



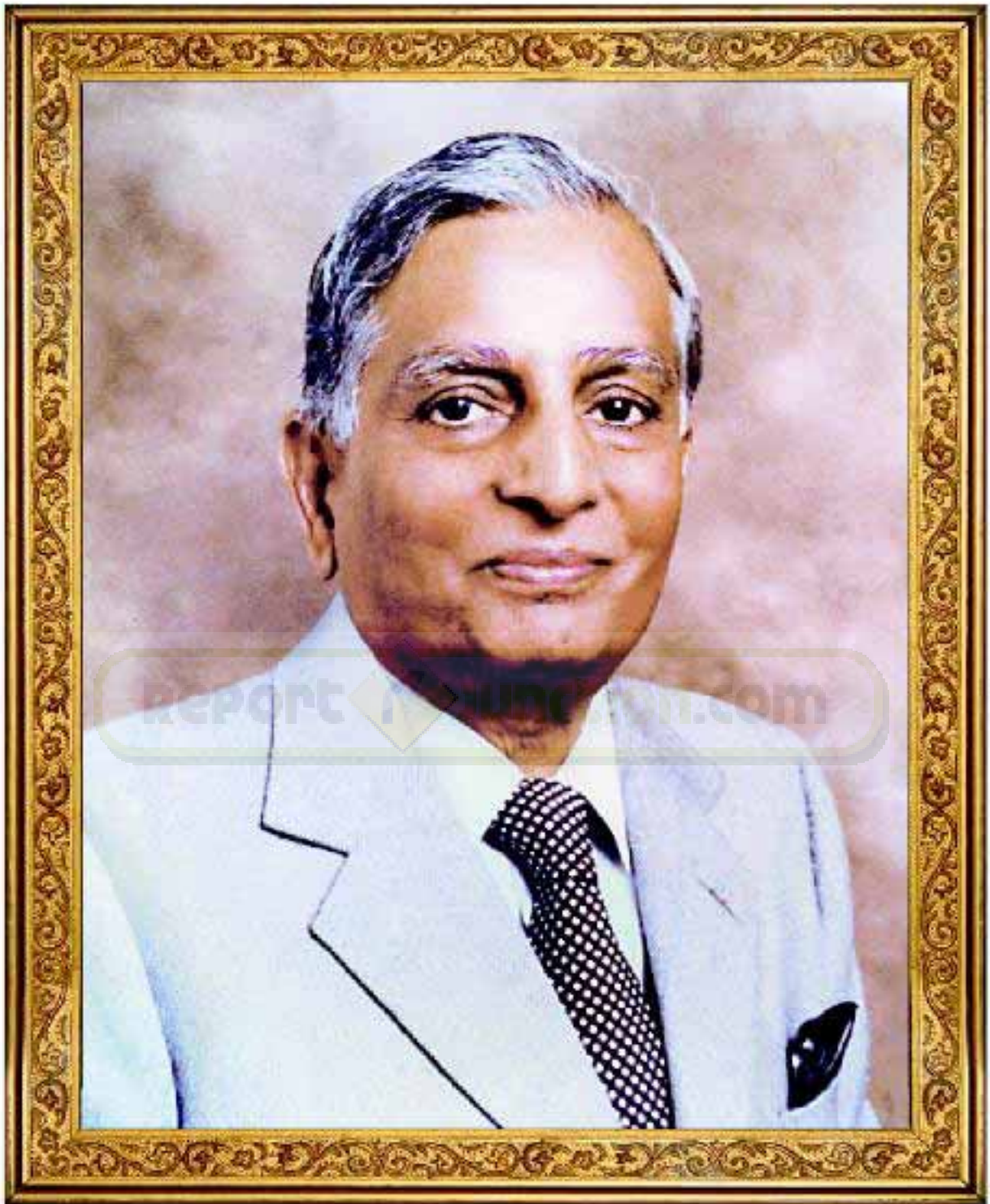
**BIRLA**

**CORPORATION  
LIMITED**

**MP BIRLA GROUP**

**ANNUAL REPORT AND ACCOUNTS 2008-09**





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*



Rajendraji S Lodha  
(1942-2008)

*His exemplary leadership will continue to inspire and motivate us to grow, develop and excel in all spheres with Discipline, Determination, Dedication and Dignity*

## DIRECTORS



Shri Harsh V. Lodha



Shri N. K. Kejriwal



Smt. Nandini Nopany



Shri Pracheta Majumdar



Shri Vikram Swarup



Shri Anand Bordin



Shri B. B. Tandon



Shri D. N. Ghosh



Shri B. R. Nahar  
Executive Director & CEO

## BOARD OF DIRECTORS

Shri Rajendra S. Lodha  
Chairman (up to 03.10.2008)

