



# 51ST ANNUAL REPORT

1999-2000



**BIRLA VXL LIMITED**  
DIGJAM                      OCM

**BIRLA VXL LIMITED****SHAREHOLDER INFORMATION**

We try hard to be attentive to our Shareholders by having a policy of being readily accessible to them. We emphasize the importance of responding promptly in a friendly, helpful way when our Shareholders have questions or need assistance. If you need normally available information about your holding, please do not hesitate to call us on Telephone No. (033) 220 1680 or (033) 248 0135 and ask for Mr. D. K. Sonnee/Mr. B. B. Nayak (Extn. 1017) or write to Secretarial Department at : Birla VXL Limited, Birla Building, 9/1, R. N. Mukherjee Road, Kolkata 700 001, E-mail : birlacal@cal.vsnl.net.in

**Annual General Meeting of Shareholders**

While the formal notice of the Shareholders' Meeting is attached to this Report, please note the next meeting of the Shareholders will be held on **Thursday, March 29, 2001 at 10.30 a.m.** at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006 (Gujarat).

**Registrars and Transfer Agents (Physical & Demat)**

ABC Computers Pvt. Ltd., National Council of Education, Bengal, Jadavpur University Campus, Kolkata 700 032, Tel : (033) 473 1292, 473 1163, 473 5363, E-mail : abccal@cal.vsnl.net.in

**Stock Exchange Listings**

Saurashtra Kutch Stock Exchange Ltd., Popatbhai Sorathia Bhavan, Sadar Bazar, Rajkot 360 001  
The Stock Exchange, Mumbai, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai 400 023  
The Calcutta Stock Exchange Association Ltd., 7, Lyons Range, Kolkata 700 001  
The Delhi Stock Exchange Association Ltd., DSE House, 3/1, Asaf Ali Road, New Delhi -110 002  
National Stock Exchange of India Ltd., Trade World, Senapati Bapat Marg, Lower Parel, Mumbai 400 013  
The Company has paid up to date Annual Listing Fee to each of the above Stock Exchanges.

**Note on Depository**

It may be noted that the shares of the Company have been included in the list of securities for compulsory trading in dematerialised form for all investors wef 8.5.2000. Shareholders are therefore advised to dematerialise their shareholding to avoid inconvenience in future. The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), to enable the Shareholders to dematerialise their shareholding in the Company, for which they may contact the depository participants of either of the above Depositories.

**OTHER INFORMATION****PRINCIPAL OPERATING DIVISIONS**

**Birla VXL Limited, Jamnagar**, Aerodrome Road, Jamnagar 361 006 (Gujarat), Tel : (0288-) 55 1480, Fax : (0288-) 55 4697, E-mail : digjam@wilnetonline.net.

**Birla VXL Limited, Amritsar**, G.T. Road, Chheharta, Amritsar 143 001 (Punjab), Tel : (0183-) 25 8712, Fax : (0183-) 25 8714, E-mail : birlaocm@vsnl.com

**Universal Clothing**, 14/5, Mathura Road, Faridabad 121 003, Tel : (0129-) 527 5713, Fax : (0129-) 527 6236, E-mail : ucvtl@satyam.net.in

**OTHER OFFICE**

85, Maker Towers, F-Block, Cuffe Parade, Mumbai 400 005, Tel : (022-) 218 4640, Fax : (022-) 218 8365, E-mail : bvxlmum@bom8.vsnl.net.in

**REPRESENTATIVE OFFICES**

**London** : 1st Floor, Signal House, Lyon Road, Harrow, HA1 2AG, England, U. K., Tel : (0181-) 8861 5510, Fax : (0181-) 8424 0242, E-mail : BVXL@hemscott.net

**New York** : 509, Madison Avenue, Suite 1110, New York NY 10022, Tel : (0212) 759 6821, Fax : (0212) 759 7064, E-mail : birla@erolf.com

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**BIRLA VXL LIMITED****BANKERS**

UCO Bank  
Bank of India  
Bank of America  
Bank of Baroda  
Punjab National Bank  
Punjab & Sind Bank  
State Bank of India  
State Bank of Saurashtra  
Standard Chartered Bank  
Union Bank of India

**EXECUTIVES**

C.L. RATHI  
Deputy Managing Director &  
Chief Operating Officer

M.K. GOENKA  
President

R.S. SINGHVI  
President

J.P. AGRAWAL  
President (Group Finance)

R.P. JAIN  
Joint President

D.P. GOENKA  
Joint President,  
Amritsar

S.C. AGARWAL  
Joint President,  
Jamnagar

S.K. AGARWAL  
Joint President (Technical),  
Amritsar

A.K. SHRIVASTAVA  
Vice-President (Universal Clothing)

U.C. JAIN  
Vice-President (Legal)

