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ANNUAL REPORT AND ACCOUNTS 2004 - 05



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 were the principles that governed her approach to life and will be guiding us always in our pursuit for excellence



Shri R. S. Lodha
Chairman



Shri K. C. Mittal
Managing Director

DIRECTORS



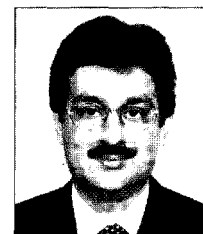
Shri N. K. Kejriwal



Smt. Nandini Nopany



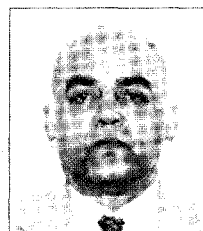
Shri P. K. Kaul



Shri Harsh V. Lodha



Shri Jayanta Kumar Ray



Shri Pracheta Majumdar



Shri Vikram Swarup



BOARD OF DIRECTORS

Shri R. S. Lodha
Chairman

Shri N. K. Kejriwal

Smt. Nandini Nopany

Shri Harsh V. Lodha

Dr. D. Bhandari
(Nominee of UTI, till end-March 2005)

Shri Jayanta Kumar Ray
(Nominee of IDBI)

Shri Pracheta Majumdar

Shri Ajay Saraf
(Nominee of ICICI Bank, till end-March 2005)

Shri Vikram Swarup

Shri P. K. Kaul
(from 24 June, 2005)

Shri K. C. Mittal
Managing Director

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, Raebareilly
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
Birla Vinoleum

Shri A. Kumar
Vice-President
Coordinator
Auto Trim Division

AUDIT COMMITTEE

Shri Pracheta Majumdar
Chairman

Shri N. K. Kejriwal

Shri Ajay Saraf (till end-March, 2005)

Shri Vikram Swarup

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

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NOTICE

To the Shareholders

NOTICE is hereby given that the Annual General Meeting of the Shareholders of the Company will be held at Kalpataru Uttam Mancha, 10/1/1, Manohar Pukur Road, Kolkata - 700 026 on Friday, the 26th August, 2005 at 12 Noon to transact the following business:-

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2005, the Profit & Loss Account for the year ended on that date and the Reports of the Directors and Auditors thereon.
2. To declare dividend on Ordinary Shares.
3. To appoint a director in place of Shri N.K. Kejriwal, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri H.V. Lodha, who retires by rotation and being eligible, offers himself for re-appointment.
5. (i) To appoint Messrs. H. P. Khandelwal & Co., Chartered Accountants as Statutory Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and authorise the Board of Directors to fix their remuneration.
- (ii) To appoint Messrs. Deloitte Haskins & Sells, Chartered Accountants as Branch Auditors for the Company's Unit: Soorah Jute Mills to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and authorise the Board of Directors to fix their remuneration.
6. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-
 "RESOLVED THAT Shri P.K. Kaul, a Director of the Company, who holds office up to the date of this Annual General Meeting pursuant to Section 260 of the Companies Act, 1956 be and is hereby appointed as a Director of the Company, liable to retire by rotation."
7. To consider and if thought fit, to pass with or without modification, the following Resolution as a Special Resolution:-
 "RESOLVED THAT in Article 127 of the Articles of Association of the Company, the words "a fee not exceeding Rs.2000/- for each meeting of the Board or Committee thereof attended by him as may be fixed by the Board from time to time" as appearing therein be deleted and substituted by the words:
 'such sum as sitting fees for attending each meeting of the Board or Committee thereof as may be fixed by the Board from time to time within the limits prescribed in this regard by or under the provisions of the Companies Act, 1956.' "

Registered Office: 'Birla Building',
9/1, R.N. Mukherjee Road,
Kolkata-700 001.

By Order of the Board

Ramesh Kumar Damani
Asst. Vice-President (Taxation)
& Company Secretary

Dated, the 30th day of June, 2005

Notes:

- (1) A member entitled to attend and vote at the above Meeting is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member. Proxies, in order to be effective, must be received by the Company not less than 48 hours before the commencement of the Meeting.
- (2) Members/Proxies should bring the enclosed Attendance Slip duly filled in along with their copies of Annual Report for attending the Meeting.
- (3) The Register of Members and the Share Transfer Books of the Company will remain closed from 12th August, 2005 to 26th August, 2005 (both days inclusive).



