



BIRLA
CORPORATION
LIMITED

MP BIRLA GROUP

ANNUAL REPORT AND ACCOUNTS 2006-07



**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 B. R. Nahar
Executive Director & CEO

DIRECTORS



Shri N. K. Kejriwal



Smt. Nandini Nopany



Shri P. K. Kaul



Shri Harsh V. Lodha



Shri Pracheta Mejjunder



Shri Vikram Swarup



Shri Anand Bordia



Shri B. B. Tandon

BOARD OF DIRECTORS

Shri Rajendra S. Lodha
Chairman

Shri N. K. Kejriwal

Smt. Nandini Nopany

Shri Harsh V. Lodha

Shri Pracheta Majumdar

Shri Vikram Swarup

Shri P. K. Kaul (till 27.02.07)

Shri Anand Bordia (from 31.07.06)

Shri B. B. Tandon (from 30.05.07)

Shri K. C. Mittal
Managing Director (till 02.08.06)

Shri B. R. Nahar
Executive Director & CEO (from 03.08.06)

SENIOR MANAGEMENT TEAM

Shri G. Jayaraman
Executive President

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

Shri V. K. Hamirwasia
President
Birla Cement Works
Chandaria Cement Works

Shri K. K. Sharma
Joint President
Management Audit

CHIEF FINANCIAL OFFICER

Shri P. K. Chand

Dr D. Ghosh
Joint President
New Projects and R&D

ACTING COMPANY SECRETARY

Shri Girish Sharma

Shri P. C. Mathur
Joint President
Durgapur Cement Works
Durga Hitech Cement

AUDITORS

H. P. Khandelwal & Co.
Chartered Accountants
Kolkata

Shri P. Chatterji
Joint President
Jute Division

Shri A. K. Dalmiya
Sr. Vice-President
Birla Vinoleum

REGISTERED & PRINCIPAL OFFICE

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

Dr. S. Goswami
Vice-President
Auto Trim Division

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FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002	2000-2001	1995-1996
OPERATING RESULTS								
Turnover	179451	143344	134264	116891	112420	112391	102130	106465
Surplus before Interest & Depreciation	51992	19187	14522	10039	7043	7065	6567	13448
Interest	1853	1362	2169	2514	3157	3621	4371	3993
Surplus/(Deficit) after Interest but before Depreciation	50139	17825	12353	7525	3886	3444	2196	9455
Depreciation	3965	3416	2983	3367	3220	3516	3507	2629
Income/Fringe Benefit/Wealth Tax	13551	1833	683	2	247	4	(40)	2450
Net Profit	32623	12576	8687	4156	419	(76)	(1271)	4376
Dividend	3153	1976	1317	869	—	—	—	1070
Retained Earnings	29470	10600	7370	3287	419	(76)	(1271)	3306
ASSETS & LIABILITIES								
Fixed Assets :								
Gross Block	116151	112821	98104	90301	88909	86190	84515	73471
Net Block	52630	53037	40297	32547	33490	33819	35253	35890
Current & Other Assets and Investments	85525	42807	37439	32099	31978	31266	32953	35335
Total Assets	138155	95844	77736	64646	65468	65085	68206	71225
Represented by :								
Share Capital	7701	7701	7701	7701	7701	7701	7701	3056
Reserves & Surplus	58880	30723	23578	18049	15738	15464	15558	25707
Net Worth	66581	38424	31279	25750	23439	23165	23259	28763
Borrowings	28265	27178	24156	20712	26487	26496	30778	24249
Current Liabilities & Provisions	43309	30242	22302	18185	15543	15424	14169	18213
RATIOS								
Earnings per Ordinary Share (Rs.)	42.36	16.33	11.28	5.40	.54	(0.10)	(2.17)*	14.32
Cash Earnings per Ordinary Share (Rs.) (annualised)	47.51	20.77	15.15	9.77	4.73	4.47	2.90*	22.92
Net Worth per Ordinary Share (Rs.)	86.46	49.90	40.62	33.44	30.44	30.08	30.20*	94.13
Debt Equity Ratio (on long-term loans)	.14:1	.32:1	.31:1	.25:1	.41:1	.62:1	.79:1	.40:1
Current Ratio	1.18	1.03	1.28	1.25	1.31	1.38	2.05	1.85

* On the increased Share Capital

SOURCES AND APPLICATION OF FUNDS

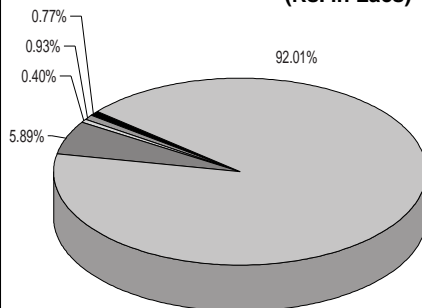
(Rs. in Lacs)