GIRISH BHATIA  
Secretary

**BOARD OF DIRECTORS**

S. K. BIRLA  
Chairman  
A.N. LALBHAI  
SIDHARTH BIRLA  
Vice-Chairman  
DR. V.K. BHALLA  
R.K. CHOUDHURY  
DR. S. GANGULY  
N.L. HAMIRWASIA  
T. HANAMAKI  
V.R. MEHTA  
G. MOMEN  
A.C. MUKHERJI  
V.J. PABARI  
D.F. PATEL  
K.V. UNNI  
C.L. RATHI

**BOARD COMMITTEES**

**Committee of Directors**  
S.K. BIRLA  
Chairman  
SIDHARTH BIRLA  
R.K. CHOUDHURY  
A.C. MUKHERJI  
C.L. RATHI

**Audit Committee**  
R.K. CHOUDHURY  
A.C. MUKHERJI  
K. V. UNNI

**Share Transfer and  
Shareholders/Investors  
Grievance Committee**  
R.K. CHOUDHURY  
A.C. MUKHERJI  
C.L. RATHI

**AUDITORS**

LODHA & CO.  
Chartered Accountants,  
14, Government Place East,  
Kolkata 700 069

**CORPORATE OFFICE**

ECE House,  
28-A, Kasturba Gandhi Marg,  
New Delhi - 110001  
Tel : (011-) 331 4381/331 4382  
Fax : (011-) 332 4595  
E-mail : bvxlfin@ndf.vsnl.net.in

**REGISTERED OFFICE**

Aerodrome Road,  
Jamnagar 361 006 (Gujarat)

## BIRLA VXL LIMITED

### NOTICE TO THE MEMBERS

NOTICE is hereby given that the Fifty first Annual General Meeting of the Members of the Company will be held on Thursday, the 29<sup>th</sup> March, 2001 at 10.30 a.m at the Registered Office of the Company at Aerodrome Road, Jamnagar 361 006, (Gujarat) to transact the following business :

1. To consider and adopt the Directors' Report and audited Balance Sheet and Profit & Loss Account as at and for the 18 month period ended 31st-December, 2000.
2. To appoint Directors in place of Sarvasri A.N. Lalbhai, Sidharth Birla, G. Momen and A.C.Mukherji who retire from Office by rotation and being eligible, offer themselves for re-election.
3. To appoint Auditors and fix their remuneration and for the purpose, to consider and if thought fit, to pass with or without modification the following resolution, which will be proposed as a Special Resolution :

"RESOLVED that pursuant to the provisions of Section 224A of the Companies Act, 1956, M/S. Lodha & Co., Chartered Accountants, Kolkata, be and are hereby re-appointed Auditors of the Company, to hold office from the conclusion of this meeting, until the conclusion of the next Annual General Meeting of the Company and the Board of Directors of the Company be and are hereby authorised to fix their remuneration."

### SPECIAL BUSINESS :

To consider and if thought fit, to pass with or without modifications, the following resolutions :

#### 4. AS AN ORDINARY RESOLUTION

"RESOLVED that pursuant to the provisions of Section 293(1)(a) and other applicable provisions, if any, of the Companies Act, 1956, and subject to the approval of the Financial Institutions/Banks, as may be necessary and subject to such other consents, sanctions, approvals or permissions, as may be necessary, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the "Board" which expression shall also include a Committee thereof) to sell, and/or transfer and/or lease, organise, re-organise, restructure or otherwise dispose off Land, Buildings and/or other assets of the Company including immovable and/or movable properties or any or all of the undertakings of the Company as the Board may deem appropriate together with the use of all licences, permits, consents and approvals whatsoever in relation thereto and all the rights, benefits and obligations attached thereto and the related liabilities, to the Purchaser(s) thereof on a going concern basis or in any other manner, at such time(s) and on such terms and conditions and at such price(s) as the Board may in its absolute discretion deem fit to be in the interests of the Company, including the receipt of the consideration(s) thereof in cash or in kind or partly in cash and partly by Shares and/or Debentures or in any other manner.

RESOLVED FURTHER that the Board (including a Committee appointed by the Board for the purpose) be and is hereby authorised to do and perform all such acts,

deeds, matters and things as it may in its absolute discretion deem necessary and to sign and execute all such applications, agreements, deeds of assignment, conveyance and other documents and writings as may be considered necessary, fit and proper for the purpose of giving effect to this resolution and the Board be and is hereby also authorised to make and accept such modifications in the foregoing as it may be deemed expedient in the best interest of the Company and the Shareholders."

