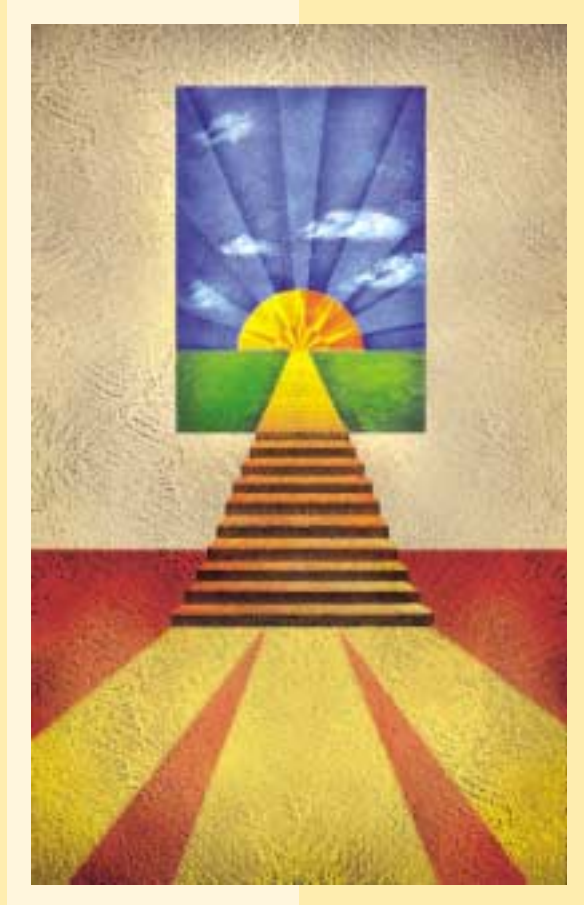


**ANNUAL REPORT  
2002 - 2003**



Indian Rayon And Industries Limited

## IN HOMAGE TO A LEGEND



"My vocation, is to strive continuously, to reach excellence in all spheres of management, by weaving the threads of enterprise, knowledge, experience, ideas and tasks into a fabric that can be called "management". My job is to motivate, to bring together and fuse human talent, so that they act in harmony and in unison – as one team, directed towards a single purpose, a single goal.

In our Group, our first and foremost objective is to satisfy our larger family, our family comprising of our shareholders, our customers and our employees.

Towards this objective, our credo is, 'strive for excellence and perfection in all spheres of management, through continuous improvement.'

For our shareholder, it is our job, and our commitment to create wealth for him, and to amply reward the faith that he has reposed in us.

For our customers, we believe, that, 'the customer is always right'. Our motto is to give him total satisfaction, in terms of quality and service.

For our colleagues and employees, our motto is 'your growth is our concern'."

We follow in his footsteps.



ADITYA VIKRAM BIRLA

*November 14, 1943 - October 1, 1995*

# INDIAN RAYON AND INDUSTRIES LIMITED

## BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla, Chairman  
Mrs. Rajashree Birla  
Mr. B. L. Shah  
Mr. Vikram Rao  
Mr. B. R. Gupta  
Mr. H. J. Vaidya  
Mr. P. Murari  
Ms. Tarjani Vakil

## MANAGER

Mr. K. K. Maheshwari

## CHIEF FINANCIAL OFFICER

Mr. Adesh Gupta, President

## COMPANY SECRETARY

Mr. Devendra Bhandari

## AUDITORS

Lodha & Co., Mumbai  
Khimji Kunverji & Co., Mumbai

## BRANCH AUDITORS

K. S. Aiyer & Co., Mumbai  
S. R. Batliboi & Co., Kolkata  
Deloitte Haskins & Sells, Bangalore

## SOLICITORS

Mulla & Mulla and Craigie, Blunt & Caroe, Mumbai

## REGISTERED OFFICE

Junagadh-Veraval Road, Veraval - 362 266 (Gujarat)

## EXECUTIVES

### RAYON DIVISION

Mr. K. K. Maheshwari Group Executive President  
Mr. H. N. Singh Executive President  
Mr. S. S. Gupta Joint President (Admn. & Mktg.)  
Mr. D. P. Modani Sr. Vice President (Fin. & Comm.)  
Mr. S. K. Nanda Sr. Vice President (Caustic)

### HI-TECH CARBON

Mr. M. C. Bagrodia Group Executive President  
Mr. Anil Kumar President  
Mr. S. S. Rathi Executive President (Renukoot Unit)  
Mr. Girish Singh Sr. Vice President (Chennai Unit)  
Mr. Rajiv Gupta Sr. Vice President (Mktg.)(Chennai Unit)

### TEXTILES

Mr. A. N. Choudhary President (Jayashree Textiles)  
Mr. J. Shroff Sr. Vice President  
Mr. S. K. Patodia Sr. Vice President

### MADURA GARMENTS

Mr. Prakash Nedungadi President

### INSULATOR DIVISION (DOMESTIC MARKETING)

Mr. D. R. Dhariwal Executive President

### GLOBAL EXPORTS & MARKETING

Mr. S. R. Dutt President

### CORPORATE FINANCE DIVISION

Mr. Manoj Kedia Sr. Vice President  
Ms. Pinky Mehta Sr. Vice President (Taxation)

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THE  
CHAIRMAN'S  
LETTER TO  
SHAREHOLDERS

Dear Shareholders,

In a year characterised by a dim economic environment, overshadowed by geo-political issues and a significant lowering of consumer spends, your Company has managed to keep its earnings buoyant. Gross revenues at Rs.1594.75 crores have risen by 3% vis-à-vis Rs.1550.14 crores attained in the previous year, while Profit Before Tax and exceptional items at Rs.146.73 crores as compared to Rs.72.74 crores has soared by over 102%.

Despite the demerger of its Insulator business, that your Company should have posted enhanced revenues and earnings, is indeed commendable.

As in the past, I would like to apprise you of the major developments in your Company and the manner in which we are geared to enhance shareholder value on-goingly.

The decision to demerge the Insulator Division and transfer it to a separate 50:50 joint venture

with NGK of Japan has been a crucial move. NGK is the undisputed world leader in the manufacturing and marketing of all types of Insulators for overhead transmission lines and sub station equipment. It controls 60% share of the world's Ultra High Voltage Insulator market. The partnership with NGK will help to build on and strengthen the leadership position we already enjoy in the domestic market, because of the access we will have to the latest in product and manufacturing technology. In addition, there will be opportunities for getting plugged in into a global marketing network. Through this route we will take the Insulator business to new heights.

At each of our business sectors, sweating of assets, strengthening of operating efficiencies and lopping up of costs is a given.

To augment growth in revenues and earnings, we have taken a slew of proactive steps. Let me now focus on our business sectors and apprise you of our plans for them, going forward.

**Viscose Filament Yarn (VFY)**

VFY has played a formidable role in strengthening Indian Rayon's position. While the Division has already attained first quality levels in excess of 60%, endeavours to reach higher quality levels

are ongoing. An enriched, value-added product mix and peak capacity utilization, resulting in increased volumes, have helped lace the Division's bottom-line.

Novel applications of VFY and VFY-based products, leveraging its 'RAY ONE' brand, and targeting it to premium customers are proactive growth oriented measures. These will also enable the Division to effectively negate the impact of cheap imports. Changing fashion trends leading to a greater VFY blend will prove to be a stimulant to bring in growth in revenues and earnings.

### Garments

In the branded apparel segment, the Division has faced a reversal. Consumer spending has been muted due to the slowdown in the economy. High inventories, coupled with the mushrooming of regional brands have led to massive discounting, trapping prices in a downward cycle. Regardless, we enjoy a leadership position in this segment and our commitment to its growth is evident from the quantum of the ongoing investments in building brands, in the setting up of our contemporary world-class suits factory, and in installing a state-of-the-art ERP system, to give us the edge.

Our intent has been to build significant competences in a multitude of areas – such as design, IT, retail and spawning new product categories such as women's wear, formal suits, jackets and jeans. The market response to these initiatives has been positive and they have substantial long-term potential.

Having said that, I must add that there is a heightened focus on building and bolstering strong brands, continuous innovation, a thrust on retail and streamlining operations to bring in best efficiencies. These are measures that should aid the business get on to a profitable growth trajectory in the foreseeable future, clearly a key priority.

### Carbon Black

The recovery in the Auto/Tyre sector has had a favourable rub off on your Company's Carbon Black business. Higher operational efficiencies and aggressively expanding its markets have spurred its growth.

To capitalize on the demand growth of Carbon Black fuelled by the Auto/Tyre sector, the capacity of your Company's plant at Gummidipoondi will be expanded from 40,000 TPA to 80,000 TPA. Commercial production will commence by the end of the current fiscal year. Besides augmenting its leadership position in the domestic market, this will lead to a strong growth on the export front.

We have met with great success in developing Carbon Black grades for applications beyond the auto and tyre sectors. Novel grades have emerged from developmental projects at the Aditya Birla Institute of Fundamental

*“In my view, the Rayon Division will be the growth propellant, augmented by the Carbon Black and Insulator businesses. I expect the garment business to get on to an even keel quickly. Overall, I believe, your Company should do well in the coming year.”*

Research, Chennai, our Research Institute recognized by the Department of Scientific and Industrial Research, Government of India.

Despite the pricing pressure that may be exerted to maintain the import price parity, we see our Carbon Black business surging.

### Textiles

For the textile business, the environment continues to be taxing. To ensure its sustainability, the Division has put a renewed focus on niche business such as flax/linen and worsted yarn. It is amplifying its presence in world markets which should lead to improving its bottom-line. While asset-sweating is ongoing, there will be no major infusion of funds in this business.

### The Outlook

In my view, the Rayon Division will be the growth propellant, augmented by the Carbon Black and Insulator businesses. I expect the garment business to get on to an even keel quickly. Overall, I believe, your Company should do well in the coming year. I would like to add that the first quarter performance may be an aberration, given the strike in the power loom sector and that of the trucks.

If our businesses are sustainable through constantly challenging times, it is because of our high-performing, motivated workforce. I wish to record my heartfelt appreciation of their contribution without which your Company would not have come this far. They are fully attuned to your Company's abiding commitment to create and enhance shareholder value.

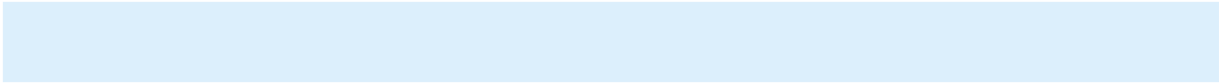
### The Aditya Birla Group – In Perspective

I would like to take this opportunity to retrace the direction of our Group over the past four years. If one were to encapsulate it in a single word - the dominant strategic theme over the past four years has been **consolidation**. This is in line with our vision of being a premium conglomerate, with a clear business focus at each business level, relentlessly pursuing value creation. The logic underpinning consolidation is the push for market leadership, economies of scale, productivity gains and operational efficiencies, coalescing to create value adding growth.

Let me recount some of the major steps that we have taken in our drive towards consolidation.

The acquisition of a 74.6% equity stake in Indal, from Alcan, at an investment of a little over Rs. 1000 crores, has been a milestone. Bringing Indal into the Group's fold has helped us position ourselves along every link in the value-addition chain of the business, from metal to **I must**

*“If one were to encapsulate it in a single word - the dominant strategic theme over the past four years has been consolidation. This is in line with our vision of being a premium conglomerate, with a clear business focus at each business level, relentlessly pursuing value creation.”*



downstream products, where the Hindalco-Indal combine now accounts for over 70% of the market share in India.

Moving on to the other metal in the Group's stable, it is commendable that Birla Copper has attained a leadership status, commanding a market share of over 45 percent - within a short span of 3 years from its first commissioning. The de-bottlenecking of the Copper Smelter at Dahej last year has resulted in enhancing the smelter capacity by 50%, to 150,000 TPA cost efficiently, last year, and the ramp-up achieved has truly set a new global benchmark.

Yet another landmark restructuring move has been the decision to consolidate the copper business of Indo-Gulf with Hindalco. Simultaneously, Hindalco made a second open offer for the shares of Indal. Its stake in Indal has increased to 96%. All these moves take us ahead on the road towards unifying the Group's non-ferrous metals businesses, and transforming Hindalco into a globally competitive non-ferrous metals power house.

The acquisition of the Nifty mines in Australia from Straits (Nifty) Pty. Ltd., has elevated Birla Copper to an integrated Copper producer. Nifty currently has a production capacity of 27500 tonnes per year of Copper Cathodes and a large undeveloped sulphide resource. The project has a total resource of 148 million tones of ore grading 1.3% of copper. We have rights to explore in the richly mineralized Paterson province. Additionally, we have acquired a 50% interest in the Maroochydore exploration project.

Post-restructuring, Indo-Gulf has emerged fully focused on fertilizers, with a brand that commands a huge equity, strong cash flows and a leadership position in the fertilizer industry. It is well positioned to take advantage of the opportunities that arise from the disinvestment programme of the Government.

A slew of initiatives have also been taken to consolidate the operations of Grasim – among them the closure of the Pulp and Fibre plants at Mavoor, and the sale of the loss-making fabric operations at Gwalior. Over the past four years, Grasim has become much leaner and stronger – with the debt/equity ratio improving from 0.93 to 0.58, interest charges falling from Rs 292 crores to Rs 168 crores, operating profit rising from Rs 678 crores to Rs 1142 crores, and workforce rationalization taking the manpower strength from 24,400 to 16,600.

In the Telecom business, we joined hands with the Tata Group. Beginning in 2 states, we have expanded to 7 states. Our subscriber base has reached 1.1 million. Our footprint covers 40 percent of the cellular market in India, with a 47 percent market share in the circles where we operate, and an 11 percent market share nationally. The Telecom sector is a continuously unfolding story, and we hope to remain among the leading players, as the sector grows and consolidates.

We have recently divested the Group's stake in MRPL to ONGC. This strategic decision of the Group was based on lack of leadership position in the sector, no presence in marketing of petroleum products, especially transportation fuels, and no significant synergies with other Groups, apart from losses incurred due to regulatory changes. Although the sale of the Group companies' equity stakes in MRPL does have a one-time impact on their profits, the exit from MRPL indicates our firm resolve to rationalize the Group's portfolio of businesses with a view on the future. It also bears testimony of our commitment to a key group of stakeholders i.e. our lenders.

The Birla Sun Life joint venture, which started off 3 years ago, has developed a major presence in the insurance and mutual funds sectors. Birla Sun Life is perceived as a leading quality market player, recognized for its superior service levels and we consider this as a core business with immense growth potential in the years ahead.

From all of this, a clear trend emerges. Our strategy dictates that we get out of businesses where we are bit players, and strengthen the businesses where we have clear competencies, so that we get to the top of the league, or consolidate our position there, as the case may be. This leads to a sharper and tighter business portfolio with our firepower getting better targeted.

I do believe that our decision to consolidate – and the way we have gone about implementing that – has been sound. Firstly, we have operated our existing assets efficiently. Secondly, the assets we have built and acquired have been quality assets, complementing our existing strengths. Thirdly, the asset growth has been funded largely through internal accruals. As a result, every one of the companies in our Group has emerged with a stronger balance sheet. Fourthly, save for the IT and garments businesses, which are still at an incubation stage, the consolidation measures have started yielding the results that we had envisaged.

### *Performance Measures*

Having said this, what has it meant in terms of performance? As you are aware, we adopted CVA – or Cash Value Added – as a performance metric three years ago, which is in consonance with our Group's focus on value addition. CVA, by itself, is a punishing measure in that it calls for superior returns on assets created and equity invested. Our Group CVA has been positive. Given the stringent performance standards set by the CVA metric, and that, in fact, not too many companies in India, actually have consistently delivered even a positive CVA, I believe that this is a commendable performance.

*“Our strategy dictates that we get out of businesses where we are bit players, and strengthen the businesses where we have clear competencies, so that we get to the top of the league, or consolidate our position there, as the case may be. This leads to a sharper and tighter business portfolio with our firepower getting better targeted.”*

add that the market capitalization of the Group correlates very weakly with the sharp increase in value addition, as measured by CVA during the same period. This is a source of disappointment. Even as I do not think that we need to be drawn into the expectations game as fueled by analysts, over a period of time, we hope that the market valuations will reflect our underlying strengths and performance.

### *Focus on People*

Having said that, I must add that the course of shrinking the business portfolio, while placing larger bets in a few industries, is a higher risk strategy, albeit with the promise of higher returns. Continuing to deliver superior performance whilst factoring in this potentially higher risk profile, takes us to what I believe is our most important asset, one that is not reflected in any of our balance sheets – our people. Over the last several years, our focus as regards people has been, in a nutshell, to build a meritocracy. We have taken several initiatives which I would classify under 3 broad heads – Learning and Relearning, Performance Management and Organizational Renewal.

*“We are pushing even harder on the people front, building on the significant progress we have made so far, and press on with the task of building a meritocracy – not just of brainpower, but also of entrepreneurial power, dedication power, vision power, go-getter power and ambition power.”*

Our Organizational Health Survey (OHS), which is a well-regarded mode globally of tracking employee satisfaction, has thrown up very encouraging results this year, based on the tracking of 8670 managers across the Group.

Whilst commendable work has been done at Gyanodaya, our internationally acclaimed Centre of Management Learning, we are taking the process to an even higher plane.

We are pushing even harder on the people front, building on the significant progress we have made so far, and press on with the task of building a meritocracy – not just of brainpower, but also of entrepreneurial power, dedication power, vision power, go-getter power and ambition power.

Best Regards,

Yours Sincerely,



Kumar Mangalam Birla

Date : 6th May, 2003

# FINANCIAL HIGHLIGHTS

	Units	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
<b>PRODUCTION (Quantity)</b>											
Garments*	' 000 Nos.	5,610	6,602	5,164	2,445	—	—	—	—	—	—
Viscose Filament Rayon Yarn	MT	15,873	12,253	15,496	12,621	14,685	14,273	13,803	13,615	13,217	12,780
Caustic Soda	MT	34,875	23,976	30,620	27,419	17,085	13,883	400	—	—	—
Chlorine	MT	28,542	19,258	23,960	21,750	13,751	10,529	349	—	—	—
Spun Yarns	MT	13,781	12,717	13,490	14,113	16,275	15,721	12,549	11,211	12,732	10,834
Carbon Black	MT	112,563	93,634	89,739	95,828	63,968	42,104	52,209	51,056	43,140	26,251
Insulators +	MT	7,673	25,277	25,665	24,353	24,026	22,752	21,077	20,728	13,667	16,381
White Cement #	' 000 MT	—	—	—	—	81	199	158	155	150	134
Cement #	' 000 MT	—	—	—	—	1,045	3,075	2,934	2,362	1,680	1,611

	Units	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
<b>SALES (Quantity) @</b>											
Garments*	' 000 Nos.	6,173	7,068	5,884	1,130	—	—	—	—	—	—
Viscose Filament Rayon Yarn	MT	15,422	12,812	15,326	13,507	13,662	14,322	13,688	13,725	12,527	9,252
Caustic Soda	MT	34,207	24,111	31,104	27,516	16,694	13,596	204	—	—	—
Chlorine	MT	28,256	19,290	23,834	21,890	13,784	10,547	159	—	—	—
Spun Yarns	MT	13,882	13,188	13,258	14,641	16,483	15,190	12,568	11,555	10,755	7,356
Carbon Black	MT	114,232	94,504	91,735	94,656	61,243	42,118	50,647	51,618	25,935	21,231
Insulators +	MT	7,596	25,184	25,691	23,701	23,656	23,088	21,179	20,504	13,969	16,677
White Cement #	' 000 MT	—	—	—	—	79	202	159	153	152	139
Cement #	' 000 MT	—	—	—	—	1,054	3,083	2,952	2,314	1,688	1,626

## PROFIT & LOSS ACCOUNT

	Rs. in Crores										
<b>GROSS SALES</b>											
Garments *	347.56	379.70	300.63	52.33	—	—	—	—	—	—	—
Viscose Filament Rayon Yarn	319.82	223.55	246.61	229.64	266.22	283.31	261.64	251.22	224.77	145.29	
Caustic Soda	24.61	25.56	27.87	21.60	8.41	4.44	0.03	—	—	—	
Chlorine	27.55	4.53	12.97	7.34	4.57	4.31	0.03	—	—	—	
Spun Yarns	255.64	225.87	247.77	235.46	232.02	226.25	181.88	175.59	129.41	81.05	
Carbon Black	370.75	315.25	287.86	258.26	174.67	126.48	173.99	149.42	70.36	61.39	
Insulators+	62.87	201.04	196.36	166.98	185.79	157.78	134.89	112.98	77.01	80.29	
White Cement #	—	—	—	—	47.22	120.06	106.59	106.38	79.06	65.89	
Cement #	—	—	—	—	243.55	699.51	688.45	516.56	322.60	274.22	
Others	185.95	174.64	205.88	215.53	298.67	192.40	93.64	90.27	174.86	200.15	
<b>Total Gross Sales</b>	<b>1,594.75</b>	<b>1,550.14</b>	<b>1,525.95</b>	<b>1,187.14</b>	<b>1,461.12</b>	<b>1,814.54</b>	<b>1,641.14</b>	<b>1,402.42</b>	<b>1,078.07</b>	<b>908.28</b>	
Excise duty	150.93	139.51	109.76	115.05	162.09	232.29	228.58	194.54	149.71	115.71	
<b>Net Sales</b>	<b>1,443.82</b>	<b>1,410.63</b>	<b>1,416.19</b>	<b>1,072.09</b>	<b>1,299.03</b>	<b>1,582.25</b>	<b>1,412.56</b>	<b>1,207.88</b>	<b>928.36</b>	<b>792.57</b>	
Operating Expenses	1,214.39	1,227.75	1,220.16	917.42	1,060.69	1,228.22	1,066.68	919.01	720.28	597.40	
<b>Operating Profit</b>	<b>229.43</b>	<b>182.88</b>	<b>196.03</b>	<b>154.67</b>	<b>238.34</b>	<b>354.03</b>	<b>345.88</b>	<b>288.87</b>	<b>208.08</b>	<b>195.17</b>	
Other Income	10.72	9.13	13.01	28.31	24.62	19.67	29.23	60.93	41.25	17.60	
Interest Payment (Net)	21.68	45.73	61.79	52.89	56.90	54.97	56.51	75.31	46.06	54.92	
<b>Gross Profit</b>	<b>218.47</b>	<b>146.28</b>	<b>147.25</b>	<b>130.09</b>	<b>206.06</b>	<b>318.73</b>	<b>318.60</b>	<b>274.49</b>	<b>203.27</b>	<b>157.85</b>	
Depreciation /Amortisation	71.74	73.54	73.08	72.50	90.70	87.22	69.83	56.74	37.83	31.79	
<b>Profit before Exceptional Items and Tax</b>	<b>146.73</b>	<b>72.74</b>	<b>74.17</b>	<b>57.59</b>	<b>115.36</b>	<b>231.51</b>	<b>248.77</b>	<b>217.75</b>	<b>165.44</b>	<b>126.06</b>	
Exceptional Items Gain/ (Loss)	(18.66) <sup>^^^</sup>	1.33 <sup>^^</sup>	—	(298.82) <sup>^</sup>	—	—	—	—	—	—	
<b>Profit after Exceptional Items</b>	<b>128.07</b>	<b>74.07</b>	<b>74.17</b>	<b>(241.23)</b>	<b>115.36</b>	<b>231.51</b>	<b>248.77</b>	<b>217.75</b>	<b>165.44</b>	<b>126.06</b>	
Provision for Current Tax	9.00	5.00	5.65	—	9.32	19.00	34.00	33.00	32.80	28.20	
Add: Tax Provision of earlier years written back	11.48	—	—	—	—	—	—	—	—	—	
Provision for Deferred Tax	25.22	25.61	—	—	—	—	—	—	—	—	
<b>Net Profit</b>	<b>105.33</b>	<b>43.46</b>	<b>68.52</b>	<b>(241.23)</b>	<b>106.04</b>	<b>212.51</b>	<b>214.77</b>	<b>184.75</b>	<b>132.64</b>	<b>97.86</b>	
Equity Shares Dividend (incl. Dividend tax)	25.33	19.76	19.79	6.65	29.96	37.11	33.40	28.09	22.15	14.49	
Retained Profit	80.00	23.70	48.73	(247.88)	76.08	175.40	181.37	156.66	110.49	83.37	

\* Acquired w.e.f. 1st January, 2000.

+ Insulator business transferred w.e.f. 1st August, 2002

# Cement business de-merged w.e.f. 1st September, 1998

@ Includes captive consumption, damages, sample sales and shortages.

^ Exceptional loss due to exit from Sea Water Magnesia business

^^ Exceptional items: VRS cost of Rs. 7.58 Crores and Surplus in respect of assets held for disposal for Rs. 8.91 Crores

^^^ Exceptional items: Loss on Sales of MRPL Shares of Rs. 57.08 Crores and Gain on transfer of Insulator Business of Rs. 38.42 Crores

	Units	2002-03	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
<b>BALANCE SHEET</b>											
		<b>Rs. in Crores</b>									
Net Fixed Assets		684.08	761.76	794.38	842.80	1,054.63	1,644.03	1,490.62	1,257.23	883.48	517.74
Assets held for disposal (Sea Water Magnesia)		—	13.52	19.58	43.07	—	—	—	—	—	—
Strategic Investments		412.19	435.12	312.63	229.83	224.67	139.31	88.87	54.51	47.55	42.86
Other Investments		102.11	4.67	31.19	114.33	215.52	227.73	200.64	306.38	521.50	418.19
<b>Total Investments</b>		<b>514.30</b>	<b>439.79</b>	<b>343.82</b>	<b>344.16</b>	<b>440.19</b>	<b>367.04</b>	<b>289.51</b>	<b>360.89</b>	<b>569.05</b>	<b>461.05</b>
Net Current Assets		359.85	425.24	438.10	441.41	569.52	576.20	705.48	498.76	311.59	265.41
Deferred Tax \$		(126.42)	(101.20)	—	—	—	—	—	—	—	—
Misc. expenditure not written off or adjusted		6.88	10.81	14.74	18.67	—	—	—	—	—	—
<b>Capital Employed</b>		<b>1,438.69</b>	<b>1,549.92</b>	<b>1,610.62</b>	<b>1,690.11</b>	<b>2,064.34</b>	<b>2,587.27</b>	<b>2,485.61</b>	<b>2,116.88</b>	<b>1,764.12</b>	<b>1,244.20</b>
Net Worth represented by:-											
Share Capital @		59.88	59.88	59.88	59.88	67.48	67.48	44.98	44.95	44.67	30.99
Reserves & Surplus \$		1,110.91	1,030.91	1,082.79	1,034.06	1,345.80	1,510.03	1,356.93	1,175.04	1,013.09	658.97
<b>Net Worth</b>		<b>1,170.79</b>	<b>1,090.79</b>	<b>1,142.67</b>	<b>1,093.94</b>	<b>1,413.28</b>	<b>1,577.51</b>	<b>1,401.91</b>	<b>1,219.99</b>	<b>1,057.76</b>	<b>689.96</b>
Loan Fund											
Secured fund		266.32	443.47	454.48	450.03	638.06	869.04	875.57	720.45	554.97	543.47
Unsecured fund		1.58	15.66	13.46	146.14	13.00	140.72	208.13	176.44	151.39	10.77
<b>Total Loan Funds</b>		<b>267.90</b>	<b>459.13</b>	<b>467.94</b>	<b>596.17</b>	<b>651.06</b>	<b>1,009.76</b>	<b>1,083.70</b>	<b>896.89</b>	<b>706.36</b>	<b>554.24</b>

#### RATIOS & STATISTICS

Operating Margin	%	15.89	12.96	13.84	14.43	18.35	22.38	24.49	23.92	22.41	24.62
Gross Profit Margin	%	15.13	10.37	10.40	12.13	15.86	20.14	22.55	22.72	21.90	19.92
Net Margin before exceptional items	%	8.59	2.99	4.84	5.37	8.16	13.43	15.20	15.30	14.29	12.35
Interest Cover (EBITDA/Net Interest)	x	11.08	4.20	3.38	3.46	4.62	6.80	6.64	4.64	5.41	3.87
Current Ratio	x	2.61	2.98	3.45	3.30	2.99	2.30	2.43	2.36	1.67	2.25
DSCR	x	1.09	2.01	0.96	0.56	1.87	1.06	2.27	2.20	1.78	1.42
ROACE (PBIT/ Average Capital Employed)	%	11.27	7.50	8.24	5.89	7.41	11.29	13.27	15.10	14.06	18.78
ROAE (Net Profit- / Average Net Worth)	%	10.96	3.77	6.13	4.59	7.09	14.27	16.38	16.22	15.18	21.30
ROAE (Profit before deferred tax~/ Average Net Worth)	%	11.99	5.80	6.13	4.59	7.09	14.27	16.38	16.22	15.18	21.30
Net Sales / Total Assets	x	1.00	0.91	0.88	0.63	0.63	0.61	0.57	0.57	0.53	0.64
Debt Equity Ratio (Gross)	x	0.23	0.42	0.41	0.54	0.46	0.64	0.77	0.74	0.67	0.80
Long Term Debt Equity Ratio	x	0.17	0.26	0.28	0.29	0.38	0.55	0.69	0.62	0.53	0.60
Dividend per share	Rs.	3.75	3.30	3.00	1.00	4.00	5.00	6.75	6.25	5.75	5.50
Dividend Payout (on Net Profit)	%	24.05	45.47	28.88	(2.76)	28.25	17.46	15.55	15.20	16.70	14.81
EPS (Before exceptional items)	Rs.	20.71	7.04	11.44	9.62	15.71	31.49	47.75	41.10	29.69	31.58
CEPS (Before deferred tax & exceptional items)	Rs.	36.90	23.59	23.65	21.73	29.16	44.42	63.27	53.72	38.16	41.84
Book Value per share	Rs.	196	182	191	183	209	234	312	271	237	223
No. of Equity Shareholders	Numbers	117,869	124,153	127,257	133,805	155,558	160,539	167,908	174,676	175,426	132,700
Market Capitalization €	Rs. in Crores	451	430	481	329	550	1,209	1,318	2,090	2,010	2,030
Price /EPS Ratio	x	3.64	10.20	7.02	5.72	5.19	5.69	6.14	11.31	15.15	20.74
Price /Book Value Ratio	x	0.39	0.39	0.42	0.30	0.39	0.77	0.94	1.71	1.90	2.94
Exports (FOB)	Rs. in Crores	372.76	388.27	397.32	296.00	287.92	297.21	212.79	170.27	139.63	106.85
Capital Expenditure	Rs. in Crores	33.02	38.90	23.74	185.26	88.73	244.31	313.70	437.11	404.79	139.04

\$ The cumulative deferred tax liability of Rs. 75.59 crores upto 31st March, 2001 has been met out of the general reserve.

@ Includes:

1993-94 - Issue of Shares represented by Global Depository shares (GDR) 5,553,087 shares @ Rs.706.08 for Rs.392 Crores.

1994-95 to 1996-97 - Shares allotted against conversion of FCD & Detachable Warrants

(5,319,054 FCD @ Rs.170 for Rs.90.42 Crores)

(1,620,000 FCD @ Rs.200 for Rs.32.40 Crores)

(7,057,105 Detachable Warrants @ Rs.200 for Rs.141.14 Crores)

1997-98 - Bonus shares issued in the ratio of 2:1

1999-00 - 7,606,419 shares have been bought back

~ Before exceptional items.

€ On Demerger of Cement Division in FY 1999, Shareholders received 3 Equity shares of Grasim Industries Limited for every 10 Shares of Indian Rayon And Industries Limited held by them.

+ Insulator business transferred w.e.f. 1st August 2002.

## QUARTERLY HIGHLIGHTS - FY 2003

Rs. in Crores

PARTICULARS	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	FY 2003
Gross Sales	402.07	412.92	410.44	369.32	1,594.75
Excise duty	37.57	39.63	39.99	33.74	150.93
<b>Net Sales</b>	<b>364.50</b>	<b>373.29</b>	<b>370.45</b>	<b>335.58</b>	<b>1,443.82</b>
Operating Expenses	307.84	313.19	312.08	281.28	1,214.39
<b>Operating Profit</b>	<b>56.66</b>	<b>60.10</b>	<b>58.37</b>	<b>54.30</b>	<b>229.43</b>
Other Income	1.03	6.56	0.97	2.16	10.72
Interest Payment (Net)	12.96	8.91	1.05	(1.24)	21.68
<b>Gross Profit</b>	<b>44.73</b>	<b>57.75</b>	<b>58.29</b>	<b>57.70</b>	<b>218.47</b>
Depreciation /Amortisation	18.51	17.85	17.75	17.63	71.74
<b>Profit before Exceptional Items and Tax</b>	<b>26.22</b>	<b>39.90</b>	<b>40.54</b>	<b>40.07</b>	<b>146.73</b>
Exceptional Items Gain/ (Loss) <sup>^^^</sup>	—	—	—	(18.66)	(18.66)
<b>Profit after Exceptional Items</b>	<b>26.22</b>	<b>39.90</b>	<b>40.54</b>	<b>21.41</b>	<b>128.07</b>
Provision for Current Tax	1.81	2.87	2.79	1.53	9.00
Provision for Deferred Tax	9.33	4.65	9.14	2.10	25.22
Add: Tax Provision of earlier years written back	—	—	(11.47)	(0.01)	(11.48)
<b>Net Profit</b>	<b>15.08</b>	<b>32.38</b>	<b>40.08</b>	<b>17.79</b>	<b>105.33</b>
Operating Margin (%)	15.54	16.10	15.76	16.18	15.89
Gross Profit Margin (%)	12.27	15.47	15.73	17.19	15.13
Net Margin before exceptional items (%)	4.14	8.67	10.82	10.86	8.59
EPS -Rs. (Before exceptional items)-Annualised	10.07	21.63	26.77	24.35	20.71
CEPS (Before deferred tax & exceptional items) Annualised	28.67	36.66	44.74	37.53	36.90

Note: Insulator business transferred w.e.f. 1st August 2002.

<sup>^^^</sup> Exceptional items: Loss on Sales of MRPL Shares of Rs. 57.08 Crores and Gain on transfer of Insulator Business of Rs. 38.42 Crores

# MANAGEMENT'S DISCUSSION AND ANALYSIS

## OVERVIEW

The year under review has been indeed noteworthy. Net profits have more than doubled and crossed the Rs.100 Crores mark. Notwithstanding the transfer of the Insulator business and amidst difficult market conditions the Company's performance has been truly impressive. Aggregate gross revenues have grown a modest 3% from Rs.1,550.1 Crores in the previous year to Rs.1,594.8 Crores. If the transfer of the Insulator business were not factored, the growth rate would have been impressive at 12% year-on-year (YoY). Net profits are Rs.105.3 Crores during the year under review.

## INSULATOR BUSINESS TRANSFERRED

Strategically, it was a landmark year as the Company transferred the Insulator business through a Scheme of Arrangement to form a joint venture with NGK Insulators of Japan, named "BIRLA NGK Insulators Private Limited".

To take the Insulator business to new heights both in the domestic markets and globally, it was imperative to develop special high-rated insulators and upgrade the quality and operating efficiencies of our existing operations. Such a step would also make the business more profitable. To do so, the Company has chosen the J.V. route, with NGK as our JV partner. NGK, the undisputed global leader in this sector has the requisite technology for manufacturing such insulators with mass production machines, besides a strong marketing network worldwide, which the JV can leverage.

The transfer is effective from the 1st of August 2002. As the joint venture has become operational from the 6th of February 2003, the Company's financial performance reflects the performance of the Insulator business only for four months, from April 2002 to July 2002.

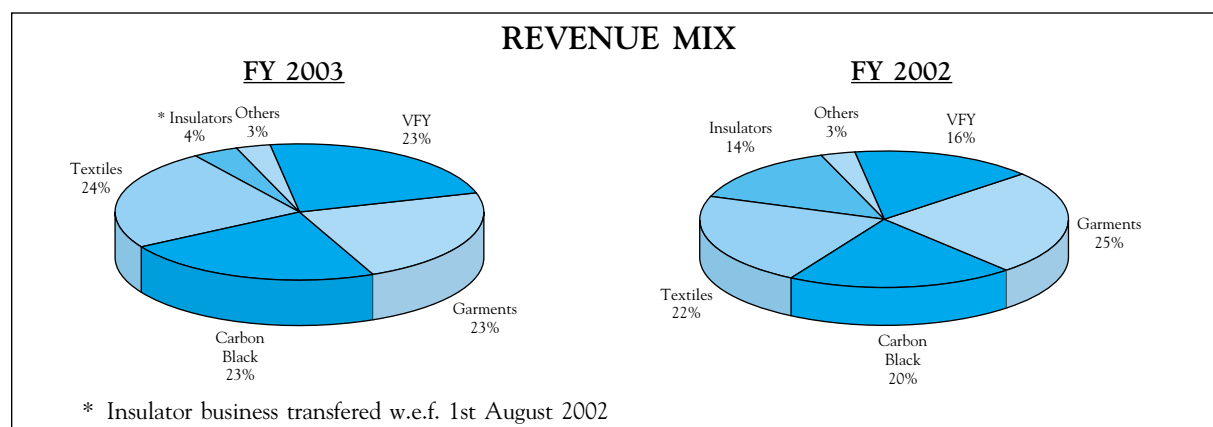
BIRLA NGK now leverages NGK's technology and know how support for moving up the value chain and improving operating efficiencies. This will eventually lead to improved profitability. Apart from the gains on account of the 50% holding in the joint venture, additional benefits will stem from domestic marketing rights that have been retained with Indian Rayon.

## DIVESTMENT OF MRPL STAKE

The Company has divested its stake in Mangalore Refinery And Petrochemicals Limited (MRPL) to ONGC. The shares were sold @ Rs.2/- per share, incurring a one time loss of Rs.57.1 Crores, shown as an exceptional item in the accounts. The Company is now free from all its obligations as a promoter of MRPL.

## SEGMENTAL ANALYSIS AND REVIEW

With the transfer of the Insulator business the revenue mix of the Company has changed. The VFY, Carbon Black, Garment and Textiles businesses each contribute equally at about 23% of the total revenue.



## VISCOSE FILAMENT YARN (VFY)

Rs. in Crores

	2002-03	2001-02	Change (%)
Installed Capacity (TPA)	15,000	15,000	—
Production (Tonnes)	15,873	12,253	30
Sales Volumes (Tonnes)	15,422	12,812	20
VFY Net Realisation (Rs./Kg)	189	159	19
<b>Net Sales</b>	<b>338.0</b>	<b>230.9</b>	<b>46</b>
- VFY	290.7	204.2	42
- Caustic Soda and Chlorine	47.3	26.7	76
<b>Operating Profits</b>	<b>117.3</b>	<b>49.5</b>	<b>137</b>
PBIT	97.1	29.6	228
Capital Employed	260.9	284.4	(8)
ROCE (%)	37.2	10.4	—

### Splendid performance aided by initiatives and favourable market conditions

The Rayon Division has put in a splendid performance. The benefits of operational excellence achieved a favourable change in fashion trends, coupled with new applications in Apparels, Saree, Dress materials and products having a significant export potential, strengthened the divisional performance. Superior quality, enhanced customer orientation and the introduction of value added yarns such as high modulus yarns; microfilament yarn, flat yarn and space-dyed yarns fuelled growth as well. Its RAY-ONE brand now increasingly popular has fetched a premium too.

### Spurt in Revenue growth

The revenues of the Division have soared by 46% from Rs.230.9 Crores to Rs.338.0 Crores, largely due to the cumulative impact of higher sales volume, better realisation and superior performance of Chlore-Alakli segment.

Sales volumes jumped from 12,812 tonnes to 15,422 tonnes, recording an increase of 20% YoY on buoyant market conditions. Domestic volumes rose by 24% on the back of better demand conditions. Exports volume grew a modest 5%. Higher sales volumes were supported by a 30% increase in production, which touched a high of 15,873 tonnes, reflecting a plant utilisation of 106%. Sharp year-on-year growth is partly due to the lower base of the last year, when an illegal strike that lasted for 67 days constrained production and sales volumes.

A better product mix, increased share of first quality yarn, at a record level of 62% and favourable market conditions led to a spurt in average realization by 19% from Rs.159/Kg to Rs.189/Kg. This was more prominent in the domestic market.

The Chemical business performed equally well. Revenues grew by 76% to Rs.47.3 Crores as a result of higher realisation. Electro Chemical Unit (ECU) realization in the chlor-alkali business is up from Rs.15,753 to Rs.16,854 per tonnes.

### Operating profits jumps

Operating profits grew by 137% from Rs.49.5 Crores to Rs.117.3 Crores in FY03. To meet water requirements, in the face of a severe water shortage in the Saurashtra Region, the Company had to run the Reverse Osmosis Plant. This has entailed an additional cost burden of around Rs.60 lacs per month. Further, a sharp increase in the cost of Sulphur, Steam Coal and petroleum products had to be met. Despite these constraints, the Division has reported high profit.

### Sector Outlook is promising

The long-term outlook is positive, premised on potential demand, driven by favourable fashion trends and new usages of VFY in vogue.

However, in the short-term, the growth momentum is likely to be impacted, as the proposed introduction of Cenvat on the Textile Industry and the replacement of Sales Tax with VAT has certain uncertainties attached to it. The strike by weavers and Transporters constrained the sector, leading to an increase in inventory levels. This will lead to pricing pressure as well.

### Indian Rayon's VFY business striving to perform better

The Company regained its market leadership. As the capacity utilisation has already peaked, the emphasis will be on enhancing the share of first quality yarn to that of 76% and raising the share of value added products. Efforts to better shop floor efficiencies and remain cost competitive are ongoing. Competition has increased from cheaper imports from China. The Company's RAY-ONE brand shall help in deriving higher realisation from premium customers in India and abroad. To up the quality of coloured yarns a capex of Rs.34.4 Crores is planned. Towards modernisation of existing equipment, a capex of Rs.25.6 Crores will be made over the next two years.

### GARMENTS

	2002-03	2001-02	Rs. in Crores Change (%)
Volumes (Lac Pieces)	61.7	70.7	(13)
<b>Net Sales</b>	<b>327.5</b>	<b>356.1</b>	<b>(8)</b>
<b>Operating Profit before Advertisement and Royalty</b>	<b>47.9</b>	<b>65.1</b>	<b>(26)</b>
Advertisement Expenses	38.9	50.7	(23)
Royalty Expenses	8.2	8.8	(7)
Operating Profit	0.9	5.6	(84)
PBIT	(14.6)	(7.6)	92
Capital Employed	200.3	226.4	(12)
ROCE (%)	(7.3)	(3.3)	—

### Difficult market conditions

It was yet another difficult year for the branded apparels sector. Weak consumer sentiments and reduced market demand dampened growth. Simultaneously, the market witnessed increased supplies and hence higher levels of inventory. Mushrooming of regional brands and excise disparities within the sector, led to intensified competition, discounting and pricing pressure, particularly in the mid-price segment.

Amidst such a challenging environment, the "Power Brands" of the Company viz. *Louise Philipe*, *Van Heusen* and *Allen Solly* maintained their market leadership, though volumes were affected. The *Peter England* brand in the popular segment met with a reversal.

### Revenue affected

Revenues at Rs.327.5 Crores as against Rs.356.1 Crores in the previous year show a fall of 8%. Volumes at 61.7 lac pieces are lower by 13%. Contract exports remained strong, and grew by 8.7% to Rs.40.4 Crores.

The fall in revenue was contained with new initiatives taken during the year. Even though their contribution is small, these initiatives will provide long-term growth to the business.

International quality suits and blazers were launched under the *Louise Philippe* and *Van Heusen* brands. Additionally, customers will be offered complete wardrobe solutions and towards this end licensing arrangement for accessories is underway. The *Allen Solly* “Women’s Wear” was rolled out nationally. Trendy jeans under the *San Frisco* brand were test launched, a new range of knitwear T-shirts under the *Elements* sub-brand of *Peter England* were successfully launched. Lower price point products were introduced under *Peter England* through product innovation. Consumers have well accepted all these initiatives/launches. These have substantial long-term growth potential and will help in consolidating market position, going forward.

Innovation and product development continues to remain one of the key focus areas. Under difficult market conditions some of our collections performed exceedingly well in the market viz. the *Hawaain* and *Las Vegas* collection from *Allen Solly*, *Ice touch*, *World wear* and *Inferno* range from *Van Heusen*. The washing technology in the denim range would give a cutting edge in this segment.

#### Profitability under pressure

Operating profits (before advertisements and royalty) declined from Rs.65.1 Crores to Rs.47.9 Crores, due to lower volumes and higher discounting. Operating profits after advertisement and royalty charges stood at Rs 0.9 Crores.

Towards overcoming market pressures, the Company controlled its advertisement spends. Consequent to focused and judicious advertisement spends and effective media buying, advertisement expenses declined from Rs.50.7 Crores in the previous year to Rs.38.9 Crores in the current year, a fall of 23% YoY. Advertisement expenses account for 12% of sales as compared to 14% of sales last year. This is noteworthy given the heavy advertisement spends on new categories and products viz. Suits & Jackets, *Allen Solly* “Women’s Wear” and *San Frisco* Jeans.

