : 11934 (9.88%)
- Selling, Administration & Other Expenses : 20929 (17.35%)
- Excise Duty & Taxes : 20892 (17.30%)
- Interest : 2514 (2.08%)

Contribution to National Exchequer for the year ended 2003-2004

(Rs. in Lacs)





DIRECTORS' REPORT

To the Shareholders

Your Directors have pleasure in presenting their Report together with the Audited Accounts of the Company for the year ended March 31, 2004.

	Rs. in Crores	
	31st March, 2004	31st March, 2003
<u>FINANCIAL RESULTS</u>		
Gross Sales	1243.18	1124.20
Gross profit before interest	100.39	70.42
Interest charge	25.14	31.56
Cash Profit	75.25	38.86
Provision for :		
i) Depreciation	33.67	32.20
ii) Taxation	.02 33.69	2.47 34.67
Surplus after provisions	41.56	4.19
Additions :		
i) Excess provision/refund of Income Tax relating to earlier years	1.45	-
ii) Transfer from Debenture Redemption Reserve	3.75	12.50
iii) Balance Brought Forward from last year	29.13 34.33	12.44 24.94
Surplus available for Appropriation	75.89	29.13
Appropriation :		
i) Proposed Dividend	7.70	-
ii) Tax on Distributed Profits	.99	-
iii) General Reserve	14.51 23.20	- -
Balance transferred to Balance Sheet	52.69	29.13



DIVIDEND

Your Directors are pleased to recommend a dividend of Re.1/- per share (i.e.10%) on 7,70,05,347 equity shares subject to approval of Shareholders at the ensuing Annual General Meeting.

GENERAL REVIEW

During the year, the Company's turnover increased by more than 10% to Rs.1243.18 crores as compared to Rs.1124.20 crores in the previous year. The total income for the year is Rs.1277.54 crores, up from Rs.1147.40 crores in the earlier year. The Gross Profit before Interest has been Rs.100.39 crores for the year, up by 42.55%. The interest cost further reduced during the year to Rs.25.14 crores as compared to Rs.31.56 crores in the previous year. The cash profit nearly doubled to Rs.75.25 crores from Rs.38.86 crores in the previous year. The performance of the Company improved as a result of the improvement in the efficiencies of the cement division, near normal working of the jute division and cost control measures undertaken across the Company. Strict controls continued to be exercised on working capital management and the debtors level was further brought down during the year.

EXPORTS

Total exports during the year increased to Rs.50.80 crores as compared to Rs. 48.19 crores during 2002-03. The exports of cement to Nepal continued to suffer due to political instability & insurgency and setting up of a number of clinker grinding units there. Export of jute improved and efforts are being made to further develop the market for both conventional and value-added products.

CORPORATE MATTERS

The Company has taken up projects for setting up power plants of 27 MW each as new industrial undertakings at Satna, M.P., and Chanderia, Rajasthan. These power plants will reduce the cost of power and will give better operational and cost efficiency, which, in turn would make the Company more competitive. Besides, they will ensure reliability of power supply and will be of help to eliminate loss of production.

The Company has taken up steps for expanding the capacity at Durgapur by 1 million tons by setting up a new unit to manufacture Portland Pozzolana Cement by the name of 'Durga Hitech Cement'. The Company is also working on enhancing the clinker capacity of Chanderia Cement Works by 3 Lac Tonnes per annum.

During the year, the Company redeemed 50,00,000-13% Non-convertible Redeemable Secured Debentures.

During the year under review, the Hon'ble High Court at Calcutta vide its order dated 23rd December, 2003, allowed the Company to utilise the Securities Premium Account for the purpose of meeting the deferred tax liabilities required to be provided in terms of AS-22 i.e. "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India. Accordingly, the Securities Premium Account has been utilised towards debit on account of net deferred tax liability amounting to Rs.9.76 crores for the year under review.