#### 5. AS AN ORDINARY RESOLUTION

"RESOLVED that pursuant to the Articles 163A, 163B, 163C and 163D of the Articles of Association of the Company and Section 198, 269, 309 read with Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956, the Company hereby approves the elevation of Sri C. L. Rathi to the position of Deputy Managing Director (DMD) and Chief Operating Officer (COO) of the Company w.e.f. 31.1.2000 and revision in his remuneration, perquisites and benefits with effect from 1.4.2000 for the remaining period of his tenure of Office till 31.5.2003 on the terms set out below :

- Salary Range : Minimum Rs. 1,25,000/- per month subject to a maximum of Rs. 1,60,000/- per month, with liberty to the Board or Committee of Board to review and set the level from time to time, provided that all emoluments paid shall in any case be within the overall limits laid down by Schedule XIII of the Companies Act, 1956 or any modification or re-enactment thereof.
- Allowance : City compensatory allowance shall be paid @ Rs.25,000/- per month.
- Commission : Not exceeding 2% of the net profits of the Company, subject however, to a maximum amount of Rs. 4,00,000/- per annum or part thereof, computed in the manner laid down in Section 309(5) of the Companies Act and further, as may be determined by the Board from time to time within this limit.
- Perquisites :
  - Housing : The expenditure by the Company on hiring unfurnished accommodation, will be subject to a ceiling of 60% of the salary, over and above 10% payable by him as may be determined by the Board or Committee of Board from time to time. No expenditure shall be incurred by the Company on gas, electricity and water charges which shall be borne /recompensed by him.
  - Medical Reimbursement : Reimbursement of actual medical expenses incurred in India or abroad and including hospitalisation, nursing home and surgical charges for himself and family. In addition a one time payment of Rs. 1,11,972/- towards a part of hospitalisation expenses, incurred for Open Heart By-pass Surgery done in March, 2000.
  - Leave Travel Concession : As per Rules of the Company.

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- d. Club Fees: Subject to a maximum of two Clubs. This will not include Admission and Life Membership Fee;
- e. Personal Accident Insurance : Premium not to exceed Rs. 4,000/- per annum.
- v. The following perquisites shall not be included in the computation of the ceiling on remuneration specified in Para i,ii, iii and iv above.
  - a. contribution to provident fund, superannuation fund or annuity fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961 ;
  - b. gratuity payable at a rate not exceeding half a month's salary for each completed year of service; and
  - c. encashment of unavailed leave at the end of the tenure.
- vi. Provision for one car with driver for use on Company's business and telephone at residence not to be considered as perquisites. Personal long distance telephone calls and use of car for private purpose shall be billed by the Company as far as practicable on actual basis, failing which on an estimated basis.

**Explanation :**

Perquisites shall be evaluated as per Income Tax Rules wherever applicable and in the absence of any such Rules, perquisites shall be evaluated at actual cost.

**Minimum Remuneration :**

Notwithstanding, where in any financial year during the currency of the tenure of Sri C.L. Rathi, the Company has no profits or its profits are inadequate, the Company may continue to pay him remuneration by way of salary, perquisites and other allowances not exceeding Rs. 24,00,000/- per annum or Rs. 2,00,000/- per month as minimum remuneration.

**6. AS A SPECIAL RESOLUTION**

"RESOLVED that pursuant to the provisions contained in Section 372A of the Companies Act, 1956 and such other provisions of the law as may be applicable from time to time and subject to such other approvals as may be necessary in this regard, approval of the Members be and is hereby accorded to the Board of Directors to give on such terms and conditions, as it may deem fit, security by way of pledge of Equity Shares of Mysore Cements Limited (MCL) held by the Company on pari - passu basis in connection with financial assistance(s) being obtained by MCL from Financial Institutions/Banks/ others etc. to meet its fund requirements in order to secure repayment of their borrowings not exceeding Rs. 336.70 crores, including borrowing of Rs.35 Crores and Rs.9.70 Crores from IFCI Limited by way of Term Loan and Working Capital Loan respectively, together with interest, commitment charges and all other monies etc. as may be due thereon, on the terms and conditions as may be agreed to amongst MCL, the Company and the Lenders,

notwithstanding that the value of such security by way of pledge of Shares of MCL together with investments already made, loans and guarantees already given and pledges already made by the Company, shall be in excess of ceiling prescribed under Section 372A of the Companies Act, 1956 and/or as may be prescribed hereafter under the said section and/or under any provisions of the said Act , on such terms and conditions as may be finally decided.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to or cause to be done all such acts, deeds, matters and things as may be necessary from time to time in this regard and all acts done in terms of this resolution by and with the authority of the Board of Directors, be and are hereby approved, confirmed and ratified.

**7. AS A SPECIAL RESOLUTION**

"RESOLVED that pursuant to the provisions contained in Section 372A of the Companies Act, 1956 and such other provisions of the law as may be applicable from time to time and subject to such other approvals as may be necessary in this regard, approval of the Members be and is hereby accorded to the Board of Directors to give on such terms and conditions as it may deem fit, security by way of pledge of Shares of Saurashtra Chemicals Limited (SCL) held by the Company at present as also the shares of SCL that the Company may acquire in future, in connection with financial assistance of Rs. 30 Crores obtained by SCL from ICICI Ltd. to meet its fund requirements, in order to secure repayment of their borrowings with interest, commitment charges and all other monies etc. as may be due thereon, on terms and conditions as may be agreed to amongst SCL, the Company and ICICI Ltd, notwithstanding that the value of such security by way of pledge of Shares of SCL, present and future, together with investments already made, loans and guarantees already given and pledges already made by the Company, shall be in excess of ceiling prescribed under Section 372A of the Companies Act, 1956 and/or as may be prescribed hereafter under the said section and / or under any provisions of the said Act, on such terms and conditions as may be finally decided.

