



THE YASH BIRLA GROUP

# ZENITH BIRLA (INDIA) LIMITED



## 46th Annual Report 2007-2008

**ZENITH BIRLA (INDIA) LIMITED****46th Annual Report 2007-08****DIRECTORS**

YASH BIRLA

*Chairman*

D. V. KAPUR

AUGUSTINE P. KURIAS

ANIRUDDHA BARWE

M. S. ARORA

*CEO & Executive Director***WORKS**

1. KHOPOLI 410 203  
DIST. RAIGAD  
MAHARASHTRA

2. 62/63, MIDC AREA,  
SATPUR  
NASHIK 422 007  
MAHARASHTRA

3. B-15/3/1, MIDC AREA  
WALLUJ 431 133  
DIST. AURANGABAD  
MAHARASHTRA

**AUDITORS**

DALAL &amp; SHAH

Chartered Accountants

**BANKERS**

STATE BANK OF INDIA

PUNJAB NATIONAL BANK

BANK OF BARODA

ORIENTAL BANK OF COMMERCE

BANK OF INDIA

**REGISTRAR AND SHARE TRANSFER AGENTS**

BIGSHARE SERVICES PVT. LTD.

E/2, ANSA INDUSTRIAL ESTATE,

SAKIVIHAR ROAD, SAKI NAKA,

ANDHERI (EAST), MUMBAI - 400 072.

TEL. : 022-28470652 / 28470653

FAX : 022-28475207

**REGISTERED OFFICE**

DALAMAL HOUSE,

1ST FLOOR, 206, JAMNALAL BAJAJ MARG,

NARIMAN POINT, MUMBAI - 400 021.

TEL. : 022-22821173/ 022-66168400 • FAX : 022 - 22047835

**CONTENTS**

Notice .....	1-6
Director's Report .....	7-10
Management's Discussion & Analysis .....	11-12
Report on Corporate Governance and Certificate .....	13-20
Auditor's Report .....	21-23
Financial Reports of the Company .....	24-43
Financial Reports of Subsidiaries .....	44-57
Consolidated Financial Statements .....	58-75

Members are requested to note that only tea/coffee will be served during the 46<sup>th</sup> Annual General Meeting to be held on Monday, the 15<sup>th</sup> day of September, 2008 at 4.00 p.m. at Patkar hall of SNDT Women's University, Nathibai Thakersey Road, New Marine Lines, Mumbai - 400 020.



THE YASH BIRLA GROUP

## **NOTICE**

**Notice** is hereby given that the Forty Sixth Annual General Meeting of the members of **ZENITH BIRLA (INDIA) LIMITED** will be held on Monday, the 15<sup>th</sup> day of September, 2008 at 4.00 P.M. at Patkar Hall of SNDT Women's University, Nathibai Thakersey Road, New Marine Lines, Mumbai - 400 020, to transact the following business:

### **Ordinary Business:**

1. To consider and adopt the Audited Balance Sheet as at March 31, 2008, Profit and Loss Account for the year ended on that date and the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a director in place of Dr. D. V. Kapur, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Statutory Auditors and fix their remuneration and in this regard to consider and, if thought fit, to pass with or without modification(s), the following as an Ordinary Resolution:

**"RESOLVED THAT** M/s. Dalal & Shah, Chartered Accountants, Mumbai, be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as shall be fixed by the Board of Directors."

### **Special Business:**

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 16, 94 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force), the Authorized Share Capital of the Company be and is hereby increased from Rs. 50,00,00,000/- (Rupees Fifty Crores only) divided into 5,00,00,000 (Five Crore) Equity Shares of Rs. 10/- each (Rupees Ten Only) to Rs. 1,50,00,00,000/- (Rupees One Hundred Fifty Crores only) divided into 15,00,00,000 (Fifteen Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each.