The profitability of the fashion brands is strong. *Peter England* has been a concern area. The Company has already implemented a recovery strategy for *Peter England*, introducing lower price point products through product innovations. The distribution system has also been streamlined nationwide. These measures should ensure improved overall profitability in the next fiscal.

#### Strong Brand Image maintained

Overall the brands continue to remain strong. The last ORG-Marg survey ranked *Allen Solly*, *Peter England*, *Louis Philippe* and *Van Heusen* among the top 5 brands in the men’s shirts category in the country. *Allen Solly* won the Indian Express Marketing Excellence award for Brand Excellence & Brand Building. *Allen Solly* “Women’s Wear” won the “Best Launch of the Year” award at the Images Fashion Award distribution.

#### Retail Focus continues

A key focus area is the strengthening of our distribution network. In line with the emerging preference of consumers for Mega stores and Shopping malls, our efforts to offer an excellent shopping experience through Planet Fashions has proved successful. With the addition of 13 Planet Fashions during the year, we now have 30 Planet Fashions in India and 10 in the Middle East. We also have 12 Trousers Towns. The showroom and retail space has been enlarged by 16% from 1.8 lacs square feet in the previous year to 2.1 lacs square feet during the year. The retail focus provides us with a strong market presence and consumer contact.

#### Sector Outlook is positive

The long-term outlook for the Garments Industry remains promising as consumers are becoming increasingly brand conscious. A fundamental shift has taken place with a marked preference for ready-to-wear garments. Also in the short term the marginal reduction in Excise Duty and efforts towards bringing the entire textile and garments industry under the Cenvat chain announced in the last Finance Bill will help the industry in improving the margins. The domestic market is already showing early signs of recovery. The competition is going to be hotter as new players are entering the market.

### Indian Rayon's Garment business to improve profitability

The slew of initiatives enumerated earlier, will steer the Division on the path to profitability. Improving operating efficiencies in both manufacturing, supply chain management, dormancy management and putting checks and systems in place to reduce risks in new launches / designs will assist in reducing costs and improving the margins. Towards the latter ERP-SAP implemented in July-2002 will add further.

### CARBON BLACK

	2002-03	2001-02	Rs. in Crores Change (%)
Installed Capacity (TPA)	110,000	110,000	—
Production (Tonnes)	112,563	93,634	20
Sales Volumes (Tonnes)	114,232	94,504	21
Realisation (Rs./Ton)	28,699	29,599	(3)
<b>Net Sales</b>	<b>327.8</b>	<b>279.7</b>	<b>17</b>
<b>Operating Profits</b>	<b>71.7</b>	<b>57.9</b>	<b>24</b>
PBIT	58.6	45.0	30
Capital Employed	268.8	303.3	(11)
ROCE (%)	21.8	14.8	—

### Recovery in Auto sector leads to improved performance

The performance of the Carbon Black business has been better, fuelled by a strong recovery in the Auto/Tyre sectors. Most domestic tyre manufacturers exported Tyres. Though CBFS prices remained volatile in the global market, the Company has managed it proactively.

The Division responded well to the opportunities available in the market by sweating its assets to the maximum and deriving advantage of Gummidipoondi's (Chennai) coastal location. The market mix was also proactively managed, with a larger share of domestic sales. Operational efficiencies, energy conservation measures and focus on Research and Development activities were growth stimulants. To tap the market growth the Company has opted for a Brownfield expansion.

### Revenue growth on the back of higher production and sales volumes

Divisional revenues grew by 17% from Rs.279.7 Crores in the previous year to Rs.327.8 Crores in the current year.

Sales volumes rose by 21% from the level of 94,504 tonnes to 114,232 tonnes during the current year. Exports sales volumes grew a modest 5.5% whereas domestic sales volumes have surged by 26%. The latter offers better prices.

Higher sales volumes were feasible with efficient operations of the plant and capacity utilisation at a record 102%. Production volumes increased by 20% from 93,634 tonnes in the previous year to 112,563 tonnes during the current year.

The price in the domestic market was lower than the previous year, to maintain import price parity in the domestic market, as there has been a 5% fall in the customs duty in the previous year. Along with this, the benefit of lower CBFS prices was also passed on to the customers. This led to a marginal fall of 3% in overall realisation during the year, from Rs.29,599 per ton in the previous year to Rs.28,699 per ton during the current year. A larger share of domestic volumes, which derives higher realisation aided in containing the fall.

## Operating profits

The operating profits of the Division expanded by 24% from Rs.57.9 Crores in the previous year to Rs.71.7 Crores in the current year. Endeavour to improve operating efficiencies, cost reduction initiatives and benefits of economies of scale led to maintaining the per tonne profitability at the level of Rs.6,278. Higher sales volume, increased share of domestic sales and efficient working spurred profitability.

The Carbon Black Feed Stock (CBFS) prices – a major raw material- remained volatile in line with the movement in global crude oil prices. The CBFS prices (FOB) ranged from US \$ 80 per tonne to US \$ 150 per tonne.

## Sector Outlook remains strong

The demand outlook for the Carbon Black business remains strong in the long-term. Even in the short-term the prospects for the business look promising, as the Auto/Tyre sector revival and higher tyre exports gain momentum. The focus on infrastructure, particularly building roads augurs well for the business.

The recent fall in crude oil prices will lead to softening of CBFS prices and benefit the Carbon Black cost structure. Pricing flexibility may be impacted by the 5% fall in customs duty on Carbon Black. Below average rainfall will constrain growth of the agriculture sector, influencing the auto/ transportation sector and may lead to weaker realisation.

## Indian Rayon's Carbon Black business shall strive to improve margins

Going forward, the Division will focus on increasing its domestic market share by higher volumes, exports, developing non-tyre applications, deriving higher realisation through better product mix and tightening the cost structure for enhanced profitability.

To enhance margins the share of value added products is being raised. Specialty grades of carbon black have been launched. Efforts are on to domestically source CBFS to lower the transportation cost and the time lag. The *Birla Carbon* brand is being leveraged to take customer relationship to a new high. The sales mix is being worked in a manner to derive better realisation. Exports continue to remain on the radar as it helps in exploiting the locational advantage of the Chennai plant to the maximum. Efforts are on at the R & D centre at Chennai to grow the non-tyre applications.

To enhance volumes to tap the market growth, a “Brownfield Expansion” at Gummidipoondi plant is underway. This expansion will be carried out at a capex of Rs.60.0 Crores, over a period of one year and shall raise the existing capacity by 40,000 tonnes – this will result in 36% increase in capacity to 150,000 tonnes.

These revenue maximization and cost reduction endeavors should facilitate superior margins and improved market share.

## TEXTILES

	Rs. in Crores		
	2002-03	2001-02	Change (%)
Net Sales	348.3	306.2	14
Operating Profits	28.7	30.5*	(6)
PBIT	9.9	11.1*	(11)
Capital Employed	174.9	170.4	3
ROCE (%)	5.7	6.5	—

\* Before VRS

### Performance maintained in difficult market conditions through initiatives taken

The Textiles business has operated amidst difficult market conditions. On the exports front, business has performed well. On the domestic front, growth has been marginal. A steep rise in the input cost has affected the worsted segment. The benefits of flax modernization and the retailing initiative under the *Linen Club* brand have accrued during the year. The Company has exited from the PV fabrics.

The overall sales volume of the textile business is up by a modest 4% from 14,570 tonnes in the previous year to 15,262 tonnes in the current year. Worsteds volumes grew from 3,782 tonnes to 3,917 tonnes. Flax yarn also rose by 11% from 604 tonnes to 672 tonnes and Synthetic yarns from 10,184 tonnes to 10,673 tonnes. Consequent to the modernisation initiative taken by the unit the flax segment has shown positive results. The uncertainties surrounding Cenvat and VAT have affected the year-end dispatches of this Division too.

Realizations have gone up across the board in line with the increase in input costs. This was partially passed on to the consumers. Due to lower global availability, the price of wool was higher. Sales revenue has grown 14% from Rs.306.2 Crores in the previous year to Rs.348.3 Crores during the current year. Exports stand enhanced 28% to Rs.181.8 Crores despite the rupee appreciation. Exports, which constitutes 52% of textile Division's revenue, has boosted its overall profitability. Operating profits were nearly maintained at Rs.28.7 Crores as against Rs.30.5 Crores in the previous year. Profitability at these levels has been supported by a rising share of value added products and the restoration of DEPB rates.

### Outlook for Indian Rayon's Textile Division

Market conditions remain difficult for the textile business with consistent pressure on realization on the one side and higher costs on the other side. The Company's strategy will be to draw benefits from flax modernization and linen retailing. Linen is positioned as "the Fabric of the future" and is being promoted as a "Regular wear". Plans are afoot to further modernize the flax operations, augment operational efficiencies and improve quality standards. In the worsted yarn segment, the likely softening of import price of raw wool will improve the performance. Synthetic yarn is expected to remain stable. A special thrust on speciality fabrics like flame retardant fabrics would augment profitability. All these efforts should help in improving the profitability of the business.

### FINANCIAL REVIEW AND ANALYSIS

	Rs. in Crores		
	2002-03	2001-02	Change (%)
<b>Net Sales</b>	<b>1,443.8</b>	<b>1,410.6</b>	<b>2</b>
Other Income	10.7	9.1	17
<b>Operating Profit (PBDIT)</b>	<b>248.3</b>	<b>200.8</b>	<b>24</b>
Royalty	8.2	8.8	(7)
Net Interest	21.7	45.7	(53)
Depreciation	71.7	73.5	(2)
<b>Profit Before Tax and Exceptional Items</b>	<b>146.7</b>	<b>72.7</b>	<b>102</b>
Exceptional Items			
- Loss on Sales of MRPL Shares	(57.1)	—	—
- Gain on transfer of Insulator Business	38.4	—	—
- VRS Costs at Textiles	—	(7.6)	—
- Surplus on Sale of assets under disposal	—	8.9	—
<b>Profit after Exceptional Items</b>	<b>128.1</b>	<b>74.1</b>	<b>73</b>
Provision for Current Tax	9.0	5.0	80
Provision for Deferred Tax	25.2	25.6	(2)
Tax provision for no longer required	(11.5)	—	—
<b>Net Profit</b>	<b>105.3</b>	<b>43.5</b>	<b>142</b>

## Revenues

That despite the transfer of the Insulator business, Net Sales at Rs.1,443.8 Crores for the year is up by 2% as compared to Rs.1,410.6 Crores in the previous year, is indeed commendable. The VFY, Carbon Black and Textiles has reported higher revenues during the year, while revenues from the Garments business has declined.

## Operating Profit

Operating profits have grown by 24% from Rs.200.8 Crores in the previous year to Rs.248.3 Crores in the current year. The Insulator business has contributed only Rs.16.6 Crores as against Rs.44.7 Crores in the previous year, due to its transfer.

The Company's impressive growth has been powered by the resurgence of VFY as the single largest contributor at 47% of total profits. VFY's profits zoomed by 137% to Rs.117.3 Crores. In Carbon Black too profits soared by 24% to Rs.71.7 Crores. Garments and Textiles were affected by market conditions and therefore contribute 4% and 12% respectively.

## Interest

Interest expenses are lower by 30% to Rs.43.7 Crores as against Rs.62.5 Crores in the previous year, on account of repayment of debentures worth Rs.85.9 Crores and other loans of Rs.3.0 Crores. A comfortable cash flow led to lower working capital borrowings and lower interest rates prevailing aided in lowering the interest cost.

On the other hand the interest income has jumped by 31% from Rs.16.8 Crores in the previous year to Rs.22.0 Crores during the year. Higher interest earned on income tax refunds at Rs.9.6 Crores as against Rs.8.4 Crores in the previous year and an interest of Rs.4.0 Crores on debentures issued on transfer of the Insulator business – has beefed up the interest income.

## Depreciation

Depreciation charges are lower from Rs.73.5 Crores in the previous year to Rs.71.7 Crores, on account of the transfer of the Insulator business, whose performance is accounted for only four months.

## Exceptional Items

Exceptional items during the year entailed a provision of Rs.18.7 Crores as against a gain of Rs.1.3 Crores in the previous year.

During the year the Company incurred a loss on sale of MRPL shares of Rs.57.1 Crores and gained Rs.38.4 Crores on the transfer of Insulator business.

In the earlier year two exceptional items were provided for. These are firstly - Rs.7.6 Crores towards VRS costs at Textiles and secondly a gain of Rs.8.9 Crores towards the write-back of losses on the Sea Water Magnesia Assets, due to higher realizations on sale of substantial assets, including infrastructure assets at the plant.

## Provision for Current and Deferred Tax

The Company had made a provision of Rs.9.0 Crores against Rs.5.0 Crores in the previous year towards current taxes. The Company at present is liable to pay tax as per the provision of MAT.

A further provision for Rs.25.2 Crores has been made as against Rs.25.6 Crores in the previous year towards deferred tax liabilities.

A tax provision for earlier years of Rs.11.5 Crores has been written back, as no longer required on winning appeals with appellant authorities.

## Net Profit

The Net profit for the year has more than doubled at Rs.105.3 Crores as against Rs.43.5 Crores in the previous year, reflecting an overall superior performance.

The Company's Earnings Per Share (EPS) is up a whopping 142% to Rs.17.6 while Cash Earning Per Share (CEPS) has gone up 42% from Rs.23.8 to Rs.33.8 in FY03.

## CASH FLOW ANALYSIS

	Rs. in Crores
	<b>2002-03</b>
<b>SOURCES OF CASH</b>	
Cash flow from operations (Net of Tax)	257.4
Non-operating cash-flows (dividend income received)	5.2
Proceeds from transfer of Insulator Business	131.4
Proceeds from Sale of MRPL equity	8.0
Proceed from sale assets held for disposal	13.5
Decrease in Working Capital	47.8
<b>TOTAL</b>	<b>463.3</b>
<b>USES OF CASH</b>	
Net Capital Expenditure	31.6
Repayment of Borrowings (Net)	163.8
Increase in Investments	194.5
Net Interest	26.6
Dividend	19.8
Increase/(Decrease) in Cash and Cash Equivalents	27.1
<b>TOTAL</b>	<b>463.3</b>

### Sources of Cash

Operating cash flow for the year is Rs.257.4 Crores. The high operating cash flow was rendered possible with the fine performance of VFY and Carbon Black, besides other businesses. Non-operating cash flow of Rs.5.2 Crores primarily consisted of dividend receipts. The transfer of the Insulator business has resulted in a cash flow of Rs.131.4 Crores. The Company has received cash of Rs.8.0 Crores on sale of MRPL shares to ONGC as consideration. It obtained Rs.13.5 Crores of cash as proceeds from the sale of assets held for disposal. The decrease in working capital released Rs.47.8 Crores, mainly due to the transfer of the Insulator business.

### Uses of Cash

The Company has invested a sum of Rs.31.6 Crores towards normal capital expenditure at its key businesses. These include investments in the Garments, VFY, Carbon Black and Textiles Divisions.

The Company has repaid a sum of Rs.163.8 Crores during the year, comprising of the long-term debts of Rs.82.3 Crores (Net) and short-term borrowings of Rs. 81.5 Crores.

The Company has increased its long-term and short-term investments. On transfer of Insulator business, the Company has been allotted 50% equity shares of Birla NGK Insulators Private Limited for Rs.12.5 Crores. It has purchased 4% stake in Birla Sun Life Insurance Company Limited from Birla Global Finance Limited, besides making further investments of Rs. 22.2 Crores. Short-term investments have risen by Rs.152.3 Crores.

The Company paid a sum of Rs.19.8 Crores towards dividend for the year 2001-2002. The Board has proposed a dividend of Rs.3.75 per share for the year 2002-03. Besides this, the Company will also pay a dividend tax of 12.8%. The dividend outgo will be Rs.25.3 in the current financial year, a 28% rise over previous year.

## **RISK MANAGEMENT**

The Company is exposed to risks from market fluctuations of foreign exchange, interest rate and commodity prices.

### **FOREIGN EXCHANGE RISK**

The Company's policy is to hedge its long-term foreign exchange risk as well as short-term exposures. Currently, the Company does not have any long-term foreign exchange liability and its short-term exposure is covered from time to time, depending on the prevailing market conditions. The Company has reported aggregate exports of Rs.372.8 Crores and imports of Rs.313.2 Crores in FY03. The Company's policy is one of hedging the dollar position on net basis. From an excess of exports over imports, Company is long on US\$. To minimise the impact of the market fluctuations by using proper hedging tools, it is actively managing its forex risks

### **INTEREST RATE RISK**

The Company has a mix of fixed and floating rate borrowings. The long-term borrowings are at fixed interest rates and short-term borrowings are at floating interest rates. Accordingly, no Interest Rate Risk is perceived.

### **COMMODITY PRICE RISK**

The Company is exposed to the risk of price fluctuation on raw material as well as finished goods in all its products. These risks are not significant considering the inventory levels and normal correlation in the price of raw materials and finished goods.

## **INTERNAL CONTROL SYSTEM**

The Management Information Systems (MIS) is the backbone of the Company's control mechanism. All operating parameters are monitored and controlled. The Company has adequate internal control systems for the business processes across various Profit Centres, in respect of efficiency of operations, financial reporting, compliance with applicable laws and regulations etc. Clearly defined roles and responsibilities down the line for all managerial positions have been institutionalised.

The internal control system is supplemented by extensive audits conducted by the Corporate Audit Cell. Regular internal audits and checks ensure that responsibilities are executed effectively and that the MIS is flawless between a well-conceived annual planning and budgeting system. Audit Committee of Board of Directors actively reviews the adequacy and effectiveness of internal control systems and suggests improvements for strengthening them.

Any material change in the business outlook is reported to the Board. Material deviations from the annual planning and budgeting if any are reported on a quarterly basis to the Board. An effective budgetary control on all capital expenditure ensures that actual spending is in line with the capital budget.

## **HUMAN RESOURCE MANAGEMENT**

The Company presently has 7,732 employees on its rolls. These are basically its human resource assets and are integral to the Company's ongoing successes. They have played a significant role and enable the Company to deliver superior performance year after year. The Company's Human Resource processes have been covered in depth in the Director's Report.

## SUBSIDIARY AND JOINT VENTURE COMPANIES

### SUBSIDIARY COMPANIES

#### Software Business

The Indian software sector was affected by the global downturn, with the smaller players more severely hit. During the year PSI Data Systems consolidated its stake in Birla Technologies Ltd. to 100%. The Company has restructured its operations and is now out of embedded software business and a major part of the hardware operations, which are non-core. Three focus areas have been identified – business solutions, banking and insurance. The Company has prioritized the businesses based on geographical needs.

The consolidated performance of the business has been affected by the prevailing market conditions. Costs for most of the year remained high because of infrastructure investments in the earlier year. Revenues were Rs.71.3 Crores against Rs. 100.7 Crores for previous period. This was due to adverse market conditions and the Company's decision to de-emphasize non-strategic lines of business.

The Company has sharpened its delivery capability and has been assessed for the highest SEI CMM Level 5 for its Bangalore Development Centers. With increased focus, coupled with cost control measures already undertaken, business is expected to be cash positive in the next fiscal.

### JOINT VENTURE COMPANIES

Our investments in our joint venture companies total Rs.236.0 Crores. These encompass BIRLA NGK Insulators Private Limited, Birla Sun Life Insurance Company Ltd and Idea Cellular Ltd.

#### BIRLA NGK Insulators Private Limited

The transfer of the Insulator business is effective from 1<sup>st</sup> of August 2002. Only the first four months performance is reflected with Indian Rayon's results. In line with the JV agreement, domestic marketing rights have been retained with Indian Rayon while Export rights are vested with NGK Insulators, Japan.

Insulator business produced 7,673 tonnes and marketed 7,596 tonnes. Revenues stood at Rs.59.9 Crores. Operating profits were Rs.14.6 Crores.

Indian Rayon has received a commission of Rs.2.3 Crores, on insulator sales in the domestic segment during the months of Feb-03 and Mar-03.

The performance of the Insulator business for the full year has been satisfactory. Production at 24,419 tonnes is marginally lower vis-à-vis 25,277 tonnes in the previous year. Sales volumes at 25,230 tonnes are slightly above 25,183 tonnes attained in the previous year. Consequently, sales revenues are Rs.194.9 Crores as against Rs.197.0 Crores in the previous year. A fresh look at stocks and provisioning has led to a small fall in operating profits to Rs.41.0 Crores as against Rs.44.8 Crores during the previous year.

The JV has chartered out an ambitious Capex plan for insulator business. To enhance the capacity by 8,000 tonnes – an increase of 23% in capacity, the JV is to invest Rs.34.7 Crores. On its completion the total insulator capacity will stand increased to 42,000 tonnes. To improve the quality levels, Rs.22.0 Crores have been earmarked for modernization.

#### Outlook for Insulator Business

The outlook for the Insulator business is positive both in the domestic as well as exports market. The recent thrust given by the government in augmenting power needs of the country will provide enough opportunity in the domestic market. The Government is targeting to add an additional 100,000 MW generating capacity by 2010 to meet the growing demand supply gap. Besides this, the construction of national grid and participation of

private parties in transmission and distribution segment has further gained prominence. The passage of Electricity Bill will usher in the much-delayed reforms.

In the overseas market underdeveloped countries offer good potential with a thrust on development of power infrastructure. The JV partner is already well entrenched in the exports market and will be sourcing the exports requirements from the JV, as NGK is vested with exports marketing rights.

The prospects and performance of Insulator business is expected to be much better. With the JV formation, NGK Insulators of Japan is committed to bring in technical know-how for improving quality levels and achieving better yield. The product mix is also skewed towards a larger share of value added products. With these initiatives, new products offering, quality of products and service levels will improve significantly. The Company will benefit immensely through this association with world leader in Insulators.

The domestic marketing set up is now in place and henceforth domestic sales of insulators will form part of Indian Rayon's revenue stream.

#### **Birla Sun Life Insurance Company Limited**

Birla Sun Life Insurance Company Limited (BSLI) is a joint venture between the Aditya Birla Group and Sun Life Financial for offering life insurance products in India. Indian Rayon holds 74% stake in this joint venture and therefore it is also a subsidiary of the Company.

The Company has completed a very successful second year of its operations. The Company is growing fast, spurred by its performance in Individual Life and Group business and is the undisputable leader in Unit Linked product segment. It is placed amongst the top 3 life insurance companies, including LIC, based on annualized premium and is well on track to achieve its strategic target. The Company has achieved the "Best Persistency Level" in the industry exceeding 90%.

During the year business from individual premiums crossed Rs.116.9 Crores for the year and has grown at a faster pace. The Company has achieved sales corresponding to an annualized premium of Rs.170 Crores, which is a growth of 385% over the previous year's annualized premium of Rs.36 Crores. The Group business has contributed to the extent of 26% of annualised premium but its targeted potential is yet to be achieved, as the Company has entered into "Group Superannuation and Gratuity Business" in the current year only.

The Company has expanded its operations to 22 branches in 16 cities with more than 5,000 advisors and over 50 corporate agents. It has also tied up with Citi Bank, Deutsche Bank, Bank of Rajasthan, Development Credit Bank, Bank of Muscat and Catholic Syrian Bank for bancassurance and have an alternate channel team for managing corporate agents and a dedicated in-house team of sales professionals for selling Group products to corporate and institutions. The Company has a professional and highly motivated team of more than 600 employees to manage its operations.

BSLI aims "to be amongst Top 3 life insurance companies in India".

#### **Idea Cellular Limited**

Idea Cellular Limited has established market leadership in four out of five circles of its operations. The Company's subscriber base is up by 58% from 8.1 lacs to 12.8 lacs. In MP, where it holds 37% of market share, it is rated as No.1 for quality of service provided, for the second consecutive year by TRAI. The Delhi circle has added record 1 lac subscribers in the very first month of its operation. Industry growth has been accelerated with the entry of the third and the fourth operator. The All India Cellular subscribers has grown by 97% in FY 2003 from 64 lac subscribers to 127 lac subscribers.

Revenue has climbed up by 26% to Rs. 848.9 Crores from Rs. 671.2 Crores in the previous year. Operating profits have also increased by 25% to Rs. 232.7 Crores from Rs. 186.3 Crores in the previous year.

Post IUC cellular operators are receiving interconnect charges for incoming calls. This will help in improving revenues and earnings. Thus, going forward the Company is expected to perform better.

## CONCLUSION

In the backdrop of excellent performance during the year, Indian Rayon is geared to reach greater heights. The Company expects the performance of its businesses to improve. VFY should gain from better quality levels and leveraging RAYONE brand. Garments Division should increase sales volumes through a pricing strategy in the popular segment and will as benefit from the slew of proactive initiatives taken during the year. Carbon Black should perform well with the growing Auto/Tyre sector. Textiles will derive gains from retailing of Linen and higher sales in Worsted segments.

The overall outlook for the Company's future is positive. However, the first quarter may be affected with the national level power loom sector / truck strike.

## CAUTIONARY STATEMENT

*Statements 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.*

# CORPORATE GOVERNANCE REPORT

## Corporate Governance : Our Philosophy

Corporate Governance is about directing and controlling the company with the overriding objective of optimizing return for shareholders. A good governance process aims to achieve this by providing long-term visibility of its businesses, ensuring effective relationship with stakeholders, establishing systems that help the Board in understanding risk appetite and monitoring risk at every stage of the corporate's evolution process. The corporate governance is not a matter of form, but of substance. It is an article of faith and should be integral to core values of the corporate.

At the Aditya Birla Group, we firmly believe that a good governance is critical in sustaining corporate development, improving access to capital, increasing productivity and competitiveness. The quality of our governance process and disclosure practices stand testimony to our belief. We will remain committed to the adoption of best possible governance practices towards discharging our fiduciary responsibilities and protecting minority shareholder rights, at all times even in the future. In line with this overall context, **Indian Rayon And Industries Limited**, a member of the Aditya Birla Group, has been striving for excellence through adoption of best governance and disclosure practices over the last few years. The Company has been making significant disclosures on its Board of Directors and the management, business performance and outlook, significant risks and protective measures taken by the Company.

Your Company has continued the practice even during the year and has benchmarked its practices with the recommendations of the SEBI Committee on Corporate Governance, as highlighted in this report.

## Compliance with the SEBI Code on Corporate Governance

1. 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.

*The Board of the Company comprises fully of Non-executive Directors with considerable experience in their respective fields. 50% of the Board comprises of Independent Directors, including a representative of Life Insurance Corporation of India, an Investor.*

Director	Executive / Non-Executive / Independent <sup>1</sup>	No. of Outside Directorships held		No. of Outside Committee Positions Held	
		Public	Private	Member	Chairman/ Chairperson
Mr Kumar Mangalam Birla	Non-Executive	9	5	-	1
Mrs Rajashree Birla	Non-Executive	5	6	-	-
Mr B. L. Shah	Non-Executive	3	1	1	-
Mr Vikram Rao	Non-Executive <sup>2</sup>	-	-	-	-
Mr B. R. Gupta	Independent <sup>3</sup>	6	1	5	1
Mr H. J. Vaidya	Independent	1	-	-	-
Mr P. Murari	Independent	10	-	7	1
Ms Tarjani Vakil	Independent	2	1	2	1

<sup>1</sup> Independent director, as defined in Clause 49 of the Listing Agreement, is one, who apart from receiving Director's remuneration, does not have any other material pecuniary relationship or transactions with the Company, its promoters, management or its subsidiaries, which in judgement of the Board may affect independence of judgement of the Director.

- 2 Employee of another company of the Aditya Birla Group.
  - 3 Representative of Life Insurance Corporation of India (LIC), an Investor.
2. 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.

An "Investor Relations and Finance Committee" of the Board is in place to inter alia look into issues relating to Shareholders, Debentureholders, including transfer and transmission of Shares/Debentures, issue of duplicate Share/ Debenture Certificates, non-receipt of dividend, Annual Report, etc. The composition of the committee is as under:

- Mr P. Murari, Chairman
- Mr B. L. Shah, Member
- Mr H. J. Vaidya, Member

During the year under review, the Committee met twice to deliberate on various matters referred above. Details of attendance by Directors for the Committee meetings are as follows:

Name of Director	No. of Meetings	
	Held	Attended
Mr P.Murari	2	None
Mr B.L.Shah	2	2
Mr H.J.Vaidya	2	2

Mr Devendra Bhandari, Sr. Vice President & Company Secretary, acts as Secretary to the Committee.

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 shares of the Company are traded on the stock exchange only in the dematerialised form and are automatically transferred on delivery in the dematerialised form. As on 31<sup>st</sup> March, 2003, 67.39% of shares are in demat segment. To expedite transfer of shares in physical segment, authority has been delegated to the Investor Relations and Finance Committee of the Board. Further, certain officers of the Company are authorised to approve transfers of up to 5,000 shares and debentures under one transfer deed.

As on 31<sup>st</sup> March, 2003, there were no pending share transfers. Details of number of shares transferred during the year, time taken for effecting transfers and number of complaints received are highlighted in the "Shareholder Information" section of the Annual Report.

Name and Designation of the Compliance Officer: Mr Devendra Bhandari, Sr. Vice President & Company Secretary

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.

No remuneration has been paid to the Board of Directors except sitting fees, details of which have been given in Para 5 below.

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 the Company met 5 times during the year, as detailed below to deliberate on various matters. Agenda papers were circulated in advance of each meeting to all the Directors and all relevant information as required under Clause-49 of the Listing Agreement were placed before the Board from time to time.

Date of Board Meeting	City	No. of Directors Present
6 <sup>th</sup> May, 2002	Mumbai	7
24 <sup>th</sup> July, 2002	Mumbai	9
1 <sup>st</sup> August, 2002	Mumbai	7
24 <sup>th</sup> October, 2002	Mumbai	5
28 <sup>th</sup> January, 2003	Mumbai	7

### Directors' interests in the Company and Attendance Record

Indian Rayon believes that the shareholders must know the details of Directors' interest in the Company, their attendance record and contributions made by them. Your Company has therefore decided to make full disclosure on the attendance record as well as remuneration paid to the Directors on the Board.

Director	Sitting fees paid during the year*	No. of Board Meetings		Attended last AGM held on 27 <sup>th</sup> July, 2002
		Held	Attended	
Mr Kumar Mangalam Birla	25,000	5	5	No
Mrs Rajashree Birla	15,000	5	3	No
Mr B. L. Shah	35,000	5	5	Yes
Mr Vikram Rao	25,000	5	5	Yes
Mr B. R. Gupta	50,000	5	5	Yes
Mr H. J. Vaidya	30,000	5	4	Yes
Mr P. Murari	30,000	5	3	No
Mr Siddhartha Sen	5,000	5	1	No
Ms Tarjani Vakil	45,000	5	4	Yes

\* For attending meetings of Board of Directors and its Committee(s) as the case may be.

Note:

- No Director is related to other Directors on the Board, except for Mr Kumar Mangalam Birla and Mrs Rajashree Birla, who are Son & Mother respectively
- The Company has a policy of not advancing any loans and paying commission on profits to its Directors and hence is not highlighted separately.
- As a part of disclosures related to management, in addition to the Directors' Report, Management's Discussion and Analysis should form part of the Annual Report.

Management's Discussion and Analysis forms part of the Annual Report.

- All company related information like quarterly results, presentation made by companies to analysts may be put on the 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.

All Company related information like quarterly results, presentations made to analysts and press releases are made available on the websites of the Company ([www.indianrayon.com](http://www.indianrayon.com)) as well as the Aditya Birla Group ([www.adityabirla.com](http://www.adityabirla.com)). Presentations are made by the Company to the Institutional Investors and Equity Analysts on a half yearly basis. The Company is also furnishing various information on SEBI website ([www.sebidifar.nic.in](http://www.sebidifar.nic.in)).

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.

A separate section on Corporate Governance forms part of the Annual Report of Indian Rayon. Certificate from the Statutory Auditors confirming compliance with the conditions of Corporate Governance as stipulated in clause 49 of the listing agreement of the Stock Exchanges in India forms part of the Annual Report.

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).

The Corporate Office of the Company supports the Chairman in discharging the responsibilities. Besides Corporate Office, the Chairman does not have a separate office in the Company.

10. A qualified and an independent "Audit Committee" should be set up at the Board level as it would go a long way in enhancing credibility of the financial disclosures and promoting transparency.

An Audit Committee, comprising of three Independent/Non-Executive Directors as mentioned hereunder look after various matters, which are in conformity with the requirements as per Clause 49 of the Listing Agreement with Stock Exchanges.

- Ms Tarjani Vakil, Chairperson
- Mr P. Murari, Member
- Mr B.R. Gupta, Member

Five meetings of the Audit Committee of the Board were held during the year to deliberate on the various matters.

Name of Director	No. of Meetings	
	Held	Attended
Ms Tarjani Vakil	5	5
Mr P.Murari	5	3
Mr B.R.Gupta	5	5

Mr Adesh Gupta, President & CFO, is a permanent invitee to the Audit Committee. Mr Devendra Bhandari, Sr. Vice President & Company Secretary, acts as the 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.

There being no Executive and/or Whole-time Director on the Board of the Company, constitution of a separate Remuneration Committee at the Board level is not required.

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/she is a Director. Furthermore, it should be a mandatory requirement for every Director to inform the company about the committee positions he occupies in other companies and changes on an annual basis.

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/she is a Director.

13. The Company should provide a brief resume, expertise in specific functional areas and names of companies, in which he/she holds 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.*

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.

*"Performance Update" consisting of financial and operational performance is being regularly sent to the shareholders after announcement of half yearly results.*

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. However, at present, the Board has one Director, Mr B. R. Gupta, who is representing Life Insurance Corporation of India (LIC) – an Investor*

#### Other disclosures recommended by the SEBI Committee

1. Details of General Meetings

- 1.1. Location and time, where last General Meetings held

Year	AGM	Location	Date	Time
2002-2003	CCM*	Regd. Office, Veraval, Gujarat	28 <sup>th</sup> Oct, 2002	11.00 a.m.
2001-2002	AGM	Regd. Office, Veraval, Gujarat	27 <sup>th</sup> July, 2002	12.00 noon.
2000-2001	AGM	Regd. Office, Veraval, Gujarat	23 <sup>rd</sup> June, 2001	11.00 a.m.
1999-2000	AGM	Regd. Office, Veraval, Gujarat	26 <sup>th</sup> May, 2000	10.00 a.m.

\* Court Convened Meeting.

- 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? Will be done, if needed, as per Rules.

2. Disclosures on materially significant related party transactions 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 is no material transaction with related party which requires a separate disclosure. Disclosures as per requirements of AS-18 are disclosed elsewhere in this Annual Report.*

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

4.1 Half-yearly report sent to each household of shareholders Yes

4.2 Quarterly results

4.2.1. Which newspapers normally published in

<i>Newspaper</i>	<i>Cities of Publication</i>
<i>Business Standard</i>	<i>Bangalore, Mumbai, Kolkata, New Delhi, Hyderabad, Chennai and Ahmedabad.</i>
<i>Financial Express</i>	<i>Bangalore, Ahmedabad, Mumbai, Kolkata, Kochi, New Delhi, Chennai and Chandigarh.</i>

4.2.2. Any website, where displayed [www.indianrayon.com](http://www.indianrayon.com)  
[www.adityabirla.com](http://www.adityabirla.com)

4.3. Whether the Company Website displays

4.3.1. All official news releases Yes

4.3.2. Presentation made to Institutional Investors/Analysts Yes

4.4. Whether MD&A is a part of Annual Report Yes

4.5. Whether Shareholder Information section forms part of the Annual Report Yes

# SOCIAL REPORT

## BEYOND BUSINESS – REACHING OUT TO COMMUNITIES: MAKING A DIFFERENCE

We take pride in sharing with you that your Company has become a member of the Global Compact. This International forum, which operates under the aegis of the United Nations, is an initiative of Dr. Kofi Annan, the U.N. Secretary General. Launched in July 2000, the Global Compact aims to advance responsible corporate citizenship, in the hope that business can help proactively resolve the challenges of globalisation. Dr. Annan's vision is to usher in "a more sustainable and inclusive global economy". This is in tune with our philosophy, given that Corporate social responsibility and sustainable development are part of our Group's core values.

The Global Compact has stipulated nine principles in the areas of human rights, labour and the environment. As a corporate, we espouse these principles. In fact, they have been institutionalized in your Company from the early stages of its inception.

However, having joined the Global Compact and in line with its directions, we have now articulated the same. **The Nine Principles of the Global Compact** are :

### Human rights :

1. Businesses should support and respect the protection of internationally proclaimed human rights; and
2. Make sure they are not complicit in human rights abuses.

### Labour Standards :

3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining
4. The elimination of all forms of forced and compulsory labour
5. The effective abolition of child labour; and
6. Eliminate discrimination in respect of employment and occupation.

### Environment :

7. Businesses should support a precautionary approach to environmental challenges
8. Undertake initiatives to promote greater environmental responsibility; and
9. Encourage the development and diffusion of environmentally friendly technologies.

As you may be aware, we have a stated Environment Policy and a Social Vision as well, which embrace these principles and are binding in our operations.

We have always looked beyond the traditional spheres of influence and addressed the larger issues facing people around our Plants and beyond. Our Social Projects are carried out under the aegis of the "Aditya Birla Centre for Community Initiatives and Rural Development", which is spearheaded by Mrs. Rajashree Birla, your Director. The Centre provides the strategic direction and the thrust areas for our work, ensuring performance management as well.

Your Company views its social responsibility very seriously, far transcending mere cheque-book philanthropy. Corporate Social Responsibility is accorded as much importance as business projects. Therefore, your Company's social vision forms an integral part of the business vision. Your Company has a One Year Plan and a 3-Year Rolling Plan, which meshes with the business plans.

Our vision is "**To actively contribute to the social and economic development of the communities in which we operate and beyond. In so doing build a better, sustainable way of life for the weaker sections of society and raise the country's human development index**".

### Our Focus Areas :

Our focus areas are : health care, inclusive of mother and child care; education; self-reliance through the engine of sustainable livelihood, also encompassing agricultural and water-shed development activities and women empowerment processes, infrastructure support and espousing social causes.

### The Project Identification Mechanism :

Along with the villagers, your Company assesses their unfulfilled basic needs, which are then discussed with the village Panchayats. Based on a consensus, we prioritise them and thus projects evolve.

We reach out annually to 1,50,000 people, of whom a majority live below the poverty line. To provide focused service, this year, we have narrowed in on 113 villages, in proximity to our Plants at Veraval and Halol in Gujarat (now part of our joint venture with NGK Insulators Ltd., Japan), Renukoot in Uttar Pradesh, Rishra in West Bengal and Gummidipoondi in Tamil Nadu.

### Health Care

To provide health care to villagers, we organise Medical Camps. In 115 Medical Camps conducted by us, more than 3000 villagers were given a health check-up. People afflicted with various ailments range from polio, to leprosy, to tuberculosis, to cardiovascular problems, to blood-related issues, to visual and physical impairment, come to the Camp. Patients who cannot be treated at the Camp are taken to the Company's hospitals, wherever feasible, and cared for.

Jaya Shree Textiles' Intensive Care hospital at Shivsedan in Hooghly has looked after more than 1200 patients up until now. Our Community Health Centre at Gummidipoondi, housed inside our Carbon Black Plant premises, caters to the local populace. More than 50 villagers avail of its services day in and day out.

Over the last two years, we have revved up our efforts to stem the population tide. A holistic Mother and Child Health Care Project, launched at Veraval, Gummidipoondi, Rishra and Renukoot, encompassing over a 100 villages, has met with success. As a result over 4,000 couples have taken to planned families. At Veraval and Rishra, AIDS Awareness programmes are in full swing. At Veraval 8,755 students have been sensitized to the perils of AIDS.

#### Spreading Literacy

Deep in the interiors, endeavouring to raise the literacy level is indeed a challenge. We promote adult education, balwadis, pre-primary centers, non-formal and remedial centers, besides helping schools run by the District authorities. Over 400 children learn in Balwadis run by our Insulator team at Halol. Interestingly, the wives of our executives and many of our colleagues from the Insulator Division at Rishra help educate 250 youngsters. To an extent, our involvement has helped reduce the school dropout rates. We are increasingly encouraging employee volunteerism in our Projects, in their after work-hours.

*"I would like to share with you what have been our key learnings.*

- *Firstly : Integration of the social vision into the business vision has been very useful as it has given a tremendous focus to this activity.*
- *Secondly : Having a One-Year Plan and a Three-Year Rolling Plan on community projects, with milestones and measurable targets has enabled us to factor accountability and performance management into our Projects.*
- *Thirdly : Having our Projects audited by reputed external agencies, who measure it on qualitative and quantitative parameters, has aided us in gauging the effectiveness of our work and provided excellent inputs into what more needs to be done and the way, going forward.*
- *Fourthly : The Government has in their 5-Year Plans, special funds earmarked for human development and we recourse to many of them. Working as catalysts and networking with the Government and other like-minded bodies has been both useful and fulfilling."*

*— Mrs. Rajashree Birla*

#### Towards sustainable livelihood

To empower women to attain financial independence, we support the formation of Self Help Groups. As a first step in this direction, we hone their skills through extensive training in different vocations that will provide them with a steady source of income. At Veraval, 31 marginalised ladies have been trained in tailoring and have been given sewing machines at a subsidized rate. At Gummidipoondi and Veraval, besides setting up a Tailoring Training Centre, we have been successful in motivating 50 women in forming Self Help Groups.

At Rishra, Jaya Shree Textiles and Insulators have collectively set up three Vocational Training Centres at Barasat. These Centres have enabled 450 women stand on their feet. Recently, they have begun their fourth Vocational Training Centre in their Residential Colony. Already 100 women have enlisted for training in different arts.

To aid the performance of the farmers and their farmlands, farmer-training programmes are conducted. Farmers are exposed to best in class agricultural practices actually using demonstration plots. To enable shore up their earnings they are taught inter-cropping as well. To increase the productivity of the farm through the seed multiplication programme, high yield variety of paddy and mustard besides mango seeds are provided to progressive farmers who are willing to experiment. We also support them with irrigation facilities. This year, 492 farmers at Veraval have benefited from these programmes.

Additionally, to raise the ground water table, at Veraval 15 farm wells were equipped with rain-water collection chambers, that charge the wells in an environment friendly manner.

#### Garnering Development Aid

For the year 2002/2003, we mobilised Rs.399 lacs, through different development programmes, apart from our own contribution.

#### Going Forward

Going forward, development of model villages in a phased manner underpins our strategy. All of our Companies plants are committed to developing model villages, (Veraval – 5; Birla NGK Insulators, Halol – 3; Hi Tech Gummidipoondi and Renukoot – 8; Jaya Shree Textiles, Rishra – 1).

Making of a model village entails ensuring self-reliance in all aspects – viz., education, health-care, family welfare, infrastructure, agriculture and water shed management, and working towards sustainable livelihood patterns. Fundamentally, ensuring that their development reaches a stage wherein village Committees take over the complete responsibility for the progress of the village and our teams become dispensable.

In a four-year time-frame we expect to see a changed face of these 17 villages. From abject poverty to meeting the necessities of life. From dependence to freedom. From backwardness to progress – in more ways than one.



*Clockwise from top right corner to centre:*

- ▲ *Mrs. Rajashree Birla awarding scholarships to the needy at Gummidipoondi*
- ▲ *Lady farmers at a formal training class at Veraval*
- ▲ *Espousing dowryless mass marriages at Veraval*
- ▲ *Perpetuating good health practices at Rishra*
- ▲ *Igniting the spark of learning at our Insulators Division at Rishra*
- ▲ *Our little scholars at Gummidipoondi*
- ▲ *No more dependency - ladies in action at Veraval*

# ENVIRONMENT REPORT

## GREEN AT HEART

We are committed to sustainable development. For us, this goes far beyond pollution prevention and tinkering with environmental stipulations that are regulatory. It is an integral part of our philosophy. Hence, environment considerations are always factored in our decision-making processes.

At all of your Company's Plants – the Rayon Plant at Veraval, the Insulator Plants at Halol and Rishra (now part of our joint venture with NGK Insulators Ltd., Japan), Jaya Shree Textiles also at Rishra and the Carbon Black Plants at Renukoot and Gummidipoondi, environment protection is a priority. They are all ISO 14000 EMS Certified. In addition, Jaya Shree Insulators' Environment Management Systems are attested by the American Bureau of Shipping, a renowned certification agency, based in the USA.

We relentlessly pursue the development of cleaner production processes that inherently reduce pollution levels and require fewer resources. To help us gauge and benchmark our environment management systems, we engage external parties in environmental auditing. For instance, the Central Salt and Marine Chemical Institute (Bhavnagar), which is a Gujarat Pollution Control Board recognised Institute, KPMG, and the Bureau of Indian Standards conducts periodic audits at our Units. Alongside, trained environmental systems auditors also run regular checks. These reports validate our commitment to environment protection.

Automated Industrial Effluent Treatment Plants are in operation at the locations. Most of the treated effluent is re-cycled. The sludge that emerges out of the manufacturing process serves as a nutrient for the foliage that carpets and encircles the plants. At full-fledged sophisticated laboratories, the quality of effluents, water and air emissions is tested and monitored ongoingly.

At the Rayon Plant in Veraval, steam generated boilers fitted with electrostatic precipitators and bag filters abate the release of particles into the environment. Sensors and control systems ensure against any accidental release of gases.

