



ANNUAL REPORT & ACCOUNTS 2005-06



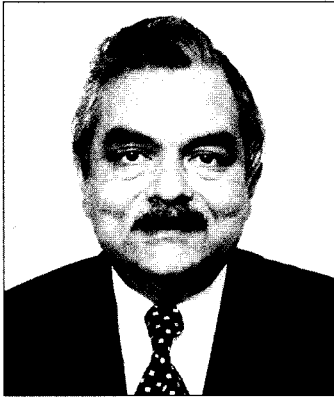
Madhav Prasadji Birla
(1918-1990)

Visionary. Pioneer. Karmayogi. His inspiring spirit of enterprise continues to be the guiding force for all our activities and future growth

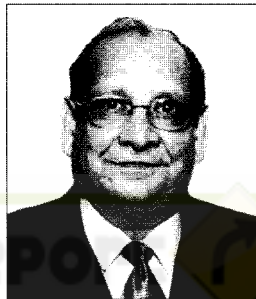


Priyamvadaji Birla
(1928-2004)

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 Rajendra S. Lodha
Chairman



Shri K. C. Mittal
Managing Director

DIRECTORS



Shri N. K. Kejriwal



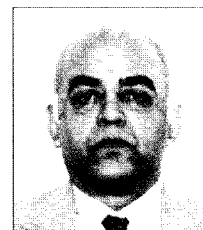
Smt. Nandini Nopany



Shri P. K. Kaul



Shri Harsh V. Lodha



Shri Pracheta Majumdar



Shri Vikram Swarup

BIRLA CORPORATION LIMITED

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 Tuesday, the 19th September 2006, at 11-30 A.M. to transact the following business:-

ORDINARY BUSINESS:

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2006, 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 P. Majumdar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a director in place of Shri V. Swarup, who retires by rotation and being eligible, offers himself for re-appointment.
5. 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.

SPECIAL BUSINESS:

6. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-
"RESOLVED that Shri Anand Bordia, who was appointed as an Additional Director of the Company, 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 an Ordinary Resolution:-
"RESOLVED that Shri B.R. Nahar, who was appointed as an Additional Director of the Company, 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."
8. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-
"RESOLVED that in accordance with the provisions of Sections 198, 269, 309 and other applicable provisions, if any, read with Schedule XIII of the Companies Act, 1956, the Company hereby approves the appointment of Shri B.R. Nahar, a Director as Executive Director & Chief Executive Officer of the Company, not liable to retire by rotation, for a period of 3 years with effect from 3rd August 2006, on the terms and conditions including remuneration, as set out in the agreement entered into by the Company with him and placed before the meeting for approval, with further authority to the Board (which term shall be deemed to include Remuneration Committee) to alter and vary the terms and conditions of the said appointment and/or agreement provided that the total remuneration payable to Shri B.R. Nahar shall not exceed the limit specified under the Companies Act and Schedules appended thereto as amended from time to time."
9. To consider and if thought fit, to pass with or without modification, the following Resolution as an Ordinary Resolution:-
"RESOLVED that the consent of the shareholders of the Company be and is hereby accorded pursuant to Section 293(1)(d) of the Companies Act, 1956 to the Board of Directors of the Company to borrow, from time to time as they may think fit for the purpose of the Company's business, any sum or sums of money which, together with the moneys already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) may exceed the aggregate of the paid up capital of the Company and its free reserves, that is to say reserves not set apart for any specific purpose, provided that aggregate of the moneys borrowed or to be borrowed by the Board of Directors of the Company shall not at any time exceed Rs.1000 crores over and above the aggregate of the paid up capital of the Company and its free reserves as per the last audited annual accounts."



10. To consider, and if thought fit, to pass with or without modifications, the following Resolution as a Special Resolution:

“RESOLVED that pursuant to Section 163 of the Companies Act, 1956 and in supersession of Resolution passed at the Extraordinary General Meeting held on 17th October, 2003, approval be and is hereby accorded to keep the Register of Members, the Index of Members, copies of the Annual Return of the Company and other related books and documents prepared and made under Sections 150, 151 and 159 of the Companies Act, 1956 together with the copies of Certificates and documents required to be annexed to the copies of the Annual Return under Section 161 of the Companies Act, 1956 or any one or more of them be kept at the premises of M/s. Intime Spectrum Registry Limited, 77/2A, Hazra Road, Kolkata-700 029, who is proposed to be appointed as the Registrar & Share Transfer Agent of the Company.”