**RESOLVED FURTHER THAT** the Memorandum of Association of the Company be and is hereby altered by substituting the existing Clause V thereof by the following Clause V:

- V. The Authorized Share Capital of the Company is Rs. 1,50,00,00,000/- (Rupees One Hundred Fifty Crores only) divided into 15,00,00,000 (Fifteen Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each with power to increase and reduce the Capital; to divide the shares in the capital for the time being into several classes and to attach thereto respectively such preferential, qualified or special rights, privileges and conditions as may be determined by or in accordance with the Companies Act, 1956, for the time being in force and the regulations of the company and to vary, modify or abrogate any such rights, privileges or conditions in such manner as may, for the time being, be provided by the regulations of the company.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to the provisions of Section 31 and all other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force), the existing Articles of Association of the Company be and is hereby altered by substituting the existing Article 4 with the following Article:

4. The Authorized Share Capital of the Company is Rs. 1,50,00,00,000/- (Rupees One Hundred Fifty Crores only) divided into 15,00,00,000 (Fifteen Crore) Equity Shares of Rs. 10/- (Rupees Ten Only) each capable of being increased or reduced in accordance with the Company's regulations and the legislative provisions for the time being in force in this behalf and power to divide the shares in the capital for the time being into Equity Share Capital and Preference Share Capital and to attach thereto respectively any preferential, qualified or special rights, privilege and/or conditions.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** pursuant to the provisions of section 293(1)(d) of the Companies Act, 1956, (including any statutory modification or reenactments thereof for the time being in force) and other applicable provisions, if any, of the Companies Act, 1956, and in supercession of all resolutions passed in this regard, the Company hereby accords its consent to the Board of Directors ( hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) to borrow any sum or sums of money from time to time from any one or more of the

**ZENITH BIRLA (INDIA) LIMITED****46th Annual Report 2007-08**

Company's bankers and/or from any one or more other persons, firms, bodies corporate, or financial institutions whether by way of cash credit, advance or deposits, loans or bill discounting or otherwise including external commercial borrowings/ foreign currency convertible bonds and whether unsecured or secured by mortgage, charge, hypothecation or lien or pledge of the Company's assets and properties whether movable or stock-in-trade (including raw materials, stock in process, finished goods, stores, spare parts and components in stock or in transit) and work-in-progress and all or any of the undertakings of the Company notwithstanding that the monies to be borrowed, together with monies already borrowed by the Company (apart from temporary loans obtained from the Company's bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount up to which the moneys may be borrowed by the Board and outstanding at any time shall not exceed the sum of Rs. 3,50,00,00,000 Crores (Rupees Three Hundred Fifty Crores only) over and above the paid up capital of the Company and its free reserves, exclusive of interest, and the Board is hereby, further authorized to execute such deed of mortgage, charge, hypothecation, lien, promissory notes, deposit receipts and other deeds and instruments or writings as they may think fit and containing such conditions and covenants as the Board may think fit.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

8. To consider and, if thought fit, to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

**"RESOLVED THAT** the Company do hereby accord its consent under section 293(1)(a) of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being in force), to mortgaging and/or charging by the Board of Directors of the Company (hereinafter referred to as "the Board" which term shall be deemed to include any Committee which the Board may constitute for this purpose) of all or any of the immovable or movable properties of the Company wherever situate, both present and future, the whole or substantially the whole of the undertaking(s) of the Company in such form and in such manner as the Board may think fit, together with power to take over the management of the business and concern of Company in certain events for securing any loans and/or advances already obtained or that may be obtained from any financial institutions/banks/insurance companies or person or persons, and/or to secure any debenture/bonds issued or that may be issued and all interests, compound/additional interest, commitment charge, costs, charges, expenses and all other monies payable by the Company to the concerned lenders within the overall limits specified under Section 293(1)(d) of the Companies Act, 1956.

**RESOLVED FURTHER THAT** for the purpose of giving effect to this resolution, the Board of Directors of the Company be and is hereby authorized to take all such steps and actions and give such directions as may be in its absolute discretion deem necessary and to settle any question that may arise in this regard."

