

YRUCHEN

TEXTILES AND INDUSTRIES LIMITED

ANNUAL REPORT AND ACCOUNTS 1997-98



Shri B. K. Birla - Chairman

DIRECTORS :

Shri B.K. Birla,	Chairman
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Dr. Ramnath A. Podar

Shri Pradip Kumar Daga

Shri S.K. Birla

Shri E.B. Desai

Shri Arvind C. Dalal

Shri S.P. Subhedar

Shri C.K. Birla

Shri S. Mukherji	(ICICI Nominee)
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Shri A.P. Kurian	(UTI Nominee)
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Shri P.D. Lakhotia	(Whole-time Director)
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ADVISER :

Shri D.P. Mandelia

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EXECUTIVES :**TEXTILE MILLS, CENTURY YARN AND****CENTURY DENIM**

Shri P.D. Lakhota	Senior President
Shri R.K. Dalmia	Executive President (Works)
Shri G.S. Mody	Executive President (Marketing)
Shri D.K. Agrawal	Joint President (Corporate Finance) & Secretary
Shri I.C. Surana	Senior Vice President (Finance)
Shri P.M. Nevatia	Senior Vice President (Works)
Shri U.C. Garg	Vice President (Purchase)

CENTURY RAYON, MANIKGARH CEMENT AND**CENTURY SHIPPING**

Shri N.M. Jain	Senior President
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CENTURY RAYON

Shri L.S. Mehta	Executive President (Works)
Shri D.V. Singh	Joint President (Personnel & Administration)
Shri N.C. Mehta	Joint President (Legal & Administration)
Shri M.C. Mehta	Joint President (Development & Engineering)
Shri A.K. Taori	Senior Vice President (Marketing)
Shri V.R. Mohnot	Vice President (Finance)
Shri R. Lalwani	Vice President (Commercial)

CENTURY AND MAIHAR CEMENTS

Shri B.L. Jain	Senior President
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CENTURY CEMENT

Shri P.C. Shukla	Executive President (Plant)
Shri B.L. Kedia	Joint President (Plant)
Shri P.C. Jain	Senior Vice President (Mines)
Shri S.L. Agarwal	Senior Vice President (Commercial)
Shri S.K. Jain	Senior Vice President (Finance)
Shri M.C. Gupta	Senior Vice President (Process & Quality Control)

**MAIHAR CEMENT
UNITS I & II**

Shri Kamal Kishore	Executive President (Co-ordination)
Shri M.K. Sethi	Joint President (Mines)
Shri S.K. Jain	Joint President (Commercial)
Shri C.S. Jain	Senior Vice President (Marketing)
Shri G.D. Sharma	Senior Vice President (Mechanical)
Shri N.B. Singh	Vice President (Process & Quality Control)

UNIT II

Shri B.P. Jain	Joint President (Plant)
Shri J.D. Vidhani	Senior Vice President (Projects)
Shri Sharad Jain	Senior Vice President (Process & Quality Control)
Shri B.L. Agarwal	Senior Vice President (Electrical)
Shri V.K. Bhandari	Vice President (Finance)

MANIKGARH CEMENT

Shri B.S. Verdia	Executive President (Co-ordination)
Shri A.G. Hari	Joint President (Works)
Shri S.K. Mandelia	Senior Vice President (Commercial & Administration)
Shri G.R. Tibrewala	Senior Vice President (Mines)
Shri P.C. Nalwaya	Senior Vice President (Marketing)
Shri M.B.L. Bhargava	Vice President (Works)

CENTURY SHIPPING

Shri S.K. Sood	Executive President
Shri V.K. Sood	Senior Vice President (Technical)
Shri O.R. Chitlange	Senior Vice President (Finance)
Shri B.B. Agarwal	Vice President (Commercial)

CENTURY PULP & PAPER

Shri K.K. Khemka	Adviser
Shri R.L. Lakhota	Joint President (Works)
Shri L.C. Garg	Vice President (Engineering)
Shri A.M. Singhvi	Vice President (Projects)
Shri S.K. Maheshwari	Vice President (Manufacturing)

CENRAY MINERALS AND CHEMICALS

Shri M.M. Sand	Vice President (Salt Works)
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AUDITORS :**DALAL & SHAH, MUMBAI****TEXTILE MILLS**Pandurang Budhkar Marg,
Mumbai - 400 025**CENTURY RAYON**Rayon, Tyre Cord & Chemical Plants,
Murbad Road, Kalyan, (Maharashtra)**CENRAY MINERALS AND CHEMICALS**

Jamnagar, (Gujarat)

CENTURY CEMENT

Baikunth, Raipur, (M.P.)

