



**CORPORATION
LIMITED**

MP BIRLA GROUP

ANNUAL REPORT AND ACCOUNTS 2009-10



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
Chairman



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 Deepak Nayyar



Shri M. K. Sharma



Shri B. R. Nahar
Executive Director & CEO

BOARD OF DIRECTORS

Shri Harsh V. Lodha
Chairman

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 Deepak Nayyar (from 22.04.2010)

Shri M. K. Sharma (from 22.04.2010)

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

CHIEF FINANCIAL OFFICER

Shri P. K. Chand

ACTING COMPANY SECRETARY

Shri Girish Sharma

AUDITORS

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

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

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

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

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

CONTENTS

Financial Highlights	3
Sources and Application of Funds	4
Directors' Report	5
Management Discussion & Analysis Report	15
Corporate Governance Report	17
Auditors' Report	23
Balance Sheet	26
Profit & Loss Account	27
Cash Flow Statement	28
Schedules	29
Statement regarding Subsidiary Companies	56
Financial Information of Subsidiary Companies	58
Consolidated Financial Statements	59

FINANCIAL HIGHLIGHTS

(Rs. in lacs)

	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	1998-99
OPERATING RESULTS								
Turnover	238707	203884	199678	179451	143344	134264	116891	8733
Surplus before Interest &								
Depreciation	84342	50193	61367	51992	19187	14522	10039	3248
Interest	2697	2205	2105	1853	1362	2169	2514	5341
Surplus/(Deficit) after Interest but before Depreciation	81645	47988	59262	50139	17825	12353	7525	(2093)
Depreciation	5564	4342	4144	3965	3416	2983	3367	3263
Income/Fringe Benefit /								
Deferred/Wealth Tax	20363	11295	15761	13551	1833	683	2	6
Net Profit	55718	32351	39357	32623	12576	8687	4156	(5362)
Dividend	5395	4054	3604	3153	1976	1317	869	339
Dividend Percentage	60.00	45.00	40.00	35.00	22.50	15.00	10.00	10.00
Retained Earning	50323	28297	35753	29470	10600	7370	3287	(5701)
ASSETS & LIABILITIES								
Fixed Assets:								
Gross Block	175779	144302	130010	116151	112821	98104	90301	81386
Net Block	102645	74887	62746	52630	53037	40297	32547	38917
Current & Other Assets &								
Investments	190390	121180	130393	85525	42807	37439	32099	27644
Total Assets	293035	196067	193139	138155	95844	77736	64646	66561
Represented by :								
Share Capital	7701	7701	7701	7701	7701	7701	7701	3056
Reserves & Surplus	171422	121070	92797	58880	30723	23578	18049	13598
Net Worth	179123	128771	100498	66581	38424	31279	25750	16654
Borrowings	70919	27645	27225	28265	27178	24156	20712	36831
Current Liabilities & Provisions	42993	39651	65416	43309	30242	22302	18185	13076
RATIOS								
Earning per Ordinary Share (Rs.)	72.36	42.01	51.11	42.36	16.33	11.28	5.40	(17.54)
Cash Earning per Ordinary								
Share (Rs.) (annualised)	79.58	47.65	56.49	47.51	20.77	15.15	9.77	(6.87)
Net Worth per Ordinary								
Share (Rs.)	232.61	167.22	130.51	86.46	49.90	40.62	33.44	54.50
Debt Equity Ratio								
(on long-term loans)	0.23:1	0.04:1	0.07:1	0.14:1	0.32:1	0.31:1	0.25:1	1.10:1
Current Ratio	1.96	1.86	1.13	1.18	1.03	1.28	1.25	1.95

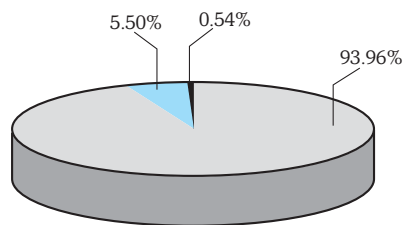
SOURCES AND APPLICATION OF FUNDS

(Rs. in lacs)