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

**"RESOLVED THAT** pursuant to and in accordance with the provisions of Section 81 (1A) and all other applicable provisions, if any, of the Companies Act, 1956 (the "Act") and all other applicable laws and regulations including the Foreign Exchange Management Act, 1999, The Foreign Exchange Management (Transfer or Issue of Security by a person Resident outside India) Regulations, 2000, the Issue of Foreign Currency Convertible Bonds and Ordinary Shares (through Depository Receipt Mechanism) Scheme, 1993, and subject to any required approval, consent, permission and / or sanction of the Ministry of Finance (Department of Economic Affairs) and of Ministry of Industry (Foreign Investment Promotion Board/ Secretariat for Industrial Assistance) and all other Ministries / Departments of the Government of India and the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI) and / or any other competent authorities, the Securities and Exchange Board of India guidelines, the Reserve Bank of India guidelines, the relevant provisions of the Memorandum and Articles of Association of the Company and the provisions of the Listing Agreement(s) with Stock Exchanges on which the shares and other securities of the company are listed (including any amendment thereto or re-enactment of all or any of the aforesaid) and subject to all such approvals, permissions, sanctions and consents, if any, as may be required under applicable laws and regulations and of concerned authorities, bodies and agencies and subject to such conditions and modifications as may be prescribed by any of the above said authorities, bodies and agencies and which may be agreed to by the board of directors of the Company (hereinafter referred to as "the Board", which term shall be deemed to include any Committee thereof which the Board may have or may hereafter constitute, to which all or any of the powers hereby conferred on the Board by this Resolution, have been or may hereafter at any time be delegated), the consent, authority and approval of the Company be and is hereby accorded to the Board to create, issue, offer and allot (with provisions for reservation on firm and/ or competitive basis, of such part of issue and for such categories of persons as may be permitted), from time to time in one or more tranches, whether rupee denominated or denominated in foreign currency, in consultation with the Lead Manager(s) and/or Underwriter(s) and/or other advisor(s), (i) Foreign Currency Convertible Bonds and/or other Securities convertible, at the option of the Company and/or entitling the holder thereof to apply and convert at his option into equity shares with or without voting/special rights, and/or (ii) other securities convertible into or exchangeable with or linked to equity shares, and/



THE YASH BIRLA GROUP

or (iii) Nonconvertible securities with or without detachable Warrants, and/or (iv) Warrants with a right exercisable by the warrant holder to convert or subscribe to equity shares, and/or (v) any shares/equity shares, instruments or securities of the Company through Global Depository Receipts, American Depository Receipts, public and/or private offerings or through depository receipt mechanism, participatory notes or otherwise (all hereinafter collectively referred to as the "Securities") and/or any combination of securities (with or without Green Shoe Option) to any person including Qualified Institutional Buyers, residents, foreign/non-resident and/or domestic institutions, institutional investors, banks, mutual funds, companies, bodies corporate or other entities, individuals or other persons (collectively referred to as the "Investors"), whether or not such investors are members of the Company as may be deemed appropriately by the Board and permitted under applicable laws and regulations, of an aggregate amount not exceeding Rs.200 Crore or equivalent thereof in one or more foreign currency and/or Indian rupees, inclusive of such premium as may be fixed on such Securities by offering the Securities in one or more countries through public offer and/or offer letter and/or placement document and/or circular and/or information memorandum and/or such other documents writings, and/or on private placement basis and/or a combination thereof in such manner, on such terms and conditions and at such time or times as may be determined by the Board in its absolute discretion, with power to settle details as to the form and terms of issue of the Securities and all other terms, conditions and matters connected therewith including to accept any modifications thereto or therein as may be required by concerned authorities and/or persons involved with any such issue of Securities subject, however, to all applicable laws and regulations."

**"RESOLVED FURTHER THAT** pursuant to the provisions of Section 81 (1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any amendments thereto or re-enactment thereof), the provisions of Chapter XIII A of the SEBI (Disclosure and Investor Protection) Guidelines 2000 ("SEBI (DIP) Guidelines") and the provisions of the Foreign Exchange Management Act, 1999 (FEMA), Foreign Exchange Management (Transfer or issue of Security by a Person Resident Outside India) Regulations, 2000, the Board of Directors may at their absolute discretion, issue, offer and allot equity shares or securities convertible into equity shares for a value upto the amount of Rs.200 Crore (Rupees Two Hundred Crore only) inclusive of such premium, as specified above, to Qualified Institutional Buyers (as defined by the SEBI (DIP) Guidelines) pursuant to a Qualified Institutional Placement, as provided under Chapter XIII A of the SEBI (DIP) Guidelines and such securities shall be fully paid up and the allotment of such securities shall be completed within 12 months from the date of the shareholders resolution approving the proposed issue or such other time as may be allowed by the SEBI (DIP) Guidelines from time to time."