- (4) Dividend on Ordinary Shares when approved will be made payable on and after 27th August, 2005 to those members whose names are on the Company's Register of Members on 26th August, 2005. In respect of Shares held in electronic form, the dividend will be payable to the beneficial owners of Shares as at the end of business hours on 11th August, 2005 as per details furnished by the Depositories for this purpose.
- (5) The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under items-6 and 7 as set out above are annexed hereto.
- (6) Shareholders who have not so far encashed their Dividend Warrants for the accounting years ended 31st March, 1998, 1999 & 2004 may immediately approach the Company for revalidation of unclaimed Dividend Warrants.

The money lying in the Unpaid Dividend Account for the year ended 31st March, 1998, will be transferred to Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956 in November 2005.

- (7) As required under the Listing Agreement with the Stock Exchanges given below are the details of the Directors who are proposed to be re-appointed:

Shri N.K. Kejriwal

Shri N.K. Kejriwal is a merchant and holds a prominent position in the Jute and Tea Industries.

He is a Director in the following companies: Rungamattee Tea & Industries Ltd., Mazbat Tea Estate Ltd., Jute & Stores Ltd. and Alwar Investment Co. Ltd.

He is also a Partner of Sampigekhan Estate 2.

Shri Harsh V. Lodha

Shri Harsh V. Lodha is a Chartered Accountant. He is a Partner of M/s. Lodha & Co., Chartered Accountants and on the Board of the following companies: Advance Business Services Ltd., Alfred Herbert (India) Ltd., Baroda Agents & Trading Company Pvt. Ltd., Central Business Services Ltd., City Consultants Ltd., Elco Consultants Ltd., East India Investment Company Pvt. Ltd., Fenner (India) Ltd., Gwalior Webbing Company Pvt. Ltd., Harsh Chemicals Ltd., Hindustan Gum & Chemicals Ltd., Jindal Steel & Power Ltd., Manoraj Investment Ltd., Mazbat Properties Pvt. Ltd., Mazbat Investment Pvt. Ltd., OCL (India) Ltd., Optic Fibre Goa Ltd., Punjab Produce Holdings Ltd., Sicpa India Ltd., Swiss India Financial Services Co. Pvt. Ltd., Shree Guru Carbide & Chemicals Pvt. Ltd., The Punjab Produce & Trading Company Pvt. Ltd., Universal Cables Ltd. and Vindhya Telelinks Ltd.

He is a Committee Member of Federation of Indian Chamber of Commerce & Industry (FICCI) and Indian Chamber of Commerce.

He is also a Member of the Audit Committees of Fenner (India) Ltd. and Jindal Steel & Power Ltd. and is the Chairman of the Audit Committees of OCL (India) Ltd. and Sicpa India Ltd.

Shri P.K. Kaul

Shri P.K. Kaul, appointed as Additional Director, did his Masters in public administration from the University of Harvard, U.K. He rose to the highest positions and became Commerce Secretary, Defence Secretary, Finance Secretary and finally the Cabinet Secretary of Government of India. He also served as India's Ambassador to the United States of America during the period from 1986 to 1989. He presently advises industrial and financial institutions on the matters relating to corporate planning and financial management.

He is on the Board of the following companies: The Tata Iron & Steel Company Ltd., Sagar Tourist Resorts Ltd., Lupin Ltd., Duncan Industries Ltd., Creditcapital Investment Trust Co. Ltd., Select Holiday Resorts Ltd., Eveready Industries India Ltd., Sagar Entertainment Ltd., Havell's India Ltd., J.K. Paper Ltd., Hindustan Gum & Chemicals Ltd., Exl. Services Com. (I) Ltd., Kailash Hospital & Research Centre Ltd. and Dynamic Advertising & Research Team Pvt. Ltd.