MAIHAR CEMENT UNIT I & II

Sarlanagar, Maihar, (M.P.)

MANIKGARH CEMENTGadchandur,
Dist. Chandrapur, (Maharashtra)**CENTURY PULP & PAPER**

Lalkua, Dist. Nainital, (U.P.)

CENTURY YARN**CENTURY DENIM**

100% EOU

Satrati, Dist. Khargone, (M.P.)

NOTICE OF MEETING**REGISTERED OFFICE :** CENTURY BHAVAN, DR. ANNIE BESANT ROAD, WORLI, MUMBAI 400 025.

NOTICE is hereby given that the 101st Annual General Meeting of the Shareholders of the Company will be held at Birla Matushri Sabhagar, 19, Marine Lines, Mumbai 400 020 on Tuesday, the 8th September, 1998 at 3.30 p.m. to transact with or without modifications as may be permissible, the following business:

1. To receive, consider and adopt the Directors' Report and Audited Balance Sheet and Profit and Loss Account for the year ended 31st March, 1998.
2. To confirm payment of dividend made by the Directors on the Preference Shares for the year ended 31st March, 1998.
3. To declare dividend, to be paid out of the General Reserve, on Equity Shares, for the year ended 31st March, 1998 subject to all approvals necessary including of the Central Government under the provisions of the Companies Act, 1956.
4. To appoint a Director in place of Dr. Ramnath A. Podar who retires from office by rotation, but being eligible, offers himself for re-election.
5. To appoint a Director in place of Shri P.K. Daga who retires from office by rotation, but being eligible, offers himself for re-election.
6. To appoint a Director in place of Shri C.K. Birla who retires from office by rotation, but being eligible, offers himself for re-election.
7. To appoint Auditors to hold office from the conclusion of this Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration, and for the purpose, to pass the following Resolution which will be proposed as a Special Resolution :

"RESOLVED pursuant to the provisions of Section 224A and other applicable provisions, if any, of the Companies Act, 1956, Messrs Dalal & Shah, Chartered Accountants, the retiring Auditors be and are hereby re-appointed as Auditors of the Company to hold office from the conclusion of this meeting until the conclusion of next Annual General Meeting of the Company at a remuneration of Rs.34.00 lacs (Rupees thirty four lacs only) for the said period plus actual travelling and other out of pocket expenses incurred incidental to their functions".

8. To consider and, if thought fit, to pass the following Resolution which will be proposed as a Special Resolution :

"RESOLVED THAT pursuant to Section 31 and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof for the time being in force), the existing Article No.27 of the Articles of Association of the Company be amended by adding at the end thereof the following PROVISIO:-

PROVIDED THAT the Company shall have power, subject to and in accordance with all applicable provisions of the Act and other applicable provisions of law and subject to such approvals, permissions and sanctions as may be necessary, to purchase, acquire or hold any of its own fully paid shares whether or not they are redeemable and may

make a payment therefore out of its free reserves or out of the share premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose or from such other sources as may be permitted by Law on such terms and conditions and in such proportion and in such manner as may be prescribed by Law from time to time, provided further that nothing herein contained shall be deemed to affect the provisions of Sections 100 to 104 and Section 402 of the Act in so far as and to the extent they are applicable".

9. To consider and if thought fit, to pass the following Resolution which will be proposed as a Special Resolution :

"RESOLVED THAT if and when permissible at law and subject to all applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof or any Ordinance promulgated in this regard), and subject to such other approvals, permissions and sanctions, as may be necessary and subject to such conditions and modifications as may be prescribed or imposed while granting such approvals, permissions and sanctions, which may be agreed to by the Board of Directors of the Company (hereinafter referred to as the "Board" which term shall include any committee thereof duly authorised by the Board to exercise its powers including the powers conferred on the Board under this resolution), the consent of the Company be and is hereby accorded to the Board to buy-back, from the existing holders of shares and/or securities giving a right to subscribe for the shares of the Company and/or from the open market shares/securities in market lots and/or in lots smaller than market lots of the shares/securities of the Company, not exceeding such percentage of the present paid-up capital of the Company as specified by the Government or any other regulatory authority, from out of the Company's free reserves or out of the share premium account of the Company or out of the proceeds of any issue made by the Company specifically for the purpose, or from such other sources on such terms and conditions and in such proportion and in such manner as may be prescribed by law from time to time.