Shri Harsh V. Lodha

Shri N. K. Kejriwal

Smt. Nandini Nopany

Shri Pracheta Majumdar

Shri Vikram Swarup

Shri Anand Bordia

Shri B. B. Tandon

Shri D. N. Ghosh

Shri B. R. Nahar  
Executive Director & Chief Executive Officer

## CHIEF FINANCIAL OFFICER

Shri P. K. Chand

## SENIOR MANAGEMENT TEAM

Shri G. Jayaraman  
Executive President

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

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

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

Shri K.K. Sharma  
Joint President  
Management Audit

## ACTING COMPANY SECRETARY

Shri Girish Sharma

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

## AUDITORS

H.P. Khandelwal & Co.  
Chartered Accountants  
Kolkata - 700 001

Shri S. N. Prasad  
Sr. Vice-President (Works)  
Birla Jute Mills

## REGISTRAR & TRANSFER AGENT

MCS Limited  
77/2A, Hazra Road  
Kolkata - 700 029

## REGISTERED & PRINCIPAL OFFICE

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



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## FINANCIAL HIGHLIGHTS

(Rs. In Lacs)

	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	1997-98
<b>OPERATING RESULTS</b>								
<b>Turnover</b>	<b>203884</b>	<b>199678</b>	<b>179451</b>	<b>143344</b>	<b>134264</b>	<b>116891</b>	<b>112420</b>	<b>97204</b>
Surplus before Interest & Depreciation	50193	61367	51992	19187	14522	10039	7043	2416
Interest	2205	2105	1853	1362	2169	2514	3157	4543
<b>Surplus/(Deficit) after Interest but before Depreciation</b>	<b>47988</b>	<b>59262</b>	<b>50139</b>	<b>17825</b>	<b>12353</b>	<b>7525</b>	<b>3886</b>	<b>(2127)</b>
Depreciation	4342	4144	3965	3416	2983	3367	3220	3008
Income/Fringe Benefit / Deferred/Wealth Tax	11295	15761	13551	1833	683	2	247	(23)
Net Profit	32351	39357	32623	12576	8687	4156	419	(5112)
Dividend	4054	3604	3153	1976	1317	869	—	397
Dividend Percentage	45.00	40.00	35.00	22.50	15.00	10.00	—	10.00
<b>Retained Earning</b>	<b>28297</b>	<b>35753</b>	<b>29470</b>	<b>10600</b>	<b>7370</b>	<b>3287</b>	<b>419</b>	<b>(2104)</b>
<b>ASSETS &amp; LIABILITIES</b>								
Fixed Assets:								
Gross Block	144302	130010	116151	112821	98104	90301	88909	78415
Net Block	74887	62746	52630	53037	40297	32547	33490	39159
Current & Other Assets & Investments	121180	130393	85525	42807	37439	32099	31978	30693
<b>Total Assets</b>	<b>196067</b>	<b>193139</b>	<b>138155</b>	<b>95844</b>	<b>77736</b>	<b>64646</b>	<b>65468</b>	<b>69852</b>
Represented by :								
Share Capital	7701	7701	7701	7701	7701	7701	7701	3056
Reserves & Surplus	121070	92797	58880	30723	23578	18049	15738	19446
<b>Net Worth</b>	<b>128771</b>	<b>100498</b>	<b>66581</b>	<b>38424</b>	<b>31279</b>	<b>25750</b>	<b>23439</b>	<b>22502</b>
Borrowings	27645	27225	28265	27178	24156	20712	26487	35575
Current Liabilities & Provisions	39651	65416	43309	30242	22302	18185	15543	11775
<b>RATIOS</b>								
Earning per Ordinary Share (Rs.)	42.01	51.11	42.36	16.33	11.28	5.40	0.54	—
Cash Earning per Ordinary Share (Rs.) (annualised)	47.65	56.49	47.51	20.77	15.15	9.77	4.73	—
Net Worth per Ordinary Share (Rs.)	167.22	130.51	86.46	49.90	40.62	33.44	30.44	73.64
Debt Equity Ratio (on long-term loans)	0.04:1	0.07:1	0.14:1	0.32:1	0.31:1	0.25:1	0.41:1	0.75:1
Current Ratio	1.86	1.13	1.18	1.03	1.28	1.25	1.31	2.45

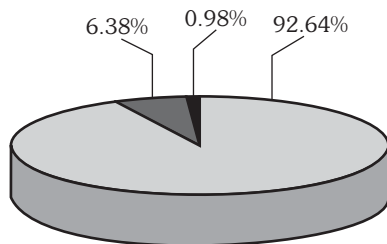
## SOURCES AND APPLICATION OF FUNDS

( Rs. in lacs )