He is the Chairman of the Audit Committee of The Tata Iron & Steel Company Ltd., Duncan Industries Ltd. and Havell's India Ltd. and is the member of Audit Committee of J.K. Paper Ltd., Eveready Industries India Ltd., Kailash Hospital & Research Centre Ltd. and the member of Shareholders/Investors Grievance Committee. He is also the member of Remuneration Committee of Lupin Ltd., Eveready Industries India Ltd., Duncan Industries Ltd. and Kailash Hospital & Research Centre Ltd.



Explanatory Statement [Pursuant to Section 173(2) of the Companies Act, 1956]

Item No.6

Shri P.K. Kaul was appointed as Additional Director of the Company on 24th June, 2005 pursuant to Section 260 of the Companies Act, 1956. Shri P.K. Kaul holds the office of a Director up to the date of the ensuing Annual General Meeting. Notices in writing along with a deposit of Rs.500/- have been received from some members as required under Section 257 of the Companies Act, 1956 signifying their intention to propose the candidature of Shri P.K. Kaul to the office of Director.

To strengthen the Board of Directors of the Company and keeping in view the vast experience of Shri P.K. Kaul in the diverse fields like public administration, corporate planning and financial management, your Directors considered it to be in the interest of the Company to appoint him as a Director retiring by rotation as per the provisions of the Companies Act, 1956.

Your Directors, therefore, recommend the said Resolution for your approval.

Shri P.K. Kaul is interested in the Resolution.

None of the remaining Directors of the Company is concerned or interested in the Resolution.

Item No.7

Article 127 of the Articles of Association of the Company prescribes a maximum of Rs.2000/- as fees for each meeting of the Board or Committee attended by any Director. The amended clause 49 of the Listing Agreement with the Stock Exchanges as notified by SEBI and to be applicable from 31st December, 2005, inter-alia requires that all compensation paid to Non-executive Directors shall be fixed by the Board of Directors of the Company and shall require previous approval of shareholders in General Meeting. In view of the increase in the Company's activities and the consequent increase in the responsibilities of the Directors, it is considered desirable to authorise the Board of Directors of the Company to fix the sum to be paid as sitting fees to each Director for attending any meeting of the Board or Committee thereof. Such sum shall not exceed the limit prescribed in this regard under Section 310 of the Companies Act, 1956 and Rule 10B of the Companies (Central Government's) General Rules and Forms, 1956 as amended from time to time. Accordingly, it is proposed to amend Article 127 of the Article of Association of the Company.

Your Directors, therefore, recommend the said Resolution for your approval.

All the Directors of the Company are interested in the Resolution to the extent of sitting fee that may be received by them.

A copy of the Memorandum and Articles of Association of the Company showing proposed alteration is available for inspection at the registered office of the Company between 11.00 a.m. and 1.00 p.m. on any working day prior to the date of meeting and at the venue of the Annual General Meeting on the date of the meeting during meeting hours.

Registered Office: 'Birla Building',
9/1, R.N. Mukherjee Road,
Kolkata-700 001.

By Order of the Board

Dated, the 30th day of June, 2005

Ramesh Kumar Damani
Asst. Vice-President (Taxation) &
Company Secretary

FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999	1993-1994
OPERATING RESULTS								
Turnover	134264	116891	112420	112391	102130	101184	87330	78288
Surplus before Interest & Depreciation	14522	10039	7043	7065	6567	4632	3248	7693
Interest	2169	2514	3157	3621	4371	5253	5341	3967
Surplus/(Deficit) after Interest but before Depreciation	12353	7525	3886	3444	2196	(621)	(2093)	3726
Depreciation	2983	3367	3220	3516	3507	3213	3263	2316
Income/Wealth Tax	683	2	247	4	(40)	2	6	(125)
Net Profit	8687	4156	419	(76)	(1271)	(3836)	(5362)	1535
Dividend	1317	869	—	—	—	—	339	764
Retained Earnings	7370	3287	419	(76)	(1271)	(3836)	(5701)	771
ASSETS & LIABILITIES								
Fixed Assets :								
Gross Block	98104	90301	88909	86190	84515	82202	81386	65339
Net Block	40297	32547	33490	33819	35253	36444	38917	32885
Current & Other Assets and Investments	37439	32099	31978	31266	32953	30559	27644	25650
Total Assets	77736	64646	65468	65085	68206	67003	66561	58535
Represented by :								
Share Capital	7701	7701	7701	7701	7701	5501	3056	3056
Reserves & Surplus	23578	18049	15738	15464	15558	14995	13598	21050
Net Worth	31279	25750	23439	23165	23259	20496	16654	24106
Borrowings	24156	20712	26487	26496	30778	31492	36831	24050
Current Liabilities & Provisions	22302	18185	15543	15424	14169	15015	13076	10379
RATIOS								
Earnings per Ordinary Share (Rs.)	11.28	5.40	0.54	(0.10)	(2.17)	(6.97)	(17.54)	5.02
Cash Earnings per Ordinary Share (Rs.)	13.44	8.64	4.73	4.47	4.05	(1.13)	(6.87)	12.19
Net Worth per Ordinary Share (Rs.)	40.62	33.44	30.44	30.08	30.20*	37.26*	54.50	78.89
Debt Equity Ratio (on long-term loans)	0.31:1	0.25:1	0.41:1	0.62:1	0.79:1	0.61:1	1.10:1	0.63:1
Current Ratio	1.28	1.25	1.31	1.38	2.05	1.90	1.95	2.45

