

GRASIM INDUSTRIES LIMITED

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<p>Company Secretary</p> <p>Mr. Ashok Malu</p>	<p>Corporate Affairs</p> <p>Mr. B.N. Puranmalka - Adviser</p> <p>Mr. P. Ramakrishnan - Executive President</p>
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<p>REGISTERED OFFICE: Birlagram 456331, Nagda (M.P.)</p>	



The Chairman's Letter to Shareholders



Dear fellow shareholders,

GRASIM – In Focus

For all of us at Grasim, the year has been truly rewarding, both strategically and operationally. Strategically, major benefits continue to flow from the consolidation of the cement business.

On the operational front, Grasim's performance has been exemplary. Your Company's key businesses – Viscose Staple Fibre and Cement have posted a splendid performance, which was well supplemented by the Chemicals and Sponge Iron sectors.

Despite an extremely challenging business environment, with economic and industrial activity mired in a meltdown, your Company's gross revenues at Rs.5,690 Crores, reflect a growth of 12 per cent year on year, while operating profits have risen by an impressive 21 per cent from Rs.756 Crores to Rs.912 Crores.

Better economies of scale, higher cement prices and improved internal efficiencies have led to a surge in pre-tax profits before extraordinary items by 60 per cent to Rs.421 Crores. Net profits at Rs.378 Crores reflect a 62 per cent increase over that of the preceding year, which stood at Rs.233 Crores.

Outlook

It is my firm belief that given Grasim's expanded capacities and leadership status in its key business segments, the outlook is bright. Cost optimisation measures, strategic planning, effective financial management and consolidation in the cement sector assure Grasim's secure future.

Viscose Staple Fibre

The outlook for the Viscose Staple Fibre (VSF) industry remains positive and is predicated on the likely strong growth in exports of VSF based yarn fabrics, ready-mades and garments. A perceptible shift towards using VSF rich blends in India should amplify its demand as well. As your Company is the market leader, it will gain significantly from the forecast favourable industry outlook.

To remain a leading edge company in this sector, a well-crafted strategy has been put in place. It entails an enlargement of the VSF market, promotion of deemed exports and upscaling operating efficiencies. Improving process efficiencies, and consumption norms, and reducing costs to the extent possible from already stretched levels will ensure our cost competitiveness. Through these measures we will achieve superior asset utilisation and enhanced margins, going forward.

Cement

Consolidation moves set afoot by your Company, in the recent past, have elevated Grasim's stature as a cement powerhouse. Such a position of strength equips us to grow significantly in this core sector.

Our intent is to sustain our leadership position and to further raise our profitability. To attain this goal, we plan to work towards enhancing capital and manpower productivity, besides an unrelenting focus on customer service.

To sweat our existing assets, de-bottlenecking of existing capacities, and a renewed product mix has been planned. This will enable your Company to achieve an additional capacity of 3.3 Mn TPA over the next 18 months.

Replacement of our diesel based captive power plants with thermal power plants, process optimisation, and initiating a new IT network that links manufacturing units and others in the value chain – are measures taken to entrench our position firmly.

"Your Company's key businesses – Viscose Staple Fibre and Cement have posted a splendid performance, which was well supplemented by the Chemicals and Sponge Iron sectors."



Textiles

In the textiles sector, your Company has suffered a setback. A worsening market environment in the suitings sector, plagued both by over-capacity and intense price-competition, has slowed this sector.

To turnaround the business in the first phase, your Company has kickstarted several proactive initiatives. A cohesive, well-orchestrated, customer-focused manufacturing and marketing strategy has been blueprinted. As you are aware, we have already contemporised the Grasim brand, pegging it on the new superior quality range launched and novel fashion connotations.

The distribution and retail network has been given a shot in the arm. The 'Grasim' and 'Graviera' brands have become more visible today than ever before supported by aggressive marketing. Apart from these endeavours, we have resorted to relentless cost cutting.

Sponge Iron

The outlook for this business is stable. The macro indicators confirm a sustained recovery in the global steel sector, which coupled with the benefits that will flow from an impending pickup in the domestic economy, augur well for sponge iron manufacturers. Grasim, being the lone producer of gas-based sponge iron for merchant sale, will be a key gainer. One concern though is the availability and pricing of Natural Gas which may affect our profitability.

To continue to grow in revenues and earnings over the long haul, we will cash on our inherent strategic advantages and rigorous cost containment efforts. These will be augmented further by our plant's technical superiority and product flexibility. Alongside our energies will be concentrated on process upgradation and internal efficiencies.

We will remain focused on maximisation of cash flows. No fresh capital will be infused in this business.

Summary

Your Company's major businesses have demonstrated significant improvements, resulting in an exemplary financial performance for the year under review. The forecast positive outlook for the key businesses, coupled with the inherent strengths of Grasim and well-crafted strategies for each of these sectors, gives us the confidence of achieving reasonable growth levels in the years to come.

At this juncture, I would like to take the opportunity to record my sincere appreciation of the employees and management team at Grasim. It is only through their dedication and commitment that we have been able to deliver superior results during the year. Their partnering with us will surely aid us in delivering value for shareholders year after year.

THE ADITYA BIRLA GROUP – In Perspective

That said, let me focus on the proactive steps taken by us at the Group level, to attune to the unrelenting pace of change that confronts Corporates today, and more importantly to ensure the Group's sustainable success. This is integral to fulfilling our avowed goal of relentlessly pursuing the creation of value for our shareholders, customers, employees and society at large. To do so, in the recent past, we have hinged on three focal points. Firstly; a distinctive strategic architecture, secondly; novel structural processes and thirdly; adopting systems which ensure that we remain a cutting-edge premium business conglomerate.

We have a proven track record in successfully managing different businesses, and we will continue to remain a conglomerate at the Group level. The pre-condition for this is, of course, that each of our businesses allows us dominance in that sector. Additionally, the returns on financial resources and management time invested in each of them must be commensurate with our expectations.

Over the last two years, I have apprised you of the developments on the business front. My intent is to share the progress attained and the ways we have adopted to keep stoking growth.

"It is my firm belief that given Grasim's expanded capacities and leadership status in its key business segments, the outlook is bright. Cost optimisation measures, strategic planning, effective financial management and consolidation in the cement sector assure Grasim's secure future."

"I firmly believe that our people provide us with the cutting edge. They are the backbone of our organisation. They breathe life into the business, endowing it with both character and staying power. Therefore harnessing people power, breeding thought-leaders and creating platforms from which every individual can contribute are priorities, in continuum."

Strategic Architecture

It is my firm belief that value-creation must course through all of our businesses.

Growth in our key businesses has been characterised by consolidation, acquisitions and restructuring. Consolidation of the cement business, through the merger of Indian Rayon's Cement Division with Grasim, has yielded dividends for both of our Companies' shareholders, apart from admirably elevating Grasim's stature in the industry. The amalgamation of Dharani Cements with Grasim and the intent to acquire cement companies that strengthen our national footprint are steps that enable us further cement our position. Similarly the acquisition of Indal by Hindalco fortifies our standing in the aluminium sector manifold. Consequent to this linkage, synergies accrue through integration of logistics, product rationalisation and marketing strategies, not to underscore the enhanced customer reach it offers. In turn, this has led to significant value generation.

Hindalco's brownfield expansion at Renukoot is yet another part of a well-conceived growth strategy.

The acquisition of global rights for world-class brands such as Louis Phillipe, Allen Solly (barring North America), Peter England (with the except of the UK and Ireland) marks a turning point. It at once catapults Indian Rayon's potential to become a global player in the men's wear industry. Incidentally, the branded apparels segment has been and continues to be the major growth driver at Indian Rayon.

To accord the desired focus to the software sector, we have hived-off Grasim's Software Division, Birla Consultancy Software Services, into a separate wholly owned subsidiary of Grasim. This move also allows Grasim to stay focused on its two key businesses – Viscose Staple Fibre and Cement.

In the Telecom sector, teaming up with Tata Telecommunications, has been a forward-looking initiative. The acquisition of RPG and Vodafone's stake in Madhya Pradesh by this joint venture, has enlarged our geographic reach. Today we command 30 per cent of the teledensity in the country.

Our foray into the Life Insurance sector in partnership with Sun Life of Canada is a measure to step up our interests in futuristic knowledge-oriented growth businesses, which have the potential to grow in revenues and earnings.

Divesting those of the businesses that destroy shareholder value is a natural corollary. Scaling down of our spinning operations, a partial closure of the Caustic Soda unit at Nagda, the closure of the Pulp and Fibre business at Mavoor, which were rendered unviable due to the non-availability of the raw materials, and the divestment of the Files business to Raymonds, indicate our firm resolve to pare off those businesses which are not value adding.

Novel Structural Processes

With Cash Value Added (CVA) as our measurement metric, we have been able to streamline and refine management decision making processes so that these are totally aligned to shareholder value. This has been accomplished under the umbrella of "Project Together", a Group-wide initiative to drum up support across all levels.

CVA serves as the sinew of our Organisation. Its roll out has been eminently successful. The Group's commendable results are partly due the spin-off from CVA.

Our antenna is tuned in to the external world. We have been constantly sharpening our wherewithal to channel and drive the forces of change. To do so we are moulding ourselves into a quick response, market-driven people who are constantly innovating and designing product delivery systems as customer solutions.

Infusion of fresh blood and grooming talent at all levels aids us in attaining the objective. Increasingly professionals of a high caliber have been and continue to be recruited whenever the required competence is not found internally. Alongside we have been moving talent effortlessly across the Group. The senior positions that fell vacant consequent to

the retirement policy, have been largely filled in through the internal recruitment of talented, competent professionals. The transition has been flawless.

I firmly believe that our people provide us with the cutting edge. They are the backbone of our organisation. They breathe life into the business, endowing it with both character and staying power. Therefore harnessing people power, breeding thought-leaders and creating platforms from which every individual can contribute are priorities, in continuum.

Our endeavours to be a fluid, flexible and seamless Group backed by our strong values, and a robust performance ethic are ongoing.

Institutionalising Systems

Towards creating value, we have embedded systems and processes firmly. The Aditya Birla Information Highway, rechristened as "Aditya Disha" ensures that learning and knowledge sharing is genetically hardwired into our Group. Leveraging the immense networking opportunities it offers, Aditya Disha, our intranet knowledge portal, assists employees at all levels to work faster and smarter. In doing so, it accords us a competitive lever.

Gyanodaya, the Institute of Management Learning, is today a world-class training and learning Centre, one in which we take great pride. Since its inception more than 65 management programmes have been conducted by top-notch professionals over 250 days, attended by 1,050 managers. These are of immense value, honing as they do people skillsets required in today's competitive era. More importantly these programmes foster our intellectual capital, so fundamental to our remaining on top of the League in the sectors in which we operate.

All of our initiatives are strung together by one abiding dictum which is – to factor the aspirations of our shareholders, and to ensure that Total Shareholder Returns (TSRs) grow significantly year after year.

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Yours sincerely,



KUMAR MANGALAM BIRLA

Mumbai,
30th April, 2001

Management's Discussion and Analysis

OVERVIEW

For **Grasim** it was an excellent year. Despite a tough business environment, your Company's key businesses - Viscose Staple Fibre (VSF) and Cement-put in an impressive performance. This was augmented by the Chemicals and Sponge Iron divisions. The year started on a positive note with expectations of recovery in consumer demand and heightened industrial activity. An erratic monsoon and droughts in parts of the country, resulting in sagging consumer confidence, poor demand and sluggish industrial activity belied all hopes. The sharp rise in global crude oil prices and the resultant increased energy costs added further pressure on the economy. Against this backdrop and given the intrinsic linkages between the economy and the Company's core businesses, your Company's performance is commendable.

Aggregate revenues grew by 13% year-on-year (YoY) on the back of better performance of all of its businesses, with the exception of the Textiles sector. Improved efficiencies, economies of scale and higher cement prices, aided overall profitability. Operating profits grew by 21% from Rs. 756.3 Crores last year to Rs. 911.5 Crores in FY 2001. Profit before extra-ordinary items and taxes attained a robust growth of over 60% from Rs.263.2 Crores to Rs.420.8 Crores. After adjusting for employee separation costs and profits from the sale of the software division, pre-tax profits soared by 74% YoY to Rs.427.9 Crores while net profits jumped 62% YoY to Rs.377.9 Crores during the year.

The Cement business witnessed a sharp turnaround in operations, margins and profitability during the second half, while VSF remained a stable contributor during the year. The performance of the Sponge Iron and Chemical businesses was embellished on the back of better asset utilisation, improved prices and reduced costs. The textile business was the sole exception. Poor demand, falling fabric prices and rising input costs, put pressure on its margins.

VALUE ENHANCING STRATEGIC MOVES

During the year restructuring efforts continued. The commissioning of the new cement plant in Tamil Nadu, the merger of Dharani Cements Limited, the decision relating to the transfer of the fibre and pulp plants situated at Mavoor, and the corporatisation of the software division, were amongst the value enhancing moves made by your Company.

"Grasim South" - Fully Operational Now

The new 0.9 Mn TPA cement plant in Tamil Nadu commenced trial operations in March 2000. Commercial production started in April 2000, and operations were stabilised successfully during the first quarter of the current financial year. This state-of-the-art Plant, the only one of its kind in Asia, is equipped with automated robot laboratory systems to ensure consistency of quality. Leveraging the superior quality of cement produced at this plant and an already established strong brand image backed by an aggressive marketing strategy, your Company further entrenched its presence in the Southern markets. The new plant, being closer to the Southern markets, entails lower transportation costs – which is a significant component in the overall cost structure.

Dharani Cements Amalgamated with Grasim

Your Company had acquired a 100% equity stake in Dharani Cements Limited during 1998-99. This acquisition has brought with it a 0.07 Mn TPA cement capacity and over 752 hectares of limestone mines. To derive maximum synergies and to facilitate manpower rationalisation, along with optimum utilisation of its grinding plant, your Company has merged Dharani Cements, its wholly owned subsidiary, with itself.

BCSS hived-off

Your Company has hived off its software division, known earlier as "Birla Consultancy and Software Services (BCSS)" into a subsidiary named, "Birla Technologies Limited".

BCSS was set up in 1992 to focus on the high growth information technology sector. The Division had developed expertise in the areas of IT consultancy, turnkey and migration solutions as well as other high growth IT areas. The Division has over 1850 man-years of experience and employs 320 professionals. It has business alliances with global majors like Microsoft, Oracle and IBM. To ensure sustainable long-term growth in the IT industry and to emerge as a strong organisation with best business practices, a focus was imperative. As this business accounted for only 0.3% of Grasim's revenues, it was unable to get the desired attention.

Given the IT sector's enormous growth potential as a knowledge-based service industry, Grasim decided to focus on it through its corporatisation. Your Company thus transferred the division to a subsidiary, pursuant to approval of the shareholders in their Extraordinary General Meeting held in January 2001. Grasim has received a consideration of Rs.29.4 Crores in the form of fully paid up equity shares, which has resulted in a one-time profit of Rs.18.4 Crores. This is reflected in the financials for the year under review. This move is part of the restructuring process, aimed at enhancing Grasim's shareholder value, also through a greater focus on its two major business segments, viz., VSF and Cement.

Transfer of Mavoor Assets

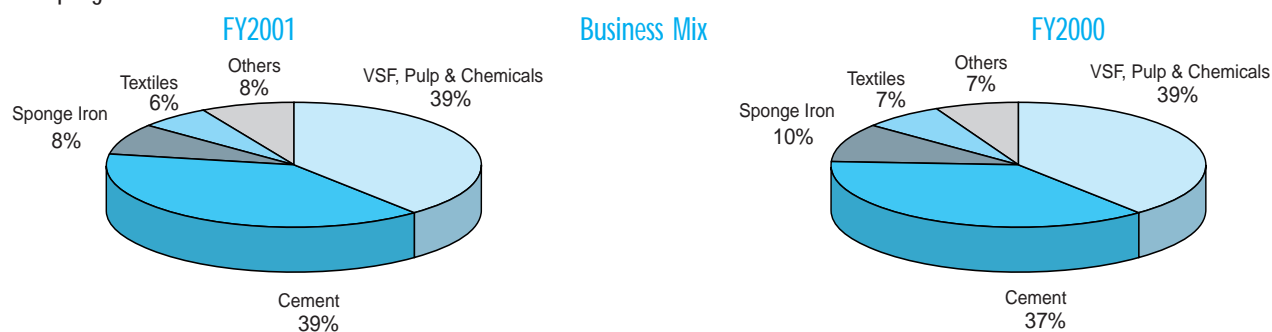
As you are aware, operations at your Company's Mavoor Plant in Kerala, have been suspended since May 1999. The non-availability of quality raw material, and the resultant poor quality of final products, severely affected realisations, rendering the operations unviable. Your Company therefore filed

an application for permanent closure with the Kerala State Government. This was rejected by them. A subsequent review petition was also rejected. The matter, now referred to the Industrial Tribunal at Kozhikode, is pending.

Your Company also filed a Scheme of Arrangement under Section 391/394 of the Companies Act 1956 in the High Court of Madhya Pradesh in October 2000. Under the Scheme, Grasim will transfer/sell the pulp and fibre assets at Mavoor to another Company. The Scheme has since then been approved by shareholders and is pending consideration of the High Court of Madhya Pradesh. Your Company will implement the Scheme after obtaining the necessary Court approvals. Any possible loss arising out of such a sale/transfer under the Scheme will be of an extra-ordinary nature, and will not affect normal profits of the Company.

SEGMENTAL REVIEW AND ANALYSIS

Grasim's key businesses, viz., VSF and Cement together accounted for 78% of net revenues which compares well with their revenue share of 76% in 1999-2000. The Sponge Iron business accounted for 8% of the turnover.



VISCOSE STAPLE FIBRE (VSF)

	2000-2001	1999-2000	%Change
FIBRE			
Installed Capacity (TPA)*	220,775	220,775	-
Production (Tonnes)	218,847	188,002	16.4
Sales Volume (Tonnes)	203,854	192,452	5.9
Net Divisional Turnover (Rs. Crores)	1,469.9	1,290.9	13.9
VSF Realisation (Rs./Kg)	69.7	64.5	8.1
Divisional Margins (Before Employee Separation Costs) (%)**	28.9	31.4	-
PULP (CAPTIVE USE)			
Production (Tonnes)	69,729	73,283	(-) 4.8
Transfers to Fibre Division (Tonnes)	70,148	74,429	(-) 5.8
Net Transfer Value (Rs. Crores)	158.5	161.1	(-) 1.6

* Excludes Mavoor Capacity of 26,000 TPA operations at which remain suspended from May 1999

** Operating margins calculated on the Divisional Net Turnover, excluding pulp, which is for captive consumption

Review of Operations

The VSF business registered a commendable performance, with higher capacity utilisation, volumes and prices.

Water scarcity at Nagda

Viewed against the backdrop of the acute water shortage faced at Nagda, their performance becomes even more noteworthy. An erratic monsoon and the deficient rainfall led to reduced water availability from the Plant's captive reservoirs. A carefully drawn out strategy to reduce water consumption in the VSF process and improved efficiency helped tide the situation and minimise its impact. Simultaneously, your Company has built up sufficient inventories for its finished goods to fulfil the needs of its customers in an ongoing manner.

The operations of the VSF plant at Nagda are likely to shut down sometime during first week of May, 2001 till the onset of monsoon. The Plant is likely to remain closed till the onset of the monsoons. The operations of the chemical plant have also been curtailed by about 50%. Your Company does not envisage any significant impact in VSF arising out of such a shutdown. However, due to lower production at Nagda, the revenues and profitability of the Chemical business will be affected.

Sales volumes up 6 %, despite strategic reserves

VSF sales volumes have gone up by 6% from 192,452 tonnes in FY 2000 to 203,854 tonnes in FY 2001, despite building up of inventory reserves from the third quarter onwards. In fact, volume growth during the first eight months of FY 2001 was impressive at 13% YoY. It was largely driven by continued aggressive marketing efforts, improved demand conditions, emanating from better exports of VSF based yarn and textiles from India and a favourable change in blend ratios. Increased acceptance of Birla Cellulosic's fibre quality in international markets has been a growth driver as well.

Your Company focussed on greater field penetration through a segmented marketing approach. It spread its geographic reach in both the domestic and global markets. In doing so, volumes have improved. It also leveraged the superior quality of fibre produced at its Kharach Plant. The quality of its fibre, and exemplary follow-up technical services have been its key market enablers. Additionally your Company's innovative efforts to "consumerise the commodity" by covering the entire value-chain as well as simultaneously forming strategic alliances with several VSF based end product manufacturers, also contributed to the high volumes.

Realisation up 8 %

The average VSF realisation improved by 8% YoY from Rs.64 / Kg in FY 2000 to Rs.70 / Kg in FY 2001. Realisations were subdued during the first half of the year as your Company's focus was on volume enhancement. It gained momentum during the second half with the passing of increased costs arising out of the sharp rise in global pulp prices to the consumer. A favourable change in the product mix has also led to the increased average realisation.

Global pulp prices shot up from US\$640 per tonne in March 2000 to a high of US\$760 per tonne in September 2000 and averaged around US\$720 for the full year. This reflected an increase of 25% YoY, which together with falling trend in the value of Indian Rupee against US\$ has resulted in over 11% increase in VSF manufacturing costs. These costs could only be partly transferred to customers. Consequently, divisional margins declined from 31% to 29% in FY 2001. The impact would have been higher but for the improvement in volumes and overall efficiency at all plant locations.

Sector Outlook

The outlook for the VSF industry remains positive and is predicted on the likely strong growth in exports of VSF based yarn, fabrics, ready mades and garments. The rising trend of VSF rich blends in the local market should augment this demand. In addition to the organic growth in demand, endeavours to enlarge the use of VSF in newer areas are on. This should boost demand in the long term and benefit Grasim, who is the market leader in India.

Your Company's ongoing efforts to leverage the superior quality of VSF in terms of its feel, comfort and hygiene in various blends and applications are yielding encouraging results and should spur the growth over the next few years.

Industry margins should bounce back from the softening of global pulp prices, improving demand situation and increasing price competitiveness of VSF against substitute materials.

Outlook for Grasim's VSF Business

Your Company is the market leader in this sector, enjoying over 90% share. It is also amongst the lowest cost producers in the world. Your Company's futures oriented growth strategy centres around on market enlargement, promotion of deemed exports and improvement in efficiencies.

As VSF consumption in traditional segments is stagnant, expanding its markets through increased use in multiple application areas is critical. Your Company is making concerted efforts to position VSF at the higher end of the fibre market as the "Fibre for Feel, Fashion and Comfort". Plans are on the anvil to form strategic partnerships with downstream product manufacturers, mainly trendsetters for new applications. Capitalising on its biodegradability, we will also push VSF as an eco-friendly fibre, an attribute that is increasingly reckoned as important in the domestic and export markets as well.

Over the last year, we have successfully positioned "Birla Viscose" as our distinctive VSF brand. Our intent is to posture "Birla Viscose" as a premium brand in the global VSF markets and create awareness for Birla Viscose in the entire value chain. Such a step will secure for us a continued dominance in the domestic market, and entrench VSF in the export markets.

Towards improving realisation, our focus will be on promoting speciality fibres such as spun dye, micro and macro deniers among others. Finally, we will tighten operational efficiencies and optimise costs even further from its current stretched levels. The pursuit of process innovations will be unrelenting, these have already resulted in increased production at existing locations. We will strive to achieve even better results in terms of volumes, costs and profitability in future.

CEMENT

	2000-2001	1999-2000	% Change
GREY CEMENT			
Installed Capacity (Mn TPA) [@]	9.86	8.20	23.3
Production (Mn Tonnes)	9.10	8.40	8.4
Sales Volumes (Mn Tonnes)	9.16	8.42	8.8
Net Turnover (Rs. Crores)*	1,719.3	1,461.3	17.7
Average Realisation (Rs. / Ton)	1,894	1,784	6.2
WHITE CEMENT			
Installed Capacity (TPA)	360,000	360,000	-
Production (Tonnes)	251,594	240,492	4.6
Sales Volumes (Tonnes)	251,292	240,014	4.7
Net Turnover (Rs. Crores)	133.1	120.8	10.2
Average Realisation (Rs. / Ton)	5268	5078	3.7
NET DIVISIONAL TURNOVER (Rs. Crores)*	1852.4	1582.1	17.1
DIVISIONAL MARGINS (%)	17.0	13.3	-

[@] Average installed capacity for the year was 9.1 Mn TPA

* Includes Rs.19.0 Crores (Previous year – Rs.10.5 Crores) for Ready Mix Concrete

Review of Operations

The Grey Cement Division recorded an overall volume growth of 9% over the earlier year, supported by two factors. Firstly, the commissioning of the Company's new plant at Reddipalayam (which has yielded an additional market share in the lucrative markets of Tamil Nadu and Kerala) and secondly, a better market share in both the Western and Eastern regions. The Division also benefited from the relatively higher price table, prevailing through most of the year in South India. This was complemented by a recovery in prices in the rest of the country, during the last quarter. This performance is satisfactory considering that for the first time in a decade the country's aggregate consumption declined marginally. A slowdown in both the agricultural and industrial sectors was aggravated by an acute drought in several States. Together, these had a dampening effect on Housing, which remains the prime driver for the Cement industry.

Volumes up 9 %, ahead of industry

Despite the challenging environment that prevailed during the year, Grasim was able to report a 9% YoY growth in sales volumes and registered an encouraging capacity utilisation. Grey cement sales volumes rose from 8.42 million tonnes in FY 2000 to 9.16 million tonnes in FY 2001 attributable to successful penetration in to the new markets of the South and strengthening of its position in the existing markets.

With the commissioning of its new cement plant in Tamil Nadu, your Company has successfully penetrated into the lucrative markets of Tamil Nadu and Kerala. This, together with a renewed focus on retail markets has enabled Grasim improve sales volumes in the Southern region by 35%. Equally impressive growth levels were attained in other regions. Sales in the East and West have risen by around 16% and 6% respectively. The overall sales volumes' growth at 9%, has helped increase our aggregate market share from 9% to 10% in FY 2001.

Realisation up 6 % YoY

The year under review also saw a demand-supply imbalance followed by a price correction. Your Company's brands – Birla Ready Mix, Birla White, Birla Super, Vikram and Rajashree, given their impeccable reputation for quality, command a premium price position in their respective market segments. Given the supply situation, these brands gained, and have reported a 6% YoY increase in the average cement realisation, at Rs.1,894 per tonne.

Greater exposure in the high realisation markets and deeper inroads into the lucrative southern regional markets and better logistics management were the key contributors.

Margins improved from 13 % to 17 %

As a consequence of the strong volume growth and better prices, operating margins improved from 13% in FY 2000 to 17% in FY 2001. Alongside prices and volumes, lower distribution and manufacturing costs have been the margin pushers. Through consolidation of capacities in the recent past coupled with

the renewed focus on logistics management, your Company reduced its average lead distance to markets. In turn distribution costs were significantly scaled down. Through process optimisation and introduction of alternate fuels – the cost of production per tonne was maintained at the same level as the previous year. This was despite a dramatic increase in the cost of fuel and energy. Together these represent the main cost drivers.

Sector Outlook

We believe that the prospects for the cement sector will be improving in the short term and are confident on its long-term prospects. By the end of the decade, cement consumption is expected to double to 200 million tonnes, which bodes an enormous opportunity for growth.

Over the next 3 years, we envisage a pick up in housing demand, an improvement in the levels of infrastructure development activities as well as better corporate demand.

The demand from the housing sector is predicated on a normal monsoon, which would then improve the rural purchasing power. In the urban areas, the demand is dependent on the level of industrial activity.

The constant focus by the Government on the infrastructure sector should fuel the demand over the next few years. Once the flyovers, new express highways and the Golden Quadrilateral Highway Project – announced by the Government take off, it would positively spur growth of the cement sector to a new high.

In the short term, the imbalance between supply and demand is expected to become more adverse due to the addition of new capacities, particularly in the South and West. In addition, continuous process improvements by the cement industry and progressive conversion of the market to blended cements have increased the latent capacity of the existing cement producers. This would continue to put pressure on cement prices, which have lagged industry-specific inflation. Contextually then, an improvement in performance would be a function of improving capital productivity, higher capacity utilisation, expanding market share and lowering the cost of production.

Outlook for Grasim's Cement Business

To sustain its leadership position as one of the country's top three producers and to further strengthen profitability, your Company plans to focus on enhancing capital and manpower productivity, apart from raising the levels of customer service, as indicated.

- **Capital Productivity:** An additional 3.3 million tpa is expected to be produced from the existing installed capacity through de-bottlenecking and a modified product mix, in line with emerging customer needs. Such a move will reduce capital cost per tonne from the existing operations.
- **Energy Costs:** The Company's captive power, which is predominantly diesel based, is being replaced by thermal power plants. This is visualised to be the main source of energy at the manufacturing plants, though some States continue to look upon captive power as competition to their poor quality, high cost grid supplies and impose restrictions. In doing so they sub-optimize the potential. To improve cost effectiveness we plan to maximise use of alternate fuels.
- **Process Optimisation:** To further reduce the cost of production per tonne, significant capital investment is being planned to improve consumption norms and increase throughput.
- **Manpower Productivity:** A major exercise is being initiated to improve employee productivity through rationalisation, job rotation and multi-skilling.
- **Customer Service:** A programme to improve its standard of service to customers as well as offer a new range of products, anticipating emerging customer requirements has been launched. A new IT network has been initiated, linking manufacturing units, clearing and forwarding agents, depots and market offices.

The on going consolidation process in the industry is likely to open up several growth opportunities in the cement industry. We will remain nimble footed and continue to look for opportunities that add value. To capitalise on these opportunities and ensure a more profitable growth in future, we will leverage our strong market position and improved cash flows optimally.

SPONGE IRON

	2000-2001	1999-2000	% Change
Installed Capacity (TPA)	900,000	900,000	-
Production (Tonnes)	663,998	709,094	(-) 6.4
Sales Volume (Tonnes)	673,852	822,996	(-) 18.1
Net Divisional Turnover (Rs. Crores)	401.0	418.1	(-) 4.1
Average Realisation (Rs./ Ton)	5,733	5,037	13.8
Divisional Margins (%)	21.3	13.5	

Review of Operations

It was another good year for the Sponge Iron business. Having turned around during the last financial year, the business continued to leverage on its strategic advantages and further tightened efficiencies to ensure enhanced volumes and profitability. Better market conditions and improved realisation has enabled your Company consolidate its position further. The division suffered due to disruption in natural gas supplies from Gas Authority of India Ltd. But for this constraint, contribution from the business towards revenues and profits would have been higher.

Sales matched production

As mentioned, the restricted availability of natural gas from Gas Authority of India Ltd. was a setback Your Company took advantage of its dual feedstock facility and used Naphtha, to offset the impact of interruptions in Natural Gas supplies. However, the use of Naphtha had to be discontinued from July 2000 onwards due to its prohibitive costs. Consequent to these, production was lower by 6% with lower volumes at 663,998 Tonnes.

While sales volumes matched production at 673,852 tons, it reflected a fall of 18% YoY. This was primarily due to higher volumes of the last year, from the sale of accumulated stocks in FY 2000.

The domestic sponge iron market remained firm with the aggregate demand growing by 6% on the back of marginal recovery in steel production and firm scrap prices in the global market. Steel production rose by 4% from 25.66 million tonnes in FY 2000 to an estimated level of 26.67 million tonnes in FY 2001. Global scrap prices remained largely firm but came under pressure during March 2001. As a result, demand for both HBI and DRI remained buoyant. Your Company maintained its market share at 31% during the year.

Improved realisation and better efficiencies enabled sharp rise in margins

Reflecting improved demand and firm scrap prices, average realisation moved up significantly by 14% from Rs.5,037/Tonne to Rs.5,733/Tonne, driven also by your Company's pricing strategy.

Benefiting from better prices and improved efficiencies, operating margins shot up from 13% in FY 2000 to 21% in FY 2001. The margins for the full year are even higher than those of the first half and reflect a gradual improvement over the quarters. Your Company's cost reduction efforts have also contributed significantly towards margins enhancement.

Your Company could contain the increase in costs within 2%, despite a 4% rise in the input costs. This was achieved through an improvement in the iron ore-pellet ratio, reduced iron oxide consumption and better operating efficiencies. The iron ore – pellet consumption ratio improved from 36% to 41%. It enabled an additional reduction in costs since iron ore is 30% cheaper than pellet costs. Iron oxide consumption ratio also declined from 1.54 tonnes per tonne of sponge iron to 1.50 tonnes, aiding our cost reduction measures. Divisional operating profits have therefore gone up by 52% despite lower volumes.

Sector Outlook

The outlook for the sponge iron industry remains stable, both in the domestic and exports markets. After having registered an encouraging growth in volumes last year, the domestic steel sector is expected to grow further, from an impending economic recovery and the resultant pick-up in industrial activity. The available macro indicators point towards a sustained recovery in the Global steel sector, which together with likely stable scrap prices augur well for the sponge iron industry.

The continuing shift in preference for Electric Arc Furnace in steel making is positive news for this sector. Upcoming steel plants world-over are using the latest technology, one that generate less scrap in-house. These would require additional metallics like sponge iron from the market. This should add to the global demand for sponge iron. The sharp rise in natural gas prices in North America has forced several large gas based producers to scale down operations and in some cases opt for a complete shutdown. It is likely to result in a shortage of metallics in the global market, which in turn will better the prospects for sponge iron exports from Asia. The domestic demand is also expected to rise with recovery in the steel industry. We believe that the outlook for sponge iron in the domestic as well as export markets is positive.

The major concern though, is the uninterrupted availability of Natural Gas and its pricing in the domestic market. The domestic steel industry has limited ability to absorb higher costs at this stage and thus any significant increase in gas prices will adversely affect the profitability of the domestic sponge iron sector. Keeping these in mind, we forecast stable prices for sponge iron in the domestic market.

In sum, we see an encouraging trend in volumes for sponge iron in the domestic and export markets, but expect to see stable price realisation over the next 12 months. Any significant cost increases will adversely impact margins, which have shown dramatic improvement during the year under review.

Outlook for Grasim's Sponge Iron Business

The improving outlook for sponge iron in the domestic market augurs well for Grasim, the only gas based merchant producer in India. Your Company competes with coal-based producers, who suffer from weak cost structures and inferior quality. It will thus be able to leverage its advantage of quality and cost structure to strengthen market presence and growth in profitability. Our goal is to leverage our strategic advantages optimally and enhance margins through continued cost control efforts.

Your Company's advantage stems from its technical superiority, product flexibility and lower costs. Grasim remains the only producer in the world to produce both HBI and DRI from a single reactor. This product flexibility helps in meeting varied demand from customers and improving market shares. In addition, the benefits of increasing ore - pellet ratio and resultant falling costs also lend a strong competitive advantage in the market. To build our market share further in the domestic markets we will leverage these advantages optimally.