SOURCES OF FUNDS	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04
1. Generation from operations-						
Surplus/(Deficit) after taxes	32351	39357	32623	12576	8687	4301
Depreciation	4342	4144	3965	3416	2983	3367
Deferred Tax	1053	116	—	—	—	—
	<u>37746</u>	<u>43617</u>	<u>36588</u>	<u>15992</u>	<u>11670</u>	<u>7668</u>
2. Borrowings ( Net )	419	(1039)	1087	3022	3445	(5774)
3. Reduction in working Capital	—	—	—	5707	—	661
4. Decrease in Capital Reserve Others(Net)	(1)	(4)	—	—	—	—
	<u>38164</u>	<u>42574</u>	<u>37675</u>	<u>24721</u>	<u>15115</u>	<u>2555</u>
<b>APPLICATION OF FUNDS</b>						
1. Fixed Assets	16505	14289	3637	16234	10813	2569
2. Investments	(8171)	21393	24476	6511	1211	(883)
3. Increase in Working Capital	25776	3288	6409	—	1774	—
4. Dividend	4054	3604	3153	1976	1317	869
	<u>38164</u>	<u>42574</u>	<u>37675</u>	<u>24721</u>	<u>15115</u>	<u>2555</u>

### Statement of Sales by Activities 2008-09

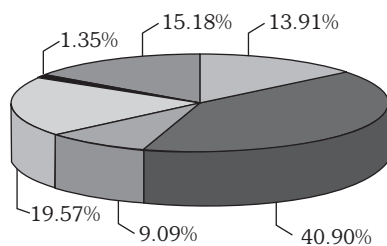
(Rs. in Lacs)



Cement : 188874 (92.64%)  
 Jute : 13017 (6.38%)  
 Others : 1993 (0.98%)

### Revenue Distribution 2008-2009

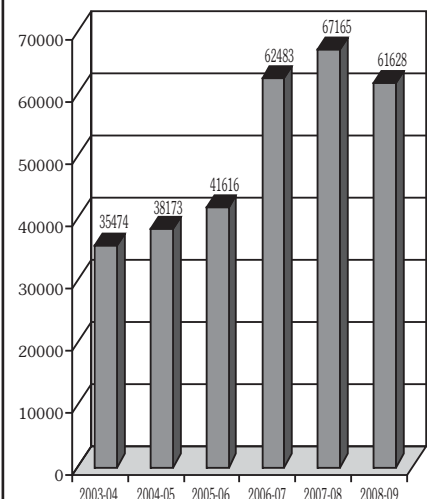
(Rs. in Lacs)



Raw Materials : 22743 (13.91%)  
 Manufacturing Expenses : 66881 (40.90%)  
 Payment to and Provisions for Employees : 14859 (9.09%)  
 Selling, Administration & Other Expenses : 32002 (19.57%)  
 Interest : 2205 (1.35%)  
 Excise Duty : 24819 (15.18%)

### Contribution to National Exchequer 2008-2009

(Rs. in Lacs)





## **DIRECTORS' REPORT**

### **To the Shareholders**

At the outset, the Directors express their deep sorrow and profound regret for the sudden and untimely demise of Shri Rajendra S. Lodha, Chairman of the Company who left for his heavenly abode on 3rd October, 2008. Shri Lodha rejoined the Board of the Company in 2001 and was unanimously elected Co-Chairman at the instance of Smt. Priyamvada Birla who wanted him to become the Chairman. After the death of Smt. Priyamvada Birla in 2004, the mantle of running the multi-product, multi-location Group fell on his shoulders. He took up the challenge and guided the Group to new heights with his astute leadership. Shri Lodha was not only a distinguished professional and entrepreneur but also a charismatic leader, great visionary, who dedicated himself towards furthering the growth of the M.P. Birla Group companies and its philanthropic activities in the areas of health-care and education. During his leadership, the Company grew from strength to strength and recorded the highest ever profit for four consecutive years, testifying to Shri Lodha's business acumen and foresight. The Company's competitiveness in relation to its performance in cement business improved during the period and after the completion of the on going projects, undertaken during his Chairmanship, the production capacity will effectively go up to 7.5 million tons. The imprint of his personality, indomitable courage, conviction and dynamic vision continues to guide every sphere of activity of the Company as well as the M.P. Birla Group.

Your Directors have pleasure in presenting their annual report together with the audited accounts of the Company for the year ended 31st March, 2009.