RESOLVED FURTHER THAT nothing herein contained shall confer any right on any shareholder/holder of securities to offer or any obligation on the part of the Company or the Board to buy-back any shares/securities of the Company.

RESOLVED FURTHER THAT for the purpose of giving effect to this resolution the Board be and is hereby authorised to do all such acts and things and deal with all such matters and take all such steps in this regard as it may, in its absolute discretion, deem necessary, fit or proper".

NOTES FOR MEMBERS' ATTENTION

- (a) A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER.
- (b) Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956, in respect of Item Nos.7, 8 & 9 of the Notice set out above, is hereto annexed.
- (c) The Registers of Members and Transfer Books in respect of the Equity Shares of the Company will remain closed from

CENTURY TEXTILES AND INDUSTRIES LIMITED

Tuesday, the 18th August, 1998 to Tuesday, the 8th September, 1998 both days inclusive.

- (d) Dividend on Equity Shares when sanctioned will be made payable on or after Monday, the 21st September, 1998 to those Shareholders whose names stand on the Company's Register of Members on Tuesday, the 8th September, 1998 and to whom dividend warrants will be posted.
- (e) Those members who have so far not encashed their dividends for the financial year ended 31st March, 1996 may claim or approach the company for payment as the same will be transferred to the General Revenue Account of the Central Government on or before 25th August, 1999.
- (f) The unclaimed dividend for the financial year ended 31st March, 1994 amounting to Rs.5,44,330/- has already been transferred to the General Revenue Account of the Central Government in terms of the provisions of Section 205A of the Companies Act, 1956.

Those shareholders who have so far not claimed or collected their dividend for the said financial year may claim their dividend directly from the Registrar of Companies, Maharashtra, by submitting an application in the prescribed form.
- (g) Members holding shares in the same name under different Ledger Folios are requested to apply for consolidation of such Folios and send the relevant share certificates to the Company.
- (h) Members are requested to notify change in address, if any, immediately to the company at its Registered Office quoting their folio numbers.

By Order of the Board,

D.K. AGRAWAL
Secretary

Mumbai,
Dated : 30th June, 1998

ANNEXURE TO THE NOTICE

Explanatory Statement under Section 173(2) of the Companies Act, 1956.

Item No. 7

Although not strictly necessary, this Explanatory Statement is being given in respect of the Resolution mentioned in this item of Notice since the Resolution for the re-appointment of the retiring Auditors will be proposed as a Special Resolution in view of the provisions contained in Section 224A of the Companies Act, 1956. The Financial Institutions, Banks and Insurance Companies at present hold and are likely to continue to hold at the date of ensuing Annual General Meeting, more than 25% of the subscribed share capital of the Company which necessitates the passing of a Special Resolution.

In view of general increase in costs associated with services rendered, the remuneration of the Auditors is also proposed to be increased from Rs. 28.50 lacs to Rs. 34.00 lacs as mentioned in the Resolution.

As required under section 224 of the said Act, the Auditors have forwarded a Certificate to the Company stating that their

re-appointment if made, will be within the limit specified in sub-section (1B) thereof.

Item Nos. 8 and 9

Buy-back of its own shares and/or other securities convertible into equity shares by Companies is presently not allowed under the Companies Act, 1956 unless the same is done with a view to reduce its capital. The Companies Act, 1956 is likely to be amended to regulate the buy-back of shares/securities by Companies but the law in this behalf has still to be brought on the Statute Book. It is expected that, in the near future, the existing law will be amended to allow such buy-back of a Company's shares.

The present Article 27 of the Articles of Association of the Company restricts the use of funds of the Company for purchase/buy-back of or to give loans for the purchase of its own shares. Section 31 of the Companies Act, 1956 inter alia provides that a Company may by a Special Resolution alter its Articles of Association. Consequential amendments are also proposed to the existing Article 27 as set out in Item No.8 of the accompanying Notice.