SOURCES OF FUNDS	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05
1. Generation from operations –						
Surplus/(Deficit) after taxes	55718	32351	39357	32623	12576	8687
Depreciation	5564	4342	4144	3965	3416	2983
Deferred Tax	228	1053	116	—	—	—
	<u>61510</u>	<u>37746</u>	<u>43617</u>	<u>36588</u>	<u>15992</u>	<u>11670</u>
2. Borrowings (Net)	43274	419	(1039)	1087	3022	3445
3. Reduction in working Capital	—	—	—	—	5707	—
4. Increase in Capital Reserve Others(Net)	50	(1)	(4)	—	—	—
	<u>104834</u>	<u>38164</u>	<u>42574</u>	<u>37675</u>	<u>24721</u>	<u>15115</u>
APPLICATION OF FUNDS						
1. Fixed Assets	28040	16505	14289	3637	16234	10813
2. Investments	58936	(8171)	21393	24476	6511	1211
3. Increase in Working Capital	12463	25776	3288	6409	—	1774
4. Dividend	5395	4054	3604	3153	1976	1317
	<u>104834</u>	<u>38164</u>	<u>42574</u>	<u>37675</u>	<u>24721</u>	<u>15115</u>

Statement of Sales by Activities 2009-2010

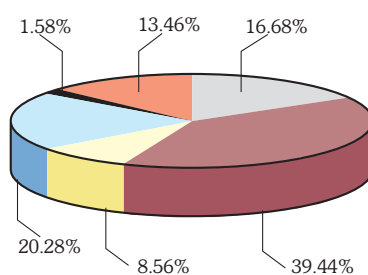
(Rs. in lacs)



- Cement : 224281.85 (93.96%)
- Jute : 13129.31 (5.50%)
- Other : 1295.66 (0.54%)

Revenue Distribution 2009-2010

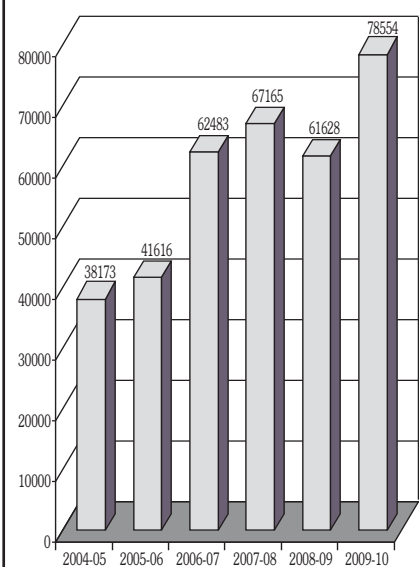
(Rs. in lacs)



- Raw Material : 28515 (16.68%)
- Manufacturing Expenses : 67399 (39.44%)
- Payment to and Provisions for Employees : 14627 (8.56%)
- Selling, Administration & Other Expenses : 34650 (20.28%)
- Interest : 2697 (1.58%)
- Excise Duty : 23004 (13.46%)

Contribution to National Exchequer 2009-2010

(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 of the Company for the year ended 31st March, 2010.

(Rs. in Crores)

	31st March, 2010	31st March, 2009
FINANCIAL RESULTS		
Gross Turnover	2387.07	2038.84
Income for the year	2295.34	1866.78
Gross Profit before interest	843.42	501.93
Interest Charge	26.97	22.05
Profit before Depreciation & Tax	816.45	479.88
Provision for		
i) Depreciation	55.64	43.42
ii) Taxation	203.63	112.95
Profit after Tax	557.18	323.51
Additions :		
Balance Brought Forward from last year	100.92	167.95
Surplus available for Appropriation	658.10	491.46
Appropriation:		
i) Debenture Redemption Reserve	13.25	—
ii) Interim Dividend	19.25	—
iii) Corporate Dividend Tax on Interim Dividend	3.27	—
iv) Proposed Final Dividend	26.95	34.65
v) Corporate Dividend Tax on proposed Final Dividend	4.48	5.89
vi) General Reserve	400.00	350.00
Balance transferred to Balance Sheet	190.90	100.92

DIVIDEND

The Company has paid an interim dividend of Rs.2.50 per share (i.e. 25%) on ordinary shares during the year. Your Directors are pleased to recommend a final dividend of Rs.3.50 per share (i.e. 35%) on ordinary shares for the year ended 31st March, 2010. Thus the aggregate dividend for the year ended 31st March, 2010 works out to Rs.6.00 per share (60%) aggregating to Rs.53.95 crores including Corporate Dividend Tax of Rs.7.75 crores as compared to Rs.40.54 crores (including Corporate Dividend Tax of Rs.5.89 crores) in the previous year.

HIGHLIGHTS OF PERFORMANCE/EVENTS

- Achieved its highest ever cement production at 5.70 million tonnes.
- Achieved its highest ever turnover of Rs.2387.07 crores.
- Highest ever rate of Dividend of 60% declared by the Company including Interim Dividend of 25% and Dividend Payout of Rs.53.95 crores (including Corporate Dividend Tax).
- Highest ever share (86.86%) of blended cement in the overall cement production of the Company.
- The Company has been included in the prestigious "Best Under A Billion" list by Forbes based on its excellent performance.
- Decision to allocate a minimum of 10% of the distributed profit of the Company for Corporate Social Responsibility activities.