**"RESOLVED FURTHER THAT** in the case of a qualified institutional placement of equity shares pursuant to Chapter XIII A of the SEBI (DIP) Guidelines, the relevant date for the determination of the price of the equity shares, "Relevant Date" under SEBI Guidelines for Qualified Institutions Placement (QIP) in relation to the shares / warrants for the purpose of determining the issue price shall be Thursday, 14<sup>th</sup> day of August, 2008 being the date 30 days prior to the proposed date of passing of this Resolution or such other time as may be allowed by SEBI (DIP) Guidelines from time to time and such price shall be subject to appropriate adjustments in the applicable rules / guidelines / statutory provisions."

**"RESOLVED FURTHER THAT** the pricing of the securities and the pricing of any equity shares issued upon the conversion of the securities shall be made subject to and in compliance with the applicable laws and regulations."

**"RESOLVED FURTHER THAT** in the event the securities convertible into equity shares are issued under Chapter XIII A of the SEBI (DIP) Guidelines, the relevant date for the purpose of pricing shall be Thursday, 14<sup>th</sup> day of August, 2008 being the date 30 days prior to the proposed date of passing of this Resolution or a day thirty days prior to the date on which the holder of the securities which are convertible into or exchangeable with equity shares at a later date becomes entitled to apply for the said shares or such other time as may be allowed by SEBI (DIP) Guidelines from time to time and such price shall be subject to appropriate adjustments in the applicable rules / guidelines / statutory provisions."

**"RESOLVED FURTHER THAT** without prejudice to the generality of the above, the aforesaid Securities may have such features and attributes or any terms or combination of terms in accordance with international practices to provide for the tradability and free transferability thereof as per the prevailing practices and regulations in the capital markets including but not limited to the terms and conditions in relation to payment of interest, additional interest, premium on redemption, prepayment and any other debt service payments whatsoever including terms for issue of additional Equity Shares, with or without conversion rights, with or without voting rights or variation of the conversion price of the Securities during the duration of the Securities and the Board be and is hereby authorized in its absolute discretion in such manner as it may deem fit, to dispose off such of the Securities that are not subscribed."

**"RESOLVED FURTHER THAT** without prejudice to the generality of the foregoing, the Board be and is hereby authorized to prescribe with respect to the aforesaid issue of the Securities all or any of the terms or any combination of terms thereof in accordance with local and/or international practice including but not limited to conditions in relation to offer, issue and allotment of the Securities, payment of interest, dividend, premium and redemption or early redemption of Securities, debt service payments and any other payments whatsoever, voting rights and all such terms as are provided in domestic and/or international offerings of this nature including terms for such issue, or variation of the price or period of conversion of any Securities into equity shares or issue of equity shares during the duration of the Securities or terms pertaining to early

**ZENITH BIRLA (INDIA) LIMITED****46th Annual Report 2007-08**

redemption of Securities and/or conversion into equity shares as the Board may in its sole discretion deem appropriate."

**"RESOLVED FURTHER THAT** in the event any of the Securities are issued in international / foreign capital market, the issue of such Securities shall be deemed to have been made abroad in the market and/or at the place of issue of such Security in the international market and shall be governed by English law or such other foreign law as the Board may in its absolute discretion decide."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to issue and allot Equity Shares pursuant hereto and/or as may be required to be issued and allotted upon conversion of any of the Securities referred to above or as may be necessary in accordance with the terms of offering thereof and all Equity Shares so issued and allotted shall be subject to the Memorandum and Articles of Association of the Company shall rank pari passu in all respects with the existing Shares of the Company unless otherwise specified in the relevant terms."

**"RESOLVED FURTHER THAT** for the purpose of giving effect to the above resolution and any offer, issue and allotment of Securities, the Board be and is hereby authorized to take all such actions, give such directions and to do all such acts, deeds and things as may be necessary, desirable or incidental thereto and matters connected therewith including without limitation the entering into of arrangements for underwriting, marketing, listing, trading, appointment of Lead Manager(s), Advisor(s), Registrar(s), paying and conversion agent(s) and to issue and sign all deeds, documents, instruments and writings and to pay any fees, commission, costs, charges and other outgoings in relation thereto and to settle all questions and to give such directions that may be necessary or arise in regard to or in connection with any such offer, issue or allotment of Securities and utilization of the issue proceeds, as it may, in its absolute discretion, deem fit and any such action, decision or direction of the Board shall be binding on all members."