To cut down on costs further, we will strive to achieve better iron oxide consumption ratio through process and efficiency improvements. Together with improving ore-pellet mix, it will ensure further fall in iron oxide costs, which account for 52% of the total costs. Our thrust on reducing energy consumption and improving efficiencies will continue. Simultaneously, we will also sweat existing assets to improve returns. The commissioning of the 100 TPD Carbon Di-oxide plant and optimal utilisation of shipping assets will contribute significantly towards this end.

Energies will be channelised towards ensuring uninterrupted supply of natural gas, as it is crucial to improving volumes, market share and profitability.

TEXTILES

	2000-2001	1999-2000	% Change
FABRICS			
Production (Lac Meters)	167	177	(-) 5.6
Sales Volumes (Lac Meters)	187	176	6.3
Net Turnover (Rs. Crores)	164.9	163.5	0.9
Average Realisation (Rs./Meter)	88.0	93.0	(-) 5.4
YARN (EXCLUDING CAPTIVE TURNOVER)			
Production (Tonnes)	11,029	11,934	(-) 7.6
Sales Volumes (Tonnes)	8,514	9,688	(-) 12.1
Net Turnover (Rs. Crores)	98.8	107.7	(-) 8.3
Average Realisation (Rs./Kg)	116.0	111.2	4.4
NET DIVISIONAL TURNOVER (Rs. Crores)	263.7	271.2	(-) 2.8
Divisional Margins before Employee Separation Costs (%)	(-) 9.0	9.0	-
CAPTIVE YARN TURNOVER			
Volume (Tonnes)	2,834	2,333	21.5
Value (Rs. Crores)	42.7	29.6	44.1

Review of Operations

Despite a slew of proactive measures kick started by your Company, primarily targeted at enhancing volumes and paring costs, the textile division suffered a setback. Among the major factors responsible for such a situation have been: the deteriorating market environment in the suitings sector, operational inefficiencies and the overall retailing posture.

The fabric division's sales volumes at 187 lac meters reflect a marginal growth of 6% over that of the earlier year at 176 lac meters. The demand for suiting fabrics in the country has been lacklustre. While over-the-counter retail markets for suiting fabrics remained stagnant for premium suitings that of the mid-priced suitings was unimpressive as well. A pronounced shift from tailor-made to ready-to-wear trousers, continued competition from smaller producers, the mushrooming of brands and spurious producers impacted sales volumes. This has not only put a pressure on volumes, but also on realisations.

The average realisation fell by 5% from Rs.93/meter in FY 2000 to Rs.88/meter in FY 2001. With higher manufacturing costs, emanating from increase in cost of yarn, wages and higher taxes, the division's profitability has been negative during the year.

To stave further fall in realisation and to improve volumes, your Company has evolved a cohesive and well orchestrated customer-centric manufacturing and marketing programme. Brand management, new product development, a focussed retail-cum-distribution network and relentless cost cutting to stem losses, form the four cornerstones of this strategy.

Repositioning of the Grasim brands from its earlier staid image to a modern, futures-oriented fabric, backed by demonstrated new products, became integral to our existence. The "power of fashion", unleashed by the Company, was pegged as the key differentiator.

As a forward step in this direction and to drive sales through innovative, superior quality product offerings, novel fabrics such as "Acquasoft" in Grasim, and "Coolers" in Gravieria have been launched. The "E-Stretch" range and the "All-Seasons" range were added to the Grasim fold. To demonstrate the power of fashion through creatively crafted product and visual merchandising, our showrooms are being spruced up and contemporarised.

To take our fashion platform to its logical conclusion, we set up "Studio Grasim" in Delhi. This design studio – an amalgamation of state-of-the-art technology comprising LAD systems, is essentially to research on yarn and fabric colour developments, fashion forecasting and from the trends that emerge, evolve new fashion designs. A U.K. based men's wear top-notch designer heads the studio.

To reinforce the brand salience endeavors, and take Grasim and Gravieria on top-of-the-consumer's mind, an impactful advertising campaign was signed off.

To dovetail these initiatives, the distribution/retail network has been considerably beefed up. In the first phase, this was done in the price and quality conscious markets of Delhi, Punjab, Tamil Nadu and West Bengal.

Put together, all these initiatives have contributed to enhanced volumes. Our intent is to consolidate these efforts to an even greater extent in the ensuing financial year. During the year under review, these efforts have stalled what would have been a major reversal of the textiles sector.

Sector Outlook

The outlook for the textiles business continues to be challenging. As explained earlier, the industry is faced with huge over-capacities. The preference for ready-to-wear fabrics may usher in commodisation of the industry products by and large. Intense price competition from the unorganised sector and the continuing import of cheaper fabrics may keep a check on prices and volumes of organised producers.

The premium segment of the suiting fabrics market is expected to remain stable. The synthetic segment (which is less remunerative) will report normal demand growth over the next few years. The suiting manufacturers in the organised sector are thus likely to remain under pressure at least in the immediate future.

On the positive side, the "restructuring" excise duties between composite and non-composite process houses will also provide a level playing field advantage to fabrics.

Outlook for Grasim Textiles

To ensure ongoing growth and a positive bottom line, regardless of the challenging business mileau, your Company's strategy is woven around-

- Leveraging its newly cast image along with its brand equity
- The continuous renewal of its brands to make sure that they are perceived as contemporary, in some cases even as ahead of the times
- Being on top of the mind of the customer through intensive and focussed retailing efforts, and strengthening of the distribution network in selective markets
- Aggressively garnering shelf space, improving our service level to outlets and increasing the visibility of our brand at the retail level
- Cost optimisation and operating efficiencies, both through manpower rationalisation and productivity enhancement at all levels.

These value drivers will help us retain our leadership position in the premium synthetic suitings segment, grow in other products, elevating our brands to make them aspirational and most importantly achieve the turnaround of the textile business in the foreseeable future.

FINANCIAL REVIEW AND ANALYSIS

Highlights

(Rs. in Crores)

	2000-2001	1999-2000	% Change
Gross Turnover	5,582.4	4,982.3	12.0
Net Turnover	4,821.7	4,272.6	12.9
Operating Other Income	18.0	17.1	5.3
Non-Operating Other Income	89.7	71.2	26.0
PBIDT	911.5	756.3	20.5
Interest	238.8	256.1	(-)6.8
Depreciation	251.9	237.0	6.3
Profit Before Tax & Extra-Ordinary Items	420.8	263.3	59.8
Profit on transfer of undertaking	18.4	-	-
Employee Separation compensation	11.4	17.8	(-)36.3
Profit Before Tax	427.9	245.5	74.3
Tax	50.0	12.4	304.9
Profit After Tax	377.9	233.1	62.1

Turnover

Gross revenues have grown by 12% YoY to Rs.5,582.4 Crores on account of strong growth in sales volumes and realization of Cement, VSF and Chemicals. The gross revenues of Cement and Fibre divisions have risen by 17% and 14% respectively, while that of the Chemical division has registered an improvement of 26% YoY in FY 2001.

Other Income

Apart from interest and dividend income, your Company's other income consists of operating receipts of the units and bill discounting charges. Other income increased by 22% YoY from Rs.88.3 Crores in FY 2000 to Rs.107.7 Crores in FY 2001, mainly on account of increase in interest and dividend income.

Profit (PBIDT)

Improved asset utilisation, better operating efficiencies and ongoing cost cutting measures have enabled your Company post superior operating profits. Your Company's operating margins have improved from 17.7% to 19.3%, in turn pushing profits by an impressive 21% YoY Rs.911.5 Crores in FY 2001.

Interest

Interest charges have gone down by 7% YoY to Rs.238.8 Crores in FY 2001 due to the positive impact of debt restructuring and repayment carried out during the year. The raising of low cost funds for part financing capex and general corporate requirements enabled the Company reduce interest charges even further.

Depreciation

Depreciation charges have increased by 6% YoY from Rs. 237.0 Crores to Rs.251.9 Crores because of the commissioning of the new cement plant in Tamil Nadu during April 2000.

Income Tax

Consequent to an impressive 74% YoY growth in pre-tax profits, tax provisions have gone up from Rs.12.4 Crores in FY 2000 to Rs.50.0 Crores in FY 2001.

Net Profit

Your Company's net profits have soared from Rs.233.1 Crores in FY 2000 to Rs.377.9 Crores in FY 2001, reflecting a growth of 62% YoY. Net Profits excluding profit on sale of undertaking increased by 54% to Rs.359.5 Crores. Earnings Per Share thus grew by 62% from Rs.25.4 per share in FY 2000 to Rs.41.2 per share in FY 2001 while Cash Earnings Per Share has gone up from Rs.51.3 to Rs.68.7 during this period.

CASH FLOW ANALYSIS

	2000-2001 (Rs. in Crores)	%
Sources of Cash		
Cash from Operations	791.7	89.7
Income from Investment Activities	65.2	7.4
Net Reduction in Investments	25.6	2.9
	<u>882.5</u>	<u>100.0</u>
Uses of Cash		
Increase in working capital	43.1	4.9
Net Capital Expenditure	119.5	13.6
Reduction in Debts	334.3	37.9
Interest	206.7	23.4
Dividend (incl. Corporate Tax on Dividend)	76.2	8.6
Increase/Decrease in Cash & Cash Equiv.	102.7	11.6
	<u>882.5</u>	<u>100.0</u>

Source of Cash

- **Cash from Operations:**

Cash from operation stand elevated by 18% from Rs. 669 Crores in FY 2000 to Rs.792 Crores in FY 2001, on the back of improved business environment, enhanced volumes and revenues across business segments, largely Cement, VSF and Chemicals. The substantial improvement in operating profits of cement business has also contributed towards swelling cash flows of the Company.

- **Income from Investment Activities:**

Income from investment activities consists primarily of interest and dividend income during the year. The income from interest rose by 25% to Rs. 50.46 Crores while income from dividend grew by 41% to Rs. 14.70 Crores. Higher income from interest is attributed to increased availability of surplus cash from operations, which were deployed in short term investments during the year. The income from dividend is also better on account of increased payouts by the Company's overseas investments.

- **Net Reduction in Investments:**

To optimise yield, your Company reduced exposure in the inter-corporate deposits and moved funds to bank deposits. Consequently, the size of its investment portfolio has declined by Rs.26 Crores during the year.

Use of Cash

- **Increase in Working Capital:**

The net working capital requirements have increased due to the building up of VSF inventories at the Fibre division. This was done towards ensuring uninterrupted supplies to customers factoring in the closure of its VSF plant at Nagda, because of an acute water shortage.

- **Capital Expenditure:**

During the year, your Company has invested Rs.120 crores towards setting up of a grinding facility at Bhatinda and four new RMC projects, apart from normal modernisation projects. The grinding facility and three of RMC plants will be commissioned in the current year.

- **Reduction in Debt:**

Your Company raised Rs.180 Crores and has repaid a sum of Rs.544 Crores. Besides, net additional interest free sales tax loan of Rs.30 crores also accrued to the Company during the year. Following the net debt reduction of Rs.334 Crore, your Company's debt-equity ratio has come down to 0.62x in FY 2001 from 0.82x in FY 2000.

- **Dividend:**

Your Company has paid a sum of Rs.72 Crores towards dividend and corporate tax on dividend for the year 1999-2000. A final dividend of Rs.8.0 per share has been announced, entailing an outflow of Rs.80.8 Crores, including corporate tax on dividend. This accounts for 21% of Net Profit for the year.

CONCLUSION

In sum, your Company's key businesses have reported an encouraging performance for the year. They have demonstrated a significant improvement over the quarters. The performance of the VSF, Cement and Chemicals businesses has been noteworthy. Given the forecast of positive outlook for most of our key businesses and your Company's inherent strengths in these segments, we are confident of sustaining superior performance, going forward. While Cement will remain a key driver of growth for your Company, it will fuel further by stable contributions from the VSF business. In all our operations, we will continue to focus on improving asset utilisation through market expansion and better penetration as well as margin improvement through internal efficiencies and cost control measures. Armed with these measures and proactive strategies, we are confident of delivering superior value for our shareholders even in future.

CAUTIONARY STATEMENT

Statement in this "Management's Discussion and Analysis" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations.

Environment Report

ENVIRONMENT PROTECTION – A WAY OF LIFE AT GRASIM

At Grasim, we subscribe to eco-efficiency. Simply put, it entails manufacturing products and providing services in a manner that conserves natural resources, minimises wastes and ensures pollution control.

For us, the environmental dimension cannot be divorced from our business performance. In our view, better environmental management enables us contain our production costs. Similarly the increasing demand for environmentally compatible products accords us with growth opportunities. Above all improved environmental performance gains for us the respect and confidence of our multiple constituencies.

Our Plants at Nagda, Harihar, Bhiwani, Malanpur, Jawad, Raipur, Malkhed, Sambhupura, and Jodhpur are ISO 14001 EMS certified. The newer plants such as those at Kharach and Reddipalayam are stepping up their efforts to get the ISO 14001 certification.

To validate our Plants' ongoing conformity to Environment Management Systems, auditing is an inbuilt process. Most of our Plants have now been audited for well over three years in succession.

Det Norske Veritas (DNV) and KPMG Peat Marwick augmented by a team of external and internal auditors conduct the audit. This is done atleast twice a year. In addition, the respective State Pollution Control Board's members are also encouraged to visit our Plants. The audit process enables us to take action wherever improvements are needed. Importantly these audits have reaffirmed the fact that we have and continue to recourse to comprehensive technical and organisational measures to protect both our people and the environment.

Many of our Plants have in fact won recognition at the State and National level for the attention they accord to environment conservation. To cite just a few examples of awards bagged this year – our VSF Plant at Nagda, has been honoured with a "State level award for "best performance in Pollution Control and Protection of the Environment" by the M.P. State Government's Pollution Control Board. Similarly, The Government of India's Ministry of Petroleum and Natural Gas' arm – the Petroleum Conservation Research Association have conferred an Award on our VSF Plant (Nagda) for "its exemplary work in energy conservation". Our Birla Super Cement Plant (Hotgi) was the recipient of the National Award for "Excellence in Energy Conservation" at the "Energy Summit – 2000", an event spearheaded by the Confederation of Indian Industries.

State-of-the-art Industrial Effluent Treatment Plants are in operation at our Units. These are being upscaled continually. To reduce the consumption of scarce resources like water, most of the treated effluent is recycled to meet the needs of the Plant. Treated effluent from the Viscose Staple Fibre Plant has been very successfully used for irrigation.

Innovative ways of waste disposal are being constantly evolved. So at Nagda we will soon be installing sludge dryers for sludge drying. This will facilitate incineration in the existing boilers.

Yet another novel method that we are experimenting with is an anaerobic filter treatment plant for generation of bio-gas from the effluents produced by the dairies at Nagda.



As you are aware we have eliminated the use of heavy metals like zinc in the conventional fibre process.

Birla Cellulosic has been the pioneers of the vermi-composting technique. Vermicastings consisting of diverse bacteria in abundance, viz., cellulose degrading, naturally oxidising, nitrogen fixing and fungi actinomycetes, a facilitating bacteria – help render the treated effluent highly productive for agriculture.

We are also working on conversion of Fly Ash to a natural nutrient, soil modifier and micro fertiliser, at Birla Cellulosic. The initial results are indeed encouraging.

To test treated effluent, water and air, full fledged laboratories have been set up at our Plants.

We make concerted efforts to ensure a dust-free atmosphere. Scrubbers, cyclones, condensers and electrostatic precipitators operate in our environs.

In the cement industry, by and large there is scarcely any water pollution. The waste water thrown up by the power plants is used entirely for gardening. In our colonies at the Plants, sewage water treatment Plants are in operation. This treated water is recycled. At Reddipallayam, a process hot water recirculation system helps conserve water.

Our production processes are extremely energy efficient. Our environmental standards are totally in conformity with the norms prescribed by the State and National Regulatory Authorities. In many instances, we exceed their expectations. Here too to ensure a dust-free atmosphere and to arrest the escape of dust into the environment, we have electro-static precipitators and dust collectors, such as bag-house and bag-filters.

As in all of the Plants, at our Sponge Iron Unit at Salav in Alibag, we lay a great deal of emphasis on Environment Management Systems. Through the selection of advanced technology, we have taken the necessary precaution to abate pollution. The Plant generates a very nominal quantity of liquid effluents, given that the bulk of the water is recycled. The Supaflow system has been installed to separate solids from the effluents in place of the settling pond. This system has led to minimising of solids and reducing water losses significantly. In turn it has rendered the effluent treatment system reliable and efficient.

As the sponge iron facility uses natural gas as the prime source of its energy, which is free of sulphur, the flu gases from the stacks are free of pollutants. Dry-bag filters and wet scrubbers at the Plant facilitate a dust-free environment.

While we have integrated eco-efficiency into all aspects of our operations, to take the concept down the line more forcefully, we sensitise our employees to the concept of sustainable development in an on-going manner.

Green at heart, all of our Plants have embarked on an on-going afforestation drive. Our Plants are draped in greenery. Tens of thousands of trees grow on its soil. These are a testimony to our abiding commitment to live in harmony with nature and to our respect for the environment.



Social Report : Beyond Business – Reaching out to the Communities

For more than 50 years now, we have been and continue to be committed to the welfare of the communities that live in proximity to our plants. We have chosen to mesh our social vision into our business vision. As a Group with a human face, therefore working for the weaker sections of communities, forms a part of our core values.

Our social projects are carried out under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, which is stewarded by Mrs. Rajashree Birla, who is a Director on your Board.

The footprint of our social work straddles across 1500 villages surrounding our plants at Nagda, Jawad, Gwalior, Raipur in Madhya Pradesh, Bhiwani in Haryana, Kharia Khangar and Shambhupura in Rajasthan, Harihar and Malkhed in Karnataka, Kharach in Gujarat, Raigarh and Hotgi in Maharashtra and Reddipalayam in Tamil Nadu. Our work touches the lives of more than 4,00,000 people.

Under Mrs. Birla's guidance, we endeavour to lead social progress through our focus on health-care, spreading literacy and sustainable livelihood.

HEALTH-CARE :

To provide health care to the populace we organise medical camps in the village interiors. This year, nearly 300 medical camps have been conducted at which more than 25,000 villagers were examined. These camps, teemed with patients, afflicted with all kinds of problems, from polio to leprosy, to tuberculosis, to blood related issues, to visual impairment.

The anti-Hepatitis-B Virus vaccination camp hosted by our plant in Reddipalayam met with a very encouraging response, with 2400 people enlisting for the vaccine. Over 9000 children have benefited from the Polio Immunisation Camps held, largely at Harihar, Raipur, Malkhed and Jawad. More than a 100 TB patients have been tended as well.

To help the visually impaired, we conducted eye surgery camps at Chittorgarh, Kharia Khangar and Jawad. Apart from examining 2,300 patients, intro-ocular surgery facilitated the restoring of complete sight of 561 persons.

In many of these camps, our team of doctors have provided restorative surgery to the physically impaired. This has not only put their lives back on track but has helped restore their self-confidence as well. Where surgery has not been possible, patients have been given supportive aids, such as tricycles, calipers, crutches and artificial limbs. In this way we were able to reach out to 621 physically challenged persons.

In our camps patients are offered two distinct benefits – treatment with medicines and hope of a better life.

Additionally, we have evolved a population control strategy, based on a holistic approach which encompasses education, women and their development, maternal and child health areas, apart from sensitising men to the need for small families. We have forayed into this field because we believe that as a corporate house we have a responsibility to support efforts made in this direction by the Government. Our Plant's teams at Nagda, Harihar, Kharach, Jawad, Malkhed and Raipur are in the forefront of "the mother and child-care" campaign. Through our involvement we have been able to persuade hundreds of couples to recourse to family planning, adopting the two-child family norm.

To secure the health of animals, we are engaged in conducting veterinary camps at Raipur, Nagda and Khor in Rajasthan. In these camps apart from examining the animals, artificial insemination is also encouraged. Around 10,000 animals have been benefited from these camps.

SPREADING LITERACY

Deep in the interiors, endeavouring to raise the literacy levels is indeed a challenge. We espouse adult education and support balwadis which are non-formal education centres, apart from helping schools run by the District Authorities. To upgrade the level of teaching in the Balwadi teachers, coupled with those in urban schools, teacher training programmes are being organised. Teachers training programmes at Nagda, Harihar and Salav in Raighad have sparked an added interest among the teaching fraternity. The 80 teachers who have participated in the programmes make learning an even more enjoyable experience for children.

To motivate students, we have instituted scholarships based on merit, along with factoring the economic conditions of the families of students at Raipur, Nagda, Kharach and Bhiwani. To encourage girl students, special scholarships are offered.

To foster a value based education which is character forming, residential camps are organised during summer holidays at Dahej in Gujarat and other locales. Here basic values such as integrity, respect, compassion, human dignity, perseverance and simplicity are reinforced. Birla Cellulosic's Jeevan Utkash Shibir have now become aspirational among the student community in Dahej.

"Assessing the unfulfilled needs of the communities in which we operate, discussing these with the village Panchayats, and then trying to see how best we can make a difference – is at the heart of all our community initiatives".

— Mrs. Rajashree Birla
Chairperson,
The Aditya Birla Centre for
Community Initiatives and
Rural Development

Special literacy camps are periodically conducted at most of our units. These are attended by parents, village elders, and ladies. Here the focus is not only on the facets relating to education, but also social issues such as mobilising support for raising the marriageable age of girls.

Distribution of text books to the Panchayat schools and financial aid to the needy educational institutes, apart from infrastructural support is an on-going activity at most of our units. Through our work we have kindled the desire to learn among 7000 children.

WOMEN EMPOWERMENT

To enable women stand on their feet, we train them in a number of vocations. Among these are tailoring, making ropes, bamboo baskets, durries, weaving carpets, dyeing of fabrics, pottery, incense sticks making. Hundreds of women have gained. For instance at Adityanagar (Rajasthan) alone we have 33 sewing and 8 embroidery centres with over 550 participants. The Mahila Samuh Papad Udyog – is yet another beneficial project for women in Chittorgarh.

At our carpet weaving centre, the women of Khor in Rajasthan have mastered the fine art of crafting carpets. Their beautiful creations adorn homes in far-flung places in Europe and the USA. Through making durries (woven mats), men and women in Nagda have been able to eke a decent living. The Amber Charkha Project at Nagda too has made a major difference to the lives of the women as has the handloom weaving centre at Raipur.

Importantly to empower women through attaining financial independence on their own, we foster women self help groups. So far we have been successful in facilitating nearly 30 self-help groups at Nagda, Harihar and Malkhed. While they access funds from the banks for their groups, expertise in different vocations is supplied through us. To apprise women on the integral role they play in social development, we chose 45 women from the 11 self-help groups at Harihar, for training under NGOs and other Social Institutions. For all of the women who come under our fold, learning and earning is an empowering process. Having acquired the skills, most of the women work from home.

SUSTAINABLE LIVELIHOOD

Apart from providing vocational training to the youth, this year our focus on farmers has been enhanced. Farmer training programmes that enable them remain in sync with the most modern agricultural practices, demonstration plots, soil testing facilities, providing quality seeds, teaching them inter-cropping – forms the spectrum of our work. This we do towards aiding farmers attain optimum farm productivity. Tens of thousands of farmers have been trained by our teams and many more continue to enlist with us. Alongside, our team at Harihar chose 35 farmers to attend the Krishi Mela to apprise them of the latest ways of cultivation and expose them to the high yielding crop varieties.

As part of the drought mitigation process, at Nagda, we repaired the existing check-dams to harvest water in the ensuing monsoon. Despite the drought, irrigation facilities were availed of by 431 households in 21 villages. Rainwater harvesting has been initiated in Rajasthan which is an extremely drought-prone area. Tube wells, hand pumps and water storage tanks in and around Chittorgarh have been provided for. The Gokul Dairy Project has helped generate substantive income – Rs.14 lacs for the milk vendors and indirectly for the local farmers. The Dairy caters to the needs of the local residents by procuring milk from the surrounding villages.

Our teams continue to act as catalysts, enabling farmers access resources that are available to them through various schemes launched by the Government. This process lifts the farmers ability to earn well, given a normal monsoon.

VILLAGE DEVELOPMENT SCHEMES

Our endeavours to equip the village with basic amenities, such as supporting infrastructure through better roads, check dams, drains and panchayat buildings, are ongoing. At Nagda, to sensitise villagers to hygiene and arrest the spread of diseases, we went a step ahead and constructed 50 toilets in the surrounding villages. It is our intent to step up this activity.

GARNERING DEVELOPMENTAL AID

For the year 2000-2001 we were able to mobilise over Rs.2000 lacs through various development programmes, apart from our own contribution. In doing so, we ensure the well-being of thousands of people.

MAKING A DIFFERENCE

Today, in the villages that we operate, our involvement has made a palpable difference to the lives of its inhabitants. And as we see their transition from helplessness to self-assurance, from pain and servitude to self-reliance, from illiteracy to a craving for education, we experience an inner sense of fulfilment ourselves. Our commitment is unrelenting.



At the Sahayog Papad Making Unit at Aditya Nagar in Rajasthan, women engage in 'papad' making. The papad is an Indian delicacy made of lentils. More than 60 percent of the papads are bought by our Unit.



Enscenced at our Carpet Weaving Centre, the women of Khor in Rajasthan have mastered the fine art of crafting carpets. Their beautiful creations adorn homes in far-flung places in Europe and the USA.



The Ambar-Charkha Project at Nagda has and is making a Big difference to the lives of our women. Weaving from home is common place.



Out of jute, these young ladies craft unique products. Such as tablemats, jute bags, wall hangings, plant hangers and more. These are then sold at exhibitions held in Gulbarga through our team at Malkhed.

Corporate Governance Report

CORPORATE GOVERNANCE

Corporate Governance pertains to systems, by which companies are directed and controlled, keeping in mind long-term interests of stakeholders. It refers to a blend of law, regulation and voluntary practices, which enable the Company to attract financial and human capital, perform efficiently, and thereby perpetuate it into generating long-term economic value for its shareholders, while respecting interests of other stakeholders and the society as a whole.

It aims to align interests of the Company with its shareholders and other key stakeholders. The incentive for companies, and those who own and manage them, to adopt global governance standards, is that these standards will help them to achieve a long-term partnership with its stakeholders and achieve its corporate objectives efficiently. The principal characteristics of corporate governance are:

- Transparency
- Independence
- Accountability
- Responsibility
- Fairness
- Social Responsibility

In sum, corporate governance focuses on equitable treatment of all shareholders and reinforces that it is “Your Company” as it belongs to you, the shareholders. The Chairman and Board of Directors are your fiduciaries and trustees pushing the business forward in maximising long term value for its shareholders.

CORPORATE GOVERNANCE AT GRASIM

Grasim Industries Limited, a member of the Aditya Birla Group, believes that the foundation of the structure of corporate governance is disclosure. Openness is the basis of public confidence in the corporate system, and funds will flow to the centers of economic activity that inspire trust.

It is with this belief that the Company initiated the process of making substantial disclosures on the Company and its Board of Directors in the Annual Report for 1998-99 and strengthened it further during 1999-2000. While continuing to make similar disclosures, we have benchmarked Your Company’s corporate practices with the guidelines recommended by the SEBI Committee on Corporate Governance. We believe, this report points the way to the establishment of trust and marks an important milestone in the development of corporate governance at Grasim.

BOARD OF DIRECTORS

Composition of the Board

Grasim’s Board consists fully of non-executive and independent directors. Five directors on the Board (representing 50% of the Board’s strength) are ‘Independent’ i.e., they have no business relationship with the Company. A Non-executive Director represents Industrial Development Bank of India (Lender) and another Non-executive Director represents Life Insurance Corporation of India (Investor).

Director	Executive/ Non-executive/ Independent ¹	No. of Outside Directorship(s) held	
		Companies	
		Public	Private
Mr Kumar Mangalam Birla	Non-Executive	14	1
Mrs Rajashree Birla	Non-Executive	8	1
Mr M.C. Bagrodia	Non-Executive ²	9	1
Mr P.K. Mohita ³	Non-Executive	7	8
Mr S K Kapur ⁵	Non-Executive ⁴	4	—
Mr J.N. Godbole ⁶	Non-Executive ⁴	4	—
Mr Y.P. Gupta	Non-Executive ⁷	5	—
Mr R.C. Bhargava ⁸	Independent	4	1
Mr Cyril Shroff ⁹	Independent	7	—
Mr S.G. Subrahmanyam	Independent	2	—
Mr B.V. Bhargava	Independent	10	—
Mr B.K. Sethi ⁹	Independent	1	—
Mr R.K.Kaul ⁹	Independent	4	—
Mr A.N. Lalbhai ¹⁰	Independent	8	—
Mr M.L. Apte	Independent	12	1

1 Independent director is defined as one who is
 • not a formal executive and has no professional relationship with the company
 • not a large customer and / or vendor to the company
 • not a close relative of the promoter and / or any executive directors
 • not holding a significant stake
 • not a nominee of any large shareholder / creditor
 2 Employee of another company of the Aditya Birla Group
 3 Resigned from the Board w.e.f. 20th October 2000

4 Nominee of Industrial Development Bank of India (IDBI) – Lender
 5 Nomination withdrawn by IDBI w.e.f. 4th August 2000
 6 Nominated by IDBI in place of Mr S K Kapur w.e.f. 4th August 2000
 7 Nominee of Life Insurance Corporation of India (LIC) – Investor
 8 Appointed to the Board w.e.f. 25th July 2000
 9 Resigned from the Board w.e.f. 19th July 2000
 10 Resigned from the Board w.e.f. 30th April, 2001

Directors' Interests in the Company and Attendance Record

Grasim believes that the shareholders must know the details of their Directors' interest in the Company, their attendance record as well as contributions made by them. Grasim has, therefore, decided to make full disclosure on the Board Meetings as well as attendance record of all Directors on the Board.

Directors	Relationship with other Directors	Sitting Fees Paid during 2000-01 (In Rs.)	No. of Board Meetings		Attended Last AGM [@]
			Held	Attended	
Mr Kumar Mangalam Birla	Son of Mrs Rajashree Birla	10,000	5	5	No
Mrs. Rajashree Birla	Mother of Mr Kumar Mangalam Birla	4,000	5	2	No
Mr M C Bagrodia	—	12,000	5	5	Yes
Mr P K Mohta ¹	Uncle of Mr Kumar Mangalam Birla	—	2	—	No
Mr S K Kapur ²	—	—	2	—	No
Mr J N Godbole ³	—	4,000	3	2	No
Mr Y P Gupta	—	8,000	5	3	No
Mr R C Bhargava ⁴	—	10,000	4	3	No
Mr Cyril Shroff ⁴	—	6,000	4	2	No
Mr S G Subrahmanyam	—	10,000	5	4	No
Mr B V Bhargava	—	18,000	5	4	Yes
Mr B K Sethi ⁵	—	2,000	1	1	No
Mr R K Kaul ⁵	—	—	1	—	No
Mr A N Lalbhai ⁶	—	8,000	5	4	No
Mr M L Apte	—	12,000	5	3	No

Notes:

¹ Resigned from the Board w.e.f. 20th October 2000

² Nomination withdrawn by IDBI w.e.f. 4th August 2000

³ Joined the Board (Nominated by IDBI in place of Mr S K Kapur) w.e.f. 4th August 2000

⁴ Appointed to the Board w.e.f. 25th July 2000

⁵ Resigned from the Board w.e.f. 19th July 2000

⁶ Resigned from the Board w.e.f. 30th April 2001

[@] Annual General Meeting (AGM) held on 15th July, 2000

CORPORATE GOVERNANCE DISCLOSURES

The SEBI Committee on Corporate Governance, headed by Mr Kumar Mangalam Birla, submitted its report in November 1999 and the report was accepted by SEBI in December 1999. The recommendations of the Committee are mandatory for some companies effective from current financial year, including Your Company. Ahead of the mandatory deadline, Your Company had endeavoured to benchmark itself with the guidelines recommended by the SEBI Committee from 1999-2000 onwards. We continue this process forward even during the year and are glad to inform you that the Company adheres to all the mandatory recommendations made by the SEBI Committee, as highlighted in this section.

- The Board should have an optimum combination of Executive and Non-executive Directors and at least 50% of the Board should comprise of Non-executive Directors. Further, at least one-third of the Board should comprise of independent Directors where Chairman is non-executive and at least half of the Board should be independent in case of an executive Chairman.

Grasim's Board fully consists of non-executive and independent directors, with considerable experience in their respective fields. Independent directors account for 50% of the Board at present and they have no business and/or professional relationship with the Company.

- The Board should set up a committee under the chairmanship of a Non-executive/Independent Director to specifically look into shareholder issues including share transfer and redressing of shareholder complaints.

The Company has a "Shareholders Committee", at the Board level to look into various issues relating to Investors Grievances relating to non-receipt of dividend, annual report, shares after transfer/delay in transfer of shares etc.. The composition of Committee is as follows:

- Mr. Cyril Shroff, Chairman
- Mr. S G Subrahmanyam, Member
- Mr. Y P Gupta, Member

3. To expedite the process of share transfers, the Board should delegate the power of share transfer to an officer or a committee or to the registrar and share transfer agents. The delegated authority should attend to share transfer formalities at least once in a fortnight.

The Company's shares are compulsorily traded in the dematerialised form and have to be delivered in the dematerialised form in all Stock Exchanges. To expedite the transfer in physical segment, officers of the Company have been authorised to approve transfers of upto 5000 shares in physical form under one transfer deed and above 5000 shares, one Director jointly with 2 officers have been authorised to approve the transfer.

The Board has designated Mr. Ashok Malu, Company Secretary, as Compliance Officer.

Details of complaints received, number of shares transferred during last year as well as average time taken for effecting transfers are highlighted in the "Shareholder Information" section of the Annual report.

4. The Corporate Governance Section of the Annual Report should make disclosures on remuneration paid to directors in all forms including salary, benefits, bonuses, stock options, pension and other fixed as well as performance linked incentives paid to the Directors.

Details of remuneration paid to the Board of Directors are highlighted at the beginning of this section. Grasim has not advanced any loans and paid any commission on profits to its Non-Executive and Independent Directors.

5. The Board meetings should be held at least four times in a year, with a maximum time gap of four months between any two meetings and all information recommended by the SEBI Committee should be placed at the Board.

The Board of Grasim met 5 times during the past year. Agenda papers were sent to the Directors well in advance of each meeting. The Company places before the Board the working of all units and statements containing status of various matters pursuant to Corporate Governance practices as recommended by the SEBI Committee on Corporate Governance as well as required by Clause 49 of the Stock Exchange Listing Agreement.

Date of Board Meeting	City	No. of Directors Present
28th April 2000	Mumbai	8
25th July 2000	Mumbai	7
20th October 2000	Mumbai	8
29th November 2000	Mumbai	5
24th January 2001	Mumbai	10

6. As a part of the disclosure related to Management, in addition to the Directors' Report, Management's Discussion and Analysis report should form part of the Annual Report to the shareholders.

Management's Discussion and Analysis forms part of this Annual Report. The Company has been providing a detailed Management's Discussion and Analysis in its Annual Report from 1998-99 onwards.