REVIEW OF OPERATIONS

All the seven cement manufacturing Units, spread over West Bengal, Madhya Pradesh, Uttar Pradesh and Rajasthan have performed satisfactorily in spite of stoppages related to expansion and modernisation activities. The level of production was maintained by procuring clinker from domestic and foreign sources.

During the year 2009-10, the Company achieved its highest ever production of cement at 5.70 million tonnes.

During the year under review, in general the demand supply scenario in the regions the Company operates in, was favourable. The market rates were firm in the first half of the year. With additional capacities coming on stream coupled with slackness in demand, the prices came down in the beginning of the second half. From January 2010, the prices started picking up again owing to resurgence in demand and remained stable till the year end.

The performance of Durgapur plant has improved distinctly during the year following "Suspension of Operations" and subsequent implementation of Voluntary Retirement Scheme (VRS) at the Unit in the previous year. Production of the Cement Division at Satna was marginally higher than the previous year's level. Production at Cement Division, Chanderia was slightly lower due to the planned stoppage of plant taken during the year for implementing the expansion.

The Jute Division, which has been suffering for more than 15 years, has finally turned around during the year due to various management initiatives such as modernization of machinery, reduction in wastage and use of jute caddies as fuel in the boilers. Such measures have resulted in improved working of the Division despite an industry-wide strike of about 2 months during the year.

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 maintained its focus on building organizational capabilities. It took several initiatives to enhance costs competitiveness and improve productivity with a view to combat competition in the market place. As part of strategic growth initiative and to maintain the growth momentum, the Company has embarked on a series of expansion and other infrastructure projects.

At Satna, the first phase of the programme to enhance the clinker capacity to 7400 Tonnes Per Day (TPD) has already been completed and the second & final phase is expected to be completed by July, 2010. After the completion of second phase the total clinker production capacity at Satna would stand increased to 9600 TPD.

Further, the Company is replacing the age-old cement ball mill with a 330 Tonnes Per Hour (TPH) roller press at Satna. At Chanderia (Rajasthan),

a 1.2 million ton brownfield plant, along with Waste Heat Power Plant is being set up. At Durgapur, work is on to increase the grinding capacity by 0.6 million tons per annum, which will enhance the total capacity there to 2.3 million tonnes, the largest in West Bengal. Further, with a view to optimize on the logistic cost, it is proposed to install a mixing and packing plant with a capacity of 3 Lacs Ton Per Annum (LTPA) at Kota, Rajasthan. These projects are expected to be completed in phases in two years time. After completion of the above expansion projects, the effective annual capacity of the Cement Division will stand at about 9 million tonnes.

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. Under the system, the hot waste gases coming out of the pre-heater and clinker cooler will be used to generate power and the Green House Gases (GHG) emissions into the atmosphere will be reduced substantially.

The Company has been allotted Bikram Coal Block in Madhya Pradesh and the mine plan has been approved by the Standing Committee of the Ministry of Coal. Applications for mining lease, forest clearance and environmental clearance have been submitted to the concerned Ministries and the same are being pursued.

The Madhya Pradesh Government has recommended to the Union Ministry of Mines for allotment of mining lease of about 2,130 hectares in Satna district to Talavadi Cements Limited, a subsidiary of Birla Corporation Limited. The recommendation has been challenged by some parties in the High Court and Tribunal. Once the issue is favourably resolved, the Company has plans to set up a cement plant with an annual capacity of up to 3 million tons with an investment of approx. Rs. 1,200 crores.

CREDIT RATING

Credit Analysis and Research Limited (CARE) has assigned "CARE AA+" (Double A Plus) 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 to Rs.550 crores. Further, the rating Committee of CARE has assigned "CARE AA+" (Double A Plus) for the Long Term Borrowing (including Non-Convertible Debentures) Programme and has re-affirmed PR 1 + (PR One Plus) rating for the Short Term Debt.

Further, CRISIL has assigned AA+/ stable (Double A Plus with stable outlook) rating for the Non-Convertible Debenture Programme and 'P1+' (pronounced 'P one Plus') rating for Short Term Debt Programme, respectively.

FINANCE

The Company has raised funds through issue of Secured Redeemable Non-Convertible Debentures aggregating to Rs.370 crores on private placement basis. The funds have been utilised for general corporate purposes.