



**CORPORATION  
LIMITED**

**MP BIRLA GROUP**

**ANNUAL REPORT AND ACCOUNTS 2007-08**



**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. Nihar  
Executive Director & CEO

## DIRECTORS



Shri N. K. Kejriwal



Smt. Nandini Nopany



Shri Harsh V. Lodha



Shri Pracheta Majumdar



Shri Vikram Swarup



Shri Anand Bordia



Shri B. B. Tandon



Shri D. N. Ghosh

## 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 Anand Bordia

Shri B. B. Tandon

Shri D. N. Ghosh (from 31.10.07)

Shri B. R. Nahar  
Executive Director & CEO

## CHIEF FINANCIAL OFFICER

Shri P. K. Chand

## ACTING COMPANY SECRETARY

Shri Girish Sharma

## AUDITORS

H. P. Khandelwal & Co.  
Chartered Accountants  
Kolkata

## REGISTERED & PRINCIPAL OFFICE

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

## 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

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

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

Shri P. Chatterji  
Joint President  
Jute Division

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## FINANCIAL HIGHLIGHTS

(Rs. in Lacs)

	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	1996-97
<b>OPERATING RESULTS</b>								
Turnover	199678	179451	143344	134264	116891	112420	112391	104706
Surplus before Interest & Depreciation	61367	51992	19187	14522	10039	7043	7065	8090
Interest	2105	1853	1362	2169	2514	3157	3621	4493
Surplus/(Deficit) after Interest but before Depreciation	59262	50139	17825	12353	7525	3886	3444	3597
Depreciation	4144	3965	3416	2983	3367	3220	3516	2859
Income/Fringe Benefit / Deferred/Wealth Tax	15761	13551	1833	683	2	247	4	2
Net Profit	39357	32623	12576	8687	4156	419	(76)	736
Dividend	3604	3153	1976	1317	869	—	—	611
Retained Earning	35753	29470	10600	7370	3287	419	(76)	2984
<b>ASSETS &amp; LIABILITIES</b>								
Fixed Assets :								
Gross Block	130010	116151	112821	98104	90301	88909	86190	76109
Net Block	62746	52630	53037	40297	32547	33490	33819	37871
Current & Other Assets & Investments	130393	85525	42807	37439	32099	31978	31266	33632
Total Assets	193139	138155	95844	77736	64646	65468	65085	71503
Represented by :								
Share Capital	7701	7701	7701	7701	7701	7701	7701	3056
Reserves & Surplus	92797	58880	30723	23578	18049	15738	15464	25595
Net Worth	100498	66581	38424	31279	25750	23439	23165	28651
Borrowings	27225	28265	27178	24156	20712	26487	26496	29932
Current Liabilities & Provisions	65416	43309	30242	22302	18185	15543	15424	12920
<b>RATIOS</b>								
Earning per Ordinary Share ( Rs.)	51.11	42.36	16.33	11.28	5.40	0.54	(0.10)	2.41
Cash Earning per Ordinary Share ( Rs.) ( annualised )	56.49	47.51	20.77	15.15	9.77	4.73	4.47	11.77
Net Worth per Ordinary Share ( Rs.)	130.51	86.46	49.90	40.62	33.44	30.44	30.08	93.76
Debt Equity Ratio (on long-term loans )	0.07:1	0.14:1	0.32:1	0.31:1	0.25:1	0.41:1	0.62:1	0.45:1
Current Ratio	1.13	1.18	1.03	1.28	1.25	1.31	1.38	2.46

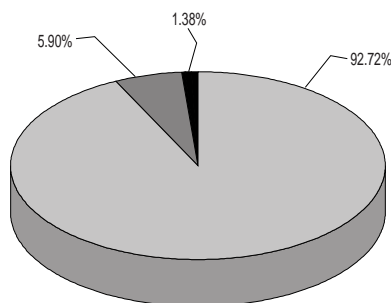
## SOURCES AND APPLICATION OF FUNDS

(Rs. in Lacs)

SOURCES OF FUNDS	2007-2008	2006-2007	2005-2006	2004-2005	2003-2004	2002-2003
1. Generation from operations –						
Surplus/(Deficit) after taxes	39357	32623	12576	8687	4301	419
Depreciation	4144	3965	3416	2983	3367	3220
Deferred Tax	116	—	—	—	—	245
	<u>43617</u>	<u>36588</u>	<u>15992</u>	<u>11670</u>	<u>7668</u>	<u>3884</u>
2. Borrowings (Net)	(1039)	1087	3022	3445	(5774)	(9)
3. Reduction in Working Capital	—	—	5707	—	661	832
4. Decrease in Capital Reserve Others (Net)	(4)	—	—	—	—	—
	<u>42574</u>	<u>37675</u>	<u>24721</u>	<u>15115</u>	<u>2555</u>	<u>4707</u>
<b>APPLICATION OF FUNDS</b>						
1. Fixed Assets	14289	3637	16234	10813	2569	3037
2. Investments	21393	24476	6511	1211	(883)	1670
3. Increase in Working Capital	3288	6409	—	1774	—	—
4. Dividend	3604	3153	1976	1317	869	—
	<u>42574</u>	<u>37675</u>	<u>24721</u>	<u>15115</u>	<u>2555</u>	<u>4707</u>