7. All company related information like quarterly results, presentation made by companies to analysts may be put on company's web-site or may be sent in such a form so as to enable the stock exchange on which the company is listed to put it on its own web-site.

The Company makes presentation to Institutional investors as well as equity analysts on half yearly basis following the announcement of financial results. Copies of the Press Release and Presentations are made available on the websites of the Company (www.grasim.com) as well as the Aditya Birla Group (www.adityabirla.com).

8. There should be a separate section on Corporate Governance in the Annual Report, with details on the level of compliance by the Company. Non-compliance of any mandatory recommendation with reasons thereof and the extent to which the non-mandatory recommendations have been adopted should be specifically highlighted.

Grasim introduced a separate section on Corporate Governance in its Annual Report for the year 1999-2000 and the practice has been continued even during the year under review.

9. The Non-Executive Chairman of the Company should be entitled to maintain a office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties. This will enable him to discharge the responsibilities effectively (This is a non-mandatory recommendation).

At present, the Chairman does not have separate office in the Company. The Corporate Office of the Company supports the Chairman for discharging the responsibilities.

10. A qualified and an independent "Audit Committee" should be set up by the Board of the Company. This would go a long way in enhancing the credibility of the financial disclosures of a company and promoting transparency.

Grasim has set up an Audit Committee at the Board level during the year. The Committee consists of three Independent / Non-executive Directors and details of the composition of the Committee are as follows:

- *Mr R C Bhargava, Chairman*
- *Mr B V Bhargava, Member*
- *Mr M L Apte, Member*

The Company Secretary is Secretary of the Committee.

11. The Board should set up a "Remuneration Committee" to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

Grasim does not have any Whole-time Director on its Board and hence does not require a separate Remuneration Committee.

12. No Director should be a member in more than 10 committees or act as chairman of more than five committees across all companies in which he is a Director. Furthermore, it should be a mandatory annual requirement for every Director to inform the company about the committee positions he occupies in other companies and changes.

None of the Directors of the Company is a member of more than 10 committees or Chairman of more than 5 committees across all companies in which he is a Director.

13. The Company should provide a brief resume, expertise in specific functional areas and names of companies, in which the person also holds the Directorship and the membership of Committees of the board, while appointing a new director or re-appointing an existing director. These should form part of notice to shareholders.

Relevant details form part of the explanatory statement of the Notice of the Annual General Meeting, annexed to this Annual Report.

14. Disclosures to be made to the Board by the management relating to all material, financial and commercial transactions, where they have personal interest, that may have a potential conflict with the interest of the company at large. These include dealing in company shares, commercial dealings with bodies, which have shareholding of management and their relatives, etc.

No transaction of material nature has been entered into by the Company with the Promoters, Directors or the Management, their subsidiaries or relatives etc., that may have a potential conflict with interests of the Company.

15. The half-yearly declaration of financial performance including summary of the significant events in last six-months, should be sent to each household of shareholders.

Half-yearly declaration of financial performance as well as a detailed Management's Discussion and Analysis Report for the first half year ended 30th September, 2000 was sent to the households of all shareholders of the Company. The Company initiated the process during 2000-01 and intends to continue this process even in future.

16. The financial institutions should under normal circumstances have no direct role in the decision making of the Board of the Company. They should not have nominees on the Board, merely by virtue of their financial exposure in the company. There is however a ground for the term lending financial institutions to have nominees on the Boards of the borrower companies, to protect their interests as creditors. In such cases, the nominee directors should take an active interest in the activities of the Board and assume equal responsibility, as any other director on the Board.

Not a Company level issue. At present, the Board has one director, who is a nominee of a lender and another director represents an investor. Details of nominees on the Board are as follows:

- *Mr. J N Godbole is a nominee of Industrial Development Bank of India (IDBI) – a Lender*
- *Mr. Y P Gupta is a nominee of Life Insurance Corporation of India (LIC) – an Investor*

OTHER DISCLOSURES RECOMMENDED BY THE SEBI COMMITTEE

1. Details of Annual General Meetings

1.1. Location and time, where last three AGMs held

Year	Type	Location	Date	Time
1997-1998	AGM	Grasim Staff Club, Registered Office, Birlagram, Nagda , M.P.	25.07.98	11.00 a.m.
1998-1999	AGM	Grasim Staff Club, Registered Office, Birlagram, Nagda , M.P.	11.09.99	11.00 a.m.
1999-2000	AGM	Grasim Staff Club, Registered Office, Birlagram, Nagda , M.P.	15.07.00	11.00 a.m.
2000-2001	EOGM	Grasim Staff Club, Registered Office, Birlagram, Nagda , M.P.	27.01.01	10.30 a.m.

1.2. Whether special resolutions were put through postal ballot last year? No

1.3. Are votes proposed to be conducted through postal ballot this year? No

2. Disclosures on materially significant related party transactions i.e. transactions of the company of material nature, with its Promoters, the Directors or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of company at large.

There are no material transactions with related parties which require separate disclosure.

3. Details of non-compliance by the Company, penalties, strictures imposed on the company by Stock Exchange or SEBI or any statutory authority, on any matter related to capital markets, during the last three years.

None

4. Means of communication

- Half-yearly report sent to each household of shareholders Yes
- Quarterly results
 - Which newspapers normally published in *Financial Express (All Editions)*
Business Standard (All Editions)
Nai Dunia, Indore (Hindi)
www.grasim.com
www.adityabirla.com
 - Any website, where displayed
 - Whether it also displays official News Releases Presentation made to Institutional Investors/Analysts Yes
- Whether MD&A is a part of Annual Report Yes
- Whether Shareholder Information section forms part of the Annual Report. Yes

Shareholder Information

1. Annual General Meeting
 - Date and Time : 30th June, 2001 at 11:30 a.m.
 - Venue : Grasim Staff Club
Registered Office, Birlagram-456 331
Nagda, (Madhya Pradesh)
2. Financial Calendar
 - Financial reporting for the quarter ending June 30, 2001 : End July 2001
 - Financial reporting for the half year ending September 30, 2001 : End October 2001
 - Financial reporting for the quarter ending December 31, 2001 : End January 2002
 - Financial reporting for the year ending March 31, 2002 : End April 2002
 - Annual General Meeting for the year ended March 31, 2002 : End July 2002
3. Dates of Book Closure : 12th June, 2001 to 30th June, 2001
(Both days inclusive)
4. Dividend Payment Date : On or after 5th July, 2001
5. Registered Office : Birlagram – 456331
Nagda, Madhya Pradesh
Tel: (07366) 46760-46766
Fax: (07366) 44114/46024
E-Mail: shares@adityabirla.com
Websites: www.grasim.com / www.adityabirla.com

6(a) Listing Details

Equity Shares	Global Depository Receipts (GDRs)	Non-Convertible Debentures (Series XXV)
1. The Stock Exchange Ahmedabad Kamadhenu Complex, Near Polytechnic, Panjara Pole, Ahmedabad - 380 015	Societe de la Bourse de Luxembourg Societe Anonyme R.C.B 6222, B P 165 L- 2011, Luxembourg	National Stock Exchange of India Limited, Whole-sale Debt Market Segment Senapati Bapat Marg Lower Parel, Mumbai 400013
2. Bangalore Stock Exchange Ltd., Stock Exchange Tower, 51 - 1st Cross, J.C. Road, Bangalore - 560 027		
3. The Calcutta Stock Exchange Assn. Ltd., 7, Lyons Range, Kolkata - 700 001		
4. Cochin Stock Exchange Ltd., Veekshanam Road, Post Box No.3529, Ernakulam, Cochin - 682 035		
5. Madras Stock Exchange Ltd., Stock Exchange Building, 11, Second Line Beach, Post Box No.183, Chennai - 600 001		
6. Madhya Pradesh Stock Exchange, Rajani Bhavan 3rd Floor, 569 M.G. Road, Opposite High Court, Indore – 452 001		
7. The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai - 400 023		
8. National Stock Exchange of India Limited Trade World, Senapati Bapat Marg, Lower Parel, Mumbai 400013		
9. The Delhi Stock Exchange Assn. Ltd., DSE House, 3-1, Asaf Ali Road, New Delhi - 110 002.		

Note: Listing fees for the year 2001-02 has been paid to the respective Indian Stock Exchanges. Listing fees for the GDRs has been paid to Societe de la Bourse de Luxembourg for the calendar year 2001.

6(b) Overseas Depository for GDRs

Citibank N.A.
 Depository Receipts
 111, Wall Street, 21st Floor
 NEW YORK, NY – 10043
 Tel.: (212) 6578782
 Fax: (212) 8255398

6(c) Domestic Custodian of GDRs
 Custody Services

Citibank N.A.
 77 Ramnord House,
 Dr. Annie Besant Road, Worli
 Mumbai 400025
 Tel.: +91 (22) 49444167, 4949275
 Fax: +91 (22) 4943400

7. Stock Code

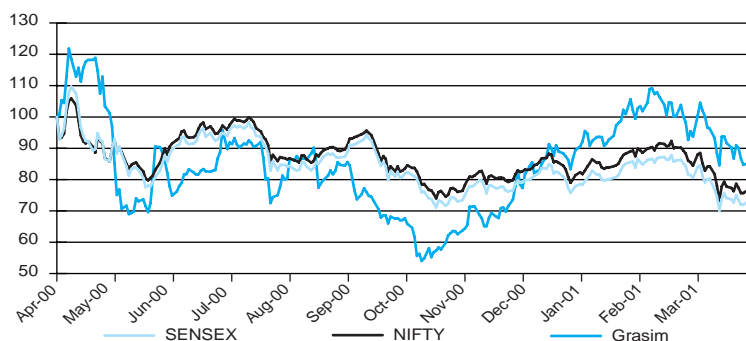
	Reuters	Bloomberg
Bombay Stock Exchange	GRAS.BO	GRASIM IN
National Stock Exchange	GRAS.NS	NGRASIM IN
Global Depository Receipts (GDRs)	GRASq.L	GRDS LI

8. Stock Price Data

Month	Bombay Stock Exchange (In Rs.)				National Stock Exchange (In Rs.)				Luxembourg Stock Exchange (GDRs in US\$)		
	High	Low	Close	Average Volume (In Nos.)	High	Low	Close	Average Volume (In Nos.)	High	Low	Close
Apr-00	394.9	295.1	360.0	2,11,821	400.0	302.0	354.8	1,56,829	10.9	8.1	9.9
May-00	364.9	210.0	273.9	1,85,866	370.0	214.3	268.4	1,41,297	9.4	8.3	9.1
Jun-00	308.5	230.0	286.2	1,78,551	308.0	230.0	287.3	1,44,403	9.0	8.5	8.5
Jul-00	302.0	222.0	255.1	1,56,664	302.5	220.0	254.5	1,04,153	8.5	6.9	6.9
Aug-00	290.0	236.0	273.0	1,40,028	290.0	237.0	273.2	1,16,627	7.5	6.3	6.7
Sep-00	275.0	202.0	213.9	1,40,409	270.3	200.2	214.6	1,06,740	6.7	5.5	5.5
Oct-00	221.0	161.0	203.3	1,38,519	221.0	166.0	204.0	1,16,112	5.6	4.8	5.3
Nov-00	265.0	198.0	246.6	3,91,104	268.0	197.1	246.6	2,80,255	6.6	5.3	6.5
Dec-00	298.5	241.5	288.9	8,99,888	298.4	242.0	288.0	6,93,917	7.3	6.5	7.1
Jan-01	345.0	284.7	330.0	13,30,962	345.9	285.0	331.2	9,82,898	8.6	7.1	8.6
Feb-01	354.5	287.0	320.4	12,45,346	354.0	284.2	319.6	9,18,371	9.1	7.6	7.6
Mar-01	345.1	246.8	249.1	6,77,809	345.0	247.5	251.0	4,77,609	7.6	6.2	6.5

9. Stock Performance

Stock Performance (Indexed)



Relative Performance - Grasim Vs. Sensex



10. Stock Performance over the past few years

(In Percentage)	1 Year	3 Years	5 Years
GRASIM	(-) 18.4	(-) 18.8	(-) 55.0
BSE Sensex	(-) 28.7	(-) 9.2	5.7
NSE Nifty	(-) 25.2	(-) 0.2	15.4

11. Registrar and Transfer Agents
(For share transfers and other communication relating to share certificates, dividend and change of address)

: In-house Share Transfer
Registered with SEBI as Category II -
Share Transfer Agent vide Registration No. INR 000003688)

Share Department
Grasim Industries Limited
PO Birlagram 456331, Nagda, Madhya Pradesh
Tel: (07366) 46760-46766
Fax: (07366) 44114/46024
E-Mail: shares@adityabirla.com

12. Share Transfer System

Share transfers in physical form are registered and returned within a period of 30 days from the date of receipt, if the documents are clear in all respects. Officers of the Company have been authorized to approve transfers upto 5000 shares in physical form under one transfer deed and above 5000 shares, one Director jointly with two Officers have been authorized to approve the transfers.

Transfer Period (in days)	2000-2001			1999-2000		
	No. of transfers	No. of shares	%	No. of transfers	No. of shares	%
1-15	3,082	2,96,209	50.4	139	53,195	3.3
16-20	2,244	1,92,711	32.8	4,362	6,40,549	40.2
21-30	1,194	97,864	16.7	266	37,380	2.4
Above 30*	5	424	0.1	5,314	8,60,450	54.1
Total	6,525	5,87,208	100.0	10,081	15,91,574	100.0

* Due to signature mismatch and other deficiencies, notices for which had to be sent to the sellers.

13. Investor Services

Complaints received during the year

Nature of Complaints	2000-2001		1999-2000	
	Received	Cleared	Received	Cleared
Relating to Transfer, Transmission, Dividend, Interest, Demat & Remat and Change of address	215	215	455	455
Others	25	25	14	14

Legal proceedings on share transfer issues, if any : There are no major legal proceedings relating to transfer of shares.

14. Distribution of Shareholding as on 31st March

No. of equity shares held	2001				2000			
	No. of share holders	% of share holders	No. of Shares held	% Share holding	No. of share holders	% of share holders	No. of Shares held	% Share holding
1-100	2,45,456	87.9	74,81,709	8.2	2,65,262	88.9	79,51,183	8.7
101-200	18,377	6.5	26,28,829	2.9	18,237	6.1	25,99,720	2.8
201-500	10,508	3.8	32,46,463	3.5	10,276	3.5	31,58,666	3.5
501-1000	2,872	1.0	19,85,228	2.2	2,716	0.9	18,64,430	2.0
1001-5000	1,560	0.6	30,55,732	3.3	1,413	0.5	26,67,640	2.9
5001-10000	148	0.1	10,79,450	1.2	119	0.0	8,64,014	0.9
10001 & above	286	0.1	7,21,92,274	78.7	209	0.1	7,25,63,996	79.2
Total	2,79,207	100.0	9,16,69,685	100.0	2,98,232	100.0	9,16,69,649	100.0

15. Categories of Shareholding as on 31st March

Category	2001				2000			
	No. of share holders	% of share holders	No. of Shares held	% Share holding	No. of share holders	% of share holders	No. of Shares held	% Share holding
Individuals	2,70,066	96.7	1,88,10,902	20.5	2,89,503	97.1	1,93,32,257	21.1
Corporates	2,307	0.8	2,79,14,119	30.4	2,569	0.9	2,17,32,647	23.7
Financial Institutions	38	0.0	1,96,89,398	21.5	8	0.0	1,98,96,033	21.7
FII's	90	0.0	1,06,31,478	11.6	100	0.0	1,46,75,984	16.0
NRIs/OCBs	6,258	2.3	38,15,319	4.2	5,990	2.0	38,14,083	4.2
Banks	446	0.2	4,25,936	0.5	60	0.0	18,36,332	2.0
GDRs	2	0.0	1,03,82,533	11.3	2	0.0	1,03,82,313	11.3
Total	2,79,207	100.0	9,16,69,685	100.0	2,98,232	100.0	9,16,69,649	100.0

16. Dematerialisation of Shares and Liquidity

: 70.6% of outstanding equity (including 11.3% of outstanding capital in the form of Global Depository Receipts) have been dematerialised up to 31st March, 2001.

Trading in Equity Shares of the Company on any Stock Exchange is permitted only in the dematerialised form from 5th April 1999 as per notifications issued by SEBI

17. Details on use of public funds obtained in the last three years : Not Applicable

18. Outstanding GDR/Warrants and Convertible Bonds, Conversion date and likely impact on Equity.

: Outstanding GDRs as on 31st March, 2001 is 10,382,533 (Previous Year 10,383,263). Each GDR represents one underlying equity share.

There are no warrants/convertible bonds outstanding as at the year end.

19. Plant Locations

Fibre, Pulp & Chemical Plants	Cement Plants	Others Plants
<p>Staple Fibre Division Birlagram 456 331, Nagda Madhya Pradesh Tel : (07366) 46760-46766 Fax : (07366) 44114 / 46024</p> <p>Harihar Polyfibres & Grasilene Division Harihar, Dist. Haveri Kumarapatnam 581 123, Karnataka Tel : (08192) 42171 / 42175 Fax : (08192) 42175</p> <p>Birla Cellulosic Birladham, Kharach, Dist. Bharuch, Gujarat Tel : (02629) 31391 – 5 Fax : (02629) 339626</p> <p>Pulp and Fibre Divisions Birlakootam, Kozhikode Mavoor 673 661, Kerala Tel : (0495) 483161 – 3 Fax : (0495) 483116</p>	<p>Vikram Cement Dist. Neemuch, Khor 458470 (M.P.) Tel : (07420) 35540 / 35525 Fax : (07420) 35524</p> <p>Aditya Cement Adityapuram Sawa – Shambhupura Dist. Chittorgarh, Rajasthan 312 613 Tel : (01472) 87436 / 46 / 70 Fax : (01472) 87471</p> <p>Grasim Cement Grasim Vihar, Village P.O., Rawan Tehsil: Sigma, Dist. Raipur (M.P.) Tel : (07726) 88222/209</p> <p>Rajashree Cement Aditya Nagar, Gulbarga Malkhed 585292, Karnataka Tel : (08441) 58221-5 Fax : (08441) 58229</p> <p>Grasim Cement Division – South Reddipalayam PO: Ariyalur Dist. Perambalur 621704, T.N. Tel : (04329) 20995 / 22190 Fax : (04329) 20212 / 49215</p> <p>Birla White Rajashree Nagar, Bhopalgarh Dt. Jodhpur Kharia Khangar 342606 (Raj.) Tel : (02920) 64224 – 6 Fax : (02920) 64225</p>	<p>Textile Division Birlanagar, Gwalior 474 004 (M.P.) Tel : (0751) 365806 / 365 807 Fax : (0751) 365 813</p> <p>Bhiwani Textile Mills Birla Colony, Bhiwani 125 021 Haryana Tel : (01664) 42577 / 42579 Fax : (01664) 43717</p> <p>Sponge Iron Division Vikram Ispat Salav, Dist. Raigad 402 202, Maharashtra Tel : (02141) 40103 / 40110 Fax : (02141) 40122</p>
20 Investor Correspondence	<p>The Company Secretary Grasim Industries Limited Registered Office: Birlagram 456331, Nagda (M.P.) Tel: (07366) 46760-46766 Fax: (07366) 44114/46024 E-Mail- shares@adityabirla.com</p>	

21. Per Share Data

	2000-01	1999-2000	1998-1999	1997-1998
Net Earning (Rs. Cr.)	377.9	233.1	163.8	230.8
Cash Earning (Rs. Cr.)	629.8	470.1	373.5	397.8
EPS (Rs)	41.2	25.4	19.6	31.9
EPS Growth (%)	62.1	29.6	(-)38.6	(-)16.0
CPS (Rs.)	68.7	51.3	44.7	55.0
Dividend Per share (Rs)	8.0	7.0	6.8	6.8
Dividend Payout (%)	21.4	31.0	34.4	21.2
Book Value Per Share (Rs.)	335.4	303.0	285.9	320.2
Price to Earning*	6.0	11.9	8.1	9.8
Price to Cash Earnings*	3.6	5.9	3.5	5.7
Price to Book Value*	0.7	1.0	0.6	1.0

*Based on Stock Price as on 31st March

Directors' Report

Dear Shareholders,

Your Directors have pleasure in submitting the 54th Annual Report and Audited Accounts of the Company for the year ended 31st March, 2001. Your Company has put in a truly path-breaking performance.

FINANCIAL RESULTS

	2000-2001	(Rs. in Crores) 1999-2000
Gross Turnover	5582.38	4982.32
Gross Profit	672.71	500.24
Less : Depreciation	251.90	236.98
Profit before extra ordinary item and tax	420.81	263.26
Profit on Sale of Undertaking	18.44	-
Employees Separation Compensation	(11.35)	(17.81)
Profit Before Tax	427.90	245.45
Provision for Tax	(50.00)	(12.35)
Net Profit after tax and extra ordinary items	377.90	233.10
Add :		
Balance in Profit & Loss Account	1215.99	1023.12
Investment Allowance Reserve written back	-	16.46
Surplus available for Appropriation	1593.89	1272.68
Appropriation :		
General Reserve	50.00	24.47
Debenture Redemption Reserve	6.06	(40.02)
Interim Dividend	-	55.00
Final Dividend (proposed)	73.34	9.17
Corporate Tax on Dividend	7.48	8.07
Balance carried to Balance Sheet	1457.01	1215.99
	1593.89	1272.68

Your company has recorded an all round superior performance with turnover, gross profit and net profit showing substantive increases. Three major factors have contributed to your company's stellar performance. These are: firstly, an all round growth by way of higher production and turnover volumes coupled with higher realizations; secondly, considerable saving in operating costs emanating from ongoing modernization efforts, upgradation of plants and energy optimisation; and thirdly a significant reduction in financing costs to the tune of 6.8%, attained through restructuring of high cost debts along with effective fund management and reduction of debts. This has contributed further to your company's net profit. Your company will gain from the restructuring efforts in the ensuing years as well.

DIVIDEND

Considering the excellent results, achieved during the year under review, your Board has recommended a dividend of Rs.8/- per share. Your Board seeks your approval for the same.

The direct outgo of the dividend to be paid to the shareholders is Rs.73.34 crores. Your company will bear the corporate tax on dividend, amounting to Rs.7.48 crores. Consequently the total outgo on account of the dividend will be Rs.80.82 crores, as against Rs.72.24 crores paid in the previous year.

DEBENTURES

During the year under review, your Company issued Secured Redeemable Non-convertible Debentures of an aggregate value of Rs. 180 crores [comprising Rs. 120 crores (Series XXVI) and Rs. 60 crores (Series XXVII)] on private placement basis. These were channelised to meet the requirements of funds for capital expenditure, modernization, working capital and general corporate purposes.

The Directors confirm that the funds raised through the issue of debentures have been utilized for the purposes stated.

To reduce the cost of its borrowings, your Company has prepaid debentures of Rs.39 crores during the year under review. Further, the Company also repaid, during the year, debentures and term loans aggregating to Rs.388.20 crores on their maturity bringing down its over all debts.

FIBRE AND PULP UNITS AT MAVOOR

Your Company had filed separate applications with the State Government of Kerala seeking permission for the closure of its Pulp and Fibre Plants at Mavoor (Kerala), due to the non-availability of quality raw material. As the State Government refused to grant the permission for such a closure, your Company filed applications for review which too were unfortunately rejected. The matter is now referred to the Industrial Tribunal at Kozhikode. The operations at both these plants, in the meantime, remain suspended since May, 1999.

Your Company has filed a Scheme of Arrangement between the Company and Moonlight Chemfab (India) Ltd., under sections 391/394 of the Companies Act, 1956 in the High Court of Madhya Pradesh in October 2000, providing for the sale and transfer of the assets of its Mavoor units on a going concern basis. The Scheme is under consideration of the Court and will come into effect after necessary approvals are obtained.

The assets and liabilities of the Mavoor plants have continued to be valued on going concern basis and, pending disposal of application by the Court, no provision has been made for possible loss which may arise on sale/ transfer of Mavoor plants. With reference to the terms of the Scheme the loss is presently estimated at Rs.31 crores. Such loss, if it arises, will be an extra-ordinary non-cash item not affecting the normal operating profits of the Company.

MERGER OF DHARANI CEMENTS LIMITED - REDDIPALAYAM

To attain synergy gains and economies of scale, your company has amalgamated its wholly owned subsidiary Dharani Cements Limited with itself. This Scheme of Amalgamation has met with the approval of the Hon'ble High Court of M.P. Bench at Indore on 9th March, 2001 and of the Hon'ble High Court of adjudicature at Madras on 14th March,2001. Pursuant to the filing of the Court Orders by both the Companies with the respective Registrar of Companies, the Scheme has become effective as of 1st November, 2000.

CORPORATISATION OF BIRLA CONSULTANCY AND SOFTWARE SERVICES DIVISION

As part of the business restructuring process, aimed at enhancing shareholder value through a greater focus on its two major business segments : Viscose Staple Fibre and Cement, your Company has hived off its software division – Birla Consultancy and Software Services as a going concern into a separate wholly owned subsidiary company, namely, Birla Technologies Limited, effective 1st February 2001.

As the software sector constituted a negligible part of your company's business it was unable to get the desired focus. Given that the IT sector has enormous growth potential as a knowledge based service industry, your company has decided to focus on it through this new subsidiary.

Your Board has secured the shareholder approval for transferring this business at an Extra Ordinary General Meeting held on 27th January, 2001. All necessary regulatory approvals have also been obtained.

SALE OF SHARES OF SUBSIDIARY COMPANY, KERALA SPINNERS LIMITED

As there is no business synergy between Kerala Spinners Limited (KSL) and your company and as its investment was insignificant, it has sold its stake in KSL. KSL was a subsidiary company engaged in the manufacturing of blended yarn. Your company held 1,93,120 equity shares, constituting 56.87% of the share capital of KSL. Your Company has divested these shares and KSL has ceased to be a subsidiary of your company.

RESEARCH AND DEVELOPMENT

To further its competitive edge through product innovations and quality upgradation as part of its customer- centric endeavors, your company pursues a focused R&D strategy. Its R&D efforts aim at ensuring cost optimization and environment protection.

Currently your Company is collaborating closely with Birla Research Institute of Applied Sciences, based at Nagda (M.P.) towards evolving innovative technologies for cellulosic fibre. Your Directors take pleasure in informing you of major inroads made in developing a new eco friendly technology. Alongside the process of refining the existing technology continues ceaselessly.

At your Company's cement division's Central R&D laboratory, research activity is focused on the development of a high strength and low cost masonry cement for rural applications. Simultaneously studies on the impact of pet coke on clinkerisation and clinker grindability are going on. Research in this area is aimed at energy conservation and cost reduction. In the area of ecology your company's R&D efforts are being directed towards converting waste Fly Ash generated by the power plants into a cement mixing agent.

As you are aware your company's state-of-the-art Central R&D laboratory for Cement at Jawad (M.P) is recognized by the Department of Scientific & Industrial Research (DSIR), Government of India.

HUMAN RESOURCE DEVELOPMENT

Your Company firmly believes that intellectual capital and people power will see organisations through successfully in today's highly competitive global environment. The employees of the organisation will be a source of competitive advantage.

To make this happen, your Company has put in place a forward-looking human resource policy that factors people, their skill sets and the business needs of the organisation in a holistic manner.

Building, developing and upgrading employees competencies is an ongoing endeavour. At Gyanodaya, the Aditya Birla Institute of Management Learning, your Company's managers and executives undergo structured training aimed at further enhancing their skills and equipping them to become globally competitive.

As a part of proactive strategy, one that envisages a continual process of renewal, your Company has been inducting fresh talent and new skills at different management levels, attuned to the needs of the businesses.

Parallely your management is ensuring more of delegation, empowerment and decentralisation in a meaningful manner, to foster the sense of ownership among its people.

To gauge employee perception of these processes and their implementation, your Company enlisted its participation in an Organisation Health Survey conducted by a reputed external agency on behalf of the Aditya Birla Group. Based on the survey feedback, your management put together new and enhanced people-centric work measures.

People relations continue to be harmonious at all of your Company's plants.

CORPORATE GOVERNANCE

Your company is fully committed to good corporate governance practices. In this regard your company endeavors to adhere to the standards set out by the Securities And Exchange Board of India's (SEBI) Corporate Governance practices. Your Directors are pleased to inform you that your Company has implemented all the major stipulations prescribed. Your Company's Statutory Auditors Certificate dated 30th April, 2001 in line with Clause 49 of the Stock Exchange Listing Agreement, validates our claim. This certificate is annexed to and forms part of the Directors' Report.

As stipulated in Section 217(2AA) of Companies Act, 1956, your Directors subscribe to the "Directors' Responsibility Statement" and confirm as under:

- i) that in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- ii) that the directors have 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 the financial year and of the profit or loss of the company for that period ;
- iii) that the directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
- iv) that the directors have prepared the annual accounts on a going concern basis.

SUBSIDIARY COMPANIES

As required under Section 212 of the Companies Act, 1956, the audited statement of accounts along with report of the Board of Directors and Auditors Report of your Company's subsidiaries, namely, Samruddhi Swastik Trading & Investments Limited, Sun God Trading And Investments Limited, Shree Digvijay Cement Company Limited and Birla Technologies Limited, are annexed to this report.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, are given as an Annexure to this report.

The additional information regarding conservation of energy, technology absorption and foreign exchange earnings and outgo, stipulated under Section 217(1)(e) of the Companies Act, 1956 is set out in a separate statement, attached to this report and forms part of it.

DIRECTORS

Mr. A.N. Lalbhai, Mr. B.K. Sethi, Mr. P.K. Mohta and Mr. R.K. Kaul resigned from the Board on account of personal reasons. Your Directors feel privileged to have had a long association with Mr. A.N. Lalbhai, Mr. B.K. Sethi, Mr. P.K. Mohta and Mr. R.K. Kaul and express appreciation for the valuable services rendered by them during their tenure.

Mr. J.N. Godbole, Executive Director, Industrial Development Bank of India (IDBI) was appointed as a nominee Director on the Board in place of Mr. S.K. Kapur. Your Company has gained through its association with Mr. S.K. Kapur as a member on the Board. Your Directors record their appreciation for the valuable services rendered by him during his tenure in office.

Mr. M.C. Bagrodia, Mr. R.C. Bhargava and Mr. Cyril Shroff were appointed as Directors of the Company to fill up the casual vacancies caused by the resignations of Mr. S.V. Muzumdar, Mr. B.K. Sethi and Mr. R.K. Kaul respectively. Pursuant to Section 262 of the Companies Act, 1956, they hold office till the ensuing Annual General Meeting and are eligible for appointment.

Mrs. Rajashree Birla and Mr. Y.P. Gupta retire from office by rotation and being eligible offer themselves for reappointment.

AUDITORS/AUDITORS' REPORT

Your Directors request you to appoint Auditors for the current financial year and fix their remuneration.

The observations made in the Auditors' Report are self-explanatory and therefore do not call for any further comments.

APPRECIATION

Your Directors wish to place on record their appreciation of the dedication and commitment of employees to the growth of your Company during a challenging year. Their unstinted support has been and continues to be integral to your company's ongoing success.

Your Directors express their gratitude to the Central and State Governments, banks, financial institutions and shareholders for their continued co-operation and guidance.

On behalf of the Directors



KUMAR MANGALAM BIRLA
Chairman

Mumbai, 30th April 2001

Annexure to the Directors' Report

Auditors' Report on Corporate Governance

The Board of Directors,
Grasim Industries Limited
Birlagram 456 331 Nagda, (M.P)

We have reviewed the implementation of Corporate Governance procedures by the Company during the year ended March 31, 2001, with the relevant records and documents maintained by the Company, furnished to us for our review and the report on Corporate Governance.

On the basis of the above and according to the information and explanations given to us, in our opinion, the Company has complied in all material respects with the conditions of Corporate Governance as stipulated in Clause 49 of the Listing Agreement with the Stock Exchanges.

For G. P. KAPADIA & CO.
Chartered Accountants

For LODHA & CO.
Chartered Accountants

UDAY R. PARIKH
Partner

NARENDRA LODHA
Partner

Place : Mumbai
Date : April 30, 2001

Information under Section 217(1) (e) of the Companies Act, 1956 read with Companies Act, 1956 read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2001.

A CONSERVATION OF ENERGY

a) Energy Conservation measures taken

The Company is engaged in the continuous process of further energy conservation through improved operational and maintenance practices:

- i) Viscose Staple Fibre Units
 - Cricket Filters in place of Sharple Clarifiers for preparation of Dissolving Lye
 - Reduced Pulper RPM
 - Elimination of Inner Jackets of Dissolvers
 - Two-Stage Steam Ejectors for Flash Deaerators in place of Four-Stage Ejector
 - Installation of higher efficiency exhaust fans on Spinning Machines
 - Energy Saving in Fibre Dryers by :
 - : Removal of about 50% steam coils.
 - : Reduced dryer fan RPM in view of reduced resistance.
 - : Reduced dry / wet bulb temperature of exhaust air to reduce steam consumption.
 - Elimination of Intermediate Openers, Wet Rubbing Drums and Creighton Openers on Fibre Dryers
 - Replacement of Rotary Separators with Static Separators on Baling Presses
 - Triple Effect Evaporators in place of Double Effect Evaporators for spin bath evaporation to increase Steam Economy.
 - Double-speed motors in place of Single-speed motors on Cooling Towers.
 - Modified Air Heating arrangement in Salt Dryer for elimination of Electrical Heater
 - Flat Belts in place of V-Belts for Air Compressor Drive System in Viscose Department
 - Diffuser Type Stack Assembly in place of Conventional Cylinders for Cooling Tower Fans in Recovery Department
 - VFD for slurry feed to GDP, Dryer on all the fans and ID fan & PA.