We believe increased energy efficiency has the maximum potential in the move towards sustainable development. In recognition of our efforts towards energy conservation, the Government of India, Ministry of Power has bestowed the National Energy Conservation Award upon our Caustic Soda Plant at Veraval. The Plant also has been rated among the top three Best Caustic Chlorine Plants in India on environmental performance.

The Centre for Science and Environment's Green Rating Project has honoured our Veraval Plant with the Three Leaves Award for "showing Corporate Environmental Responsibility in the Caustic Chlorine Sector".

At Jaya Shree Textiles, our project to convert wastes from the wool combing effluent into energy is progressing well. We are also exploring how to channelise solid waste productively into either energy or a soil nutrient. Towards this, we will be collaborating with leading research institutes. The incorporation of an alternative clean technology, replacing the oil fired thermic fluid heater has drastically reduced emission levels. Our intent is to attain the Clean Development Mechanism (CDM) under the Kyoto Protocol.

The Insulators and Carbon Black manufacturing processes barely produce effluents. At the Insulator Plant, a barricaded wall, extending right up to the roof in the Compressor Room, prevents noise from escaping to the surrounding area. Silencers, in the Slip House, and Silencer pipes have reduced the noise level considerably. An annual Audiometric Test for colleagues working in the noise-prone areas is conducted. Effluent waste is recycled for use in low-tension items and unused waste is sold to the cottage industries as scrap.

To eliminate the venting of Carbon Black, at the Carbon Black Plants, innovative vent scrubbers have been installed. Achieving zero level water discharge from these Plants is also a matter of great satisfaction. To ensure better evaporation, at Gummidipoondi, we have installed a spray system in the solar water pond. Excess steam generated through gases has been converted into power. Much of it is used for our captive consumption and additional power is transmitted to the State Grid System.

While investing heavily in eco-efficiency, we continue to inculcate a mindset with a bias towards sustainable development, among our employees. Our drive towards afforestation is a movement. Nowhere in any of our Plants is the land barren. All of our people are engaged in rooting saplings, which bloom and drape our Plants in greenery, interspersed with the blossom of a thousand flowers.

## SHAREHOLDER INFORMATION

1. Annual General Meeting
  - Date and Time : 1<sup>st</sup> August, 2003 at 12:00 noon.
  - Venue : Registered Office  
Junagadh – Veraval Road  
Veraval 362 266  
Gujarat, India.
2. Financial Calendar
  - Financial reporting for the quarter ending June 30, 2003 : End July, 2003
  - Financial reporting for the half year ending September 30, 2003 : End October, 2003
  - Financial reporting for the quarter ending December 31, 2003 : End January, 2004
  - Financial reporting for the year ending March 31, 2004 : April/May, 2004
  - Annual General Meeting for the year ended March 31, 2004 : July/August, 2004
3. Dates of Book Closure : 21<sup>st</sup> July, 2003 to 1<sup>st</sup> August, 2003  
(Both days inclusive)
4. Dividend Payment Date : 1<sup>st</sup> / 2<sup>nd</sup> week of August, 2003
- 5a. Registered office : Junagadh-Veraval Road  
Veraval – 362 266  
Gujarat, India.  
Tel: (02876) 245711  
Fax: (02876) 243220  
Email: [irilveraval@adityabirla.com](mailto:irilveraval@adityabirla.com)
- 5b. Web Site: : <http://www.indianrayon.com>  
<http://www.adityabirla.com>
- 6a. Listing on Stock Exchanges at

Equity Shares	Global Depository Receipts (GDRs)	Non-Convertible Debentures
<p>The Stock Exchange - Ahmedabad Kamadhenu Complex Opp. Sahajanand College, Panjarapole Ahmedabad - 380 015</p> <p>The Calcutta Stock Exchange Assn. Ltd., 7, Lyons Range Kolkata - 700 001</p> <p>The Stock Exchange, Mumbai Phiroze Jeejeebhoy Towers Dalal Street Mumbai - 400 023</p> <p>National Stock Exchange of India Limited “Exchange Plaza” Bandra-Kurla Complex Bandra (East) Mumbai 400051</p> <p>The Delhi Stock Exchange Assn. Ltd., DSE House, 3-1, Asaf Ali Road, New Delhi 110002.</p>	<p>Societe de la Bourse de Luxembourg Societe Anonyme R.C.B 6222, B P 165 L- 2011, Luxembourg</p>	<p>National Stock Exchange of India Ltd “Exchange Plaza” Bandra - Kurla Complex Bandra (East), Mumbai 400051</p>

Note: Upto date listing fees has been paid to all the Stock Exchanges except Stock Exchanges at New Delhi and Kolkata. Where current year's fees has not been paid as Equity Shares from these Stock Exchanges are proposed to be delisted, based on the approval of the members.

## 6(b) Overseas Depository for GDRs

Citibank N.A  
 Depository Receipts  
 111, Wall Street, 21<sup>st</sup> Floor  
 NEW YORK, NY – 10043  
 Phone: 212/657-8782  
 Fax: 212/825-5398

## 6(c) Domestic Custodian of GDRs

ICICI Bank Limited  
 Securities Processing Division  
 2<sup>nd</sup> Floor, Zenith House  
 Keshavrao Khade Marg  
 Opp. Race Course, Gate No.5,  
 Mahalaxmi  
 MUMBAI – 400 034  
 Ph: (+91-22) 2492 4100 / 2490 6880/81  
 Fax: (+91-22) 2492 4760 / 2492 3443

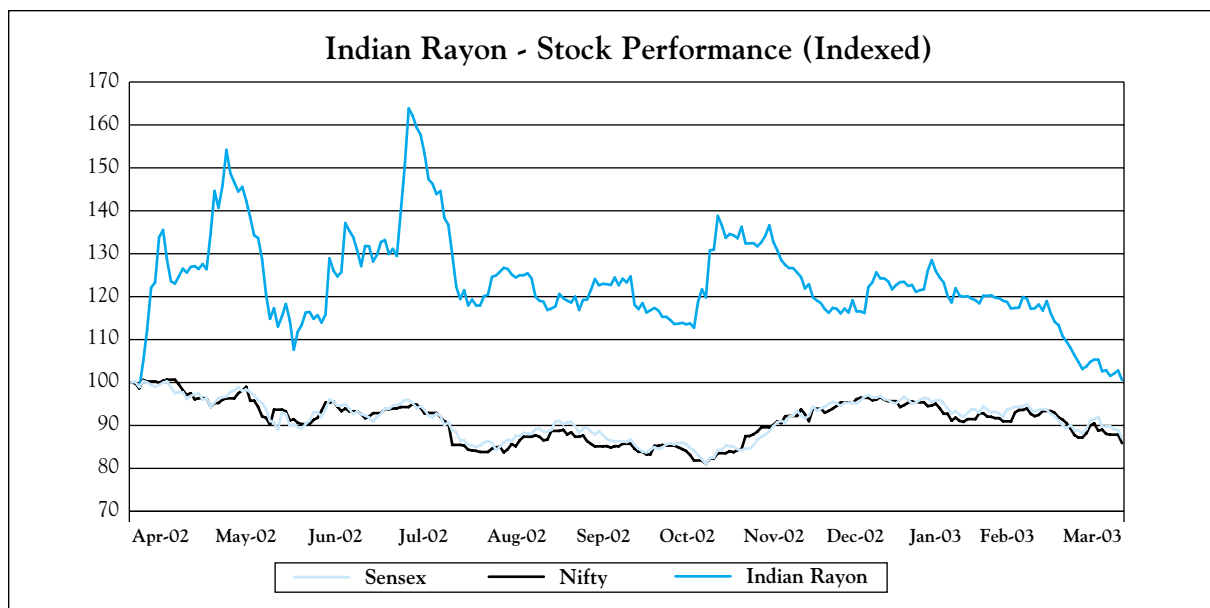
## 7. Stock Code

	Reuters	Bloomberg
Stock Exchange, Mumbai	IRYN.BO	INRY IN
National Stock Exchange	IRYN.NS	NINRY IN
Global Depository Receipts (GDRs)	IRYNq.L	sIRDS LI

## 8. Stock Price Data

	The Stock Exchange, Mumbai				National Stock Exchange				Luxembourg Stock Exchange		
	High	Low	Close	Av. Volume	High	Low	Close	Av. Volume	High	Low	Close
	(In Rs.)				(In Rs.)				(In US\$)		
	(In Nos)				(In Nos)						
Apr-02	109.50	71.05	108.25	131945	109.50	71.05	109.00	198185	1.9	1.5	1.8
May-02	116.50	80.05	84.90	87517	117.00	80.00	85.00	132480	2.0	1.75	1.75
Jun-02	109.80	84.00	99.35	69239	108.00	84.00	100.00	118508	1.9	1.8	1.9
Jul-02	125.90	86.25	89.30	104449	125.95	85.00	89.00	214968	2.3	1.9	1.9
Aug-02	107.00	85.00	88.10	29731	99.75	80.10	88.00	63583	1.8	1.75	1.75
Sep-02	98.50	78.45	88.40	36078	97.40	86.05	89.00	53054	1.9	1.75	1.75
Oct-02	104.80	83.60	103.90	40517	104.25	83.45	104.00	74868	2.0	1.75	2.0
Nov-02	106.00	91.35	94.80	22465	105.00	94.50	95.00	35106	2.1	2.05	2.05
Dec-02	97.45	86.50	94.05	67896	97.25	86.55	94.00	114204	1.9	1.8	1.8
Jan-03	99.00	88.25	89.90	34297	99.00	88.00	90.00	62449	1.9	1.8	1.8
Feb-03	92.00	87.00	87.40	20976	92.00	80.00	88.00	72956	1.9	1.6	1.6
Mar-03	89.75	75.05	75.30	20180	89.90	75.00	75.00	85201	2.0	1.7	1.7

## 9. Stock Performance



## 10. Stock Performance over the past few years:

(In Percentage)	1 Year	3 Years	5 Years
<b>Indian Rayon</b>	<b>4.9</b>	<b>36.9</b>	<b>(-) 3.1</b>
BSE Sensex	(-) 12.1	(-) 39.0	(-) 21.7
NSE Nifty	(-) 13.4	(-) 36.0	(-) 12.4

11. Registrar and Transfer Agents : In-house Share Transfer  
(For share transfers and other communication relating to share certificates, dividend and change of address) Registered with SEBI as Category II - Share Transfer Agent (Registration No. INR 000001815)

Share Department  
Registered Office: Junagadh – Veraval Road  
Veraval 362 266, Gujarat, India  
Tel: (02876) 245711; Fax: (02876) 243220  
E-mail: irilsecretarial@adityabirla.com

12. Share Transfer System : Share transfers in physical form are registered normally within 5 days from the date of receipt, provided that the documents are clear in all respects.

Investor Relations & Finance Committee of the Board meets at regular intervals to approve transfers above 5,000 shares and debentures under one transfer deed. Further, certain officers of the Company have been authorised to approve transfers up to 5,000 shares and debentures under one transfer deed.

The total number of shares transferred in physical form during the year was 1,48,920 (Previous Year 1,98,478). Over 93% of transfers were completed within 5 days from the date of receipt. Transfers in physical segment were lower during the year since trading in the Company's shares is permitted only in the dematerialised form w.e.f. 5<sup>th</sup> April 1999.



Riviera  
SUMMER COLLECTION 2003

  
*Louis Philippe*  
The upper crest.

Luxury Suits > Shirts > Trousers > Accessories





*"The understated look  
of natural fabric  
fires my imagination"*

*Rohit Bal*

Linen is a fabric that understands the human body. Allowing designers to turn and twist and make it fall as they wish. Linen lends to your style. For Rohit Bal, if it is linen, it's Linen Club Fabrics.



*Only genuine quality Linen comes with this logo*



**FASHIONING THE HIGH LIFE**

**100% Pure Linen, Linen Cotton, Linen Modal, Linen Wool, Linen Silk, Linen Lycra & Dyed Wovens, all of French & Belgian origin.**

Mill's Studio de designe : Linen Club-The Ramp : New Delhi : 31B, Linen Arcade, Mohammadpur, Near Bhikaji Cama Place, New Delhi 110 066, Teletax : (011) 2616 7128, Ph. : (011) 2616 4529, 96100 86666, Email : ashokaag@mantraonline.com; Bangalore : 51, Infantry Road, Near Medinova 560 001, Ph. : 2286 7767, 2221 0370 / 9248, 98440 83678, Email : linenfab@vsnl.net.in

Transfer period (in days)	2002 – 2003				2001 – 2002			
	No. of transfers	No. of shares	%	Cumulative total	No. of transfers	No. of shares	%	Cumulative total
1 – 5	2,302	1,38,793	93.20	93.20	3,451	1,86,498	93.96	93.96
6-10	86	4,594	3.08	96.28	75	8,048	4.06	98.02
11-15	35	3,156	2.13	98.41	31	2,328	1.17	99.19
16-20	3	330	0.22	98.63	22	986	0.50	99.69
21-30	42	2,047	1.37	100.00	10	618	0.31	100.00
30 & above	-	-	-	-	-	-	-	-
TOTAL	2,468	1,48,920	100.00	-	3,589	1,98,478	100.00	-

Number of pending Share Transfers as on 31<sup>st</sup> March, 2003 is NIL.

13. Investor Services:

The Share Department of the Company has been accredited with ISO 9002: 1994 Certification for providing Investor and Secretarial Services by KPMG, Quality Registrar, Mumbai on 21<sup>st</sup> February, 2001.

— Complaints received during the year

Nature of complaints	2002 – 2003		2001 – 2002	
	Received	Cleared	Received	Cleared
1) Relating to Transfer, Transmission etc.	1	1	4	4
2) Dividend, Interest, Redemption etc.	13	13	25	25
3) Change of address	—	—	—	—
4) Demat – Remat	—	—	3	3
5) Others	10	10	4	4
Total	24	24	36	36

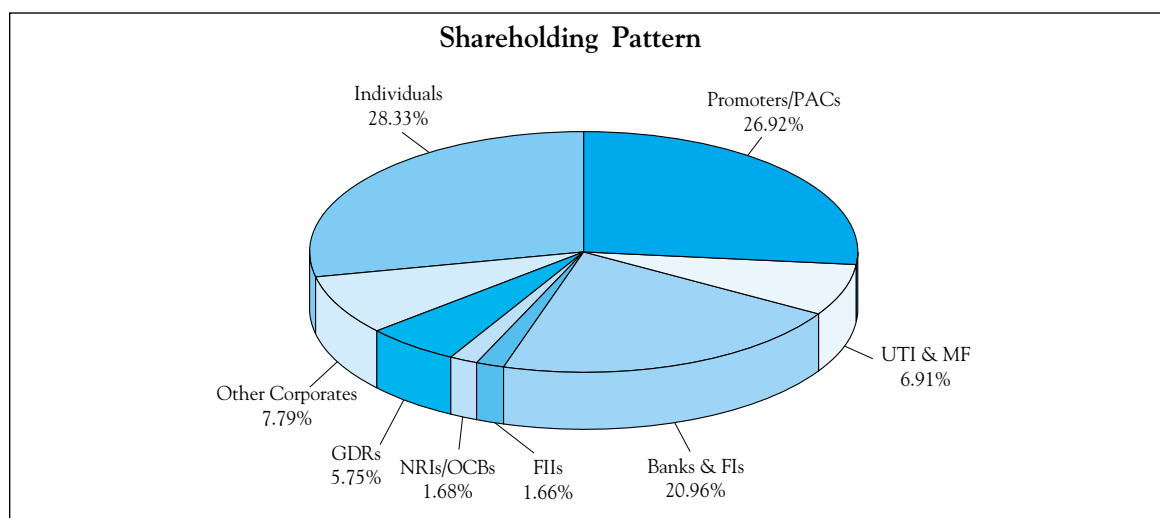
— Legal proceedings on share transfer issues, if any: There are no major legal proceedings relating to transfer of shares.

14. Distribution of Shareholding as on 31st March:

No. of equity shares held	2003				2002			
	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	76,892	65.25	26,57,939	4.45	81,273	65.46	28,03,968	4.68
101-200	20,951	17.77	29,39,349	4.91	22,327	17.98	31,22,002	5.21
201 – 500	13,789	11.70	42,63,576	7.12	14,287	11.51	44,08,075	7.36
501-1000	3,871	3.28	27,66,775	4.62	3,921	3.16	27,89,943	4.66
1001-5000	2,103	1.78	38,99,509	6.51	2,105	1.70	38,65,673	6.46
5001-10000	128	0.11	8,88,808	1.48	120	0.10	8,35,740	1.40
10001 & above	135	0.11	4,24,60,786	70.91	120	0.09	4,20,51,341	70.23
Total	117869	100.00	5,98,76,742	100.00	1,24,153	100.00	5,98,76,742	100.00

15. Categories of Shareholding as on 31st March:

Category	2003				2002			
	No. of share-holders	% of share-holders	No. of shares held	% of share holding	No. of share-holders	% of share-holders	No. of shares held	% of share holding
Promoters/Persons acting in concert	26	0.02	161,24,160	26.92	28	0.02	1,61,29,295	26.92
UTI and other Mutual Funds	29	0.02	41,41,948	6.91	19	0.01	36,95,485	6.17
Banks, Financial Institutions and Insurance Companies	60	0.05	125,49,724	20.96	63	0.05	1,11,49,114	18.63
FII's	11	0.01	9,95,991	1.66	10	0.01	3,96,484	0.66
NRIs / OCBs	2,881	2.44	10,04,345	1.68	2,962	2.39	10,21,774	1.71
GDRs	2	0.00	34,42,201	5.75	2	0.00	36,25,263	6.05
Other Corporates	1,220	1.04	46,66,870	7.79	1,244	1.00	56,37,301	9.41
Individuals	1,13,640	96.42	1,69,51,503	28.33	1,19,825	96.52	1,82,22,026	30.45
Total	1,17,869	100.00	5,98,76,742	100.00	1,24,153	100.00	5,98,76,742	100.00



16. Dematerialisation of Shares and Liquidity : Over 67.39% of outstanding equity has been dematerialised up to 31<sup>st</sup> March, 2003. Trading in Equity Shares of the Company is permitted only in the dematerialised form with effect from 5<sup>th</sup> April, 1999 as per notifications issued by SEBI.
17. Details on use of public funds obtained in the last three years : No funds have been raised from the public in last 3 years. The Company bought back 76,06,419 Equity Shares of Rs.10 each (being 11.27% of paid up Equity Share Capital) in October, 1999 at a price of Rs.85/- per share.
18. Outstanding GDR/Warrants and Convertible Bonds, Conversion date and likely impact on Equity. : Outstanding GDRs as on 31<sup>st</sup> March, 2003 is 34,42,201. Each GDR represents one underlying Equity Share.

19. **Plant locations:**

**Garments Division:**

**Madura Garments**

60/1 Sri Narayana Building  
Universal Compound  
Kodi Chikkanahalli Road  
Bommanahalli  
Bangalore – 560 068  
Tel: (080) 5731845/47/48  
Fax: (080) 5732929 / 5731846

**Carbon Black Plants:**

**Hi-Tech Carbon**

Murdhwa Industrial Area  
P.O. Renukoot 231 217  
Dist. Sonbhadra, Uttar Pradesh  
Tel: (05446) 252387 to 391  
Fax: (05446) 252502 / 252858  
E-mail: hitechr@adityabirla.com  
htcrkt@vsnl.com

K-16, Phase II, SIPCOT Industrial Complex  
Gummidipoondi – 601 201  
Dist. Tiruvallur – Tamil Nadu  
Tel: (04119) 223233 to 36  
Fax: (04119) 223129 / 224362  
E-mail: gmpd@hitechcarbon.com  
htcgmpe@vsnl.com

**Textile Plants:**

**Jaya Shree Textiles**

P.O. Prabhasnagar – 712 249  
Dist Hooghly, West Bengal  
Tel: (033) 26721146  
Fax: (033) 26721683 / 26722626  
E-mail: jayasri@giascl01.vsnl.net.in  
jayashree@irayon.co.in

**Rajashree Syntex**

Tantigaria, Midnapur 721102  
West Bengal  
Tel: (03222) 275820 / 263965  
Fax : (03222) 275528  
E-mail: rajsyntex@adityabirla.com

**Rayon and Caustic Soda Plants:**

**Rayon Division**

Veraval 362 266  
Gujarat  
Tel: (02876) 245711  
Fax: (02876) 243220  
E-mail: irilveraval@adityabirla.com

**Argon Gas Plant:**

**Rajashree Gases**

IGFL Complex  
P.O. Jagdishpur Industrial Area – 227 817  
Dist.Sultanpur, Uttar Pradesh  
Tel: (05361) 270032 to 38  
Fax: (05361) 270595 / 270165 / 270172  
E-mail: igfl@adityabirla.com

**Other Divisions:**

**Global Exports & Marketing**

Industry House, 19th Floor & 16<sup>th</sup> Floor  
10 Camac Street  
Kolkata 700 017  
Tel: (033) 2282 5122 / 5212 / 5683 / 8933  
Fax: (033) 2282 9288  
E-mail: gemcal@satyam.net.in

**Insulator Division(Domestic Marketing)**

P.O. Prabhasnagar - 712249  
Dist. Hooghly, West Bengal  
Tel:(033) 26723535  
Fax:(033) 26722705

20. **Investor Correspondence:**

Other than Secretarial Matters

Chief Financial Officer  
Indian Rayon And Industries Limited  
Corporate Finance Division  
92, Sakhar Bhavan, 9th Floor  
230, Nariman Point, Mumbai 400 021  
Tel: (022) 22045004  
Fax: (022) 22043686  
E-Mail: irilcfo@adityabirla.com

On Secretarial Matters

The Company Secretary  
Indian Rayon And Industries Limited  
Registered Office:  
Junagadh – Veraval Road  
Veraval – 362 266, Gujarat, India  
Tel: (02876) 245711  
Fax: (02876) 243220  
E-mail: irilsecretarial@adityabirla.com

21. Per Share Data:

	2002-2003	2001-2002	2000-2001	1999-2000	1998-1999
Net Earnings (Rs Crores)	105.33	43.46	68.52	57.59**	106.04
Cash Earnings (Rs Crores)	202.29	142.91	141.60	130.09**	196.74
EPS (Before exceptional items)(Rs)	20.71	7.04	11.44	9.62	15.71
CEPS (Before deferred tax & exceptional items) (Rs)	36.90	23.59	23.65	21.73	29.16
Dividend Per Share (Rs)	3.75@	3.30	3.00	1.00	4.00
Dividend Payout (on Net Profit) (%)	24.05	45.47	28.88	(2.76)	28.25
Book Value Per Share (Rs)	196	182	191	183	209
Price to Earnings *	3.64	10.20	7.02	5.72	5.19
Price to Cash Earnings *	2.04	3.04	3.40	2.53	2.80
Price to Book Value *	0.39	0.39	0.42	0.30	0.39

\* Stock price as on 31<sup>st</sup> March

\*\* Before exceptional items of Rs.298.82 Crores

@ Proposed

22. Other useful information for Shareholders

**Transfer of funds to Investor Education & Protection Fund(IEPF)**

1. In terms of the provisions of Section 205A of the Companies Act, 1956, unclaimed Equity Dividend upto the financial year 1994-95, has already been transferred to the General Revenue Account of the Central Government.
2. Pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which has remained unclaimed and unpaid for a period of 7 years from the date it became due for payment is required to be transferred to the Investor Education & Protection Fund (IEPF) constituted by the Central Government. Accordingly, the amount of dividend for the Financial Year 1995-96 and onwards which remain unclaimed and unpaid as aforesaid shall be transferred to the IEPF and no claims shall lie against the IEPF or the Company in respect of such amounts. Therefore, the Shareholders who have not encashed their dividend warrants are requested, in their own interest, to write to the Company immediately claiming dividends declared by the Company for the said Financial Years.

**ECS Facility**

Since year 2000 onwards, the Company is providing the facility of credit of dividend through Electronic Clearing Services(ECS).

Shareholders who are holding shares in physical form and are desirous of availing the facility of Electronic Credit of Dividend are requested to fill in the ECS form being sent along with this Annual Report. All such shareholders who have already furnished their ECS mandate to the Company need not furnish the ECS mandate form afresh unless there is a change in the ECS mandate.

In respect of electronic share accounts, members are requested to notify/update their ECS details to their respective Depository Participants so that credit of dividend through ECS may be effected directly in their bank accounts as well, wherever such facility is available.

As done last year, Company proposes to credit dividend to the Shareholder's Bank account directly through ECS where such facility is available in case of Shareholders holding shares in Demat Account and who have furnished their MICR Code to the Depository Participant.

#### Change of Address

- (a) Members are requested to notify immediately any change of address (with pin code) to their Depository Participants (DPs) in respect of their electronic share accounts and to the Company in respect of their physical share folios, if any, under the signature(s) of all the registered holder(s) quoting reference of their folio number.
- (b) In case mailing address mentioned in this Annual Report is without PIN CODE, members are requested to kindly inform their PIN CODE immediately to their DPs in respect of their electronic share accounts and to the Company in respect of their physical share folios, if any, quoting reference of their folio numbers.

#### Communication to the Company

For expeditious disposal of the matters concerning shares and debentures etc., members are requested to address all letters directly to the Share Department of the Company situated at the Registered Office of the Company at Veraval, quoting reference of their folio numbers and/or Client ID and DP ID number. Other queries may be sent at [irilsecretarial@adityabirla.com](mailto:irilsecretarial@adityabirla.com).

#### Share Transfer / Dematerialisation

- a) Share transfers in physical form are normally registered and requests received for dematerialisation of shares are normally processed within 5 days from the date of their receipt at Registered Office, provided that the documents are clear and complete in all respects. In case no response is received from the Company within 20 days of lodgement of transfer request, the lodger may write to the Company with full details so that necessary action could be taken to safeguard interest of the concerned against any possible loss/interception during postal transit.
- b) It has been observed that members are, while forwarding requests for dematerialisation of shares, at times also requesting for simultaneous transposition / deletion of name of shareholder(s) in respect of part holding. Members may kindly note that transposition / deletion of name has to be effected in respect of entire holding and not part holding as aforesaid and hence all such requests for part transposition / deletion of name are liable to be rejected.
- c) Members who are holding Shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.

#### For Non Resident Shareholders

Non-resident Indian Shareholders are requested to inform the Company immediately:

- (a) An address, in India, for sending all communications from the Company.
- (b) E-mail address, if any.
- (c) Change in their residential status on return to India for permanent settlement.
- (d) The particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.

### Bank Details for Dividend payment

To avoid the incidence of fraudulent encashment of the warrants, Members are requested to intimate to the Company their bank account details under the signature of the Sole/First Joint holder for shares held in physical form, and to their DP for shares held in electronic form, as the case may be, for printing of the same on their dividend warrants, the following information, so that the Bank Account Number and Name and address of the Bank can be printed on the Dividend Warrant:-

- 1) Name of Sole/First Joint holder and Folio No.
- 2) Particulars of Bank Account, viz.
  - i) Name of the Bank
  - ii) Name of Branch
  - iii) Complete address of the Bank with Pincode Number
  - iv) Account Type, whether Savings (SB) or Current Account (CA)
  - v) Bank Account Number allotted by the bank.

### Depository System(DS)

Trading in shares of the Company is permitted only in dematerialised form. As such, members, therefore, have the option of holding and dealing in the shares of the Company through National Securities Depository Limited(NSDL) or Central Depository Services(India) Limited(CDSL).

We wish to advise members to arrange to dematerialise their shareholding in the Company as DS weeds out several problems which are otherwise associated with the scrip-based system such as bad deliveries, fraudulent transfers, fake certificates, thefts in postal transit, delay in transfers, long settlement cycles, mutilation of share certificates, etc. At the same time, DS offers several advantages like exemption from stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.

For dematerialisation of shares, members shall have to open an account with a Depository Participant of NSDL or CDSL, who are agents of NSDL or CDSL and offer facility of arranging dematerialisation of shares and debentures of companies. It may be noted that the DP may charge the investors for its services, which may vary from one DP to another. Should members require any further clarification in respect of the above facility, they may write to the Share Department of the Company at Veraval, Gujarat.

### Transfer cum Demat Facility

The Company has been offering facility of simultaneous transfer cum dematerialisation of physical Shares upto 500 in number. Under this scheme, on completion of process of transfer of physical Shares sent to the Company, the Company will give the option to the concerned shareholders for getting the said shares dematerialised. In case, the option is accepted by the shareholder and the formalities are completed within the prescribed time, the Company will arrange to confirm the credit against the said physical shares in electronic form.

### Nomination of Shares

In terms of the provisions of the Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form-2B prescribed by the Government may be obtained from the Share Department of the Company.

Whist the individual shareholders holding shares in physical form can make nominations in the prescribed form and forward the same to the Share Department of the Company at Veraval, for nomination in respect of shares held in electronic form, shareholders may approach their Depository Participants.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

Your Directors are pleased to present the 46th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2003.

### MAJOR RESTRUCTURING INITIATIVES

Your Directors would like to highlight two major restructuring initiatives taken during FY 2002-03, before dwelling upon the financial performance.

#### 1. Transfer of Insulator Business

To take the Insulator Business to new heights both in domestic markets and globally, it became imperative to develop special high rated insulators and upgrade the quality and operating efficiencies of your Company's existing insulator products. Such a step was critical to ensure continued profits. To do so, your Company chose the Joint Venture route with NGK Insulators Limited, Japan (NGK) as your Joint Venture partner. NGK is the undisputed global leader in this sector. This restructuring move undeniably leads to shareholder value creation.

Accordingly, after obtaining the necessary approvals and through a Scheme of Arrangement, the Insulator Business of your Company was transferred to BIRLA NGK Insulators Private Limited (BIRLA NGK), name of erstwhile Vikram Insulators Private Limited changed to BIRLA NGK Insulators Private Limited, the JV Company, on a going concern basis, with effect from 1st August, 2002.

BIRLA NGK will not only get the requisite technology and know how from NGK, but also its marketing support globally. The Joint Venture will result in operating efficiencies and profitability of the transferred Insulator Business of your Company. Additionally, benefits accrue to your Company as a 50% shareholder in the Joint Venture Company.

As a consideration for the transfer of its Insulator Business, your Company has been allotted 1,24,90,000 Equity Shares of Rs. 10/- each and 119,34,375, 6.5% Secured Non - Convertible Redeemable Debentures of Rs. 100 each, fully paid up, for an aggregate amount of Rs.119.34 Crores by BIRLA NGK. These Debentures have since been redeemed.

#### 2. Exit from MRPL

Your Company was a Co-Promoter of Mangalore Refinery And Petrochemicals Limited (MRPL). Due to a change in the pricing structure of petroleum products, non availability of marketing rights, and heavy financial indebtedness, entailing a huge interest burden, MRPL was incurring heavy losses. Attempts to improve the situation could not materialize and MRPL sunk deeper into the financial morass. Your Company therefore decided to exit from MRPL.

Your Company has divested its entire Shareholding of 41,012,461 Equity Shares in MRPL to Oil and Natural Gas Corporation Limited @ Rs. 2/- per Share.

### FINANCIAL PERFORMANCE

Your Company has posted a superior performance during the year 2002-03. The VFY and Carbon Black have been the growth drivers. Textile revenue have also gone up.

Your Company attained a sales turnover of Rs. 1594.75 Crores for the year ended 31st March, 2003 as compared to Rs. 1550.14 crores in the previous year. Continuous restructuring of the business processes, operational excellence and effective financial management has contributed significantly to your Company's excellent performance .

## OPERATIONAL REVIEW VOLUMES

Products	Unit	FY 2003	FY 2002	Variation
<b>Production :-</b>				
Viscose Filament Yarn	MT	15873	12253	29.54%
Carbon Black	MT	112563	93634	20.22%
Insulator	MT	7673*	25277	—
<b>Sales :-</b>				
Garments	Lac Pcs.	61.7	70.7	(-)12.73%
Viscose Filament Yarn	MT	15422	12812	20.37%
Carbon Black	MT	114232	94504	20.88%
Insulator	MT	7489*	25183	—
Textiles	MT	15262	14570	4.75%

\* From 1st April, 2002 to 31st July, 2002

## TURNOVER (RS. IN CRORES)

Products	FY 2003	FY 2002	Variation
Garments	327.47	356.06	(-)8.03%
Viscose Filament Yarn	338.01	230.95	46.36%
Carbon Black	327.80	279.80	17.16%
Insulator	63.0*	196.2	—
Textiles	348.32	306.20	13.76%
Trading & Others	39.2	41.6	(-)5.77%
Total	1443.8	1410.8	2.34%

\* From 1st April, 2002 to 31st July, 2002

## FINANCIAL RESULTS

(Rs. in Crores)

	Current Year ended 31.3.2003	Previous Year ended 31.3.2002
Profit before Depreciation and Tax	218.47	146.28
Depreciation and Amortisation	71.74	73.54
<b>Profits before Tax and Exceptional Items</b>	<b>146.73</b>	<b>72.74</b>
Exceptional Items	(18.66)	1.33
Profit before Tax	128.07	74.07
Provision for Tax	34.22	30.61
Add: Tax Provision No Longer Required Written Back	(11.48)	—
<b>Net Profit</b>	<b>105.33</b>	<b>43.46</b>
<b>Exceptional Items</b>		
Loss on sale of Investment - MRPL	(57.08)	—
Gain on Insulator Demerger	38.42	—
Voluntary Retirement Cost at Textiles	—	(7.58)
Surplus on Sale of Assets under Disposal	—	8.91
<b>Total</b>	<b>(18.66)</b>	<b>1.33</b>

The operational performance of each of your Company's division has been explained in detail in the chapter on Management's Discussion and Analysis.

## DIVIDEND

Enthused by its higher profitability, your Directors recommend for your consideration a dividend of Rs.3.75 per Equity Share of Rs. 10/- each for the year ended 31st March, 2003.

	Current Year Rs. Crores	Previous Year Rs. Crores
On 5,98,76,742 fully paid-up Equity Shares of Rs.10 each, @ Rs. 3.75/- per share. (Previous year @ Rs.3.30/- per share, subject to deduction of tax, as applicable.)	22.45	19.76
Corporate Dividend Tax	2.88	N. A

## FINANCE

During the year under review, the Company has redeemed debentures worth Rs.86 crores out of internal cash accruals. Further, a sum of Rs.29 crores was spent for acquiring additional shares and shoring up paid up share capital of the Insurance Venture. This amount, alongwith the normal capex of Rs.33 crores, too was met from the internal accruals without resorting to any fresh borrowings during the year.

With the funds received from transfer of Insulator Business coupled with internal accruals, your Company's financial position has been comfortable and its Debt Equity Ratio of 0.15:1, is healthy as well.

## HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

To remain at the cutting edge and to strive to beat the best, your Company's focus has not only been on operational and business strategies, but more importantly also on our "people power". We believe, it is our people alone who provide us with the greatest sustainable, competitive advantage. Therefore an HR vision is embedded in your Company's overall vision and strategy. Your Company's employees fully identify with your Company's vision and business goals.

We continuously harness human resources and help people to unleash their maximum potential. We encourage intellectual curiosity. To stimulate the entrepreneurial spirit, we encourage delegation, empowerment and decentralisation, as far down the line as possible, factoring the competency levels.

Your Company provides unique opportunities for employee training and learning to build and hone competencies that support the business. At Gyanodaya, the Aditya Birla Institute of Management Learning, customized training programmes are conducted by experts from within the organization and an expert external faculty. Your Company's executives are constantly learning afresh at Gyanodaya, and keeping abreast of the latest developments and practices in their chosen field.

While perpetuating a performance oriented work culture that is motivating, we put a premium on team working. Of course, rewarding individuals for their contribution is part of the process as performance linked reward mechanisms and pay systems have been institutionalised.

## CORPORATE GOVERNANCE

Your Company is fully committed to good corporate governance practices and adheres to all the major stipulations laid down by the SEBI Corporate Governance Practices.

Your Company's Statutory Auditors Certificate dated 28th April, 2003 confirming the above compliance is annexed to and forms part of the Directors' Report.

As required under Section 217(2AA) of Companies Act, 1956, your Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;

- ii) 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) 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) the Directors have prepared the annual accounts on a going concern basis.

#### **SUBSIDIARY COMPANIES**

In line with Section 212 of the Companies Act, 1956, the audited statements of accounts along with the report of the Board of Directors and the Auditors' Report of the following Subsidiaries are annexed:-

Aditya Vikram Global Trading House Limited  
Birla Sun Life Insurance Company Limited  
Birla Technologies Limited  
Laxminarayan Investments Limited  
Rajnidhi Finance Limited  
PSI Data Systems Limited

The Hon'ble High Court of Orrisa has passed orders on 18th April, 2003 for winding up of PSI Kalinga Limited, erstwhile subsidiary of PSI Data Systems Limited.

#### **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 in a separate statement attached to this report and forms part of it.

Information relating to the Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required 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**

Your Directors report with grief the untimely demise of Mr. Siddhartha Sen, who had been on the Board of your Company, on 3rd January, 2003 following a massive cardiac arrest.

Mr. Sen was highly regarded in industry circles for his understanding and practice of marketing principles and had to his credit several successful brand launches.

During his association with your Company, Mr. Sen had contributed considerably towards the overall growth of the Company.

Your Directors place on record their deep appreciation for the services rendered by Mr. Siddhartha Sen during his tenure with your Company.

Mr. Kumar Mangalam Birla, Mr. P. Murari and Mr. B. R. Gupta, retire from office by rotation, and being eligible, offer themselves for reappointment.

#### **AWARDS AND RECOGNITION**

Your Company was the proud recipient of the following Awards and honours :-

- The coveted Deming Award 2002, was conferred upon the Carbon Black Unit at Gummidipoondi, by the Deming Prize Committee (JUSE), Japan.
- The Golden Peacock Award for excellence in Corporate Governance for the year 2002 has been bestowed on the Carbon Black Unit at Gummidipoondi.
- The Carbon Black Unit at Gummidipoondi received the National Energy Conservation Award, 2002 (Chemical Sector) from the Ministry of Power, Government of India.
- The Centre for Science And Environment's Green Rating Project has ranked the Caustic Soda Plant at Veraval as the Third Best Caustic Chlorine Plant in the Country on environmental performance.
- The Rayon Division, Veraval, was awarded the Gujarat Safety Award for the year 2000 by the Gujarat Safety Council. The Division was also adjudged as the runner up of the National Safety Award for the year 1999 for the Lowest Average Frequency Rate.

- The Rayon Division, Veraval was conferred upon the National Energy Conservation Award, 2002 - Second Prize in Chlor-Alkali Sector.
- In recognition of its outstanding export performance, Jaya Shree Textiles Division bagged the Export Award from Synthetic & Rayon Textile Export Promotion Council for export of 100% Polyester Yarn for the 3rd consecutive year.
- Besides being ISO 9000 & ISO 14001 certified, Jaya Shree Textile Unit has received SA 8000 & OHSAS 18001 certifications. This Unit has the distinction of being the first Composite Textile Mill in the country to hold these certifications.
- Madura Garment Division's Allen Solly won the Indian Express Marketing Excellence Award for Brand Excellence & Brand Building.
- Allen Solly Women's Wear of Madura Garments Division won the 'Best Launch of the Year' Award at the Images Fashion Award Distribution.

#### AUDITORS

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

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

#### APPRECIATION

Your Directors wish to acknowledge and thank the Central and State Governments and all Regulatory bodies for their continued support and guidance.

Your Directors thank you - our esteemed shareholders, customers, business associates, Financial/Investment Institutions and Commercial Banks for the faith reposed by them in your Company and its management.

Your Directors place on record their deep appreciation of the dedication and commitment of your Company's employees at all levels and look forward to their continued support in the future as well.

For and on behalf of the Board



Chairman

Mumbai  
28th April, 2003

#### ANNEXURE TO DIRECTORS' REPORT

##### Auditor's Certificate on Corporate Governance

To the Members of Indian Rayon And Industries Limited

We have examined the compliance of the conditions of Corporate Governance by Indian Rayon And Industries Limited for the year ended 31st March, 2003 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to the procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance. It is neither an audit nor an expression of the opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreement.

We state that in respect of investor grievances received during the year ended 31st March, 2003, no investor grievances are pending against the Company for a period exceeding one month as on 31st March, 2003, as per the records maintained by the Company and presented to the Investors' / Shareholders' Grievance Committee.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the managements has conducted the affairs of the Company.

For LODHA & CO.

For KHIMJI KUNVERJI & CO.

Chartered Accountants

Chartered Accountants

N. KISHORE BAFNA

SHIVJI K. VIKAMSEY

Partner

Partner

Mumbai, Dated : 28th April, 2003

## ANNEXURE TO DIRECTORS' REPORT

Information under section 217(1)(e) of the 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, 2003.

### A. CONSERVATION OF ENERGY

a) Energy conservation measures taken :

The Company is engaged in the continuous process of energy conservation through improved operational and maintenance practices. Steps taken by various divisions of the Company in the direction are as under :-

i) Rayon Division –

- Reduction in 16.5 MW power plant generator frequency from 50 HZ to 49 HZ.
- Installation of thermostat on calcinations plant heater.
- Voltage reduction in transformers.

ii) Carbon Black Division –

- Heating DM water in turbine system condenser.
- Installation of waste heat boiler in soft black reactor.
- Replacement of MBF-1 vent valve by zero leakage Butterfly valve.
- Installation of VFD for RA fan for lower power consumption.
- Modification of Boiler refractory lining.

iii) Textile Division –

- Variable speed drive for Humidification Plant for seasonal variation.
- Energy savings through permanent stoppage of Thermic Fluid Heater.
- Heat Conservation in Stenter Machine through Automatic Moisture Control System.
- Energy conservation in Humidification Towers by installing Timer for staggered working during winter season.

b) Additional Investments & Proposals, if any, being implemented for reduction of consumption of Energy.

i) Rayon Division –

- Installation of 525 TR double absorption chilling machine (steam driven) in place of power driven centrifugal chilling Machines.

ii) Textile Division –

- Power generation through Bio Methanation from effluents.

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 / will result in Energy Saving and consequent decrease in the cost of production.

d) Total Energy Consumption and Energy Consumption per Unit of Production as per prescribed Form – A :

As per annexure attached.

### B. TECHNOLOGY ABSORPTION

e) Efforts made in Technology Absorption in Form “B”.

#### RESEARCH AND DEVELOPMENT

1. Specific areas in which R & D carried out by the Company.

i) Rayon Division –

- Developing new shades of Spun Dyed Yarn.
- Alternate spin bath composition for quality improvement.
- Removal of oil and grease impurities from spin bath.
- Use of Sequestering Agent for quality improvement of yarn.
- Development of new products, i.e. Flat Yarn, etc.

ii) Carbon Black Division –

- Developing new applications of Carbon Black in the manufacture of Inks, Paints, Plastic and Rubber.
- Development of low grit Soft Black and new grades.

- iii) Textile Division –
  - Resource utilization of Flax bleaching/boiling with application of new solvent using pine oil.
  - Flame retardant Wool Tops/Yarn & it's blends with Zirpro process.
  - Wrinkled Wool [Corrulana] Yarn for high value shawl.
- 2. Benefits derived as a result of the above R & D
 

Improvement of process and productive capacity, better quality and marketability of products, development of new range of products, value addition in the existing products, improved customer satisfaction, development of eco friendly products and reduction of cost of production, improved Company's image and higher realization.
- 3. Future Plan of action
  - i) Rayon Division –
    - Development of micro filament yarn / trilobal yarn and thick and thin yarn etc.
    - Development of improved designed roller guide for spinning machines
    - Development of waste water recycle system.
    - Eco auditing.
    - Development related to improved yarn dyeing.
  - ii) Carbon Black Division –
    - Errection & commissioning of pilot plant for development of new grades of Carbon Black.
    - Commissioning of Master Batch Plant which is a value added and energy utilization product for Carbon Black.
    - Research & Development in the fields of Inks, Paints, Plastic and Rubber.
  - ii) Textile Division –
    - Application of Bio-Technology (Enzyme) in Flax & Wool Scouring/ Bleaching for quality improvement /better effluent quality.
    - UV protection of Wool & it's blends.
    - Siro Lycra yarn for apparel weaving.
- 4. Expenditure on Research and Development
 

i) Capital Expenditure-	Rs. 6.41 lac
ii) Recurring Expenditure	Rs. 32.67 lac
iii) Total	Rs. 39.08 lac
iv) Total R&D Expenditure as a percentage of total turnover -	0.03%
- 5. Technology absorption, adaptation and innovation
  - i) Efforts in brief, made towards technology absorption, adaptation and innovation Rayon Division –
    - Development of improved types of yarn.
  - ii) Benefits derived as a result of the above efforts
 

Quality improvement in existing range, development of new market segments, improvement in process, productivity and cost control, improvement in energy efficiency, reduction in input material consumption.
  - iii) Information regarding Technology imported during the last years
    - a) Technology imported during last five years:
 

Nil.
    - b) Has technology been fully absorbed:
 

N.A.

### C. FOREIGN EXCHANGE EARNING AND OUTGO

The information on foreign exchange earnings and outgo is contained in Note No. 19(a) of Schedule 18 and the annexure thereto.

## ANNEXURE

### Form-A

Form for disclosure of particulars with respect to conservation of energy.