SOURCES OF FUNDS	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003	2001-2002
1. Generation from operations –						
Surplus/(Deficit) after taxes	32623	12576	8687	4301	419	(76)
Depreciation	3965	3416	2983	3367	3220	3516
	<u>36588</u>	<u>15992</u>	<u>11670</u>	<u>7668</u>	<u>3639</u>	<u>3440</u>
2. Borrowings (Net)	1087	3022	3445	(5774)	(9)	(4282)
3. Reduction in Working Capital	—	5707	—	661	832	8888
4. Increase in Share Capital	—	—	—	—	—	—
5. Share Premium	—	—	—	—	—	—
6. Deferred Tax	—	—	—	—	245	2
	<u>37675</u>	<u>24721</u>	<u>15115</u>	<u>2555</u>	<u>4707</u>	<u>8048</u>
APPLICATION OF FUNDS						
1. Fixed Assets	3637	16234	10813	2569	3037	2229
2. Investments	24476	6511	1211	(883)	1670	5819
3. Increase in Working Capital	6409	—	1774	—	—	—
4. Dividend	3153	1976	1317	869	—	—
	<u>37675</u>	<u>24721</u>	<u>15115</u>	<u>2555</u>	<u>4707</u>	<u>8048</u>

Figures in brackets are negative

Sales by Activities 2006-2007

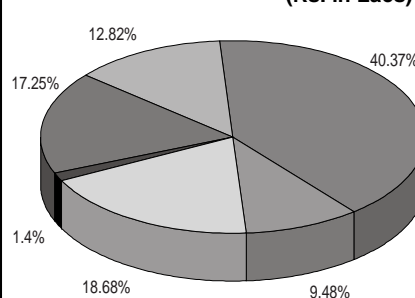
(Rs. in Lacs)



- Cement : 165111 (92.01 %)
- Jute : 10572 (5.89%)
- Carbide & Gases : 8 (0.00%)
- PVC Goods : 715 (0.40%)
- Auto Trims : 1668 (0.93%)
- VSF : 1377 (0.77%)

Revenue Distribution 2006-2007

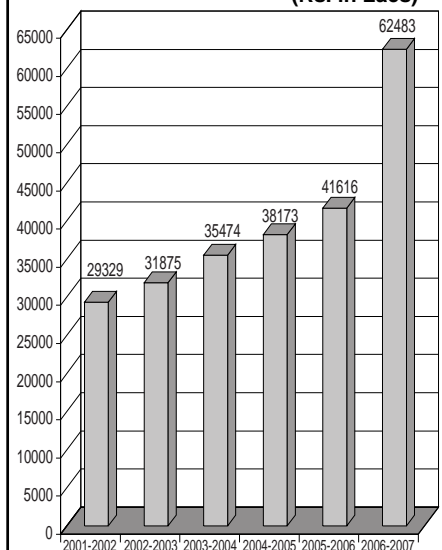
(Rs. in Lacs)



- Raw Materials : 16917 (12.82%)
- Manufacturing Expenses : 53278 (40.37%)
- Payments to & Provisions for Employees : 12510 (9.48%)
- Selling, Administration & Other Expenses : 24644 (18.68%)
- Interest : 1853 (1.40%)
- Excise Duty : 22760 (17.25%)

Contribution to National Exchequer for the year ended 2006-2007

(Rs. in Lacs)



DIRECTORS' REPORT

To the Shareholders

Your Directors have pleasure in presenting their annual report on the business and operations of your Company together with the audited accounts for the year ended 31st March, 2007, which was best ever in the history of the Company since its inception.

	(Rs. in Crores)			
	<u>31st March, 2007</u>		<u>31st March, 2006</u>	
FINANCIAL RESULTS				
Income for the year	<u>1593.41</u>		<u>1228.61</u>	
Gross Profit before interest	<u>519.92</u>		<u>191.87</u>	
Interest Charge	<u>18.53</u>		<u>13.62</u>	
Profit before Depreciation & Tax	<u>501.39</u>		<u>178.25</u>	
Provision for				
i) Depreciation	39.65		34.16	
ii) Taxation	<u>135.51</u>	<u>175.16</u>	<u>18.33</u>	<u>52.49</u>
Profit after Tax	<u>326.23</u>		<u>125.76</u>	
Additions:				
i) Excess provision/refund of Income Tax relating to earlier years	—		.01	
ii) Balance Brought Forward from last year	<u>133.65</u>	<u>102.64</u>	<u>102.65</u>	
Surplus available for Appropriation	<u>459.88</u>		<u>228.41</u>	
Appropriation:				
i) Proposed Dividend	26.95		17.33	
ii) Corporate Dividend Tax	4.58		2.43	
iii) General Reserve	<u>250.00</u>	<u>281.53</u>	<u>75.00</u>	<u>94.76</u>
Balance transferred to Balance Sheet	<u>178.35</u>		<u>133.65</u>	