RESOLVED FURTHER that the Board of Directors be and is hereby authorised to or cause to be done all such acts, deeds, matters and things as may be necessary from time to time in this regard and all acts done in terms of this resolution by and with the authority of the Board of Directors, be and are hereby approved, confirmed and ratified."

The Register of Members of the Company will remain closed as already notified from 22.3.2001 to 29.3.2001 (both days inclusive)

Registered Office :  
Aerodrome Road,  
Jamnagar 361 006 (Gujarat)  
Dated, 14th February, 2001

By Order of the Board  
  
GIRISH BHATIA  
Secretary



**BIRLA VXL LIMITED****NOTES :**

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of himself and a proxy need not be a member.
2. The instrument appointing a proxy has to be deposited at the Company's Registered Office at Aerodrome Road, Jamnagar 361006 (Gujarat), not less than 48 hours before the time for holding the aforesaid meeting.
3. The instruments of Share transfer complete in all respects should be sent to the Company's Registrars and Transfer Agents - M/s. ABC Computers Pvt. Ltd., National Council of Education, Bengal, Jadavpur University Campus, Kolkata 700 032, well in advance, so as to reach them prior to Book Closure. Shares under any defective transfer (unless defect is removed prior to Book Closing) and/or instruments of transfer received during the period of Book Closing shall be considered after re-opening of the books.
4. Shareholders are requested to intimate the Company's Registrars and Transfer Agents as mentioned in Note No. 3 above, changes, if any, in their registered addresses including PIN CODE Number.
5. Pursuant to Section 205A of the Companies Act, 1956, all unclaimed Dividends upto the Financial Year 1994-95 have been transferred to the General Revenue Account of the Central Government. Shareholders who have not encashed the Dividend Warrants upto the said period are requested to claim the amount from the Registrar of Companies, Gujarat, Ahmedabad, by submitting an application in the prescribed form. In view of the amended provisions of Section 205A of the Companies Act, 1956, the unclaimed Dividends from the Financial year 1995-96 and thereafter will be transferred to the Investor Education and Protection Fund ("the Fund") established by the Central Government in accordance with Section 205C of the Companies Act, 1956 after the expiry of 7 years from the date of transfer of Dividend to the Unpaid Dividend Account of the Company. Members, who have not yet claimed their Dividend for any of the aforesaid financial years, may claim it now from the Company before the same is transferred to the Fund. It may be noted that no claims shall lie against the Company or the Fund in respect of individual amounts which were unclaimed and unpaid for a period of 7 years and transferred to the Fund and no payment shall be made in respect of any such claim.
6. Members holding more than one Share Certificate in the same name under different Ledger Folios, are requested to apply for consolidation of such folios and send relevant Share Certificates to the Company's Registrars and Transfer Agents as stated in Note No. 3 above.
7. Members attending the meeting are requested to complete the enclosed slip and deliver the same at the entrance of the Meeting Hall.
8. Persons attending the Annual General Meeting are requested to bring their copies of Annual Report as the practice of distribution of copies of the Annual Report at the meeting has been discontinued.
9. SHAREHOLDERS OF THE COMPANY ARE AGAIN REMINDED TO SURRENDER ALLOTMENT LETTER FOR 12.5% FULLY CONVERTIBLE DEBENTURES DULY DISCHARGED ALONG WITH RECEIPTED ALLOTMENT ADVICE-CUM-ALLOTMENT MONEY NOTICE TO THE COMPANY'S REGISTRARS AND TRANSFER AGENTS, AS MENTIONED IN NOTE NO. 3 ABOVE, TO ENABLE THEM TO DESPATCH FULLY PAID DEBENTURE-CUM-SHARE CERTIFICATE IN LIEU THEREOF.
10. For any further information regarding the said Accounts, advance intimation be given and the members should ensure that it reaches Birla Building, 9/1, R.N. Mukherjee Road, Kolkata 700 001, atleast 10 days before the date of the ensuing meeting.
11. The Company has entered into necessary arrangements with National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL), to enable the Shareholders to dematerialise their shareholding in the Company, for which they may contact the depository participants of either of the above Depositories. It may be noted that the shares of the Company have been included in the list of securities for compulsory trading in dematerialised form for all investors wef 8.5.2000. Shareholders are therefore advised to dematerialise their shareholding to avoid inconvenience in future.
12. EXPLANATORY STATEMENT pursuant to Section 173 of the Companies Act, 1956 in respect of the Special Business stated above is appended below :