#### (A) Power and Fuel Consumption:-

	Units	Current Year	Previous Year
<b>1. Electricity</b>			
(A) Purchased - Units	KWH in Lacs	1,106.69	1,272.31
Total Amount	Rs.in Lacs	3923.56	4,770.84
Rate per Unit	Rs.	3.55	3.75
(B) Own Generation			
(i) Through Diesel Generator - Units	KWH in Lacs	532.43	495.44
Unit per Ltr. of Diesel Oil	—	3.46	3.39
Cost Per Unit	Rs.	4.21	4.45
(ii) Through Steam Turbine/Generator - Units	KWH in Lacs	2251.41	1745.86
Unit per ton of steam coal	—	391.55	320.28
Cost Per Unit	Rs.	2.32	2.09
<b>2. Coal (Grade B, C and D)</b>			
Quantity	'000 Tonnes	153.28	148.15
Total Cost	Rs.in Lacs	2855.11	2091.43
Average Rate	Rs.per Tonne	1862.71	1411.67
<b>3. Furnace Oil</b>			
Quantity	K.Ltrs.	3021.56	9775.86
Total Amount	Rs.in Lacs	309.06	1155.86
Average Rate	Rs.per K.Ltr	10228.49	11823.61
<b>4. Others/Internal generation</b>	—	Nil	Nil

#### (B) Consumption per unit of production :

	Production Unit	Standards, if any	Current Year	Previous Year
<b>1. Electricity (KWH)</b>				
Viscose Filament Rayon Yarn	MT	—	5917.00	6318.00
Other Yarns (Average)	MT	—	4987.53	5055.42
Caustic Soda	MT	—	2319.00	2398.00
Fabrics	'000 Mtr	936.00	1118.70	1240.01
Hose Pipe	'000 Mtr	757.00	—	845.40
Carbon Black	MT	—	453.84	497.89
Liquid Argon	SM3	3.80	4.11	4.18
Insulator	MT	—	1002.07	968.32
<b>2. Furnace Oil (Kilo Ltr.)</b>				
Viscose Filament Rayon Yarn	MT	—	—	0.02
Other Yarns	MT	—	11.80	15.00
Carbon Black	MT	—	0.004	0.01
Insulator	MT	—	0.50	0.47
<b>3. Coal (Grade B, C and D)</b>				
Viscose Filament Rayon Yarn	MT	—	2.71	3.11
Other Yarns	MT	—	182.60	148.80
Fabrics	'000 Mtr	—	36.70	74.00
Hose Pipe	'000 Mtr	—	—	36.60

## AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of **Indian Rayon And Industries Limited** as at 31st March, 2003 and also the Profit & Loss Account for the year ended on that date annexed thereto and the cash flow statement for the year ended on that date. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order, to the extent applicable.
3. Further to our comments in the Annexure referred to above, we report that:
  - i) 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;
  - ii) 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 those books. The Branch Auditors' reports have been forwarded to us and have been appropriately dealt with;
  - iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches;
  - iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the Act;
  - v) On the basis of written representations received from the directors, as on 31st March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;
  - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes on Accounts in Schedule '18' particularly Note No.6 in the aforesaid Schedule regarding fall in values/book value of certain long term quoted/unquoted investments and those appearing elsewhere in the accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
    - a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2003; and
    - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.
    - c) in the case of cash flow statement, of the cash flows for the year ended on that date.

For LODHA & CO.  
Chartered Accountants

N.KISHORE BAFNA  
Partner

Mumbai,  
Dated: 28<sup>th</sup> April, 2003

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

SHIVJI K.VIKAMSEY  
Partner

Annexure referred to in Para 2 of our Auditors' Report to the Members of Indian Rayon And Industries Limited of even date.

- i) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets. The Fixed Assets were physically verified by the management at reasonable intervals. The discrepancies noticed on physical verification were not material and the same have been properly dealt with in the books of account.
- ii) None of the Fixed Assets have been revalued during the year.
- iii) The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals. Stocks lying with third parties and in transit have been verified by the management with reference to the confirmations received/subsequent receipt of goods.
- iv) The procedures for 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.
- v) No material discrepancies have been noticed on physical verification of stocks as compared to book records.
- vi) In our opinion, 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 except that due to implementation of Enterprise Resource Planning Software at Madura Garments Unit, cost of inventories have been determined on weighted average basis which hitherto was computed on FIFO basis having no material impact on the profit for the year.
- vii) The rate of interest and other terms and conditions of unsecured loans taken from parties listed in the register maintained under Section 301 of the Act are, prima facie, not prejudicial to the interest of the Company. We have been informed that, there are no companies under the same Management, as defined under section 370(1-B) of the Act.
- viii) The Company has not granted any loans, secured or unsecured, to any companies or other parties listed in the register maintained under section 301 of the Act .
- ix) In respect of loans and advances in the nature of loan given by the Company, the parties have generally repaid the principal amounts as stipulated and have also been generally regular in the payment of interest, where applicable.
- x) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
- xi) There are no transactions of purchase of goods and material and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Act.
- xii) The Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provisions have been made in the accounts for the loss arising on the items so determined.
- xiii) The Company has with regard to the deposits accepted from the public complied with the provisions of Section 58A of the Act and the rules framed thereunder.
- xiv) The Company has maintained reasonable records for the sale and disposal of realisable scrap and by-products, wherever applicable.

- xv) The Company has an internal audit system commensurate with the size and the nature of its business.
- xvi) 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 Act have broadly been reviewed and prima facie, the prescribed accounts and records have been made and maintained. However, these are not required to be examined by us in detail with a view to determine whether they are accurate or complete.
- xvii) The Company is regular in depositing Provident Fund dues and Employees State Insurance dues with the appropriate authorities.
- xviii) No undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty and Excise duty were outstanding as at 31st March, 2003 for a period of more than six months from the date they became payable.
- xix) On the basis of our examination of the books of account, the vouchers produced to us for our verification, the explanations given and representations made to us on our inquiries, unqualified report of the internal auditors and the check and control relating to authorising the expenditure on the basis of contractual obligations to the employees/ directors, accepted business practices having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue, which in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.
- xx) 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.
- xxi) In respect of the service activities, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of its business. In our opinion, the system provides for a reasonable allocation of materials consumed and man hours utilised to the relative jobs. Further, there is a reasonable system of authorisation at proper levels and an adequate internal control system commensurate with the size of the Company and the nature of its business on the issue of stores and allocation of stores and labour to jobs.
- xxii) In respect of trading activities, damaged goods which were not significant have been determined and necessary provision for losses have been made in the accounts.

For LODHA & CO.

Chartered Accountants

N.KISHORE BAFNA

Partner

Mumbai,

Dated: 28<sup>th</sup> April, 2003

For KHIMJI KUNVERJI & CO.

Chartered Accountants

SHIVJI K.VIKAMSEY

Partner

## BALANCE SHEET AS AT 31ST MARCH, 2003

	Schedule	As at 31st March, 2003 Rs. in Crores	As at 31st March, 2002 Rs. in Crores
<b>SOURCES OF FUNDS</b>			
<b>Shareholders' Funds:</b>			
Share Capital	'1'	59.88	59.88
Reserves & Surplus	'2'	1,110.91	1,030.91
		<u>1,170.79</u>	<u>1,090.79</u>
<b>Loan Funds:</b>			
Secured Loans	'3'	266.32	443.47
Unsecured Loans	'4'	1.58	15.66
		<u>267.90</u>	<u>459.13</u>
Total Funds Employed		<u>1,438.69</u>	<u>1,549.92</u>
<b>APPLICATION OF FUNDS</b>			
<b>Fixed Assets:</b>			
Gross Block	'5'	1,177.54	1,242.14
Less: Depreciation/Amortization		501.55	491.30
Net Block		<u>675.99</u>	<u>750.84</u>
Capital Work-in-Progress		8.09	10.92
		<u>684.08</u>	<u>761.76</u>
<b>Assets held for disposal</b>		—	13.52
<b>Investments</b>	'6'	514.30	439.79
<b>Current Assets, Loans &amp; Advances:</b>			
Inventories	'7'	245.42	265.43
Sundry Debtors	'8'	151.20	223.26
Cash & Bank Balances	'9'	41.30	14.20
Interest accrued on Investments		0.02	0.06
Loans & Advances	'10'	145.85	130.17
		<u>583.79</u>	<u>633.12</u>
Less: <b>Current Liabilities &amp; Provisions:</b>	'11'		
Current Liabilities		195.78	188.12
Provisions		28.16	19.76
		<u>223.94</u>	<u>207.88</u>
<b>Net Current Assets</b>		359.85	425.24
Deferred Tax Liabilities		(126.42)	(101.20)
<b>Miscellaneous expenditure (to the extent not written off)</b>			
Marketing / Technical know-how		6.88	10.81
Total Funds Utilised		<u>1,438.69</u>	<u>1,549.92</u>

### Significant Accounting Policies and

Notes on Accounts

'18'

Schedules referred to above form an integral part of the accounts

As per our attached Report of even date

For LODHA & CO.  
Chartered Accountants

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

ADESH GUPTA  
President & CFO

Chairman: KUMAR MANGALAM BIRLA  
Directors: RAJASHREE BIRLA

N. KISHORE BAFNA  
Partner  
Mumbai, 28th April, 2003

SHIVJI K. VIKAMSEY  
Partner

DEVENDRA BHANDARI  
Company Secretary

B. R. GUPTA  
P. MURARI  
B. L. SHAH  
H. J. VAIDYA  
TARJANI VAKIL  
VIKRAM RAO

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Schedule	2002-03 Rs. in Crores	2001-02 Rs. in Crores
<b>INCOME</b>			
Sales		1,594.75	1,550.14
Less: Excise Duty		150.93	139.51
Net Sales		1,443.82	1,410.63
Other Income	‘12’	10.72	9.13
		1,454.54	1,419.76
<b>EXPENDITURE</b>			
(Increase)/Decrease in Stocks	‘13’	(3.87)	10.01
Cost of Materials	‘14’	688.64	677.41
Salaries, Wages and Employee Benefits	‘15’	123.12	120.10
Manufacturing, Selling and Other Expenses	‘16’	406.50	420.23
Interest and Other Finance Expenses (Net)	‘17’	21.68	45.73
		1,236.07	1,273.48
<b>Profit before Depreciation/Amortisation and Exceptional items</b>		218.47	146.28
Depreciation/Amortisation		67.81	69.61
Marketing / Technical knowhow expenditure written off		3.93	3.93
<b>Profit before Exceptional items and Tax</b>		146.73	72.74
<b>Exceptional Items</b>			
Loss on sale of long term investments being MRPL equity		(57.08)	—
Gain on transfer of Insulator Business (Refer note 3 in Schedule 18)		38.42	—
Voluntary Retirement cost		—	(7.58)
Surplus in respect of assets held for disposal		—	8.91
<b>Profit after exceptional items</b>		128.07	74.07
Provision for Current Tax		(9.00)	(5.00)
<b>Net Profit after Current Tax</b>		119.07	69.07
Tax provision no longer required written back		11.48	—
Provision for Deferred Tax		(25.22)	(25.61)
<b>Net Profit</b>		105.33	43.46
Balance brought forward		79.68	57.52
Transfer from Debenture Redemption Reserve (Net)		32.96	5.96
Transfer from Investment Allowance Reserve		37.00	—
<b>Profit available for Appropriation</b>		254.97	106.94
<b>APPROPRIATIONS</b>			
Proposed Dividend		22.45	19.76
Corporate Tax on Proposed Dividend		2.88	—
General Reserve		20.00	7.50
Surplus carried to Balance Sheet		209.64	79.68
		254.97	106.94
Basic Earnings per share (Before exceptional items)		20.71	7.04
Basic Earnings per share (After exceptional items)		17.59	7.26
Diluted Earnings per share (Before exceptional items)		20.69	7.03
Diluted Earnings per share (After exceptional items)		17.58	7.25
Significant Accounting Policies and Notes on Accounts	‘18’		
Schedules referred to above form an integral part of the accounts As per our attached Report of even date			
For LODHA & CO. Chartered Accountants	For KHIMJI KUNVERJI & CO. Chartered Accountants	ADESH GUPTA President & CFO	Chairman: KUMAR MANGALAM BIRLA Directors: RAJASHREE BIRLA B. R. GUPTA P. MURARI B. L. SHAH H. J. VAIDYA TARJANI VAKIL VIKRAM RAO
N. KISHORE BAFNA Partner Mumbai, 28th April, 2003	SHIVJI K. VIKAMSEY Partner	DEVENDRA BHANDARI Company Secretary	

## SCHEDULES

### SCHEDULE '1' SHARE CAPITAL

	Numbers	As at 31st March, 2003 Rs.in Crores	As at 31st March, 2002 Rs.in Crores
<b>Authorised:</b>			
Equity Shares of Rs. 10 each	85,000,000	85.00	85.00
Redeemable Preference Shares of Rs. 100 each	1,500,000	15.00	15.00
Total		<u>100.00</u>	<u>100.00</u>
<b>Issued, Subscribed &amp; Paid-up:</b>			
Equity Shares of Rs. 10 each, fully paid-up*	59,876,742	59.88	59.88
		<u>59.88</u>	<u>59.88</u>

1. \* Includes:

- 13,75,500 shares allotted as fully paid-up pursuant to contracts for consideration other than cash
  - 2,33,69,797 shares issued as Bonus Shares by capitalisation of Securites Premium, General Reserve, Capital Redemption Reserve and Capital Reserve.
  - 34,42,201 (Previous Year 36,25,263) shares represented by Global Depository Receipts
2. Issue of 36,581 (Previous Year 38,181) equity shares and bonus shares thereon is in abeyance pursuant to the provisions of Section 206A of the Companies Act, 1956.

### SCHEDULE '2'

#### RESERVES & SURPLUS

	Balance as at 31st March, 2002	Additions during the year	Deductions/ Adjustments during the year	Rs. in Crores Balance as at 31st March, 2003
Capital Reserve	1.44	—	—	1.44
Capital Redemption Reserve	7.61	—	—	7.61
Debenture Redemption Reserve	101.29	—	32.96#	68.33
Securities Premium Account	373.36	—	—	373.36
General Reserve	430.53	20.00#	—	450.53
Investment Allowance Reserve ( Fully utilised )	37.00	—	37.00#	—
Surplus as per Profit & Loss Account	79.68	129.96	—	209.64
	<u>1,030.91</u>	<u>149.96</u>	<u>69.96</u>	<u>1,110.91</u>
Previous Year	<u>1,096.06</u>	<u>46.66</u>	<u>111.81</u>	<u>1,030.91</u>

# Transferred to/from Profit and Loss account

## SCHEDULES

### SCHEDULE '3' SECURED LOANS

	As at 31st March, 2003 Rs.in Crores	As at 31st March, 2002 Rs.in Crores
Debentures	156.66	242.59
Term Loan from Financial Institution	17.00	20.00
Deferred Sales Tax Loan	22.59	14.47
Working Capital Borrowings from Banks	70.07	166.41
	266.32	443.47

### SCHEDULE '4' UNSECURED LOANS

Fixed Deposits	1.54	2.88
Deferred Sales Tax Loan	0.04	2.78
Commercial Paper	—	10.00
	1.58	15.66
Includes amounts repayable within one year	1.58	11.37

### SCHEDULE '5' FIXED ASSETS

Rs. in Crores

	Gross Block					Depreciation/Amortization		Net Block	
	As at 31st March, 2002	Additions for the year	Deductions/ Adjustments	Transfer to Birla NGK Insulators Pvt. Ltd.*	As at 31st March, 2003	For the year	Upto 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Goodwill	20.35	—	—	—	20.35	—	—	20.35	20.35
Land									
Freehold	1.25	—	0.04	0.20	1.01	—	—	1.01	1.25
Leasehold	5.13	—	—	—	5.13	0.08	0.52	4.61	4.70
Buildings	128.04	1.46	0.54	16.25	112.71	2.92	22.48	90.23	104.53
Plant & Machinery	928.40	25.52	2.44	75.13	876.35	53.78	435.13	441.22	496.63
Furniture, Fixtures & Equipments	27.02	2.81	0.33	3.49	26.01	2.03	14.10	11.91	12.54
Trade mark/ Brands	123.61	—	—	—	123.61	8.24	26.77	96.84	105.08
Vehicles & Aircrafts	8.26	6.06	0.89	1.08	12.35	0.76	2.53	9.82	5.76
Livestock	0.08	—	—	0.06	0.02	—	0.02	—	—
<b>Total</b>	<b>1,242.14</b>	<b>35.85</b>	<b>4.24</b>	<b>96.21</b>	<b>1,177.54</b>	<b>67.81</b>	<b>501.55</b>	<b>675.99</b>	<b>750.84</b>
Previous year	1,244.58	29.13	31.57	—	1,242.14	69.61	491.30	750.84	

#### Notes:

- Execution/renewal/registration of documents pending in respect of Freehold land Rs.0.06 crores (Previous year Rs. 0.06 crores) and Buildings of Rs. 0.30 crores (Previous Year Rs.0.30 crores).
- Assets held under co-ownership- Leasehold Land Rs 0.25 Crore (Previous Year Rs. 0.25 Crores), Building Rs.1.08 Crore (Previous Year Rs. 1.08 Crore) , Furniture, Fixture & Equipments Rs. 0.48 Crore (Previous Year Rs. 0.48 Crore) and Aircraft Pending RegistrationRs. 4.84 Crores (Previous year Nil)
- The Company has made an application for exemption under section 20 of the Urban Land (Ceiling & Regulation) Act, 1976 for excess land of 4.25 acres (Previous Year 4.25 acres) at Rishra
- Buildings include Rs.8.12 Crores (Previous Year 8.12 Crores) being cost of Debentures of and Shares in a Company entitling to the right of exclusive occupancy and use of certain premises.
- Plant & Machinery include Rs.1.07 Crores (Previous year Rs. 1.51 Crores) being assets not owned by the Company.
- \* Refer note 3 in Schedule 18.

## SCHEDULES

SCHEDULE '6' INVESTMENTS	Face Value Rupees	As at 31st March, 2003		As at 31st March, 2002	
		Number	Rs in Crores	Number	Rs in Crores
<b>LONG TERM INVESTMENTS</b>					
<b>Government Securities (Unquoted)</b>					
6 & 7 Years National Saving Certificates	41000		₹		₹
12 Years National Defence Certificate	500		₹		₹
<b>Other Investments (Fully Paid up) :</b>					
<b>QUOTED</b>					
<b>Equity Shares:</b>					
HGI Industries Ltd.	10	432,322	3.46	432,322	3.46
Industrial Development Bank of India	10	538,593	3.69	538,593	3.69
<b>UNQUOTED</b>					
16% NCD of Mangalore Refinery and Petrochemicals Ltd.	40	250,000	0.98	250,000	0.98
<b>Equity Shares :</b>					
Gwalior Properties and Estates Ltd.	10	346,850	1.45	346,850	1.45
Seshashayee Properties Ltd.	10	365,750	1.64	365,750	1.64
Trapti Trading & Investments Ltd.	10	351,700	3.77	351,700	3.77
Turquoise Investments & Finance Ltd.	10	341,600	3.66	341,600	3.66
<b>Trade Investments</b>					
<b>QUOTED</b>					
<b>Equity Shares :</b>					
Indo-Gulf Corporation Ltd.	10	—	—	19,579,357	45.85
Indo-Gulf Fertiliser Ltd. (Indo Gulf Fertiliser)	10	3,915,871	9.40	—	—
Hindalco Industries Limited (Hindalco)	10	1,631,613	36.45	—	—
Mangalore Refinery and Petrochemicals Ltd.	10	—	—	41,012,461	65.10
Century Enka Ltd.	10	62,500	1.25	62,500	1.25
<b>UNQUOTED</b>					
<b>Equity Shares :</b>					
Birla NGK Insulators Private Limited (Birla NGK)	10	12,490,000	12.49	—	—
Idea Cellular Ltd (Idea)	10	88,816,400	88.82	88,816,400	88.82
<b>Investment in Subsidiary Companies:</b>					
<b>Equity Shares</b>					
<b>QUOTED</b>					
PSI Data Systems Ltd.	10	5,311,669	100.28	5,311,669	100.29
<b>UNQUOTED</b>					
Aditya Vikram Global Trading House Ltd., Mauritius	US\$ 1	850,000	3.70	850,000	3.70
Birla Sun Life Insurance Company Ltd. (Birla Sunlife)	10	133,200,000	134.70	105,000,000	105.00
Laxminarayan Investment Ltd.	10	11,093,000	11.09	11,093,000	11.09
Rajnidhi Finance Ltd.	10	40,000	0.04	40,000	0.04
<b>Total A</b>			<u>416.87</u>		<u>439.79</u>

## SCHEDULES

### SCHEDULE '6' (Contd) INVESTMENTS

	Face Value Rupees	As at	
		31st March, 2003 Number	31st March, 2002 Number
		Rs in Crores	Rs in Crores
<b>CURRENT INVESTMENTS</b>			
<b>(Unquoted, Non Trade and Fully paid up)</b>			
Units of Debt Schemes of various Mutual Funds	62,828,471	97.43	—
<b>Total B</b>		<u>97.43</u>	<u>—</u>
<b>TOTAL (A+B)</b>		<u>514.30</u>	<u>439.79</u>
Aggregate Book Value — Quoted		154.54	219.64
— Unquoted		359.76	220.14
Aggregate Market Value — Quoted		123.20	183.32

#### Number

- Details of Debentures purchased & redeemed during the year :
 

Birla NGK Insulators Private Limited	11,934,375
11% Own Debentures (16th Series)	4,700,000
- Units of Debt Schemes of various Mutual Funds purchased and redeemed during the year: 375,816,323
- Transfer of investments in Idea /Birla Sun Life / Birla NGK is restricted by the terms contained in their respective joint venture agreements.
- Equity shares of Idea are pledged with certain lenders to secure loan extended by them to Idea.
- Shares of Indo Gulf Fertilisers and Hindalco were received on demerger of Indo Gulf Corporation Limited.
- Figures of Rs. 50,000 or less have been denoted by β.

### SCHEDULE '7' INVENTORIES

(As valued and certified by the management)	As at	
	31st March, 2003	31st March, 2002
	Rs. in Crores	Rs. in Crores
Finished Goods	91.06	109.85
Stores & Spares	18.05	21.72
Raw Materials	118.62	110.97
Packing Materials	1.50	3.38
Material-in-Process	16.02	19.31
Waste / Scrap	0.17	0.20
	<u>245.42</u>	<u>265.43</u>

## SCHEDULES

### SCHEDULE '8' SUNDRY DEBTORS

	As at 31st March, 2003 Rs. in Crores	As at 31st March, 2002 Rs. in Crores
(Unsecured, considered good except otherwise stated)		
Due for a period exceeding six months (Net of doubtful, fully provided Rs.8.16 Crores; Previous Year Rs.10.47 Crores)	3.06	15.76
Others	148.14	207.50
	<u>151.20</u>	<u>223.26</u>
Includes amount in respect of which the Company holds deposits and Letters of Credit/ Guarantees from Banks	29.73	28.88

### SCHEDULE '9' CASH & BANK BALANCES

Cash & Cheques in hand and remittances in transit	3.20	5.54
Balances with Scheduled Banks:		
Current Accounts	6.48	6.79
Deposit Accounts	31.61	1.87
Balances with Non-Scheduled Banks: #		
On Current Account-	0.01	—
Standard Chartered Bank (SCB), London		
	<u>41.30</u>	<u>14.20</u>
# Maximum amount due at any time during the year SCB	0.07	0.10

### SCHEDULE '10' LOANS AND ADVANCES

(Unsecured, considered good except otherwise stated)		
Advances recoverable in cash or in kind or for value to be received (Net of Doubtful, fully provided Rs.3.57 Crores — Previous Year Rs 2.18 Crores)	56.83	69.72
Deposits	83.92	33.17
Balances with Central Excise, Customs & Port Trust etc (Net of Doubtful, fully provided Rs. 3.01 Crores — Previous Year Rs 3.11 Crores)	5.10	9.39
Taxation (Net of Provisions)	—	17.89
	<u>145.85</u>	<u>130.17</u>
+ Includes		
(a) Amount due from Officers	0.04	—
(b) Maximum amount due from Officers at any time during the year	0.06	0.04

### SCHEDULE '11' CURRENT LIABILITIES & PROVISIONS

Current Liabilities:		
Acceptances	14.35	6.84
Sundry Creditors	127.97	113.43
Advances from Customers	5.54	4.09
Interest accrued but not due on loans	6.25	11.22
Other Liabilities	41.67	52.54
	<u>195.78</u>	<u>188.12</u>
Provisions:		
For taxation (Net of Advance Payment)	2.83	—
Proposed Dividend	22.45	19.76
Provision for Corporate Tax on Dividend	2.88	—
	<u>28.16</u>	<u>19.76</u>
	<u>223.94</u>	<u>207.88</u>

## SCHEDULES

	2002-03 Rs.in Crores	2001-02 Rs.in Crores
<b>SCHEDULE '12'</b>		
<b>OTHER INCOME</b>		
Dividends on Long Term Investments :		
Trade	5.13	4.98
Others	0.08	0.07
(Tax deducted at source Rs.0.55 Crores - Previous Year Rs. Nil)	5.21	5.05
Profit/(Loss) on sale of Investments (Net) :		
Long Term*	—	(0.52)
Current	1.40	0.29
	1.40	(0.23)
Miscellaneous Income	4.11	4.31
	10.72	9.13
* (Other than on MRPL Shares as shown as exceptional item)		
<b>SCHEDULE '13'</b>		
<b>(INCREASE)/DECREASE IN STOCKS</b>		
Opening Stocks:		
Finished Goods	109.85	113.20
Work-in-Process	19.31	22.17
Waste / Scrap	0.20	0.12
	129.36	135.49
Less:		
Closing Stocks:		
Finished Goods	91.06	109.85
Work-in-Process	16.02	19.31
Waste / Scrap	0.17	0.20
	107.25	129.36
Add: (Increase)/Decrease in Excise duty on Stocks	2.33	3.88
Less: Stocks transferred to Birla NGK Insulator Pvt. Ltd. ( Refer Note 3 in Schedule "18")	28.31	—
(Increase)/Decrease	(3.87)	10.01
<b>SCHEDULE '14'</b>		
<b>COST OF MATERIALS</b>		
Raw Material Consumption	639.09	615.66
Packing Material Consumption	24.15	31.61
Purchase of Finished Goods	25.40	30.14
	688.64	677.41
<b>SCHEDULE '15'</b>		
<b>SALARIES,WAGES AND EMPLOYEE BENEFITS</b>		
Payments to & Provisions for Employees:		
Salaries, Wages and Bonus	100.93	99.80
Contribution to Provident & Other Funds	16.01	14.07
Welfare Expenses	6.18	6.23
	123.12	120.10

## SCHEDULES

<b>SCHEDULE '16'</b>	2002-03	2001-02
<b>MANUFACTURING, SELLING AND OTHER EXPENSES</b>	Rs.in Crores	Rs.in Crores
Consumption of Stores & Spares	45.44	46.09
Power & Fuel	96.52	112.90
Processing Charges	43.98	45.90
Commission to Selling Agents	44.09	43.91
Brokerage & Discounts	7.47	7.22
Export Expenses	5.51	9.52
Advertisement	41.27	51.28
Transportation & Handling Charges (Net)	25.25	25.14
Other Selling Expenses	20.57	19.53
<b>Auditors' Remuneration :</b>		
Audit Fees	0.07	0.08
For Taxation Matters	0.02	0.01
For Tax Audit	0.03	0.03
For Certification Work	0.02	0.01
For Management Services	0.04	
Reimbursement of Expenses	0.02	0.02
Payments to Branch Auditors:		
Audit Fees	0.06	0.06
For Certification Work	0.06	0.02
For Management Services	0.02	
Reimbursement of Expenses	0.02	0.02
Payment to Cost Auditors:		
Audit Fees	0.01	0.01
Bad debts & Provisions for doubtful debts & advances	7.37	3.93
Repairs & Maintenance of:		
Buildings	3.26	3.74
Plant & Machinery	14.88	12.98
Others	1.63	1.95
Rent	6.23	4.82
Rates & Taxes	2.43	3.34
Insurance	4.22	4.26
Donations	0.60	0.60
Directors' Fees & Travelling Expenses	0.05	0.06
Research & Development Expenses	0.65	0.54
(Profit)/Loss on sale/discard of Fixed Assets (Net)	0.65	(0.93)
Miscellaneous Expenses	37.79	35.84
	<u>410.23</u>	<u>432.88</u>
Less:		
Insurance Claims	1.54	5.49
Unspent Liabilities, Excess provisions and unclaimed balances in respect of earlier years written back (net of short provisions and sundry balances written off)	2.19	7.16
	<u>3.73</u>	<u>12.65</u>
	<u>406.50</u>	<u>420.23</u>
<b>SCHEDULE '17'</b>		
<b>INTEREST AND OTHER FINANCE EXPENSES</b>		
Interest		
On Debentures and Fixed Loans	28.50	39.13
Other	11.50	18.86
Other Finance Expenses	3.66	4.51
	<u>43.66</u>	<u>62.50</u>
Less: Interest Income		
Interest on long term Investments	5.26	1.13
(Tax deducted at source Rs.1.11 Crores — Previous Year Rs.0.05 Crores)		
Others Interest	16.72	15.64
(Tax deducted at source Rs.1.15 Crores — Previous Year Rs.1.12 Crores)		
	<u>21.68</u>	<u>45.73</u>

# SCHEDULES

## SCHEDULE '18'

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. SIGNIFICANT ACCOUNTING POLICIES

##### ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the applicable accounting standards.

##### FIXED ASSETS

Fixed assets are stated at cost.

##### DEPRECIATION / AMORTIZATION

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in the manner specified in the Schedule XIV of the Companies Act,1956. "Continuous process plants" have been classified on technical assessment and depreciation provided accordingly.

Intangible and certain other assets are amortized as under :

Trademarks/ Brands	— 15 years
Capital Expenditure on assets not owned	— 5 years
Specialized Software	— 3 years
Leasehold Land	— Over the period of the lease
Goodwill	— Not being amortized.

Depreciation on the Fixed Assets added/disposed off /discarded during the year has been provided on pro-rata basis with reference to the month of addition/disposal/discarding.

Depreciation on the amounts capitalized on account of foreign exchange fluctuation is provided prospectively over residual life of the assets.

##### BORROWING COST

Borrowing Costs attributable to acquisition and construction of qualifying assets are capitalized as a part of the cost of such asset upto the date when such assets is ready for its intended use. Other borrowing costs are charged to the Profit & Loss Account.

##### TRANSLATION OF FOREIGN CURRENCY ITEMS

Transactions in foreign currency are recorded at the rate of exchange in force at the date of the transactions. Foreign currency assets (except investments) and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the year end and resultant gains / losses are recognized in the profit and loss account. Premium in respect of forward foreign exchange contracts is recognized over the life of the contracts.

Foreign currency loans for financing fixed assets are stated at the contracted/prevaling rate of exchange at the year end and the resultant gains/losses are adjusted to the cost of assets.

##### INVESTMENTS

Long Term Investments are stated at cost after deducting provision, if any, made for permanent diminution in the values.

Current Investments are stated at lower of cost and market/fair value.

##### INVENTORIES

Inventories are valued at the lower of the cost and estimated net realizable value. Cost of inventories is computed on a weighted average / FIFO basis. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Proceeds in respect of sale of raw materials/stores are credited to the respective heads. Obsolete, defective and unserviceable stocks are duly provided for.

# SCHEDULES

## SCHEDULE '18' (Contd.)

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### RETIREMENT BENEFITS

Regular contributions are made to provident and superannuation funds. Liability in respect of gratuity and leave encashment is actuarially evaluated and funded / provided.

#### TAXATION

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961. The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date. Deferred tax assets arising from timing differences are recognized to the extent there is reasonable certainty that these would be realized in future.

#### RESEARCH AND DEVELOPMENT EXPENDITURE

Revenue expenditure is charged to the Profit & Loss Account and Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.

#### GOVERNMENT GRANTS

Government Grants are recognized when there is reasonable assurance that the same will be received. Revenue grants are recognized in the Profit & Loss account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to capital reserve.

#### MISCELLANEOUS EXPENDITURE

Marketing / Technical know-how expenses are deferred and are written-off over a period of five years.

#### CONTINGENT LIABILITIES

Contingent Liabilities in respect of show cause notices received are considered only when they are converted into demands.

Contingent Liabilities under various fiscal laws include those in respect of which the Company/Department is in appeal. Contingent Liabilities are disclosed by way of notes

## B. NOTES ON ACCOUNTS

	Current Year Rs. in Crores	Previous Year Rs. in Crores
1 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	5.15	7.18
2 Contingent Liabilities not provided for:		
a) Claims against the Company not acknowledged as debts		
i) Income-tax	0.67	6.28
ii) Custom Duty	1.46	2.02
iii) Excise Duty	39.97	35.94
iv) Others	23.69	28.91
b) Bills discounted with Banks	37.57	57.21
c) Corporate Guarantees given to Banks/Financial Institutions for loans taken/Preference shares issued by subsidiary/other companies.	110.42	78.65
d) Customs duty on capital goods and raw materials imported under advance licensing / EPCG scheme, against which export obligation is to be fulfilled.	4.63	6.78

## SCHEDULES

### SCHEDULE '18' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rs. in Crores	Previous Year Rs. in Crores
3 Pursuant to the Scheme of Arrangement (the Scheme), as approved by the shareholders and subsequently sanctioned by the High Court of Gujarat, Ahmedabad, the Insulator Business of the Company has been transferred on a going concern basis w.e.f 1st August 2002 (the Appointed date) to Vikram Insulators (P) Limited ( presently known as Birla NGK Insulators (P) Limited).		
As per the Scheme, all the assets, liabilities and debts pertaining to the Insulator Business on the appointed date have been transferred and in consideration whereof the Company has been allotted the following securities:-		
a) 1,24,90,000 Equity Shares of Birla NGK Insulators (P) Ltd. having a face value of Rs.10 each at par and		
b) Debentures having face value of Rs.119.34 crores, (being equivalent to USD 25 million) at par (since redeemed). The difference between the consideration as mentioned above (Net of merger expenses) and the net book value of assets as on the Appointed date has been accounted as an exceptional item under the head " Gain on transfer of Insulator Business".		
4 DEBENTURE AND SECURED LOANS :-		
a) Non Convertible Debentures are secured by way of first charge created by mortgage of the immovable properties of the Company situated at Veraval, Rishra, Jagdishpur, Renukoot and Sakhar Bhavan, Mumbai and hypothecation of movables (except book debts) situated at the above locations and at Midnapur, subject to prior charge(s) created on certain assets in favour of the Financial Institutions and on inventories in favour of the Company's Bankers for the working capital borrowings, ranking pari-passu inter-se.		
(i) 11% Sixteenth Series (Redeemed at par in three equal annual installments-commenced from 31st July,2000)	—	19.25
(ii) 11% Seventeenth Series (Redeemable at par in three equal annual instalments-commenced from 24th January,2002)	26.66	53.34
(iii) 14.25% Nineteenth Series (Redeemed at par on 17th July, 2002)	—	40.00
(iv) 13.20% Twentieth Series (Redeemable at par on 8th Oct,2003)	30.00	30.00
(v) 13.50% Twenty First Series (Redeemable at par on 1st Aug,2003)	50.00	50.00

## SCHEDULES

### SCHEDULE '18' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rs. in Crores	Previous Year Rs. in Crores
(vi) 10.85% Twenty Second Series (Redeemable at par on 10th March,2006)	50.00	50.00
b) Term Loan from Financial Institutions are secured by exclusive charge of the assets acquired there-against.	17.00	20.00
c) Deferred sales tax loan is to be secured by way of charge on the fixed assets of the units at Gumdipundi and Veraval.	22.59	14.47
d) Working Capital Borrowings are secured by hypothecation of inventories and book debts	70.07	166.41
5 Capital Work-in-Progress include advances against Capital Expenditure.	2.81	3.06
6 Market/Book values of certain long term quoted investments of Rs.108.68 crores and unquoted investments of Rs. 223.52 crores are lower than its cost.		
<p>Considering the strategic and long term nature of the aforesaid investments and asset base &amp; business plans of the investee companies, in the opinion of the management, the decline in the market/book values of the aforesaid investments is of temporary nature. The deposits of Rs 17.15 crores given to the subsidiaries would be fully recovered and hence, requires no provisioning.</p>		
7 Loans & Advances include:		
a) advances towards equity of the following companies, to be allotted by them on substantial progress in implementation of their respective projects after procuring all regulatory approval etc.		
Rosa Power Supply Co. Ltd.	0.62	0.81
Bina Power Supply Co. Ltd.	8.14	8.28
b) Rs. 1.72 crores being interest bearing deposits given to Birla Project Development Company Limited (BPDCL), a project development company in respect of which the Company has also been given a right of first refusal to participate in equity of the projects being developed by BPDCL.		
c) Rs 2.68 crores being interest bearing deposits given to Birla Management Corporation Limited (BMCL) a company limited by guarantee formed to provide a common pool of facilities and resources to its members, with a view to optimize the benefits of specialization and minimize cost to each member. The Company's share of expenses under the common pool has been accounted for under the appropriate heads.		

## SCHEDULES

### SCHEDULE '18' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rs. in Crores	Previous Year Rs. in Crores
d) amount receivable from		
(i) Subsidiaries		
Laxminarayan Investments Ltd	0.61	—
(Maximum amount due at any time during the year)	(1.80)	(0.09)
Rajnidhi Finance Limited	—	0.01
(Maximum amount due at any time during the year)	(0.01)	(0.38)
PSI Data Systems Ltd	4.23	—
(Maximum amount due at any time during the year)	(4.23)	(11.25)
Birla Technologies Limited	12.92	3.57
(Maximum amount due at any time during the year)	(12.92)	(3.57)
(ii) Associates/Joint Ventures		
Idea Cellular Ltd.	23.00	—
(Maximum amount due at any time during the year)	(23.00)	(40.00)
Birla NGK Insulators (P)Ltd.	—	—
(Maximum amount due at any time during the year)	11.93	—
Crafted Clothings (P) Ltd.	5.64	7.51
(Maximum amount due at any time during the year)	(7.51)	(7.51)
(iii) employees against loan given in the ordinary course of the business and as per the service rules of the Company		
— no repayment schedule or repayment beyond seven years	1.73	1.38
(Maximum amount due at any time during the year)	(2.14)	(1.49)
— no interest or at an interest rate below which is specified in section 372A of the Companies Act, 1956.	1.33	1.54
(Maximum amount due at any time during the year)	(2.02)	(2.06)
8 Based on the information / documents available with the Company Sundry creditors include:		
a) amounts due to small scale undertakings (total Amount)	1.56	0.08
b) amount overdue on account of principal and / or interest	0.52	—
c) name of the parties where the amount is due for more than thirty days but within the contracted period:		


Hms Metal Corpn, Classic Paper Converters, Eureka Ind Equipment Pvt Ltd, Elastomer Lining Works, Harsh Engineering Works, Industrial Engineers, Supergold Elecricals, Anu Poly Industries, Anu Print Pack, Apparel & Leather Technics Limited, Balaji Garments Pvt. Ltd., Bangalore Business Forms, Bimba Services, Cardboard&Packaging Co(Mys)P.Ltd., Drh Logistics India (Pvt.) Ltd., Elegant Rocks Pvt. Ltd., Himalaya Containers & Cartons, Iden Graphics Pvt. Ltd., Indo-Nippon Mannequins, Interface Direct, Jasky Exports Pvt. Ltd., Kaushik Products, Krishna Lamicoat Pvt. Ltd., Lakshmi Polymers, Mandhana Industries Ltd., Mangal Plastic Udyog, Maruthi Packaging Industries, Nikita Plast, Prakash Arts Outdoor Advertising, Premier Plastech, R.K.Industries, Registron, S.V.Polymers, San Ads, Satguru'S, Sel-Jegat Printers, South India Watch Industries, Sri Enterprises, Trimurti Plastics, Trimurti Polychem Pvt. Ltd., Vatsal Packaging.

## SCHEDULES

### SCHEDULE '18' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rs. in Crores	Previous Year Rs. in Crores
9 Investor Education and Protection fund shall be credited by the following amounts included in Other Liabilities (Schedule 11)		
a) Unpaid Dividend	1.52	1.56
b) Unpaid application refundable	0.04	0.16
c) Unpaid matured Deposits	—	—
d) Unpaid Matured Debentures	0.20	0.87
e) Interest accrued on (a) to (d) above	0.14	0.45
10 Deferred Tax Liability / (Asset) at the year end comprise timing differences on account of :		
Depreciation	137.62	132.65
Expenditure / Provisions allowable	(8.98)	(9.73)
MAT credit available for set-off in future years	(2.22)	(21.72)
	<u>126.42</u>	<u>101.20</u>
11 Earnings per Share (EPS) is calculated as under :		
a) Numerator -		
— Net Profit before exceptional items as disclosed in Profit & Loss account	123.99	42.13
— Net Profit after exceptional items as disclosed in Profit & Loss account	105.33	43.46
b) Denominator - Weighted average number of Equity Shares outstanding		
— Basic before exceptional items	59,876,742	59,876,742
— Basic after exceptional items	59,876,742	59,876,742
— Diluted before exceptional items	59,931,614	59,934,013
— Diluted after exceptional items	59,931,614	59,934,013
c) Nominal value of Shares (in Rs.)	10.00	10.00
12 Sales include Export Incentives and commission on sales	35.64	35.20
13 Amount of exchange difference (net) :		
— debited / (credited) to the Profit and Loss account	0.99	(3.09)
— to be debited/(credited) in the Profit and Loss account of the subsequent year in respect of forward contracts	0.13	0.22
14 Miscellaneous expenses include as contribution to General Electrol Trust for political purpose for distribution to political parties/ persons, as per the decisions of the Trustees from time to time.	0.10	0.07
15 a) The following are included under other heads of expenses in the Profit & Loss Account :		
Raw Materials consumed	0.08	0.04
Stores & Spares consumed	9.30	10.60
Salaries and Wages	0.33	0.61
Contribution to PF & other funds	0.03	0.03
Welfare expenses	0.03	0.02
Insurance	0.12	0.04
Rent	—	0.02



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**There's nothing as exquisitely feminine as RAY ONE. Its liquid form lends itself admirably to anything free-flowing. Whether it's the cling of a chic cocktail dress, or the loose aqueous cut of a classic evening gown, RAY ONE adds the oomph and the stylish elegance.**

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## SCHEDULES

### SCHEDULE '18' (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

- b) All Insurance Claims, unless clearly identifiable with the respective heads of expenses are reduced from Manufacturing, Selling and Other expenses.
- 16 Disclosure in respect of Company's Joint Ventures in India pursuant to Accounting Standard 27 'Financial Reporting of Interests in Joint Ventures':
- | a) Name of the Venture  | Proportion of Ownership interest<br>as at 31st March 2003 |
|---|---|
| Birla Sun Life Insurance Company Limited                          | 74.00%  |
| Birla NGK Insulators Private Limited<br>(Along with Subsidiaries) | 49.98%  |
| Idea Cellular Limited   | 4.15%   |
- b) the aggregate of Company's share in the above ventures in:
- |  |        |
|--|--------|
| Net Fixed Assets                             | 167.87 |
| Investments                                  | 133.20 |
| Net Current Assets                           | 27.82  |
| Other Assets                                 | 1.31   |
| Loans/Borrowings                             | 164.95 |
| Income                                       | 214.85 |
| Expenses (including depreciation & taxation) | 264.31 |
- c) Pursuant to the Shareholders' Agreement entered into with the Joint Venture partner, the Company has in respect of Birla Sun Life Insurance Company Limited agreed to infuse its share of capital from time to time to meet the solvency requirement prescribed by the regulatory authority.
- 17 Disclosure in respect of Related Parties pursuant to Accounting Standard 18:
- a) Listed of Related Parties:
- I. **Parties where control exists - Subsidiaries:-**
    - Aditya Vikram Global Trading House Ltd.
    - Laxminarayan Investment Ltd. (LIL)
    - Rajnidhi Finance Ltd
    - PSI Data Systems Ltd. (PSI)
    - Birla Technologies Ltd.
    - Birla Sun Life Insurance Co.Ltd. (also Joint Venture)
  - II. Other Parties with whom the Company has entered into transactions during the year:
    - Joint Ventures**
      - IDEA Cellular Limited
      - BIRLA-NGK Insulators Pvt.Ltd.
    - Associates**
      - Crafted Clothing Pvt.Ltd.
    - Key Management Personnel and enterprises having common key management personnel**
      - Key Management Personnel - Mr. K.K.Maheshwari, Manager
      - Enterprises having common key management personnel - Tanfac Industries Ltd.