**"RESOLVED FURTHER THAT** the Board or a committee thereof be and is hereby authorized to finalize and approve the preliminary as well as the final offer document for the proposed issue and to authorize any one of the Directors of the Company/ Company Secretary / other persons authorized by the Board for and on behalf of the Company to sign the above documents, together with the authority to amend, vary, modify the same as such authorized persons may consider necessary, desirable, or expedient for the purpose aforesaid to give such declarations, affidavits, certificates, consents, authorities as may be required from time to time."

**"RESOLVED FURTHER THAT** the Board be and is hereby authorized to delegate all or any of its powers to any Director or Committee of Directors/Company Secretary / other persons authorized by the Board to give effect to the aforesaid resolutions."

**10. To consider and, if thought fit, to pass with or without modification(s), the following resolution as a Special Resolution:**

**"RESOLVED THAT** pursuant to the applicable provisions of the Foreign Exchange Management Act, 1999, the Companies Act, 1956 and all other applicable rules, regulations, guidelines and laws (including any statutory modifications or re-enactments thereof for the time being in force) and subject to all requisite approvals, permissions and sanctions and subject to such conditions as may be prescribed by any of the concerned authorities while granting such approvals, permissions, sanctions, which may be agreed to by the Board of Directors of the Company and/or a duly authorized Committee thereof for the time being exercising the powers conferred by the Board of Directors (hereinafter referred to as "the Board"), the consent of the Company be and is hereby accorded for investments by Foreign Institutional Investors including their sub-accounts (hereinafter referred to as "the FIIs"), in the shares of the Company, by purchase or acquisition from the market under the Portfolio Investment Scheme under FEMA, subject to the conditions that the total holding of all FIIs shall not exceed 74 (seventy four) per cent of the paid up equity share capital.

**RESOLVED FURTHER THAT** the Board be and is hereby authorized to do all such acts, deeds, matters and things and execute all documents or writings as may be necessary, proper or expedient for the purpose of giving effect to this resolution and for matters connected therewith or incidental thereto."

By Order of the Board  
For Zenith Birla (India) Limited

M.S. Arora  
CEO & Executive Director

Mumbai  
Date: 27<sup>th</sup> June, 2008.

**Notes:**

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE INSTRUMENT APPOINTING PROXY SHOULD, HOWEVER BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN FORTY-EIGHT HOURS BEFORE COMMENCEMENT OF THE MEETING.
2. The Register of Members and Share Transfer Books of the Company will remain close from Tuesday, the 9<sup>th</sup> September, 2008 to Monday, the 15<sup>th</sup> day of September, 2008 (both days inclusive) for determining the names of members eligible for



THE YASH BIRLA GROUP

dividend on Equity Shares, if declared at the meeting.

3. The dividend on equity shares, if declared at the meeting, will be paid on or after 15<sup>th</sup> September, 2008 to those members whose names shall appear on the Company's Register of Members on 9<sup>th</sup> September, 2008.
4. Pursuant to Section 205A(5) and 205C of the Companies Act, 1956, the Company has transferred the unpaid/unclaimed dividend, deposits and interest warrants till the end of the financial year ended March 31, 2001, to the Investor Education and Protection Fund (IEPF) established by the Central Government.
5. Members who hold shares in physical form in multiple folios in identical names or joint accounts in the same order of names are requested to send the share certificates to the Company's Registrars and Transfer Agents, M/s. Big Share Service Pvt. Ltd. for consolidation into single folio.
6. Members are requested to promptly notify immediately any change in their addresses and/or the Bank Mandate details to the Company's Registrars and Share Transfer Agents for shares held in physical form and to their respective Depository Participants for shares held in electronic form.
7. Members, who wish to avail ECS Facility for the payment of dividend may send their duly completed form to the Company's Registrar & Share Transfer Agent for the shares held in physical form and to their respective Depository Participant for the shares held in dematerialized form.