- ii) Pulp Units
 - Recovery Boiler No - II renovation for improved plant working
 - Better utilisation of product liquor flash vapours during effect bypass in evaporator for improved steam economy
 - Replacement of existing spilt casing type unbleach high density stock pump with higher efficiency pump
 - Variable frequency drive for unbleach and bleach thickener to replace existing
- iii) Caustic Soda/Chemical Units
 - Remembraning and Reconfiguring Membrane Cell Elements
 - Changing the Blade angle of Cooling Tower Fans
 - Installation of variable frequency drives
- iv) Cement Units
 - Replacement of Impeller with high efficiency impeller for process fans
 - Installation of VVF drive
 - Installation of High efficiency motors
 - Retrofitting of clinker coolers
 - Installation of online energy monitoring system
 - Dampers in gas duct replaced by Slide gates to reduce pressure drop
 - Secondary screen and Bar Sizer installed under Grizzly screen of Limestone Crusher
 - Conversion of DOL starter with automatic star-delta-star-controller.
 - Modification of Raw Mill classifier
 - Installed energy saver for lighting system and solar water heaters.
- v) Textile Units
 - Installation 600 Nos. electronic chokes
 - Installed power capacitors on Big size motors
 - Installed one 1000 KVA Stabilizer on MPEB Power and stopped D.G. Set running
 - Installation of inverter in one no. Autoconer machine
 - Replacement of Conventional Copper Chokes with Electronic Ballasts
 - Excel Fan installed in one Ring Frame
 - Removal of Motor Cooling Fans in RA Fans in H. Plant
- b) Additional investment and proposals, if any, being implemented for reduction of consumption of energy:
 - i) Viscose Staple Fibre Units
 - Transferring Slurry from Pulper to Homogenizers by Gravity, thus eliminating Transfer Pumps
 - Pre-cooling of Soft Water by Cooling Tower in Caustic Dilution Plant
 - Installation of Pressure Reducing De-superheating Station in EC4 for HP Steam supply to SFD
 - Installation of Frequency Drives on PA Fans for Boilers No. 1 & 2 in EC4
 - Installation of Desuperheating Station in Steam Line & Modified Condensate handling system of Fibre Dryers
 - Diffuser Type Stack Assembly in place of Conventional Cylinders for Cooling Tower Fans in Viscose CS2 Dept. and Power Plant.
 - Static Separator in place of Rotary Separator for Fibre Baling Press
 - HP Ejectors in place of LP Ejectors for Viscose Deaeration
 - Elimination of Air Washer Chilled Water Spray Pumps
 - Elimination of Cooling Tower Spray Pump by lifting the Mixing Condenser of Anhydrous Evaporator & Inter Condensers of MSFE, AAC and Anhydrous Evaporator
 - Minimising the use of Electrical Heater for producing Distilled water by utilising Demin water in Chemical Laboratory
 - Auto Control for maintaining Salt Dryer outlet air temperature
 - ii) Pulp Units
 - II Phase Automation for blow line steam control in Digester & other process controls in brown stock washing
 - Installation of vapour absorption chiller in place of Ammonia Compressor
 - Crystallizer technology in evaporator plant for improved availability of high dry solids
 - iii) Caustic Soda/Chemical Units
 - Variable frequency drives
 - Membrane Cell Power reduction by reducing current density

- iv) Cement Units
 - Installation of "V" separator in cement mills
 - Installation of Bucket elevator in place of Air lifts
 - Installation of SPRS for raw mill fan motor
 - Clinker cooler retrofitting
 - Replacement of Impeller with high efficiency impeller
 - Modification in boiler coal feeding system
 - Installation of 2 x 100% PA Fan in Thermal Power Plant
- v) Textile Units
 - Reciprocating Chillers at New Factory may be replaced by centrifugal Chillers.
 - Invertor on convertor M/C, H. Plant, Autoconer
 - Installation of submersible areators in ETP
 - Energy Efficient Pumps in ETP
 - Excel Fan installation in 5 Nos. Ring Frame machines
- c) Impact of Measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods:
The above measures have resulted in energy saving and consequent reduction in cost of production.
- d) Total Energy Consumption and Energy Consumption per Unit of Production:
As per Form "A" attached.

B. TECHNOLOGY ABSORPTION

Efforts made in Technology Absorption in Form "B"

RESEARCH & DEVELOPMENT (R&D) FORM "B"

- 1 Specific areas in which R&D carried out by the Company:
 - (i) VSF & Pulp
 - Close collaboration with Birla Research Institute for Applied Science (BRIAS) for various R & D activities.
 - (ii) Cement Units
 - Collaborates with the National Council for Cement & Building Materials for R & D activities.
 - Collaborates with HOLTEC for further improvement of process and quality of cement.
 - A high strength and low cost masonry cement has been developed in laboratory for rural applications
 - Impact of petcoke on clinkerisation and clinker grindability studies for energy conservation and cost reduction
- 2 Future Plan of Action
 - Cement - Utilisation of marginal grade limestone /Optimisation of Raw mix with coal mix / Development of Application specific cements / Utilisation of alternative waste fuels.
- 3 Expenditure on R & D
Expenditure on in-house Research & Development has been shown under respective heads of expenditure in the Profit & Loss Account. Further, a total of Rs.106.19 lacs was paid to various Research Institutes for carrying out Research and Development work related to Company's products.
- 4 Technology Absorption, Adoption and Innovation
The latest technology adopted for improving productivity and product quality and reducing consumption of scarce raw materials and fuels.
Information regarding technology imported during the last 5 years.

1. Membrane Cell Technology	:	From M/s Udhe GmbH, Germany for manufacture of Caustic Soda by Membrane Cell in Caustic Soda Division.
Year of Import	:	1994-95
Has Technology been fully absorbed	:	Yes

C. FOREIGN EXCHANGE EARNINGS AND OUTGO

The information on Foreign Exchange earnings and outgo is contained in Schedule 24 (4) and (5) of accounts. The Company is exporting Viscose Staple Fibre, Chemicals, Sponge Iron, Cement, Textile and sophisticated Plant & Machinery of non-traditional nature.

FORM A

Total Energy Consumption and Energy Consumption per unit of Production

(A) POWER & FUEL CONSUMPTION	Unit	Current Year	Previous Year
1. Electricity			
a) Purchased - Unit	'000	2,36,703	2,21,614
Total amount	Rs in lacs	10,394.20	9,648.79
Rate per Unit	Rs./Unit	4.39	4.35
b) Own Generation			
I) Through Diesel Generator - Unit	'000	4,62,051	4,10,122
Unit per Liter of Diesel Oil\	Units/Ltr.	3.95	3.89
Cost / Unit	Rs./Unit	3.07	2.46
II) Through Steam Turbine - Units	'000	9,33,854	9,42,659
Units per Kg. Of Steam	Co-generation of Steam & Power		
Cost / Unit	Rs./Unit	1.35	1.69
(Cost of fuel and duties only)			
2. Coal (Slack, Steam & ROM including Lighting Coal)	Tonne	9,72,829	9,56,232
For Co-generation of Steam & Power	Tonne	10,94,958	10,38,293
For Process in Cement Plants	Rs in lacs	42372.92	39,558.13
Total amount	Rs./Tonne	2,049.19	1,983.34
Average rate			
3. Furnace Oil (Including LSHS)	K. Ltrs.	1,34,559	1,17,623
Quantity	Rs in lacs	13,126.94	9,693.26
Total amount	Rs./K. Ltrs.	9,756	8,241
Average rate			
4. Light Diesel Oil (LDO)	K. Ltrs.	1,715	1,641
Quantity	Rs in lacs	257.18	175.55
Total amount	Rs./K. Ltrs.	14,993	10,697
Average rate			
5. High Speed Diesel Oil (HSD)	K. Ltrs.	3,735	7,449
Quantity	Rs in lacs	580.87	868.62
Total amount	Rs./K. Ltrs.	15,552	11,662
Average rate			
6. Internal Generation			
Steam			
a) From Chemical Recovery Boiler in Rayon Pulp plants	Tonne	5,45,135	5,60,125
Quantity	Rs in lacs	38.99	31.20
Total Cost	Rs./Tonne	7.15	5.57
Rate/Unit			
(Cost of Oil used for firing support in Boiler)			
b) From Waste Heat Boiler in Sulphuric Acid Plants:	Tonne	2,13,437	2,03,403
Quantity	Rs in lacs	N.A.	N.A.
Total Cost	Rs./Tonne	N.A.	N.A.
Rate/Unit			

(B) CONSUMPTION PER UNIT OF PRODUCTION

Name of the Product	Unit	(Electricity units)		(Furnace Oil (Kg.))		Coal (Kg.)		Steam (Tonne)	
		Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
1. Viscose Staple Fibre (incl. for intermediate & by products)									
Standard	Per Tonne	1,500.00	1,500.00	-	-	-	-	12.50	12.50
Actual	Per Tonne	1,160.97	1,303.15	-	-	-	-	8.54	9.23
2. Caustic Soda (For Cell House only)									
a. Mercury Plant									
Standard	Per Tonne	3,400.00	3,400.00	-	-	-	-	-	-
Actual	Per Tonne	2,820.00	2,823.00	-	-	-	-	-	-
b. Membrane Cell Plant									
Standard	Per Tonne	2,400.00	2,400.00	-	-	-	-	-	-
Actual	Per Tonne	2,112.00	2,196.00	-	-	-	-	-	-
3. Cement									
Grey									
Standard	Per Tonne	120.00	120.00	-	-	220.00	220.00	-	-
Actual	Per Tonne	89.67	90.22	-	-	122.75	128.22	-	-
White									
Actual	Per Tonne	104.35	109.56	0.12	0.13	-	-	-	-
4. Textiles									
Actual									
Yarn	Per 100 Kg.	419.52	423.40	-	-	-	-	-	-
Fibre Dyeing	Per 100 Kg.	-	-	-	-	-	-	0.37	0.40
Cloth	Per 100 Kg.	518.88	418.27	-	-	-	-	0.61	0.59
5. Stable Bleaching Powder (SBP)									
Standard	Per Tonne	230.00	230.00	-	-	-	-	0.28	0.28
Actual	Per Tonne	160.00	156.00	-	-	-	-	0.15	0.13
6. Poly Aluminium Chloride									
Standard	Per Tonne	75.00	75.00	-	-	-	-	0.33	0.33
Actual	Per Tonne	53.00	61.00	-	-	-	-	0.26	0.27
7. Chlorosulphonic Acid									
Standard	Per Tonne	125.00	125.00	-	-	-	-	0.33	0.33
Actual	Per Tonne	125.00	125.00	-	-	-	-	0.19	0.16

Note : Form 'A' is not applicable to Sponge Iron Division

Auditors' Report

TO THE MEMBERS' OF GRASIM INDUSTRIES LIMITED

We have audited the attached Balance Sheet of GRASIM INDUSTRIES LIMITED as at 31st March, 2001 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and report that-

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit;
- (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books. Proper returns adequate for the purposes of our audit have been received from the branches;
- (c) The reports on the accounts of the Branches audited by other Auditors, have been forwarded to us and have been appropriately dealt by us in preparing our report;
- (d) The Balance Sheet and Profit and Loss Account referred to in this report are in agreement with the books of account;
- (e) In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards referred to in Section 211(3C) of the Companies Act, 1956.
- (f) On the basis of information and explanations given to us and representations received from the Directors of the Company, we report that no Director is disqualified from being appointed as Director of the Company under clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- (g) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes appearing in Schedule of Significant Accounting Policies and Notes on Accounts give the information required by the Act in the manner so required and give a true and fair view :
 - i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2001
and
 - ii) in the case of the Profit and Loss Account, of the Profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 ('the Act') and on the basis of such checks as considered appropriate, we further report that :

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. All Fixed Assets have been physically verified by the Management according to the regular programme of periodical verification in phased manner which in our opinion is reasonable having regard to the size of the Company and the nature of its Fixed Assets. The discrepancies noticed on such physical verification were not material.
2. None of the Fixed Assets have been revalued during the year.
3. The Stocks of Finished Goods, Stores, Spare Parts, Packing Material, Fuel and Raw Materials of the Company at all its locations (except stocks lying with third parties and in transit) have been physically verified by the Management at reasonable intervals.
4. The procedures of physical verification of stocks followed by the Management are reasonable and adequate in relation to the size of the Company and nature of its business.
5. The discrepancies noticed on such physical verification of stocks as compared to book records were not material.
6. On the basis of our examination of stock records, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. In our opinion the rate of interest and other terms and conditions on which unsecured loans have been taken from companies or other parties listed in the register maintained under Section 301 of the Act are not prima facie, prejudicial to the interest of the Company.

8. In respect of unsecured loans, granted to Companies, listed in the register maintained under section 301 of the Act the rate of interest and other terms and conditions of such loans are not prima facie prejudicial to the interest of the Company.
9. The parties to whom the loans, or advances in the nature of loans have been given by the Company are repaying the principal amount as stipulated and are also regular in payment of interest, where applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. According to the information and explanations given to us, purchases of goods and materials and sale of goods, materials and services aggregating during the year to Rs.50,000 or more in respect of each party in pursuance of contracts or arrangements entered into the register maintained under section 301 of the Act have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us the Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provision has been made in the accounts for the loss arising on items so determined.
13. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 58A of the Act and the Companies (Acceptance of Deposit) Rules, 1975 framed thereunder with regards to the deposits accepted.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realizable by-products and scrap.
15. In our opinion, the Company has an internal audit system commensurate with the size of the Company and nature of its business.
16. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956 in respect of the Company's products to which the said rules are made applicable and are of the opinion that prima facie the prescribed records have been made and maintained. We have, however, not made a detailed examination of the said records with a view to determine whether they are accurate or complete.
17. According to the records of the Company, Provident Fund and Employees State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. According to the information and explanations given to us, no undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty and Excise duty were outstanding as at the last day of the financial year for a period of more than six months from the date they became payable.
19. During the course of our examination of books of account carried out in accordance with the generally accepted auditing practices, we have not come across any personal expenses other than expenses under contractual obligations and/or generally accepted business practices, which have been charged to revenue account.
20. The Company is not a sick Industrial Company within the meaning of Clause (o) of sub section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
21. In respect of service activities we report that : (a) the Company has a reasonable system of recording receipts, issues and consumption of material commensurate with its size and the nature of its business, (b) as the Processing jobs are undertaken at prices agreed with the parties, allocation of labour to individual jobs is not considered necessary, and (c) the Company has a reasonable system of authorization at proper levels and an adequate system of internal control on issue and allocation of stores.
22. In respect of the Company's trading activities we are informed that there are no damaged stocks.

For G.P. KAPADIA & CO.,
Chartered Accountants

For LODHA & CO.,
Chartered Accountants

Place : Mumbai
Date : 30th April, 2001

UDAY R.PARIKH
Partner

NARENDRA LODHA
Partner

Balance Sheet as at 31st March, 2001

	Schedules		Rs.in Crores Previous Year
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	1 A	91.67	91.67
Share Capital Suspense	1 B	0.02	0.02
Reserves and Surplus	2	3001.66	2704.57
			<u>2796.26</u>
			3093.35
Loan Funds			
Secured Loans	3	1411.68	1536.60
Unsecured Loans	4	366.39	580.08
Deferred Payment Credits	5	0.08	0.18
Documentary Bills Discounted with Banks	6	122.29	158.13
			<u>1900.44</u>
			1900.44
TOTAL			<u>4993.79</u>
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	7	5246.24	4911.23
Less: Depreciation		2008.82	1804.58
Net Block		3237.42	3106.65
Capital Work-in-Progress		83.06	314.38
			<u>3421.03</u>
			3320.48
Investments	8		682.48
Current Assets, Loans and Advances			
Interest accrued on Investments		0.17	0.03
Inventories	9	725.91	643.69
Sundry Debtors	10	616.46	622.88
Cash and Bank Balances	11	158.35	56.76
Loans and Advances	12	408.27	437.15
		<u>1909.16</u>	<u>1760.51</u>
Less:			
Current Liabilities and Provisions			
Liabilities	13	747.31	637.69
Provisions	14	171.02	155.58
		<u>918.33</u>	<u>793.27</u>
Net Current Assets			990.83
TOTAL			<u>4993.79</u>
Accounting Policies and Notes on Accounts	23		<u>5071.25</u>

As per our separate report attached

For G. P. KAPADIA & Co.,
Chartered Accountants

UDAY R. PARIKH
Partner
Mumbai
Dated: 30th April, 2001

For LODHA & Co.,
Chartered Accountants

NARENDRA LODHA
Partner

ASHOK MALU
Company Secretary

D.D.RATHI
Group Executive President & CFO

SHAILENDRA K. JAIN
Manager

KUMAR MANGALAM BIRLA
Chairman
RAJASHREE BIRLA
M. L. APTE
M. C. BAGRODIA
B. V. BHARGAVA
R. C. BHARGAVA
J. N. GODBOLE
Y. P. GUPTA
CYRIL SHROFF
S. G. SUBRAHMANYAN
Directors

Profit and Loss Account for the year ended 31st March, 2001

	Schedules		Rs.in Crores Previous Year
INCOME			
Sales		5582.38	4982.32
Interest and Dividend Income	15	61.20	50.71
Other Income	16	46.54	37.62
Increase in Stocks	17	62.65	12.61
		5752.77	5083.26
EXPENDITURE			
Raw Materials Consumed	18	1569.77	1317.69
Manufacturing Expenses	19	1106.76	999.81
Purchases of Finished and Other Products		310.49	287.31
Payments to and Provisions for Employees	20	313.28	298.87
Selling, Distribution, Administration and Other Expenses	21	780.31	713.56
Excise Duty		760.67	709.70
Interest	22	238.78	256.08
Depreciation [Note A of Schedule 7]		251.90	236.98
		5331.96	4820.00
Profit before Tax & Extra-ordinary items		420.81	263.26
Profit on transfer of Undertaking (Note No.9 of Schedule 23B)		18.44	-
Employee Separation Compensation		(11.35)	(17.81)
Profit before Tax		427.90	245.45
Provision for Tax		(50.00)	(12.35)
Profit after Tax		377.90	233.10
Investment Allowance Reserve written back		-	16.46
Balance brought forward from Previous Year		1215.99	1023.12
Profit available for Appropriation		1593.89	1272.68
Appropriations			
Debenture Redemption Reserve		6.06	(40.02)
Interim Dividend		-	55.00
Proposed Final Dividend		73.34	9.17
Corporate Dividend Tax		7.48	8.07
General Reserve		50.00	24.47
Balance carried to Balance Sheet		1457.01	1215.99
		1593.89	1272.68
Accounting Policies and Notes on Accounts	23		

As per our separate report attached

For G. P. KAPADIA & Co.,
Chartered Accountants

UDAY R. PARIKH
Partner

Mumbai
Dated: 30th April, 2001

For LODHA & Co.,
Chartered Accountants

NARENDRA LODHA
Partner

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Y. P. GUPTA
CYRIL SHROFF
S. G. SUBRAHMANYAN
Directors

Schedules forming part of Accounts

SCHEDULE 1

		Rs.in Crores Previous Year	
A. SHARE CAPITAL			
Authorised			
95000000	Equity Shares of Rs.10 each	95.00	95.00
	Redeemable Cumulative Preference Shares of Rs.100 each		
150000	15 % "A" Series	1.50	1.50
100000	8.57 % "B" Series	1.00	1.00
300000	9.30 % "C" Series	3.00	3.00
		100.50	100.50
Issued, Subscribed and Paid up			
91669685	Equity Shares of Rs.10 each fully paid (Previous year 91669649 Equity Shares)	91.67	91.67
	Of the above 29532500 Equity Shares were issued as fully paid up Bonus Shares by way of Capitalisation of Share Premium and Reserves.		
	19355679 Equity Shares of Rs.10 each issued as fully paid up for acquiring the cement business pursuant to Scheme of Arrangement without payment being received in cash.		
B. SHARE CAPITAL SUSPENSE			
19800	Equity Shares (Previous year 19836) of Rs. 10 each to be issued as fully paid up pursuant to acquiring of cement business of Indian Rayon and Industries Limited under Scheme of Arrangement without payment being received in cash.	0.02	0.02

SCHEDULE 2

RESERVES AND SURPLUS

		Rs in Crores			
		Balance as at 31st March, 00	Addition during the year	Deduction/ Adjustments during the year	Balance as at 31st March, 2001
1.	Capital Reserve				
	- On Revaluation of Fixed Assets	19.62		1.67*	17.95
	- Capital Subsidy	1.21	0.30		1.51
2.	Amalgamation Reserve (\$)		1.38		1.38
3.	Preference Share Capital				
	Redemption Reserve	1.48			1.48
4.	Debenture Redemption Reserve	354.22	6.06		360.28
5.	Share Premium Account	823.32			823.32
6.	General Reserve	280.00	50.00		330.00
7.	Investment Allowance Reserve	8.73			8.73
8.	Surplus as per Profit and Loss Account	1215.99	241.02		1457.01
		2704.57	298.76	1.67	3001.66
	Previous year	2546.23	324.79	166.45	2704.57
\$	Refer Note No.8 of Schedule 23B				
*	Deduction/adjustment on account of :-				
a)	assets sold/discarded		Rs.0.14 Crores		
b)	Depreciation provided on revalued block		Rs.1.53 Crores		
			Rs.1.67 Crores		

SCHEDULE 3

		Rs. Crores Previous Year	
SECURED LOANS			
Non-Convertible Debentures		1088.75	1,075.77
Other Loans:			
Term Loans from Banks:			
	Rupee Loan secured on movable assets of Textiles Division, Gwalior & Malanpur	-	0.80
	Foreign Currency Loans secured by bank guarantee against hypothecation of the machineries/movable assets purchased there against	-	7.09
	Rupee Term Loans from Financial Institutions:		
	Secured by first pari passu charge on assets of Caustic Soda Plant at Nagda and Cement Plant at Raipur	202.02	310.10
	Secured by hypothecation of the machineries/movable assets purchased thereagainst	3.75	5.25
	Housing loans secured by first equitable mortgage of land and buildings constructed thereon	-	1.27
	Deferred Sales-tax Loan secured by first available charge on assets of Cement Unit I & II at Jawad [subject to charge referred in Note 1 (d) & (g)] Dharani Cement at Reddipalayam	33.82 0.81	39.58 -
	Working Capital Borrowings from Banks secured by hypothecation of stocks and book debts of the Company.	82.53	96.74
Total		1411.68	1,536.60

Notes:

- 1) Non-Convertible Debentures are secured by first legal/equitable mortgage on immovable assets, hypothecation of movable assets and floating charge on other assets, both present and future, of the specified divisions, ranking pari passu with the charges created in favour of Banks and Financial Institutions for their term loans. This charge is subject to hypothecation/charges in favour of Banks on stocks and book debts for working capital borrowings (except XII, XXIII, XXVI and XXVII Series debentures which do not have any charge on current assets) and charges created for certain term loans and deferred payment credit on the specified assets purchased thereagainst.
 - a) 13.25% - XII Series Non-Convertible Debentures (redeemed in three equal annual instalments which commenced from 5.6.1998 with premium @ 5% paid with the second instalment) were secured on assets of Sponge Iron Division at Salav. - 26.67
 - b) 11% - XIII Series Non-convertible Debentures (redeemable in three equal annual instalments commenced from 11.7.2000) are secured on assets of Caustic Soda plant at Nagda and Cement Plant at Raipur. **30.00** 70.00
 - c) 11% - XVI Series Non-Convertible Debentures (redeemable at par in three equal annual instalments commenced from 3.12.2000) are secured on assets of 40MW Power Plant at Nagda. **33.34** 50.00
 - d) 11% - XVII Series Non-Convertible Debentures (redeemable at par in three equal annual instalments commencing from 1.1.2002) are secured on assets of Cement Units - I, II and III at Jawad. **85.00** 85.00

SCHEDULE 3 (Contd.)

		Rs. in Crores Previous Year	
e)	i) 14.75% - XVIII Series Non-Convertible Debentures (redeemable at par on 5.6.2002); and	50.00	50.00
	ii) 14.50% - XIX Series Non-Convertible Debentures (redeemable at par on 16.7.2002) are secured on assets of Staple Fibre Division (excluding 40MW Power Plant) at Nagda.	50.00	50.00
f)	12.25% - XX Series Non-Convertible Debentures (redeemable at par in three annual instalments of Rs.35, Rs.35 and Rs.30 respectively, commencing from 18.12.2002) are secured on assets of Staple Fibre Division at Kharach.	200.00	200.00
g)	13.50% - XXI Series Non-Convertible Debentures (redeemable at par on 14.7.2003) are secured on assets of Cement Plants at Jawad and Shambhupura	150.00	150.00
h)	i) 13.25% - XXII Series Non-convertible Debentures (redeemable at par in three equal annual instalments commencing from 31.3.2005); and	80.00	80.00
	ii) 12.6% - XXIII Series Non-convertible Debentures (redeemable at par in three annual instalments of 33%, 33% and 34% respectively of the face value of the debentures, commencing from 17.8.2005) are secured on a plot of land situate in Maharashtra and on the assets of Cement Division-South at Reddipalayam.	130.00	130.00
i)	i) 11% - XXIV Series Non-convertible Debentures (redeemable at par in three equal annual instalments commenced from 31.7.2000); and	80.41	154.10
	ii) 11% - XXV Series Non-convertible Debentures (redeemable at par in three equal annual instalments commenced from 29.11.2000) are secured on assets of Birla Super Cement division at Hotgi, Rajashree Cement Division at Malkhed and Birla White Cement Division at Kharia Khangar.	20.00	30.00
j)	i) 10.75% - XXVI Series Non-convertible Debentures (redeemable at par on 07.06.2005) and	120.00	-
	ii) 11.25% - XXVII Series Non-convertible Debentures (redeemable at par on 15.12.2007 with put and call option at the end of 3rd & 5th year from the date of allotment i.e. 15.12.2000) are secured on assets of Sponge Iron Division at Salav.	60.00	-
		1,088.75	1,075.77

- 2) In the case of Term Loans which carry pari passu charge on the movable assets, such charge on movable assets is subject to prior charge of Banks on stocks and book debts for the working capital borrowings.

SCHEDULE 4

		Rs.in Crores Previous Year	
UNSECURED LOANS			
	Fixed Deposits	1.64	5.44
	Short Term Loans and Advances:		
	From Banks:		
	Commercial Paper (Maximum Balance Rs. 100 Crores, Previous Year Rs. 200 Crores)	-	100.00
	Buyers' Import Credit	39.78	105.35
	Cash Credit Account with Overseas Banks	27.83	20.51
		67.61	225.86
	Other Loans and Advances:		
	From Banks	18.73	104.36
	From Others:		
	Deferred Sales tax Loan	272.96	238.67
	Other Loans	5.45	5.75
		278.41	244.42
		297.14	348.78
		366.39	580.08

SCHEDULE 5

DEFERRED PAYMENT CREDITS

On Usance Bills against purchase of Machinery on Deferred Payment Terms guaranteed by Banks, Secured by hypothecation of some of the Machinery in favour of Banks (including Rs.0.08 Crores falling due within one year, Previous Year Rs. 0.12 Crores)			
		0.09	0.22
Less:			
	Interest in respect of future instalments	0.01	0.04
		0.08	0.18

SCHEDULE 6

DOCUMENTARY BILLS DISCOUNTED WITH BANKS

	Against Demand/ Usance Bills under Letter of Credit (Secured)	105.87	122.68
	Against Usance Bills (Unsecured)	16.42	35.45
		122.29	158.13

SCHEDULE 7

FIXED ASSETS

Rs. in Crores

S. No.	PARTICULARS	GROSS BLOCK				As at 31.3.01	DEPRECIATION				NET BLOCK	
		As at 31.3.00	Addition Pursuant to the Scheme (\$\$)	Additions and/or transfers	Deductions and/or transfers		Upto 31.3.00	Deductions and/or transfers	For the Year	Upto 31.3.01	As at 31.3.01	As at 31.3.00
1.	FREEHOLD LAND	38.01	6.61	9.59	0.05	54.16	-	-	-	-	54.16	38.01
2.	LEASEHOLD LAND	16.02	34.01	1.87	0.08	51.82	1.82	-	0.35	2.17	49.65	14.20
3.	BUILDINGS	404.91	2.93	33.84	2.73	438.95	64.70	0.35	9.98	74.33	364.62	340.21
4.	WORKERS' QUARTERS UNDER GOVERNMENT SUBSIDISED SCHEMES	2.15	-	-	-	2.15	1.14	-	0.02	1.16	0.99	1.01
5.	RAILWAY SIDINGS	102.93	-	0.49	2.39	101.03	14.28	0.19	4.89	18.98	82.05	88.65
6.	PLANT & MACHINERY	4075.26	5.31	298.91	60.99	4318.49	1624.57	41.58	219.37	1802.36	2516.13	2450.69
7.	SHIPS	108.92	-	-	0.69	108.23	21.82	0.28	5.32	26.86	81.37	87.10
8.	FURNITURE, FITTINGS & OFFICE EQUIPMENTS	136.43	0.09	18.58	10.28	144.82	66.07	4.90	10.87	72.04	72.78	70.36
9.	LIVESTOCK	0.01	-	-	-	0.01	-	-	-	-	0.01	0.01
10.	VEHICLES ETC.	26.59	0.29	4.70	5.00	26.58	10.18	1.94	2.68	10.92	15.66	16.41
		4911.23	49.24	367.98	82.21	5246.24	1804.58	49.24	253.48	2008.82	3237.42	3106.65
	Previous Year	4703.55	-	237.16	29.48	4911.23	1582.67	17.55	239.46	1804.58		
	CAPITAL WORK-IN-PROGRESS (including Advances & Pre-operative Expenses)										83.06	314.38
											3320.48	3421.03

\$\$ Taken over, pursuant to the Scheme of Amalgamation of Dharani Cement Limited with the Company (Refer Note 8 in Schedule 23 B)

	Rs.in Crores	
		Previous Year
A. Depreciation for the year		
Total Depreciation	253.48	239.46
Less:		
Additional depreciation on revalued assets withdrawn from capital reserve	1.53	1.57
Depreciation included under other heads of expenses	0.02	0.02
Transferred to Pre-operative expenses	0.03	0.89
	1.58	2.48
	251.90	236.98

- B. 1. Freehold/Leasehold Land includes -
- Value of Shares of Rs.3750 (Previous year Rs. 3750) issued by the Co-Operative Housing Society under its Bye-laws, in the name of Company's nominees.
 - Execution of documents in respect of Land at Malkhed & Shambhupura amounting to Rs.0.21 Crore & Rs.0.19 Crore., respectively, is still pending.
 - Rs.0.88 Crore jointly owned with other corporates
2. The title deeds of some of the immovable properties transferred pursuant to the Scheme of Arrangement are yet to be transferred in the name of Company.
3. Buildings and Workers' Quarters include -
- Those mortgaged with State Governments against subsidies received.
 - Cost of Ownership Flat/Office Premises Rs.1.53 Crores (Previous Year Rs. 1.53 Crores) (including Electrical Installations) held singly and jointly in Formed/Proposed Co- operative Housing Societies including value of Shares of Rs.500 (Previous year Rs. 500) issued by the Societies under their Bye-laws.

- Cost of Land and Buildings (including Electrical Installations) amounting to Rs.0.12 Crore (Previous Year Rs. 0.12 Crore) held on Co-ownership with Other Companies.
 - Buildings of Rs.0.61 Crore (Previous Year Rs. 0.61 Crore), yet to be registered in the name of the Company.
 - Building include Rs.15.13 Crores towards shares and debentures for right of exclusive use, possession and occupation of office space.
4. Railway siding amounting to Rs.14.57 Crores is held on Co-ownership with Other Company for which documents are being executed
5. Addition to Plant & Machinery/Capital work-in-progress include as under :-

	Rs.in Crores	
		Previous Year
a) Loss on Cancellation of Forward Cover	0.09	3.33
b) Increase due to Foreign Exchange fluctuation on loans/liabilities	0.78	0.59
c) Roll-over charges	0.34	3.52
	1.21	7.44

6. Fixed Assets include assets of Rs.6.25 Crores (Previous year Rs.9.08 Crores) not owned by the Company
7. Plant and Machinery include assets given on operating lease amounting to Rs.25.53 Crores (Previous year Rs.25.53 Crores)
8. Capital work in progress include advance against Capital Orders, Technical know-how and Supervision fees, Machinery under installation/in transit; construction materials purchases and other assets under erection; and pre-operative expenses.
9. Leasehold Land include mining rights.

SCHEDULE 7 (Contd.)

		Rs.in Crores Previous Year
C. Pre-operative Expenses pending Allocation /Appropriation :		
1. Rehabilitation compensation		0.42
2. Raw Materials Consumed	0.35	0.77
3. Power & Fuel	0.63	5.83
4. Repairs to Other Assets	0.01	0.03
5. Salaries, Wages, Bonus, Gratuity, etc.	0.48	2.24
6. Contribution to Provident & Other Funds	(42101)	0.14
7. Employee's Welfare Expenses	0.01	0.20
8. Insurance	0.11	0.69
9. Rent and Hire Charges	0.04	0.36
10. Rates & Taxes	(400)	0.07
11. Stationery, Printing, Postage and Telephone Expenses	0.03	0.41
12. Travelling & Conveyance	0.33	0.72
13. Legal and Professional Charges	0.09	0.23
14. Debenture Issue Expenses	-	0.74
15. Miscellaneous Expenses	1.04	1.52
16. Interest -		
- On Loans and Debentures	5.62	18.04
Less :		
- Interest Received (Tax deducted at source Rs.0.93 Crore Previous year Rs.0.03 Crore)	4.10	0.16
	1.52	17.88
17. Depreciation	0.03	0.89
	4.67	33.14
Less :		
Stock of Finished Goods under Trial Run	0.15	0.40
Process Stock under Trial Run	-	2.34
Sale of Trial Run Production	0.18	0.06
Miscellaneous Receipts	-	0.06
	4.34	30.28
Add: Pre-operative Expenditure incurred upto Previous Year	35.46	7.83
Total Pre-operative Expenditure	39.80	38.11
Less: Allocated/transferred to Fixed Assets/ Capital Work-in-progress	37.53	2.65
Charged to Profit & Loss Account	0.10	-
Balance transferred to Capital Work-in-progress	2.17	35.46

SCHEDULE 8

		Rs.in Crores Previous Year
INVESTMENTS - Long Term		
1. Government and Trust Securities		
i) Government Securities		
Unquoted -		
Securities deposited with Government Departments	0.03	0.05
ii) Trust securities - In Units		
Unquoted -		
500000 Units of Rs.10 each in Units (1964 Scheme) of Unit Trust of India	0.76	0.76

SCHEDULE 8 (Contd.)

		Rs.in Crores Previous Year
2. Shares, Bonds and Debentures		
A TRADE INVESTMENTS		
Equity Shares - Fully paid		
a) Quoted - Rs.10 each		
2964111 Indian Rayon and Industries Limited	38.10	38.10
Bihar Caustic and Chemicals Limited	-	0.78
996000 TANFAC Industries Limited	1.00	1.00
27641445 Indo Gulf Corporation Limited	61.18	61.18
150379023 Mangalore Refinery & Petrochemicals Ltd.	238.70	238.70
	338.98	339.76
b) Unquoted -		
1398857 Thai Rayon Public Company Limited, Thailand of Thai Baht 10 each.	1.07	1.07
5000 PT. Indo Bharat Rayon Co. Limited, Indonesia of Indonesian Rph 62625 (US \$100) each.	0.40	0.40
15000 A.V Cell Inc., Canada Class 'A' Share of total value of Canadian Dollar 2.5 Million	6.88	6.88
149250 Alexandria Carbon Black Co., S.A.E. of L.E. 100 each	14.99	14.99
157013894 Birla AT & T Communications Limited Pledged with Toronto Dominion Bank (South East Asia) Limited and Bank of America	157.01	157.01
	180.35	180.35
	519.33	520.11
B OTHER INVESTMENTS		
a) Quoted - Fully Paid :		
i) Equity Shares of Rs. 10 each.		
15 Mysore Cement Limited (Rs.117, Previous Year Rs. 117)		
2117170 Century Enka Limited	1.35	1.35
400000 Mangalam Cement Limited	1.15	1.15
1001440 Industrial Development Bank of India	8.02	8.02
ii) Optionally Convertible Cumulative Preference Shares of Rs.10 each		
400000 Mangalam Cement Limited	0.40	0.40
	10.92	10.92
b) Unquoted - Fully Paid:		
i) Equity Shares		
422496 Indophil Textile Mills Inc., Philippines of peso 10 each	0.04	0.04
825000 Thai Carbon Black Public Company Limited, Thailand of Thai Baht 10 each	2.18	2.18
2500 Birla International Ltd. - Isle of Man of CHF 100 each	0.53	0.53
1300 Gwallor Rayon Consumers Co-operative Stores Limited of Rs.100 each	0.01	0.01
468 Industry House Limited of Rs. 100 each (Rs.31200 Previous year Rs.31200)		
500 Super Bazar Co-operative Society Limited of Rs.10 each (Rs.5000, Previous year Rs.5000)		

SCHEDULE 8 (Contd.)