REPORT ON CORPORATE GOVERNANCE

A detailed report on Corporate Governance as required in Clause 49 of the Listing Agreement with Stock Exchanges is annexed to this Annual Report. The compliance certificate issued by the auditors of the Company is annexed to this report.

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.

RECOGNITIONS & AWARDS

During the year the Chanderia Unit was awarded 'Certificate of Excellence-2003' by Rajasthan State Productivity Council. The Satna Unit was awarded the first prize for 'Noise, Vibration & Aesthetic Beauty' and also the first prize for maximum percentage reduction in electrical energy consumption per MT of clinker produced.

SOCIAL OBLIGATIONS & ENVIRONMENT

As a part of fulfilling its social obligations, the Company continued to contribute to various social activities and projects for the welfare and uplift of villagers in the areas around its factories. The Company is supporting various educational and medical institutions for the welfare of the employees as well as public of the vicinity. The Chanderia Unit, foreseeing the acute scarcity of water in the locality during summer, has launched an extensive awareness programme named 'Water Resources Management Study' to find the bottlenecks and water balances in the locality and educate the masses on various methods of water conservation.

JOINT VENTURES

Birla-DLW Ltd.

The joint venture company's main overseas markets in Europe remained sluggish during the year under review. Due to economic slow-down and lack of growth in business, the overseas partner has decided to exit from the joint venture. 'Suspension of Operation' has been declared at the Company's plant at Birlapur after the workers resorted to unreasonable demand of higher wages and benefits.

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 -

- (a) in the preparation of the annual accounts for the year ended 31st March, 2004, the applicable accounting standards have



been followed along with proper explanation relating to material departures, wherever applicable;

- (b) 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 2003-04 and of the profit for the year ended 31st March, 2004;
- (c) 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;
- (d) the annual accounts for the year ended 31st March, 2004, 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 Companies (Particulars of Employees) Rules, 1975 during the year under review.

DIRECTORS

Shri Ajay Saraf has been appointed nominee Director of ICICI Bank Limited in place of Shri Arnab Basu. The Board places on record its appreciation for the valuable guidance received from Shri Basu during his tenure as Director of the Company. Shri J.K. Ray has been appointed nominee Director by Industrial Development Bank of India during the year.

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

Shri R.S. Lodha holds office up to the date of the ensuing Annual General Meeting and, being eligible, is proposed to be appointed a Director.

Shri Pracheta Majumdar and Shri Vikram Swarup have been appointed Additional Directors of the Company during the year. They hold office

up to the date of the ensuing Annual General Meeting and, being eligible, are proposed to be appointed Directors.

AUDITORS

The Statutory Auditors and the Branch Auditors of the Company hold office up to the date of ensuing Annual General Meeting. We request you to appoint Auditors for the current year.

Shri Somnath Mukherjee, Cost Accountant, had been appointed Cost Auditor relating to Cement and Jute Goods 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, Debenture holders and Banks.

During the year under review, the workmen of the Company's jute division went on strike for 11 days and subsequent to a Memorandum of Settlement signed between Indian Jute Mills' Association and the Workmen's Union, the strike was called off on 10th January, 2004. 'Suspension of Operations' has been declared with effect from 29th March, 2004 at the Company's Unit: Soorah Jute Mills in view of persistent defiance of the Company's instruction by the workmen and in view of the totally unreasonable stand taken by the Workmen's Union regarding shifting of Soorah Jute Mills to Birlapur.

The Company's Synthetics Unit and Carbide & Gases Division at Birlapur continued to be under 'Suspension of Work' and 'Suspension of Operations' respectively. Barring these, relations with employees continued to be cordial at all its Units. The Board conveys gratitude to all the employees.

Yours faithfully,

R. S. LODHA

Co-Chairman

(MRS.) NANDINI NOPANY
HARSH VARDHAN LODHA
DR. DHARMENDRA BHANDARI
J. K. RAY
PRACHETA MAJUMDAR
AJAY SARAF

Directors

K. C. MITTAL

Managing Director

Kolkata,
Dated the 28th day of April, 2004