#### **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**

##### **Item No. 5 and 6- Increase in Authorized Capital and Alteration of Memorandum and Articles of Association of the Company:**

The Company proposes to augment its requirement of funds for meeting further capital expenditure and working capital as contemplated in item 9 of the notice. It is therefore deemed appropriate to increase the Authorized Share Capital of the Company from Rs. 50 crores to Rs. 150 crores and consequently to alter the Memorandum and Articles of Association of the Company as set out at item no. 5 & 6 of the accompanying notice.

In accordance with the provisions of the Companies Act, 1956, the Company is seeking the approval of the shareholders for increase in Authorized Share Capital and for Alteration in Capital Clause V of Memorandum of Association and Article 4 of the Article of Association.

The Board recommends the Ordinary Resolutions as set out in item no. 5 of the Notice and Special Resolution as set out in item no. 6 of the Notice for members' approval.

None of the Directors is concerned or interested in the resolution.

##### **Item No. 7- Increase in Borrowing Powers:**

In terms of the provisions of Section 293(1)(d) of the Companies Act, 1956, the Board of Directors of the Company, cannot except with the consent of the Company in General Meeting, borrow money, apart from temporary loans obtained from the Company's bankers in the ordinary course of business, in excess of aggregate of the paid up capital and its free reserves not set apart for any specific purpose.

At the Extra Ordinary General Meeting held on 4<sup>th</sup> December, 1989, authority was accorded to the Board of Directors of your Company to borrow upto Rs. 250 crores over and above the paid up capital and free reserves of the Company. Keeping in view the Company's business requirement, it is considered desirable to increase the said borrowing limits to Rs. 350 crores over and above the paid up capital and free reserves of the Company.

The Board recommends the Ordinary Resolution as set out in item no. 7 of the Notice for members' approval.

None of the Directors is concerned or interested in the resolution.

##### **Item No. 8- Creation of Charge/mortgage/hypothecation:**

The borrowings of the Company are in general required to be secured by suitable mortgage or charge on all or any of the movable or immovable properties of the Company in such form, manner and rankings as may be determined by the Board of Directors of the Company from time to time, in consultation with the lender(s).

Under section 293(1)(a) of the Companies Act, 1956, the Board of Directors, except with the consent of the shareholders in a General Meeting, can not create charge, mortgage, hypothecate the Company's movable and immovable properties in favour of lender(s).

The Board recommends the Ordinary Resolution as set out in item no. 8 of the Notice for members' approval.

None of the Directors is concerned or interested in the resolution.

##### **Item No.9- Raising of Funds through issue of securities**

In order to facilitate the setting up of manufacturing facilities for production of ERW pipes and for further augmenting its working

**ZENITH BIRLA (INDIA) LIMITED****46th Annual Report 2007-08**

capital requirements, the Company needs to raise funds from Domestic/foreign investors by way of and through issuance of Foreign Convertible Bonds and / or Share Warrants and /or Equity linked Securities (Securities), etc. as may be permitted under applicable laws and regulations. The detailed terms and conditions for the offer will be determined in consultation with the Advisors, Lead Managers, Underwriters and such other authority or authorities as may be required to be consulted by the Company considering the prevailing market conditions and other relevant factors.

As per Section 81(1A) of the Companies Act, 1956 and the relevant clause of the Listing Agreement with the Stock Exchange where the Equity Shares of the Company are listed, whenever it is proposed to increase the issued capital of a Company by allotment of further shares, such further shares shall be offered to the existing shareholders of such Company in the manner laid down in Section 81 unless the shareholders in a General Meeting decide otherwise. Since the Special Resolution proposed in the item no. 9 of the Notice results in the issue of shares of the Company otherwise than to the members of the Company, consent of the shareholders is being sought pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956 and the guidelines of Listing Agreement.

The Special Resolution seeks to empower the Board of Directors to undertake a qualified institutional placement with qualified institutional buyers as defined by SEBI (DIP) Guidelines. The Board of Directors may in their discretion adopt this mechanism as prescribed under Chapter XIII A of the SEBI (DIP) Guidelines for raising the funds for the company, without the need for fresh approval from the shareholders.