## SCHEDULES

### SCHEDULE '18' (Contd.) SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

b) Details of transactions: Rs.in Crores

Transaction / Nature of Relationship	Subsidiaries	Associates	Joint Ventures	Enterprise having common key management personnel	Key Management personnel
Sales, Service and other income	1.38 (0.56)	0.67 (0.80)	7.24 (9.00)	3.42 (3.54)	— —
Purchase of goods and services	0.13 (0.02)	6.19 (34.98)	2.15 (3.18)	— —	— —
Expenditure on Royalty and Commission	9.57 (10.81)	— —	— —	— —	— —
Purchase of fixed assets	0.19 (0.01)	— —	— (0.01)	— —	— —
Sale of fixed assets	— —	— —	131.83 —	— (0.01)	— —
Managerial remuneration	— —	— —	— —	— —	0.75 (0.67)
Fresh investment made	29.50 (22.20)	— —	131.83 —	— —	— —
Gross loans to	17.89 (13.06)	— (5.58)	56.51 (67.00)	— —	— —
Loans from	— —	— —	120.03 (5.25)	— —	— —
Guarantees provided for	3.99 (10.98)	— (6.14)	30.00 —	— —	— —
<b>Outstanding balances as at 31.3.2003</b>					
Loan to	17.76 —	5.64 —	23.00 —	— —	— —
Amounts receivable	0.09 (3.59)	0.56 (7.65)	3.44 (3.55)	0.36 (0.20)	— —
Amounts payable	1.41 (0.46)	— (3.20)	— —	— —	— —
Guarantees provided for	60.00 (63.52)	9.62 (14.14)	30.00 —	— —	— —
Investments in	249.81 (220.12)	— —	101.31 (200.74)	— —	— —

- Figures in brackets represent corresponding amount of previous year.
- No amount in respect of the related parties have been written off/back are provided for during the year
- Related party relationship have been identified by the management and relied upon by the auditors

**SCHEDULE '18' (Contd.)**  
**SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS**

	Current Year	Previous Year
	Rs. in Crores	Rs. in Crores
18 Manager's Remuneration:		
Salary	0.59	0.50
Contribution to Provident & Superannuation Fund	0.07	0.07
Other Perquisites	0.09	0.10
	<hr/>	<hr/>
	0.75	0.67

In the determination of Manager's remuneration, certain perquisites have been valued in accordance with Income Tax Rules, 1962.

- 19 a) For additional information as required under para 3, 4C and 4D of Part II of Schedule VI to the Companies Act, 1956 - Refer Annexure I.
- b) For Cash Flow Statement - Refer Annexure II
- c) For Segment Information - Refer Annexure III
- d) For Balance sheet Abstract and Company's general business profile - Refer Annexure IV
- 20 Figures of previous year have been regrouped / rearranged wherever necessary.

# SCHEDULES

## SCHEDULE '18' (Contd.) SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

### ANNEXURE I

INFORMATION PURSUANT TO THE PROVISIONS OF PARAGRAPHS 3, 4C AND 4D OF PART II OF SCHEDULE VI OF THE COMPANIES ACT, 1956

a) Details of Products Manufactured, Turnover, Opening stock, Closing stock etc.

Rs. in Crores

Particulars	Unit	Year ended 31st March	Installed Capacity Per Annum	Opening Stock		Production Quantity#	Purchase		Turnover		Closing Stock	
				Quantity	Amount		Quantity	Amount	Quantity @	Amount	Quantity	Amount
Garments	Nos./000	2003		1461.00	52.03	5609.90*	753.77	16.71	6172.97	347.56	1651.70	43.29
	Nos./000	2002		1451.65	42.88	6602.44*	474.57	17.60	7067.66	379.70	1461.00	52.03
Viscose Filament Rayon Yarn	MT	2003	15000	293.70	4.10	15873.43			15421.57	319.82	745.56	10.63
	MT	2002	15000	853.00	11.89	12253.01			12812.31	223.55	293.70	4.10
Sulphuric Acid & Allied Chemicals	MT	2003	55300	1340.31	0.70	49951.00			50284.94	13.84	1006.37	0.53
	MT	2002	55300	649.15	0.38	40589.95			39898.79	9.43	1340.31	0.70
Caustic Soda	MT	2003	33000	158.74	0.12	34875.23			34206.53	24.61	827.44	0.61
	MT	2002	33000	293.42	0.24	23976.38			24111.06	25.56	158.74	0.12
Chlorine	MT	2003	29370	95.30	0.03	28542.70			28255.50	27.55	382.50	0.28
	MT	2002	29370	127.30	0.02	19258.00			19290.00	4.53	95.30	0.03
Hydro Chloric Acid	MT	2003	9900	69.20	0.01	7210.93			7201.72	1.84	78.41	0.01
	MT	2002	9900	145.34	0.01	6003.61			6079.75	0.32	69.20	0.01
Spun Yarn	Spdl/MT	2003	83380	909.71	12.65	13781.15	79.50	2.76	13881.73	255.64	888.63	15.67
	Spdl/MT	2002	83360	1198.75	16.43	12717.47	181.66	2.36	13188.17	225.87	909.71	12.65
Cloth	Lm/000Mtr	2003	33	628.46	6.94	3626.94			3614.12	52.67	641.28	9.14
	Lm/000Mtr	2002	33	511.03	5.11	3905.75			3788.32	44.88	628.46	6.94
Carbon Black	MT	2003	110000	4132.00	10.60	112563.00	1661.00	3.16	114232.00	370.75	4124.00	10.10
	MT	2002	110000	5002.00	13.24	93634.00			94504.00	315.18	4132.00	10.60
High & Low Tension Insulators and Bushings \$	MT	2003	34000	4518.93	20.61	7672.72	21.80	0.55	7596.45	59.96		
	MT	2002	34000	4202.37	20.46	25277.40	222.81	3.10	25183.65	191.76	4518.93	20.61
Lightning & Surge Arrestors \$	NOS.	2003	25000	2607	0.47	7674.00			7746.00	2.89		
	NOS.	2002	25000	905	0.22	40206.00			38504.00	9.29	2607.00	0.47
Liquid Argon	'000 SM3	2003	3000	20.83	0.06	1838.73			1797.28	5.36	62.28	0.18
	'000 SM3	2002	3000	25.46	0.06	1749.69			1754.32	4.42	20.83	0.06
Traded goods		2003			0.18			1.84		4.66		
		2002			0.16			5.43		9.16		0.18
Others		2003			1.55			0.38		107.60		0.80
		2002			2.22			1.65		106.49		1.55

The Installed Capacity is as Certified by the Management

The licensed capacity is not given as licencing has been abolished.

# After adjusting departmental consumption, excesses, shortages etc.

@ Turnover includes captive consumption, damages, sample sales and shortages.

\*Garment production includes items produced on job work basis by outside parties.

\$Refer Note 3 in Schedule "18"

## SCHEDULES

### ANNEXURE I (Contd.)

b) Raw Materials Consumed :	Current Year		Previous Year	
	Total Quantity MT	Rs in Crores	Total Quantity MT	Rs in Crores
Wood Pulp	17166	48.99	13295	40.07
Wool Fibre	3037	97.46	3011	61.82
Flax Fibre	1495	21.99	1167	16.97
Staple & Synthetic Fibre	12032	71.89	12216	61.15
Cotton Staple & Synthetic Yarn	533	12.59	837	14.32
Carbon Black Feed Stock / Coal Tar	201948	181.59	159549	160.30
Fabrics in '000 Mtrs.	10023	112.80	11059	126.43
Others		91.86		134.64
c) Value of Imports calculated on C.I.F. Basis				
Raw Materials		299.49		227.03
Packing Material		—		0.12
Stores & Spare Parts		9.12		12.20
Capital Goods		4.62		7.20
d) Expenditure in Foreign Currency (on actual payment basis):				
Technical Assistance Fees/Royalty		6.16		8.77
Interest and Commitment Charges		0.07		0.17
Professional Charges		0.05		0.32
Others		11.92		16.20
e) Value of Imported and Indigenous Raw Materials, Spare Parts & Components consumed and percentage thereof to the total consumption :				
(i) Raw Materials :	Percentage		Percentage	
Imported	52.68%	336.73	46.43%	285.87
Indigenous	47.32%	302.44	53.57%	329.83
		<u>639.17</u>		<u>615.70</u>
(ii) Stores, Spare Parts & Components :				
Imported	21.50%	11.77	18.45%	10.46
Indigenous	78.50%	42.97	81.55%	46.23
		<u>54.74</u>		<u>56.69</u>
f) Amount remitted in Foreign Currency on account of Dividend:				
Dividend in respect of Accounting Year 2001-02 [136 Shareholders holding 60,851 Equity Shares]		0.01		
Dividend in respect of Accounting Year 2000-01 [177 Shareholders holding 85,042 Equity Shares]				0.03
g) Earnings in Foreign Exchange :				
(i) On export of goods (F.O.B.Basis) :				
a) Foreign Currency		358.28		365.27
b) Rupee Payments		10.66		17.44
c) Export through Merchant Exporters		3.82		5.56
(ii) Interest		0.04		0.00
(iii) Others		0.28		3.98

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2003

	Rs. in Crores	
PARTICULARS	2002-03	2001-02
<b>A CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax & exceptional items	146.73	72.74
Adjustments for :		
Depreciation	67.81	69.61
Marketing & Technical know-how written-off	3.93	3.93
Interest Expenses (Net)	21.68	45.73
Voluntary Retirement Scheme		(7.58)
(Profit)/Loss on Fixed Assets sold	0.65	(0.93)
(Profit)/Loss on Sale of Investments	(1.40)	0.23
Dividend Income	(5.21)	(5.05)
	87.46	105.94
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<b>234.19</b>	<b>178.68</b>
Adjustments for:		
Decrease/(Increase) in trade and other receivables	28.83	(28.35)
Decrease/(Increase) in inventories	(21.58)	11.02
Increase / (Decrease) in trade and other payables	40.51	27.44
	47.76	10.11
<b>CASH GENERATED FROM OPERATIONS</b>	<b>281.95</b>	<b>188.79</b>
Income Taxes Refund (Paid) (net)	23.20	(2.88)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>305.15</b>	<b>185.91</b>
<b>B CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from Sale of Fixed Assets	1.80	2.93
Proceeds from transfer or Insulator Business @	131.40	
Proceeds from sale of MRPL equity	8.02	
Proceeds from Sale of Assets held for disposal	13.52	14.97
Sale / Redemption / (Purchase) of investments (net)	(96.02)	26.29
Interest Received	22.02	16.75
Dividend Received	5.21	5.05
(Increase)/Decrease in Corporate Deposit	(56.28)	(5.00)
Purchase of Fixed Assets	(33.35)	(38.90)
Investment in equity of a Joint Venture \$	(12.49)	
Investment in equity of subsidiaries @@	(29.70)	(122.49)
<b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>	<b>(45.87)</b>	<b>(100.40)</b>
<b>C CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from/(Repayment of) Borrowings (net)	(163.79)	(8.81)
Dividends paid (including tax thereon)	(19.76)	(19.79)
Interest and Finance Charges paid	(48.63)	(56.78)
<b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>	<b>(232.18)</b>	<b>(85.38)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>27.10</b>	<b>0.13</b>
<b>CASH AND CASH EQUIVALENTS (OPENING BALANCE)</b>	<b>14.20</b>	<b>14.07</b>
<b>CASH AND CASH EQUIVALENTS (CLOSING BALANCE)</b>	<b>41.30</b>	<b>14.20</b>
@ received in form of Equity and Debentures		
\$ issued for consideration other than cash		
@@ acquired by paying cash		
Notes:		
1) Cash and cash equivalents include:-		
Cash, cheque in hand and remittance in transit	3.20	5.54
Balance with Banks	38.10	8.66
<b>Total</b>	<b>41.30</b>	<b>14.20</b>
2) The Company has undrawn working capital facilities of Rs. 229.93 Crores as on 31.3.2003 (Previous Year - Rs. 213.59 Crores)		
3) Previous year's figures have been regrouped / rearranged to conform to the current year's presentation, wherever necessary.		

SEGMENT DISCLOSURES FOR THE YEAR ENDED 31ST MARCH, 2003

(I) Primary Segments - Business	Garments		Rayon (Includes Caustic soda and allied Chemicals)		Carbon Black		Insulators (Includes Bushings, lighting & Surge Arrestors)		Textiles (Includes Spun Yarns, Fabrics and Hose Pipes)		Others		Gross Total		Inter Segment Elimination		Net Total	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
<b>a. Segment Revenue #</b>																		
Sales to External Customers	327.47	356.06	338.01	230.90	327.84	279.72	63.01	196.15	348.31	306.20	39.18	41.60	1,443.82	1,410.63	—	—	—	—
Inter Segment Revenue	—	—	—	0.05	—	0.10	0.19	0.12	0.08	0.83	—	—	0.27	1.10	—	—	—	—
<b>Total Segment Revenue</b>	<b>327.47</b>	<b>356.06</b>	<b>338.01</b>	<b>230.95</b>	<b>327.84</b>	<b>279.82</b>	<b>63.20</b>	<b>196.27</b>	<b>348.40</b>	<b>307.03</b>	<b>39.18</b>	<b>41.60</b>	<b>1,444.09</b>	<b>1,411.73</b>	<b>(0.27)</b>	<b>(1.10)</b>	<b>1,443.82</b>	<b>1,410.63</b>
<b>b. Segment Result (PBIT)</b>	(14.57)	(7.54)	97.11	29.61	58.59	45.00	14.69	38.68	9.90	11.09	1.95	0.33	167.66	117.17	—	—	167.66	117.17
Less:-Interest and Finance charges																	21.68	45.73
Add:- Unallocable income net of Unallocable expenditure																	0.75	1.30
<b>Profit before Tax and Exceptional items</b>																	146.73	72.74
Exceptional Items:																		
Loss on Sale of long term Investment																	57.08	—
Gain on transfer of Insulator Business																	(38.42)	—
Voluntary Retirement cost																	—	7.58
Surplus in respect of assets held for disposal																	—	(8.91)
<b>Profit before tax</b>																	128.07	74.07
Provision for Current Tax																	9.00	5.00
Provision for Deferred Tax																	25.22	25.61
Tax Provision for earlier years written back																	(11.48)	—
<b>Profit after tax</b>																	105.33	43.46
<b>c. Carrying amount of Segment Assets</b>	272.45	285.00	311.67	324.00	324.48	342.18	4.01	167.89	200.30	189.61	23.26	42.86	1,136.17	1,351.54	—	—	1,136.17	1,351.54
Unallocated Assets																	652.89	507.46
<b>Total Assets</b>																	1,789.06	1,859.00
<b>d. Carrying amount of Segment Liabilities</b>	72.12	58.57	50.77	39.62	55.68	38.90	0.00	29.38	25.42	19.26	1.37	3.74	205.36	189.47	—	—	205.36	189.47
Unallocated liabilities																	412.91	578.74
<b>Total Liabilities</b>																	618.26	768.21
<b>e. Cost incurred to acquire Segment fixed assets during the year</b>	12.85	5.32	5.64	4.67	8.51	5.84	0.42	3.37	2.86	9.53	0.10	0.15	30.37	28.88	—	—	30.37	28.88
Unallocated cost																	5.47	0.25
<b>f. Depreciation/Amortization</b>	15.49	13.15	20.20	19.85	13.15	12.93	1.91	6.07	18.81	19.42	1.72	1.73	71.28	73.15	—	—	71.28	73.15
Unallocated depreciation																	0.46	0.39
<b>(II) Secondary segment – Geographical</b>																		
The Company's operating facilities are located in India.			Current Year	Previous Year														
Domestic Revenues			1,030.40	987.83														
Exports Revenues			413.42	422.80														
<b>Total</b>			<b>1,443.82</b>	<b>1,410.63</b>														
# Inter segment revenues are recognised on arm's length basis.																		

# BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

## ANNEXURE - IV

I	Registration Details				
	Registration No.	1107			State Code 04
	Balance Sheet Date	31	03	2003	
		Date	Month	Year	
II	Capital Raised during the Year (Amount in Rs.Crores)				
		Public Issue			Right Issue
		Nil			Nil
		Bonus Issue			Private Placement
		Nil			Nil
III	Position of Mobilisation and Deployment of Fund (Amount in Rs.Crores)				
		Total Liabilities			Total Assets
		1438.69			1438.69
	Source of Funds	Paid-Up-Capital			Reserve & Surplus
		59.88			1110.91
		Secured Loans			Unsecured Loans
		266.32			1.58
	Application of Funds	Net Fixed Assets			Investments
		684.08			514.30
		Net Current Assets*			Misc. Expenditure
		233.43			6.88
	*Net of Deferred Tax Laibilities				
IV	Performance of Company (Amount in Rs.Crores)				
		Turnover			Total Expenditure
		1454.54			1236.07
		Profit Before Tax			Profit After Tax
		128.07			105.33
		Earning per share			Dividend rate %
		17.59			37.50%
V	Generic Names of Three Principal products/Services of Company (as per monetary terms)				
		Item Code No.(ITC Code)			Product Description
		620000			Garments
		5403110.09			Viscose Filament Rayon Yarn
		2803			Carbon Black

# AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF INDIAN RAYON AND INDUSTRIES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF INDIAN RAYON AND INDUSTRIES LIMITED AND ITS SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES.

We have examined the attached consolidated Balance Sheet of Indian Rayon And Industries Limited and its Subsidiaries, Joint ventures and Associates as at 31st March, 2003, the Consolidated Profit and Loss Account for the year then ended. These financial statements are the responsibility of Indian Rayon And Industries Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are prepared, in all material respects, in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. The financial Statements of the Subsidiaries Laxminarayan Investment Limited and Rajnidhi Finance Limited and Joint Venture BIRLA NGK Insulators Private Limited have been audited by Khimji Kunverji & Co. whose financial statements reflect total assets of Rs.192.34 crores as at 31<sup>st</sup> March 2003 and total revenue of Rs.36.47 crores for the year ended.

We did not audit the financial statements of other Subsidiaries, Joint Ventures and Associates whose financial statements reflect total assets of Rs.3588.90 crores as at 31<sup>st</sup> March 2003 and total revenue of Rs.1154.24 crores for the respective financial years then ended. The financials statements of Joint Venture "Idea Cellular Limited" and Associate "Crafted Clothing Private Limited" are unaudited and have been consolidated on the basis of management certification. Financial Statements of other Subsidiaries and Joint Ventures have been audited by respective auditors, whose reports have been furnished to us. In our opinion, in so far as it relates to the amounts included in respect of the Subsidiaries, Joint ventures and Associates are based on the report of the respective auditors/management certification.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, "Consolidated Financial Statements", AS-23 "Accounting for Investments in Associates in Consolidated Financial Statements" and AS-27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.
5. On the basis of the information and explanations given to us and on the consideration of the separate audit reports/management certifications on individual financial statements of Indian Rayon And Industries Limited and its Subsidiaries, Joint Ventures and Associates included in the consolidated financial statements read together with the Notes on Accounts of consolidated financial statements in Annexure - 5:
  - a) The consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Indian Rayon And Industries Limited and its Subsidiaries, Joint ventures and Associates as at March 31, 2003; and
  - b) The consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Indian Rayon and Industries Limited and its Subsidiaries, Joint Ventures and Associates for the year then ended.

Lodha & Co.  
Chartered Accountants

Khimji Kunverji & Co.  
Chartered Accountants

Mumbai, 28th April, 2003

# CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2003

Rs. in Crores

	Annexure	Consolidated with Subsidiaries & Associates	Share in Joint Ventures	Goodwill/ Consolidation Elimination for JV	Consolidated
<b>SOURCES OF FUNDS</b>					
<b>Shareholders Funds:</b>					
Equity Share Capital		59.88	234.51	(234.51)	59.88
Preference Share Capital			16.07		16.07
Reserves & Surplus	'1'	1,085.78	(85.35)	4.21	1,004.64
		<b>1,145.66</b>	<b>165.23</b>	<b>(230.30)</b>	<b>1,080.59</b>
<b>Advance against Equity</b>			<b>4.76</b>		<b>4.76</b>
<b>Loan Funds:</b>					
Secured Loans	'2'	329.86	28.85		358.71
Unsecured Loans	'3'	12.83	49.84		62.67
		<b>342.69</b>	<b>78.69</b>		<b>421.38</b>
<b>Policyholders' funds</b>			<b>81.50</b>		<b>81.50</b>
<b>Fund For Future Appropriation</b>			<b>0.02</b>		<b>0.02</b>
<b>Total Funds Employed</b>		<b>1,488.35</b>	<b>330.20</b>	<b>(230.30)</b>	<b>1,588.25</b>
<b>APPLICATION OF FUNDS</b>					
<b>Goodwill on Consolidation</b>		<b>81.14</b>		<b>5.71</b>	<b>86.85</b>
<b>Fixed Assets:</b>					
Net Block	'4'	758.01	161.78		919.79
Capital Work-in-Progress		8.10	6.09		14.19
		<b>766.11</b>	<b>167.87</b>		<b>933.98</b>
<b>Investments</b>		<b>401.34</b>	<b>133.21</b>	<b>(236.01)</b>	<b>298.54</b>
<b>Current Assets, Loans &amp; Advances:</b>					
Inventories		247.42	16.60		264.02
Sundry Debtors		164.68	25.97		190.65
Cash & Bank Balances		49.03	18.06		67.09
Interest accrued on Investments		0.02	1.46		1.48
Loans & Advances		135.04	33.09		168.13
		<b>596.19</b>	<b>95.18</b>		<b>691.37</b>
<b>Less: Current Liabilities &amp; Provisions:</b>					
Current Liabilities		211.56	65.44		277.00
Provision for Proposed Dividend		22.45			22.45
Provisions for corporate dividend tax		2.88			2.88
		<b>236.89</b>	<b>65.44</b>		<b>302.33</b>
<b>Net Current Assets</b>		<b>359.30</b>	<b>29.74</b>		<b>389.04</b>
<b>Deferred Tax Liabilities</b>		<b>(126.42)</b>	<b>(1.93)</b>		<b>(128.35)</b>
<b>Miscellaneous expenditure (to the extent not written off)</b>		<b>6.88</b>	<b>1.31</b>		<b>8.19</b>
<b>Total Funds Utilised</b>		<b>1,488.35</b>	<b>330.20</b>	<b>(230.30)</b>	<b>1,588.25</b>

Notes on Accounts '5'  
As per our attached Report of even date

ADESH GUPTA  
President & CFO

Chairman: KUMAR MANGALAM BIRLA  
Directors: RAJASHREE BIRLA

Lodha & Co.  
Chartered Accountants  
Mumbai, 28th April, 2003

Khimji Kunverji & Co.  
Chartered Accountants

DEVENDRA BHANDARI  
Company Secretary

B. R. GUPTA  
P. MURARI  
B. L. SHAH  
H. J. VAIDYA  
TARJANI VAKIL  
VIKRAM RAO

## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

	Consolidated with Subsidiaries & Associates	Share in Joint Ventures	Rs.in Crores Consolidated
<b>INCOME</b>			
Income from Operations	1,515.97	208.41	1,724.38
Other Income	10.89	0.29	11.18
	<b>1,526.86</b>	<b>208.70</b>	<b>1,735.56</b>
<b>EXPENDITURE</b>			
Cost of Materials	687.50	28.62	716.12
Salaries, Wages and Employee Benefits	183.08	29.51	212.59
Other Operating Expenditure	427.71	102.51	530.22
Change in valuation of liability in respect of life policies in force		63.82	63.82
Interest and Other Finance Expenses	27.22	11.09	38.31
	<b>1,325.51</b>	<b>235.55</b>	<b>1,561.06</b>
<b>Profit before Depreciation/Amortisation and Exceptional items</b>	<b>201.35</b>	<b>(26.85)</b>	<b>174.50</b>
Depreciation / Amortisation	80.87	19.30	100.17
Miscellaneous Expenditure written off	3.93	0.23	4.16
<b>Profit before Exceptional Items and Tax</b>	<b>116.55</b>	<b>(46.38)</b>	<b>70.17</b>
Less: Loss/(Gain) due to exceptional items	13.65	(2.35)	11.30
<b>Profit after Exceptional Items</b>	<b>102.90</b>	<b>(44.03)</b>	<b>58.87</b>
Provision for Current Tax	10.29	0.42	10.71
<b>Net Profit after Current Tax</b>	<b>92.61</b>	<b>(44.45)</b>	<b>48.16</b>
Provision for Deferred Tax	25.22	1.93	27.15
<b>Net Profit after Deferred Tax</b>	<b>67.39</b>	<b>(46.38)</b>	<b>21.01</b>
Tax provision no longer required written back	(11.48)		(11.48)
<b>Net Profit before Minority Interest</b>	<b>78.87</b>	<b>(46.38)</b>	<b>32.49</b>
<b>Minority Interest in the loss of Consolidated Subsidiaries</b>	<b>(6.00)</b>		<b>(6.00)</b>
<b>Net Profit</b>	<b>84.87</b>	<b>(46.38)</b>	<b>38.49</b>
Basic Earnings per share			<b>6.43</b>
Diluted Earnings per share			<b>6.42</b>

As per our attached Report of even date

Lodha & Co.  
Chartered Accountants  
Mumbai, 28th April, 2003

Khimji Kunverji & Co.  
Chartered Accountants

ADESH GUPTA  
President & CFO

DEVENDRA BHANDARI  
Company Secretary

Chairman: KUMAR MANGALAM BIRLA  
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B. R. GUPTA  
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TARJANI VAKIL  
VIKRAM RAO

# SCHEDULES

## ANNEXURES

Rs. in Crores

### ANNEXURE '1' RESERVES & SURPLUS

As at 31st March, 2003

	Consolidated with Subsidiaries & Associates	Share in Joint Ventures	Consolidated
Capital Reserve	1.44		1.44
Capital Redemption Reserve	7.63		7.63
Debenture Redemption Reserve	68.34		68.34
Securities Premium Account	373.36	53.40	426.76
Amalgamation Reserve		4.14	4.14
General Reserve	450.53		450.53
Special Reserve	0.47		0.47
Investment Allowance Reserve (Fully utilised)	0.23		0.23
Surplus as per Profit & Loss Account	183.78	(142.89)	45.10#
	<u>1,085.78</u>	<u>(85.35)</u>	<u>1,004.64</u>

### ANNEXURE '2' SECURED LOANS

Debentures	156.66	1.04	157.70
Term Loan from a Financial Institution/Banks	72.27	24.19	96.46
Deferred Sales Tax Loan	22.59		22.59
Working Capital Borrowings from Banks	78.34	3.62	81.96
	<u>329.86</u>	<u>28.85</u>	<u>358.71</u>

### ANNEXURE '3' UNSECURED LOANS

Fixed Deposits	1.54		1.54
Deferred Sales Tax Loan	0.03	1.18	1.21
Others	11.26	48.66	59.92
	<u>12.83</u>	<u>49.84</u>	<u>62.67</u>

### ANNEXURE '4' FIXED ASSETS (NET BLOCK)

Goodwill on acquisition	23.39		23.39
<b>Land</b>			
Freehold	1.01	3.56	4.57
Leasehold	6.16		6.16
Buildings	108.64	12.98	121.62
Leasehold improvements	0.15	4.46	4.61
Plant a & Machinery	444.37	89.71	534.08
Furniture, Fixtures & Equipments	15.13	6.26	21.39
Trade mark/Brands/Intangible Assets	153.69	42.50	196.19
Vehicles	5.47	2.31	7.78
	<u>758.01</u>	<u>161.78</u>	<u>919.79</u>

# Pre acquisition loss of Rs. 4.21 Crores of Birla Sun Life Insurance Company Limited has been considered as Goodwill as per AS-27 "Financial Reporting of Interests in Joint Ventures".

# SCHEDULES

## SCHEDULE '5'

### NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS

#### 1 BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with Accounting Standard 21 (AS) "Consolidated Financial Statements", AS-23 "Accounting for Investments in Associates in Consolidated Financial Statements" and AS- 27 "Financial Reporting of Interests in Joint Ventures" issued by the Institute of Chartered Accountants of India.

#### 2 PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statement of Indian Rayon And Industries Limited (The Reporting Company) and its Subsidiaries, Joint Ventures and Associates. The financial statements of all the companies are in line with generally accepted accounting principles in India.

All intercompany transactions have been eliminated on consolidation.

#### 3 COMPANIES INCLUDED IN CONSOLIDATION

	Country of incorporation	Proportion of ownership interest as on 31st Mar-03
<b>SUBSIDIARIES</b>		
Aditya Vikram Global Trading House Limited (AVGTHL)	Mauritius	100.00%
Laxminarayan Investment Limited	India	100.00%
Rajnidhi Finance Limited	India	100.00%
PSI Data Systems Limited.	India	70.35%
Birla Technologies Limited	India	70.35%
<b>JOINT VENTURES</b>		
Birla Sun Life Insurance Company Limited	India	74% *
Birla NGK Insulators Private Limited	India	49.98% #
Idea Cellular Limited	India	4.15%

\*70% of Income and Expenses have been consolidated since additional 4% equity was acquired on 31st March 2003.

# Consolidated Financial Statements includes results for 8 months since Joint Venture became effective from 1st August 2002

#### ASSOCIATE

Crafted Clothing Private Limited (CCPL) (Associate of Rajnidhi Finance Limited)	India	48.00%
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#### 4 ACCOUNTING POLICIES

Most of the accounting policies of the Reporting Company and that of its Subsidiaries, Joint Ventures and Associates are similar. However, since certain Subsidiaries / Joint Ventures / Associates are in the business which are distinct from that of the Reporting company and function in a different regulatory environment, certain policies in respect of investment, depreciation /amortisation etc. differ. The accounting policies of all the companies are in line with generally accepted accounting principles in India.

#### 5 FOREIGN SUBSIDIARY

In the case of AVGTHL, revenue items have been consolidated at the average rate prevailing during the year. Fixed assets have been translated at the rates prevailing on the dates of their acquisition and depreciation provided accordingly. Other current assets and liabilities are converted at the rates prevailing at the end of the year. Exchange Gain / (Loss) arising on consolidation in respect of borrowing for fixed assets are adjusted to the cost of such fixed assets and other Exchange Gain / (Loss) are recognised in the Profit and Loss account.

#### 6 Since the Reporting Company's share of losses in the associate exceed it's carrying value of of investment, the carrying value has been taken as nil and the same has been adjusted against opening reserves in Consolidated Financial Statements.

# SCHEDULES

## SCHEDULE '5' (Contd.)

### NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS

#### 7 PREVIOUS YEAR'S FIGURES

Since AS-23 "Accounting for Investments in Associates in Consolidated Financial Statements" and AS-27 "Financial Reporting of Interests in Joint Ventures" are applicable to the Reporting Company from the current year, previous years figures are not given and hence Consolidated Cashflow statement has also not been prepared.

- 8 Income from operations is shown net of excise duty, wherever applicable and Interest and Finance expense is shown net of interest income.

Rupees in Crores			
	Consolidated with Subsidiaries & Associates	Share in Joint Ventures	Consolidated
9 <b>Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of advances)</b>	5.15	4.45	9.60
10 <b>Contingent Liabilities not provided for in respect of :</b>			
a) Claims against the Companies not acknowledged as debts			
i) Income-tax	0.67	0.03	0.70
ii) Custom Duty	1.46		1.07
iii) Excise Duty	39.97	2.83	41.98
iv) Others	25.54	7.46	32.54
b) Bills discounted with banks	37.57	3.48	41.05
c) Corporate Guarantees given to Banks/Financial Institutions for loans taken by subsidiary companies / other companies	110.42	17.24	97.66
d) Customs duty on capital goods and raw materials imported under advance licencing / EPCG scheme, against which export obligation is to be fulfilled.	4.63	0.35	4.95
e) Arrears of dividend on cumulative preference shares		1.47	1.47
f) Others	0.17	0.25	0.41
11 <b>Deferred Tax (Assets)/ Liability at the year end comprise: Timing difference on account of :</b>			
Depreciation	137.62	1.93	139.55
Expenditure/Provisions allowable	(8.98)		(8.98)
MAT credit available for set-off in future years	(2.22)		(2.22)
Total	126.42	1.93	128.35

#### 12 Disclosure in respect of Related Parties pursuant to Accounting Standard 18

##### a) List of Related Parties

###### Key Management Personnel

Mr. K K Maheshwari, Manager (Indian Rayon And Industries Limited)

- b) The following transactions were carried out with the related parties in the ordinary course of the business

Managerial Remuneration	Rs. In Crores 0.75
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# SCHEDULES

## SCHEDULE '5' (Contd.) NOTES ON ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS

13 SEGMENT DISCLOSURES FOR THE PERIOD ENDED 31ST MARCH, 2003

(Rs. in Crores)												
(I) Primary Segments - Business	Garments	Rayon (Includes Caustic soda Yarns, Chemicals)	Carbon Black	Textiles (Includes Spun Yarns, Fabrics and Hose Pipes)	Software	Insurance	Insulators (Includes Bushings, lighting & Surge Arrestors)	Telecom	Others	Gross Total	Inter Segment Elimination	Net Total
a Segment Revenue #												
Sales to External Customers	327.47	338.01	327.84	348.32	71.21	105.70	130.47	35.24	40.12	1724.38		
Inter Segment Revenue				0.08	0.07		0.19		9.56	9.90		
<b>Total Segment Revenue</b>	<b>327.47</b>	<b>338.01</b>	<b>327.84</b>	<b>348.40</b>	<b>71.28</b>	<b>105.70</b>	<b>130.66</b>	<b>35.24</b>	<b>49.68</b>	<b>1734.28</b>	<b>(9.90)</b>	<b>1,724.38</b>
b Segment Result (PBIT)	(14.57)	97.11	58.59	9.90	(28.08)	(42.00)	22.94	(1.52)	5.36	107.73	—	107.73
Less:-Interest and Finance charges												38.31
Add:- Unallocable income net net of unallocable expenditure.												0.75
<b>Profit before Tax and Exceptional items</b>												<b>70.17</b>
Loss / (Gain) due to exceptional items												11.30
<b>Profit before tax</b>												<b>58.87</b>
Provision for Current Tax												10.71
Provision for Deferred Tax												27.15
Tax provision no longer required written back												(11.48)
<b>Profit before Minority Interest</b>												<b>32.49</b>
Minority Interest												(6.00)
<b>Net Profit</b>												<b>38.49</b>
c Carrying amount of Segment Assets	272.45	311.67	324.48	200.30	59.83	173.81	92.43	135.32	91.66	1,661.96	19.78	1,642.18
Unallocated Assets												376.75
<b>Total Assets</b>												<b>2,018.93</b>
d Carrying amount of Segment Liabilities	72.12	50.77	55.68	25.42	58.30	118.61	19.48	94.22	50.60	545.20	19.78	525.42
Unallocated liabilities												408.16
<b>Total Liabilities</b>												<b>933.58</b>
e Cost incurred to acquire Segment fixed assets during the year	12.85	5.64	8.51	2.86	0.92	8.89	1.68	24.21	0.10	65.66	—	65.66
Unallocated assets												5.47
f Depreciation / Amortization of the year	15.49	20.20	13.15	18.81	8.77	6.35	3.86	11.23	6.01	103.87	—	103.87
Unallocated depreciation												0.46
(II) Secondary segment – Geographical Revenues												
Domestic Revenues	1,297.85											
Exports Revenues	426.53											
<b>Total</b>	<b>1,724.38</b>											
Operating facilities												
The assets of the Subsidiaries , Joint Ventures , Associate and the Reporting company are mostly located in India except assets of Rs. 53.27 Crores in respect of Mauritius subsidiary which are situated outside India.												
# Inter segment revenues are recognised on arm's length basis.												

14 Earnings per Share (EPS) is calculated as under :

a) Numerators - Net Profit as disclosed in Profit & Loss account (Rs. in Crores)	38.49
b) Denominators - Weighted average number of Equity Shares outstanding	
— Basic	59,876,742
— Diluted	59,931,614
c) Nominal value of Shares (in Rs.)	10.00

As per our attached Report of even date

ADESH GUPTA  
President & CFO

Chairman:  
Directors:

KUMAR MANGALAM BIRLA  
RAJASHREE BIRLA  
B. R. GUPTA  
P. MURARI  
B. L. SHAH  
H. J. VAIDYA  
TARJANI VAKIL  
VIKRAM RAO

Lodha & Co.  
Chartered Accountants  
Mumbai, 28th April, 2003

Khimji Kunverji & Co.  
Chartered Accountants

DEVENDRA BHANDARI  
Company Secretary

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANIES

	Aditya Vikram Global Trading House Limited	Birla Sun Life Insurance Company Limited	Birla Technologies Limited	Laxminarayan Investment Limited	PSI Data Systems Limited	Rajnidhi Finance Limited
1. The period of the Subsidiary Company	1st April 2002 to 31st March 2003	1st April 2002 to 31st March 2003	1st April 2002 to 31st March 2003	1st April 2002 to 31st March 2003	1st April 2002 to 31st March 2003	1st April 2002 to 31st March 2003
2. Extent of interest in Subsidiary Company						
Equity Share Capital	US \$ 8.50 lacs	Rs. 18000.00 Lacs	Rs. 980.04 Lacs	Rs. 1109.30 Lacs	Rs. 755.03 Lacs	Rs. 40.00 Lacs
% Share held by Indian Rayon And Industries Limited and its Subsidiaries	100.00%	74.00%	100.00%	100.00%	70.35%	100.00%
3. Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of Indian Rayon And Industries Ltd.	US\$ in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
a) not dealt with in the Accounts of the Company						
(i) For the financial year of the subsidiary	(0.06)	(4,510.77)	(628.30)	42.52	(1,270.33)	0.69
(ii) For the previous financial years since it became the subsidiary of the Company	4.57	(3,101.23)	(178.95)	180.16	(470.15)	7.52
b) dealt with in the accounts of the subsidiary Company						
(i) For the financial year of the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil
(ii) For the previous financial years since it became the subsidiary of the Company	Nil	Nil	Nil	Nil	Nil	Nil
4. Additional Information u/s 212 (5)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Note : PSI Data Systems Ltd. held 73.91% of Equity Share capital of 4600 shares of Rs. 1000/- in PSI Kalinga Ltd., Bhubaneswar. As the Balance Sheet and Profit & Loss A/c of the said subsidiary for the year ended 31.03.2002 and 2003 are not available, the details pertaining to that company are not given. The Hon'ble High Court of Orissa has passed orders on 18th April, 2003 for winding up of PSI Kalinga Ltd.

ADESH GUPTA  
President & CFO

DEVENDRA BHANDARI  
Company Secretary

Chairman: KUMAR MANGALAM BIRLA  
Directors: RAJASHREE BIRLA

B. R. GUPTA  
P. MURARI  
B. L. SHAH  
H. J. VAIDYA  
TARJANI VAKIL  
VIKRAM RAO

Mumbai, 28th April, 2003

# ADITYA VIKRAM GLOBAL TRADING HOUSE LIMITED

## COMMENTARY OF THE DIRECTORS YEAR ENDED 31 MARCH 2003

### INCORPORATION

The Company was incorporated in the Republic of Mauritius as a private company limited by shares on 21 December 1999.

### ACTIVITIES

The principal activity of the Company is to acquire brand, technical know-how and undertake commercial and other activities relating to brand and technical know-how, software services, carry on business of general merchant and traders, manufacturers' agents and representatives to enhance the global presence of the holding company.

### RESULTS AND DIVIDEND

The results for the year are shown in the income statement and related notes. With a view to conserve cash for repayment of debt, the directors do not propose the payment of a dividend for the year under review.

### DIRECTORS

The present membership of the Board during the year are set out on page 1. All directors served throughout the year.

### DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and the cash flow of the Company. The

directors are also responsible for keeping accounting records which:

- correctly record and explain the transactions of the Company;
- disclose with reasonable accuracy at any time the financial position of the Company; and
- would enable them to ensure that the financial statements comply with the Companies Act 2001.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

### AUDITORS

The auditors, Deloitte & Touche, have expressed their willingness to continue in office.

### CERTIFICATE FROM THE SECRETARY UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

We certify to the best of our knowledge and belief that we have filed with the Registrar all such returns as are required of Aditya Vikram Global Trading House Ltd under the Companies Act 2001, during the financial year ended 31 March 2003.

For International Financial Services Limited

Date: 25th April, 2003

CORPORATE SECRETARY

### Registered office:

3rd Floor, Les Cascades

Edith Cavell Street

Port Louis, Mauritius.

## AUDITOR'S REPORT TO THE SHAREHOLDERS OF ADITYA VIKRAM GLOBAL TRADING HOUSE LTD

We have audited the financial statements on pages 5 to 12.

This report is made solely to the company's shareholders, as a body, in accordance with Section 205 of the Companies Act 2001. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements which give a true and fair view of the financial position, financial performance and cash flows of the company and comply with the Companies Act 2001 in so far as applicable to Category 1 Global Business Licence Companies. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. It is our responsibility to form an independent opinion, based on our audit, on those financial statements and to report our opinion to you.

### Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates

and judgements made by directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

We have no relationship with, or interests in, the company, other than in our capacities as auditors.

### Opinion

We have obtained all the information and explanations that we have required.

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements give a true and fair view of the financial position of the company as at 31 March 2003, and of its financial performance and cash flows for the year then ended, and comply with the Companies Act 2001 in so far as applicable to Category 1 Global Business Licence Companies and with internationally accepted accounting standards.

Deloitte & Touche

Chartered Accountants

Mauritius, 25th April, 2003

# ADITYA VIKRAM GLOBAL TRADING HOUSE LIMITED

<b>BALANCE SHEET</b>				<b>INCOME STATEMENT</b>			
<b>AT 31 MARCH 2003</b>				<b>FOR THE YEAR ENDED 31 MARCH 2003</b>			
	Note	2003 USD	2002 USD		Year ended 31 March 2003 USD	Fifteen months to 31 March 2002 USD	
<b>ASSETS</b>				<b>INCOME</b>			
<b>NON CURRENT ASSETS</b>							
Intangible assets	3	10,381,000	11,251,667	Interest income	717	7,961	
<b>CURRENT ASSETS</b>				Agency commission	291,568	757,084	
Prepayments		3,000	2,625	Technical assistance fees/Royalty	1,703,411	2,196,087	
Receivables	4	311,772	97,726		1,995,696	2,961,132	
Cash at bank		688,560	1,765	<b>EXPENSES</b>			
		1,003,332	102,116	Establishment and administrative expenses	62,632	29,824	
<b>CURRENT LIABILITIES</b>				Agency commission	79,777	56,026	
Bank overdraft	5	—	1,004,422	Interest and other finance charges	315,767	756,842	
Payables	6	80,013	92,640	Design consultancy charges	160,735	366,162	
Accruals		3,105	33,134	Trademark registration expenses	4,178	3,266	
Loan	7	2,000,000	2,722,222	Salary	275,747	285,738	
		2,083,118	3,852,418	Bank charges	2,093	3,335	
<b>NET CURRENT LIABILITIES</b>				Audit fees	3,379	2,750	
		(1,079,786)	(3,750,302)	Amortisation of intangible assets	870,667	1,088,333	
		9,301,214	7,501,365		1,774,975	2,592,276	
<b>CAPITAL AND RESERVES</b>				<b>PROFIT BEFORE TAXATION</b>			
Share capital	8	850,000	850,000	Foreign taxation	2	(222,184)	(286,446)
Profit and loss account		451,214	456,921	Foreign exchange loss		(4,244)	(3,373)
<b>SHAREHOLDERS' INTEREST</b>				<b>(LOSS) / PROFIT AFTER TAXATION</b>			
Loan	7	8,000,000	6,194,444		(5,707)	79,037	
		9,301,214	7,501,365	<b>STATEMENT OF CHANGES IN EQUITY</b>			
				<b>FOR THE YEAR ENDED 31 MARCH 2003</b>			
					Share capital USD	Profit and loss account USD	Total USD
				At 1 January 2001	850,000	377,884	1,227,884
				Net profit for the period	—	79,037	79,037
				At 31 December 2002	850,000	456,921	1,306,921
				Net profit for the period	—	(5,707)	(5,707)
				At 31 March 2003	850,000	451,214	1,301,214

Approved by the Board of Directors on

Kapil Dev Joory  
 Couldip Basanta Lala  
 Directors  
 Mauritius, 25th April, 2003

**1. ACCOUNTING POLICIES**

The financial statements are prepared in accordance with Internationally accepted accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below. The preparation of financial statements in accordance with internationally accepted accounting standards and principles requires the directors to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

(a) **Basis of accounting**  
 The financial statements are prepared under the historical cost convention on an accruals basis and in United States dollar which is considered to be the Company's principal trading currency.

(b) **Intangible assets**  
 Intangible assets are stated at cost and permanent impairment, if any, is provided for. Intangible assets are amortised in accordance with IAS 38.

(c) **Transactions in foreign currencies**  
 Transactions denominated in foreign currencies are recorded in United States dollars at the rates of exchange ruling at the dates of the transactions. Balance of monetary assets and liabilities outstanding at the balance sheet date which are denominated in foreign currencies are translated into United States dollars at the rates of exchange ruling at that date. Exchange differences are taken to the income statement.

(d) **Cash and cash equivalents**

# ADITYA VIKRAM GLOBAL TRADING HOUSE LIMITED

Cash comprises cash at bank net of bank overdraft. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

- (e) **Preliminary expenses**  
The preliminary expenses of the Company are written off to the profit and loss account in the year in which they arise.
- (f) **Interest income**  
Interest income is recorded on an accruals basis.
- (g) **Related parties**  
Related parties are individuals and companies where the individual or company has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions.