**Item No. 4**

With a view to meet the wide ranging competition as well as many other challenges consequent upon the liberalised fast growing economy, it may become necessary for the Company to accordingly and dynamically organise its business activities. For this purpose, it may become expedient to sell, lease, organize/re-organise, restructure or otherwise dispose of some or all of the Assets of the Company which may include part or whole of any or all of the undertakings of the Company. Section 293(1)(a) of the Companies Act, 1956, inter alia, provides that the Board of Directors shall not except with the consent of the Company in General Meeting, sell, lease or otherwise dispose of the whole or substantially the whole of the undertaking of the Company or where the Company owns more than one undertaking, the whole or substantially the whole of any such undertakings. Hence, the resolution for obtaining the requisite consent of the members.

None of the Directors of the Company is, in any way concerned or interested in the resolution.

**Item No. 5**

In view of continued growth of the Company's activities, the Board of Directors of the Company at their meeting held on 31.1.2000 had elevated Sri C.L. Rath, an existing Whole-time Director (designated as Executive Director) to the position of "Deputy Managing Director (DMD) and Chief Operating Officer (COO)" of the Company. Subsequently, at the meeting of the Committee of the Board held on 6.7.2000, terms of remuneration, perquisites

**BIRLA VXL LIMITED**

and benefits of Sri C.L. Rathi were revised wef 1.4.2000 in line with guidelines given in Schedule XIII and pursuant to Section 198, 269 and 309 of the Companies Act, 1956, subject to approval by the Members in General Meeting in due course. The revision in remuneration, perquisites and benefits payable to Sri Rathi and his elevation as DMD and COO, requires approval of the Members of the Company in General Meeting in terms of Part III of Schedule XIII of the Companies Act, 1956 and under Section 309 of the Companies Act, 1956.

Sri Rathi is concerned or interested in the resolution concerning his promotion as DMD and COO and revision in his remuneration, perquisites and benefits, save and aforesaid, no other Director of the Company is concerned or interested in the resolution.

An abstract of the revision in terms of appointment and remuneration payable to Sri C.L. Rathi wef 1.4.2000 has already been circulated to the Members as required under Section 302 of the Companies Act, 1956.

**Item No. 6**

Birla VXL Ltd. is one of the Promoters of Mysore Cements Ltd. (MCL). MCL had been sanctioned Rupee Term Loan of Rs. 35 Crores and Working Capital Loan of Rs. 9.70 Crores by IFCI Ltd. While sanctioning the above loans, IFCI has stipulated that the above loans should be secured in addition to other security by way of pledge of 78,40,120 Equity Shares of MCL held by the Company with IFCI. ICICI Ltd. - the lead Institution of MCL, while giving no objection to the pledge of Equity Shares as above, has stipulated that the pledge of Shares as above would rank pari passu in respect of various borrowing by way of loans, Debentures etc. availed by MCL from different Financial Institutions/Banks/others etc. as under :

**Loan from :**

ICICI Limited (Rs. 1200 lacs, Rs. 3000 lacs, Rs. 3100 lacs and Rs. 3000 lacs under Loan Agreements dated 9.7.1993, 28.8.1995, 26.2.1998 and 24.11.1999 respectively) ; IFCI Limited (Rs. 1000 lacs, Rs. 2500 lacs, Rs. 2250 lacs, Rs. 2150 lacs, Rs. 3500 lacs and Rs. 970 lacs under Loan Agreements dated 9.7.1993, 7.2.1996, 8.1.1997, 12.9.1997, 13.7.2000 and Letter of Intent dated 31.3.2000 respectively) ; Industrial Development Bank of India (Rs. 1200 lacs, Rs. 2500 lacs and Rs. 3500 lacs under Loan Agreements dated 9.7.1993, 16.6.1997 and 29.4.1998 respectively); and

**Secured Non-Convertible Debentures issued to :**

Unit Trust of India - Rs. 400 lacs, Life Insurance Corporation of India - Rs. 400 lacs, General Insurance Corporation of India - Rs. 50 lacs, National Insurance Company Limited - Rs. 30 lacs, The New India Assurance Company Limited - Rs. 50 lacs, The Oriental Insurance Company Limited - Rs. 30 lacs and United India Insurance Company Limited - Rs. 40 lacs respectively aggregating Rs. 1000 lacs, in Terms of Trustee Agreement dated 12.4.1993 and for which ICICI Limited are the Trustees ; GIC Mutual Fund - aggregating Rs. 500 lacs, in Terms of Trustee Agreement dated 12.4.1993, for which ICICI Limited are the Trustees ; Army Group Insurance Fund aggregating Rs. 500 lacs, in Terms of Trustee Agreement

dated 1.3.1996 for which ICICI Limited are the Trustees ; and IFCI Limited aggregating Rs. 1800 lacs in terms of Trustee Agreement dated 25.1.1999, for which ICICI Limited are the Trustees.