The pricing of the international issue will be free market pricing and may be at a premium or discount to the market price in accordance with international practices, subject to applicable Indian law and guidelines. The same would be the case if the Board of Directors decide to undertake a qualified institutional placement under Chapter XIII A of the SEBI (Disclosure and Investor Protection Guidelines), 2000. As the pricing of the offering cannot be decided except at a later stage, it is not possible to state the price or the exact number of Securities or shares to be issued. For reasons aforesaid, an enabling resolution is therefore proposed to be passed to give adequate flexibility and discretion to the Board to finalise the terms of the issue. The Securities issued pursuant to the offering(s) would be listed on the Indian stock exchanges and / or internationally recognized stock exchange and may be represented by Securities or other Financial Instruments outside India.

The Special Resolution also seeks to give the Board the powers to issue in one or more tranche or tranches, at such time or times, at such price or prices and to such person(s) including institutions, incorporated bodies and / or individuals or otherwise as the Board may in its absolute discretion deem fit.

The consent of the shareholders is being sought pursuant to the provisions of Section 81 (1A) and other applicable provisions of the Companies Act, 1956 and in terms of the provisions of the Listing Agreement executed by the Company with Stock Exchange where the Equity Shares of the Company are listed.

The Special Resolution, if passed, will have the effect of allowing the Board to issue and allot Securities to the investors who may or may not be the existing shareholders of the Company.

The Board recommends the Special Resolution as set out in item no. 9 of the Notice for members' approval.

None of the Directors is concerned or interested in the resolution.

**Item No. 10- Increase in limits for FII investment:**

The foreign institutional investors (FIIs) have assumed a crucial role in the Indian Capital market. It is proposed to facilitate greater FII investment in the Company, which would not only provide depth and liquidity to the Company's shares but will also reflect the Company's commitment to the highest standards of disclosure, transparency and corporate governance. In terms of provisions of Portfolio Investment Scheme under the Foreign Exchange Management (Transfer or Issue of Security by a Person resident Outside India) Regulations, 2000, the Foreign Institutional Investors may invest in the equity shares up to the sectoral cap/ statutory limit as applicable to the Indian Companies, subject to the approval of the Board of Directors and approval of members of the Company by way of special resolution.

The Board of Directors of the Company at its meeting held on 27<sup>th</sup> June, 2008, inter alia, proposed, subject to the approval of members by way of a special resolution, to enhance the said limits of FII investment to 74 per cent of the paid up Equity Capital of the Company.

The Board recommends the Special Resolution as set out in item no. 10 of the Notice for members' approval.

None of the Directors is concerned or interested in the resolution.

By Order of the Board  
For Zenith Birla (India) Limited

Mumbai  
Date: 27<sup>th</sup> June, 2008

M.S. Arora  
CEO & Executive Director



THE YASH BIRLA GROUP

## DIRECTORS' REPORT

To the Members,

Your Directors have pleasure in presenting the Forty Sixth Annual Report together with the Audited Statements of Accounts of your Company for the period ended 31<sup>st</sup> March, 2008

### 1. FINANCIAL RESULTS

	Year Ended 31.03.2008	(Rs.in Crores) Year Ended 31.03.2007
<b>GROSS INCOME</b>	<b>530.65</b>	<b>447.44</b>
Less : Excise Duty	51.64	41.15
<b>NET INCOME</b>	<b>479.01</b>	<b>406.29</b>
PROFIT/(LOSS) BEFORE INTEREST, DEPRECIATION, TAXATION AND EXPENSES IN RESPECT OF EARLIER YEARS	35.71	37.60
Interest and Finance Expenses	8.11	13.94
PROFIT/(LOSS) BEFORE DEPRECIATION, TAXATION AND EXPENSES IN RESPECT OF EARLIER YEARS	27.60	23.66
Depreciation	4.66	4.38
Profit/(Loss) for the Year Before Taxation and Expenses in respect of Earlier Years	22.94	19.28
Less: Expenses in respect of earlier years	0.01	0.05
NET PROFIT/(LOSS) BEFORE TAX (PBT)	22.93	19.23
Less: Provision for Taxation : Fringe Benefit Tax (FBT)	0.20	0.21
Current Tax	3.52	2.41
<b>PROFIT AFTER TAX (PAT)</b>	<b>19.21</b>	<b>16.61</b>

### 2. Dividend

In view of the good performance of the Company, your Directors are pleased to recommend a final dividend of 2% on the equity shares for the financial year ended 31<sup>st</sup> March, 2008. This is in addition to the interim dividend of 5% paid during the year 2007-08.