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

By Order of the Board

Girish Sharma
Asstt. Vice-President (Indirect Taxes)
& Acting Company Secretary

Dated, the 7th August, 2006

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 5th September, 2006 to 19th September 2006, (both days inclusive).
- (4) Dividend on ordinary shares, when approved at the Meeting, will be paid to those members –
 - (a) whose names appear as Beneficial Owners as at the end of business hours on 4th September 2006, in the list furnished by National Securities Depository Limited and Central Depository Services (India) Limited in respect of the shares held in electronic form, and
 - (b) whose names appear as Members in the Register of Members of the Company after giving effect to valid share transfers in physical form lodged with the Company on or before 4th September 2006.
- (5) The Explanatory Statements pursuant to Section 173(2) of the Companies Act, 1956 in respect of the business under items 6, 7, 8, 9 and 10 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 1999, 2004 & 2005, 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, 1999, will be transferred to Investor Education and Protection Fund established by the Central Government under Section 205C of the Companies Act, 1956 in November 2006.

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

Shri Pracheta Majumdar

Shri Pracheta Majumdar, aged 62 years, is a Mechanical Engineer and a Management Advisor by profession. He possesses more than 37 years of experience in diverse fields. He has worked in the fields of design and project management of Chemicals, Petrochemical and Fertilizer plants. He worked with Hindustan Lever Limited for 12 years. He was the Managing Director of CEAT Tyres Limited. Shri Majumdar has attended various international management seminars across the world.

He is a director in M/s. Vindhya Telelinks Limited.

He is a member of the Audit Committee, the Remuneration Committee and the Share Transfer-cum-Investors Grievance Committee of M/s. Vindhya Telelinks Limited.

Shri Vikram Swarup

Shri Vikram Swarup, aged 58 years, a Mechanical Engineer having obtained First division with honours, is acknowledged as an authority on thermal design of cooling towers in India. He has vast experience in Marketing, Engineering and other General Management functions.

He is the Managing Director of M/s. Paharpur Cooling Towers Limited and is also Director in the following Companies: Selecto Pac Private Limited, Doyopack Private Limited, Melvin Powell Vanaspati & Engineering Industries Limited, Industrial & Prudential Investment Company Limited and Hastera Pvt. Limited

He is not a member of any Audit, Remuneration or Shareholders/Investors Grievance Committee in any of these companies.

Shri Anand Bordia

Shri Anand Bordia, appointed as Additional Director and presently consultant at Asian Development Bank, did his Masters from St. Stephen's College, Delhi University. He has 35 years of professional experience and has worked at very senior levels in Government of India and International Organizations. During the period 2002 – 05 he was Member (Finance) in National Highways Authority of India. As an Officer of the Indian Customs and Excise Service, he held various positions such as Collector of Customs, Delhi, Additional Director General Systems, and Director Audit. He served as First Secretary, Trade, High Commission of India, London. As the Joint Secretary in the Ministry of Social Justice and Empowerment, he initiated project OASIS (Old Age Social and Income Security). Shri Bordia also worked in the Secretariat of the World Customs Organisation, Brussels, Belgium for 7 years. He conducted several technical assistance programmes on tariffs and trade matters, border control and tax modernization in Asia, Africa and South American countries for the Harvard Institute for International Development, UNCTAD and the World Customs Organisation.

Shri Anand Bordia is not on the Board of any other Company.

Shri B. R. Nahar

Shri B.R. Nahar, appointed as Additional Director, is a Commerce Graduate and a Fellow Member of the Institute of Chartered Accountants of India and possesses 32 years' professional experience in diverse fields at senior positions in various large corporate houses and has been associated with the Company for more than 3 years as Executive President.

Shri B.R. Nahar is on Board of the following companies: Birla Ericsson Optical Limited, Birla Readymix Private Limited, Birla Odessa Industries Private Limited, Budge Budge Floorcoverings Limited, Jagajanani Investment & Trading Company Private Limited, Mili Consultants & Investment Private Limited and BRN Commodities & Trading Company Private Limited.

He is not a member of any Audit, Shareholders/Investors Grievance Committee and Remuneration Committee in any of these companies.

EXPLANATORY STATEMENT

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

Items of Special Business:

Item No. 6

Shri Anand Bordia was appointed as an Additional Director of the Company on 31st July, 2006 pursuant to Section 260 of the Companies Act, 1956. Shri Anand Bordia 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 Anand Bordia to the office of Director.

To strengthen the Board of Directors of the Company and keeping in view the vast experience of Shri Anand Bordia in the diverse fields like finance, indirect taxes, infra-structure projects and social justice, 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 Anand Bordia is interested in the Resolution.