Since the aggregate of all the loans/borrowings etc. as above at Rs. 336.70 Crores in respect of which the Equity Shares of MCL are to be pledged as security will exceed the limit specified in Section 372-A of the Companies Act, 1956, the approval of the Shareholders is sought in terms of the provisions contained in the said Section.

Copies of relevant documents/correspondence etc. in this connection are available for inspection by the Members on any working day during 10 a.m. and 12 noon. at the Registered Office of the Company, till the date of this meeting.

The Board recommends the proposed resolution for your approval.

Except Sri S.K. Birla, Chairman, Sri Sidharth Birla, Vice-Chairman and Sri N.L. Hamirwasia, who are also Directors in MCL, none of the Directors are concerned or interested in the proposed resolution.

**Item No. 7**

Birla VXL Ltd. has been deemed as one of the Promoters of Saurashtra Chemicals Ltd. (SCL). SCL has been sanctioned Rupee Term Loan of Rs. 30 Crores by ICICI Ltd. (ICICI). While sanctioning the above loan, ICICI has stipulated that the above loan should be secured, in addition to other securities by way of pledge of Shares of SCL held by the Company at present as also to be held in future with ICICI Ltd. - the Lead Institution of SCL.

At present, Birla VXL Ltd. holds 1,17,500 Equity Shares of Rs. 10/- each and 49,22,000 - 16% Non-Cumulative Redeemable Optionally Convertible Preference Shares of Rs. 100/- each. Since the above loan of Rs. 30 Crores availed from ICICI Ltd. in respect of which Shares of SCL are to be pledged as security will exceed the limit specified in Section 372-A of the Companies Act, 1956, the approval of the Shareholders is sought in terms of the provisions contained in the said Section.

Copies of relevant documents/correspondence etc. in this connection are available for inspection by the Members on any working day during 10 a.m. and 12 noon at the Registered Office of the Company, till the date of this meeting.

The Board recommends the proposed resolution for your approval.

None of the Directors are concerned or interested in the proposed resolution.

Registered Office :  
Aerodrome Road,  
Jamnagar 361 006 (Gujarat)  
Dated, 14th February, 2001

By Order of the Board  
  
GIRISH BHATIA  
Secretary

## **BIRLA VXL LIMITED**

### **REPORT OF THE DIRECTORS TO THE SHAREHOLDERS**

We present herewith our Annual Report together with the Audited Accounts of the Company for the 18-month period ended December 31, 2000.

#### **GENERAL REVIEW**

The nation is still witnessing the shock of a catastrophic earthquake that ravaged large portions of Gujarat, the home state for the Company. It is a divine reprieve that the Jamnagar region, where a primary operation of the Company is located, suffered relatively low human and material loss; damage to the operations there was thus limited by comparison. The Company took many steps to afford some relief to affected people in the region.

The persisting economic slowdown continued during the period. The depressed mood of Business is reflected in the drop in "feel-good" factor as per various surveys. The Textile sector, in general, continues to face trying times due to sluggish markets conditions, intense price competition, accelerated input costs and changes in the market environment.

The Company is now on a focussed path with the clear vision of concentrating on its core business of manufacturing and marketing fabrics and ready to wear clothing under its own brands.

The results for the period, though on the face of it, appear cheerless. On the other hand, this in a manner denotes the resolve to take a transparent & pragmatic view of the overall situation, in an economic scenario which is increasingly competitive and one which will be thrown open to a degree greater than the Indian market has seen before. Shareholders will no doubt realise that the most significant part of the losses accounted for derive out of conscious management decisions to deal with inventory accumulations of the past & restricting output temporarily to align with the market scenario and avoid inventory build up once again. The Board appreciates that managements' mind-space has to expand to viewing the Company's fabrics business as unified with "fashion" rather than as a generic textile one. The production-oriented approach precedent has to be toned down to permit the desired marketing-driven approach to lead.

We have taken steps to enable the organisation to be structured in line with the above approach and allow closer integration of its operations at Jamnagar and Amritsar (earlier operated as DIGJAM Woollen Mills & OCM Woollen Mills respectively), improve configuration for domestic marketing & adapt strategies to suitably service both brands, besides providing a strong thrust to international marketing. A number of steps are being taken in operations aimed at reducing operating costs, improving

distribution and improving working capital management. Major strategic and operating initiatives are being planned, undertaken and/or implemented on marketing and distribution fronts. The company has also initiated steps to strengthen its organisation and induct the youth and skills required to achieve results from this strategic consolidation.