### 3. Operating Performance

During the year under review the gross turnover of the Company has increased by 21% over the previous year. This increase has been on account of improved performance due to increase in sales specifically in oil & gas, agriculture & irrigation sector and infrastructure sectors.

### 4. Financial Performance

During the year under review total income increased from Rs.447.44 crores to Rs.530.65 crores and Profit After Tax from Rs.16.61 Crores to Rs.19.21 Crores which reflects a good financial performance, though there has been pressure on the raw material prices on account of increase in prices of steel. The improved financial performance has been on account of increase in demand in the domestic as well as the export market and other measures undertaken by the Company during the year under review.

### 5. Export Performance

Your Company continues to remain a leading exporter of Steel Pipes to USA, Middle East and various other countries. Exports turnover increased by almost 60% to Rs.155.36 crores during the year under review. Your Company continues to remain net earner of the valuable foreign exchange.

### 6. Expansion Project

The Company is perusing export project for which the Company raised resources in 2006. Benefits of the expansion project has started getting reflected in the financial performance of the company albeit gradually. However, the cumulative effect of the expansion project will be reflected from the next financial year.

**ZENITH BIRLA (INDIA) LIMITED****46th Annual Report 2007-08****7. Subsidiary Company**

The Accounts for the wholly Subsidiary Company, M/s.Zenith (USA) Inc., and Zenith Middle East FZE have been received by the Company and therefore statement pursuant to Section 212 of the Companies Act, 1956, is enclosed.

**8. Management Discussion And Analysis Report**

In terms of clause 49 of the Listing Agreement with the Stock Exchange, the Management Discussion and Analysis Report is appended to this report.

**9. Corporate Governance**

Your Company will continue to strive to incorporate best of standards for good corporate governance. As a listed company, all required measures are taken to comply with the Agreement with the Stock Exchanges and other statutory regulations. A separate report on Corporate Governance along with a Certificate of Compliance from the Auditors forms part of this report.

**10. Directors Responsibility Statement:**

Pursuant to Section 217 (2AA) of the Companies Act 1956, the Directors of the Company state as under that:-

1. In the preparation of annual accounts, applicable Accounting Standards have been followed except as mentioned Note No.4(3) (Annexure A) regarding valuation of finished and process stocks of Tools division as per the method explained therein, which has also been done as per consistent practice. These notes are appearing in the schedule 22 of the accounts.
2. the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of financial period and of the profit or loss for the period except as mentioned in 1 above.
3. the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provision of the Companies Act 1956, for safeguarding the assets of the Company and for preventing and detecting fraud & other irregularities.
4. the Directors had prepared Annual Accounts on a 'going concern' basis.

**11. Cost Audit**

The reports of Cost Auditors in respect of audit of the cost records of the Pipes Division of the Company for the year ended 31st March, 2008 will be submitted to the Central Government in due course.

**12. Auditors Remarks**

The Notes to the Accounts and the remarks referred to in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

**13. Directors**

In accordance with the Articles of Association of the Company, Dr.D.V.Kapur retires by rotation at the ensuing Annual General Meeting and is eligible for reappointment.

Brief resume of Directors proposed to be re-appointed including their other directorships are provided in the Report on the Corporate Governance.

**14. Fixed Deposits**

During the year under review, the Company has invited fresh Fixed Deposits from its shareholders and general public. As on March 31, 2008, the Company has fixed deposit of Rs.640 Lacs. There are no un-paid deposits (other than un-claimed), payable as of 31st March, 2008. Also there is no default in payment of interest and repayment of matured deposits.

**15. Un-paid/Un-claimed interest/deposit**

Unpaid/Un-claimed interest / deposits have been transferred to the Investors Education and Protection Funds in terms of requirement of Section 205A(5) of the Companies Act, 1956.

**16. Auditors**

M/s.Dalal & Shah, Mumbai retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment. The Board of Directors recommend the re-appointment of M/s.Dalal & Shah, as Statutory Auditors of the Company.

**17. Particulars of Employees**

As required under Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975, the names and other particulars of employees receiving remuneration above the prescribed limit are set out in the annexure appended to this report.