		Rs.in Crores Previous Year
ii) Unquoted - Fully Paid - Equity Shares of Rs.10 each		
12000 Birla Consultants Limited	0.01	0.01
100 Eastern Spg.Mills & Industries Limited	0.01	0.01
1982125 Gwalior Properties and Estates Limited	6.41	6.41
1982125 Seshasayee Properties Limited	6.41	6.41
1909550 Turquoise Investments and Finance Limited	15.21	15.21
1911500 Trapti Trading & Investments Limited	15.22	15.22
iii) Others		
1 15.50% Secured Redeemable Non-Convertible Bond of Rs.500000 each in Sardar Sarovar Narmada Nigam Limited	0.03	0.05
4 13.50% IDBI 2003 of Rs.5000000 each	2.08	-
1 13.50% SIDBI 2003 of Rs.10000000 each	1.06	-
	49.20	46.08
	60.12	57.00
3. Shares In Subsidiary Companies		
Quoted -Fully Paid - Equity Shares of Rs.10 each		
4652870 Shree Digvijay Cement Company Limited	66.37	66.36
	66.37	66.36
Unquoted -		
a) Fully Paid - Equity Shares of Rs.10 each		
- Kerala Spinners Limited	-	0.19
9791350 Birla Technologies Limited	29.37	-
- Dharani Cement Company Limited	-	32.01
6500000 Samruddhi Swastik Trading And Investments Limited	6.50	6.50
520 Sun God Trading And Investments Limited (Rs.5200, Previous Year Rs.5200)		
b) Partly Paid:		
100 Preference Shares of Rs.100 each, Paid up Rs.25 each in Samruddhi Swastik Trading And Investments Limited (Rs.2500, Previous Year Rs.2500)		
100 Preference Shares of Rs.100 each, Paid up Rs.25 each in Sun God Trading And Investments Limited (Rs.2500, Previous Year Rs.2500)		
	35.87	102.24
	682.48	682.98
Aggregate Book Value of :		
a) Quoted Investments	416.27	417.04
b) Unquoted Investments	266.21	265.94
	682.48	682.98
Aggregate Market Value of Quoted Investments	335.85	342.47

Notes:

- The Company has earmarked 500000 units of the Unit Trust of India (UTI) 1964 Scheme of Rs. 10 each Cost being Rs. 0.76 Crores (Market Price Rs. 0.72 crores) in compliance with the provisions of Rule 3A of the Companies (Acceptance of Deposits) Rules, 1975
- 7841445 Equity Shares of Indo Gulf Corporation Ltd. And 95379023 Equity Shares of Mangalore Refinery And Petrochemicals Limited are not transferrable for a period of 5 years from 7th January, 1998 and 26th December, 1998 respectively.
- 22380197 Units of Birla Cash Plus and 1037883 Units of Birla Income Plus both of Birla Mutual Fund and 8403644 Units of Prdential ICICI purchased & sold during the year.
- Pursuant to undertaking given to some financial institutions and others, the company can not dispose of shareholding without their prior approval (till such time the loans given to these companies by these institutions are repaid in full.) in following companies: (a) Indo Gulf Corporation Ltd. (b) Mangalam Cements Ltd. (c) Century Enka Limited and (d) Mangalore Refinery and Petrochemicals Ltd.
- 9000 shares of Birla Technologies Limited purchased & sold during the year.

SCHEDULE 9
INVENTORIES

(As valued and certified by the Executives of the respective Divisions)

At lower of cost and net realisable value unless otherwise stated

Stores and Spare parts, Packing Materials and Fuels
Raw Materials
Finished Goods
By Products
Process Stock
Waste/Scrap (at net realisable value)

	Rs.in Crores Previous Year
	217.76
	195.11
	170.72
	8.29
	50.53
	1.28
	725.91
	643.69

SCHEDULE 10
SUNDRY DEBTORS

Exceeding six months :

Good and Secured
Good and Unsecured
Doubtful and Unsecured

Less: Provision for Doubtful Debts

Others

Good and Secured
Good and Unsecured

SCHEDULE 11
CASH AND BANK BALANCES

Cash balance on hand

Bank Balances:

With Scheduled Banks:

Current Accounts (including cheques under collection)

Saving Accounts (Earmarked for Employees Security Deposits and others)

(Rs.65730, Previous year Rs.33865)

Deposit Accounts (Note 1)

With Others (Note 2)

In Post Office Savings & Deposit Accounts (Rs.389, previous year Rs.2389)

In Government Treasury Saving Account

	Rs.in Crores Previous Year
	0.59
	54.68
	1.30
	55.98
	0.16
	56.14
	157.40
	0.03
	158.35
	56.76

Notes :

- Deposits include (a) Rs.0.29 Crore (Previous Year Rs.0.10 Crore) lodged as security with Government Department (b) Rs.0.17 Crore (Previous year Rs. 0.16 Crore) earmarked for Employees' Security Deposit and (c) Rs.1.19 Crore (Previous Year Rs.0.09 Crore) as Interest accrued.
- Balances with Others represents :

Name of the Bank Nature of Account	Bank Balance		Maximum Outstanding Previous Year
	As at 31.3.01	As at 31.3.00	
Current Account with :			
Nations Bank, U.S.A	-	0.09	0.09
British Bank of Middle East, Dubai	0.10	0.07	0.10

SCHEDULE 12**LOANS AND ADVANCES (Considered Good)**

	Rs.in Crores Previous Year	
Secured Loan	0.10	0.48
Unsecured-		
Deposits with Bodies Corporate (including accrued Interest Rs.0.58 Crs. Previous Year Rs.0.38 Crs.)	69.21	103.76
Deposits and Balances with Government and other Authorities (including accrued interest)	31.68	29.51
Other Deposits	27.59	33.39
Advances to Subsidiaries	23.58	16.58
Advances recoverable in cash or in kind or for value to be received (Due from Officers of the Company Rs.0.06 Crore, Previous Year Rs.0.06 Crore, Maximum outstanding during the Year Rs.0.06 Crore, Previous Year Rs. 0.07 Crore)	152.29	156.36
Advance Income tax (Net of Provision)	103.82	97.07
	408.17	436.67
	408.27	437.15

SCHEDULE 13**CURRENT LIABILITIES**

Sundry Creditors :		
a) Small scale industrial undertakings* (To the extent identified with available information)	0.38	0.34
b) Others	543.91	486.28
	544.29	486.62
Security and Other Deposits	65.32	56.98
Unclaimed Dividends	2.99	6.96
Other Liabilities	44.18	37.78
Interest accrued but not due on debentures/loans	90.53	49.35
	747.31	637.69

* Names of small scale industrial undertakings to whom an amount of Rs. 1.00 lac or more was outstanding for more than 30 days are as under:
Ashar Industrial Corporation
Associated Products

SCHEDULE 14**PROVISIONS**

Retirement Benefits	90.20	79.84
Premium on Debenture Redemption	-	3.50
Interim & Proposed Final Dividends	73.34	64.17
Corporate Dividend Tax	7.48	8.07
	171.02	155.58

SCHEDULE 15**INTEREST AND DIVIDEND INCOME**

i) On Long Term Investments		
Interest (Gross) on :		
a) Government and other Securities	0.04	(38026)
b) Other Investments (Tax deducted at source Nil, Previous Year Rs.8455)	0.01	0.01
Dividend (Gross) from :		
a) Trade Investments	12.29	8.21
b) Other Investments (Tax deducted at source Nil, Previous year Rs. 0.02 Crore)	2.41	2.24
ii) Others :		
Interest (Gross) on:		
Bank and Other Accounts (Tax deducted at source Rs.5.95 Crores, Previous Year Rs.2.89 Crores)	46.45	40.25
	61.20	50.71

SCHEDULE 16**OTHER INCOME**

	Rs.in Crores Previous Year	
Export Incentives	11.49	10.67
Rent Received (Tax deducted at source Rs.0.09 Crore, Previous Year Rs.0.10 Crore)	1.22	0.83
Lease Rent	4.03	4.05
Processing Charges	0.26	0.40
Insurance Claims	6.42	3.13
Profit on Sale of Long Term Investments (Net)	0.23	0.00
Profit on Sale of Current Investments (Net)	0.09	0.05
Excess/Short Provisions (Net)	10.79	6.05
Commission Income	1.03	1.15
Miscellaneous Receipts	10.98	11.29
	46.54	37.62

SCHEDULE 17**INCREASE IN STOCKS**

Closing Stock		
Finished Goods	231.50	170.32
By-Products	7.08	8.29
Process Stock @	54.17	48.19
Waste/Scrap	1.14	1.28
	293.89	228.08
Opening Stock		
Finished Goods	170.32	167.90
By-Products	8.29	2.02
Process Stock	48.19	44.28
Waste/Scrap	1.28	1.27
	228.08	215.47
Add: Stock of transferred business of Dharni Cement pursuant to the Scheme of arrangement (Refer Note 8 in Schedule 23 B) & stock of trial run production	0.66	-
Finished Goods	2.50	-
Process Stock		
	231.24	215.47
Increase in Stocks	62.65	12.61
@ Includes Rs.0.15 Crore of transferred Software Division		

SCHEDULE 18**RAW MATERIALS CONSUMED**

Opening Stock	195.11	202.42
Add: Stock of transferred business of Dharni Cement pursuant to the Scheme of arrangement (Refer Note 8 in Schedule 23 B) & stock of trial run production	2.68	-
	197.79	202.42
Purchases and Incidental Expenses (includes cost of Lime Stone raised)	1588.41	1318.41
	1786.20	1520.83
Less:		
Sales	4.35	8.03
Closing Stock	212.08	195.11
	216.43	203.14
	1569.77	1317.69

SCHEDULE 19

MANUFACTURING EXPENSES

Consumption of Stores, Spare Parts and Components, Packing Materials and Incidental Expenses - Less sales Rs.0.82 Crore (Previous year Rs.0.34 Crore)

		Rs.in Crores Previous Year
Power & Fuel	262.27	249.15
Processing Charges	725.04	650.76
Technical Know-how fees	48.16	39.67
Repairs to Buildings	2.35	-
Repairs to Machinery (excluding Spare Parts and Components)	20.85	18.28
Repairs to Other Assets	37.94	30.66
	10.15	11.29
	<u>1106.76</u>	<u>999.81</u>

SCHEDULE 20

PAYMENTS TO AND PROVISIONS FOR EMPLOYEES

Salaries, Wages & Bonus, etc.	246.57	232.67
Contribution to Provident and Other Funds	25.10	23.92
Welfare Expenses	41.61	42.28
	<u>313.28</u>	<u>298.87</u>

SCHEDULE 21

SELLING, DISTRIBUTION, ADMINISTRATION AND OTHER EXPENSES

Commission to Selling Agents	28.55	22.93
Brokerage and Discount	9.26	21.38
Freight, handling and other expenses	480.47	448.53
Advertisements	47.24	41.68
Insurance	19.33	20.27
Rent (including Lease Rent)	14.87	11.95
Rates and Taxes	11.90	14.58
Stationery, Printing, Postage and Telephone Expenses	20.14	17.99
Travelling and Conveyance	27.71	25.80
Legal and Professional charges	9.88	11.08
Bad debts written off	19.81	7.25
Research contribution (including Expenses)	1.04	1.06
Donations (including NIL, Previous Year Rs. 0.95 Crore paid to General Electoral Trust for contribution for political purpose as may be decided by the Trustees from time to time)	3.50	1.05
Directors' Fee	0.01	0.01
Exchange Rate difference (Net)	7.92	3.21
Prior period Adjustments (Net)	2.14	3.35
Loss on Sale and/or discard of Fixed Assets (Net)	9.86	3.07
Miscellaneous Expenses	66.68	58.37
	<u>780.31</u>	<u>713.56</u>

SCHEDULE 22

INTEREST

On Fixed Loans and Debentures (including pro-rata Premium on

Redemption - NIL, Previous year Rs.0.10 Crore)	203.04*	203.22*
On Other Accounts	35.74	52.86
	<u>238.78</u>	<u>256.08</u>

* Includes Rs.0.03 Crore (Previous Year Rs.0.03 Crore) paid to the Manager of the Company in respect of Fixed Deposits/Debentures.

SCHEDULE 23

ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A Significant Accounting Policies:

1. Accounting Concepts:

The financial statements are prepared under the historical cost convention (except for certain fixed assets which are revalued) on an accrual basis and in accordance with the mandatory Accounting Standards.

2. Fixed Assets:

Fixed assets are stated at cost (including other expenses related to acquisition and installation) adjusted by revaluation of certain fixed assets.

3. Translation of foreign currency items:

Foreign currency assets and liabilities covered by forward contracts are stated at the forward contract rates while those not covered are restated at year end rate. Exchange differences relating to fixed assets are adjusted in the cost of the asset. Any other exchange difference is dealt with in the profit and loss account. Premium in respect of forward contracts is recognised over the life of contracts. Transactions relating to overseas offices have been converted as under:

- Net revenues at the average rate for the year.
- Fixed assets at rates prevailing on the dates of addition. Depreciation is accounted for at the same rate at which assets are converted.
- Other current assets and liabilities, at rates prevailing at the end of the year.

4. Treatment of expenditure during construction period:

Expenditure during construction period is included under Capital Work-in-Progress and the same is allocated to the respective Fixed Assets on the completion of its construction.

5. Investments:

Current investments are stated at lower of cost and fair value. Long term investments are stated at cost after deducting provisions made for permanent diminution in the value.

6. Inventories:

Inventories are valued at the lower of cost and net realisable value except waste/scrap which is valued at net realisable value. The cost is computed on weighted average/FIFO basis.

Finished goods and process stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Obsolete, defective and unserviceable stocks are duly provided for.

7. Research and development expenditure:

Revenue expenditure is charged to the profit and loss account and capital expenditure is added to the cost of fixed assets in the year in which it is incurred.

8. Depreciation:

Depreciation is charged in the Accounts on the following basis:

- On fixed assets (other than Revalued Assets) - on written down value method in respect of Viscose Staple Fibre Division and Engineering Division at Nagda; Textiles Division at Gwalior, Bhiwani Textiles Mills at Bhiwani, Birla International Marketing Corporation, and on Straight Line Method in other Divisions including Power Plants at Nagda applying the rates of Schedule XIV of the Companies Act, 1956. Continuous process plant as defined in Schedule XIV has been taken on technical assessment.

SCHEDULE 23 (Contd.)

- b) In respect of Revalued Fixed Assets, on straight line method on the gross value of assets as increased by the amount of revaluation at lower rates, based on life of assets, as ascertained by the valuers.
- c) In respect of the amounts capitalised during the year on account of foreign exchange fluctuation is provided prospectively over the residual life of the assets.
- d) In respect of assets added/disposed-off during the year on pro-rata basis with reference to the month of addition/deduction except in case of new projects where it is provided for the period of use.
- e) Leasehold land is being amortised over the period of lease.
- f) Capital expenditure on assets not owned by the company is amortised over a period of five years.

9. Retirement Benefits:

The Company makes regular contribution to provident fund and superannuation fund. Liability for Gratuity and Leave Encashment are accounted on actuarial valuation basis.

10. Government Grants:

Capital grants relating to specific assets are reduced from the gross value of the Fixed Assets and capital grants for Project Capital Subsidy are credited to Capital Reserve. Other revenue grants are credited to Profit and Loss account or deducted from the related expenses.

11. Borrowing Cost:

Interest and other costs in connection with the borrowing of the funds to the extent related/ attributed to the acquisition/construction of qualifying fixed assets are capitalised upto the date when such assets are ready for its intended use and other borrowing costs are charged to Profit & Loss Account.

12. Contingent Liabilities:

Contingent liabilities are not provided for and are disclosed by way of Notes.

B NOTES ON ACCOUNTS

1. Contingent Liabilities not provided for in respect of :

Rs.in Crores
Previous Year

a) Claims (including Income Tax demands) not acknowledged as debts (Net of tax Rs. 249.05 Crores, Previous year Rs.78.66 Crores)	305.84	127.91
b) Uncalled liability on partly paid shares (Rs.15000, Previous year Rs. 15000)		
c) Custom duty which may arise if obligation for exports is not fulfilled against import of raw materials and machinery (Net of tax Rs. 6.10 Crores, Previous year Rs. 6.38 Crores)	10.09	10.39
d) Custom duty on import of technical know-how and other services relating to projects against which Bank Guarantee/Bond of Rs. 5.74 Crores is furnished	10.81	10.81

SCHEDULE 23 (Contd.)

- 2 The Ministry of Textiles, vide its orders dated 30th June 1997 and 1st July, 1999 has deleted cement from the list of commodities to be packed in Jute bags under the Jute Packaging (Compulsory Use in Packing Commodities) Act 1987. In view of this, the company does not expect any liability for non-despatch of cement in Jute bags in respect of earlier years.
- 3 Estimated amount of Contracts remaining to be executed on capital account and not provided (advance paid Rs. 20.07 Crores, Previous year Rs. 9.30 Crores).
- 4 i) Value of assets taken on lease
- ii) Future obligation of Lease Rent as Lessee

	Rs. in Crores	Previous Year
	105.18	48.23
	12.98	12.68
	0.65	0.80

- 5 Land, Building and Plant & Machinery of some of the Units were revalued on 1.4.1974, 1.4.1980, 1.4.1982 and 1.4.1985 by approved valuers on the basis of assessment about the current value of the similar assets. As a result book value of such assets was increased by Rs. 116.40 Crores which had been transferred to Capital Reserve.
- 6 The Company had filed separate applications with the State Government of Kerala seeking permission for the closure of Pulp Plant and Fibre Plant at Mavoor (the Mavoor Units). As the State Government refused permission for such a closure, the Company filed applications for review which too were rejected. The matter is now referred to The Industrial Tribunal at Kozhikode. Meanwhile, the operations at Mavoor Units remain suspended since May-1999.
- 7 The Company has filed a Scheme of Arrangement under section 391/394 of the Companies Act, 1956 in the High Court of Madhya Pradesh in October, 2000 inter alia providing for sale/ transfer of assets of the Mavoor Units. The Scheme is under consideration of the Court and will take effect after all necessary approvals are obtained. Pending disposal of application by the Court, the assets and liabilities of the Mavoor Units have been valued on going concern basis and therefore no provision has been made for possible loss which may arise on sale/transfer of Mavoor Units.
- 8 Dharani Cements Limited (DCL), a wholly owned subsidiary of the company, has been amalgamated with the Company under the Scheme of Arrangement in terms of section 391/394 of the Companies Act 1956 effective 1st November, 2000 as per the orders dated 9th March, 2001 and 14th March, 2001 of the Hon'ble High Courts Madhya Pradesh (Indore) and Tamil Nadu (Chennai) respectively. The Amalgamation has been accounted as per 'Purchase Method' as prescribed in Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India.

Accordingly, the assets and liabilities of DCL as at 1st November, 2000 have been taken over at their purchase values subject to adjustments made as specified in the Scheme of Amalgamation and the resultant reserve of Rs.1.38 Crores has been credited to Amalgamation Reserve.

The operating results for the Financial Year 2001 are inclusive of transaction of DCL transferred business with effect from 1st November, 2000.

- 9 The Company has transferred its Software Division to its subsidiary company Birla Technologies Limited, effective 1st February, 2001 pursuant to the approval of shareholders obtained in their Extraordinary General Meeting held on 27th January, 2001 for a consideration of Rs.29.40 Crores received in the form of 980000 fully paid-up equity shares of Rs.10 each at a premium of Rs.20 per share. Operational results of this division upto 31st January, 2001 are included in the Company's results.
- 10 As it is not possible to ascertain with reasonable certainty the quantum of accruals in respect of certain insurance and railway claims, export incentives and interest on overdue bills from customers, the same are accounted on acceptance basis.

SCHEDULE 23 (Contd.)

- 11 a) Inter-Divisional transfers of goods as independent marketable products of separate divisions for captive consumption are included in respective heads of accounts to reflect the working of the respective divisions. Any unrealised profit on unsold stock is eliminated while valuing the inventories. The accounting treatment has no impact on the profits of the company.
- b) Sales include inter-divisional transfers to fixed assets Rs.3.15 Crores at Cost (Previous year Rs.4.77 Crores) and other inter-divisional transfers Rs. 398.93 Crores, at market rate (Previous year Rs.336.58 Crores).
- 12 Advances recoverable in cash or in kind include the payments made to / on behalf of Rosa Power Supply Co. Ltd. Rs. 1.79 Crores (Previous year Rs.1.74 Crores) and payments made to / on behalf of Bina Power Supply Co. Ltd. Rs.14.59 Crores (Previous year Rs.14.48 Crores) which are intended to be adjusted against the value of the Equity Shares to be issued by such Co-promoted Companies in the event of relative projects are implemented after procuring all regulatory approvals.
- 13 The Company has an investment of Rs. 66.37 Crores in share capital of Shree Digvijay Cement Company Limited (SDCC), a subsidiary company. SDCC is a sick company and a Scheme of revival is under consideration. In view of the long term strategic investment of the Company, in the opinion of the management, no provision is required to be made for diminution in the value of this investment as the same is of temporary nature.
- 14 The Company has an investment of Rs.238.70 Crores in share capital of Manglore Refinery & Petrochemicals Limited (MRPL).In view of the long term strategic investment of the Company, in the opinion of the management, no provision is required to be made for diminution in the value of this investment as the same is of temporary nature.
- 15 The Following are included under other heads of expenses in the Profit and Loss account :

	Rs.in Crores	
		Previous Year
i) Stores and Spares Consumed	28.65	31.90
ii) Power & Fuel	5.77	4.49
iii) Repairs to Machinery	3.63	4.39
iv) Repairs to Buildings	0.11	0.63
v) Repairs to Other Assets	0.97	0.62
vi) Salaries, Wages, Bonus & Gratuity	5.41	5.69
vii) Contribution to Provident and Other Funds	0.53	0.45
viii) Welfare Expenses	0.99	0.70
ix) Insurance	0.84	0.71
x) Hire Charges	0.39	0.32
xi) Royalty & Cess	46.64	39.94
xii) Rates & Taxes	3.11	2.79
xiii) Ship Operation and Management charges	3.49	3.07
xiv) Depreciation	0.02	0.02
xv) Lease Rent	9.11	3.64

SCHEDULE 23 (Contd.)

	Previous Year	
		Rs.
16 Auditors' remuneration		
a) Statutory Auditors:		
Audit Fee	1680000	1680000
Tax Audit Fee	262500	183225
For Certification and Other Work	506800	62200
Reimbursement of Expenses	584236	274003
b) Branch Auditors:		
Audit Fee	1427675	1024230
Tax Audit Fee	45875	120875
For Certification and Other Work	207697	116063
Reimbursement of Expenses	74951	87749
c) Cost Auditors:		
Audit Fee	266300	305500
For Certification and other work	-	21,000
Reimbursement of Expenses	53313	26231

	Rs.in Lacs	
17 Manager's remuneration		
Salary	38.96	29.94
Contribution to Provident Fund & Other Funds	9.17	5.91
Perquisites	22.51	5.76
	70.64	41.61

- 18 Previous year's figures have been regrouped/rearranged wherever necessary to confirm to this year's classification.
- 19 All the amounts in rupees have been rounded off to crores with lacs in decimals as approved under Section 211 (1) of the Companies Act, 1956. Figures of Rs.50,000 or less have been shown at actuals in brackets.
- 20 Additional information required under Part II of Schedule VI to the Companies Act, 1956 (as certified by the Executives of the respective Divisions) is as per Schedule 24.

SCHEDULE 24

ADDITIONAL INFORMATION UNDER PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

1. CAPACITY & PRODUCTION

Products	Unit	Licensed/ Registered * Capacity		Installed Capacity		Production # (Quantity)	
		2000-01	1999-00	2000-01	1999-00	2000-01	1999-00
1. Viscose Staple Fibre/Polynosic/ HWM/ /Hi-Performance/ Speciality Fibre — At Nagda, Mavoor, Harihar & Kharach	Tonne	354950	354950	246775	246775	218847	188002
2. Sulphuric Acid (Captive & Intermediate Products) — At Nagda, Mavoor, Harihar & Kharach	Tonne	324570	324570	210370	210370	177104	178333
3. Carbon-di-Sulphide (Captive & Intermediate Products) — At Nagda, Mavoor, Harihar & Kharach	Tonne	73265	73265	46798	46798	39679	34257
4. Rayon Grade Pulp (At Mavoor & Harihar)	Tonne	108000	108000	130000	130000	69729	73283
5. Paper	Tonne	2700	2700	2700	2700	-	-
6. Rayon Grade Caustic Soda	Tonne	175800	175800	160600	160600	131253	135260
7. Stable Bleaching Powder	Tonne	45000	45000	15000	15000	17528	16732
8. Man-Made Fibre Fabrics (At Gwalior & Bhiwani)	Mtr. (in 000's)	1598	1598	244	278	15762	16553
	Kg. (in 000's)	Looms	Looms	Looms	Looms	348	394
9. Man-Made Fibre Yarn (At Bhiwani & Malanpur)	Kg. (in 000's)	117500	117500	43488	43488	11029	11934
		Spindles	Spindles	Spindles	Spindles		
10. Cement At Jawad, Raipur, Shambhupura, Malkhed & Reddipalayam At Reddipalayam (Under Implementation)	Tonne	15166000	14000000	9866000	8200000	9098622	8396110
		-	900000	-	900000	-	-
11. White Cement (At Khariakhangar)	Tonne	400000	360000	400000	360000	251594	240492
12. Industrial Machinery	Tonne	25000	25000	15950	15950	##	##
13. Poly Aluminium Chloride	Tonne	66000	66000	13860	13860	21805	18888
14. Chloro Sulphonic Acid	Tonne	49500	49500	16500	16500	15054	15126
15. Sponge Iron	Tonne	600000	600000	900000	900000	663998	709094

Notes:

- * Registered capacities are those capacities for which registrations granted pursuant to the schemes of delicensing.
- The Installed Capacities are certified by the Management and accepted by the Auditors as correct, being a technical matter.
- # Includes third party processing
- Installed capacities for the year indicated above include those vested in the Company consequent to the Scheme of arrangement. Necessary applications have been submitted to obtain endorsement of the name of the Company.
- ## Quantitative data can not be given as production represents fabrication, machining, etc. against individual tailor made orders.

SCHEDULE 24 (Contd.)
2. TURNOVER AND STOCKS

(Value Rs.in Crores)

Products	Unit	Turnover				Stock					
		2000-01		1999-00		As on 31.3.2001		As on 31.3.2000		As on 31.3.1999	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
1. Viscose Staple Fibre (At Nagda, Mavoor, Harihar & Kharach)	Tonne	197825 6029	1516.84 50.57*	186885 5567	1326.44 49.87*	19391	115.99	4398	23.04	8848	31.72
2. Rayon Grade Pulp (At Mavoor & Harihar)	Tonne	70148	157.74*	74429	160.49*	1161	1.73	1580	2.37	2726	3.94
3. Rayon Grade Caustic Soda	Tonne	60580 72870	81.61 89.79*	66999 67022	74.67 69.21*	1818	1.65	4015	3.92	2776	1.96
4. Stable Bleaching Powder	Tonne	17844 72*	17.32 -	16738 1*	16.56	180	0.14	568	0.37	575	0.34
5. Man-Made Fibre Fabrics (At Gwalior & Bhiwani)	Mtr. (in 000's)	17738 } }	184.14 0.99*	16528 } }	187.86 0.95*	3567 } }	41.19	4489 } }	42.48	3046 } }	24.94
	Kg. (in 000's)	358 } }		383 } }		43 } }		53 } }		42 } }	
6. Man-Made Fibre Yarns — At Bhiwani & Malanpur	Kg. (in 000's)	7641 3707	113.27 49.81*	9662 2359	124.03 35.68*	918	12.07	1237	15.78	1324	13.75
7. Industrial Machinery (At Nagda & Harihar)	Tonne		0.72 11.97*		2.28 10.32*	—		—		—	
8. Poly Aluminium Chloride	Tonne	20958 1017	12.58 0.60*	17748 1207	10.07 0.57*	688	0.32	858	0.44	925	0.41
9. Chlorosulphonic Acid	Tonne	15066	8.27	15104	8.20	76	0.04	88	0.03	66	0.02
10. Cement (At Jawad, Raipur, Shambhupura, Reddipalayam & Malkhed)	Tonne	9139467 24141	1989.26 4.29*	8392978 22110	1731.02 4.59*	138188	21.94	193550 \$	31.28 \$	209149	26.20
11. White Cement (At Khariakhangar)	Tonne	251291	166.47	240014	149.36 0.01*	1871	0.89	1568	0.60	1090	0.20
12. Sponge Iron	Tonne	673852	448.13	822996	476.87	10615	5.97	20469	11.26	134371	52.70
13. Trading Activities :											
Spices	Tonne	1786	25.61	2762	52.89	409	3.40	174	3.41	267	5.07
Sulphur	Tonne	425322	90.00	248420	60.38	13998	2.29	6763	1.62		
MAP	Tonne	-	-	38093	35.12	-	-				
Coal	Tonne	470769	77.73	211760	29.98	39984	7.29	17999	2.34		
S. Kerosene oil	Tonne	72280	86.73	38327	56.97	4680	4.44	25103	25.76		
Coffee, Rice, Oil, Sugar etc.			47.60 15.61*		48.90 0.93*		11.88		4.56		4.54
14. Others @			314.02 20.71*		249.37 8.73*		0.27		1.72		2.11
			5180.30		4640.97						
			402.08*		341.35*						
			5582.38		4982.32		231.50		170.98		167.90

Notes:

- * Inter-Divisional transfers.
- @ Includes Service Income Rs.27.36 Crores (Previous year Rs.20.79 Crores), Tax deducted at source Rs 0.64 Crore (Previous year Rs.0.14 Crore).
- \$ Includes Stock of transferred business of Dharni Cement as on 1.11.2000 pursuant to the Scheme of arrangement & stock of trial run production.

SCHEDULE 24 (Contd.)
3. RAW MATERIALS, STORES, SPARE PARTS AND COMPONENTS

(Value Rs.in Crores)

	Unit	2000-01		1999-00	
		Quantity	Value	Quantity	Value
a) Raw Materials Consumed:					
Pulp Wood	Tonne	212659	50.81	223306	51.48
Dissolving Pulp	Tonne	153174	480.49	119137	301.00
		70146*	163.40*	74424*	166.03*
Caustic Soda	Tonne	53969	60.55	43596	43.50
		70478*	77.80*	64494*	60.50*
Sulphur	Tonne	93111	27.69	91504	31.43
Salt	Tonne	206813	17.69	213110	21.73
Hydrated Lime	Tonne	13638	3.82	12925	3.76
Man-made Fibre Yarn	Kg.(in 000's)	2666	31.18	4517	56.53
		2350*	39.31*	800*	8.30*
Cotton Man-made Fibres	Kg.(in 000's)	6722	38.50	7334	39.67
		6028*	47.14*	6142*	44.46*
Lime Stone	Tonne	12606300	94.07	11518512	71.67
Steel Plates, Sheets etc.	Tonne	500	1.34	296	0.94
Natural Gas	SMQ('000)	216599	65.10	215208	59.46
Naptha	Tonne	7765	9.96	22823	24.56
Iron Ore Pellets	Tonne	589559	120.00	699262	122.77
Iron Ore Lumps	Tonne	402764	55.44	394952	52.43
Others			175.52		152.80
			9.96*		4.67*
			1232.16		1033.73
			337.61*		283.96*
			1569.77		1317.69
* Consumption of own Production at Market Rate.					
b) Purchase of Finished Goods:					
Fabrics	Mtr.(in 000's)	1054	9.16	1418	6.56
Cement	Tonne	9624	2.26	-	-
Spices	Tonne	2021	24.44	2669	47.08
Sulphur	Tonne	432557	79.37	255183	48.86
MAP	Tonne	-	-	38093	35.54
Coal	Tonne	492754	74.83	229759	28.82
S. Kerosene oil		51857	55.98	63430	72.62
Coffee, Rice, Oil, Sugar etc.			64.45		47.83
			310.49		287.31
c) Imports at CIF Value :					
Raw Materials			374.26		285.46
Finished Goods			151.19		103.14
Spare Parts, Components & Coal			118.89		109.54
Capital Goods			3.72		21.67

SCHEDULE 24 (Contd.)

d) Total Value of Raw Materials, Stores, Spare Parts and Components consumed:

(Value Rs.in Crores)

	Raw Materials				Stores, Spare parts, Components etc.			
	2000-01		1999-00		2000-01		1999-00	
	Value	%	Value	%	Value	%	Value	%
Imported	401.72	25.59	307.52	23.34	35.51	12.21	37.63	13.39
Indigenous	1168.05	74.41	1010.17	76.66	255.41	87.79	243.42	86.61
	1569.77	100.00	1317.69	100.00	290.92	100.00	281.05	100.00

4. EXPENDITURE IN FOREIGN CURRENCY

	2000-01	1999-00
i) Technical know-how and Services	2.89	0.32
ii) Professional and Consultancy Fees	0.99	0.91
iii) Interest and Commitment Charges on Foreign Currency Loans/Debentures	11.48	9.79*
iv) others	28.08	25.16

*Includes NIL (previous year Rs.0.01 Crores) pertaining to interest on Non-resident Debentureholders sent to their Bankers/Mandates in India

5. EARNINGS IN FOREIGN EXCHANGE:

	2000-01	1999-00
i) Export of Goods - On F.O.B basis	177.32	200.91
ii) Technical Know-how & Service charges	0.23	0.42
iii) Interest and Dividend	5.99	1.13
iv) Others	10.93	0.01

6. DIVIDEND TO NON-RESIDENT SHAREHOLDERS :

	For 1999-00			For 1998-99		
	No. of Shareholders	Shares held	* Gross Amount of Dividends (Rs.in lacs)	No. of Shareholders	Shares held	* Gross Amount of Dividends (Rs.in lacs)
Equity — Interim	6166	30758424	1845.50	6620	23349977	1483.99
— Final	6083	29737529	297.38			
			2142.88			

* Includes Rs. 2139.82 Lacs (Interim Rs.1842.68 Lacs and Final Rs.297.14 Lacs) (Previous year Rs. 1480.90 Lacs) pertaining to Dividend Warrants of Non-Resident shareholders sent to their Bankers/Mandates in India.