## 2. TAXATION

Under the applicable laws, the Company is liable to income tax in Mauritius on its chargeable income at a rate of 15%. However, it is entitled to a tax credit equivalent to the higher of the actual foreign tax suffered and 80% of the Mauritian tax on its foreign source income such that the effective rate of tax is 3%. For the year ended 31 March 2003, no provision for income tax payable has been made in view of foreign taxation credit (2002 - Nil).

## 3. INTANGIBLE ASSETS

The Company had acquired ownership/permanent/exclusive rights to use of brands/trademarks along with the technical know-how. In accordance with IAS 38, the intangible assets will be amortised over 15 years.

	2003	2002
	USD	USD
Intangible assets, at cost	130,60,000	130,60,000
Less: Amortisation	(26,79,000)	(18,08,333)
Net book value of intangible assets	10,381,000	11,251,667

## 4. RECEIVABLES

	2003	2002
	USD	USD
Export commission	32,286	22,142
Royalty income	278,771	75,584
Interest on fixed deposit	715	—
	311,772	97,726

## 5. BANK OVERDRAFT

Bank overdraft is secured by lien of funds with HSBC, OBU received from the parent company. The bank overdraft facility had expired effective 28 February 2003.

## 6. PAYABLES

	2003	2002
	USD	USD
Other payables	52,622	4,100
Interest accrued	728	75,206
Design consultancy fee payable	26,663	13,334
	80,013	92,640

## 7. LOAN

- (i) The loan of USD12.25 million is secured and guaranteed by holding company. These loans are repayable in full in nine equal semi-annual instalments and carry interest payable accrued from 1% to 1.3% over Libor payable on half-yearly basis. However, effective on 25 July 2002 and 16 October 2002, the Company repaid the above loan and the charges on the loan have been erased on 6 January 2003.

	2003	2002
	USD	USD
Amount payable in less than one year	—	2,722,222
Amount payable between two to five years	—	6,194,444
	USD	8,916,666

- (ii) On 20 July 2002, the Company entered into a loan agreement with State Bank of India, Mumbai for USD10 million for the purpose of refinancing the amounts payable from the above loan. A charge on all assets including the brand rights held by the Company was made. The loan is repayable in full in April 2008 and carries interest at Libor + 1.10% (Libor reset at six monthly intervals). However, repayment would be made in half yearly instalments of USD1 million each.

	2003	2002
	USD	USD
Amount payable in less than one year	2,000,000	—
Amount payable between two to five years	8,000,000	—
	USD	10,000,000

- (iii) On 11 And 30 April 2002, the Company had received short term loans amounting to USD 350,000 and 150,000 respectively from its holding company, Indian Rayon and Industries Ltd bearing interests at Libor 2.24 + 1.30% basis and 2.12 + 1.30% basis. The short term loans and the interest were repaid in full on 16 October 2002.

## 8. SHARE CAPITAL

	2003 and 2002
	USD
Authorised 1,000,000 Ordinary shares of USD1.00 each	1,000,000
Issued and fully paid 850,000 Ordinary shares of USD1.00 each	850,000

## 9. FINANCIAL INSTRUMENTS

### Fair values

The carrying amounts of receivables, cash at bank, creditors and loan are approximate to their fair values. Financial assets and liabilities which are accounted for at historical cost are carried at values which may differ materially from their fair values.

### Currency Profile

The currency profile of the Company's financial assets and liabilities is summarised as follows:

	Financial assets 2003	Financial liabilities 2003	Financial assets 2002	Financial liabilities 2002
	USD	USD	USD	USD
Indian rupee	278,771	—	75,584	—
GBP	84	—	51	—
Euro	289	—	1,714	—
United States dollar	11,102,188	10,083,118	11,273,809	10,046,862
	11,381,332	10,083,118	11,351,158	10,046,862

Prepayments amounting to USD3000 (2001: USD 2,625) have not been included in financial assets.

### Currency risk

The Company receives technical assistance fees in Indian rupees within the agreed time frame from its holding company. In the current economic environment, the management believe that there is a relatively very low risk considering history of the USD relative to the Indian rupee exchange. The other assets and liabilities, revenue and expenditure of the Company are in US dollars and hence no currency risk on these exposures.

### Market risk

Technical assistance fees and export commission account for a significant portion of the Company's revenue, which depends on the performance of Garments business of its holding company. Considering the encouraging prospects of the business, the management believes that there is no risk involved in the business.

## 10. RELATED PARTY TRANSACTIONS

	2003	2002
	USD	USD
Royalty income receivable from Indian Rayon And Industries Limited	278,771	75,584

## 11. HOLDING COMPANY

The directors regard Indian Rayon And Industries Limited, a company incorporated in India, as its holding company.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 MARCH 2003

	Year ended 31 March 2003	Fifteen months to 31 March 2002
	USD	USD
<b>Cash flows from operating activities</b>		
Profit before taxation	220,721	368,856
Adjustments for:		
Amortisation of intangible assets	870,667	1,088,333
Foreign taxation paid	(222,184)	(286,446)
Foreign exchange loss	(4,244)	(3,373)
Interest income	(717)	(7,961)
<b>Operating profit before working capital changes</b>	864,243	1,159,409
(Increase)/decrease in prepayments	(375)	875
(Increase)/decrease in receivables	(214,046)	364,320
(Decrease)/Increase in accruals	(30,029)	29,934
Decrease in payables	(12,627)	(371,044)
	(257,077)	24,085
<b>Cash generated from operations</b>	607,166	1,183,494
<b>Cash flows from investing activities</b>		
Interest income	717	7,961
<b>Cash flows from financing activities</b>		
Loan received	10,500,000	—
Loan repaid	(9,416,666)	(3,333,334)
	1,083,334	(3,333,334)
<b>Net increase/(decrease) in cash and cash equivalents</b>	1,691,217	(2,141,879)
<b>Cash and cash equivalents at beginning of year</b>	(1,002,657)	1,139,222
<b>Cash and cash equivalents at end of year</b>	688,560	(1,002,657)

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## Directors' Report

To the Members

Your Directors have pleasure in presenting the Company's Third Annual Report together with other reports for the financial year ended March 31, 2003: the audited Balance Sheet, the Profit and Loss Account, Cash Flow Statement, Auditor's Report, Management Report, and Report of the Board of Directors to the members.

This Report provides –

- an overview,
- a financial summary,
- a business review,
- a description of the corporate governance framework ,
- regulatory statements and certificates, and
- an acknowledgement of the contributions of your Company's various stakeholders.

## Overview

Birla Sun Life Insurance Company Limited (BSLI) has completed two successful years of selling individual and group life insurance products in the Indian market. It is most pleasing to report that your company has achieved a top three position among private life insurers (measured by new premium income) and is on track to achieve its strategic target of a new business market share of 3%. The company is also on track to achieve its long term financial goals.

Birla Sun Life Insurance's pioneering efforts in introducing unit- linked products has set a standard in the evolving Indian insurance market. Your company has also introduced innovative, transparent and flexible products in the market – thereby establishing itself as a key player among new generation life insurers.

For businesses that compete in a free-market economy, it all starts with the customer. That unabashed capitalist Henry Ford once said, "It's not the employer who pays the wages. Employers only handle the money. It is the customer who pays the wages."

To be able to provide excellent customer service consistently across all delivery channels is one of the insurance industry's biggest strategic challenges. At BSLI, we believe that customer service should be tackled using a "real world" approach rather than reducing it to a philosophy. We are aware that the customer demand for "anytime, anywhere, communication" has opened up new vistas and opportunities. Customers want the ability to interact through multiple channels on a 24x7x365 basis; products tightly tailored to their unique needs; plus speedy and accurate response. Our customer satisfaction study indicates a 93% satisfaction rating from our policyholders. Initiatives are in place to improve this rating even further.

High quality customer service is the key to winning new clients, retaining current customers, and increasing revenues and profits. Management believes that investments in the right technology can provide higher ROI by improving service, increasing cross-selling opportunities, and building deeper bonds of trust and loyalty.

## Financial Summary

In the second year of operations, BSLI has earned a premium income of Rs 139.89 crores as compared to Rs 26.79 crores in the previous year representing an increase of 422 per cent. The total income increased to

Rs 151 crores as compared to Rs 36 crores in the previous year with the sale of 75,180 policies covering more than 1,26,882 lives across the individual and group life business.

During the current year under review, a further share issue took place of 3,00,00,000 shares of Rs.10 each amounting to Rs 30 crores. The authorised share capital as on March 31, 2003 now stands at Rs 200 crores with a paid up share capital of Rs. 180 crores.

The Company incurred a loss in the financial year 2002-2003 amounting to Rs.60.96 crores, which was largely in line with the budget. A summary of the financial results of the Company is as follows:

Particulars	Current Year (Rs.'000)	Previous Year (Rs.'000)
<b>Income</b>		
Premium Income (net)	13,98,990	2,67,949
Income from Investments		
• Policyholders	31,760	8,849
• Shareholders	79,383	1,11,144
	83,735	92,584
Total Income	15,10,134	3,60,533
<b>Less: Expenses</b>		
Commission	2,95,059	44,097
Expenses (excluding depreciation)	8,11,836	4,33,612
Depreciation	90,755	52,102
Provision for doubtful debts	110	-
Benefits paid	10,220	3,020
Provision for actuarial liability	9,11,718	1,88,726
Total Expenses	21,19,698	7,21,557
Loss for the Current Year	(6,09,564)	(3,61,024)
Add: Loss Bought Forward from Last Year	(4,44,223)	(83,199)
Total Loss as on date	(10,53,787)	(4,44,224)

## Dividend

The Company incurred a loss in the financial year 2002-2003 and hence the Directors are unable to recommend any dividend.

## Business Review

### Current Market

Competition increased over the year with the entry of more private insurers, innovative products, aggressive and competitive pricing, and diverse distribution channels. The market will evolve further as consumers demand better customized offerings and greater quality service.

Fresh capital is being injected in the life insurance industry as insurers' business volumes grow. Companies are lobbying to increase the Foreign Direct Investment (FDI) limit to 49% a request, which is receiving serious consideration by the Government. We support this proposal to bring additional, permanent, foreign direct investment into India.

The Insurance Regulatory and Development Authority (IRDA) has issued comprehensive regulations to control the life insurance industry. The Life Insurance Council, an association consisting of all life insurance companies, is actively at work to regulate sales practices and encourage good market conduct. As a result of the Authority's initiatives, public confidence in private life insurance companies is increasing. In the first three years since

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

the private insurance companies entered the market, they have captured 8% Market Share (figures as of March '03).

## Future Prospects

BSLI's aim is to ensure that it achieves and maintains its position amongst the top three private sector players in the market. The market potential is large, as 80 million people in the country have bought insurance policies as compared to an estimated 350 million insurable population.

Whilst the Finance Minister presented a growth-oriented budget in February 2003, he also proposed amendments to the personal tax regime that would have an adverse effect on the life insurance sector. For example, the benefit of tax-free receipts against life insurance policies under Section 10(10D) of the Income Tax Act, 1961, has been withdrawn for policies on which the premium paid in any year exceeds 20% of the sum assured, except in the case of death claims. This amendment will be applicable only for policies issued after April 1, 2003. The amendment is not expected to have any significant impact on BSLI.

The Government has, as another step towards pension reforms, proposed the formation of a Pension Regulatory and Development Authority. The role of such a regulatory body is expected to be clarified in the near future. The need for pensions as a retirement benefit is greater now than ever before due to increasing life expectancy, low job and social security and rising inflation. Your Company views this as a sector with immense business potential.

In the future, BSLI will continue to strive to provide excellent customer service backed by innovative products and first-class technology. Your Company aims to create a relationship with customers that not only increases customer satisfaction but also brings customers closer to the company. The strategy is to offer cutting edge service, accessibility and transparency and so strengthen the bond between the customer and the company.

## Products

The Company's products have been very well received by, both clients and distributors. The Company caters to two business segments, namely Individual and Group (including corporates), and offers a wide range of products in both.

### Individual Life Business

- BSLI Flexi Products – Save Plus, Cash Flow and Life Line
- BSLI Term Plan
- BSLI Premium Back Term Plan
- BSLI Single Premium Bond
- BSLI Flexi SecureLife Retirement Plan
- Riders (Critical Illness, Accidental Death and Dismemberment, Term, Waiver of Premium)
- Rural Product - Bima Kavach Yojana

### Group Business

- Group Term Insurance – One-Year Renewable Term Insurance and
- Group Term Insurance – Single Premium Group Term Insurance
- Group Superannuation
- Group Gratuity
- Riders (Critical Illness, Accidental Death & Dismemberment, Term)

The Investment Options Offered by the company on various Individual and Group Plans are as under:

### Individual Plans

- Protector
- Builder
- Enhancer

### Group Plans

- Fixed Interest
- Safe
- Stable
- Growth

### Distribution Channels

#### Direct Sales Force

The Direct Sales Force has established a national presence through a network of 20 branches and 2 development centres, with 350 agency managers and 5000 insurance advisors. Your Company set industry benchmarks with best practices in advisor recruitment, selection, training, supervision, compensation and support systems. Two of our larger branches achieved cash breakeven within two years of commencement of operation, which is a first in the industry. Your Company is proud to proclaim that it fostered professional excellence among its advisors through membership of The Million Dollar Round Table (MDRT) – BSLI has achieved one Top of the Table (TOT), two Court of the Table (COT) and 36 MDRTs.

#### Alternate Channels

The Alternate Channels, with a team of over eighty-four people across India managing over seventy-five relationships, is today the market leader for this type of distribution channel.

Some of the best-known banks such as Citibank, Deutsche Bank, IDBI Bank, BNP Paribas, Catholic Syrian Bank, Development Credit Bank, Bank of Rajasthan and Bank Muscat have tied up with the Company. The bancassurance model is set to contribute substantially to our revenue in the years ahead.

The Affinity Group and Direct Marketing business of your Company has entered relationships with NIIT, Andhra Bank and Citibank Home Loans among others. The Company has also been in the forefront in its efforts to learn how to sell successfully through media such as the internet and call center.

#### Group Business

BSLI introduced its Group Retirement Fund products that were the first unit-linked, Net Asset Value based retirement funds in India. A significant effort was made in building market awareness after the products were launched. The effort made to introduce new concepts in a conservative market is expected to pay off in subsequent years due to a growing appreciation of unit-linked business in a generally low interest rate scenario. The distribution network was expanded to nine centres, covering twenty cities. It is expected that brokers and corporate agents specialising in-group business will play a significant role in the distribution of group business in future, and your Company is set to maximise business from these sources in the next financial year.

#### Marketing And Communications

Your Company adopted an approach of integrated branding across all its

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

functions. It has appointed Vyas Giannetti Creative and Hansa Vision to handle its creative and media planning duties respectively, with Concept PR being retained as our PR agency. During the year, BSLI has delivered a value of Rs. 3 crores through the PR medium, strategically using press conferences, senior management interviews & product stories. The company has delivered good visibility at reasonable costs resulting in a fourth position in "Brand Recall". A customer research orientation is being used on an ongoing basis to determine effectiveness of major advertising campaigns.

During the year the company made its debut on television through its "Made to Order" life insurance solutions advertising and also created a customized education capsule on CNBC called "Simple Simon". The company carried out a Satisfaction study amongst its policyholders, the results of which were very encouraging. During the year the company also launched new initiatives such as our "Knowledge Series" for the frontline sales staff to reinforce producer knowledge amongst our field force. Recognizing the value of internal & external communication, we also launched "Roshni" and "Life Line", which are quarterly newsletters to employees and policyholders, respectively.

## Human Resource

Your Company aims to build a progressive and dynamic business enterprise and that is the mandate given to its Human Resource department.

People management is the cornerstone of the insurance business. At BSLI, it is an underwritten commitment that our valued customers should equate BSLI with those qualities of a trusted friend—honour, integrity, respect and tradition. In essence, the relationship should be founded on trust. And while the promise can be brought to life in creative advertising, a brand can only truly be fulfilled if it is lived every day by the people behind the brand.

To help us reach our HR objectives, the Hay job evaluation system was introduced and job analysis has been completed across the organization, along with the introduction of a performance management system.

A new initiative, "Fun at the Work Place" to build greater employee bonding was introduced. Retention of high performing employees, building a culture of meritocracy and designing farsighted personnel policies are the clear focus areas.

## Commitment to Society

Your Company targets social relevance and adding value to the customer among its aims. This commitment to society is evident through the achievement of the annual regulatory targets for the rural and social sectors in 2002/03. The rural targets were met, largely, through the support extended by the Aditya Birla Group, which has been very active in social development across the country. The product sold in the rural markets is substantially subsidised by BSLI. In the social sector, BSLI covered diverse groups, including parents of disabled children and artisans.

The company is also contributing to the various social service projects undertaken by the Aditya Birla Group as a whole. Your Company is well aware of its social responsibilities and strives to be a responsible corporate citizen.

## Corporate Governance

### Board of Directors

The Board comprising eight Directors meets on a regular basis and invariably meets every quarter. The Board met five times in the financial

year 2002/03 on April 26, 2002, May 21, 2002, August 26, 2002, November 19, 2002 and January 20, 2003, in order to review strategic operations, technological and financial matters and to lay down policies and procedures for the operational management of the Company.

The composition of the Board as at March 31, 2003 is as follows:

1. Mr. D A Stewart
2. Mr. K M Birla
3. Mr. G M Comerford
4. Mr. D C Henck
5. Mr. S K Mitra
6. Mr. B N Puranmalka
7. His Highness Maharaja G Singh
8. Mr. S N Talwar

Mr. D A Stewart and Mr. D C Henck, Directors of your Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment as Directors of the Company. Your Directors recommend their re-appointment.

His Highness Maharaja G Singh was appointed as an Additional Director during the year under review. His Highness Maharaja G Singh holds office upto the date of the next Annual General Meeting of the Company and is eligible for re-appointment as Director of the Company. He is proposed to be re-appointed as Director under Section 256 of the Companies Act, 1956.

## Audit Committee

The Audit Committee constituted under the provisions of Section 292A of the Companies Act, 1956 met five times in the financial year 2002/03 on April 23, 2002, May 21, 2002, August 26, 2002, November 19, 2002 and January 20, 2003, to review the adequacy of systems of internal controls, the scope of audit and compliances with legislative and regulatory requirements and to lay down policies and procedures for the financial management of the Company.

## Investment Committee

The Investment Committee met four times in the financial year 2002/03 viz., on April 23, 2002, July 29, 2002, November 18, 2002 and February 13, 2003, to review the investment policies and procedures of the Company.

## Executive Committee

The Executive Committee meets on a monthly basis to review operating performance against plan and to consider shifts in strategy when these become necessary. It also approves all new products.

## Auditors

The Company has appointed M/s. S B Billimoria & Company and M/s. S R Batliboi & Company, Chartered Accountants, as joint statutory auditors for 2002/03.

Both the statutory auditors would be retiring at the conclusion of the forthcoming Annual General Meeting. They have expressed their willingness to continue as the Statutory Auditors, if reappointed at the Annual General Meeting, and hold office until the conclusion of the next Annual General Meeting. Your Company has received a certificate from both the Statutory Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## Regulatory Statements and Certificates

### Particulars Of Employees

The particulars of employees, as required by the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975, as amended, are set out in a separate annexure to this Report.

### Statutory Disclosure of Particulars

The requirements of disclosure in terms of Section 217(1)(e) of the Companies Act, 1956, pertaining to steps taken regarding conservation of energy do not apply to the Company. Since the Company does not own any manufacturing facility, the other particulars in the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988, are not applicable and hence are not given.

The Company recorded an outgo of Rs.7.5 crores in foreign exchange in 2002/03.

### Auditors' Report

The reports of the joint statutory auditors are attached to this report. All the Notes to Schedules and Accounts are self-explanatory and do not call for any further comments.

### Management Report

In accordance with Regulation 3 of the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2000, the Management Report forms a part of the financial statements.

### Appointed Actuary's Certificate

The certificate of the Appointed Actuary is attached to this Report.

### Solvency Margin

Your Directors are pleased to report that the assets of the Company are more than sufficient to meet the minimum solvency margin as specified in Section 64VA of the Insurance Act, 1938.

## Directors' Responsibility Statement

Your Directors report that,

- The annual accounts have been prepared in accordance with applicable accounting standards and there have been no material departures from the same;
- The Company has selected accounting policies and applied them consistently and has made judgments and estimates that are reasonable and prudent and provide a true and fair view of the state of affairs of the Company as on March 31, 2003 and of the loss for the year ended on March 31, 2003;
- Proper and sufficient care has been taken to maintain adequate accounting records and safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The accounts of the Company are prepared on a going concern basis. Other accounting policies are stated in the notes to the accounts which form an integral part of the annual accounts.

### Acknowledgements

The Board would like to express its gratitude for the support and co-operation received from both the Aditya Birla Group and Sun Life Financial.

The Board takes this opportunity to thank all its policyholders, insurance agents and intermediaries, the office bearers of IRDA, the Birla Sun Life joint venture partners, providers of training services, bankers, and business and technology partners for their continued support during the year.

Your Directors place on record their appreciation of the contribution made by the employees of BSLI at all levels for their commendable teamwork and dedication over the year.

### For Birla Sun Life Insurance Company Limited

**Mr. D A Stewart**  
Chairman

**Mr. B N Puranmalka**  
Director

**Mr. S K Mitra**  
Director

April 23, 2003

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

Statement pursuant to Section 217(2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975  
(Forming part of the Report of the Directors)

Sr. No.	Name	Qualifications	Age (Years)	Designation and Nature of duties	Remuneration Received		Experience (Years)	Date of Commencement of Employment	Particulars of last Employment
					Gross (Rs.)	Net (Rs.)			
1	Nani Javeri	B.A.	57	CEO	9850036	5136083	36	03.12.2001	Oman International Bank
2	M.C. Raisinghani	B.E. (Electronics)	57	Vice-President	2626691	1550242	28	01.04.2001	Birla Global Finance Ltd.
3	D.G. Mahajan	M.Sc.; Ph.D. (OR)	51	Vice-President	2952854	1680094	22	22.04.2002	View Group
4	Emile Goviea	B.A.	51	Associate Director	3033362	1684979	25	01.04.2001	LIC of India.
5	K.S.Gopalakrishnan	Fellow-Institute of Actuary- London; Fellow-Actuary Society - India; Associate Society of Actuary-US; Fellow of Insurance; B.Sc.	40	Associate Director	3367962	1959709	18	01.04.2001	ICICI Ltd.
6	Anjana Grewal	MMS; Bachelor Chemical Engg.	49	Associate Director	2645023	1250015	22	01.04.2001	Global Trust Bank Ltd.
7	P. Nandagopal	MBA; Fellow of Insurance; Associate Company Secretary; B.Com.	42	Associate Director	3267696	1947626	19	01.04.2001	Birla Sun Life Distribution Co. Ltd.
8	Mario Braganza	B.Sc; MFM; DIM	44	Head - Client Services	4235526	2706947	21	04.04.2002	HSBC

The names are arranged as per the seniority of the officials as at March 31, 2003.

- Notes:**
1. Rules and conditions of service include benefits of Provident Fund, Gratuity Fund, Superannuation Fund, Leave Fare Concession, Medical Benefits, etc. The gross remuneration includes Basic Salary, House Rent Allowance, Leave Encashment, Leave Travel Concession, Company's contribution to Provident Fund, Superannuation Fund and taxable value of perquisites, etc., (if eligible). Net remuneration is shown after deduction from gross remuneration of contribution to Provident Fund, Superannuation Fund, Professional Tax and Income Tax.
  2. Designations and remuneration are as at March 31, 2003.
  3. The employees are not related to any Director.
  4. None of the employees by himself/herself along with his /her spouse and dependent children hold more than two per cent of the paid up capital of the Company.

For and behalf of the Board of Directors

Date : April 23, 2003

Mr. S. K. Mitra

Place : Mumbai

Director

## Appointed Actuary's Certificates

I have valued the policy liabilities of Birla Sun Life Insurance Company Limited at 31 March 2003, in accordance with accepted actuarial practice and in line with relevant professional guidance, including that covering the selection of appropriate assumptions.

In my opinion, the amount of policy liabilities (Rs. 1,173,535,318 - Gross of Reinsurance and Rs.1,101,390,610 - Net of Reinsurance) makes appropriate provision for all policyholders' obligations and the financial statements fairly present the result of the valuation.

Peter J Akers  
Fellow of the Institute of Actuaries  
Fellow of the Actuarial Society of India  
April 18, 2003

## CERTIFICATE

This is to certify that all the expenses of management in respect of the life insurance business transacted by Birla Sun Life Insurance Company Limited have been fully debited in the Revenue Account of the Company for the Financial Year 2002-2003.

For and on behalf of the Board of Directors of Birla Sun Life Insurance Company Limited

Donald Stewart  
Chairman

B N Puranmalka  
Director

S K Mitra  
Director

Nani Javeri  
Principal Officer

Peter J Akers  
CFO & Appointed Actuary

Date: April 23, 2003

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## AUDITORS' REPORT

To the Members of

### BIRLA SUN LIFE INSURANCE COMPANY LIMITED

1. We have audited the attached balance sheet of BIRLA SUN LIFE INSURANCE COMPANY LIMITED as at March 31, 2003 and also the revenue account, profit and loss account, and receipts and payments account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In accordance with the provisions of Section 11 of the Insurance Act, 1938 ('the Insurance Act') read with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002 ('the IRDA Financial Statements Regulations'), and the provisions of sub-sections (1), (2) and (5) of Section 211 and sub-section (5) of Section 227 of the Companies Act, 1956 ('the Companies Act'), the balance sheet, revenue account and profit and loss account are not required to be, and are not, drawn up in accordance with Schedule VI of the Companies Act. The balance sheet, revenue account and profit and loss account are drawn up in conformity with the IRDA Financial Statements Regulations.
4. 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 purposes of our audit and have found them to be satisfactory.
  - (b) In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books.
  - (c) The financial accounting systems of the Company are centralised and therefore accounting returns are not required to be submitted by branches and other offices.
  - (d) The balance sheet, revenue account, profit and loss account and receipts and payments account referred to in this report are in agreement with the books of account.
  - (e) The actuarial valuation of liabilities for policies in force is the responsibility of the Company's appointed actuary ('the appointed actuary'). The actuarial valuation of liabilities for policies in force has been duly certified by the appointed actuary. The appointed actuary has certified to the Company that the assumptions for such valuation are in accordance with the guidelines and norms issued by the Insurance Regulatory and Development Authority ('IRDA') and the Actuarial Society of India in concurrence with IRDA. We have relied on the appointed actuary's certificate in this regard.
  - (f) On the basis of the written representations received from the directors, as on March 31, 2003, and taken on record by the board of directors, none of the directors is disqualified as on March 31, 2003 from being appointed as a director in terms of Section 274(1)(g) of the Companies Act.
5. In our opinion and to the best of our information and according to the information and explanations given to us:
  - (a) The accounting policies selected by the Company are appropriate and in compliance with the applicable accounting standards referred to in Section 211(3C) of the Companies Act and the accounting principles prescribed in the IRDA Financial Statements Regulations and orders or directions issued by IRDA in this behalf. The balance sheet, revenue account, profit and loss account and receipts and payments account referred to in this report are in compliance with the accounting standards referred to in Section 211(3C) of the Companies Act.
  - (b) Investments of the Company have been valued in accordance with the provisions of the Insurance Act and the IRDA Financial Statements Regulations.
  - (c) The said financial statements are prepared in accordance with the requirements of the Insurance Act, the Insurance Regulatory and Development Act, 1999, the IRDA Financial Statements Regulations and the Companies Act, to the extent applicable and in the manner so required, and give a true and fair view in conformity with the accounting principles generally accepted in India, as applicable to insurance companies:
    - i. in the case of the balance sheet, of the state of affairs of the Company as at March 31, 2003;
    - ii. in the case of the revenue account, of the deficit (before transfer from shareholders' profit and loss account) of the Company for the year ended March 31, 2003;
    - iii. in the case of the profit and loss account, of the loss of the Company for the year ended March 31, 2003; and
    - iv. in the case of the receipts and payments account, of the receipts and payments of the Company for the year ended March 31, 2003.
6. Further, according to the information and explanations given to us and to the best of our knowledge and belief, we certify that:
  - (a) We have reviewed the management report attached to the financial statements for the year ended March 31, 2003 and there is no apparent mistake or material inconsistency with the financial statements.
  - (b) The Company has complied with the terms and conditions of registration as specified in Regulation 10 of the Insurance Regulatory and Development Authority (Registration of Indian Insurance Companies) Regulations, 2000.
  - (c) We have verified the cash balances at the head office and on a test basis at the branches constituting 54 per cent of the balances held at branches and investments of the Company. At March 31, 2003, the Company had no secured loans, reversions and life interests.
  - (d) The Company is not a trustee of any trust.
  - (e) No part of the assets of the policyholders' funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act relating to the application and investments of the policyholders' funds; and
  - (f) All expenses of management in respect of life insurance business transacted by the Company in India have been fully debited to the revenue account as expenses.

	S.B. Billimoria & Co. Chartered Accountants	S.R. Batliboi & Co. Chartered Accountants
Mumbai April 23, 2003	Y.H. Malegam Partner	Farrokh Tarapore Partner

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

<b>REVENUE ACCOUNT</b>				<b>PROFIT AND LOSS ACCOUNT</b>			
For the year ended 31st March, 2003				For the year ended 31st March, 2003			
Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)	Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>PREMIUMS EARNED - Net</b>				<b>AMOUNTS TRANSFERRED TO THE</b>			
(a) Premium	1	1,439,243	282,587	Policyholders Account		(677,095)	(440,603)
(b) (Reinsurance ceded)		(40,253)	(14,638)	(Technical Account)			
(c) Reinsurance accepted		—	—	(See Note B 11 of Part B of Schedule 16)			
Sub-Total		1,398,990	267,949				
<b>INCOME FROM INVESTMENTS</b>				<b>INCOME FROM INVESTMENTS</b>			
(a) Interest, Dividends & Rent - Gross		28,716	6,109	(a) Interest, Dividends & Rent - Gross		57,604	59,880
(b) Profit on sale/redemption of investments		2,244	2,627	(b) Profit on sale/redemption of investments		17,520	4,366
(c) (Loss on sale/redemption of investments)		(605)	(102)	(c) (Loss on sale/redemption of investments)		(213)	(3)
(d) Transfer/Gain on revaluation/ change in Fair value		—	—	(d) Amortisation of discount/premium)		4,472	19,492
(e) Amortisation of discount/(premium)		(193)	—				
Sub-Total		30,162	8,634				
<b>OTHER INCOME</b>				<b>OTHER INCOME</b>			
(a) Transfer from Shareholder's (Non-technical) Account (See Note B11 of Part B of Schedule 16)		677,095	440,603	Total (A)		79,383	83,735
(b) Others		1,599	215				
Sub-Total		678,694	440,818	Expenses other than those directly related to the insurance business		11,852	4,156
Total (A)		2,107,846	717,401	Bad debts written off		—	—
Commission	2	295,059	44,097	Provisions (other than taxation)			
Operating expenses related to Insurance business	3	890,739	481,558	(a) For diminution in the value of investments (net)		—	—
Provision for doubtful debts		110	—	(b) Provision for doubtful debts		—	—
Bad debts written off		—	—	(c) Others		—	—
Provision for tax		—	—	Total (B)		11,852	4,156
Provision (other than taxation)		—	—	Profit/(Loss) Before Tax		(609,564)	(361,024)
(a) For diminution in the value of investments (net)		—	—	Provision for Taxation		—	—
(b) Others (to be specified)		—	—	Profit/(Loss) After Tax		(609,564)	(361,024)
Total (B)		1,185,908	525,655				
Benefits Paid (Net)	4	10,220	3,020	<b>APPROPRIATIONS</b>			
Interim Bonuses Paid		—	—	(a) Balance at the beginning of the year		(444,223)	(83,199)
Change in valuation of liability in respect of life policies		—	—	(b) Interim dividends paid during the year		—	—
(a) Gross		978,235	194,348	(c) Proposed final dividend		—	—
(b) (Amount ceded in Re-insurance)		(66,517)	(5,622)	(d) Dividend distribution on tax		—	—
(c) Amount accepted in Re-insurance		—	—	(e) Transfer to reserves/other accounts		—	—
Total (C)		921,938	191,746	(LOSS) CARRIED FORWARD TO BALANCE SHEET		(1,053,787)	(444,223)
BALANCE (D) = (A) - (B) - (C)		—	—				
<b>APPROPRIATIONS</b>				<b>APPROPRIATIONS</b>			
Transfer to Shareholders Account		—	—	Significant Accounting Policies and Disclosures 16			
Transfer to Other Reserves		—	—	The Schedules referred to above form an integral			
Balance being Funds for Future Appropriations		—	—	part of these accounts			
Total (D)		—	—				
Significant Accounting Policies and Disclosures.							
16							
(The schedules referred to above form an integral part of these accounts)							
As per our report of even date attached				As per our report of even date attached			
For S. B. Billimoria & Co. Chartered Accountants	For and on behalf of the Board of Directors			For S. B. Billimoria & Co. Chartered Accountants	For and on behalf of the Board of Directors		
Y. H. Malegam Partner	Donald Stewart Chairman	B.N. Puranmalka Director	S.K. Mitra Director	Y. H. Malegam Partner	Donald Stewart Chairman	B.N. Puranmalka Director	S.K. Mitra Director
For S. R. Batliboi & Co. Chartered Accountants	Farrokh Tarapore Partner			For S. R. Batliboi & Co. Chartered Accountants	Farrokh Tarapore Partner		
	Nani Javeri Principal Officer	Peter Akers Chief Financial Officer			Nani Javeri Principal Officer	Peter Akers Chief Financial Officer	
	23 April, 2003				23 April, 2003		

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## BALANCE SHEET As At 31st MARCH, 2003

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
<b>SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	5	1,800,000	1,490,790
Reserves and Surplus	6	—	—
Credit/(Debit) Fair Value Change Account		—	—
Sub-Total		1,800,000	1,490,790
<b>BORROWING</b>			
	7	—	—
<b>POLICYHOLDERS' FUNDS</b>			
Credit/(Debit) Fair Value Change Account		—	7,449
Policy Liabilities		123,698	28,756
Insurance Reserves			
Provision For Linked Liabilities		977,693	161,601
Sub-Total		1,101,391	197,806
<b>FUNDS FOR FUTURE APPROPRIATIONS</b>			
	286	286	—
Total		2,901,677	1,688,882
<b>APPLICATION OF FUNDS</b>			
<b>INVESTMENTS</b>			
Shareholders'	8	645,635	957,837
Policyholders'	8A	118,331	29,043
<b>ASSETS HELD TO COVER LINKED LIABILITIES</b>			
	8B	977,693	161,603
<b>LOANS</b>			
	9	—	—
<b>FIXED ASSETS</b>			
	10	273,780	207,414
<b>CURRENT ASSETS</b>			
Cash and Bank Balances	11	217,318	69,248
Advances and Other Assets	12	116,055	90,519
Sub-Total (A)		333,373	159,767
<b>CURRENT LIABILITIES</b>			
PROVISIONS	13	453,675	267,485
	14	47,247	3,520
Sub-Total (B)		500,922	271,005
NET CURRENT ASSETS (C) = (A-B)		(167,549)	(111,238)
<b>MISCELLANEOUS EXPENDITURE</b> (To the extent not written off or adjusted)			
	15	—	—
<b>DEBIT BALANCE IN PROFIT &amp; LOSS ACCOUNT</b> (Shareholders' Account)			
Significant Accounting Policies and Disclosures	16	1,053,787	444,223
The schedules referred to above form an integral part of these accounts.			
Total		2,901,677	1,688,882
As per our report of even date attached			
For S. B. Billimoria & Co. Chartered Accountants		For and on behalf of the Board of Directors	
Y. H. Malegam Partner	Donald Stewart Chairman	B.N. Puranmalka Director	S.K. Mitra Director
For S. R. Barliboi & Co. Chartered Accountants			
Farrokh Tarapore Partner	Nani Javeri Principal Officer	Peter Akers Chief Financial Officer	
23 April, 2003			

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## RECEIPTS AND PAYMENTS ACCOUNT (CASH FLOW STATEMENT) FOR THE YEAR ENDED 31ST MARCH, 2003

	CURRENT YEAR RS.('000)	PREVIOUS YEAR RS.('000)
<b>Cash flow from operating activities</b>		
Premium received	1,437,354	282,546
Application money deposit	60,986	16,656
Commission paid	(219,794)	(29,035)
Deposits taken from agents	4,233	1,964
Deposits refunded to agents	(4,164)	(1,850)
Payments made to employees and for expenses	(793,921)	(336,548)
Deposits with Reserve Bank of India	(1,000)	-
Other income	1,598	202
Net cash inflow / (outflow) from operating activities	485,292	(66,065)
<b>Cash flow from investing activities</b>		
Purchase of fixed assets	(134,822)	(131,237)
Sale of fixed assets	469	376
Deposits for premises	(11,732)	(17,954)
Investments purchased	(4,459,350)	(2,283,099)
Proceeds from sale of investments	3,987,544	2,168,719
Cash held to cover linked liabilities	(99,369)	(2,292)
Interest received ( net of taxes deducted at source )	79,158	54,333
Dividend received	1,824	2,005
Net cash (used) in investing activities	(636,278)	(209,149)
<b>Cash flow from financing activities</b>		
Share capital issued	300,000	300,000
Lease rent for vehicles	(944)	-
Net cash inflow from financing activities	299,056	300,000
<b>CASH &amp; CASH EQUIVALENTS</b>		
Net increase / ( decrease ) in cash and cash equivalents	148,070	24,786
Cash and cash equivalents at end of the year	217,318	69,248
Cash and cash equivalents at beginning of the year	69,248	44,462
Net increase / ( decrease ) in cash and cash equivalents	148,070	24,786

- Note : 1) Prior year figures are appropriately reclassified to conform to the current year's classification.  
2) Refer Schedule '11' for components of 'Cash and cash equivalents'.  
3) Cash and cash equivalents excludes those relating to linked business which have been classified under 'Assets held to cover linked liabilities' in Schedule '8B'.

As per our report of even date attached

For S.B.Billimoria & Co.

For and on behalf of the Board of Directors

Chartered Accountants

Y.H. Malegam

Donald Stewart

B.N. Puranmalka

S. K. Mitra

Partner

Chairman

Director

Director

For S.R. Batliboi & Co.

Chartered Accountants

Farrokh Tarapore

Nani Javeri

Peter Akers

Partner

Principal Officer

Chief Financial Officer

23rd April, 2003

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

SCHEDULE-1 PREMIUM			SCHEDULE-5 SHARE CAPITAL		
Particulars	Current Year (Rs.'000)	Previous Year (Rs.'000)	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 First Year Premiums	1,076,533	180,903	1 Authorised Capital	2,000,000	2,000,000
2 Renewal Premiums	143,564	1,511	200,000,000 Equity Shares of Rs. 10/- Each		
3 Single Premiums	219,146	100,173	2 Issued Subscribed & Paid-up Capital	1,800,000	1,500,000
Total Premium	1,439,243	282,587	180,000,000 Equity Shares of Rs. 10/- Each		
			3 Less : Preliminary Expenses	—	(9,210)
			Total	1,800,000	1,490,790
SCHEDULE-2 COMMISSION			SCHEDULE-5A PATTERN OF SHAREHOLDING		
Commission Paid			Shareholder	Current Year Number of Shares	Previous Year Number of Shares
Direct — First year premiums	209,014	32,744		% of Holding	% of Holding
— Renewal Premiums	9,454	103	PROMOTERS:		
— Single Premiums	3,475	680	Indian	133,200,000	111,000,000
Add: Commission on Re-insurance Accepted	—	—	Foreign	46,800,000	39,000,000
Less: Commission on Re-insurance Ceded	—	—	Others	—	—
Others :			Total	180,000,000	150,000,000
a) Bonus Commission	73,116	10,570		100.00%	100.00%
Net commission	295,059	44,097			
SCHEDULE-3 OPERATING EXPENSES RELATED TO INSURANCE BUSINESS			SCHEDULE-6 RESERVES AND SURPLUS		
1 Employees' remuneration & welfare benefits	268,772	105,703	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
2 Travel, conveyance and vehicle running expenses	29,504	16,950	Total	—	—
3 Training expenses	38,001	18,319	SCHEDULE-7 BORROWINGS		
4 Rents, rates & taxes	56,101	28,807	Total	—	—
5 Repairs	14,871	5,952	SCHEDULE-8 INVESTMENTS -SHAREHOLDERS		
6 Printing and Stationery	15,136	5,806	Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
7 Communication expenses	23,895	9,226	1 Government securities and Government guaranteed bonds including Treasury Bills	213,734	351,756
8 Legal & professional charges	38,812	24,638	2 Other Investments		
9 Medical Fees	9,655	3,663	(a) Debentures / Bonds	51,177	—
10 Auditor's Fees, expenses, etc.			3 Investment in Infrastructure and Social Sector Bonds	151,421	151,815
(a) i) as auditor	978	649	Total (A)	416,332	503,571
ii) out of Pocket expenses	50	—			
(b) as adviser or in any other capacity, in respect of					
(i) Taxation services/matters	57	26			
(ii) Management Services	26	—			
11 Advertisement and publicity	127,793	99,620			
12 Interest & Bank Charges	225	312			
13 Others : 1) Promotional expenses	56,704	10,001			
2) Agents recruitment, seminar and other expenses	29,168	10,122			
3) Recruitment, & Seminar Expenses	14,474	10,814			
4) IT Expenses (incl. maintenance)	36,420	57,722			
5) Policy Stamps	11,689	4,361			
6) Call Centre/Mother Portal and Web-site expenses	7,516	5,292			
7) Hire charges, Insurance etc.	626	486			
8) Profit/(Loss) on Sale of Assets	—	66			
9) Water electricity and other Miscellaneous expenses	19,511	10,921			
14 Depreciation	90,755	52,102			
Total	890,739	481,558			
SCHEDULE-4 BENEFITS PAID (NET)			LONG TERM INVESTMENTS		
1 Insurance Claims			1 Government securities and Government guaranteed bonds including Treasury Bills	213,734	351,756
(a) Claims by death	25,634	1,517	2 Other Investments		
(b) Other benefits (Withdrawals)	2,460	2,258	(a) Debentures / Bonds	51,177	—
(c) Claims Investigation Expenses	357	—	3 Investment in Infrastructure and Social Sector Bonds	151,421	151,815
2 (Amount ceded in reinsurance):			Total (A)	416,332	503,571
(a) Claims by Death	(18,231)	(755)			
Total	10,220	3,020			



# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## SCHEDULE-11 CASH AND BANK BALANCES

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Cash (including cheques on hand Rs. 96,033 (Previous Year: Rs. 17,069), drafts and stamps)	101,759	19,110
2 Bank Balances		
(a) Deposit Accounts - Short-term	121,800	—
(b) Current Accounts (overdrawn as per books in the current year)	(6,241)	50,138
Total	217,318	69,248
Balances with non-scheduled banks included in 2 and 3 above	—	—
Cash and Bank Balances		
1. In India	217,318	69,248
2. Outside India	—	—
Total 217,318	69,248	—

## SCHEDULE-12 ADVANCES AND OTHER ASSETS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
1 Prepayments	7,629	6,096
2 Advances to officers	2,603	7,307
3 Advance tax paid and taxes deducted at source	19	6
4 Other Advances		
(a) Advance to Suppliers/Contractors	8,594	8,699
(b) Others	212	90
Total (A)	19,057	22,198

## OTHERS ASSETS

1 Income accrued on Investments	19,753	19,862
2 Outstanding Premiums	1,982	73
3 Agent's Balances (gross) 841	731	—
Less: Provision for doubtful debts (110)	(110)	—
4 Due from other Entities carrying on insurance business (including reinsurers)	18,986	755
5 Due from subsidiaries/holding company	—	—
6 Due from related Parties	564	4,112
7 Deposit with Reserve Bank of India [pursuant to section 7 of Insurance Act, 1938]	2,100	1,100
8 Others		
a) Deposits for offices and staff residences	52,882	42,419
Total (B)	96,998	68,321
Total (A + B)	116,055	90,519

## SCHEDULE-13 CURRENT LIABILITIES

1 Agents' Balances	72,341	11,154
2 Balances due to other insurance companies (including reinsurers)	54,931	14,679
3 Premiums received in advance	51	32
4 Unallocated premiums	1,106	189
5 Sundry Creditors	185,869	85,465
6 Due to Subsidiaries/holding companies	—	—
7 Due to related parties	57,117	137,577
8 Claims outstanding	5,305	1,400
9 Others		
(a) Policy Application and other Deposits	76,954	16,989
Total	453,675	267,485

## SCHEDULE-14 PROVISIONS

1 For taxation (less payments and taxes deducted at source)	—	—
2 Others		
a) Provision for Leave Encashment	9,945	2,728
b) Provision for Gratuity	—	792
c) Provision-LTA	1,859	—
d) Provision-Renewal Bonus	35,143	—
e) Provision for wealth tax	300	—
Total	47,247	3,520

## SCHEDULE-15 MISCELLANEOUS EXPENDITURE

Total	—	—
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## SCHEDULE 16: SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Birla Sun Life Insurance Company Limited ('the Company'), headquartered at Mumbai, had commenced operations on 19<sup>th</sup> March, 2001, after receiving the license to transact life Insurance business in India from the Insurance Regulatory and Development Authority ('IRDA') on 31<sup>st</sup> January, 2001.