#### **REVIEW OF KEY OPERATIONAL MATTERS**

Sales for the period under review stood at Rs.386 Crores (previous year Rs.287 Crores). Export revenues crossed Rs.84 Crores (previous year Rs.54 Crores). Fabric production in the period was 14 million metres which in effect caused production related resources to remain idle in substantial proportion. A reduction of about 0.85 million metres (net) in inventory was achieved, mostly during the second half of the period. Even so the sales quantity of 15.1 million metres showed a marginal annualised decline over the previous year. All efforts were made to hold costs levels. Power tariff increases in Punjab & Gujarat however added to the cost burden. Performance of the garments manufacturing facility at Faridabad, which supports the export efforts, improved and faster growth is now expected.

In keeping with the trend of increasing ad-spend in the Textiles category, the Company had to spend greater amounts towards its publicity efforts and therefore, to make resources go longer, made a conscious choice to focus larger resources on the DIGJAM brand in the last season. To support the initiatives in this area a leading communications agency for managing this brand was recently appointed. The marketing thrust over time is expected to impact all facets of both brands' interface with consumers including new product introductions, consumer promotions and the retail experience. The Company also markets ready-to-wear shirts and other casual wear under the brand 'Jack Barclay' principally through its retail stores. The Company is also working towards further stimulating its distribution network and channel partnerships. It is also addressing itself increasingly to a growing affluent class, rural markets & younger consumers, all of which offer opportunities.

The Company manufactures more than 5,000 design-shade combinations every year in Light Wool, Polyester Wool as well as Woollen fabrics for its brands. Constant research is undertaken on designs to see that future trends are not missed. In the new millennium the Company introduced super-premium fabrics designed by European experts (with whom we work regularly and intensively) comprising fine wool yarn of Super 150s and Super 120s, on occasion blended with exotic fibres like Silk or Cashmere.

Shareholders may recall that the Company had availed of advice & recommendations of Andersen Consulting (now called Accenture) earlier as well as during the



**BIRLA VXL LIMITED**

period, through a comprehensive operations and marketing improvement program. The studies and recommendations have been valuable and we have reason to expect that far-reaching results will be achieved with increased production and sales.

In summary, the largest part of the operating losses can be attributed to restricted output, high interest burden & cost of liquidating excess inventories; thus the results for the period are not necessarily a reflection of the fundamental viability of the business. As can be also seen, a sizable accounting impact derives from changes in the method of valuation of inventories according to mandatory revised accounting standards; application of such valuation in itself does not alter the underlying value of the inventories. It was felt prudent to mention and clarify this here.

It was found appropriate to examine financial liabilities of the Company as a whole, particularly with a view of aligning them more closely to the profit and cash flow generating ability of the business. This step would only be in the interests of lenders & other stakeholders. The Company undertook, along with external advisors, an exercise to have its business plan, profit & cash flow assessment examined independently. Based on this discussion has been taken up with the lead Financial Institution ICICI & other important lenders to advance towards a proper solution. We expect the work in this connection to be concluded soon with positive results.

During the period, the Company divested its remaining 26% Equity stake in VXL Landis & Gyr Limited for cash to the majority owner, Siemens Group; some other investments were also sold to raise liquidity and reduce financial liabilities. As stipulated by the lead Financial Institution ICICI in a scheme for rationalisation of liabilities for Saurashtra Chemicals Limited (the Soda Ash business demerged from the Company earlier) outstanding loans amounting to Rs.4,922 lacs from the Company were converted into Redeemable Preference Shares. During the period Preference Shares amounting to Rs.111.50 lacs were privately placed. Redemption of Preference Shares amounted to Rs.100 lacs and that of Debentures to Rs.150 lacs.

**CORPORATE GOVERNANCE**

The Board has been committed to adopting, besides any obligations under relevant laws or regulations, relevant best practices for Corporate Governance. Accordingly the Company follows a code, substantively in line with the SEBI code, though the formal date for compliance by it is March 31, 2002.

**SUBSIDIARY COMPANIES**

Sidharth Soya Products Limited turned in a satisfactory overall performance, in a backdrop of tough conditions in Soya-based industries. Sales stood at Rs.7,895 lacs for

the year ended March 31, 2000 (previous year Rs.7,519 lacs) and Net Profit at Rs.110 lacs (previous year Net Loss of Rs.28 lacs). The company achieved its highest ever crushing at 89,766 MT. Effective management of costs and increased productivity improved the margins.

VXL Engineers Limited turned in improved overall performance for the year ended March 31, 2000. Sales amounted to Rs.3,438 lacs (previous year Rs.1,863 lacs) and Net Profit to Rs.377 lacs (previous year Net Loss of Rs.201 lacs). Revenue increase was shored up by higher defence related spending & contracts for sophisticated communication systems were successfully executed.

Saurashtra Chemicals Limited ceased to be a subsidiary after allotment of Shares in accordance with the Scheme of Arrangement implemented as per orders of the Hon'ble High Court of Gujarat at Ahmedabad.

The outlook for these companies remains positive.