Signatures to Schedules '1' to '24'

As per our separate report attached

For G. P. KAPADIA & Co.,
Chartered Accountants

For LODHA & Co.,
Chartered Accountants

UDAY R. PARIKH
Partner

NARENDRA LODHA
Partner

Mumbai
Dated: 30th April, 2001

ASHOK MALU
Company Secretary

D.D.RATHI
Group Executive President & CFO

SHAILENDRA K. JAIN
Manager

KUMAR MANGALAM BIRLA
Chairman
RAJASHREE BIRLA
M. L. APTE
M. C. BAGRODIA
B. V. BHARGAVA
R. C. BHARGAVA
J. N. GODBOLE
Y. P. GUPTA
CYRIL SHROFF
S. G. SUBRAHMANYAN
Directors

Additional Information under Part IV of schedule VI to the Companies Act, 1956

Balance Sheet abstract and General Business Profile

1	Registration Details	1 0 - 0 0 4 1 0	State Code	1 0
	Registration No.			
	Balance Sheet Date	3 1 - 0 3 - 0 1		
2	Capital raised during the year (Amount in Rs. Thousands)			
	Public Issue	N I L	Rights Issue	N I L
	Bonus Issue	N I L	Private Placement	N I L
3	Position of mobilisation and deployment of funds (Amount in Rs. Thousands)			
	Total Liabilities	4 9 9 3 7 9 5 6	Total Assets	4 9 9 3 7 9 5 6
	Sources of Funds :			
	Paid up Capital	9 1 6 8 9 5	Reserves & Surplus	3 0 0 1 6 6 9 3
	Secured Loans	1 5 3 3 9 6 9 4	Unsecured Loans	3 6 6 4 6 7 4
	Application of Funds :			
	Net Fixed Assets	3 3 2 0 4 7 5 5	Investments	6 8 2 4 8 1 8
	Net Current Assets	9 9 0 8 3 8 3	Miscellaneous Expenditure	N I L
	Accumulated Losses	N I L		
4	Performance of the Company (Amount in Rs. Thousands)			
	Turnover	5 5 8 2 3 8 4 9	Total Expenditure	5 2 8 0 6 6 2 8
	+ - Profit / (Loss) before Tax	+ 4 2 7 9 0 4 8	+ - Profit / (Loss) after Tax	+ 3 7 7 9 0 1 1
	Earnings per Share (Rs.)	4 1 . 2 1	Dividend Rate (%)	8 0 . 0 0
5	Generic names of three principal products / services of the Company (As per monetary terms)			
a)	Item Code No.	5 5 0 4 1 0 - 0 0		
	Product Description	S T A P L E F I B R E		
b)	Item Code No.	2 5 2 3 2 9 - 0 1		
	Product Description	G R E Y P O R T L A N D C E M E N T		
c)	Item Code No.	7 2 0 3 1 0 - 0 0		
	Product Description	S P O N G E I R O N		

KUMAR MANGALAM BIRLA
 Chairman
RAJASHREE BIRLA
 M. L. APTE
 M. C. BAGRODIA
 B. V. BHARGAVA
 R. C. BHARGAVA
 J. N. GODBOLE
 Y. P. GUPTA
 CYRIL SHROFF
S. G. SUBRAHMANYAN
 Directors

Mumbai
Dated: 30th April, 2001

ASHOK MALU D.D.RATHI
Company Secretary Group Executive President & CFO

SHAIENDRA K. JAIN
Manager

Cash Flow Statement for the year ended 31st March,2001 as per the listing agreement

	Current Year	Previous Year
Rs.in crores		
A. Cashflow from Operating Activities		
a. Net profit before tax and extraordinary item	420.81	263.26
Adjustment for :		
Depreciation	251.90	236.98
Interest expenses	238.78	256.08
Interest Income	(46.50)	(40.26)
Dividend Income	(14.70)	(10.45)
Profit/Loss on sale of Fixed Assets	9.86	3.07
Profit on sale of Investments	(0.32)	(0.05)
	859.83	708.63
b. Operating profit before working capital changes		
Adjustments for :		
Trade and other receivables	(44.13)	16.33
Inventories	(77.57)	8.86
Trade Payables	78.64	130.42
	816.77	864.24
c. Cash generated from Operations		
Direct Taxes Paid	(56.75)	(22.07)
Cash from operating activities before extra-ordinary item	760.02	842.17
d. Extra-ordinary Item	11.35	17.81
Net Cash from operating activities	748.67	824.36
B. Cashflow from investing activities		
Purchase of fixed assets	(134.75)	(272.88)
Sale of fixed assets	15.30	7.91
Purchase of investments	(3.16)	(2.61)
Sale of Investments	1.28	-
Investments/Advances in Joint Ventures, Subsidiaries & Others	27.39	(86.05)
Gain on sale of current investments	0.09	0.05
Interest received	50.46	40.42
Dividend received	14.70	10.45
	(28.69)	(302.71)
C. Cashflow from financing activities		
Proceeds from borrowings	238.85	680.54
Repayments of borrowings	(573.20)	(836.91)
Interest paid	(206.72)	(281.16)
Dividends paid	(68.14)	(50.32)
Corporate dividend tax	(8.07)	(6.21)
	(617.28)	(494.06)
D. Net increase/(Decrease) in Cash and Cash equivalent	102.70	27.59
Cash and Cash equivalent at beginning of the year	56.76	29.17
Add: Cash of Dharani Cement Ltd. amalgamated w.e.f. 1-11-2000	0.08	-
Less: Cash of Undertaking Transferred on 1-2-2001	1.19	-
Cash and Cash equivalent at end of the year	158.35	56.76
(Cash and cash equivalent represent Cash and Bank balances)		
Note :		
1	Previous year figures have been regrouped/recast wherever necessary	
2	The transfer of Birla Consultancy and Software Services and Amalgamation of Dhrani Cement Ltd. under the scheme of arrangement sanctioned by the high courts are non-cash transaction.	

For G. P. KAPADIA & Co., Chartered Accountants	For LODHA & Co., Chartered Accountants	UDAY R. PARIKH Partner Mumbai Dated: 30th April, 2001	NARENDRA LODHA Partner	ASHOK MALU Company Secretary	D.D.RATHI Group Executive President & CFO
				SHAILENDRA K. JAIN Manager	KUMAR MANGALAM BIRLA Chairman RAJASHREE BIRLA M. L. APTE M. C. BAGRODIA B. V. BHARGAVA R. C. BHARGAVA J. N. GODBOLE Y. P. GUPTA CYRIL SHROFF S. G. SUBRAHMANYAN Directors

Auditor's Certificate

We have examined the above Cash Flow Statement of Grasim Industries Limited for the year ended 31st March, 2001. The Statement has been prepared by the Company in accordance with the requirements of listing agreement with Stock Exchanges and is based on and in agreement with the corresponding Profit and Loss account and Balance Sheet of the Company covered by our report of 30th April, 2001 to the Members of the Company.

Place : Mumbai
Date : April 30, 2001

For G. P. KAPADIA & CO.
Chartered Accountants

For LODHA & CO.
Chartered Accountants

UDAY R. PARIKH
Partner

NARENDRA LODHA
Partner

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

Name of the Subsidiary Company	Shree Digvijay Cement Company Limited	Sun God Trading And Investment Limited	Samruddhi Swastik Trading And Investment Limited	Birla Technologies Limited
1 Financial year of the Subsidiary ended on	30.9.2000	31.03.2001	31.03.2001	31.03.2001
2 Holding Company's Interest				
i) Equity Shares of Rs.10 each				
a) Number of Shares Fully paid	4652870	520	6500000	9791350
b) Extent of holding	62.42%	100%	100%	99.91%
ii) 15% Redeemable Cumulative Preference Shares				
a) Number of Shares (Face Value Rs.100 each) Partly Paid (Rs.25 per share paid up)	-	100	100	-
b) Extent of holding	-	100%	100%	-
	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
3 Net aggregate amount of Profit/(Losses) of the Subsidiary, so far as they concern members of Grasim Industries Limited				
i) For the Financial Year of Subsidiary				
a) Dealt with in the accounts of the Holding Company	NIL	NIL	NIL	NIL
b) Not dealt with in the accounts of the Holding Company	(2917.04)	(0.02)	66.96	(260.80)
ii) For the previous Financial years of the Subsidiary since it became the Holding Company's Subsidiary				
a) Dealt with in the accounts of the Holding Company	NIL	NIL	NIL	NIL
b) Not dealt with in the accounts of the Holding Company	(6392.50)	(0.12)	12.28	—
4 As the Financial Year of the Subsidiary Companies coincide with the Financial Year of the Holding Company, Section 212(5) of the Companies Act, 1956, is not applicable.	*	N.A.	N.A.	N.A.
* Changes in the interest of the Holding Company between the end of the subsidiary's financial year and 31st March, 2001 :				
Number of shares acquired	NIL			
Material changes between the end of the subsidiary's financial year and 31st March, 2001				
a) Fixed assets (net additions)	NIL			
b) Investments (Net)	NIL			
c) Moneys lent by the subsidiary	NIL			
d) Moneys borrowed by the subsidiary company other than for meeting current liabilities	NIL			

Mumbai
Dated: 30th April, 2001

ASHOK MALU
Company Secretary

D.D.RATHI
Group Executive President & CFO

SHAILENDRA K. JAIN
Manager

KUMAR MANGALAM BIRLA
Chairman
RAJASHREE BIRLA
M. L. APTE
M. C. BAGRODIA
B. V. BHARGAVA
R. C. BHARGAVA
J. N. GODBOLE
Y. P. GUPTA
CYRIL SHROFF
S. G. SUBRAHMANYAN
Directors

Directors' Report

To
The Members

The Directors present the Fifty-fifth Annual Report together with the audited statements of accounts of the Company for the year ended 30th September, 2000.

FINANCIAL RESULTS :

	Current year Ended 30.9.2000 (12 months)	Annualised (Rs in lacs)	Previous period Ended 30.9.1999 (18 months)
Turnover	17556	14225	21338
Gross Operating Profit/ Loss (-) (PBDIT)	1031	(-) 1889	(-) 2834
Add/Less : Interest	3193	1862	2794
Cash Profit/Loss (-)	(-) 2162	(-) 3751	(-) 5628
Add : Depreciation	755	510	765
Net Loss(-) from operation	(-) 2917	(-) 4261	(-) 6393
Less :			
Write back of interest on royalty	650		—
Add :			
i) Balance brought forward from previous period	(-) 10306		(-) 168
ii) Set off against General Reserve	—		463
iii) Investment Allowance Reserve (utilised) no longer required	—		732
Add :			
Sales Tax for earlier years as settled with the Government of Gujarat	—		(-) 4940
LOSS CARRIED OVER	(-) 12573		(-) 10306

The operating profit (PBDIT) of the Company at a positive Rs.1031 lacs for the year ended 30.9.2000 represent a significant improvement over the annualised loss of Rs.1889 lacs for the previous year. This improvement is mainly due to reduction in energy costs and productivity gains. During the year, the Company commissioned its captive power plant, installed balancing equipment in its process lines and also upgraded its jetty.

The recovery in the Company's operations was adversely impacted by the unilateral decision of the Gujarat Maritime Board to withdraw the existing permission to handle bulk commercial cargo from its captive jetty at Sikka.

As reported earlier, a reference was made to the Board for Industrial and Financial Reconstruction (BIFR) under Section 15 of the said Act as the Company had become a Sick Industrial Company, within the meaning of Section 3(1)(o) of the Sick Industrial Companies (Special Provisions) Act, 1985. The BIFR through their order dated 13.9.2000 have inter-alia declared the Company a Sick Industrial Company and appointed ICICI Limited as the Operating Agency. As per the BIFR directives, the Company has submitted its Revival Package to ICICI and is confident of achieving a turn around with the help of various stake holders including the State Government and the banks/financial institutions.

PERFORMANCE:

Production and sale of clinker and cement during the period under review is given below :

	Current year Ended 30.9.2000 (12 months)	Annualised	(MT in lacs) Previous period Ended 30.9.1999 (18 months)
Production			
Clinker	9.56	7.34	11.01
Cement	8.91	8.16	12.25
Sales			
Clinker	0.28	0.10	0.16
Cement	8.96	8.15	12.23

The Company's sales volume has grown by 9% over the previous year, on an annualised basis, despite negative volume growth in the key market of Gujarat. There was a marginal improvement in realisation per tonne compared to the previous year. Some of these benefits were eroded by the sharp increase in petroleum products, with consequent impact on energy and freight costs. The increase in royalty on raw material has also been increased by 25%.

The Company is also a leading manufacturer of Oil Well cement, accredited by the American Petroleum Institute (API) for exclusive use in oil exploration; and plans to expand volume in this lucrative segment.

SHREE DIGVIJAY CEMENT COMPANY LIMITED

The Company's division, Shree Digvijay International Marketing Corporation (SDIMC) handled 11.14 lac tonnes of coal, compared to 5.75 lac tonnes in the previous year.

EXPORTS:

The Company has outstanding Export Obligations of 2.17 lac tonnes of Clinker and Cement as on 30.09.2000 against duty free imports of coal and packing materials; and has sought the approval of the Central Government to extend the validity period for fulfilling these export obligations.

MODERNISATION:

Modernisation of cement mill is in progress, and the upgraded mill is expected to stabilise during the current financial year. This will contribute to substantial power savings.

DEPOSITORY SYSTEM:

In addition to its existing arrangements with the National Securities Depository Ltd. (NSDL), the Company has also signed an agreement with Central Depository Services (India) Ltd (CDSL) for dematerialisation of its equity shares in accordance with the provisions of The Depositories Act, 1996.

With effect from 26th June 2000, Equity Shares of the Company are being compulsorily traded in dematerialised form, as mandated by the Securities & Exchange Board of India (SEBI).

CORPORATE GOVERNANCE:

The Company has initiated steps to strengthen management through the formation of an Audit Committee of the Board and a shareholder grievance Committee.

DIRECTORS:

Consequent to repayment of term loans, General Insurance Corporation of India (GIC) and its subsidiaries have withdrawn the nomination of their nominee Shri R.C. Sharma from the Board. The Board placed on record their appreciation of matured advice and guidance of Shri RC Sharma during his association with the Company.

Shri Saurabh Misra was appointed as Additional Director of the Company at the Board of Directors meeting held on 25th March 2000. He holds the office upto the date of forthcoming Annual General Meeting and is eligible for re-appointment.

Shri K.D. Agrawal, who retires by rotation under Article 167 of the Articles of Association of the Company being eligible offers himself for re-appointment.

AUDITORS:

M/s Lodha & Co., Chartered Accountants, New Delhi – the Auditors of the Company – will retire at the ensuing Annual General Meeting and are available for a fresh term. Members are requested to re-appoint them and fix-up their remuneration.

AUDITORS' REPORT:

The observations made in the Auditors' report are self explanatory and therefore do not call any further comments u/s 217 (3) of the Companies Act, 1956.

PARTICULARS REGARDING EMPLOYEES:

Information required to be given pursuant to Section 217 (2)(a) of the Companies Act, 1956 is annexed and form part of the Report.

CONSERVATION OF ENERGY AND TECHNOLOGY ABSORPTION ETC:

Particulars as required under the Companies (disclosure of particulars in the Report of Board of Directors) Rules 1988 are annexed and form part of the Report.

RESPONSIBILITY STATEMENT:

The Directors report that

- applicable accounting standards had been followed in preparation of accounts under report.
- reasonable and prudent accounting policies had been selected and applied which gives a true and fair view of the state of affairs of the company and of the Profit & Loss account of the Company for the year under report.
- proper and sufficient care had been taken for maintaining of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company.
- accounts are prepared on a going concern basis.

HUMAN RESOURCE DEVELOPMENT:

A fresh long term wage settlement was concluded by the Company during the financial year, with provision for improvements in productivity, redeployment and rationalisation.

ACKNOWLEDGEMENT:

The Company and its Directors express sense of gratitude to State and Central Government, Financial Institutions, Commercial Banks and All other concerns for their continued support and assistance.

By Order of the Board

Mumbai
29th December, 2000

M.C. BAGRODIA
CHAIRMAN

Information Under Section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the report of the Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 30th September, 2000.

Particulars

(A) CONSERVATION OF ENERGY :

- (a) Energy conservation measures taken
1. Installation of Belt Bucket Elevators for Kiln Feed System in replacement of existing FK Pumps.
 2. Installation of high efficiency multi channel burner with low requirement of primary air in replacement of existing low efficiency conventional burner.
 3. Automation of plant operation by incorporating PLC System for full plant operation from common CCR.
 4. Upgradation of electrical infrastructure.
 5. Optimisation of plant operation
 6. Installation of soft start system in various drives.
- (b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy
1. Incorporation of pre-grinding system & close circuiting system in KCP Cement Mill
 2. Magnetic fuel saver for Wartsila DG Sets
 3. New generation LV technology high efficiency separator for UBE Raw Mill
 4. New generation LV technology high efficiency separator for Atox Coal Mill.
 5. Increasing the size of TA duct , Riser duct and Calciner vessel.
 6. Replacement of Wet process cooler fans with high efficiency fans.
 7. Automation & upgradation of Wet process plant operation.
- (c) Impact of the measures at (a) & (b) above for reduction of energy consumption and consequent impact on the cost of production of goods.
Reduction in electrical power consumption by around 10 units / tonne of cement and thermal energy consumption upto 10 K Cal / Kg of Clinker.
- (d) Total energy consumption and energy consumption per unit of production.
Form 'A' attached.

(B) TECHNOLOGY ABSORPTION :

Research & Development (R & D):

- (a) Specific areas in which R & D carried out by the Company.
1. Company is associated with National Council for Cement & Building Materials for research and development activities.
 2. In co-operation with Regional Training Centre, technical employees are being trained in various fields where latest technology is being taught and employees are trained to utilize.
- (b) Benefits derived as a result of the above R & D
1. Consistency in product quality.
 2. Manufacturing of Special Cements as import substitutes.
 3. Motivation towards technical development among employees.
- (c) Future plan of action
1. Further improvement in raw-meal design and quality of Clinker and Cement.
 2. Incorporation of pre-heater low pressure cyclone to reduce pressure drop and improve productivity.
 3. Conversion of Daihatsu DG Set for operation on LDO instead of HSD as at present
- (d) Expenditure on R & D (Rs in lacs)
1. Capital NIL
 2. Recurring 6.69
 - Total 6.69
 3. Total R & D expenditure as a percentage of total turnover Negligible

Technology Absorption, Adaption & Innovation:

- (a) Efforts in brief, made towards technology absorption and innovation
- (b) Benefits derived as a result of the above efforts e.g product improvement, cost reduction, product development, import substitution etc.
- (c) In case of imported technology (imported during the last 5 years reckoned from the beginning of the financial year) Not applicable
- Technology imported
Year of import
Has technology been fully absorbed
If not fully absorbed areas where this has not taken place. The reason thereof, and future plans of action.

(C) FOREIGN EXCHANGE EARNING AND OUTGO

- (a) Activities relating to export, initiatives taken in increase exports, development of new export markets for products and services and export plans:
Company's efforts are on to increase the level of exports. There is, however, a set-back due to crises in south east economies.
- (b) Total foreign exchange used and earned
- | | |
|--------|-----------------|
| Used | Rs.1736.81 lacs |
| Earned | Rs. 414.05 lacs |

FORM "A"

Form for disclosure of particulars with respect to Conservation of Energy

		CEMENT	
		Current Year 1999-2000 (12 Months)	Previous Period 1998-99 (18 Months)
A) POWER & FUEL CONSUMPTION :			
1) Electricity:			
(a) Purchased:			
Units KWH	lac	57	1143
Total amount	Rs. lacs	436	5757
Rate per Unit	Rs.	7.71	5.07
(b) Own Generation:			
Through Diesel / Furnace			
Oil Genset	Units KWH	962	168
Units per Ltrs. of Diesel /			
Furnace Oil	Kwh	4.20	3.55
Cost per Unit	Rs.	2.99	3.32
2) Coal for Kilns (various grades)			
Quantity	In thousand Tonnes	136	172
Total Cost	Rs. in lacs	2401	2949
Average rate	Rs. per tone	1767	1710
3) HSD/Furnace Oil			
Quantity	K. Ltrs.	22397	NIL
Total Cost	Rs. in lacs	2404	NIL
Average rate	Rs./K Ltr.	10.48	NIL
B) CONSUMPTION PER UNIT OF PRODUCTION:			
		Current Year 1999-2000 (12 Months)	Previous Period 1998-99 (18 Months)
1) Electricity Kwh/Tonne of Cement			
Wet process	120	99	112
Dry process Unit	120	101	102
2) Coal			
Cement (K.Cal/Kg. Clinker)			
Wet Process	1350-1450	1376	1487
Dry Process	800	769	768

Auditors' Report

TO THE MEMBERS OF SHREE DIGVIJAY CEMENT COMPANY LIMITED

We have audited the attached Balance Sheet of Shree Digvijay Cement Company Ltd. as at 30th September, 2000 and the annexed Profit and Loss Account of the Company for the year ended on that date which are in agreement with the Company's books of accounts and report that :

1. As required by the Manufacturing and other Companies (Auditor's Report) Order, 1988 issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956 and on the basis of such checks as we considered appropriate, we report that :
 - i) The Company has maintained proper records to show full particulars, including quantitative details and situation of fixed assets. As explained to us, the fixed assets have been physically verified by the management at a reasonable intervals during the year and no material discrepancies between the physical balance and book records have been found on such verification.
 - ii) None of the fixed assets have been revalued during the year.
 - iii) As explained to us, the stock of finished goods, stores & spares, trading goods and raw materials have been physically verified by the management during the year, except stock-in-transit and material lying with third parties.
 - iv) According to the information given to us, the procedures of physical verification of stocks followed by the management are in our opinion reasonable and adequate in relation to the size of the Company and the nature of its business.
 - v) The discrepancies noticed on physical verification of stocks as compared to book records were not material.
 - vi) On the basis of our examination of stock records, we are of the opinion that the valuation of stocks is fair and proper and is in accordance with the normally accepted accounting principles and except as stated in note no. 4, is on the same basis as in the preceding year.
 - vii) In our opinion, the rate of interest and other terms and conditions on which unsecured loans have been taken from Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are not prima facie prejudicial to the interest of the Company.
 - viii) The Company has not granted any loans, secured or unsecured, to Companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956.
 - ix) The Company has given loans and advances in the nature of loans to its employees, employees societies and other parties, who are generally repaying the principal amount and interest, wherever applicable, as stipulated except in few cases where time limits are extended on merits.
 - x) The Company invites tenders / quotations in respect of purchases other than government supplies like coal, furnace oil etc. and other items which are of specialized nature and where the user departments show a preference for a particular brand, taking into consideration the quality, urgency and such other factors. In our opinion, the internal control procedure is, therefore, adequate and commensurate with the size of the Company and the nature of its business with regard to purchase of stores, raw materials including components, plant and machinery, equipments and other assets as also for the sale of goods.
 - xi) The transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or agreements entered in the register maintained under section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in value in respect of each party have been made at prices which are reasonable having regard to prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods or services have been made with other parties.
 - xii) The Company has a regular procedure for determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for the loss in this respect has been made in the accounts.
 - xiii) The Company has not accepted deposits from the public during the year under Section 58A of the Companies Act, 1956 and the rules framed there-under.
 - xiv) In our opinion the Company is maintaining reasonable records for the sale and disposal of realizable scraps. We are informed that the Company has no realizable by-products.
 - xv) The Company has an Internal Audit system commensurate with its size and nature of its business.
 - xvi) We have broadly reviewed the books of accounts maintained by the Company pursuant to the rules made by the Central Government for maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records.
 - xvii) According to the records of the Company, Provident Fund and Employees' State Insurance dues have been generally regularly deposited during the year with the appropriate authorities.
 - xviii) As explained to us, there were no undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales tax, Customs duty and Excise duty, which were outstanding as at 30.09.2000 for a period of more than six months from the date they become payable, except Rs.235.33 lacs (excluding Rs. 2974.62 lacs payable in installment with interest) in respect of Sales Tax.

xix) As explained to us and on the basis of the records of the Company examined by us, no personal expenses have been charged to revenue account other than those payable under contractual obligations or in accordance with the generally accepted business practices.

xx) The Company is a Sick Industrial Company within the meaning of Clause (o) of Sub-section (1) of Section 3 of Sick Industrial Companies (Special Provisions) Act, 1985 and as informed to us, the Board for Industrial and Financial Reconstruction has appointed the Operating Agency for preparation of rehabilitation package for the Company. However, these accounts have been prepared on "going concern basis".

xxi) In respect of Service activities, the Company has a reasonable system of recording receipts, issues and consumption of materials commensurate with its size and nature of its business along with a reasonable system for authorization at proper level and with necessary controls. The allocation of materials and man-hours consumed to relative jobs is not made by the Company since it is not material and control is exercised on total materials consumed and the labour deployed on the job. The Company has a system of internal control commensurate with the size and nature of its business on issue of stores.

xxii) In respect of Company's trading activities, we are informed that there are no damaged stocks.

2. Further to our comments in paragraph (1) above :

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

b) In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of those books;

c) The Balance Sheet and Profit and Loss account dealt with by this report are in agreement with the books of accounts;

d) In our opinion, the Balance sheet and Profit and Loss Account comply with the Accounting Standards referred to in Section 211 (3C) of the Companies Act, 1956;

e) As per the information, explanations and records made available to us, none of the director is disqualified from being appointed as Director as per amended Section 274 (1)(g) of the Companies Act, 1956.

f) Attention is invited to :

i) Provision against demand of Gujarat Electricity Board as stated in Note 3(a) & 11 has not been made (amount unascertainable).

ii) Provision has not been made for shortfall in recovery against debts and advances as referred in note no.16 for which appropriate recovery actions have been initiated, since in the opinion of the management these debts/advances are good for recovery (amount unascertainable).

iii) Depreciation include provision on revalued portion of fixed assets resulting in higher charge to Profit and Loss Account by Rs.55.08 lacs as stated in note no.8.

iv) Non provision for penal interest and liquidated damages (amount unascertainable) as stated in note no.6.

v) Non provision for Custom duty and interest amounting to Rs.206.70 lacs on duty free imports made against pending Export obligations as stated in note no.3(d).

vi) We further report that, without considering items mentioned in para 2f)i), 2f)ii) and 2f)iv) above, the impact of which could not be determined; had the observations made by us in para 2f)v) above been considered, the loss for the year would have been Rs.2473.68 lacs (against reported figure of Rs.2266.98 lacs), current liabilities would have been Rs.9498.98 lacs (against reported figure of Rs.9292.28 lacs) and balance in Profit & Loss Account would have been Rs.12780.04 lacs (against reported figure of Rs.12573.34 lacs).

Subject to the forgoing, in our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with notes thereon, give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view.

a) In the case of the Balance Sheet, of the state of affairs of the Company as at 30th September, 2000.

b) In the case of the Profit and Loss Account, of the loss for the year ended on that date.

For LODHA & CO.
Chartered Accountants

Mumbai
29th December, 2000

N.K. LODHA
Partner

Balance Sheet as at 30th September, 2000

Schedule	As at 30.09.2000	As at 30.09.1999	
	(Rs. in lacs)		
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	1	745.54	745.54
Reserves and Surplus	2	96.90	96.90
LOAN FUNDS			
Secured Loans	3	14352.32	12693.82
Unsecured Loans	4	7305.12	5071.77
TOTAL		22499.88	18608.03
APPLICATION OF FUNDS			
FIXED ASSETS			
Gross Block	5	16077.48	11212.64
Less: Depreciation		7454.23	6952.68
Net Block		8623.25	4259.96
Capital Work in Progress		1107.20	4734.71
		9730.45	8994.67
INVESTMENTS			
	6	1.81	1.81
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	7	3929.53	3689.83
Sundry Debtors	8	3062.75	2383.81
Cash and Bank Balances	9	421.45	309.01
Loans and Advances	10	2270.62	1948.90
		9684.35	8331.55
LESS : CURRENT LIABILITIES AND PROVISIONS			
Liabilities	11A	9292.28	8844.53
Provisions	11B	197.79	181.83
		9490.07	9026.36
NET CURRENT ASSETS			
		194.28	(694.81)
PROFIT AND LOSS ACCOUNT			
		12573.34	10306.36
TOTAL		22499.88	18608.03

Significant Accounting Policies and Notes on Accounts

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Profit and Loss Account for the year ended 30th September, 2000

Schedule	For the Year ended 30.09.2000 (12 Months)	For the Year ended 30.09.1999 (18 Months)	
	(Rs. in lacs)		
INCOME			
Sales & Services	12	26162.26	24774.55
Interest Income	12A	66.33	8.19
Other Income	13	111.05	201.60
Increase / (Decrease) in Stocks	14	758.62	(1148.43)
		27098.26	23835.91
EXPENDITURE			
Cost of Traded Goods Sold	14A	1196.67	—
Raw Material Consumed		2624.16	2827.85
Manufacturing Expenses	15	7605.36	11613.82
Excise Duty		3237.45	4218.77
Personnel, Administrative and Selling Expenses	16	11403.20	8009.81
Interest	17	3193.14	2793.58
Depreciation	5	755.32	764.58
		30015.30	30228.41
Profit/(Loss) for the year before extra-ordinary item		(2917.04)	(6392.50)
Extra-ordinary item:-			
Add: Interest on Royalty no longer required (Note No.7)		650.06	—
Less: Sales-Tax of earlier years paid / provided		—	(4940.38)
Profit/(Loss) for the year		(2266.98)	(11332.88)
Add: Transfer from General Reserve		—	463.50
Transfer from Investment Allowance (Utilised) Reserve		—	731.60
		(2266.98)	(10137.78)
Balance brought forward		(10306.36)	(168.58)
Balance Carried to Balance Sheet		(12573.34)	(10306.36)

Significant Accounting Policies and Notes on Accounts

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As per our report of even date

For LODHA & CO.
Chartered Accountants

Mumbai
29th December, 2000

N.K. LODHA
Partner

S.N. MALPANI
Secretary & Manager

M.C.BAGRODIA

Chairman

S.G.SUBRAHMANYAN
K.D. AGRAWAL
SAURABH MISRA

Directors

Schedules forming part of Accounts

SCHEDULE - 1 SHARE CAPITAL

		(Rs. in lacs)	
		As at 30.09.2000	As at 30.09.1999
Authorised			
2,50,00,000	Equity Shares of Rs.10/- each	2,500.00	2,500.00
1,00,00,000	Cumulative Preference Shares of Rs.100/- each	10,000.00	10,000.00
		12,500.00	12,500.00
Issued			
74,58,865	Equity Shares of Rs.10/- each	745.89	745.89
Subscribed & Paid-up			
74,55,830	Equity Shares of Rs.10/- each fully paid	745.58	745.58
	Less: 1,120 Equity Shares of Rs.10/- each forfeited	0.11	0.11
		745.47	745.47
	<i>Add: Forfeited shares (amount originally paid-up) On Equity Shares</i>	0.06	0.06
	<i>Add: Application and Allotment money on 21 Equity coupons</i>	0.01	0.01
TOTAL		745.54	745.54

Note:

Of the above:

- 9,97,540 Equity Shares (Previous Year 9,97,540) have been allotted as bonus shares by capitalisation from General Reserve.
- 4,00,000 Equity Shares (Previous Year 4,00,000) are allotted pursuant to a contract without payment being received in cash.
- 46,52,870 Equity Shares (Previous Year 46,52,870) are held by holding company - M/s. Grasim Industries Ltd.

SCHEDULE - 3 SECURED LOANS

		(Rs. in lacs)	
		As at 30.09.2000	As at 30.09.1999
1. Debentures			
(a)	5,00,000 14.25% Non-convertible debentures of Rs.100/- each privately placed with a Bank.	500.00	500.00
(b)	15,00,000 14.25% Non-convertible debentures of Rs.100/- each privately placed with a Bank.	1500.00	1500.00
(c)	20,00,000 14.25% Non-convertible debentures of Rs.100/- each privately placed with a Financial Institution.	2000.00	2000.00
	Interest accrued and due on above (Details as per notes given below in seriatim of debentures)	280.10	—
2. Term Loan from ICICI Ltd.	Interest accrued and due on above	8000.00	8000.00
3. Loans from Banks	Cash / Packing credit facilities	1418.31	693.82
TOTAL		14352.32	12693.82

NOTES:

Debentures were redeemable in regard to:

- 5,00,000 14.25% Non convertible debentures of Rs. 100/- each, on expiry of twelve months from the date of subscription i.e. on 19th November, 1999
- 15,00,000 14.25% Non convertible debentures of Rs. 100/- each, on expiry of eighteen months from the date of allotment i.e. on 8th June, 2000
- 20,00,000 14.25% Non convertible debentures of Rs. 100/- each on expiry of eighteen months from the date of allotment i.e. Rs. 1000 lacs on 12th September, 2000 and Rs. 1000 lacs on 26th September, 2000
The Company has approached financial institutions/banks for rescheduling of redemption period.
- The Debentures [except in 1(a)] and term loan under clause 2 are secured by first mortgage on fixed assets of the Company and shall rank pari passu in point of charges. The debentures referred to in 1(a) are secured by a residual charge on fixed assets of the Company.
- Secured by hypothecation of Stocks and a second charge on fixed assets of the Company.

SCHEDULE - 2 RESERVES AND SURPLUS

		(Rs. in lacs)	
		As at 30.09.2000	As at 30.09.1999
Capital Reserve			
	As per last Balance Sheet	26.87	26.87
Capital Redemption Reserve			
	As per last Balance Sheet	35.00	35.00
Share Premium			
	As per last Balance Sheet	20.43	20.43
General Reserve			
	As per last Balance Sheet	—	463.50
	Less : Set off against Profit & Loss Account	—	(463.50)
Investment Allowance Reserve (Utilised)			
	As per last Balance Sheet	14.60	746.20
	Less : Transferred to Profit & Loss Account	—	(731.60)
TOTAL		96.90	96.90

SCHEDULE - 4 UNSECURED LOANS

		(Rs. in lacs)	
		As at 30.09.2000	As at 30.09.1999
	Inter Corporate Deposits	5700.00	4000.00
	Buyers Import Credit from Banks	1343.56	996.77
	Interest Accrued and Due on above	261.56	75.00
TOTAL		7305.12	5071.77

SCHEDULE - 5
FIXED ASSETS

(Rs. in lacs)

S. No.	Particulars	GROSS BLOCK			DEPRECIATION				NET BLOCK		
		As at 01.10.1999	Additions	Adjustments/ Deductions	As at 30.09.2000	Upto 30.09.1999	For the Year	Adjustments/ Deductions	Upto 30.09.2000	As at 30.09.2000	As at 30.09.1999
1.	LAND *	13.94	—	—	13.94	—	—	—	—	13.94	13.94
2.	BUILDINGS	612.64	164.00	—	776.64	206.07	17.53	—	223.60	553.04	406.57
3.	RAILWAY SIDINGS	166.23	0.84	—	167.07	74.98	4.03	—	79.01	88.06	91.26
4.	PLANT AND MACHINERY	9424.84	4272.71	250.19	13447.36	6112.84	656.17	248.38	6520.63	6926.73	3312.00
5.	ELECTRIC INSTALLATIONS	393.67	252.28	—	645.95	297.70	22.48	—	320.18	325.77	95.96
6.	ROLLING STOCKS AND LOCOMOTIVES	74.79	—	—	74.79	61.64	3.51	—	65.15	9.64	13.15
7.	FURNITURE, FIXTURES & OFFICE EQUIPMENTS	330.76	42.45	6.83	366.38	166.88	30.45	5.29	192.04	174.34	163.88
8.	VEHICLES ETC.	70.94	25.51	2.68	93.77	30.59	6.24	0.10	36.73	57.04	40.35
9.	JETTY & WHARF **	124.83	366.75	—	491.58	1.98	14.91	—	16.89	474.69	122.85
TOTAL		11212.64	5124.54	259.70	16077.48	6952.68	755.32	253.77	7454.23	8623.25	4259.96
Capital Work-in-Progress										1107.20	4734.71
GRAND TOTAL		11212.64	5124.54	259.70	16077.48	6952.68	755.32	253.77	7454.23	9730.45	8994.67

* In case of leasehold land the Company pays ground rent.