The IRDA has renewed the Company's Certificate of Registration to sell life insurance products in India for the year 2003-04 vide its Certificate of Renewal of Registration dated 10<sup>th</sup> February, 2003. The renewed registration is with effect from 1<sup>st</sup> April, 2003 and is valid upto 31<sup>st</sup> March, 2004.

The Company is a joint venture between the companies in the Aditya Birla Group of India (74 percent) and Sun Life Financial of Canada (26 percent). The Company has launched linked and non-linked life insurance and pension products including riders for individuals and groups and pension products for individuals. These products are sold by individuals and corporate advisors, banks and brokers, across the country.

### PART A:

#### Significant Accounting Policies:

##### 1. Basis of preparation of financial statements

The financial statements are prepared under the historical cost convention on the accrual basis of accounting in accordance with the accounting principles prescribed by the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, ('the IRDA Financial Statements Regulations'), provisions of the Insurance Regulatory and Development Authority Act, 1999 and the Insurance Act, 1938 and the accounting standards prescribed by the Institute of Chartered Accountants of India ('ICAI') and the Companies Act 1956, to the extent applicable and in the manner so required.

The preparation of the financial statements in conformity with generally accepted accounting principles ('GAAP') requires that the Company's management make estimates and assumptions that affect the reported amounts of income and expenses for the year, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include valuation of policy liabilities, provision for linked liabilities, provisions for doubtful debts, valuation of unlisted securities, if any, future obligations under employee retirement benefits plans and the useful lives of fixed assets. Actual results could differ from these estimates.

##### 2. Revenue recognition

Premium is recognised as income when due from policyholders. For unit linked and pension business, premium income is recognised when the associated units are created. Reinsurance premium ceded is accounted at the time of recognition of the premium income in accordance with the treaty or in-principle arrangement with the reinsurer.

Interest income on investments is recognised on an accrual basis. Dividend income is recognised when the right to receive dividend is established.

##### 3. Benefits paid (including claims)

Maturity benefits are accounted for when due for payment. Surrenders are accounted for when notified. Death and other claims are accounted for when notified.

Claims payable include the direct costs of settlement. Reinsurance recoverables are accounted for in the same period as the related claim.

##### 4. Acquisition costs

Acquisition costs are expensed in the year in which they are incurred. Acquisition costs mainly consist of commission to insurance advisors, medical costs, policy printing expenses, stamp duty, and related expenses.

##### 5. Renewal Bonus

Renewal bonus is payable to the individual insurance advisors and a segment of the sales force. This constitutes a part of the first year commission / incentives against receipt of the first year premium but payable at the end of the expiry of two years of the policy and is accrued for in the year of sale of the policy, subject to its continued persistency. Up to the previous year, renewal bonus was accounted for on payment basis.

##### 6. Investments

Investments are made in accordance with the Insurance Act, 1938, the Insurance Regulatory and Development Authority (Investment) Regulations, 2000, the

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

Insurance Regulatory and Development Authority (Investment) (Amendment) Regulations, 2001 and various other circulars / notifications issued by the IRDA in this context from time to time.

## Debt securities:

- (a) **Non-linked business and shareholders' investments:** All debt securities, including government securities and redeemable preference shares, under non-linked business and shareholders' investments are considered as 'held to maturity' and stated at amortised cost.

The discount or premium which is the difference between the purchase price and the redemption amount of the securities is amortised and recognized in the revenue account or the profit and loss account, as the case may be, on a straight line basis over the remaining period to maturity of these securities.

The difference between the acquisition price and the maturity value of the treasury bills and commercial papers is recognised as interest income in the revenue account or the profit and loss account, as the case may be, over the remaining term of these instruments, on a straight-line basis.

The profit or loss on sale of these securities is the difference between the sale price and the amortised cost in the books of the Company, as on the date of the sale.

- (b) **Linked and Pension businesses:** All debt securities, including government securities and redeemable preference shares, under linked and pension businesses are valued at market price. Unrealised gains/losses arising on this valuation are not recognised in the revenue account but are credited / debited to 'Provision for linked liabilities'.

In the previous financial years, all unrealised gains and losses were credited / debited to the 'Fair Value Change Account' and the corresponding increase / decrease in the 'Provision for linked liabilities' was recognised in the revenue account as a part of 'Change in valuation of liability in respect of life policies in force'.

The effect of the above on the revenue account and the balance sheet is not material.

Cost of the security includes brokerage and stamp duty, if any.

## Equity shares:

Listed equity shares are valued and stated at fair value, being the last quoted closing prices on The Stock Exchange, Mumbai at the balance sheet date. Unrealised gains/losses arising on this valuation are not recognised in the revenue account but are credited / debited to 'Provision for linked liabilities' as they relate to the linked business.

In the previous financial years, all unrealised gains and losses were credited / debited to the 'Fair Value Change Account' and the corresponding increase / decrease in the 'Provision for linked liabilities' was recognised in the revenue account as a part of 'Change in valuation of liability in respect of life policies in force'.

The effect of the above on the revenue account and the balance sheet is not material.

Unlisted equity shares are stated at historical cost. A provision is made, for diminution, if any, in the value of these shares to the extent that such diminution is other than temporary.

Cost of the equity shares includes brokerage and stamp duty, if any.

## Long term and short term investments:

All investments maturing within twelve months of the balance sheet date and all investments made with the intention of disposing the same within twelve months of the balance sheet date are classified as short-term investments. All other investments are classified as long-term investments.

## 7. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Cost includes the purchase price and any cost directly attributable to bringing the asset to its working condition for its intended use. Software expenses exceeding Rs 1,000 thousands incurred for purchase of licenses for bought-out software or on customisation of software (other than for maintenance of existing software) are capitalised. Expenditure on development of website is written off in the year in which it is incurred.

Fixed assets are fully depreciated using the straight-line method on the basis of the estimated useful lives mentioned below.

Asset Type	Rates as per Schedule XIV to the Companies Act, 1956 (translated into useful life)	Estimated useful life considered by the Company for depreciation purposes
(a) Furniture and fittings (other than those mentioned in (e) below)	6.33% (15 years)	5 years
(b) Information Technology Equipment	16.21% (5.86 years)	3 years
(c) Vehicles	9.50% (10 years)	5 years
(d) Office Equipment	4.75% (20 years)	5 years
(e) Leasehold improvements and furniture and fittings at leased premises	6.33% (15 years)	5 years or the maximum renewable period of the respective leases, whichever is lower

Any additions to the original fixed assets are depreciated over the remaining useful life of the original asset. A change in the value of the liability for fixed assets due to exchange rate fluctuations is added to the original cost and depreciated over the remaining useful life of the asset.

Fixed assets at third party locations and not under direct physical control of the Company are depreciated in the year of purchase.

## 8. Assets acquired under finance leases

Assets acquired under finance leases are capitalised at the fair value of the leased asset at the inception of the lease and are depreciated on a straight-line basis over the useful life in accordance with the Company's depreciation policy. The liability towards the balance lease rentals payable, being short-term in nature, is disclosed in the balance sheet under the head 'Current liabilities'.

Fixed Assets stated below have been purchased on finance lease from Birla Global Asset Finance Company Limited, as at March 31, 2003.

Particulars	Cost	Accumulated Depreciation	Net Book Value
Vehicle	Rs. 1,865 thousands	Rs. 435 thousands	Rs.1,430 thousands

The lease rentals charged during the current year and the maximum obligations on finance leases payable at the balance sheet date, as per the rentals stated in the agreements are as follows:

	Current Year (Rs '000)	Previous Year (Rs '000)
Lease rentals paid during the year	1,031	344
Lease obligations		
— Within one year of the balance sheet date	1,031	1,031
— Due in a period between one year and five years	19	1,050
— Due after five years	NIL	NIL

## 9. Taxation

The Indian Income-tax Act, 1961 prescribes that profits and gains of life insurance companies will be the surplus or deficit disclosed by the actuarial valuation made in accordance with the Insurance Act, 1938. The Government of India had set up a committee to suggest revisions in the provisions for taxation of life insurance companies. The Company understands that the committee has submitted its report and it is possible that the existing rules may be modified in the future.

Life insurance is a long gestation business. Due to unpredictable market forces, forecasting taxable profits is difficult and uncertain.

Under the above circumstances, the Company deems it proper not to take credit for the deferred tax on losses incurred. Appropriate accounting for taxation benefits/expenses will be made when the applicability of income-tax laws is clear and the Company can reasonably forecast its future taxable gains and losses.

## 10. Retirement benefits to employees

The Company has established defined contribution provident fund and

IT FELT GOOD FULFILLING YOUR CHILD'S NEEDS  
WHEN HE WAS YOUNG.

IT'LL FEEL EVEN BETTER NOT ASKING HIM  
TO FULFILL YOURS WHEN YOU'RE OLD.



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- Option to choose from 6 vesting ages

**\*Tax benefit under Sec 80 CCC  
(1) of the Income Tax Act, 1961**



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Insurance is the subject matter of solicitation. <sup>†</sup>Conditions apply

**\*For a 30 year old healthy male, for a 20 year premium paying term, at age 60 in the protector fund option for a Rs. 3 lakh cover. \*\* For specific suitability please consult your tax advisor. Form No. App 1/App2. Birla Sun Life Insurance Co. Ltd., 1st Floor, Ahura Centre, 8 Wing, Mahakali Caves Road, Andheri (E), Mumbai - 400093.**

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

superannuation schemes to provide retirement benefits to its employees. Contributions to the provident fund and the superannuation schemes are made on a monthly basis and are accounted on due basis.

In addition to the above, the Company is required to pay gratuity to its employees. The Company has established a gratuity scheme under which the liability determined by actuarial valuation is contributed towards a group gratuity policy bought by the Company.

The Company also allows employees to encash their leave balances, subject to certain conditions. The liabilities for these benefits as determined by actuarial valuation, are provided in the financial statements of the Company.

## 11. Preliminary Expenses

Preliminary expenses are written-off in three years, starting from the year in which they are incurred.

## 12. Foreign Currency Transactions

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of the transaction. Current assets and liabilities are translated at the year-end closing rates. The resulting exchange gain/loss is reflected for revenue transactions, in the revenue account or the profit and loss account, as the case may be. Exchange differences attributable to the acquisition of fixed assets are adjusted to the cost of the respective asset. Premium in respect of forward foreign exchange contracts is recognised over the life of the contracts.

## PART B : Disclosures forming part of the financial statements

### A.

#### 1. Contingent liabilities

Particulars	Current Year (Rs)	Previous Year (Rs)
1. Partly paid-up investments	Nil	Nil
2. Claims, other than against policies, not acknowledged as debts by the Company	Nil	Nil
3. Underwriting commitments outstanding	Nil	Nil
4. Guarantees given by or on behalf of the Company	Nil	Nil
5. Statutory demands/liabilities in dispute, not provided for	Nil	2,050 thousands
6. Reinsurance obligations	Nil	Nil
7. Others	Nil	Nil

#### 2. Actuarial assumptions

Actuarial liabilities are calculated in accordance with accepted actuarial practice as well as the requirements of the Insurance Act, 1938 and regulations notified by the IRDA. The linked policies (including pensions) sold by the Company carry two types of liabilities – unit reserve representing the fund value of policies and non-unit reserve for future expenses, meeting death claims, income taxes and cost of any guarantees.

#### Unit reserve

The unit reserve (for universal life products and group superannuation single premium product) is the value of the units representing the investments attached to policies, subject to the value of the units not being less than any minimum guaranteed value.

#### Non-unit reserve

The non-unit reserve has been valued for each policy using a cash flow Gross Premium Method. For this purpose, the following assumptions have been made for future experience with adequate margins for adverse deviations.

#### Mortality

90 percent of the LIC 1994-96 mortality table (modified for the age last birth day) for males. For females, mortality rates are rated down by three years of age.

#### Expenses :

- Per policy expenses of Rs 417 per annum, inflating at 3 percent per annum.
- Rs 13.5 per thousand of the face amount in the first policy year.
- Premium related expenses are taken as
  - Actual base commission rates to insurance advisors
  - Other sales and acquisition expenses in the first policy year at 180 percent of the base commission for all policies, except for single premium policies, where it is 56.25 percent.

#### Policy Lapses

Valuation method implicitly assumes each policy lapses at the worst time at which it can, to maximise the reserve requirements.

Valuation discount rate

6 percent per annum.

#### Tax

35 percent of the surplus.

#### Fund growth rate

6 percent per annum

#### Investment Management Fee

0.75 percent per annum (i.e. 1 percent less 0.25 percent specific fund management charge).

#### Other provisions

As a matter of prudence additional reserves have been provided for the following:

- Unexpired risk reserve
- Pro-rata reserve on every policy based on
  1. the cost of insurance deducted from policyholders' account and
  2. unexpired period until the following monthly processing date
- Investment guarantee reserve

Based on scenario testing, this is determined as the greater of the accumulation of two percent of the total premiums paid and the accumulation of 1.5 percent per annum of the relevant funds.

- Substandard risk reserve

Proportion of the extra risk premium for the duration until the next due date of the premium payment has been set aside as a substandard risk reserve.

The stand-alone term product, individual pension plan and single premium bond are also valued on a broadly similar basis. Specific assumptions are used for riders and rural products. Reserves for unearned premium, incurred but not reported and conversion option are provided for group term insurance policies and fund value taken as the reserve for group superannuation / gratuity fund schemes.

#### 3. Encumbrances

As on 31<sup>st</sup> March, 2003, there were no encumbrances on the assets of the Company.

#### 4. Commitments made and outstanding on loans, fixed assets, etc.

The commitments made and outstanding for fixed assets by the Company as at 31<sup>st</sup> March, 2003 are Rs.11,836 thousands (Previous Year Rs. 12,655 thousands).

#### 5. Claims outstanding

The Company does not have any claims, which are settled and unpaid for more than six months as at the balance sheet date.

#### 6. Value of contracts outstanding

There are no contracts in relation to investments where purchases have been made and deliveries are pending beyond the normal delivery period. Further, there are no investment contracts where sales have been made and payments are overdue.

#### 7. Managerial remuneration

Details of the managerial remuneration paid by the Company are as follows:

Particulars	Current Year Rs.	Previous Year Rs.
Salary	39,99,996	19,67,742
Other Allowances	44,80,337	21,75,592
Contribution to:		
Provident Fund	4,80,000	1,57,419
Superannuation Fund	6,00,000	1,96,774
Perquisites	2,89,703	1,37,500

The appointment of managerial personnel is in accordance with the requirements of Section 34A of the Insurance Act, 1938 and is as approved by the IRDA.

#### 8. Historical cost of investments

As at 31<sup>st</sup> March, 2003, the aggregate cost and market value of investments, which are valued at fair value, is Rs. 871,091 thousands and Rs. 870,406 thousands respectively (Previous year Rs. 151,779 and Rs. 159,228 thousands respectively).

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## 9. Preliminary expenses

Preliminary expenses of Rs. 9,210 thousands charged to the profit and loss account in the current year include Rs. 6,140 thousands pertaining to previous periods.

## 10. Renewal bonus

Renewal bonus charge of Rs. 35,143 thousands (including Rs. 27,190 thousands towards renewal bonus commission and Rs. 7,953 thousands towards renewal bonus incentives) to the revenue account in the current year includes Rs. 8,188 thousands (including Rs. 6,352 thousands towards renewal bonus commission and Rs. 1,836 thousands towards renewal bonus incentives) pertaining to previous periods.

## B.

### 1. Statutory investments

As on 31<sup>st</sup> March, 2003, all the investments have been made in accordance with the Insurance Act, 1938 and the Insurance Regulatory Development Authority (Investment) Regulations 2000 and various other circulars / notifications issued by the IRDA in this context from time to time.

### 2. Non-performing investments

As on 31<sup>st</sup> March, 2003, none of the investments of the Company have been classified as non-performing as per the income recognition norms issued by the IRDA.

### 3. Statutory deposits

As on 31<sup>st</sup> March, 2003, the Company has assets amounting to Rs. 7,100 thousands (Previous Year: Rs. 2,600 thousands) deposited with the Reserve Bank of India, as compared to Rs. 17,250 thousands as required under Section 7 of the Insurance Act, 1938. Subsequently, and as is the normal procedure, as discussed with IRDA, the Company deposited Rs. 10,150 thousands in order to comply with the level of deposit to be maintained in accordance with Section 7 of the Insurance Act, 1938, against the premiums received as of 31<sup>st</sup> March, 2003.

### 4. Segment reporting

As per Accounting Standard 17 on 'Segment Reporting' issued by the ICAI read with the IRDA Financial Statements Regulations, the Company is required to report segment results separately for linked, non-linked and pension (launched during the current year) businesses. Accordingly, the Company has prepared the revenue account and balance sheet for these three primary business segments separately and the same is disclosed at Annexure 1. Since the business operation of the Company is in India only, the same is considered as one geographical segment.

The following bases have been used for allocation of revenue, expenses, assets and liabilities to the three business segments:

- Revenues and expenses, assets and liabilities, which are directly attributable and identifiable to the three business segments, are allocated on actual basis.
- Other expenses, assets and liabilities which are not directly identifiable though attributable and other indirect expenses, are allocated on one of the following bases, as considered appropriate by the management:
  - Annualised premium income (Previous Year : Actual premium income)
  - Number of policies
  - Sum assured
  - Value of assets in linked business.

The accounting policies used in segment reporting are the same as those used in the preparation of the financial statements.

### 5. Allocation of investments and income

The funds of the shareholders and the policyholders are kept separate and records are maintained accordingly. Investments made out of the shareholders' and policyholders' funds are tracked from their inception and the income thereon is also tracked separately. Since the actual funds, investments and income thereon are tracked and reported separately, the allocation of investments and income is not required.

### 6. Percentage of business sector-wise

Individual Life business (number of policies)

	Current Year	Previous Year
Rural	13.86%	10.32 %
Urban	86.14%	89.68 %

### Group business

Number of lives covered under social sector business during the year stood at 11,857 lives (Previous Year: 8,174 lives).

## 7. Percentage of risk-retained and risk-reinsured

Particulars	Current Year		Previous Year	
	Sum Assured (Rs. '000)	Percentage (%)	Sum Assured (Rs. '000)	Percentage (%)
<b>Individual Life business:</b>				
Risk-retained	17,910,180	44.32 %	4,303,503	37.23 %
Risk-reinsured	22,500,876	55.68 %	7,255,731	62.77 %
<b>Group business:</b>				
Risk-retained	4,397,293	42.00 %	1,474,708	33.10 %
Risk-reinsured	6,072,452	58.00 %	2,980,604	66.90 %

## 8. Policyholders' Investments

Policy liabilities of Rs. 123,984 (including funds for future appropriation Rs. 286) thousands are backed by corresponding assets of Rs. 123,984 thousands, comprising policyholders' investments of Rs. 118,331 thousands, bank balances of Rs. 2,997 thousands and other receivables of Rs. 2,656 thousands.

## 9. Related Party Disclosure

During the year ended March 31, 2003, the Company has had transactions with related parties as defined in Accounting Standard 18 issued by the ICAI. Details of these parties, nature of the relationship, transactions with them and balances at the year-end, are detailed in Annexure 2.

## 10. Assets in the Internal Funds

The Company has presented the financial statements of each internal fund to which the policyholders can link their policy, in Annexure 3.

## 11. Transfer to Revenue Account (Policyholders' Account)

The expenses during the current year are higher than the income in the Policyholders' Revenue Account. Accordingly, a deficit of Rs. 677,095 thousands (Previous year: Rs. 440,603 thousands) has arisen in the Policyholders' Revenue Account during the current year, based on the actuarial valuation made in accordance with the Insurance Act, 1938. There was no actuarial surplus arising out of favourable experience during the year.

The Policyholders' Revenue Account should not show a deficit. Therefore, an amount of Rs. 677,095 thousands (Previous Year: Rs. 440,603 thousands) has been transferred from the Shareholders' Profit and Loss Account to the Policyholders' Revenue Account to cover this deficit and has been shown as a separate line item in the Policyholders' Revenue Account, under the head 'Other Income'.

## 12. Previous year comparatives

Previous year amounts have been reclassified, wherever necessary, to conform to current year's classification.

For and on behalf of the Board of Directors

Donald Stewart      B.N. Puranmalka      S.K. Mitra  
Chairman              Director              Director

Nani Javeri              Peter Akers  
Principal Officer      Chief Financial Officer

23rd April, 2003

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

ANNEXURE 1 :

Form A - BS

BIRLA SUN LIFE INSURANCE COMPANY LIMITED  
Registration Number:109 dated 31st January 2001

## BIRLA SUN LIFE INSURANCE COMPANY LIMITED BALANCE SHEET FOR SEGMENTS AS AT 31ST MARCH, 2003

PARTICULARS	LINKED BUSINESS	NON-LINKED BUSINESS	PENSION BUSINESS	SHARE-HOLDERS FUNDS	TOTAL	LINKED BUSINESS	NON-LINKED BUSINESS	SHARE-HOLDERS FUNDS	TOTAL
	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	PREVIOUS YEAR	PREVIOUS YEAR	PREVIOUS YEAR	PREVIOUS YEAR
	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)
<b>SOURCES OF FUNDS</b>									
<b>SHAREHOLDERS' FUNDS:</b>									
Share Capital	-	-	-	1,800,000	1,800,000	-	-	1,490,790	1,490,790
Reserves and Surplus	-	-	-	-	-	-	-	-	-
Credit/(Debit) Fair Value Change Account	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	1,800,000	1,800,000	-	-	1,490,790	1,490,790
<b>BORROWINGS</b>									
<b>POLICYHOLDERS' FUNDS:</b>									
Credit/(Debit) Fair Value Change Account	-	-	-	-	-	7,449	-	-	7,449
Policy Liabilities	87,548	36,150	-	-	123,698	4,949	23,807	-	28,756
Insurance Reserves	-	-	-	-	-	-	-	-	-
Provision For Linked Liabilities	965,345	-	12,348	-	977,693	161,601	-	-	161,601
Sub-Total	1,052,893	36,150	12,348	-	1,101,391	173,999	23,807	-	197,806
FUNDS FOR FUTURE APPROPRIATIONS	286	-	-	-	286	286	-	-	286
<b>TOTAL</b>	-	-	-	-	2,901,677	-	-	-	1,688,882
<b>APPLICATION OF FUNDS</b>									
<b>INVESTMENTS</b>									
Shareholders'	-	-	-	645,635	645,635	-	-	957,837	957,837
Policyholders'	87,548	30,783	-	-	118,331	4,949	24,094	-	29,043
<b>ASSETS HELD TO COVER LINKED LIABILITIES</b>									
LOANS	965,345	-	12,348	-	977,693	161,603	-	-	161,603
FIXED ASSETS	254,030	16,446	3,304	-	273,780	169,525	37,889	-	207,414
<b>CURRENT ASSETS</b>									
Cash and Bank Balances	189,261	15,250	2,462	10,345	217,318	34,557	7,724	26,967	69,248
Advances and Other Assets	87,505	10,315	1,138	17,097	116,055	12,915	56,716	20,888	90,519
Sub-Total (A)	276,766	25,565	3,600	27,442	333,373	47,472	64,440	47,855	159,767
CURRENT LIABILITIES	387,504	61,487	4,174	510	453,675	215,777	49,129	2,579	267,485
PROVISIONS	43,924	3,038	285	-	47,247	2,877	643	-	3,520
Sub-Total (B)	431,428	64,525	4,459	510	500,922	218,654	49,772	2,579	271,005
NET CURRENT ASSETS (C) = (A-B)	(154,662)	(38,960)	(859)	26,932	(167,549)	(171,182)	14,668	45,276	(111,238)
<b>MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)</b>									
DEBIT BALANCE IN PROFIT & LOSS ACCOUNT (Shareholders' Account )	-	-	-	1,053,787	1,053,787	-	-	444,223	444,223
<b>TOTAL</b>	-	-	-	-	2,901,677	-	-	-	1,688,882

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

ANNEXURE 1 :

Form A -RA

BIRLA SUNLIFE INSURANCE COMPANY LIMITED  
Registration Number:109 dated 31st January 2001

BIRLA SUN LIFE INSURANCE COMPANY LIMITED  
REVENUE ACCOUNT FOR SEGMENTS FOR THE YEAR ENDED MARCH 31, 2003

Policyholders' Account (Technical Account)

PARTICULARS	SCHEDULE	LINKED BUSINESS	NON-LINKED BUSINESS	PENSION BUSINESS	TOTAL	LINKED BUSINESS	NON-LINKED BUSINESS	TOTAL
		CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	PREVIOUS YEAR	PREVIOUS YEAR	PREVIOUS YEAR
		(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)
PREMIUMS EARNED - Net	1							
(a) Premium		1,313,889	110,304	15,050	1,439,243	242,723	39,864	282,587
(b) Reinsurance ceded		(17,160)	(23,074)	(19)	(40,253)	(5,492)	(9,146)	(14,638)
(c) Reinsurance accepted								
SUB-TOTAL		1,296,729	87,230	15,031	1,398,990	237,231	30,718	267,949
INCOME FROM INVESTMENTS								
(a) Interest, Dividend & Rent - Gross		26,779	1,933	4	28,716	6,109	—	6,109
(b) Profit on sale / redemption of investments		1,184	1,056	4	2,244	2,627	—	2,627
(c) (Loss on sale / redemption of investments)		(605)			(605)	(102)	—	(102)
(d) Transfer /Gain revaluation / change in Fair value								
(e) Amortisation of discount/(premium)			(193)		(193)	—	—	
SUB-TOTAL		27,358	2,796	8	30,162	8,634	—	8,634
OTHER INCOME								
(a) Transfer from Shareholder's (Non-technical) Account (See Note B.11 of Part B of Schedule 16)		664,073	3,900	9,122	677,095	373,129	67,474	440,603
(b) Others		120	1,479		1,599	215		215
SUB-TOTAL		664,193	5,379	9,122	678,694	373,344	67,474	440,818
TOTAL (A)		1,988,280	95,405	24,161	2,107,846	619,209	98,192	717,401
COMMISSION	2	274,487	19,405	1,167	295,059	37,843	6,254	44,097
Operating Expenses related to Insurance Business	3	821,509	58,525	10,705	890,739	418,893	62,665	481,558
Provision for doubtful debts		66	44	—	110	—	—	—
Bad debts written off								
Provision for tax								
Provision (other than taxation)								
(a) For diminution in the value of investment (net)								
(b) Others ( to be specified )								
TOTAL (B)		1,096,062	77,974	11,872	1,185,908	456,736	68,919	525,655
BENEFITS PAID (Net)	4	5,132	5,088	-	10,220	2,510	510	3,020
Interim Bonuses Paid								
Change in valuation of liability in respect of life policies in force								
(a) Gross		895,523	70,422	12,290	978,235	159,964	34,384	194,348
(b) (Amount ceded in Re-insurance)		(8,438)	(58,079)	-	(66,517)	-	(5,622)	(5,622)
(c) Amount accepted in Re-insurance								
TOTAL (C)		892,217	17,431	12,290	921,938	162,474	29,272	191,746

BALANCE (D) = (A) - (B) - (C)

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## SCHEDULE 1 PREMIUM

	PARTICULARS	LINKED BUSINESS	NON-LINKED BUSINESS	PENSION BUSINESS	TOTAL	LINKED BUSINESS	NON-LINKED BUSINESS	TOTAL
		CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	PREVIOUS YEAR	PREVIOUS YEAR	PREVIOUS YEAR
		(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)
1	First Year Premium	1,000,372	61,271	14,890	1,076,533	150,968	29,935	180,903
2	Renewal Premium	117,728	25,836	—	143,564	1,511	—	1,511
3	Single Premium	195,789	23,197	160	219,146	90,244	9,929	100,173
	Total Premium	1,313,889	110,304	15,050	1,439,243	242,723	39,864	282,587

## SCHEDULE 2 COMMISSION

	PARTICULARS	LINKED BUSINESS	NON-LINKED BUSINESS	PENSION BUSINESS	TOTAL	LINKED BUSINESS	NON-LINKED BUSINESS	TOTAL
		CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	PREVIOUS YEAR	PREVIOUS YEAR	PREVIOUS YEAR
		(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)
1	Commission Paid							
2	Direct-First Year Premium	195,464	12,675	875	209,014	28,035	4,709	32,744
	— Renewal Premium	7,961	1,493	—	9,454	103	—	103
	— Single Premium	3,044	428	3	3,475	524	156	680
	Add: Commission on Reinsurance Accepted							
	Less: Commission on Reinsurance Ceded							
	Others :							
	a) Bonus Commission	68,018	4,809	289	73,116	9,181	1,389	10,570
	Net commission	274,487	19,405	1,167	295,059	37,843	6,254	44,097

## SCHEDULE 3 OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

	PARTICULARS	LINKED BUSINESS	NON-LINKED BUSINESS	PENSION BUSINESS	TOTAL	LINKED BUSINESS	NON-LINKED BUSINESS	TOTAL
		CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	PREVIOUS YEAR	PREVIOUS YEAR	PREVIOUS YEAR
		(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)
1	Employee's remuneration and welfare benefits	249,383	16,145	3,244	268,772	93,027	12,676	105,703
2	Travel, conveyance and vehicle running expenses	27,376	1,772	356	29,504	14,938	2,012	16,950
3	Training expenses	35,259	2,283	459	38,001	15,005	3,314	18,319
4	Rents, rates & taxes	52,054	3,370	677	56,101	25,502	3,305	28,807
5	Repairs	13,799	893	179	14,871	5,269	683	5,952
6	Printing and Stationery	14,044	909	183	15,136	5,137	669	5,806
7	Communication expenses	22,172	1,435	288	23,895	8,143	1,083	9,226
8	Legal and professional charges	36,013	2,331	468	38,812	21,901	2,737	24,638
9	Medical Fees	8,958	580	117	9,655	3,243	420	3,663
10	Auditor's Fees, expenses, etc.							
	(a) i.) as auditor	907	59	12	978	576	73	649
	ii.) out of Pocket expenses	46	3	1	50	-	-	-
	(b) as advisor or in any other capacity, in respect of							
	(i) Taxation services / matters	54	3	0	57	21	5	26
	(ii) Management Services	24	2	-	26	-	-	-
11	Advertisement and publicity	118,574	7,677	1,542	127,793	85,165	14,455	99,620
12	Interest & Bank Charges	208	14	3	225	305	7	312
13	Others : 1) Promotional expenses	52,614	3,406	684	56,704	8,164	1,837	10,001
	2) Agents recruitment, seminar and other expenses	27,064	1,752	352	29,168	9,888	234	10,122
	3) Recruitment and seminar expenses	13,430	870	174	14,474	9,529	1,285	10,814
	4) IT expenses (incl. maintenance)	33,792	2,188	440	36,420	51,105	6,617	57,722
	5) Policy Stamps	6,600	5,080	9	11,689	1,325	3,036	4,361
	6) Call Centre/Mother Portal and Web-site expenses	6,248	1,091	177	7,516	4,400	892	5,292
	7) Hire charges, Insurance etc.	580	38	8	626	430	56	486
	8) Profit/(Loss) on Sale of Assets	-	-	-	-	59	7	66
	9) Water electricity and other Miscellaneous expenses	18,104	1,172	235	19,511	9,664	1,257	10,921
14	Depreciation	84,208	5,452	1,095	90,755	46,096	6,006	52,102
	TOTAL	821,509	58,525	10,705	890,739	418,893	62,665	481,558

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## SCHEDULE 4 BENEFITS PAID (NET)

	PARTICULARS	LINKED BUSINESS	NON-LINKED BUSINESS	PENSION BUSINESS	TOTAL	LINKED BUSINESS	NON-LINKED BUSINESS	TOTAL
		CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	CURRENT YEAR	PREVIOUS YEAR	PREVIOUS YEAR	PREVIOUS YEAR
		(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)	(Rs'000)
1	<b>Insurance Claims</b>							
	(a) Claims by death	13,375	12,259	—	25,634	502	1,015	1,517
	(b) Other benefits,(Withdrawals)	2,460	—	—	2,460	2,258	—	2,258
	(c) Claims Investigation expenses.	210	147	—	357	—	—	—
2	<b>(Amount ceded in reinsurance):</b>							
	(a) Claims by Death,	(10,913)	(7,318)	—	(18,231)	(250)	(505)	(755)
	<b>TOTAL</b>	<b>5,132</b>	<b>5,088</b>	<b>—</b>	<b>10,220</b>	<b>2,510</b>	<b>510</b>	<b>3,020</b>

Birla Sun Life Insurance Company Limited

Annexure 2

Disclosure in terms of Accounting Standard 18 on Related Party Disclosures for the year ended March 31, 2003.

(Amount in Rupees '000)

Sr. No.	Name of the related Party with whom the transaction has been made	Description of Relationship with the Party	Nature of Transaction	Current Year			Previous Year		
				Amount	Amount outstanding as recoverable on 31st March 2003	Amount outstanding as payable on 31st March 2003	Amount	Amount outstanding as recoverable on 31st March 2002	Amount outstanding as recoverable on 31st March 2002
1	2	3	4	5	6	7	8	9	10
1	Indian Rayon & Industries Ltd.	Holding Company	Premises taken on Leave & License basis along with purchase of furniture	4,948	Nil	Nil	4,972	Nil	Nil
2	Indian Rayon & Industries Ltd.	Holding Company	Share Capital	22,200	Nil	Nil	22,200	Nil	Nil
3	Sun Life Assurance Company of Canada	Group Company of Foreign Promoter	a ) Reimbursement of cost to provide specific services b) Reimbursement of cost on account of secondment of employees	5,926	Nil	5,926	4,088	Nil	Nil
4	Sun Life Assurance Company of Canada	Group Company of Foreign Promoter	Reimbursement of Lease Rentals paid on Vehicle used by secondees.	11,348	Nil	11,348	17,805	Nil	80,549
5	Sun Life Financials (India) Insurance Investments Inc.	Foreign Promoter	Share Capital	2,337	3,781	Nil	1,444	1,444	Nil
6	Sun Life of Canada (Philippines) Inc.	Group Company of Foreign Promoter	Reimbursement of cost to provide Information Technology services	7,800	Nil	Nil	7,800	Nil	Nil
7	Birla Global Finance Ltd.	Promoter	Transactions relating to sharing of costs for common IT, call centre and web site expenses	36,173	Nil	36,173	57,864	Nil	57,864
8	Birla Global Asset Finance Co Ltd	Group company of Promoter	Lease of vehicle	303	Nil	237	13,353	446	Nil
9	Birla Technologies Ltd.	Fellow subsidiary	Project management of the call centre and development of website	2,842	Nil	283	337	Nil	21
10	Birla Sun Life Asset Management Company Ltd.	Group Company	Investment advisory services to Birla Sun Life Insurance Company Limited.	3,930	Nil	653	587	Nil	587
11	Birla Sun Life Distribution Company Ltd.	Group Company - Common Directors	Transactions relating to sharing of costs for common IT, call centre and web site expenses	17,966	Nil	4,538	6,850	1,705	Nil
12	Birla Sun Life Securities Company Ltd.	Group Company - Common Directors	Transactions relating to sharing of costs for common IT, call centre and web site expenses	1,237	354	Nil	4,129	1,654	Nil
13	BSDL Insurance Advisory Services Ltd	Group company of Promoter	Corporate Agent of Birla Sun Life Insurance Company Limited	451	210	Nil	2,486	307	Nil
14	Mr. Nani Javeri- Chief Executive Officer	Key Management Personnel	Managerial Remuneration	2,317	Nil	1,740	24	Nil	Nil
				9,850	Nil	Nil	4,635	Nil	Nil

Note 1: Premium received from the related parties against sale of life insurance products sold at market rates : Rs. 50,856 thousands (Previous Year :1,755 thousands)

Note 2: There are no provisions for doubtful debts, amounts written off or amounts written back pertaining to the above transactions.

Statement of Net Assets as at March 31, 2003

Annexure 3

Particulars	Individual Protector		Individual Builder		Individual Enhancer		Group Growth		Group Stable		Group Safe		*Group Fixed Interest	*Pension Nourish	*Pension Growth	*Pension Enrich	Total		
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Current Year	Current Year	Current Year	Current Year	Previous Year	
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
<b>Assets</b>																			
Investments																			
Equity Shares	20,152	2,789	18,473	3,127	77,779	3,094	9,558	9,443	28,463	6,152	15,950	6,800	-	-	-	-	170,375	31,404	
Mutual Fund	6,816	19,353	1,399	10,632	1,982	13,630	533	2	2,368	1	131	1,255	1,109	-	-	16	14,354	44,871	
Corp. Debentures	38,142	-	12,605	-	41,017	-	3,421	-	3,910	-	3,422	-	8,798	-	-	-	111,314	-	
Government Securities	172,730	19,973	70,238	11,512	124,301	3,381	7,994	9,713	54,264	11,576	63,903	26,796	69,023	2,627	1,287	8,387	574,755	82,951	
Cash	58,642	1,200	8,539	288	29,707	265	62	22	1,108	2	3,406	511	197	-	-	-	101,661	2,292	
Accrued Income	2,234	237	913	160	1,610	160	130	101	631	121	808	197	556	7	3	22	6,914	876	
Other Receivables	4	243	4	243	6	150	3	243	3	317	3	75	-	-	-	-	23	1,270	
	<b>298,720</b>	<b>43,795</b>	<b>112,171</b>	<b>25,962</b>	<b>276,402</b>	<b>20,580</b>	<b>21,701</b>	<b>19,524</b>	<b>90,747</b>	<b>18,169</b>	<b>87,623</b>	<b>35,634</b>	<b>79,683</b>	<b>2,634</b>	<b>1,290</b>	<b>8,425</b>	<b>979,396</b>	<b>163,664</b>	
<b>Liabilities</b>																			
Accrued Expenses	176	117	81	75	189	34	17	147	60	133	72	285	30	-	-	1	627	791	
Other Payables	-	247	-	238	1,076	155	-	248	-	313	-	69	-	-	-	-	1,076	1,270	
<b>Net Assets</b>	<b>298,544</b>	<b>43,431</b>	<b>112,090</b>	<b>25,649</b>	<b>275,137</b>	<b>20,391</b>	<b>21,684</b>	<b>19,129</b>	<b>90,687</b>	<b>17,723</b>	<b>87,551</b>	<b>35,280</b>	<b>79,653</b>	<b>2,634</b>	<b>1,290</b>	<b>8,424</b>	<b>977,693</b>	<b>161,603</b>	

\* Previous fig. Not applicable  
Statement of operations for the year ended March 31, 2003 Annexure 3

Particulars	Individual Protector		Individual Builder		Individual Enhancer		Group Growth		Group Stable		Group Safe		*Group Fixed Interest	*Pension Nourish	*Pension Growth	*Pension Enrich	Total		
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Current Year	Current Year	Current Year	Current Year	Previous Year	
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
<b>Income</b>																			
Dividends	181	7	288	7	761	10	242	47	177	16	198	11	-	-	-	-	1,847	100	
Interest	8,291	976	4,276	608	6,781	212	798	667	1,465	735	3,105	2,325	216	1	0	3	24,936	5,521	
Other	8,472	983	4,564	615	7,542	222	1,040	714	1,642	751	3,303	2,336	216	1	0	3	26,783	5,621	
<b>Expenses</b>																			
Management Fees	1,014	116	579	75	1,086	35	183	147	268	133	439	285	33	0	0	1	3,604	792	
Other	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Investment income	7,458	867	3,985	540	6,456	187	857	567	1,374	618	2,864	2,051	183	1	0	2	23,179	4,829	
<b>Gains/losses on holdings</b>																			
Net realised gain (loss) on investments	(825)	5	(293)	1	(93)	(21)	501	519	863	486	402	1,033	24	1	0	3	583	2,024	
Unrealised gain (loss) in investments	(1,328)	169	(896)	481	(3,466)	644	(1,601)	2,101	(489)	2,135	(1,125)	1,919	714	12	7	40	(8,133)	7,449	
<b>Net gain/loss on investments</b>	<b>(2,153)</b>	<b>174</b>	<b>(1,189)</b>	<b>482</b>	<b>(3,559)</b>	<b>623</b>	<b>(1,100)</b>	<b>2,620</b>	<b>374</b>	<b>2,621</b>	<b>(723)</b>	<b>2,952</b>	<b>738</b>	<b>13</b>	<b>7</b>	<b>43</b>	<b>(7,550)</b>	<b>9,473</b>	
<b>Increase/Decrease in assets from operations</b>	<b>5,305</b>	<b>1,041</b>	<b>2,796</b>	<b>1,022</b>	<b>2,897</b>	<b>810</b>	<b>(244)</b>	<b>3,187</b>	<b>1,748</b>	<b>3,239</b>	<b>2,141</b>	<b>5,003</b>	<b>921</b>	<b>14</b>	<b>7</b>	<b>45</b>	<b>15,629</b>	<b>14,302</b>	

\* Previous fig. Not applicable  
Statement of changes in Net Assets as at March 31, 2003

Particulars	Individual Protector		Individual Builder		Individual Enhancer		Group Growth		Group Stable		Group Safe		*Group Fixed Interest	*Pension Nourish	*Pension Growth	*Pension Enrich	Total		
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year	Current Year	Current Year	Current Year	Current Year	Current Year	Previous Year	
	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)	(Rs.'000)
<b>Net Assets at the beginning of the year</b>	43,431	-	25,649	-	20,391	-	19,129	-	17,723	-	35,280	-	-	-	-	-	161,603	-	
Add:																			
Increase(decrease) from operations	5,305	1,041	2,796	1,022	2,897	810	(244)	3,187	1,748	3,239	2,141	5,003	921	14	7	45	15,629	14,302	
Premiums from customers	254,755	42,403	88,737	24,689	253,468	19,630	4,040	16,212	71,355	14,691	56,405	32,058	78,932	2,620	1,283	8,363	819,957	149,684	
Others	-	-	-	-	375	-	0	-	0	-	-	-	-	-	-	16	391	-	-
	<b>303,491</b>	<b>43,444</b>	<b>117,182</b>	<b>25,711</b>	<b>277,131</b>	<b>20,440</b>	<b>22,925</b>	<b>19,399</b>	<b>90,826</b>	<b>17,930</b>	<b>93,826</b>	<b>37,061</b>	<b>79,853</b>	<b>2,634</b>	<b>1,290</b>	<b>8,424</b>	<b>997,580</b>	<b>163,986</b>	
Less:																			
Withdrawals by customers	4,947	13	5,092	62	1,994	49	1,241	270	139	207	6,275	1,781	200	-	-	-	19,887	2,383	
<b>Net Assets at the end of the year</b>	<b>298,544</b>	<b>43,431</b>	<b>112,090</b>	<b>25,649</b>	<b>275,137</b>	<b>20,391</b>	<b>21,684</b>	<b>19,129</b>	<b>90,687</b>	<b>17,723</b>	<b>87,551</b>	<b>35,280</b>	<b>79,653</b>	<b>2,634</b>	<b>1,290</b>	<b>8,424</b>	<b>977,693</b>	<b>161,603</b>	

\* Previous fig. Not applicable

# BIRLA SUN LIFE INSURANCE COMPANY LIMITED

## MANAGEMENT REPORT FOR THE YEAR ENDED MARCH 31, 2003.

In accordance with the Insurance Regulatory and Development Authority (Preparation of financial Statements and Auditor's Report of Insurance Companies) Regulations, 2002, the following Management Report is submitted by the Board of Directors:

### 1. Certificate of Registration

The Certificate of Registration granted by the Insurance Regulatory and Development Authority (IRDA) to enable the Company to transact life insurance business was valid as on March 31, 2003 and is in force as on the date of this Report.

### 2. Statutory Dues

To the best of our knowledge and belief, all the material dues payable to the statutory authorities have been duly paid.

### 3. Shareholding Pattern

The Company confirms that the shareholding pattern and any transfer of shares during the year are in accordance with the statutory and / or regulatory requirements.

### 4. Investment of Funds

The Company has not, directly or indirectly, invested outside India, the funds of the holders of the policies issued in India.

### 5. Solvency Margin

The Company has adequate assets to cover both its liabilities and the minimum solvency margin, as stipulated in Section 64 VA of the Insurance Act, 1938

### 6. Valuation of Assets

The Company has reviewed the values of all its investments and current assets as on March 31, 2003. The Company certifies that to the best of its knowledge and belief, the value of their assets as set forth in the balance sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

### 7. Investment Pattern

The Life Insurance funds have been invested in line with the provisions of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000 and various other circulars / notification issued by the IRDA in this context from time to time.

### 8. Risk Minimisation Strategies

The Company is exposed to several risks in the course of the conduct of its business. The risks on the liabilities side may arise due to an unusually higher number of claims than expected. On the assets side, the risks arise due to the possibility of fluctuations in their values. The Company is also subject to the risk of expense, since until new business volumes grow significantly, the actual expenses of the Company will exceed the expenses loaded into the product pricing. The Company has implemented adequate safeguards to mitigate these risks, as are described below:

A strong underwriting team is in place to review all proposals from clients, supported by comprehensive processes and procedures, and guided by international experts. The objective of the underwriting team is to minimise the risks of abnormal mortality and morbidity by acquiring adequate information, on which to determine, whether to accept individual lives, and if so, the extra premium, to compensate for any additional risk.