Subject to the buy back of shares being legally permissible it is proposed to buy back the shares or other securities giving a right to subscribe for the shares of the Company, from the existing holders on a proportionate basis and/or from the open market in market lots and/or in lots smaller than market lots of the shares (odd lots), not exceeding such percentage of the present paid-up capital of the Company which may be enacted at law in this regard.

The buy back of shares/securities as aforesaid would entail investing of an amount which would not be less than the market value of the shares/securities of the Company and shall be met out of the free reserves and/or share premium account and/or out of the proceeds of an issue specifically made for the purpose or from such other sources as may be permitted by law as set out in the resolution. The shares so bought back shall be dealt with as per the prevailing law/regulations.

The resolution, if approved, will be operative for such period and given effect to from such applicable date as may be prescribed by law in this regard.

The Board is of the opinion that it will be in the interest of the Company to approve the resolution in this behalf as set out at Item No.9 of the accompanying Notice permitting such buy back, so that the Company will be able to implement this resolution once the existing law is amended in terms of the above.

The Directors accordingly recommend the resolutions mentioned in these items of the Notice for approval of the shareholders.

None of the Directors of the Company is, in any way, concerned or interested in these resolutions except may be to the extent of the shares held by them in the Company.

By Order of the Board,

D.K. AGRAWAL
Secretary

Mumbai,
Dated : 30th June, 1998

DIRECTORS' REPORT

Dear Shareholders,

We present the 101st Annual Report of the Company alongwith the audited statements of Accounts for the year ended 31st March, 1998. The financial results are shown below. Working and operational parameters at all the plants of the Company, barring the bagasse paper unit, were quite satisfactory during the year, but profitability was adversely affected due to the continuing recession in the Indian economy. This is one of the largest such recession experienced in our country in several decades and has led to stagnation in several basic sectors. Accordingly, markets and prices for cement and paper further worsened during the year which severely dented the results for the year.

The position has recently improved somewhat and the bagasse paper plant is also now expected to achieve optimum capacity utilisation in a few month's time. From April 1998 onwards there has been some improvement in the Cement market but the outlook for the next few months seems to be uncertain. However, there has been no major change in the prices and offtake of other products. Various measures taken in the 1998-99 budget by the Central Government to promote Indian Industries should improve the atmosphere.

1. SUMMARISED FINANCIAL RESULTS :

(Rs. in Crore)

	1997-98	1996-97
Gross Sales	2207.94	1990.76
Gross Profit after interest	58.26	126.56
Provision for Depreciation	145.57	123.74
Provision for Wealth Tax	0.24	0.15
Excess tax provision relating to prior years	+2.37	—
Profit/(Loss)	(85.18)	2.67

2. DIVIDEND :

The Directors have recommended a dividend at the rate of Re.1/- (One) per equity share (10% on equity share of Rs.10/- each) for the financial year ended 31st March, 1998 subject to necessary approvals of the Central Government under the provisions of the Companies Act, 1956 and of Banks as required to be paid out of General Reserve. The Directors have paid 10.25% dividend on pro-rata basis on Redeemable Cumulative Non-Convertible Preference Shares of Rs.100/- each. The members are requested to confirm the same at the ensuing Annual General Meeting.

3. BONUS SHARES :

As you are aware, last year on the momentous occasion of the Company's Centenary Year, Bonus Shares were declared in the ratio of One Bonus Equity Share for every One Equity Share held and all formalities in this behalf have been completed with the delivery of Bonus Share certificates to the shareholders.

4. SUB-DIVISION OF THE FACE VALUE OF EQUITY SHARES FROM RS.100/- TO RS.10/- PER SHARE :

In terms of the resolution passed at the last Annual General Meeting, the face value of Equity Shares was sub-divided from Rs.100/- to Rs.10/-

each. Those members who have so far not collected the new share certificates of the face value of Rs.10/- each are again requested to collect the same against surrender of old certificates of Rs.100/- each at the Registered Office of the Company.

5. ISSUE OF PREFERENCE SHARES :

During the year the Company had issued Redeemable Cumulative Non-Convertible Preference Shares aggregating to Rs.100 crore carrying dividend at the rate of 10.25% per annum on private placement basis redeemable after 3 years from the date of allotment.