** Title with Gujarat Maritime Board (GMB), the Company is, however, entitled to use on payment of port charges at concessional rate which is pending for approval.

SCHEDULE - 6

INVESTMENTS (AT COST)

(Rs. In Lacs)

Description	Face Value (Rs. / Unit)	Nos.	As at 30.09.2000	As at 30.09.1999
			Value	Value
Long Term				
In Government Securities (fully paid up)				
Quoted (Non-trade)				
5.5% 1999 Govt. of India loan (deposited with Mumbai Port Trust against Leasehold Land)	1.00	300	0.01	0.01
Unquoted (Non-trade)				
7 Year National Savings Certificates (deposited with Mumbai Port Trust, Customs, Central Excise and others)	—	—	0.55	0.55
7 Year National Plan Savings Certificates (deposited with Central Excise, Calcutta)	—	—	0.02	0.02
Units of Unit Trust of India (deposited with Mumbai Port Trust)	10.00	8685	1.01	1.01
12 Year National Plan Savings Certificates (deposited with the Commissioner of Commercial Taxes and Central Excise, Calcutta)	—	—	0.02	0.02
12 Year National Defence Certificates (deposited with Central Excise, Calcutta)	—	—	0.01	0.01
5-1/2 Year Kissan Vikas Patra	1000.00	7	0.07	0.07
Others				
Debentures (Non-trade) (Unquoted)				
Fully paid perpetual debentures:				
2% Bharat Chamber of Commerce	500.00	20	0.10	0.10
8% Indian Chamber of Commerce	100.00	12	0.01	0.01
	25.00	2		
Shares (Non-trade) (Unquoted)				
Fully paid ordinary shares				
Bajeegar Co-operative Housing Society Ltd.	51.00	10	0.01	0.01
TOTAL			1.81	1.81
As at 30.09.2000			As at 30.09.1999	
	Book Value (Rs. in lacs)	Market Value (Rs. in lacs)	Book Value (Rs. in lacs)	Market Value (Rs. in lacs)
Quoted Investments	0.01	0.01	0.01	0.01
Unquoted Investments	1.80	—	1.80	—
TOTAL	1.81	0.01	1.81	0.01

	(Rs. in lacs)		(Rs. in lacs)	
	As at 30.09.2000	As at 30.09.1999	As at 30.09.2000	As at 30.09.1999
SCHEDULE - 7				
INVENTORIES (As taken, valued and certified by the Management)				
(At lower of cost and Net realisable value)				
Stores & Spares	1108.38	1124.87		
Fuel, packing material and raw materials including in-transit Rs. 15,25,735/- (Previous Year Rs.13,331/-)	900.82	1420.82		
Finished goods including in Transit Rs. 20,50,328/- (Previous Year Rs.3,45,428/-)	278.37	364.42		
Trading goods	17.57	—		
Stock in-process	1624.39	779.72		
TOTAL	3929.53	3689.83		
SCHEDULE - 8				
SUNDRY DEBTORS				
Debts outstanding for a period exceeding six months				
Considered Good	435.40	595.37		
Considered Doubtful	402.12	354.84		
Less: Provided for	402.12	354.84		
	435.40	595.37		
Other Debts				
Considered Good	2627.35	1788.44		
TOTAL	3062.75	2383.81		
SCHEDULE - 9				
CASH & BANK BALANCES				
Cash balance in hand	4.65	2.50		
Bank balances :				
With Scheduled banks :				
in current accounts including in transit (including Rs. 0.30 lacs for staff security deposit, Previous Year Rs. 0.30 lacs)	344.17	217.79		
In fixed deposit accounts (including Rs. 1.41 lacs for staff security deposit, Previous Year Rs. 1.41 lacs)	72.63	88.72		
TOTAL	421.45	309.01		
SCHEDULE - 10				
LOANS AND ADVANCES				
(Unsecured, considered good except stated otherwise)				
Advance recoverable in cash or in kind or for value to be received. (capital advance Rs. 330.19 lacs previous year Rs. 166.91 lacs) (including Rs. 1.54 lacs, (previous year Rs.3.45 lacs) to Officers / Manager maximum amount due during the year Rs. 3.45 lacs previous year Rs. 4.82 lacs)	1079.02	585.95		
Less : Provisions for Doubtful Advances	40.77	40.77		
	1038.25	545.18		
Deposits and balances with Government & other authorities	1165.28	1393.85		
Tax Deducted at Source	67.09	9.87		
TOTAL	2270.62	1948.90		
SCHEDULE - 11				
CURRENT LIABILITIES AND PROVISIONS				
A. Current Liabilities				
(i) Sundry creditors	1807.56	2169.55		
(ii) Other liabilities	4024.87	2858.73		
(iii) Trade and other deposits	219.39	199.29		
(iv) Unclaimed dividend	0.12	0.12		
(v) Unclaimed Non-convertible secured debentures	0.38	0.46		
(vi) Interest accrued but not due	265.34	269.93		
(vii) Sales tax (Note No. 5)	2974.62	3346.45		
	9292.28	8844.53		
B. Provisions				
(i) Retirement benefits	182.48	166.52		
(ii) Taxation	15.31	15.31		
	197.79	181.83		
	1999-2000 (12 months)	1998-99 (18 months)		
SCHEDULE - 12				
SALES & SERVICES				
Sales	17556.00	21337.90		
Income from Services (Includes Tax deducted at source Rs. 35.84 lacs) (Previous Year Rs. 16.68 lacs)	8606.26	3436.65		
TOTAL	26162.26	24774.55		
SCHEDULE - 12A				
INTEREST INCOME				
On long term Investments (Gross)	0.01	0.01		
Others	66.32	8.18		
TOTAL	66.33	8.19		
SCHEDULE - 13				
OTHER INCOME				
Dividend (gross) from long term investment	0.12	0.29		
Liabilities no longer required written back and refunds of previous years	4.12	60.23		
Miscellaneous income	106.81	141.08		
TOTAL	111.05	201.60		
SCHEDULE - 14				
INCREASE/(DECREASE) IN STOCK				
Opening Stock :				
Stock in process	779.72	1826.21		
Finished goods	364.42	466.36		
	1144.14	2292.57		
Closing stock :				
Stock in process	1624.39	779.72		
Finished goods	278.37	364.42		
	1902.76	1144.14		
Increase/(Decrease)	758.62	(1148.43)		

	(Rs. in lacs)	
	As at 1999-2000 (12 months)	As at 1998-99 (18 months)
SCHEDULE - 14A		
COST OF TRADED GOODS SOLD		
Opening Stock	—	—
Add: Purchases	1214.24	—
	1214.24	—
Less: Closing Stock	17.57	—
TOTAL	1196.67	—

SCHEDULE - 15

MANUFACTURING EXPENSES

Packing Materials, Stores and Spares consumed	1519.99	1843.71
Power and Fuel	5822.77	9405.56
Repairs to Building	46.67	110.69
Repairs to Machinery	202.31	235.41
Other Repairs	13.62	18.45
TOTAL	7605.36	11613.82

SCHEDULE - 16

PERSONNEL, ADMINISTRATIVE & SELLING EXPENSES

Salaries, Wages, Bonus, Gratuity etc.	1663.39	2166.61
Contribution to provident and other funds	150.29	208.05
Employees welfare expenses	104.32	264.54
Rent	52.61	87.62
Rates and Taxes	217.94	108.48
Insurance	43.23	37.44
Miscellaneous Expenses	421.68	795.45
Advertisement and Publicity	93.46	114.03
Directors' Fees	0.26	1.18
Transportation, Forwarding & other expenses	8345.37	3747.43
Bad Debts written off	0.29	0.63
Loss on sale of Fixed Assets (net)	0.12	30.52
Provisions for doubtful debts and advances	47.27	143.66
Sales Expenses including service charges	233.14	241.31
Exchange Rate Fluctuation (net)	29.83	62.86
TOTAL	11403.20	8009.81

SCHEDULE - 17

INTEREST

On fixed loans / Debentures	1737.79	1125.09
On Others	1455.35	1668.49
TOTAL	3193.14	2793.58

SCHEDULE - 18

ACCOUNTING POLICIES AND NOTES

(A) SIGNIFICANT ACCOUNTING POLICIES

1. Accounting Concepts

The company follows the mercantile system of accounting and recognises income and expenditure on accrual basis. The accounts are prepared on historical cost basis as a going concern. Accounting policies are consistent with generally accepted accounting principles.

2. Sales / Service Income

Sales are inclusive of excise duty and packing charges and includes self consumption of goods produced.

Service Income are inclusive of service tax.

3. Valuation of inventories

Inventories are valued at the lower of cost and net realisable value. The cost is computed on weighted average basis. Finished Goods and Process Stock include cost of conversion and other costs incurred in bringing the inventories to their present location and condition.

4. Investments

Long term investments are stated at cost.

5. Research & Development

Revenue expenditure on research and development is charged out in the year in which it is incurred. Capital expenditure on research and development is shown as an addition to fixed assets.

6. Fixed Assets

Fixed assets are stated at cost of acquisition inclusive of freight, duties and taxes and incidental expenses and adjusted by revaluation of certain assets and benefit of MODVAT / CENVAT / duty draw-back. Original cost of fixed assets acquired through foreign currency loan is adjusted by foreign currency rate fluctuation.

7. Treatment of expenditure during construction period

Expenditure incurred during construction period is included under Capital Work-In-Progress and the same is allocated to the respective Fixed Assets on the completion of its construction.

8. Accounting of claims and subsidies

i) Claims/subsidies receivable are accounted at the time of lodgement depending on the certainty of receipt, claims payable are accounted at the time of acceptance.

ii) Claims raised by Government authorities regarding taxes and duties and of other parties which are disputed by the Company are accounted based on the merits of each claim. Adjustments, if any, are made in the year in which disputes are settled.

9. Depreciation

Depreciation on fixed assets is provided on straight line method at the rates prescribed in Schedule XIV of the Companies Act, 1956. Continuous process plant as defined in Schedule XIV has been taken on technical assessment. Depreciation on increase in value of fixed assets due to exchange rate fluctuations is provided on straight line method during the residual life of the assets.

10. Transaction of foreign currency items

Foreign currency Assets / Liabilities (other than covered by forward contract which are stated at contracted rates) in respect of fixed assets have been restated into Rupees at the Exchange Rate prevailing at the year end and increase/decrease arising out of it are adjusted to the cost of the Fixed Assets and those relating to other items are adjusted in the Profit & Loss account. Exchange rate difference in respect of forward exchange contract (other than for acquisition of Fixed Assets) is recognised as an income or expense over the life of the contract.

11. Retirement benefits

Liability for gratuity and leave encashment are accounted for on accrual basis as per actuarial valuation.

12. Contingent Liabilities

Contingent liabilities are not provided for and are disclosed by way of note.

(B) NOTES ON ACCOUNTS**1. Quantitative information pursuant to the provisions of part II of Schedule VI to The Companies Act, 1956.****A. Licensed and installed capacity and production :**

		1999-2000 (12 Months)		1998-1999 (18 Months)	
		Installed*	Production	Installed*	Production
Cement (Tonnes)	Dry Process Unit	8,75,000	8,53,197	8,75,000	11,00,686
	Wet Process Unit	2,00,000	37,891	2,00,000	1,24,275
TOTAL		10,75,000	8,91,088	10,75,000	12,24,961

Notes :

- (1) Cement is exempt from licensing requirement under New Industrial Policy in terms of Notification No. S.O. 477(E) dated 25th July, 1991.
(2) Installed capacity is as certified by the Management and accepted by the Auditors as correct, being a technical matter.
(3) Capacity per annum*

B. Sales

	1999-2000 (12 Months)		1998-1999 (18 Months)	
	Quantity (Tonnes)	Value (Rs.)	Quantity (Tonnes)	Value (Rs.)
Cement *	896871	1606081100	1222930	2116174054
Clinker	32940	29754048	15524	17616360
Coal	72988	119764426	—	—
TOTAL		1755599574		2133790414

* Includes self consumption 2085 MT, value Rs. 4067633 (previous year 3015 MT, value Rs.6304158) and transit loss, damages, shortages etc.

C. Stocks

	Opening Stock				Closing Stock			
	01.10.1999		01.04.1998		30.09.2000		30.09.1999	
	Quantity (Tonnes)	Value (Rs.)	Quantity (Tonnes)	Value (Rs.)	Quantity (Tonnes)	Value (Rs.)	Quantity (Tonnes)	Value (Rs.)
Cement	23296	35363557	21265	35711041	17513	27558327	23296	35363557
Clinker	10268	1078140	10268	10925152	2658	279090	10268	1078140
Coal	—	—	—	—	1000	1757340	—	—
TOTAL		36441697		46636193		29594757		36441697

D. Purchase for Re-Sale

	1999-2000		1998-99	
	Quantity (MT)	Value (Rs.)	Quantity (MT)	Value (Rs.)
Coal	73988	121423752	—	—
TOTAL		121423752		—

E. Raw materials consumed

	1999-2000		1998-99	
	Quantity (MT)	Value (Rs.)	Quantity (MT)	Value (Rs.)
Seasand	1397	216846	32638	4490206
Limestone	1358366	221362202	1553600	243199708
Gypsum	45518	27556363	52484	23595974
Others	—	13280422	—	11499113
TOTAL		262415833		282785001

F. Value of imported and indigeneous raw materials, spare parts and components consumed.

	1999-2000				1998-99			
	Raw Material		* Spare parts & Components		Raw Material		* Spare parts & Components	
	Value Rs.	% of total Consumption	Value Rs.	% of total Consumption	Value Rs.	% of total Consumption	Value Rs.	% of total Consumption
Imported	—	—	2434183	3.36	—	—	1428272	1.88
Indigenous	262415833	100.00	70060925	96.64	282785001	100.00	74520315	98.12
TOTAL	262415833	100.00	72495108	100.00	282785001	100.00	75948587	100.00

* Excluding packing material consumption Rs. 79503875/- (previous year Rs. 108422717/-)

G. C.I.F. value of imports

	1999-2000 Rs.	1998-99 Rs.
(a) C.I.F. value of imports		
Coal (including Trading Goods Rs. 35151843/-)	160419588	223107998
Capital goods	43109868	26487460
Components & Spare parts	2033526	1344486
Others	7140235	1574791
(b) Expenditure in Foreign currencies (in rupee equivalent)		
Travelling	869173	1314032
Others	172811564	3014572
(c) Earnings in foreign currencies		
F.O.B value of exports	19502413	51621301
Others	21903426	—
		(Rs. In Lacs)
	1999-2000	1998-99
2. Estimated amount of contracts remaining to be executed on capital account and not provided for - against which Rs. 103.77 lacs (previous year Rs.261.30 lacs) advance paid.	329.60	1248.26
3. Contingent liabilities not provided for in respect of :		
a) Demand of GEB contested by the company in the Gujarat High Court not provided for Rs. 715.20 lacs(previous year Rs. 715.20 lacs) including delayed payment charges, against which a sum of Rs.715.20 lacs (previous year 536.99 lacs) has been deposited with GEB under protest by debiting to Deposits Account. (Refer Note No.11)		
b) Rent on Water pipelines demanded by Panchayat, Irrigation Deptt., Govt. of Gujarat, not accepted by the Company Rs. 102.37 lacs (previous year Rs.70.50 lacs).		
c) Sales Tax and Excise Duty demand disputed by the Company - Rs. 493.74 lacs (previous year Rs. 493.74 lacs) and Rs. 29.92 lacs (previous year Nil) respectively.		
d) Custom Duty and Interest which may arise if obligation for export is not fulfilled against import of Inputs made under Advance Licence Scheme in earlier years Rs.206.70 Lacs. (Previous Year Rs. 198.70 lacs). The company's application for extension of time for fulfilment of export obligation is pending with concerned authorities.		
e) Outstanding Bank Guarantee Rs.302.54 lacs net of Rs.213.55 lacs against export obligation.(previous year Rs.304.35 lacs net)		
f) Claims against the company not acknowledged as debts Rs. 9.90 lacs. (previous year NIL).		
4. As per the requirement of Accounting Standard - 2, "Valuation of Inventories" made mandatory effective from 1st April, 1999, the Company has :-		
a) provided liability of Excise Duty on Closing stock of Finished Goods lying uncleared in the factory at the close of the year; resulting in increase in the value of Inventories and corresponding increase in current liabilities by Rs. 54.90 lacs. The same, however, does not have any impact on the loss for the year.		
b) (i) Changed the method of valuation of its Raw Material, Fuel, Packing Material and Stores & Spares from "At Cost" to "At lower of cost and Net realisable value".		
(ii) Amortized the Machinery Spares the use of which are irregular over the residual useful life to the Plant & Machinery.		
The above changes have resulted in the loss for the year being higher and value of inventories being lower by Rs. 37.43 lacs.		
5. Pursuant to consent decree filed in the High Court of Gujarat, Sales Tax earlier claimed as benefit aggregating to Rs.4940.38 lacs pertaining to earlier years had been provided for in the year 1998-99. Accordingly, as per consent decree, down payment of Rs.1500 lacs including interest has been made and balance is payable in 10 half yearly equal instalments starting from 31.03.1999 alongwith interest @ 9% thereon w.e.f. 01.04.1998. The Company has paid two instalments of Rs.371.82 lacs each alongwith interest, however, subsequent instalments due on 31.03.2000 and 30.09.2000 could not be paid due to financial stringencies. Interest on overdue instalments for settled sales tax, as above, has been provided as per the terms of consent decree.		
6. Provision for Penal Interest / liquidated damages (amount unascertainable) on overdue payment of Non Convertible Debentures and loans has not been made in view of rehabilitation package which is under finalisation.		
7. In view of judgement of Hon'ble Supreme Court , in the matter of interest on delayed payment of royalty, the Court has reduced the rate of interest on royalty from 18% p.a. on yearly rest		

basis to 9% p.a. (simple interest) resulting into refund (of interest excess charged / paid in earlier years) due from the authority amounting to Rs. 115.64 lacs and write back of provision of Rs. 534.42 lacs.

8. In compliance of High Court Orders, loss arising out of transfer of units, pursuant to scheme of arrangement between the Company and Gujarat Composite Ltd. was adjusted against the reserve on revaluation of fixed assets. Consequently, depreciation for the current year includes depreciation amounting to Rs.55.08 lacs (previous year Rs.86.26 lacs) pertaining to depreciation on revalued portion of fixed assets for current year with consequent increase in loss for the year.
9. The following are included under other heads of expenses in the Profit and Loss Account :

	(Rs. In Lacs)	
	1999-2000	1998-99
a) Salaries , Wages and Bonus	94.68	165.61
b) Contribution to provident fund and other funds	6.01	9.88
c) Welfare Expenses	3.04	4.89
d) Stores & spares Consumed	128.05	171.88
e) Royalty and Cess Charges	290.73	470.05
f) Power and Fuel	19.62	28.48
g) Repair and maintenance	1.27	1.61
h) Rates & taxes	0.73	2.48
i) Miscellaneous expenses	6.58	5.10
TOTAL	550.71	859.98

10. Capital Work in Progress / Addition to Fixed Assets include Plant and Machinery under installation/transit, building under construction, advance for plant and machinery and pre-operative expenditure pending allocation / capitalisation :

	(Rs. Lacs)	
	30.09.00	30.09.99
a) Interest	113.88	207.39
b) Bank charges and commission	—	61.30
c) Stores and Spares	182.47	373.02
d) Others	—	8.48
	296.35	650.19
Add: Expenditure upto previous year	679.52	64.44
	975.87	714.63
Less: Transferred to Fixed Assets	743.61	35.11
TOTAL	232.26	679.52

11. Gujarat Electricity Board (GEB) had raised demand of Rs.1336.79 lacs by way of Supplementary bill based on their own assumption and calculation, which was challenged by the Company in the Gujarat High Court as unfounded and baseless. As per direction of the Court, the Company had filed its appeal with the Appellate Committee of GEB, who after hearing both the parties, reduced the demand to Rs.447.88 lacs. The Company had again approached the Gujarat High Court and the matter is sub-judice. GEB has also raised demand of Rs.267.32 lacs (previous year Rs.267.32 lacs) being delayed payment charges which has not been accepted by the Company pending decision of the Court. According to the Company, no amount on this account is payable and therefore, no provision thereagainst is considered necessary.
12. Sundry creditors include due to small scale industrial undertakings Rs.20.78 lacs (previous year Rs. 22.06 lacs) to the extent identified from available information and due to other creditors Rs. 1786.78 lacs (previous year Rs. 2147.49 lacs). The name of small scale Industrial undertakings to whom the Company owes a sum exceeding Rs. 1.00 lac, which is outstanding for more than 30 days : (a) VRW Refractories (b) Bright Star Industries
13. In earlier year, the Company has assigned its rights, title and interest in the land and premises at Sewree, Mumbai on lease from Mumbai Port Trust (MPT) at a consideration of Rs.65.00 lacs subject to MPT approval. On receipt of payment, possession of the land and premises was handed over, pending approval of MPT.
14. Income from services includes - inter divisional income of Rs. 41.81 lacs (previous year Rs. 39.79 lacs.) Unrealised profit on unsold stock has been eliminated while valuing the inventories. This accounting treatment has no impact on the loss of the company.
15. Tax deducted at source from interest Rs.0.67 lacs (previous year Rs.1.75 lacs) from rent Rs. 3.06 lacs (previous year Nil) and from others Rs.0.59 lacs (previous year Rs.18.55 lacs).

16. (a) In the opinion of the management, sundry debtors exceeding 6 months of Rs.14.44 lacs (previous year Rs.14.44 lacs) and advance of Rs.87.50 lacs (previous year Rs.87.50 lacs) for which necessary legal/persuasive action for recovery has been taken are good and recoverable.
- (b) Sundry debts exceeding 6 months (considered good) include certain debts of Rs. 153.82 lacs (previous year Rs. 167.01 lacs) for which legal and other necessary steps have been taken for realisation. In the opinion of the management, these are good for recovery; hence no provision there against is considered necessary.
17. Previous year expenses / income (net) amounting to Rs. 145.38 lacs (previous year Rs.122.08 lacs net) have been debited / credited to respective heads of accounts include : Salaries, Wages and Bonus ; Dr. Rs.0.98 lacs (previous year Rs. 9.80 lacs), Power & Fuel ; Dr. Rs. 0.34 lacs (previous year Rs. 31 lacs), Rent Paid ; Dr. Rs. 1.89 lacs (previous year Rs. 25.78 lacs), Rates & Taxes (incl. Sales Tax) ; Dr. Rs. 119.95 lacs (previous year Rs. 65.50 lacs) , Misc. Expenses ;Dr. Rs. 8.13 lacs (previous year 16.68 lacs), Transportation, Forwarding & Other Expenses ; Dr. Rs.0.53 lacs (previous year Cr. Rs.18.57 lacs), Packing Materials, Stores & Spares consumed ; Dr. Rs. 10.42 lacs (previous year Cr. Rs. 8.11 lacs).
18. Sundry creditors include Rs.17.21 lacs (previous year Rs. 17.21 lacs) pending reconciliation of Cement Regulation Account with claims / counterclaims and Rs. 73.06 lacs (previous year Rs.73.06 lacs) being provision made against demand in said account which is contested.
19. The Ministry of Textile vide its order dated 30th June, 1997 and 1st July, 1999 has deleted cement from the list of Commodities to be packed in jute bags under the Jute Packaging (Compulsory use in packaging commodities) Act, 1987. In view of this, the Company does not expect any liability for non despatch of cement in jute bags in respect of earlier years.
20. Despite negative networth and continuous losses the accounts of the company for the year have been prepared on the assumption of "Going Concern Basis"; as the rehabilitation package is under finalisation with the operating agency.
21. Auditors Remuneration:

	1999-2000	1998-99
	Rs.	Rs.
a) Statutory Auditors		
Audit Fees	150000	225000
Tax Audit Fees	50000	75000
For certification & other works including service tax	74222	6925
Reimbursement of expenses	154129	72942
	428351	379867
b) Cost Auditors		
Audit Fees including service tax	43000	60000
	43000	60000

	1999-2000	1998-99
	Rs.	Rs.
22. a) Executive Director's Remuneration		
Salary	—	711667
Contribution to PF & Other funds	—	99000
Perquisites	—	163993
	—	974660
b) Manager's Remuneration		
Salary	* 1034400	* 800000
Contribution to PF & Other funds	279288	235800
Perquisites	606644	116525
	1920332	1152325

* Excluding Gratuity provision of Rs. 45000/- (previous year Rs. 62383/-)

23. Balances of certain debtors, creditors, loans and advances are subject to confirmation.
24. In the opinion of the Board, the current assets, sundry debtors, loans and advances are atleast equal to the value stated in the Balance Sheet, if realised in the ordinary course of business.
25. The figures for the year ended 30th September, 2000 are for 12 months as against previous period's figures of 18 months; therefore previous period's figures are not strictly comparable with the figures of current year.
26. Previous year figures have been recast/regrouped wherever considered necessary.

Signature to Schedules '1' to '18'

As per our report of even date	M.C.BAGRODIA	Chairman
For LODHA & CO.		
Chartered Accountants	S.G.SUBRAHMANYAN	} Directors
N.K. LODHA	K.D. AGRAWAL	
Partner		
Mumbai	S.N.MALPANI	
29th December, 2000	Secretary & Manager	SAURABH MISRA

Additional Information under Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and General Business Profile

1. REGISTRATION DETAILS	Registration No. 749/TA	State Code : 04
	Balance Sheet Date 30-09-2000	
2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.THOUSANDS)	Public Issue : NIL	Right Issue : NIL
	Bonus Issue : NIL	Private Placement : NIL
3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)	Total Liabilities : 3198994	Total Assets : 3198994
Sources of Funds :	Paid Up Capital : 74554	Reserves & Surplus : 9690
Application of Funds :	Secured Loans : 1435231	Unsecured Loans : 730512
	Net Fixed Assets : 973045	Investments : 181
	Net Current Assets : 19280	Miscellaneous Expenditure : NIL
	Accumulated Losses : 1257481	
4. PERFORMANCE OF THE COMPANY (AMOUNT IN RS.THOUSANDS)	Turnover : 1755600	Total Expenditure : 3002957
	+ - Profit/(Loss) before Tax : (-) 291704	+ - Profit/(Loss) after tax : (-) 291704
	Earnings per Share (Rs) : NIL	Dividend Rate (%) : NIL
5. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)		
a) Item Code No.	252329.01	
Product Description	GREY PORTLAND CEMENT	
b) Item Code No.	252310.00	
Product Description	CEMENT CLINKER	

Cash Flow Statement Annexed to the Balance Sheet for the year ended 30th Sept. 2000

(Rs. in lacs)

	1999-2000	1998-99
(A) Cash flow from operating activities		
Net Profit /(Loss) before Tax & Extra-ordinary items	(2917.04)	(6392.50)
Add: Adjustment for:		
a) Depreciation	755.32	764.58
b) Interest	3193.14	2793.58
c) Loss on sale of assets (Net)	0.12	30.52
	3948.58	3588.68
	1031.54	(2803.82)
Less : Adjustment for:		
a) Interest earned	(66.33)	8.19
b) Dividend earned	(0.12)	0.29
	(66.45)	8.48
Operating profit before working capital changes	965.09	(2812.30)
Add Increase in Trade payables	468.30	3131.09
	1433.39	318.79
Less: Increase in Inventory	(239.70)	644.38
Increase in Trade and other receivables	(1000.02)	(619.29)
	(1239.72)	25.09
Cash generated from operation	193.67	343.88
Less : Direct tax payment	—	(65.32)
Cash flow before extra-ordinary item	193.67	278.56
Extra-ordinary item		
(Liability no longer required written back)	650.06	—
(Sales Tax provided for earlier years)	—	(4940.38)
Net cash flow from operating activities	843.73	(4661.82)
(B) Cash flow from investing activities		
<u>Inflow</u>		
a) Sale of Fixed Assets	5.82	11.33
b) Interest received	65.68	9.38
c) Dividend received	0.12	0.29
	71.62	21.00
Less : Outflow		
Purchase of fixed assets	1383.22	5316.73
Net Cash flow from Investing Activities	(1311.60)	(5295.73)
(C) Cash flow from Financing Activities		
a) Proceeds from borrowings (Net)	2771.28	12507.37
b) Interest paid	(2190.97)	(3084.90)
Net Cash flow from Financing Activities	580.31	9422.47
a) Net increase in Cash & Cash equivalent	112.44	(535.08)
b) Cash & Cash equivalents- Opening balance	309.01	844.09
c) Cash & Cash equivalents- Closing balance	421.45	309.01

As per our separate report attached

For **LODHA & CO.**
Chartered Accountants

N.K. LODHA
Partner

S.N. MALPANI
Secretary & Manager

M.C.BAGRODIA

Chairman

S.G. SUBRAHMANYAN

K.D. AGRAWAL

SAURABH MISRA

Directors

Mumbai

29th December, 2000

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of Shree Digvijay Cement Co. Ltd. for the year ended 30th September, 2000. The statement has been prepared by the Company in accordance with the requirements of listing Agreement Clause 32 with Stock Exchange and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of the even date to the members of the Company.

Mumbai

29th December, 2000

For LODHA & CO
Chartered Accountants
N.K. LODHA
Partner

Directors' Report

To the Members

The directors have pleasure in presenting the seventh annual report of your company together with the audited statement of accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

During the year under review the financial results of the company show a loss of Rs. 0.02 lac (previous year Rs. 0.02 lac) after meeting all expenses. In view of loss, no dividend for the year is recommended.

DIRECTORS

In accordance with the provisions of the companies act 1956, and pursuant to the articles of association of the company, Mr. D.N. Makharia retires from the board by rotation and being eligible offers himself for re-appointment.

AUDITORS

Messrs Amritlal H. Jain & Co., Chartered Accountants, the auditors of the company, retire and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

The Company had no employee in the category specified under section 217 (2a) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of operations, we have nothing to report on these matters.

On behalf of the Directors,

Birlagram, Nagda
Dated: 17th April, 2001

SHAILENDRA K. JAIN
Chairman

Auditors' Report

TO THE MEMBERS OF SUN GOD TRADING AND INVESTMENTS LIMITED

We have audited the attached balance sheet of Sun God Trading and Investments Limited as at 31st March, 2001 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and we report that -

- (a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- (b) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of such books.
- (c) The balance sheet and profit and loss account dealt with by this report are in agreement with the books of account.
- (d) In our opinion, the profit and loss account and balance sheet comply with the accounting standards referred in sub-section 3 (c) of Section 211 of the Companies Act, 1956.
- (e) In our opinion and to the best of our information and according to the explanations given to us, the accounts read with notes appearing thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - i) In the case of balance sheet of the state of affairs of the Company as at 31st March, 2001.
 - ii) In the case of profit and loss account, of the loss for the year ended on that date.

1. The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained under Sections 301 and 370 (1b) of the Companies Act, 1956.
2. The Company has not given any loans to companies, firms or other parties listed in the register maintained under Sections 301 and 370 (1 b) of the Companies Act, 1956.
3. The Company has not accepted any deposit from the public within the meaning of Section 58 a of the Companies Act, 1956, and rules framed thereunder.
4. There are adequate internal control procedures commensurate with the size of the company and the nature of its business for the purpose of assets.
5. According to the information and explanations given to us and records examined by us, no personal expenses have been charged to revenue account.
6. No undisputed amounts payable in respect of income tax, sales tax, custom duty, excise duty and wealth tax at the last date of the financial year were outstanding for the period of more than six months from the date they become payable.

For Amritlal H. Jain & Co.
Chartered Accountants

Birlagram, Nagda
Dated : 17th April, 2001

Amritlal H. Jain
Partner

Balance Sheet as at 31st March, 2001

SOURCES OF FUNDS

Shareholders' Funds

SHARE CAPITAL

Authorised :

49000 Equity Shares of Rs. 10 each	4.90	4.90
100 15% Redeemable Cumulative Preference Shares of Rs. 100 each	0.10	0.10
	5.00	5.00

Issued and Subscribed :

520 Equity Shares of Rs. 10 each	0.05	0.05
100 15% Redeemable Cumulative Preference Shares of Rs. 100 each	0.10	0.10
	0.15	0.15

Paid up :

520 Equity Shares of Rs. 10 each fully paid up (520 Shares held by Grasim Industries Limited.)	0.05	0.05
100 15% Redeemable Cumulative Preference Shares of Rs.100 each partly paid up Rs.25 each {Redeemable not later than 12th July, 2004 by virtue of Section 80 A of the Companies Act, 1956 as amended by the Companies (Amendment) Act, 1988.}	0.03	0.03
TOTAL	0.08	0.08

APPLICATION OF FUNDS

Current Assets, Loans and Advances

Current Assets :

Balances with Scheduled Banks :
Current Accounts (Rs.5, Previous Year Rs.215)

Less:

Current Liabilities & Provisions

Current Liabilities :

Sundry Creditors

Due to holding Company	0.06	0.06
Other Liabilities	0.02	0.01

Net Current Assets

Miscellaneous Expenditure

(To the extent not written off or adjusted)

Preliminary expenses

Profit and Loss Account

Loss as per last Balance Sheet

Add: As per Profit and Loss Account annexed

TOTAL

Notes on Accounts

Schedule 'A'

As per our Report annexed.