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.3.50 per share (i.e. 35%) on 7,70,05,347 ordinary shares for the year ended 31st March, 2007 aggregating to Rs.31.53 crores including Corporate Dividend Tax of Rs.4.58 crores as compared to Rs.19.76 crores (including Corporate Dividend Tax of Rs.2.43 crores) in the previous year.

GENERAL REVIEW

During the year 2006-07 the production of cement was at all time high at 5.26 million tonnes. The Company achieved the highest ever turnover of Rs.1794.51 crores, 25.19% growth over the previous year and highest ever profit after tax of Rs.326.23 crores as compared to Rs.125.76 crores of previous year. The Earning per Share (EPS) was at Rs.42.36, a growth of 159.40%.

The most satisfactory results have been achieved on the back of increased share of blended cement in the overall cement sales, better realisation and higher volumes in the cement division. Installation of power plants at Company's cement Units at Satna and Chanderia in the previous year has helped in bringing down the power cost substantially. Continued efforts in the part of the management to control costs across all the divisions and at all levels have also contributed.

Management Discussion and Analysis Report, covering the performance details of each division separately, is annexed hereto.

EXPANSION AND MODERNISATION

During the year under review, the Company has embarked upon expansion projects at Satna and Chanderia, which would effectively enhance the cement capacity by 1.70 million tonnes. The projects are being implemented as per schedule and it is expected that the expanded capacity would be commissioned during the year 2008-09, in phases.

CORPORATE MATTERS

The Company's capacity enhancement project at Durgapur viz. Durga Hitech Cement, which commenced commercial production during the previous year, could not achieve the expected level of capacity utilisation due to frequent trouble in the cement mill, wagon tippler and the resistance of labour unions in manpower rationalization. However, proper steps are being taken to improve the situation.

Credit Analysis and Research Limited (CARE) assigned "CARE AA" (Double A) rating to the Company for Long Term Borrowing Programme. Further, it has reaffirmed the PR 1 + (PR one plus) rating for our Short Term Debt Programme.

During the year under review, the performance of the Jute Division of the Company was adversely affected due to 63 days strike by the workmen of Birla Jute Mills, which was called off in terms of industry wide tripartite settlement.

CURRENT PERFORMANCE

The Indian economy is poised for a major growth. The GDP growth rate in the year 2006-07 was 9.2%. With all sectors of economy, including manufacturing, recording robust growth rate, the Government is now targeting a sustained future growth rate of 9%.

With the entry of large corporate houses in building retail chains, shopping malls, Special Economic Zones (SEZ), the construction sector is expected to do better. With the robust economic growth, the cement industry is doing well and this trend is likely to continue.

CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, a sum of Rs.624.83 crores (Rs.416.16 crores in 2005-06) was paid to the various government authorities on account of taxes, duties and other government levies, a whopping increase of more than 50% compared to the last year.

CORPORATE GOVERNANCE

The Company has complied with the Corporate Governance Code as stipulated under the Listing Agreement with the Stock Exchanges. A

separate section on Corporate Governance, along with certificate from the auditors confirming the compliance, is annexed and forms part of the Annual Report.

AWARDS & RECOGNITION

For the second year running the Company received the Amity Corporate Excellence Award. The Company was also featured in the Dalal Street Investment Journal's list of India's 21 best wealth creators over the last five years.

SOCIAL OBLIGATIONS

As a responsible Corporate Citizen, the Company continued to support educational and medical institutions and other social activities for the welfare of its employees as well as general public. The Company has made contributions to charitable societies for providing comprehensive eye care and for other long term philanthropic & charitable activities. The Company has sponsored free eye surgery at M.P. Birla Eye Clinic, Kolkata for residents of Durgapur as announced during the visit of the Hon'ble Chief Minister of West Bengal, Shri Buddhadeb Bhattacharya to our cement plant at Durgapur.

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 31st March, 2007, the applicable accounting standards have been followed along with proper explanation relating to material departures, where ever applicable.
- 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 2006-07 and of the profit for the year ended 31st March, 2007.
- 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, 2007, 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