	(Rs. in Crores)	
	31st March, 2009	31st March, 2008
<b>FINANCIAL RESULTS</b>		
Gross Turnover	2038.84	1996.78
Income for the year	1866.78	1762.39
Gross Profit before interest	501.93	614.33
Interest Charge	22.05	21.71
Profit before Depreciation & Tax	479.88	592.62
Provision for		
i) Depreciation	43.42	41.44
ii) Taxation	112.95	156.37
Profit after Tax	323.51	393.57
Additions:		
Balance Brought Forward from last year	167.95	178.35
Less: Employee benefits as per AS-15 (Revised)	—	167.95
Surplus available for Appropriation	491.46	17.93
Appropriation:		
i) Proposed Dividend	34.65	30.80
ii) Corporate Dividend Tax	5.89	5.24
iii) General Reserve	350.00	350.00
Balance transferred to Balance Sheet	100.92	386.04
		167.95

## **DIVIDEND**

Your Directors are pleased to recommend a dividend of Rs.4.50 per share (i.e.45%) on 7,70,05,347 ordinary shares for the year ended 31st March, 2009 aggregating to Rs.40.54 crores including Corporate Dividend Tax of Rs.5.89 crores as compared to Rs.36.04 crores (including Corporate Dividend Tax of Rs.5.24 crores) in the previous year.

## **HIGHLIGHTS OF PERFORMANCE/EVENTS**

1. Highest ever cement production at 5.29 million tons.
2. Achieved turnover of Rs.2038.84 crores for the first time.
3. Highest ever rate of Dividend of 45% and Dividend Payout of Rs.40.54 crores (including Corporate Dividend Tax).
4. Highest ever share (84%) of blended cement in the overall cement production of the Company.
5. Completed the first phase of the capacity enhancement programme at Satna and on commissioning of the second phase the clinker capacity will increase to 9600 Tons per day.
6. Expansion programme at Chanderia also completed in April, 2009 thereby increasing the clinker capacity to 4050 Tons per day.
7. Madhya Pradesh Government has recommended to the Ministry of Mines, New Delhi for allotment of Limestone Mining Lease covering an area of about 2130 hectares in Satna district to Talavadi Cements Limited, a subsidiary of the Company.
8. Allotment of Bikram Coal Block in Madhya Pradesh for captive consumption.

## **REVIEW OF OPERATIONS**

During the year 2008-09, the production of cement was at all-time high at 5.29 million tonnes. The Company also achieved the highest ever turnover of Rs.2038.84 crores. The profit after tax was Rs.323.51 crores as against Rs.393.57 crores during the previous year. The Earning per Share (EPS) was Rs.42.01.

The working of the first-half of the Company was affected on account of the ban on export of cement by the Government and duty-free import of cement from the neighbouring countries, high inflation rate and slump in the realty sector on account of the sluggish economic condition due to global recession. However, things started improving from the later part of the third quarter on the back of slew of measures taken by the Government like withdrawal of ban on export, re-introduction of Countervailing Duty on import of cement, announcement of financial and economic stimulus packages, which involved

reduction of Excise Duty on cement from 14% to 8% in two phases, emphasis on building of infrastructure, low-cost housing projects and making available housing loans at lower rate of interest.

The management was forced to declare 'Suspension of Operations' at the Durgapur plant in March, 2008 on account of gross acts of indiscipline, unruly behaviour and unreasonable demand for employment of as high as 1,000 workers in the new production facility, which had direct impact on the operations and maintenance activities in the plant. After several rounds of discussions with the unions and the Labour Department, Government of West Bengal, the matter was amicably resolved and the 'Suspension of Operations' was lifted from 9th July, 2008 with the signing of a tripartite agreement. As a result of the firm strategy, adopted by the management, to not to concede to the irrational demands, the plant did not employ any additional workforce, thereby improving the competitiveness. Subsequently, a Voluntary Retirement Scheme (VRS) was introduced at Durgapur and more than 100 workers/staff members opted for the same.

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

## **EXPANSION AND MODERNISATION**

With the commissioning of the first phase of the capacity enhancement programme at Satna in September, 2008, production capacity at the plant has gone up to 7400 Tons per day (TPD). The second and final phase of the expansion programme is taking longer time due to the ageing factor of the plant, space limitation and blending of old and new buildings. Most of the construction work in the running plant is being carried out without affecting production. It is expected that the project would be completed by the end of the Financial Year 2009-10 and the total clinker production capacity at Satna would increase further to 9600 TPD.

The expansion project at Chanderia has been completed in April, 2009 and with this capacity enhancement, the clinker capacity has gone up to 4050 TPD.

The total cement capacity of the Company after the completion of the remaining expansion work at Satna would effectively stand enhanced to 7.5 million tons. It is heartening to mention that the expanded production capacity will not lead to any addition to the manpower.

The project work for installation of the Waste Heat Recovery System (WHRS) both at Satna and Chanderia is progressing satisfactorily and the same is likely to be completed in phases from the Second Quarter of the Financial Year 2010-11. Once the project is implemented, the Company would not only be able to reduce Green House Gases (GHG) emissions into the atmosphere but would also be able to generate power at a very