6. DEPOSITORY FACILITIES IN RESPECT OF EQUITY SHARES :

The Company has introduced Depository facilities in respect of its Equity Shares under the Depositories Act, 1996 and the regulations made thereunder. Those members who are desirous of opting for this facility should contact one of the Depository Participants (DPs) of National Securities Depository Ltd. (NSDL).

7. TEXTILE DIVISION :

During the year under review, cotton prices remained firm. The cotton season 1997-98 saw price increase by about 20% which will have an adverse impact on 1998-99 performance of the Textile Industry. The cost of other inputs including wages, dearness allowance, fuel and water charges also increased. The domestic and export markets remained depressed due to demand recession and general slow down of the economy. In view of the severe fall in the currency value of various countries in South East Asia vis-a-vis US Dollar, competitiveness of the Indian textile industry has suffered adversely in the export market. To add to the problem, the European Union has reimposed anti-dumping duty with effect from 9.4.1998 on the export of unbleached cotton grey fabrics by all Indian Mills to European Countries and in our case such duty comes to 15% which is bound to have adverse impact on our price realisation. It is only the goodwill generated by the Company both in domestic and international markets and its quality consciousness that has enabled the Company to export fabrics/yarn to a satisfactory level of Rs. 253 crore.

The Company has again bagged the Texprocil's Gold Trophy for outstanding export performance for 1996-97. The Company has also received the Indo-German Award 1997 for Indo-German Economic Relations.

To strengthen our commitment to quality and improvement in productivity, modernisation and technological upgradation programmes are continuing.

Towards improvement in quality and better environment, the Company successfully replaced the traditionally used Chromium based oxidising agent for dyeing process of Yarn and Fabric so as to achieve the limits of Chromium prescribed for ecologically optimised Fabric as well as in the effluent.

8. CENTURY YARN DIVISION :

With maximum capacity utilisation and consistent production of world-wide accepted quality of cotton yarn, we have exported Yarn worth Rs.49 crore which in the present background is deemed satisfactory.

For proper and efficient utilisation of cotton microdust collected at spinning, a pilot plant has been commissioned to generate Bio-gas to be used for captive consumption and the residual slurry to be used as manure. This obviates the problem of disposal of the solid waste.

9. CENTURY DENIM DIVISION :

We are pleased to inform that this state-of-the-art high tech division has made a dent in the global denim market and is producing denim fabrics of consistent good quality which have acquired world-wide acceptance. At present, the world market for Denim fabrics is highly depressed due to increased supply and lower demand. The value of exports during the year amounted to Rs.39 crore. On account of commitment to quality systems, it was possible to have ISO-9002 accreditation within a year of commencement of production. Our In-house R&D activities resulted in the development of a new process "Century's Rapid Wash Denim" which has been successfully established. It satisfies customers' expectations; is economical and ecologically acceptable. We are glad to inform that Century's Denim Fabrics have received humano-ecological Oekotex Certificate of "Confidence in Textiles" from Germany as the Company has been successful in avoiding the use of toxic and harmful dyes and chemicals during the manufacture.

10. RAYON, TYRECORD & CHEMICALS DIVISIONS :

The production of Rayon Yarn was slightly higher at 14387 tonnes. The offtake throughout the year has been steady and price realisation has been higher as compared to the previous year. The excise duty was reduced by 2.30% in the Central Government Budget for 1997-98. As a result of various steps taken including technological upgradation, it was possible to reduce power consumption by about 9% in the Rayon Plant. Continuous efforts are being made to improve quality and productivity through further upgradation of technology.

During the year, production of Tyre Cord was 3376 Tonnes. The offtake to European markets suffered set back due to easy availability of Polyester Tyrecord at lower prices. However, during the last quarter of the year export demand for Tyrecord yarn showed some improvement.

Commissioning trials of 12 Nos. Continuous Spinning machines supplied by M/s. Snia Engineering S.p.A., Italy, are under way and commercial production of Rayon Yarn will start from July '98.

The offtake and the prices of caustic soda lye suffered a serious set back as several new caustic soda plants were recently commissioned in the Western Zone of the country. We also had to face stiff competition from imported caustic soda. These factors forced us to curtail production of caustic soda lye and allied chemicals.

In view of uncertainties regarding availability of Naphtha allocation and its handling/transportation, we have decided, in the first phase, to install 2 x 6 MW DG sets at our factory in Kalyan towards increasing our captive power generation capacities.