For AMRITLAL H. JAIN & CO.,
Chartered Accountants

AMRITLAL H. JAIN

Partner

Birlagram, Nagda

Dated : 17th April, 2001

Profit And Loss Account for the year ended 31st March, 2001

INCOME

EXPENDITURE

Bank Commission (Rs.210, Previous year Rs.255)

Auditors' Remuneration

Audit Fee

Preliminary Expenses written off

Balance carried to Balance Sheet

Notes on Accounts

Schedule 'A'

Schedule forming part of Accounts

SCHEDULE 'A'

Notes on Accounts

- Contingent Liability not provided for arrears of dividend on Cumulative Preference Shares from 5.11.1994 to 31.3.2001 is Rs. 0.02 lac (Previous Year Rs. 0.02 lac).
- Significant Accounting Policies
 - Revenues are accounted for on accrual basis.
 - Amortisation of Preliminary Expenses :
Preliminary Expenses are amortised over a period of ten years.
- Additional information required under Paragraphs 3 and 4D of Part II of Schedule VI to the Companies Act, 1956: - Nil
- The figures have been rounded off to the nearest thousand Rupees.
- Figures appearing in brackets denotes negative values.

Additional Information under Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and General Business Profile

- REGISTRATION DETAILS :
Registration No.: 1 0 - 8 4 4 6 State Code : 1 0
Balance Sheet Date : 3 1 - 0 3 - 2 0 0 1
- CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.THOUSANDS)
Public Issue : NIL Right Issue : NIL
Bonus Issue : NIL Private Placement : NIL
- POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)
Total Liabilities : 16 Total Assets : 16
Sources of Funds : Paid Up Capital : 8 Reserves & Surplus : NIL
Secured Loans : NIL Unsecured Loans : NIL
Application of Funds : Net Fixed Assets : NIL Investments : NIL
Net Current Assets : (-) 8 Miscellaneous Expenditure : 2
Accumulated Losses : 14
- PERFORMANCE OF THE COMPANY (AMOUNT IN RS.THOUSANDS)
Turnover : NIL Total Expenditure : 2
+ - Profit/(Loss) before Tax : (-) 2 + - Profit/(Loss) after tax : (-) 2
Earnings per Share (Rs) : N.A. Dividend Rate (%) : N.A.
- GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)
a) Item Code No. N. A. Product Description N. A.
b) Item Code No. N. A. Product Description N. A.
c) Item Code No. N. A. Product Description N. A.

SHAILENDRA K. JAIN

G.K. TULSIAN

D.N. MAKHARIA

Directors

Directors' Report

To the Members

The Directors have pleasure in presenting the Seventh Annual Report of your Company together with the Audited Statement of Accounts for the year ended 31st March, 2001.

FINANCIAL RESULTS

		Rs. Lacs Previous Year
Profit before tax	74.12	13.99
Less: Provision for tax	7.16	1.62
	66.96	12.37
Balance brought forward from earlier year	12.28	(0.09)
	79.24	12.28
Appropriations		
Proposed preference dividend	0.02	-
Corporate dividend tax thereon (Rs. 241, previous year Rs.Nil)		
Balance carried to Balance Sheet	79.22	12.28
	79.24	12.28

DIVIDEND

Your Directors are glad to recommend the following dividend for the year ended 31st March, 2001 for your consideration for which necessary provision has been made in the accounts :

	Rs. Lacs
On 100 15% Cumulative Redeemable Preference Shares (from 5.11.1994 to 31.3.2001)	0.02
Corporate dividend tax thereon @ 10% (Rs. 241)	0.02

On behalf of the Directors,

SAMRUDDHI SWASTIK TRADING AND INVESTMENTS LIMITED

DIRECTORS

In accordance with the provisions of the Companies Act 1956 and pursuant to the Articles of Association of the Company, Mr. P.P. Agarwal retires from the board by rotation and being eligible offers himself for re-appointment.

APPOINTMENT OF MANAGER

Board appointed Mr. Kundan Lodha as Manager of the Company pursuant to Section 387 read with 2 (24) of the Companies Act, 1956 for a period of 5 years w.e.f 01.01.2001.

The appointment is to be ratified by shareholders for which necessary resolution is to be passed in the ensuing Annual General Meeting. details of the appointment are contained in the notice.

AUDITORS

Messrs Amritlal H. Jain & Co., Chartered Accountants, the Auditors of the Company, retire and being eligible offer themselves for re-appointment.

PARTICULARS OF EMPLOYEES

The Company had no employee in the category specified under Section 217 (2A) of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

In view of the nature of operations, we have nothing to report on these matters.

Birlagram, Nagda
Dated: 17th April, 2001

O.P. RUNGTA
Chairman

Auditors' Report

TO THE MEMBERS OF SAMRUDDHI SWASTIK TRADING AND INVESTMENTS LIMITED

We have audited the attached Balance sheet of Samruddhi Swastik Trading and Investments Limited as at 31st March, 2001 and also the Profit and Loss Account of the Company for the year ended on that date annexed thereto and we report that -

- We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.
- In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of such books.
- The Balance sheet and Profit and Loss Account dealt with by this Report are in agreement with the books of account.
- In our opinion, the Profit and Loss Account and Balance Sheet comply with the Accounting standards referred in sub-section 3 (c) of Section 211 of the Companies Act, 1956.
- In our opinion and to the best of our information and according to the explanations given to us, the accounts read with notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
 - In the case of Balance Sheet, of the State of Affairs of the Company as at 31st March, 2001.
 - In the case of Profit and Loss Account, of the Profit for the year ended on that date.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, and on the basis of such checks of the books and records as we considered appropriate, we further report on the matters specified in Paragraphs 4 & 5 of the said order to the extent applicable as under :

- The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- None of the Fixed Assets have been revalued during the year.

- The Company has not taken any loans, secured or unsecured from companies, firms or other parties listed in the register maintained Under Sections 301 and 370 (1B) of the Companies Act, 1956.
- The Company has not given any loans to Companies, Firms or other parties listed in the register maintained Under Sections 301 and 370 (1 B) of the Companies Act, 1956.
- The Company has not accepted any deposit from the public within the meaning of Section 58 A of the Companies Act, 1956, and Rules framed thereunder.
- There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purpose of assets.
- According to the information and explanations given to us and records examined by us, no personal expenses have been charged to Revenue Account.
- No undisputed amounts payable in respect of Income Tax, Sales Tax, Custom Duty, Excise Duty and Wealth Tax at the last date of the financial year were outstanding for the period of more than six months from the date they become payable.

Birlagram, Nagda
Dated : 17th April, 2001

For AMRITLAL H. JAIN & CO.
Chartered Accountants

AMRITLAL H. JAIN
Partner

Balance Sheet as at 31st March, 2001

SOURCES OF FUNDS

		Rs. Lacs Previous year
Shareholders' Funds		
SHARE CAPITAL		
Authorised :		
6999000 Equity Shares of Rs. 10 each	699.90	699.90
100 15% Redeemable Cumulative Preference Shares of Rs. 100 each	0.10	0.10
	700.00	700.00
Issued and Subscribed :		
6500000 Equity Shares of Rs. 10 each	650.00	650.00
100 15% Redeemable Cumulative Preference Shares of Rs. 100 each	0.10	0.10
	650.10	650.10
Paid up :		
6500000 Equity Shares of Rs.10 each fully paid up (6500000 Shares held by Grasim Industries Limited.)	650.00	650.00
100 15% Redeemable Cumulative Preference Shares of Rs.100 each partly paid-up Rs.25 each {Redeemable not later than 12th July, 2004 by virtue of Section 80 A of the Companies Act,1956 as amended by the Companies (Amendment) Act, 1988.}	0.03	0.03
RESERVES AND SURPLUS		
Profit and Loss Account		
Surplus as per Profit and Loss Account	79.22	12.28
TOTAL	729.25	662.31
APPLICATION OF FUNDS		
Fixed Assets Schedule 'A'		
Gross Block	752.02	752.02
Less: Depreciation	76.73	41.19
Net Block	675.29	710.83
Investments (At cost)		
Shares		
Unquoted - Fully Paid 9000 Equity Shares of Rs.10 each in Birla Technologies Ltd. (Purchased during the year)	2.72	—
Current Assets, Loans and Advances		
Current Assets		
Sundry Debtors	0.31	50.75
(Unsecured, considered Good, Less than six months)		
Cash and Bank Balances		
Balances with Scheduled Banks :		
Current Accounts	0.25	0.04
Deposit Account	52.66	—
	52.91	—
Loans and Advances		
Advance Income tax - Less Provisions	41.18	15.51
	94.40	66.30
Less:		
Current Liabilities & Provisions		
Liabilities :		
Sundry Creditors :		
Due to Holding Company	0.01	70.65
Security and other Deposits	42.96	42.96
Other Liabilities	0.19	1.24
	43.16	114.85
Provisions:		
Proposed Preference Dividend	0.02	-
Corporate Dividend Tax (Rs.241)	43.18	-
	43.18	-
Net Current Assets	51.22	(48.55)
Miscellaneous Expenditure		
(To the extent not written off / adjusted)		
Preliminary expenses	0.02	0.03
TOTAL	729.25	662.31
Notes on Accounts	Schedule 'B'	

Profit And Loss Account for the year ended 31st March, 2001

	Rs. Lacs Previous year
INCOME	
Interest (Gross) on :	
Deposit Account	0.85
(Tax deducted at source Rs. 0.19 lac, Previous year Rs. Nil)	
Profit on sale of Investments	—
	0.31
Rent Received	108.85
(Tax deducted at source Rs.24.42 Lacs, Previous year Rs. 9.39 Lacs)	
	109.70
EXPENDITURE	
Rates & Taxes	—
	5.83
Auditors' Remuneration	
Audit Fee	0.01
	0.01
Tax Audit Fee	0.02
	—
	0.03
	0.01
Bank Commission (Rs.295, Previous Year Rs.Nil)	
Preliminary Expenses written off	0.01
	0.01
Depreciation	35.54
	36.51
	35.58
	42.36
Profit before Tax	74.12
	13.99
Provision for Tax	7.16
	1.62
Profit after Tax	66.96
	12.37
Profit / (Loss) for the last year Brought forward	12.28
	(0.09)
Profit available for Appropriation	79.24
	12.28
Appropriations	
Proposed Preference Dividend	0.02
	—
Corporate Dividend Tax thereon (Rs.241, Previous year Rs. Nil)	
	—
Balance Carried to Balance Sheet	79.22
	12.28
	79.24
	12.28
Notes on Accounts	Schedule 'B'

As per our separate Report attached.

For AMRITLAL H. JAIN & CO.,
Chartered Accountants

Birlagram, Nagda
Dated : 17th April, 2001

AMRITLAL H. JAIN
Partner

KUNDAN LODHA
Manager

O. P. RUNGTA
G. K. TULSIAN
P. P. AGARWAL
Directors

Schedules forming part of Accounts

SCHEDULE 'A'

FIXED ASSETS

Particulars	Gross Block		Depreciation			Net Block		
	As at 01.04.00	Additions	As at 31.03.01	Upto 31.03.00	For the Year	Upto 31.03.01	As at 31.03.00	As at 31.03.01
	Buildings	752.02	-	752.02	41.19	35.54	76.73	710.83
	752.02	-	752.02	41.19	35.54	76.73	710.83	675.29
Previous year	108.38	643.64	752.02	4.68	36.51	41.19		

Rs. Lacs

As per our separate Report attached.

For AMRITLAL H. JAIN & CO.,
Chartered Accountants

AMRITLAL H. JAIN
Partner

Birlagram, Nagda
Dated : 17th April, 2001

KUNDAN LODHA
Manager

O. P. RUNGTA
G. K. TULSIAN
P. P. AGARWAL
Directors

SCHEDULE 'B'

Notes on Accounts

- Significant Accounting Policies :
 - Revenues are accounted for on accrual basis.
 - Fixed Assets & Investments are stated at Cost.
 - Amortisation of Preliminary Expenses :
Preliminary Expenses are amortised over a period of ten years.
 - Depreciation is charged on Written Down Value Method applying rates of Schedule XIV of the Companies Act 1956.
- Building includes Rs. 674.86 lacs being cost of equity shares and debentures of a Company, entitling the Company the right of exclusive occupation and use of certain office premises.
- Additional information required under Paragraphs 3, and 4D of Part II of Schedule VI to the Companies Act, 1956: - Nil
- Previous year's figures have been regrouped wherever necessary to make them comparable.
- The figures have been rounded off to the nearest thousand Rupees.

Additional Information under Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and General Business Profile

1. REGISTRATION DETAILS

Registration No.	10-8447	State Code : 10
Balance Sheet Date	31-03-2001	

2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.THOUSANDS)

Public Issue : NIL	Right Issue : NIL
Bonus Issue : NIL	Private Placement : NIL

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)

Sources of Funds :	Total Liabilities : 77243	Total Assets : 77243
	Paid Up Capital : 65003	Reserves & Surplus : 7922
	Secured Loans : NIL	Unsecured Loans : NIL
Application of Funds :	Net Fixed Assets : 67529	Investments : 272
	Net Current Assets : 5122	Miscellaneous Expenditure : 2
	Accumulated Losses : NIL	

4. PERFORMANCE OF THE COMPANY (AMOUNT IN RS.THOUSANDS)

Turnover : 10970	Total Expenditure : 3558
+ - Profit/(Loss) before Tax : (+) 7412	+ - Profit/(Loss) after tax : (+) 6696
Earnings per Share (Rs) : 1.03	Dividend Rate (%) : 15

5. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

a) Item Code No.	N.A.
Product Description	N.A.
b) Item Code No.	N.A.
Product Description	N.A.
c) Item Code No.	N.A.
Product Description	N.A.

Directors' Report

Dear Shareholders

Your directors have pleasure in presenting the 1st Annual Report and Audited Annual Accounts of your company, after its incorporation on 18th August, 2000, for the financial period ended 31st March, 2001.

FINANCIAL RESULTS

	(Rs. in lacs) For the period ended 31.03.2001
Revenue from operations	602.91
Profit (Loss) before interest, depreciation and taxes	(202.74)
Interest	14.21
Profit (Loss) before depreciation and tax	(216.95)
Depreciation/Amortisation	39.02
Profit (Loss) before tax	(255.97)
Provision for Tax	4.83
Profit (Loss) carried to balance sheet	(260.80)

OPERATIONS

The Company started its operations with the acquisition of software division of the Grasim Industries Limited, as a going concern, on 31st January, 2001 and became its subsidiary company, against allotment of shares and the operations for the year

During the year the Company successfully completed a number of projects, both in India and overseas, securing many repeat orders. The Company operated two offices in US and another in UK and put competent teams in position both for procurement and fulfillment of business. A number of promising leads are being pursued in new as well as established markets.

Your Company identified five main business focus areas: finance, telecom, insurance, e-learning and professional services. In order to widen its reach and to reduce time-to market, your Company tied up with leaders of most of these areas - with Solcorp for insurance, with Knowledge Mechanics for e-learning and with Hotpalm.com for wireless.

Your Company was awarded ISO 9001 certification for the facilities set up for developing software & related services.

OUTLOOK

The slowdown in the US economy, traditionally the largest market for the Indian software industry, has major impact on the IT industry as a whole. Though this is likely to have an adverse effect on the Company's performance projections, your company is vigorously exploring opportunities in new markets and is gearing up to launch a number of products.

The new business alliances were in addition to the Company's ongoing relationship with Lawson Software for selling and supporting Lawson's Web-deployable, enterprise-wide, client/server business management solutions. Your Company is part of Lawson's Global Alliance Integrated Network (GAIN).

GAIN and the Solcorp Competency Centre, which is being set-up, are expected to play an important role in increasing the Company's presence in the world market, particularly in the Asia Pacific region.

HUMAN RESOURCE

The Company's strength lies in the skill of its people and this year with several new employees joining the team, a number of new initiatives in training and development and performance assessment have been put in place. These are expected to yield rich dividends in terms of quality and caliber of Birla Technologies team, in the years to come.

Directors Responsibility statement

The Directors of the Company while preparing annual accounts

- 1) Have followed the applicable accounting standards without any material departure;
- 2) 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 the financial year and of the loss of the Company for that period;
- 3) Had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- 4) Had prepared the annual accounts on a going concern basis.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

- A) The details on conservation of energy cannot be given in view of the nature of the Industry.
- B) Research & Development Activities
Our company continuously invests in research and development activities to ensure high level of technical competence in the areas of software development and refinement of existing products and services. The Company will sustain its efforts to master new technologies in hardware and software and keep its personnel current in the latest technology applications.
- C) Technology Absorption
Your Company is equipped with technologies from world's leaders like Oracle, Sun, Microsoft, and IBM.
- D) Foreign Exchange Earnings & outgo.
The information on foreign exchange earnings and outgo is contained in the Clause No 1&2 to the Notes to the Accounts.

DIRECTORS

Shri Gopikrishna Tulsian, Director, retire by rotation and being eligible, offers himself for re-appointment.

AUDITORS & AUDITORS' REPORT

M/s.Price Waterhouse, the first Auditors of the Company retire at the first annual general meeting and are eligible for re-appointment. The Board recommends their re-appointment. The report of the Auditors of the Company is self-explanatory and, does not require any clarification.

AUDIT COMMITTEE

In terms of provisions of Section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee consisting of three directors of the Company.

PARTICULARS OF EMPLOYEES

The particulars of the employees in terms of provisions of Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975, are enclosed and forming part of the report of the Board of Directors.

ACKNOWLEDGEMENT

The Directors place on record their sincere gratitude to the Company's bankers, financial institutions, business associates and the employees for their support and co-operation during the year.

For and on behalf of the Board

Mumbai
Dt.27th April, 2001

M.C.Bagrodia
Dr. Bharat K.Singh
Directors

Auditors' Report

TO THE MEMBERS OF BIRLA TECHNOLOGIES LIMITED

1. We report that we have audited the Balance Sheet of Birla Technologies Limited as at March 31, 2001 and the relative Profit and Loss Account for the period August 18, 2000 to March 31, 2001, both of which we have signed under reference to this report.
2. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account, together with the Notes thereon and annexed thereto, comply with the accounting standards issued by the Institute of Chartered Accountants of India and referred to in section 211(3C) of the Companies Act, 1956 of India ("the Act") give in the prescribed manner, the information required by the Act, and also give, respectively, subject to paragraph 2.1 below, a true and fair view of the state of the Company's affairs as at March 31, 2001 and its loss for the period ended on that date.
- 2.1 Note 6 on Schedule N, regarding excess remuneration of Rs. 108,131 paid to the Manager appointed under Section 269 of the Act, for which the Company is in process of seeking the necessary approval from the Central Government.
3. We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for our audit. In our opinion, proper books of account have been kept, as required by law, so far as appears from our examination of those books and the above mentioned Accounts are in agreement therewith.
4. Based on representations made by all the Directors of the Company and the information and explanations as made available, directors of the Company do not prima facie have any disqualification as referred to in clause (g) of sub-section (1) to Section 274 of the Act.
5. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated 7th September 1988 and issued by the Central Government of India and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:
 - (i) (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.
 - (b) The fixed assets of the Company have been physically verified by the Management during the period and no discrepancies between the book records and the physical inventory were noted.
 - (ii) The fixed assets of the Company have not been revalued during the period.
 - (iii) In our opinion, the valuation of unbilled contracts has been fair and proper in accordance with the normally accepted accounting principles in India.
 - (iv) In our opinion, the rates of interest and the terms and conditions of loans, secured or unsecured, taken by the Company from companies, firms or other parties listed in the register maintained under Section 301 of the Act, are not prima facie prejudicial to the interests of the Company. In terms of sub-section (6) of Section 370 of the Act, the provisions of Section 370 are not applicable to a company after the commencement of the Companies (Amendment) Act, 1999, of India.
 - (v) The Company has not given any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, the provisions of Section 370 are not applicable to a company after the commencement of the Companies (Amendment) Act, 1999, of India.

- (vi) Except for loans to employees, the Company has not given any loans or advances in the nature of loans. The employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts, as stipulated, and are also regular in payment of interest, where applicable.
- (vii) In our opinion, the internal control procedure is generally commensurate with the size of the Company and the nature of its business, for purchases of plant and machinery, equipment and similar assets.
- (viii) The Company has not purchased goods and materials or sold goods and materials aggregating Rs. 50,000 or more in value, during the period from/ to any of the parties listed in the register maintained under Section 301 of the Act. In our opinion, sale of services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating Rs. 50,000 or more in value during the period in respect of each party, have been made at prices at which transactions for similar services have been made with other parties.
- (ix) The Company has not accepted any deposits from the public during the period.
- (x) The Central Government of India has not prescribed the maintenance of cost records by the Company under Section 209(1)(d) of the Act for any of its products.
- (xi) The Company has generally been regular during the period in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
- (xii) At the last day of the financial period, there were no amounts outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty, which were due for more than six months from the date they became payable.
- (xiii) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, other than those payable under contractual obligations and accepted business practices, nor have we been informed of any such cases by the Management.
- (xiv) The Company is not a sick industrial company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, of India.
- (xv) The nature of services rendered by the Company is such that it does not involve consumption of materials or stores.
- (xvi) Considering the nature of services rendered and the basis of billings, in our opinion, the Company has a reasonable system of allocating man-hours utilised to the relative jobs, commensurate with its size and nature of business.
- (xvii) The other clauses of the Manufacturing and Other Companies (Auditor's Report) Order, 1988, were not applicable to the Company during the period.

Neeraj Gupta
Partner

For and on behalf of

Place : Mumbai
Date : 27th April , 2001

Price Waterhouse
Chartered Accountants

Balance Sheet as at March 31, 2001

Particulars	Schedule	Rupees	As at March 31, 2001 Rupees
SOURCES OF FUNDS			
Shareholders' Funds			
Capital	A	98,003,500	
Reserves and Surplus	B	195,076,544	
			293,080,044
Loan Funds			
Unsecured Loans	C		83,025,000
Total			376,105,044
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	D	264,122,542	
Less: Depreciation		3,901,634	
Net Block		260,220,908	
Capital Work in Progress		9,878,919	270,099,827
Current Assets, Loans and Advances			
Inventories	E	2,842,000	
Sundry Debtors	F	86,393,779	
Cash and Bank Balances	G	5,612,773	
Loans and Advances	H	21,795,887	
		116,644,439	
Less : Current Liabilities and Provisions			
Liabilities	I	34,211,573	
Provisions		2,507,518	
		36,719,091	
Net Current Assets			79,925,348
Profit and Loss Account			26,079,869
			376,105,044
Notes to Accounts	N		

Schedules referred to herein form an integral part of the Balance Sheet.

Profit and Loss Account for the period August 18, 2000 to March 31, 2001

Particulars	Schedule	August 18, 2000 to March 31, 2001 Rupees
INCOME		
Sales		59,982,285
Other Income		308,603
Increase in Work-in-Progress	J	1,394,000
		61,684,888
EXPENDITURE		
Software Development Expenses	K	44,477,554
Employee Costs	L	11,893,283
Selling, Distribution, Administration and Other Expenses	M	25,587,869
Interest — Others		1,421,417
Depreciation/Amortisation		3,901,634
		87,281,757
Loss before Taxation		25,596,869
Provision for Income Tax [Refer Note 3 on Schedule N] (Including wealth tax of Rs. 58,000)		483,000
Loss after Taxation		26,079,869
Profit and Loss Account Balance Carried to Balance Sheet		26,079,869
Notes to Accounts	N	

Schedules referred to herein form an integral part of the Profit and Loss Account.

This is the Balance Sheet referred to in our report of even date.

Neeraj Gupta
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Ashok Sand
Manager

Vijayesh Atre
Secretary

For and on behalf of the Board of Directors

M.C. Bagrodia
Dr. Bharat K. Singh
Directors

Place : Mumbai
Date : 27th April, 2001

Schedules forming part of the Balance Sheet as at March 31, 2001

Particulars	As at March 31, 2001 Rupees	Particulars	Rupees	As at March 31, 2001 Rupees
SCHEDULE A		SCHEDULE B		
Capital		Reserves and Surplus		
Authorised :		Share Premium		196,000,000
12,000,000 Equity Shares of Rs. 10 each	120,000,000	Less: Adjustment of Preliminary Expenses	5,456	
Issued and Subscribed		Adjustment of Share Issue Expenses	918,000	923,456
9,800,350 Equity Shares of Rs. 10 each, fully paid-up	98,003,500			195,076,544
	98,003,500			
Notes:		SCHEDULE C		
Of the above		Unsecured Loans		
1) 9,800,000 Equity Shares of Rs.10 each, fully paid-up		Inter Corporate Deposits		83,025,000
were issued for consideration other than cash, on transfer of the Software		(Repayable within one year Rs. 83,025,000)		
Services Division of Grasim Industries Limited. [Refer Note 10 on Schedule N]				83,025,000
2) 9,791,000 Equity Shares of Rs. 10 each, fully paid-up are held				
by Grasim Industries Limited, the holding company.				

SCHEDULE D

Fixed Assets [Refer Note 2(a) on Schedule N]

Particulars	Gross Block			Depreciation/ Amortisation		Net Book Value
	Acquisition of assets from Grasim Industries Limited (Refer Note 11 on Schedule N) Rupees	Additions during the period Rupees	As at March 31, 2001 Rupees	For the period Rupees	Up to March 31, 2001 Rupees	As at March 31, 2001 Rupees
Goodwill	53,587,533	-	53,587,533	1,786,251	1,786,251	51,801,282
Software Products	75,010,000	-	75,010,000	-	-	75,010,000
Leasehold Land	15,135,000	918,200	16,053,200	41,374	41,374	16,011,826
Office Building	62,460,000	-	62,460,000	169,683	169,683	62,290,317
Plant and Machinery	30,235,377	1,146,726	31,382,103	1,507,119	1,507,119	29,874,984
Office Equipment	6,305,423	166,366	6,471,789	67,744	67,744	6,404,045
Furniture and Fixtures	12,803,424	130,417	12,933,841	230,186	230,186	12,703,655
Vehicles	5,547,588	676,488	6,224,076	99,277	99,277	6,124,799
Total	261,084,345	3,038,197	264,122,542	3,901,634	3,901,634	260,220,908
Capital Work-in-Progress (Including capital advance Rs. 6,139,803)						9,878,919
						270,099,827

Particulars	As at March 31, 2001 Rupees	Particulars	As at March 31, 2001 Rupees
SCHEDULE E		SCHEDULE F	
Inventories		Sundry Debtors	
[Refer Note 2(b) on Schedule N]		Unsecured	
Work-in-progress (Unbilled Contracts)	2,842,000	Debts Outstanding for a period over Six Months	
Total	2,842,000	— Considered Good	10,222,525
		— Considered Doubtful	10,993,069
		Others	
		— Considered Good	76,171,254
			97,386,848
		Less : Provision for doubtful debts	10,993,069
		Total	86,393,779

Particulars	Rupees	As at March 31, 2001 Rupees
SCHEDULE G		
Cash and Bank Balances		
Cash on Hand		63,283
Balances with Scheduled Banks		
— in Current Accounts	4,918,559	
— in Exchange Earners Foreign Currency Account [US Dollars 12,313 and UK Pounds 894]	630,931	
Total		5,612,773
SCHEDULE H		
Loans and Advances		
(Unsecured, Considered Good)		
Advances Recoverable in Cash or in Kind or for Value to be Received	12,774,302	
Deposits with Government Authorities	64,700	
Other Deposits	8,797,625	
Advance Income Tax (Net of Provision)	159,260	
Total		21,795,887
SCHEDULE I		
Current Liabilities and Provisions		
Liabilities		
Sundry Creditors		
— Other than Small Scale Industrial Undertakings	25,101,641	
Other Liabilities	9,109,932	
		34,211,573
Provisions		
Retirement Benefits [Refer Note 2(d) on Schedule N]	2,449,518	
Provision for Wealth Tax	58,000	
		2,507,518
Total		36,719,091
August 18, 2000 to March 31, 2000 Rupees		
SCHEDULE J		
Increase in Work-in-Progress		
Closing Balance:		
— Work-in-Progress	2,842,000	
Less: Work-in-Progress taken-over from Grasim Industries Limited [Refer Note 10 on Schedule N]	1,448,000	1,394,000
Total		1,394,000
SCHEDULE K		
Software Development Expenses		
Salaries and Allowances	39,257,839	
Travelling and Conveyance	1,528,083	
Insurance Charges	2,257,505	
Repairs and Maintenance	54,442	
Training Expenses	228,585	
Other Expenses	1,151,100	
Total		44,477,554
SCHEDULE L		
Employee Costs		
Salaries and Allowances	11,132,904	
Contribution to Provident and Other Funds	492,081	
Staff Welfare Expenses	268,298	
Total		11,893,283

Particulars	Rupees	August 18, 2000 to March 31, 2001 Rupees
SCHEDULE M		
Selling, Distribution, Administration and Other Expenses		
Commission		1,010,640
Electricity Charges		485,715
Repairs and Maintenance — Plant and Machinery		234,658
Advertisement and Business Promotion		722,368
Insurance		332,346
Rent		2,316,552
Printing and Stationery		222,346
Communication		1,378,394
Travelling and Conveyance		2,889,204
Legal and Professional fees		1,972,903
Bad Debts Written-off		104,225
Provision for Doubtful Debts		10,993,069
Bank Charges		130,406
Recruitment Expenses		1,123,221
Auditors' Remuneration		
— As Auditors	150,000	
— Other Matters	70,000	220,000
Exchange Rate Difference (net)		539,139
Miscellaneous		912,683
Total		25,587,869

SCHEDULE N

NOTES TO ACCOUNTS

- These Accounts have been prepared under historical cost convention, on accrual basis and comply with the Accounting Standards referred to in Section 211(3C) of The Companies Act, 1956, of India (The Act).
- Significant Accounting Policies
 - Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition/construction, less accumulated depreciation. Assets acquired from Grasim Industries Limited are depreciated on straight-line basis over their remaining useful life at the following rates:

Plant and Machinery	30.70%
Office Equipments	6.39%
Furniture and Fixtures	11.31%
Vehicles	10.99%

Depreciation on additions during the period has been made on a pro-rata basis on straight-line basis at the rates prescribed in Schedule XIV to The Act.

Leasehold land is being amortised equally over the remaining period of lease.

Goodwill is being amortised equally over five years.

Software Products are being valued as per valuation report issued by an independent professional valuer and obsolescence, if any, is being considered on an annual basis.
 - Inventories

Unbilled contracts are valued based on the actual cost incurred on the unbilled portion of the contract.
 - Preliminary Expenses and Share Issue Expenses

Preliminary and share issue expenses incurred during the period have been written-off against the share premium received, in accordance with provision of Section 78(2) of the Act.
 - Retirement Benefits
 - Gratuity

Gratuity is accounted on an actuarial valuation basis.
 - Leave Encashment

Liability for leave encashment is made on unavailed accumulated leave balances of the employees on the basis of their current salaries.

- e) Foreign Currency Transactions
Transactions in foreign currencies are accounted for at the rate prevalent at the time of transaction. Current assets and current liabilities are converted at the period-end rates and both gains/ losses are recognised.

Transactions pertaining to overseas branches have been converted as under:

- Profit and Loss items at the average rate for the period.
- Fixed assets at rates prevailing on the dates of additions. Depreciation is accounted for at the same rate at which these assets are converted.
- Other current assets and liabilities are converted at rates prevailing at the end of the period.

- f) Revenue Recognition
Revenue from fixed-price contracts is recognized on the basis of completed milestones as specified in the contracts, on a percentage completion basis. Revenue from software developed on a time-and-materials basis is recognized as per the terms of specific contracts.

3. Provision for taxation of Rs. 425,000 represents taxes payable on income arising from the Company's overseas branch in United Kingdom.

4. Estimated amounts of contracts (net of advances) remaining to be executed on Capital Account not provided for Rs. 16,904,331.

Contingent Liabilities at the year-end not provided for, in respect of:	As at March 31, 2001 Rupees
Custom duty that may arise on non-fulfillment of export obligation by March 31, 2002	66,924,631

Managerial Remuneration included in Employee Costs (Schedule L): Particulars	March 6, 2001 to March 31, 2001 (Rupees)
Salary and Allowances	222,247
Perquisites and Incentives	14,103
Contribution to Provident Fund	10,258
Total	246,608

The Company has appointed a Manager under Section 269 of the Act with effect from March 6, 2001. The Company has paid Rs. 108,131 in excess of that prescribed under Part II of Schedule VI to the Act, for which the Company is in process of seeking the necessary approval from the

Central Government. As per Section 269(3), the Company is permitted to apply within 90 days from the date of appointment.

7. Quantitative details
The Company is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic units. Hence, it is not possible to give the quantitative details of sales and the information as required under paragraphs 3,4C and 4D of part II of Schedule VI to the Act.

8. Earnings in Foreign Currency

	(Rupees) Period ended March 31, 2001
F.O.B. Value of Exports - Softwares	56,347,235

9. Expenditure in Foreign Currency

	(Rupees) Period ended March 31, 2001
Software Development	47,231,770

10. During the period, pursuant to a resolution made at the meeting of the Board of Directors on November 29, 2000, the Company acquired the Software Services Division of Grasim Industries Limited, as a going concern, with effect from February 1, 2001, for a consideration of Rs. 29.40 crores.

11. On acquisition of Software Services Division of Grasim Industries Limited, as stated in paragraph 10 above, the Company acquired a block of assets aggregating Rs. 261,084,345 comprising various tangible assets. The Company has assigned values to individual assets comprised in the aforesaid block based on a valuation report of an independent professional valuer.

12. Refer Annexure for additional information pursuant to Part IV of Schedule VI to The Act.

13. This being Company's first period of operation, no previous year's figures are available. Signatures to Schedules A to N forming part of the Balance Sheet as at March 31, 2001 and Profit and Loss Account for the period August 18, 2000 to March 31, 2001.

Neeraj Gupta Partner For and on behalf of Price Waterhouse Chartered Accountants Mumbai: 27th April, 2001	Ashok Sand Manager Vijayesh Atre Company Secretary	On behalf of the Board of Directors M. C. Bagrodia Director Dr. Bharat K. Singh Director
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Additional Information under Part IV of Schedule VI to the Companies Act, 1956 Balance Sheet Abstract and General Business Profile

1. REGISTRATION DETAILS

Registration No.	128315	State Code : 11
Balance Sheet Date	31-03-2001	

2. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS.THOUSANDS)

Public Issue : NIL	Right Issue : NIL
Bonus Issue : NIL	Private Placement : 98004

3. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS.THOUSANDS)

Sources of Funds :	Total Liabilities : 119744	Total Assets : 386744
	Paid Up Capital : 98004	Reserves & Surplus : 195077
Application of Funds :	Secured Loans : NIL	Unsecured Loans : 83025
	Net Fixed Assets : 270100	Investments : NIL
	Net Current Assets : 79925	Miscellaneous Expenditure : NIL
	Accumulated Losses : 26080	

4. PERFORMANCE OF THE COMPANY (AMOUNT IN RS.THOUSANDS)

Turnover : 59982	Total Expenditure : 87282
+ - Profit/(Loss) before Tax : (-) 25597	+ - Profit/(Loss) after tax : (-) 26080
Earnings per Share (Rs) : NIL	Dividend Rate (%) : NIL

5. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF THE COMPANY (AS PER MONETARY TERMS)

1. Item Code No.	N.A.
Product Description	COMPUTER SOFTWARE