* On the increased Share Capital

SOURCES AND APPLICATION OF FUNDS

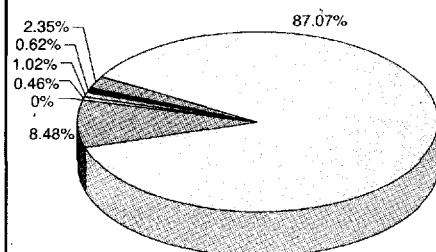
(Rs. in Lacs)

SOURCES OF FUNDS	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1999-2000
1. Generation from operations –						
Surplus/(Deficit) after taxes	8687	4301	419	(76)	(1271)	(3836)
Depreciation	2983	3367	3220	3516	3507	3213
	<u>11670</u>	<u>7668</u>	<u>3639</u>	<u>3440</u>	<u>2236</u>	<u>(623)</u>
2. Borrowings (Net)	3445	(5774)	(9)	(4282)	(715)	(5339)
3. Reduction in Working Capital	–	661	832	8888	–	–
4. Increase in Share Capital	–	–	–	–	2200	2445
5. Share Premium	–	–	–	–	1980	5378
6. Deferred Tax	–	–	245	2	–	–
	<u>15115</u>	<u>2555</u>	<u>4707</u>	<u>8048</u>	<u>5701</u>	<u>1861</u>
APPLICATION OF FUNDS						
1. Fixed Assets	10813	2569	3037	2229	2462	886
2. Investments	1211	(883)	1670	5819	1343	20
3. Increase in Working Capital	1774	–	–	–	1896	616
4. Dividend	1317	869	–	–	–	339
	<u>15115</u>	<u>2555</u>	<u>4707</u>	<u>8048</u>	<u>5701</u>	<u>1861</u>

Figures in brackets are negative

Sales by Activities 2004-2005

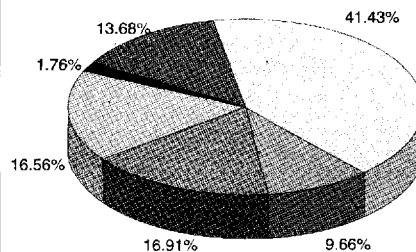
(Rs. in Lacs)



- Cement : 116899 (87.07%)
- Jute : 11387 (8.48%)
- Carbide & Gases : 5 (0.00%)
- PVC Goods : 622 (0.46%)
- Auto Trims : 1364 (1.02%)
- VSF : 837 (0.62%)
- BCL Export : 3150 (2.35%)

Revenue Distribution 2004-2005

(Rs. in Lacs)



- Raw Materials : 16839 (13.68%)
- Manufacturing Expenses : 51025 (41.43%)
- Payments to & Provisions for Employees : 11896 (9.66%)
- Selling, Administration & Other Expenses : 20814 (16.91%)
- Excise Duty & Taxes : 20390 (16.56%)
- Interest : 2169 (1.76%)

Contribution to National Exchequer for the year ended 2004-2005

(Rs. in Lacs)