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



Item No. 7

At the meeting of Board of Directors held on 31st July, 2006 Shri B.R. Nahar was appointed as an Additional Director of the Company, pursuant to Section 260 of the Companies Act, 1956 with effect from 3rd August 2006. Shri B.R. Nahar 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 B.R. Nahar to the office of Director.

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

Shri B.R. Nahar is interested in the Resolution.

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

Item No. 8

The Board of Directors at its meeting held on 31st July, 2006 has appointed Shri B.R. Nahar, as Executive Director & Chief Executive Officer of the Company, not liable to retire by rotation, for a period of 3 years with effect from 3rd August 2006, subject to approval of the members at the ensuing Annual General Meeting and other required approvals, if any, on the terms and conditions including remuneration as incorporated in the agreement entered into between the Company and Shri Nahar.

Shri B.R. Nahar is a Commerce Graduate and a Fellow Member of the Institute of Chartered Accountants of India and possesses 32 years' professional experience in diverse fields at senior positions in various large corporate houses and has been associated with the Company for more than 3 years.

Considering the background, competence and experience of Shri B.R. Nahar, the terms of his remuneration as set out hereinbelow are considered to be fair, just and reasonable.

1. **Period of Appointment:** 3rd August, 2006 to 2nd August 2009.

2. **Remuneration:**

a) **Salary:**

Rs.1,20,000 [(Rupees One lac twenty thousand only) per month in the scale of Rs.1,20,000 – Rs.15,000 – Rs.1,80,000]. The increase in salary will take effect from 1st day of April every year.

b) **Performance Linked Bonus:**

Performance Linked Bonus as may be approved by the Board from time to time subject to a maximum of Rs. 10,00,000 (Rupees Ten lacs only) in each year of his tenure.

c) **Perquisites:**

Perquisites mentioned hereinafter will be restricted to an amount equivalent to the annual salary as mentioned in para 2(a) above to be reckoned on the basis of actual expenditure or liability incurred by the Company as provided under explanation to Section 198 of the Companies Act, 1956. Within this overall limit, the perquisites that may be allowed by the Company and the quantum thereof are as mentioned hereinafter.

i) **Residential accommodation:**

(a) Free furnished residential accommodation

Or

In case the Company hires accommodation, then expenditure incurred by the Company on hiring the same will be subject to the limit of 60% of the salary.

Or

In case no accommodation is provided, the Executive Director shall be entitled to house rent allowance @ 60% of the salary.

b) In addition, the actual expenditure incurred on gas, electricity and water will be borne by the Company. However, the same will be valued as per the Income Tax Rules, 1962.

ii) **Medical Reimbursement:**

Expenses incurred for self and family (including medi-claim insurance premium) in accordance with the Rules of the Company.

iii) **Leave Travel Concession:**

For self and family, once in a year, in accordance with the Rules of the Company.

iv) **Furnishing Allowance:**

In accordance with the Rules of the Company.

v) **Other Allowance:**

Any other allowances, benefits and perquisites as per the Rules of the Company as are applicable to the Senior Executives of the Company and/or which may become applicable in the future and/or any other allowances, benefits and perquisites as the board may from time to time decide.

vi) **Club Fees:**

Fees of Clubs subject to a maximum of two Clubs. This will not include admission and life membership fees.

vii) **Personal Accident Insurance:**

Personal Accident Insurance Policy of an amount the annual premium of which does not exceed Rs.7,500 (Rupees seven thousand five hundred only).

viii) **Car and Telephone:**

Free use of Company's Car for Company's work as well as for personal purposes along with driver and telephone at residence at Company's cost.

ix) In addition to the above, he will also be entitled to the following:

a) **Provident Fund:**

Company's contribution towards Provident Fund as per the Rules of the Company.

b) **Pension/Superannuation Fund:**

Company's contribution towards Pension/ Superannuation Fund will be @ 15% of salary.

c) **Gratuity:**

As per the Rules of the Company, but not exceeding half a month's salary for each completed year of service.

d) **Leave:**

Leave with full pay and allowances (including encashment of unavailed earned leave thereof) as per the Rules of the Company.

For the purpose of Provident Fund, Pension/ Superannuation Fund, Gratuity and leave benefit, the service of Shri B.R. Nahar, Executive Director & Chief Executive Officer will be considered as continuous service from the date of his joining the Company without considering any break in service.

x) **Minimum Remuneration:**

Notwithstanding the above, where in any financial year during the currency of tenure of the Executive Director and Chief Executive Officer, the Company has no profits or its profits are inadequate, it may pay him remuneration by way of salary and perquisites not exceeding the overall limit prescribed in Schedule XIII and other applicable provisions of the Companies Act, 1956, or any amendment thereof as minimum remuneration subject to the conditions stipulated therein in addition to the amounts mentioned in para 2(c), ix (a), (b) & (c) and encashment of leave at the end of the tenure which shall not be included in the computation of the ceiling of remuneration.