Due to early onset of monsoon and unusually heavy rains, the production season was curtailed, adversely affecting salt production at Jamnagar Salt Works. Construction work of salt refinery project was also affected. Unprecedented cyclonic storm in June '98 has caused severe damage at our site and the commissioning of the Refinery will be further delayed till 4th quarter of 1998.

11. SHIPPING DIVISION :

During the year under review, the Company sold one of its bulk carriers, MV ADITYA USHA, of 18720 DWT, built 1981 at a fairly reasonable price. With the sale of this ship the Company's fleet now consists of 8 ships aggregating to 254308 DWT.

The dry bulk freight market remained depressed during the year in view of substantial new deliveries adding to the availability of tonnage and also on account of South East Asian currency crisis. The revival of dry bulk freight rates are not expected during the year 1998 due to capacity additions, saturation in sea borne dry bulk trade and continued monetary difficulties in South East Asian countries.

Two of the Company's Product Tankers continue to be employed on time-charter to Indian Oil Corporation.

Compliance with the International Safety Management Code (ISM) has become mandatory w.e.f. 1st July, 1998 for shipping companies operating Tankers, Dry Bulk Carriers and certain other categories of ships. Your Company has received certification from the Directorate General of Shipping for compliance with the ISM Code, both for the office and the ships. It is expected that compliance with this code will result in improved performance.

12. CEMENT DIVISIONS :

The comparative production figures are as under :

	(In lac tonnes)			
	Clinker		Cement	
	1997-98	1996-97	1997-98	1996-97
Century	10.02	7.90	11.30	9.59
Mailhar Unit I	6.53	6.50	7.70	7.14
Mailhar Unit II	9.93	8.40	10.64	7.90
Manikgarh	11.12	12.50	11.48	13.06
	37.60	35.30	41.12	37.69

The clinker and cement production could have been much higher but for the following adverse factors:

- The Manikgarh unit shut down for 47 days was taken for technological upgradation of the plant which has reduced the fuel consumption.
- Poor quality of coal.
- Unsatisfactory market conditions.

In spite of increase in royalty on limestone, rate of power, coal and railway freight tariff, our cost of production has remained almost the same due to improvement in productivity and curtailment in expenses. However, the continued downward trend in cement rates, due to recession in construction industry and curtailment of orders by Government Departments, have adversely affected the profitability of the Company in respect of this product.

Improvement In Productivity

There has been considerable improvement in power and coal consumptions and these compare favourably with the other efficient

units in the industry, in spite of the fact that two of our units are nearly 20 years old, and are of uneconomical sizes, judged from the existing standards.

Consumption per M.T. of production

	1997-98	1996-97
Electricity (kwh)	100.83	108.72
Coal (M.T.)	0.195	0.200

Captive Power Plants

Thermal Captive Power Plants of 15 MW each at Century Cement and Maihar Cement Divisions of the Company have started generation and have achieved satisfactory level of production. This has helped to overcome power crisis to a considerable extent and cost of Captive Power generation is lower than the cost of other power.

13. PULP AND PAPER DIVISION :

This division has been maintaining satisfactory production except in Bagasse Paper Unit. The comparative production figures are as under :

(Quantity in tonnes)

	1997-98	1996-97
a) Paper (Wood Based)	37,556	36,172
b) Paper (Bagasse Based)	59,546	35,215
c) Rayon/Paper Grade Pulp	34,290	33,428

There has been considerable improvement in production in bagasse paper unit which has achieved increased capacity utilisation and we are hopeful of its achieving satisfactory production within next few months.

Due to heavy imports, the demand for Paper and Rayon Grade Pulp manufactured by Indian Industry remained considerably depressed. The prices of International paper touched \$ 550 per metric ton and rayon grade pulp touched \$ 525 per metric ton.

Due to Government policy of low Import Duty on Paper and Pulp and devaluation of currency of exporting countries, the indigenous industry has been very badly affected. The new budget proposals about import tariff etc. are likely to help Pulp and Paper only up to an extent.

The availability of both timber and bagasse is getting limited, resulting in higher prices of both the basic raw materials.

