

BIRLA CORPORATION POISED TO EXPAND CAPACITY

Birla Corporation Limited, the flagship company of the M P Birla Group, is poised to enhance its cement production capacity to 9.30 million tons after the completion of its expansion programmes, including the 1.20 million tons proposed capacity increase at Chanderia (Rajasthan) and the 0.60 million tons proposed increase in Durgapur (West Bengal). According to Company sources at the 91st Annual General Meeting of the Company in Kolkata today, the company has applied to the Ministry of Environment and Forests at New Delhi for further increase in the capacity at Chanderia by another 1.5 million tons and all necessary monitoring activities as per the statutory regulations are in progress. This will take BCL's total cement capacity to 10.8 million tons and the capacity at Chanderia to more than 5 million tons.

All the debottlenecking projects undertaken at the clinker manufacturing units of the Company at Satna (Madhya Pradesh) and Chanderia (Rajasthan) have been completed. Operations at the units concerned have been stabilized and its full benefit will be seen in the current financial year. The cement capacity of the Company currently stands at 7.5 million tons.

The Company has achieved a turnover of Rs 2,415 crores in 2010-11, against Rs 2,387 crores in the previous year. The profit after tax during the year under review was lower at Rs 319.88 crores against Rs 557.18 crores the previous year. The profit was lower mainly on account of lower realization on cement as well as increase in coal and other input costs.

Considering the performance of the industry during the year, the performance of the Company is satisfactory.

At the Annual General Meeting today, the shareholders approved the payment of a final dividend of Rs 3.50 per share, in addition to the interim dividend of Rs 2.50 per share already paid. The total dividend for the year thus works out to Rs 6.00 per share and the dividend payout, including taxes, will be Rs 53.77 crores.

The Chairman of Birla Corporation Limited, Shri Harsh V Lodha, said the profitability of the Company was affected because of pressure on prices and also because of the rising coal and fuel costs and other inputs. Significant increase in capacities in the industry and poor demand from institutional buyers, including the Government, compounded the situation.

The Company's environment-friendly Waste Heat Recovery System (WHRS) projects of 7.5 MW each at Satna Cement Works, Satna and Chanderia Cement Works, Chanderia, were commissioned in October 2010 and another 7.5 MW WHRS project at Birla Vikas Cement, Satna, was commissioned in February 2011, aggregating to 22.5 MW and the same are functioning satisfactorily. This will result in substantial savings in the power costs for the Company. Under the system, the hot waste gases coming out of the pre-heater and clinker cooler, which are lost to the atmosphere, are used to

generating power and the Green House Gases (GHG) emissions into the atmosphere are reduced substantially. The WHRS initiative may result in fetching Clean Development Mechanism (CDM) benefits for the Company. Commissioning of the WHRS projects will lead to savings in power and fuel costs.

During the year, the Company has signed a Memorandum of Understanding with the Assam Mineral Development Corporation (AMDC) for setting up a one-million ton greenfield cement plant at Umrangsu, North Cachar Hills district, Assam, in a joint venture with AMDC.

ERP: The Company is implementing the SAP system in all its cement units, which will introduce best practices and improve the overall efficiency of the Company by streamlining its information technology capabilities.

Quality Circles: The Company is a votary of the “Quality Circle” concept of TQM. Employing the concept in Satna since 2004, a group of employees was trained to identify, analyze and solve work-related challenges and present their solutions to the management to improve the performance of the organization. Since then, 14 Quality Circle teams of the Company have bagged different awards at the regional, national and international levels. During the year under review, team “Pratigya” and team “Ash” from the Satna Unit participated in the Regional Convention-Quality Circle at Kanpur and both won “Gold” Awards. After winning the Gold Award in the Regional Convention, team “Pratigya” participated in the National Convention of the Quality Circle Forum at Vishakapatnam, in which 874 teams had participated, and won the “Par Excellence” Award. This team has been recommended for participation in the Quality Circle International Convention in Singapore.

Jute Division: The Jute Division has registered the highest ever turnover of Rs 209.26 crores and highest ever export of Rs 70.43 crores in 2010-11. The on-going expansion, modernization and cost cutting measures, taken by the management, are expected to increase competitiveness of the Division and the positive results witnessed in the current year are likely to be sustained. The Company has plans to spend about Rs 20 crores in 2011-12 on further modernization of the Division.

Outlook: The steep increase in the cost of freight and coal will continue to put pressure on the profit margins. However, timely execution of the capacity enhancement and infrastructural projects as well as the ongoing Capex plans will help the Company achieve better operational efficiency and volume growth, partly offsetting the margin pressures. Factors like revival of demand in the infrastructure projects and improvement in realization will determine the performance of the Company in the coming quarters.

The Company has actively and financially supported the establishment of the **M.P. Birla Hospital & Research Centre** at Chittorgarh, the foundation stone of which was laid by Syt. Ashok Gehlot, Chief Minister of Rajasthan, at Chittorgarh on 31 May 2011. The ceremony took place in the presence of several dignitaries, including the Union Minister, Shri C.P. Joshi, Member of Parliament from the Chittorgarh, Dr Girija Vyas, and several State Ministers and MLAs. The proposed hospital, with a project cost of approx. Rs 40 crores, will provide quality health care facilities to the people in the Chittorgarh and neighbouring districts of Rajasthan where the company has a cement plant.