### Statement of Sales by Activities 2007-08

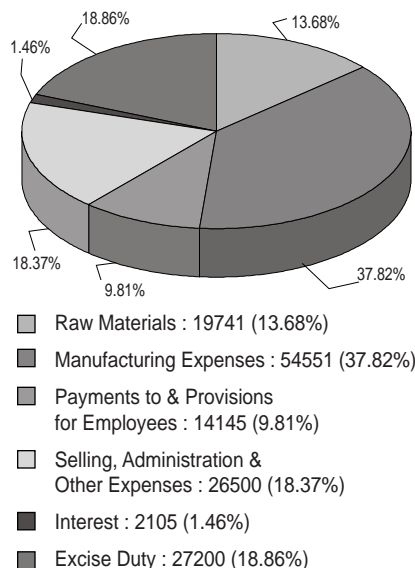
(Rs. in Lacs)



- Cement : 185137.78 (92.72 %)
- Jute : 11790.60 (5.90%)
- Others : 2749.90 (1.38%)

### Revenue Distribution 2007-2008

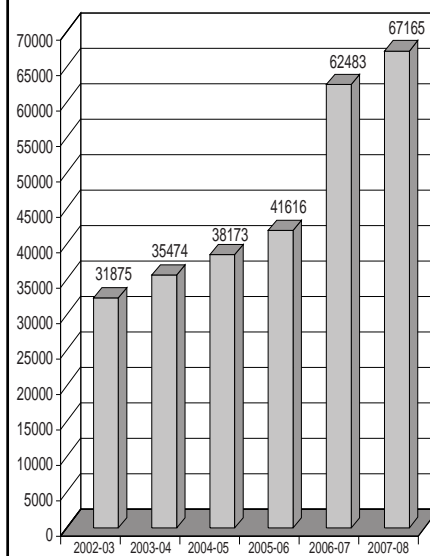
(Rs. in Lacs)



- Raw Materials : 19741 (13.68%)
- Manufacturing Expenses : 54551 (37.82%)
- Payments to & Provisions for Employees : 14145 (9.81%)
- Selling, Administration & Other Expenses : 26500 (18.37%)
- Interest : 2105 (1.46%)
- Excise Duty : 27200 (18.86%)

### Contribution to National Exchequer 2007-2008

(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, 2008.

	(Rs. in Crores)			
	31st March, 2008		31st March, 2007	
FINANCIAL RESULTS				
Income for the year	1763.05		1593.41	
Gross Profit before interest	613.67		519.92	
Interest Charge	21.05		18.53	
Profit before Depreciation & Tax	592.62		501.39	
Provision for				
i) Depreciation	41.44		39.65	
ii) Taxation	157.61		135.51	
Profit after Tax	393.57		326.23	
Additions:				
Balance Brought Forward from last year	178.35		133.65	
Less: Employee benefits as per AS-15 (Revised)	17.93		—	
Surplus available for Appropriation	553.99		459.88	
Appropriation:				
i) Proposed Dividend	30.80		26.95	
ii) Corporate Dividend Tax	5.24		4.58	
iii) General Reserve	350.00		250.00	
Balance transferred to Balance Sheet	167.95		178.35	

### DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.4.00 per share (i.e.40%) on 7,70,05,347 ordinary shares for the year ended 31st March, 2008 aggregating to Rs.36.04 crores including Corporate Dividend Tax of Rs.5.24 crores as compared to Rs.31.53 crores (including Corporate Dividend Tax Rs.4.58 crores) in the previous year.

### GENERAL REVIEW

During the year 2007-08 the Company achieved the highest ever production of cement at 5.28 million tonnes. The turnover during the year was also at all time high of Rs.1996.78 crores, 11.27% growth over the previous year. The profit after tax was Rs.393.57 crores as against Rs.326.23 crores of previous year. The Earning per Share (EPS) was at Rs.51.11 a growth of 20.66%.