14. BIRLA TYRES :

Birla Tyres, run by a Consortium of four companies with Company's share at 60% has shown improvement in its performance due to continuous improvement in quality, reduction in scrap generation and increase in overall productivity. This unit has received ISO 14001 Certification for Environmental Management System, reiterating our social commitments. The Consortium Agreement has been renewed to be effective upto 31.3.2000.

Birla Tyres has undertaken capacity expansion programme in two phases at an aggregate cost of approximately Rs.101 crore. The first phase of the expansion has been completed as per the scheduled time frame and the existing production capacity has been increased by about

25%. Commercial production from the expansion project has commenced in a phased manner from October, 1997 and full capacity was achieved in April, 1998.

In the second phase, with technical collaboration of Pirelli, all Steel Radial LCV and Passenger Tyres will be introduced. Necessary technical know-how and supply agreement with Pirelli has been approved by Government of India. The Plant will start production by the end of 1999.

15. MISCELLANEOUS ACTIVITIES :

a) Building Project :

There has been fall in prices of real estate and demand continues to be weak. It was, therefore, decided not to undertake any new project.

b) Floriculture Project :

The financial performance was not satisfactory due to very poor export realisations.

Production of other varieties of flowers like Gladiolas, Carnations, etc. has been taken up to improve the economics of the Division.

16. NEW PROJECTS :

a) Paper Board Project :

After reconsideration, it has been decided to put on hold the Paper Board Project until the market improves.

b) Pulp and Paper Projects :

The implementation of projects for manufacture of Rayon Grade Pulp and Writing and Printing Paper in Punjab and U.P. have been dropped.

17. GENERAL - SPORTS AND WELFARE ACTIVITIES :

a) Textile Division :

i) At the 39th Annual Vegetable, Fruits and Flower Show Competition held in February 1998 organised by National Societies of "Friends of Trees" the Company has bagged 'Governor of Maharashtra Championship Rolling Trophy' for the sixth year in succession, 62 First prizes, 64 Second prizes and 34 Third prizes.

ii) At the 54th Inter Mill Sports Tournament organised by The Millowners' Association held in January 1998, the Division has won the General Championship, Athletics Championship, Women's Sports Runners up, 1st prize in Bhajan competition and second prize in Drama and 7 first prizes in various other sports.

b) Rayon, Tyre Cord & Chemicals Divisions :

i) Volleyball Team of the division won the Thane District Championship. One of the veteran athletes of the team secured 3rd place in the National Veteran's Meet.

- ii) A camp for Physical Training was organised at the Kamgar Kalyan Kendra in which nearly 250 boys and girls of our employees participated. Monsoon Marathon was also conducted by the Kendra and about 2300 boys of different age groups participated. Three boys were selected in athletic team of Thane District. One of the boys won 1st prize "Mahapaur Shree" title in Wrestling at Ulhasnagar.

c) Cement Divisions :

Students and Schools run by Century Cement and Maihar Cement Units continued to excel in the scholastic and sports activities. Some students were selected for National Basket Ball, Football and Badminton tournaments. Three students of our Scouts and Guides have done well in the Scouts and Guides activities. The Scouts and Guides participated in the "SARC JAMBOREE", an International gathering of Scouts and Guides.

As a part of community development activities, eye camps and family welfare programmes are arranged for employees and villagers in the adjoining areas.

Century Cement mines has been awarded the first prize in air quality management and waste dump management from Indian Bureau of Mines, Nagpur Region. Also first prize in use of explosives and injury rate performance from the Director General of Mines, MP has been awarded to Century Cement Mines.

Maihar Cement mines bagged the first prize in Environment & Ecology in the Metalliferous Mines Safety week 1997-98 of Jabalpur Region. Maihar Cement Unit also bagged first prize in outstanding performance and water quality management in the Mines Environment and Mineral Conservation Week 1997-98.

Manikgarh Cement Unit has been awarded the first prize by the Council of Industrial Safety (Maharashtra State branch of National Safety Council) for the year 1996 and bagged the first prize in manufacturing support Group in the International Meet on Quality Circles organised by Quality Circle Forum of India in December, 1997 at Hyderabad in which more than 230 quality circles including Quality Circles from other Asian Countries participated.