Masuzawa Punjab Silk Limited (name changed during the period from Birla Masuzawa Silk Limited), an EOUE, faced dumping of silk yarn from China resulting in lack of adequate business at viable prices. The joint venture partner, due to their own stated financial distress, is also not honouring its commitments for marketing and buy-back for silk yarn. Due to the overall pressures, accumulating losses and inadequate working capital availability, working for the year ended March 31, 2000 (first full year of operations) was severely restricted resulting in Sales of only Rs.197 lacs and a Net Loss of Rs.180 lacs. Various alternatives are being explored in regard to this company.

**FINANCIAL RESULTS**

	(Rs. lacs)
<b>December 31, 2000</b>	
Working for the period resulted in a Profit/(Loss) of	( 8,531.27)
<u>Less:</u>	
- Depreciation (Net)	2,992.37
- Provision for diminution in value of investments	568.00
- Mandatory change (under AS-2) in inventory valuation	2,714.05
<b>Net Profit / (Loss) as per Profit &amp; Loss Account</b>	<b>( 14,805.69)</b>
<u>Add:</u>	
Transfer from General Reserve	3,400.00
Investment Allowance Reserve written back	136.00
Surplus brought forward	<u>164.45</u>
	<b>3,700.45</b>
Leaving a balance of	( 11,105.24)
To be carried forward in Profit & Loss account	

## **BIRLA VXL LIMITED**

In view of the results, the Directors regret their inability to recommend any Dividend.

The working results are generally in line pro-rata with unaudited results published from time to time during the period and the reasons for other provisions has been detailed in this Report & Accounts.

### **AUDITORS' REPORT**

Observations of the Auditor's read together with the relevant notes to the accounts are self-explanatory and do not call for further clarification in this Report.

### **DIRECTORS**

Sri B.Rathke ceased to be the Managing Director, and also stepped down from the Board, on April 1, 2000. Sri C.L.Goswami retired from the position of Executive Director on December 31, 1999 upon expiry of his term, and from the Board on April 1, 2000. The Board records its appreciation of the services rendered by Sri B.Rathke and Sri C.L.Goswami during their respective tenures. Sri G.Momen & Sri V.R.Mehta were appointed in the vacancies caused by the resignation of Sri M.K.Jhawar (before the date of our last Report) & Sri B.Rathke respectively. Sri A.N.Lalbhai, Sri S.Birla, Sri G.Momen and Sri A.C.Mukherji retire by rotation and, being eligible, offer themselves for reappointment. During the period, IDBI appointed Dr.V.K. Bhalla as its nominee. Sri C.L.Rathi was elevated (for the balance period of his tenure, subject to relevant approvals) from the position of a Whole-Time Director (designated as Executive Director) to the position of Deputy Managing Director and Chief Operating Officer w.e.f. January 31, 2000 and is entrusted with general management responsibilities.

### **STATUTORY INFORMATION & OTHER MATTERS**

Statutory information forming part of this report as per requirements of the Companies Act is annexed hereto. Statutory statements in respect of subsidiary companies and their Annual Reports and Accounts are also given in separate Annexures and form part of this Report. No problems were faced in the Y2K changeover. Suitable advice has been sought in respect of necessary action, if any, consequent to partial erosion of net worth that has taken place as per these accounts. Relations with employees were, on the whole, cordial and we appreciate the contribution made by all dedicated employees during the period.

Fixed Deposits as on December 31, 2000 stood at Rs.303.78 lacs and deposits amounting to Rs.0.90 lacs due for repayment on or before that date remained unclaimed by depositors on that date of which Rs.0.10 lacs have since been repaid.

As per our governance practices, the managements' statement on the integrity and fair presentation of

financial statements is provided to the Board as part of the process of accounts approval. However, pursuant to the Section 217 (2AA) of the Companies (Amendment) Act, 2000, the Directors indicate that they have taken reasonable and bonafide care :

- a. that in preparation of the annual accounts the applicable accounting standards had been followed & proper explanations relating to material departures, if any, have been furnished;
- b. that such accounting policies were selected and applied consistently and judgements and estimates that are reasonable and prudent made so as to give a true & fair view of the state of affairs of the Company at the end of the financial year & of the profit and loss of the Company for the period;
- c. that proper and sufficient care had been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 and the Companies (Amendment) Act, 2000, for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities;
- d. that the annual accounts have been prepared on a "Going Concern" basis.

### **AUDITORS**

M/s Lodha & Co., retire as Auditors and, being eligible, offer themselves for reappointment.

### **ACKNOWLEDGMENT**

We would like to express our grateful appreciation for the continuing cooperation, guidance, help and support received by the Company from its lead Financial Institution ICICI, other Financial Institutions and Banks as well as various Government and other concerned authorities during the period. We are grateful to all Shareholders, Depositors, Agents, Stockists & Dealers of the Company for their continued support.

**FOR AND ON BEHALF OF THE BOARD**

**S.K. BIRLA**  
*Chairman*

New Delhi  
February 14, 2001

N. B. : Sri T. Hanamaki, being out of India, could not sign the Accounts.