The improvement in the performance was registered on the back of better realisation and operational efficiency in the cement division. The installation of power plants at Company's cement Units at Satna in Madhya Pradesh and Chanderia in Rajasthan have also helped in reducing the power costs substantially. The performance of the Jute Division of the Company has also improved on the back of modernisation, productivity improvement and cost control measures implemented by the Company.

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

## CORPORATE MATTERS

The expansion projects at Company's cement plants at Satna (Madhya Pradesh) and Chanderia (Rajasthan) are likely to be commissioned in phases, by June, 2009. After completion of the expansion projects the cement capacity would effectively stand enhanced to 7.5 million tonnes.

In our Satna and Chanderia Units, we have devised Cleantech sustainable development strategy by planning to implement Waste Heat Recovery System which will not only be a low cost energy source but also help in reducing GHG emissions into the atmosphere. In Waste Heat Recovery System waste hot gases coming out of preheater and clinker cooler will be used to generate substantial power. The cement Units would become almost self-sufficient in power once the system becomes operational.

Credit Analysis and Research Limited (CARE) has assigned "CARE AA" (Double A) rating for the Company's Long and Medium Term facilities of more than one year tenure and PR 1 + (PR one plus) rating for Short Term Bank facilities, aggregating Rs.500 crores. Further, the rating Committee of CARE has re-affirmed PR 1 + rating and CARE AA rating for Short Term Debt and the proposed Long Term borrowing programme, respectively.

In view of the persistent acts of lawlessness and continued defiance of lawful and reasonable instructions of the management by the workmen, "Suspension of Operations" was declared at the Company's Unit Durgapur Cement Works along with its expanded plant Durga Hitech Cement, Durgapur w.e.f. 11th March, 2008.

## CONTRIBUTION TO NATIONAL EXCHEQUER

During the year under review, a sum of Rs.671.65 crores (Rs.624.83 crores in 2006-07) was paid to the various government authorities on account of taxes, duties and other government levies, an increase of 7.5% over 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 third consecutive year, the Company received Amity Corporate Excellence Award. Further, the cement division of the Company at Satna

received the following awards during the year:

- Second best improvement in Electrical Energy Award, 2006-07, awarded by National Council for Cement & Building Materials.
- National Safety Excellence Award, awarded by National Safety Council.
- Green Tech Environment Excellence Silver Award, awarded by Green Tech Foundation, New Delhi.
- National Award for Excellence in Water Management, awarded by CII, Hyderabad.

## CORPORATE SOCIAL RESPONSIBILITY

The Company, as a part of the M.P. Birla Group, is actively associated with various Social and Philanthropic activities undertaken by the Group. The Company was involved in the setting up of the Priyamvada Birla Aravind Eye Hospital inaugurated last year on 1st May, 2007 at Kolkata. In a short time this Institution has built an outstanding reputation for Quality and Care. The State-of-the-Art facilities are now catering to approximately 1,000 surgeries every month out of which 75% is almost free. In addition, it has to-date treated more than 50,000 OPD patients, other than camp patients.

The Company has also recently been involved in and actively supported the setting up of the Priyamvada Birla Cancer Research Institute at Satna. This new facility is fully equipped with the latest State-of-the-Art Linear Accelerator from Siemens and other comprehensive equipment including CT Scan, Brachy, etc at an investment of almost Rs.10 crores in the First Phase. More importantly, this facility will serve as many as 8 Backward Districts around Satna with a population of more than 2 crores in Madhya Pradesh itself as well as adjoining areas. We have also received valuable advice from Tata Memorial Hospital, Mumbai in setting up this Project.

That apart, the other initiatives taken by the Company in the field of conservation of environment, health, education and social welfare are as follows:

### A) Conservation of Environment:

In order to make the environment eco-friendly, massive plantations have been done in and around the plant and mining areas at Satna and Chanderia. Our efforts and the concern for environment have been acknowledged as your Company has been accredited with "GreenTech Environment Excellence Award 2007". Further, to protect the environment the Company has consumed 838777 tonnes of Fly Ash during the year 2007-08 at various cement plants of the Company.

### B) Health Initiatives:

Medical Dispensary along with Doctor and paramedical staff have been arranged for the treatment of patients in nearby villages at Satna. In addition, medicines are distributed free of cost to the villagers in the vicinity of Satna. At Chanderia, Family Planning Camps were organised and 116 operations were carried out. The Durgapur Unit organised Free Eye Camps in the vicinities of Durgapur with the help of M.P. Birla Netralaya. During the course of last about 2 years, a total of 3171 patients were examined and 1055 patients were sponsored for Cataract Surgery. At Birlapur, 6 nos. Pulse Polio Vaccination Camps were organised for the wards of the employees and local inhabitants. Further, on the occasion of AIDS day, a 4-day long AIDS Awareness Camp was organised.