3. The Executive Director and Chief Executive Officer will also be entitled to reimbursement of entertainment expenses actually and properly incurred in the course of legitimate business of the Company.
4. The headquarters of the Executive Director and Chief Executive Officer will be based at Kolkata for attending his duties.
5. The Executive Director and Chief Executive Officer shall generally look after the management of the affairs of the Company subject to the overall superintendence, control and directions of the Board of Directors of the Company. The Directors may from time to time entrust to the Executive Director and Chief Executive Officer such of the powers exercisable by the Directors as they think fit and may confer such powers for such time and to be exercised for such objects and purposes and upon such terms and conditions and with such restrictions as they may think proper.



A copy of the agreement setting out the terms of appointment of Shri B.R. Nahar as Executive Director & Chief Executive Officer of the Company is available for inspection by any member of the Company at the Registered Office between 10 A.M. and 12 Noon on any working day excluding Saturday and Sunday and will also be available for inspection during the Meeting.

Shri B.R. Nahar, being the appointee is interested in the proposed Resolution which pertains to his appointment and payment of remuneration to him. Except Shri B.R. Nahar, none of the Directors of the Company is concerned or interested in the Resolution.

This may be regarded as an abstract of the terms of appointment of Shri B.R. Nahar as Executive Director & Chief Executive Officer and Memorandum of interest under Section 302 of the Companies Act, 1956.

The Board recommends that the Resolution be passed in the interest of the Company.

Item No. 9

Pursuant to Section 293(1)(d) of the Companies Act, 1956 the Board of Directors of the Company can borrow a sum higher than the aggregate amount of the paid up capital of the Company and its free reserves only with the consent of the shareholders of the Company in general meeting.

The shareholders of the Company at an Extra-ordinary General Meeting held on 23rd December, 1985 authorised the Board of Directors of the Company to borrow moneys upto Rs.400 crores over and above the aggregate of the Company's paid-up capital and free reserves amounting to Rs.78.84 crores.

In view of the expanding activities of the Company and various projects that the Company may undertake to capitalise on any opportunity, it is proposed to increase the said borrowing limit to Rs.1000 crores over and above the aggregate of the paid-up capital of the Company and its free reserves as per the last audited annual accounts.

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

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

Item No. 10

At the Extra-ordinary General Meeting of the Company held on 17th October, 2003 the shareholders of the Company approved, pursuant to Section 163 of the Companies Act, 1956, keeping of the Registers of Members, the Index of Members, copies of the Annual Return of the Company and other related books and documents prepared and made under Sections 150, 151 and 159 of the Companies Act, 1956 together with the copies of Certificates and documents required to be annexed to the copies of the Annual Return under Section 161 of the Companies Act, 1956, at the premises of the Company's Registrar & Share Transfer Agent M/s. MCS Limited at 77/2A, Hazra Road, Kolkata – 700 029.

M/s. MCS Limited, Kolkata has informed the Company about the sale of their registry business to M/s. Intime Spectrum Registry Limited, 77/2A, Hazra Road, Kolkata – 700 029, a Registry House operating across India for last 15 years and having 700 companies as its clients.

In view of the above development, it is proposed to appoint M/s. Intime Spectrum Registry Limited, 77/2A, Hazra Road, Kolkata – 700 029, as Registrar & Share Transfer Agent of the Company in place of M/s. MCS Limited with such effective date based on shifting of depository connectivity and the records from M/s. MCS Limited to M/s. Intime Spectrum Registry Limited. It is, therefore, proposed to keep the above-mentioned records of the Company at the premises of M/s. Intime Spectrum Registry Limited, 77/2A, Hazra Road, Kolkata – 700 029 for the convenience of the shareholders. Under Section 163 of the Companies Act, 1956, consent of the Members by a Special Resolution is required for keeping the Registers/Documents etc. at a place other than the Registered Office of the Company. Approval of the shareholders is, therefore, sought under Section 163 of the Companies Act, 1956 for the same.

As required by the provisions of Section 163 of the Companies Act, 1956, the Registrar of Companies, West Bengal, Kolkata is being given a copy of the proposed Special Resolution.

Yours Directors recommend the Special Resolution for your approval.

None of the Directors is concerned or interested in this Resolution except to the extent of their shareholding in the Company.

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

By Order of the Board

Girish Sharma
Asstt. Vice-President (Indirect Taxes)
& Acting Company Secretary

Dated, the 7th August, 2006