18. POLLUTION CONTROL :

a) Rayon, Tyre Cord & Chemicals Divisions :

- i) The Company is continuously striving to combat pollution so as to create healthier environment. New monitoring equipments have been installed to check ambient air and water.
- ii) A scheme for disposal of solid waste is under implementation.
- iii) Mock drills are being regularly conducted in Rayon and Chemical plants for imparting training to our staff and workmen for their taking timely and corrective action for safety.

b) Cement Divisions :

- i) Top priority continues to be given to environmental protection for all the three units. To combat the pollution and to strengthen the area ecology, a lot of emphasis is given for massive plantation of fragrance and shady trees. Continuous monitoring of various pollution control equipments is being done for keeping the emission levels to the minimum possible.
- ii) At all the three units pollution control is amongst the best in the country.

19. INSURANCE :

Adequate Insurance cover has been taken for properties of the Company including Buildings, Plant & Machineries, Stocks and Ships.

20. INDUSTRIAL RELATIONS :

Industrial relations in all the units remained reasonably stable throughout the year with the signs of growing mutual trust between the management and employees. However, the workers of Century Yarn & Century Denim Divisions resorted to an illegal strike from 25.5.1998 resulting in stoppage of production in these two factories. However, the annual turnover of these two Divisions constitute only about 5% of the total annual turnover of the Company. Fortunately, the workers have started to return to work unconditionally.

21. DIRECTORS :

The Industrial Credit and Investment Corporation of India Limited (ICICI) withdrew the nomination of Smt. Lalita D. Gupte as its Nominee Director with effect from 23.07.1997 and nominated Shri S. Mukherji, General Manager of their Corporation in her place. The Directors place on record their appreciation for the valuable services rendered by Smt. Lalita D. Gupte during her tenure of office as a Director of the Company.

Shri A.P. Kurian has been nominated by Unit Trust of India as Director on the Board of the Company & has been appointed with effect from 1st June, 1998 in terms of Article 112A of the Articles of Association of the Company.

Shri Rasiklal Maneklal has resigned from the Board of Directors of the Company with effect from 22nd May, 1998. Shri Rasiklal Maneklal joined the Board on 10.4.1951 and served the Company for more than 47 years. The Directors place on record their deep appreciation for the valuable services rendered by Shri Rasiklal Maneklal during his long tenure as a Director of the Company.

Under Article 130 of the Articles of Association of the Company, Dr. Ramnath A. Podar, Shri P.K. Daga and Shri C.K. Birla retire by rotation and being eligible, offer themselves for re-election.

22. AUDITORS :

The retiring Auditors, M/s. Dalal & Shah, Chartered Accountants, are eligible for re-appointment and have indicated their willingness to act as such. In terms of Section 224A of the Companies Act, 1956, their appointment needs to be confirmed by a Special Resolution and their remuneration has to be fixed.

23. AUDITORS' REPORT :

The notes to the Accounts referred to in the Auditors' Report are self-explanatory and, therefore, do not call for any further explanation under Section 217(3) of the Companies Act, 1956.

24. COST AUDITORS :

Pursuant to the directives of the Central Government under the provisions of Section 233B of the Companies Act, 1956, qualified Cost Auditors have been appointed to conduct cost audits relating to several products manufactured by the Company.

25. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO :

A statement giving details of conservation of energy, technology absorption, foreign exchange earnings and outgo, in accordance with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is annexed and marked Annexure 'A' which forms part of this Report.

26. PARTICULARS OF EMPLOYEES :

Details of remuneration paid to employees, as required by Section 217(2A) of the Companies Act, 1956, are set out in a separate statement attached hereto and marked Annexure 'B' which forms part of this Report.

27. REGULATORY STATEMENT:

In conformity with the provisions of clause 32 of the Listing Agreement/ (s) the Cash Flow Statement for the year ended 31.3.1998 is annexed hereto.

28. APPRECIATION :

The Company places on record its deep appreciation for the devoted services of the workers, staff and the executives of the Company which have contributed in no small measure to the Company's inherent strength. Grateful thanks are also due to various State Governments, the foreign investors, the banking circles, financial institutions and district level authorities for the continued support extended to the Company from time to time. Shareholders' appreciation of the managements' efforts in trying times, at the Annual General Meetings is also a great fillip to strive for better performance in spite of severe strains faced by the Company as explained above.

Registered Office :
Century Bhavan,
Dr. Annie Besant Road,
Mumbai - 400 025

On behalf of the Board,

B.K. BIRLA
Chairman

Dated : 30th June, 1998

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