Further, the possible financial effect of adverse mortality and morbidity experience has been reduced by entering into reinsurance agreements with RGA Americas Reinsurance Co. Ltd. (an international reinsurer) for individual life business and Munich Re (another international reinsurer) for group business. This limits the Company's mortality exposure on each life to a maximum limit approved by the IRDA. Both RGA and Munich Re are specialist international reinsurance companies with excellent reputation and significant financial strength. The Company has in principle agreement with Munich Re to cover the catastrophic risks under Group business.

The Company has also set up systems to continuously monitor its experience in regard to other parameters that affect the value of benefits offered in the products. Such parameters include policy lapses, maintenance expenses and investment returns. The operating expenses are monitored very closely and the initial experience has been very favourable to the profitability of the business. The savings related products offered by the Company also have an investment guarantee. The Company has set aside additional reserves to cover this risk, based on a scenario model.

The assets of the Company are invested in such a manner as to closely match its liabilities, so that the Company is effectively immunised against the impact of changes in the value of policyholder assets, and the impact of any change in the value of shareholder assets is minimised.

The Company's investment team operates under the close supervision of the Investment Committee appointed by the Board of Directors. The investments are made in line with the investment policy adopted by the Company.

### 9. Country Risk

The Company is operating in India only and hence has no exposure to country risk.

### 10. Ageing of Claims

The Company does not have any outstanding claim, which are settled and unpaid for more than six months as at 31<sup>st</sup> March, 2003. The claims paid by the Company were within the internal standards for processing of claims.

### 11. Valuation of Investments

The fixed income investments made in the controlled fund (shareholders funds and non linked business) have been valued on the basis of the amortised value of these assets. For investments made in mutual funds, the valuation has been done on the basis of the Net Asset Value declared by the respective funds.

The investments of the policyholders fund for linked business is valued as under:

Fixed Income Securities: Last traded price of the security and where last traded price is not available, the same has been valued on the basis of the CRISIL bond valuer matrix.

Equity: The last traded price of the security on The Stock Exchange, Mumbai.

Mutual Funds: The net asset value published by the respective mutual funds.

### 12. Review of Asset Quality

#### Shareholders Fund:

The Company has invested almost half of the shareholders funds in government securities and treasury bills, which have a sovereign rating. Around 23 percent of the funds have been invested in rated infrastructure bonds. The balance funds have been invested into highly rated corporate bonds, debentures and commercial papers (AA+ and above). A part of the funds is also invested in liquid & short-term schemes of leading mutual funds to meet short-term cash flow requirements.

#### Policyholders Fund:

The policyholders funds are invested based on the commitments made to the policyholders. In fixed income segment the investment is made into government securities having sovereign rating & debt paper of reputed corporate having rating AA+ & above. The equity selection is made after completing appropriate research and analysis of the company as well as the industry to which it belongs. To meet the liquidity requirement a part is invested into liquid & short-term schemes of leading mutual funds. The investments are made keeping in mind the asset-liability requirement of the respective funds.

### 13. Directors Responsibility Statement

The Board of Directors of the Company also state that:

- The financial statements have been prepared in accordance with applicable accounting standards, the regulations stipulated by the IRDA and the provisions of the Insurance Act, 1938 and the Companies Act, 1956 and disclosures have been made, wherever the same is required. There is no material departure from the said standards, principles and policies.
- The Company has adopted accounting policies and applied them consistently and has made judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Company as on March 31, 2003, and, of the loss for the year ended on March 31, 2003.
- Proper and sufficient care has been taken to maintain adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938, Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The financial statements of the Company are prepared on a going concern basis.
- The Company has appointed an audit firm to conduct the internal audit of the Company. The scope of work of the firm is commensurate with the size and nature of the Company's business. The management certifies that adequate internal control systems and procedures were in existence for this financial period.

### 14. Related Party Disclosure:

A schedule of payments made to the related parties as defined in the Accounting Standard 18 of the Institute of Chartered Accountants of India is provided in Annexure 2 to the financial statements.

For Birla Sun Life Insurance Company Limited

Donald Stewart Chairman	BN Purnamalka Director	SK Mitra Director	Nani Javeri Principal Officer
Peter Akers Chief Financial Officer	Shirin Patel Company Secretary		

Date: April 23<sup>rd</sup>, 2003

# LAXMINARAYAN INVESTMENT LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Ninth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2003.

### FINANCIAL PERFORMANCE

	Current Year ended 31.3.2003 (Rupees)	Previous Year ended 31.3.2002 (Rupees)
Profit/(Loss) before Tax	63,76,604	75,63,302
Less : Provision for Tax	21,25,000	25,48,388
Net Profit/(Loss) after Tax	42,51,604	50,14,914
Balance brought forward from earlier year	1,42,30,481	1,02,25,567
Profit available for appropriation	1,84,82,085	1,52,40,481
Appropriations made are as under:		
Special Reserve	8,60,000	10,10,000
Balance carried forward to next year	1,76,22,085	1,42,30,481
	1,84,82,085	1,52,40,481

### OPERATIONS

During the year under review, your Company has earned a profit of Rs.63.76 Lacs from investments and rental income from its properties.

### DIVIDEND

With a view to conserve the resources, your Directors do not consider it appropriate to recommend dividend on Equity Shares.

### DEPOSITS

The Company has not accepted any public deposit during the year. Hence, no information is required to be appended to this report in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

### SUBSIDIARY COMPANY

In accordance with Section 212 of the Companies Act, 1956, the audited statements of accounts along with the Report of the Board of Directors and the Auditors Report of Rajnidhi Finance Limited are annexed.

### PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

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

## DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

We, Directors of Laxminaryan Investment Limited state that –

- In the preparation of the Annual Accounts for the year ended 31st March, 2003, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- We 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 ended 31st March, 2003 and of the profit of the Company for that period.
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- We have prepared the Annual Accounts on going concern basis.

### DIRECTORS

Shri. Adesh Kumar Gupta retires by rotation and being eligible, offers himself for reappointment.

### AUDIT COMMITTEE

In terms of provisions of Section 292A of the Companies Act, 1956, and Audit Committee of the Board of Directors of the Company has been constituted and presently consist of following three directors as members:-

1. Shri Adesh Gupta
2. Shri K. K. Maheshwari
3. Shri Manoj Kedia

### AUDITORS

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956. The members are requested to appoint Auditors for the current year and fix their remuneration.

### CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

There are no foreign exchange earnings and outgo during the year under review. In view of the nature of our operation, we have nothing to report on the above matter.

Adesh Gupta  
Manoj Kedia  
Directors

Mumbai, 17th April, 2003

## AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of LAXMINARAYAN INVESTMENT LIMITED as at 31<sup>st</sup> March, 2003 and also the Profit and Loss Account annexed thereto for the year ended on that date, which are in agreement with the Company's books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (hereinafter referred to as the Act), in our opinion and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the course of the audit, we state on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable, as under:-

1. The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets were physically verified by the management of reasonable intervals. No discrepancies were noticed on physical verification.
2. None of the Fixed Assets have been revalued during the year.
3. The Company has not taken or granted any loans, secured or unsecured, from or to Companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956 and Companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.
4. In respect of loans and advances in the nature of loan given by the Company, the parties have repaid the principal amounts where stipulated and have also been regular in the payment of interest, where applicable.
5. The Company has not accepted any deposits from the public.
6. The Company has an internal audit system commensurate with its size and nature of business.
7. No undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty were outstanding as at 31st March, 2003 for period of more than six months from the date they became payable.

8. No personal expenses have been charged to revenue account.
9. Since the company has not granted loans and advance on the basis of security by way of pledge of shares, debentures and other securities the question of maintaining adequate documents and records for the same does not arise.
10. As informed to us, the provisions of any special statute applicable to chit fund, nidhi, mutual benefit society are not applicable to the company.
11. The Company is not dealing or trading in shares, securities, debentures and other investments, hence the question of maintaining proper records of transactions and contracts and making timely entries therein, does not arise. The investments have been held by the Company in its own name.

Further to the above, 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 accounts as required by law have been kept by the Company so far as appears from our examination of those books.

In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards as referred to in Section 211 (3C) of the Companies Act, 1956.

On the basis of confirmation received from the Directors as on 31.03.2003 and taken on record by the Board of Directors, none of the Director is disqualified as on date from being appointed as a Director under section 274(1)(g) of the Company Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2003; and
- (b) In the case of Profit and Loss Account, of the profit for the year ended on that date.

For and on behalf of  
KHIMJI KUNVERJI & CO.  
Chartered Accountants

SHIVJI K.VIKAMSEY  
Partner

Mumbai,  
Date: 17.04.2003

# LAXMINARAYAN INVESTMENT LIMITED

<b>BALANCE SHEET</b> As at 31st March, 2003				<b>PROFIT &amp; LOSS ACCOUNT</b> For the year ended 31st March, 2003		
	Schedule	As at 31st March, 2003 (Rupees)	As at 31st March, 2002 (Rupees)		For the year ended 31st March, 2003 (Rupees)	For the year ended 31st March, 2002 (Rupees)
<b>SOURCES OF FUNDS</b>				<b>INCOME</b>		
Shareholder's Funds:	1	110,930,000	110,930,000	Rent (Tax deducted at source Rs. 19,60,914/- Previous year Rs. 21,01,390/-)	9,433,200	9,433,200
Reserves & Surplus	2	22,268,085	18,016,481	Interest (Tax deducte at source Rs. 18,973/- previous year Rs. 60,340/-)	93,236	335,277
Total Funds Employed		<u>133,198,085</u>	<u>128,946,481</u>	Profit on sale of Current Investments	66,717	18,739
<b>APPLICATION OF FUNDS</b>				<b>EXPENDITURE</b>		
Fixed Assets:	3			General Charges	3,310	6,083
Gross Block		134,861,000	134,861,000	Payment to Auditors		
Less: Depreciation		<u>(10,991,170)</u>	<u>(8,792,936)</u>	Audit Fees	7,500	7,500
Net Block		123,869,830	126,068,064	Tax Audit Fees	2,000	2,000
Investments	4	22,646,801	6,027,000	Interest on other than Fixed Loan	10,05,505	10,097
Current Assets, Loans & Advances				Depreciation on Building given on Lease	2,198,234	2,198,234
Sundry Debtors		—	24,822	Total	<u>3,216,549</u>	<u>2,223,914</u>
(Unsecured, Considered Good, below Six Months)				Profit before Tax	6,376,604	7,563,302
Deposits with Companies		—	3,600,000	Provision for Tax	2,125,000	2,548,388
Interest accrued but not due on Deposits		—	58,800	Profit after Tax	4,251,604	5,014,914
Cash & Bank Balances	5	8,638	2,812	Balance brought forward	<u>14,230,481</u>	<u>10,225,567</u>
Advance Payment of taxes		—	249,383	Profit available for appropriation	<u>18,482,085</u>	<u>15,240,481</u>
		8,638	3,935,817	<b>Appropriations</b>		
Less: Current Liabilities & Provisions				Special Reserve	860,000	1,010,000
Current Liabilities				Surplus carried to Balance sheet	17,622,085	14,230,481
Due to Holding Company		6,132,649	—	Total	<u>18,482,085</u>	<u>15,240,481</u>
Security Deposit against premises		7,074,900	7,074,900	Basic & Diluted Earnings per Share	0.38	0.45
Other Liabilities		87,660	9,500			
Provision for Taxation (Net of Advance payment of tax of Rs. 20,92,387/- previous year Rs. 24,61,638/-)		31,975	—			
		13,327,184	7,084,400			
Net Current Assets		<u>(13,318,546)</u>	<u>(3,148,583)</u>			
		133,198,085	128,946,481			
Total Funds Utilised		<u>133,198,085</u>	<u>128,946,481</u>			
Significant Accounting Policies and Notes forming part of Accounts	6					

As per our Report attached

For **KHIMJI KUNVERJI & CO.,**  
Chartered Accountants

SHIVJI K.VIKAMSEY  
Partner

RAKESH GUPTA  
Company Secretary

Mrs.PINKY MEHTA  
Manager

ADESH GUPTA  
MANOJ KEDIA  
Directors

Mumbai, 17th April,2003

# LAXMINARAYAN INVESTMENT LIMITED

## SCHEDULE-1 SHARE CAPITAL

	Numbers	As at 31st March, 2003 (Rupees)	As at 31st March, 2002 (Rupees)
<b>Authorised:</b>			
Equity Shares of Rs. 10 each	12490000	124,900,000	124,900,000
Redeemable Preference Shares of Rs. 100 each	1000	100,000	100,000
Total		125,000,000	125,000,000
<b>Issued, Subscribed and Paid-up:</b>			
Equity Shares of Rs.10 each	11093000	110,930,000	110,930,000
Fully paid up			
Total		110,930,000	110,930,000

### NOTE:

- The entire issued, subscribed and paid-up Capital of the Company is held by the Holding Company, Indian Rayon and Industries Ltd

## SCHEDULE-2 RESERVES & SURPLUS

	Balance As at 31st March, 2002 (Rupees)	Additions During The Year (Rupees)	Balance As at 31st March, 2003 (Rupees)
Special Reserve	3,686,000	860,000	4,546,000
Capital Redemption Reserve	100,000	—	100,000
Surplus as Per Profit & Loss account	14,230,481	3,391,604	17,622,085
Total	18,016,481	4,251,604	22,268,085

## SCHEDULE-3 FIXED ASSETS

	Balance As at 31st March, 2002 (Rupees)	Additions During The Year (Rupees)	Balance As at 31st March, 2003 (Rupees)
Building (Given on Lease)			
Gross Block	134,861,000	—	134,861,000
Depreciation	(8,792,936)	(2,198,234)	(10,991,170)
Net Block	126,068,064	(2,198,234)	123,869,830

## SCHEDULE-4 INVESTMENTS :

### (Unquoted, Fully paid up) LONG TERM INVESTMENTS :

#### INVESTMENT IN SUBSIDIARY COMPANY

	Number	As at 31st March, 2003 (Rupees)	Number	As at 31st March, 2002 (Rupees)
Equity Shares of Rs. 10 Each				
Rajindhi Finance Ltd.,	360000	3,600,000	250000	2,500,000

#### OTHERS

	Number	As at 31st March, 2003 (Rupees)	Number	As at 31st March, 2002 (Rupees)
Equity Shares of Rs. 10 Each				
Perfect Apparels Pvt.Ltd.,	19520	196,176	-	-
Alpha Garments Pvt. Ltd.,	15000	150,750	-	-
Classical Mens Wear Pvt. Ltd.,	10000	100,500	-	-
Europa Garments Pvt. Ltd.,	15000	150,750	-	-
Harwood Garments Pvt.Ltd.,	12500	125,625	-	-
English Apparels Pvt. Ltd.,	10000	100,500	-	-
Design Knitwear (Banglore) Pvt. Ltd.,	10000	100,500	-	-
Birla Management Centre Services Ltd.,	7000	70,000	-	-
Birla NGK Insulaors Pvt. Ltd.,	5000	50,000	-	-

#### 9% Redeemable Cumulative Preference Share of Rs. 100 Each

Crafted Clothing Pvt. Ltd.,	180000	18,000,000	-	-
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#### 8% Preference Share of Rs. 10 Each

Birla Management Centre Services Ltd.,	200	2,000	-	-
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#### CURRENT INVESTMENTS

Units of Mutual Fund of Rs.10 Each				
Birla Cash Plus (Plan B) Growth		- 234934.14		3,527,000
		<u>22,646,801</u>		<u>6,027,000</u>

## SCHEDULE-5 CASH & BANK BALANCES

Cheques in hand		7,565	—
Balance with Schedule Bank In Current Account		1,073	2,812
		<u>8,638</u>	<u>2,812</u>

## SCHEDULE-6 SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003

### (A) SIGNIFICANT ACCOUNTING POLICIES

#### ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, on an accrual basis and in accordance with the applicable accounting standards.

#### FIXED ASSET

Fixed Assets are stated at cost .

#### DEPRECIATION

Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in manner specified in Schedule XIV to the Companies Act,1956.

#### INVESTMENTS

Long Term Investments are Stated at Cost after deducting provision,if any,made for permanent diminution in the value. Current Investments are stated at lower of cost and market/fair value.

#### TAXATION

Provision for Income Tax is made on the basis of the estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing difference between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax asset arising from timing difference are recognized to the extent there is reasonable certainty that these would be realised in future.

#### INITIAL DIRECT COST OF LEASE

Intial direct cost of lease is charged to Profit & Loss account in the year of incurrence.

### (B) NOTES ON ACCOUNTS

- There is no other additional information pursuant to para 3, 4C,4D,of part II of Schedule VI of the Companies Act,1956.
- Building includes cost of Debentures and Shares of a Company which entitles the Company to an exclusive right of occupying and using certain office premises.
- Additional information required under Part IV of Schedule VI of the Companies Act,1956 is as per Annexure I.
- "Special Reserve" has been created in terms of section 45(IC) of Reserve Bank of India Act, 1934.
- The Deferred Tax Asset arising due to :-
  - timing difference of preliminary expenditure has not been recognized as the amount involved is not material .
  - Unabsorbed Capital losses has not been recognized as a measure of prudence due to uncertainty of earning Capital gain in future for setting off the same.
- The leases given by the company are generally renewable and having refundable security deposits from lessees.
- Figures of previous year have been regrouped/rearranged wherever necessary.
- Earning per Share (EPS) is calculated as under:
 

	Current year	Previous year
a) Numerator - Net Profit as disclosed in Profit & Loss account (Rs. Lacs)	42.52	50.15
b) Denominator - weighted average number of Equity Shares outstanding — Basic & Diluted	11093000	11093000
c) Nominal value of Shares (in Rs.)	10	10
- Previous year Provision for Income Tax includes Rs. 87,388/- related to earlier years.

As per our Report attached

For **KHIMJI KUNVERJI & CO.,**  
Chartered Accountants

SHIVJI K.VIKAMSEY Partner	RAKESH GUPTA Company Secretary	Mrs.PINKY MEHTA Manager	ADESH GUPTA MANOJ KEDIA Directors
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Mumbai, 17th April, 2003

# LAXMINARAYAN INVESTMENT LIMITED

## ANNEXURE I

INFORMATION PURSUANT TO THE PROVISION OF PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

Balance Sheet Abstract and Company's General Business Profile:

### I. Registration Details

Registration No.: 04-22685 of 1994-95 State Code 0 4  
 Balance Sheet 31st March 2003  
 Date Month Year

### II. Capital Raised during the Year (Amount in Rs. Thousand)

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

### III. Position of Mobilisation and Deployment of Funds (Amount in Rs. Thousands)

Total Liabilities	Total Assets
133,198.09	133,198.09
Sources of Funds	
Paid-Up Capital	Reserves & Surplus
110930.00	22,268.09
Secured Loans	Unsecured Loans
NIL	NIL
Application of Funds	
Net Fixed Assets	Investments
123860.83	22,646.80
Net Current Assets	Misc. Expenditure
(13,318.55)	NIL
Accumulated Losses	
NIL	

### IV. Performance of Company (Amount in Rs. Thousands)

Turnover/Gross Income	Total Expenditure
9,593.15	3,216.55
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
6,376.60	4,251.60
Earning per Share in Rs.	Dividend rate %
0.38	NIL

### V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No. N.A.

Product

Description Investment, Finance and Property Rental Activities

For KHIMJI KUNVERJI & CO.,  
 Chartered Accountants

SHIVJI K.VIKAMSEY  
 Partner  
 Mumbai, 17th April, 2003

RAKESH GUPTA  
 Company Secretary

Mrs.PINKY MEHTA  
 Manager

ADESH GUPTA  
 MANOJ KEDIA  
 Directors

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

Rajnidhi Finance Limited

- The period of the Subsidiary Company 1st April, 2002 to 31st March, 2003
- Extent of interest in Subsidiary Company 90.00% Equity Capital of Rs.36 lacs.
- Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of Laxminarayan Investment Limited. Rs. in lacs
  - not dealt with in the Accounts of the Company
    - For the financial year of the subsidiary 0.88
    - For the previous financial years since it became the subsidiary of the Company 6.76
  - dealt with in the Accounts of the subsidiary Company
    - For the financial year of the subsidiary Nil
    - For the previous financial years since it became the subsidiary of the Company Nil
- As the financial year of the above subsidiary companies coincide with the financial year of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable.

ADESH GUPTA

MANOJ KEDIA

Directors

# RAJNIDHI FINANCE LIMITED

## DIRECTORS' REPORT

Dear Shareholders,  
Your Directors have pleasure in presenting the Ninth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2003.

FINANCIAL PERFORMANCE	Current Year ended 31.3.2003 (Rupees)	Previous Year ended 31.3.2002 (Rupees)
Profit/(Loss) before Tax	71,773	2,73,795
Less: Provision for Tax	6,000	85,628
(Short)/Excess provision of earlier years written off/back	2,868	—
Net Profit/(Loss) after Tax	68,641	1,88,167
Balance brought forward from earlier years	4,89,946	3,39,779
Profit available for appropriation	5,58,587	5,27,946
Appropriations made are as under:		
Proposed Dividend	1,26,488	—
Corporate Tax on Dividend	16,206	—
Special Reserve	21,000	38,000
Balance carried forward to next year	3,94,893	4,89,946
	5,58,587	5,27,946

## OPERATIONS

During the year under review, your Company has earned profit before tax of Rs.71,773 from investments.

## INCREASE IN SHARE CAPITAL

During the year under review, the authorised Share Capital of your Company was increased from Rs. 30 Lacs to Rs. 50 Lacs.

With a view to explore new business opportunities and expand the business activities of your Company, the paid up Share Capital of your Company was increased from Rs. 29 Lacs to Rs. 40 Lacs by issue of 1,10,000 Equity Shares of Rs. 10/- each of the aggregate nominal value of Rs. 11.00 Lacs to M/s. Laxminarayan Investment Limited, the holding Company.

## DIVIDEND

Your Directors recommend for your consideration a dividend @ 4% per Equity Share of Rs. 10/- each for the year ended 31st March, 2003.

## DEPOSITS

The Company has not accepted any public deposit during the year. Hence, no information is required to be appended to this report in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

## PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

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

## DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

We, Directors of Rajnidhi Finance Limited state that –

- In the preparation of the Annual Accounts for the year ended 31st March, 2003, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- We 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 ended 31<sup>st</sup> March, 2003 and of the profit of the Company for that period.
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- We have prepared the Annual Accounts on going concern basis.

## SECRETARIAL COMPLIANCE CERTIFICATE

A Copy of the Secretarial Compliance Certificate dated 17th April, 2003 of Shri C. R. Damani, Practising Company Secretary, Ahmedabad as required under Section 383A of the Companies Act, 1956 is attached and forms part of this Report.

## DIRECTORS

Shri. Adesh Kumar Gupta retires by rotation and being eligible, offers himself for reappointment.

## AUDITORS

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956.

The members are requested to appoint Auditors for the current year and fix their remuneration.

## CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO

There are no foreign exchange earnings and outgo during the year under review. In view of the nature of our operation, we have nothing to report on the above matter.

Place: Mumbai  
Dated: 17th April, 2003

ADESH GUPTA  
MANOJ KEDIA  
Directors

## ANNEXURE TO DIRECTORS' REPORT COMPLIANCE CERTIFICATE

I have examined the Registers, Records, Books and Papers of Rajnidhi Finance Ltd. as required to be maintained under the Companies Act, 1956 and the rules made thereunder and also the provisions contained in the Memorandum of Articles of Associations of the company for the Financial Year ended 31st March, 2003. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company its officer and agents. I certify that in respect of the aforesaid financial year :

- The Company has kept and maintained the following Registers :
  - Register of Members.
  - Register of Directors.
  - Register of Directors' Shareholdings.
  - Register of Investments.
- The Company has filed the Forms and Returns with Registrar of Companies as per details given below :
 

Date of Filing	Document Filed
26/08/2002	Balance Sheet as at 31/03/2002
26/08/2002	Compliance Certificate
25/09/2002	Annual Return made upto 27/07/2002
29/01/2003	Form No. 2
29/01/2003	Form No. 5
29/01/2003	Form No. 23
- The Company is not a Private Ltd. Company.
- The Board of Directors duly met Four times on 19/04/02, 30/09/02, 31/12/02 and 04/01/03, in respect of which proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
- The Company did not close its Register of Members during the year.
- The Annual General Meeting for the year ended 31/03/2002 was held on 27/07/2002 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
- One Extra Ordinary General Meeting of the Company was held during the year on 03/01/2003.
- The Company has not advanced loan to its Directors and firms or companies referred to in Section 295 of the Act.
- The Company has not entered into any contracts pur to Section 297.
- Since there is no contract, Register U/S 301 is not applicable.
- No relative of Directors is holding any office or place of profit and hence Section 314 is not applicable.
- There is no issue of any duplicate share certificate.
- The Company has delivered Certificates of shares after transfer as per provisions. The Company has complied with the provisions of Section 217 as far as applicable to it. The Company has not recommended any dividend during the year.
- The Board of Directors is duly constituted and appointment Directors has been duly made.
- There is no appointment of Managing Director or Whole time Directors during the year.
- There is no appointment of sole selling agent.
- There is no activity undertaken by the Company requiring approval of Company Law Board, R.D. or Central Government.
- The Directors had disclosed their interest to the Board of Directors as per Section 299.
- The Company has pursuant to Section 81 (1A) of the Companies Act, 1956 issued 1,10,000 Equity Shares of Rs. 10/- each to Laxminarayan Investment Limited, the holding Company and complied with the provisions of the Act.
- The Company has not bought back any shares.
- The Company has no preference shares and debentures.
- The Company has not issued any right shares and Bonus shares.
- Provisions of Section 58A and 58AA are not applicable to the company since the company has not accepted any deposits.
- The Company has not borrowed any amount and hence Section 293(1) (d) is not applicable.
- The Company has made investments but Section 372 A is not applicable.
- The Company has not shifted its Registered Office from one state to another.
- The Company has not altered the object clause of Memorandum.
- The Company has not changed its name.
- The Company has altered share capital clause of Memorandum consequent to the increase in the Authorised Share Capital of the Company and complied with provisions of the Act.
- The Company has altered Articles of Association consequent to the increase in the Authorised Share Capital of the company in General Meeting held on 03/01/2003 and complied with the provisions of the Act.
- The company has not received any show cause notice for any offence under the Act.
- The Company has not received any security deposits from employee.
- Provident Fund Act is not applicable to the company.

Place: Ahmedabad  
Dated: 17th April, 2003

C. R. Damani  
Company Secretary  
CP No. 445

# RAJNIDHI FINANCE LIMITED

## AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of RAJNIDHI FINANCE LIMITED as at 31<sup>st</sup> March, 2003 and also the Profit and Loss Account annexed thereto for the year ended on that date, which are in agreement with the Company's books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956 (hereinafter referred to as the Act), in our opinion and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the course of the audit, we state on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable, as under:-

1. The Company has not taken or granted any loans, secured or unsecured from or to companies, firms or other parties listed in the Register maintained under section 301 of Companies Act, 1956 and Companies under the same Management as defined under section 370(1B) of the Companies Act, 1956.
2. The Company has not given loan and advances in the nature of loans during the year.
3. The Company has an internal audit system commensurate with its size and nature of business.
4. The Company has not accepted any deposits from the public.
5. No undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty were outstanding as at 31<sup>st</sup> March, 2003 for a period of more than six months from the date they became payable.
6. No personal expenses have been charged to revenue account.

7. Since the company has not granted loans and advance on the basis of security by way of pledge of shares, debentures and other securities the question of maintaining adequate documents and records for the same does not arise.

8. As informed to us, the provisions of any special statute applicable to chit fund, nidhi, mutual benefit society are not applicable to the company.

9. The Company is not dealing or trading in shares, securities, debentures and other investments, hence the question of maintaining proper records of transactions and contracts and making timely entries therein, does not arise. The investments have been held by the Company in its own name.

Further to the above, 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 accounts as required by law have been kept by the Company so far as appears from our examination of these books.

In our opinion, the profit and loss account and Balance Sheet comply with the accounting standards as referred to in Section 211 (3C) of the Companies Act, 1956.

On the basis of confirmation received from the Directors and taken on record by the Board of Directors, none of the Director is disqualified as on date from being appointed as a Director under section 274(1)(g) of the Company Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- (a) In the case of Balance Sheet, of the state of affairs of the company as at 31<sup>st</sup> March, 2003; and
- (b) In the case of Profit and Loss Account, of the profit for the year ended on that date.

For and on behalf of  
KHIMJI KUNVERJI & CO.  
Chartered Accountants  
SHIVJI K.VIKAMSEY  
Partner

Mumbai,  
Date : 17th April, 2003

## BALANCE SHEET

As at 31<sup>st</sup> March, 2003

Schedule	As at 31 <sup>st</sup> March, 2003 (Rupees)	As at 31 <sup>st</sup> March, 2002 (Rupees)
<b>SOURCES OF FUNDS</b>		
Shareholder's Funds:		
Share Capital	1 4,000,000	2,900,000
Reserves & Surplus	2 677,893	751,946
Total Funds Employed	4,677,893	3,651,946
<b>APPLICATION OF FUNDS</b>		
Investments	3 4,850,000	3,761,976
Current Assets, Loans & Advances:		
Cash and Bank Balances	4 2,412	915
Advance Payment of Taxes (Net of Provision of Rs. 78776/-)	—	34,468
Total	2,412	35,383
Less: Current Liabilities & Provisions:		
Current Liabilities		
Due to Holding Company	—	134,856
Other Liabilities	9,540	10,557
Provisions		
Proposed Dividend	126,488	—
Provision for Corporate Tax on Dividend	16,206	—
Provision for taxation (Net of Advance tax Rs. 14230/-)	22,285	—
Total	174,519	145,413
Net Current Assets	(172,107)	(110,030)
Total Funds Utilised	4,677,893	3,651,946

Significant Accounting Policies & Notes forming part of Accounts 5

## PROFIT & LOSS ACCOUNT

For the year ended 31<sup>st</sup> March, 2003

	2002-2003 (Rupees)	2001-2002 (Rupees)
<b>INCOME</b>		
Dividend (Tax deducted at source Rs. 14230/- previous year Nil)	135,520	—
Interest	7,507	—
Profit on Sale of Current Investments	841	318,197
Total	143,868	318,197
<b>EXPENDITURE</b>		
General Charges	4,295	3,926
Legal & Professional Fees	5,400	10,250
Payment to Auditors	—	—
For Audit Fees	3,000	3,000
For Reimbursement of Expenses	240	150
Loss on Sale of Long term Investment	6,776	—
Interest on other than fixed loan	8,384	27,076
Miscellaneous Expenses written off	44,000	—
Total	72,095	44,402
Profit Before Tax (PBT)	71,773	273,795
Less - Provision for Income Tax (Short)/Excess provision of earlier years written off/back	(6,000)	(70,000)
	2,868	(15,628)
Profit after Tax	68,641	188,167
Balance brought forward	489,946	339,779
Profit available for Appropriation	558,587	527,946
<b>APPROPRIATION</b>		
Proposed Dividend	126,488	—
Corporate Tax on Dividend	16,206	—
Special Reserve	21,000	38,000
Surplus Carried to Balance Sheet	394,893	489,946
	558,587	527,946
Basic and Diluted Earning per Share	0.22	0.65

Significant Accounting Policies & Notes forming part of Accounts

As per our Report attached  
For KHIMJI KUNVERJI & CO.  
Chartered Accountants  
SHIVJI K VIKAMSEY  
Partner  
Mumbai, 17th April, 2003

ADESH GUPTA  
MANOJ KEDIA  
Directors

# RAJNIDHI FINANCE LIMITED

## SCHEDULE-1 SHARE CAPITAL

	Numbers	As at 31st March, 2003 (Rupees)	As at 31st March, 2002 (Rupees)
<b>Authorised:</b>			
Equity Shares of Rs. 10 each	490,000	4,900,000	2,900,000
Redeemable Preference Shares of Rs. 100 each	1000	100,000	100,000
		5,000,000	3,000,000
<b>Issued, Subscribed and Paid-up:</b>			
Equity Shares of Rs.10 each Fully paid up	400,000	4,000,000	2,900,000
		4,000,000	2,900,000

### NOTE:

1. Out of Subscribed and paid-up Capital of the Company 3,60,000 Equity Shares are held by the Holding Company, Laxminarayan Investment Ltd. and 40,000 Equity Shares are held by Indian Rayon and Industries Ltd., the ultimate Holding Company.

## SCHEDULE-2 RESERVES & SURPLUS

	Balance As At 31st March, 2002 (Rupees)	Addition During The Year (Rupees)	Balance As At 31st March, 2003 (Rupees)
Special Reserve	162,000	21,000	183,000
Capital Redemption Reserve	100,000	—	100,000
Balance as per P & L A/C	489,946	(95,053)	394,893
	751,946	(74,053)	677,893

## SCHEDULE-3 INVESTMENTS

### Fully paid-up (UNQUOTED) LONG TERM INVESTMENTS

	Number	As at 31st March, 2003 (Rupees)	Number	As at 31st March, 2002 (Rupees)
Equity Shares of Rs.10/- each				
Crafted Clothing Pvt. Ltd.	240000	2,400,000	240000	2,400,000
Perfect Apparels Pvt.Ltd.,	—	—	35520	356,976
Alpha Garments Pvt. Ltd.,	—	—	20000	201,000
Classical Mens Wear Pvt. Ltd.,	—	—	20000	201,000
Europa Garments Pvt. Ltd.,	—	—	20000	201,000
Harwood Garments Pvt.Ltd.,	—	—	20000	201,000
English Apparels Pvt. Ltd.,	—	—	10000	100,500
Design Knitwear (Banglore) Pvt. Ltd.,	—	—	10000	100,500

### CURRENT INVESTMENTS

	Number	As at 31st March, 2003 (Rupees)	Number	As at 31st March, 2002 (Rupees)
<b>Units of Mutual Fund of Rs.10/each:-</b>				
Birla Bond Plus (Plan B) Growth (Repurchase Price: Rs.2038436.76)	183633.03	2,020,000	—	—
Birla Income Plus (Plan B) Growth (Repurchase Price: Rs.371989.60)	14438.35	350,000	—	—
Birla Cash Plus (Plan B) Growth (Repurchase Price: Rs.80097.13)	4917.43	80,000	—	—
		4,850,000		3,761,976

Units of Mutual Fund purchased and sold during the year:  
Birla Cash Plus (Plan B) Growth 2531.93

## SCHEDULE-4 CASH & BANK BALANCES

	As at 31st March, 2003 (Rupees)	As at 31st March, 2002 (Rupees)
Balance with Schedule Bank In Current Account	2,412	915
	2,412	915

## SCHEDULE-5

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003.

#### (A) SIGNIFICANT ACCOUNTING POLICIES

##### ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention, on accrual basis and in accordance with the applicable accounting standards.

##### INVESTMENTS

Long Term Investments were stated at cost after deducting provision, if any, made for permanent diminution in the value. Current Investment are stated at lower of cost and market/fair value.

## TAXATION

Provision for Income Tax is made on the basis of the estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing difference between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax asset arising from timing difference are recognized to the extent there is reasonable certainty that these would be realised in future.

## (B) NOTES ON ACCOUNTS

(1) There is no additional information pursuant to para 3, 4C, 4D, of part II of Schedule VI of the Companies Act, 1956.

(2) Additional information under part IV schedule VI of the Companies Act, 1956 is as per Annexure I.

(3) "Special Reserve" has been created in terms of Section 45-1C of Reserve Bank of India Act, 1934.

(4) The Deferred Tax Asset arising due to timing difference of :

a) Preliminary expenditure has not been recognized as the amount involved is not material.  
b) Business loss has not been recognised as a measure of Prudence due to uncertainty of its set off in future.

(5) Figures of previous year have been regrouped/rearranged wherever necessary.

(6) Earning per Share (EPS) is calculated as under: (Rs)

	Current year	Previous year
a) Numerator - Net Profit as disclosed in Profit & Loss account	68,641	188,167
b) Denominator - weighted average number of Equity Shares outstanding (In Number)	316,219	290000
c) Nominal value of Shares (in Rs.)	10	10

As per our Report attached

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

ADESH GUPTA  
MANOJ KEDIA  
Directors

SHIVJI K VIKAMSEY  
Partner

Mumbai, 17th April, 2003

## ANNEXURE I

### INFORMATION PURSUANT TO THE PROVISION OF PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

#### Balance Sheet Abstract and Company's General Business Profile:

##### I. Registration Details

Registration No.: 04-22691 of 1994-95 State Code 0 4  
Balance Sheet 31st March 2003

##### II. Capital Raised during the Year (Amount in Rs. Thousand)

	Public Issue	Right Issue
	NIL	NIL
	Bonus Issue	Private Placement
	NIL	1100.00

##### III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)	Total Liabilities	Total Assets
	4677.89	4677.89

Sources of Funds	Reserves & Surplus
Paid-Up Capital	677.89
4000.00	
Secured Loans	Unsecured Loans
NIL	NIL

Application of Funds	Investments
Net Fixed Assets	4850.00
NIL	
Net Current Assets	Misc. Expenditure
(172.11)	0.00
Accumulated Losses	
NIL	

##### IV. Performance of Company (Amount in Rs. Thousands)

Turnover/Gross Income	Total Expenditure
143.87	72.10
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
71.77	68.64
Earning per Share in Rs.	Dividend rate %
0.22	4.00

##### V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)

Item Code No.	N.A.
Product Description	Investment and Finance Activities

As per our Audit attached

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

ADESH GUPTA  
MANOJ KEDIA  
Directors

SHIVJI K VIKAMSEY  
Partner

Mumbai, 17th April, 2003

# PSI DATA SYSTEMS LIMITED

## DIRECTORS' REPORT

Dear Shareholder,

Your Directors present herewith the twenty-sixth Annual Report with the audited accounts for the year ended 31<sup>st</sup> March 2003.

### 1. Performance Results

The summarised results are as follows:

Particulars	(Rs. in million)	
	April 2002 to March 2003	January 2001 to March 2002
Total Revenue	435.31	957.84
Profit/(Loss) before Interest, Depreciation and Tax	(132.07)	(74.99)
Interest & Financial Charges	18.83	11.95
Depreciation	29.67	42.20
Profit/(Loss) before Tax	(180.57)	(118.32)
Write Back/(Provision) for Taxation	0.01	(0.58)
Non recurring Extraordinary Items	—	(10.82)
Net Profit / (Loss)	(180.56)	(129.72)

### 2. Highlights of the year

This has been a difficult year for your Company, with revenues declining to Rs.435 million and a net loss of Rs.181 million. The downturn in global spend of IT Services has affected smaller Indian companies, and your Company has been no exception. But, more significantly, during the year your Company has squarely addressed issues relating to its long-term profitable growth, and to that extent, the financial results do not adequately capture the steps taken.

Your Board of Directors and the Management have recognised that, notwithstanding your Company's redoubtable process and technology prowess, your Company lacked dominance in any sphere, had not developed its innumerable satisfied clients into a single mega client, and did not have sufficiently differentiated market offerings. More importantly, for a small company in an increasingly competitive and polarised sector, its activities spanned too wide a spectrum and consequently lacked focus.

As part of a strategy for providing undiluted focus and world class capabilities in chosen areas, your Company chose to withdraw from certain non-strategic lines viz. Network Management Solution – Open Master, Capital Market Products, Embedded and Telecom Software. The strategic shift was accompanied by a rationalisation of facilities and a sensitively handled rationalisation / redeployment of human resources. To some extent, the poor financial results for the year reflect the impact of this exercise.

Meanwhile, your Company has embarked upon focussing human, technological, financial and managerial resources behind its time tested world class offerings in the space of Business Solutions, while adding teeth to the Insurance and Banking and Financial Services domains. There is also a heightened sales thrust, with a special focus on identified Opportunity Accounts.

Early results from these changes are visible. Your Board of Directors are optimistic that the new year will see a much improved financial performance and the Company will be well placed for future years.

### 3. Employees' Stock Option Plan

During the year ended 31<sup>st</sup> March 2003, your Company did not make any allocation of share under its Employees' Stock Option Plan. The position of shares allocated as at 31<sup>st</sup> March 2003 is given below:

Year/Phase	No. of Shares allocated	Price at which allocated
1998 – Phase I	95,550	Rs.15.50
1999 – Phase II	41,070	Rs.25.00
2000 – Phase III	43,450	Rs.30.00
2001 – Phase IV	72,400*	Rs.40.00

\* These shares are subject to a lock-in-period of three years from the date of allocation. Employees have the option to subscribe for the shares allocated within a period of three years from the date of allocation.

Your Company does not have any whole-time director at present who has been accorded shares under the ESOP Scheme.

### 4. Corporate Governance

Your Company is committed to maintaining highest standards of Corporate Governance. Your Directors aim to adhere to the standards set out by the Securities and Exchange Board of India's (SEBI) Corporate Governance practices and accordingly have implemented all the major stipulations prescribed. Your Company's Statutory Auditors' Certificate dated 24<sup>th</sup> April 2003 in line with Clause 49 of the Stock Exchange Listing Agreement is annexed to and forms part of the Directors' Report as Annexure 1.

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

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- The directors have selected such accounting policies and applied them consistently and made judgements 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.
- The directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.
- The directors have prepared the annual accounts on a going concern basis.

### 5. Directors

In line with Article 100 of the Articles of Association, Mr. Kumar Mangalam Birla and Mr. Adesh Gupta retire by rotation in the forthcoming Annual General Meeting. Both of them being eligible, offer themselves for reappointment.

Mr Sanjeev Aga was co-opted as an Additional Director on 21<sup>st</sup> July 2002 and will hold office upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as Director of the Company at this Annual General Meeting.

Mr Girish Dave was co-opted as an Additional Director on 18<sup>th</sup> April 2003 and will hold office upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as Director of the Company at this Annual General Meeting.

# PSI DATA SYSTEMS LIMITED

## 6. Manager

Mr Nagendra Venkaswamy resigned effective 21<sup>st</sup> October 2002. Your Board places on record the valuable services rendered by him during his tenure.

Consequently, Mr R Vittal, Vice President – Legal Affairs & Company Secretary has taken additional charge as “Manager” under the Companies Act, 1956 effective 21<sup>st</sup> October 2002. This appointment is being placed at this Annual General Meeting for the approval of shareholders.

## 7. Report of Subsidiary Companies

### (a) Birla Technologies Limited

Your Company has acquired the balance 9,000 equity shares (of Rs.10/- each) of Birla Technologies Limited (BTL) and with this acquisition BTL has become a wholly owned subsidiary of your Company. The Registered Office of BTL has been shifted from the State of Maharashtra to the State of Karnataka and is currently situated in the same premises as that of your Company.

As required under Accounting Standard 21, Consolidated Financial Statements incorporating the results of BTL are given in this report. In line with Section 212 of the Companies Act, 1956 the audited statements of accounts along with the report of the Board of Directors and the Auditors’ Report of BTL are annexed as well.

### (b) PSI Kalinga Limited

PSI Kalinga Limited (PSIK) was a Bhubaneswar based joint-sector company manufacturing PCs, in which PSI held 74% and Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) held 26%. Upon PSIK closing down its undertaking in 1990 due to heavy losses, PSI filed a petition in the High Court of Orissa for the winding up of PSIK.

The High Court of Orissa has by its order dated 18<sup>th</sup> April 2003 ordered winding up of the said company. Therefore, the Balance

Sheet and Profit and Loss Account of this subsidiary for the year ended 31<sup>st</sup> March 2003 are not attached to this Annual Report.

## 8. Energy and Technology Absorption

The information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 for the year ended 31<sup>st</sup> March 2003 is given in Annexure 2, forming part of this Report.

## 9. Particulars regarding Employees

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

## 10. Auditors’ Report

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

## 11. Acknowledgement

Your Directors wish to place on record their appreciation of the dedication and commitment of all employees during the year.

Your Directors acknowledge the assistance, co-operation and encouragement given to your Company by various authorities including your Company’s Bankers. Your Board also wishes to place on record the continuous support received from the members of the Company.

For and on behalf of the Board

Mumbai  
24th April 2003

**Kumar Mangalam Birla**  
Chairman

## ANNEXURE TO DIRECTORS’ REPORT

### Annexure 1

#### Auditors’ Certificate on Corporate Governance

To the Members of PSI Data Systems Limited

1. We have examined the compliance of conditions of Corporate Governance by PSI DATA SYSTEMS LIMITED, for the year ended on 31<sup>st</sup> March 2003 as stipulated in Clause 49 of the Listing Agreement of the said company with stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.
3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the company has generally complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

4. On the basis of representation received from the Share Transfer Agent, we state that no investor grievance is pending for a period exceeding one month against the company as per the records maintained by the Shareholders/Investors Grievance Committee.
5. We further state that such compliance is neither an assurance as to the future viability of the company nor the efficiency or effectiveness with which the management has conducted the affairs of the company.

For VARMA & VARMA  
Chartered Accountants

CHERIAN K BABY  
Partner

Place :Mumbai  
Date :24<sup>th</sup> April 2003.

For DELOITTE HASKINS & SELLS  
Chartered Accountants

S. GANESH  
Partner

# PSI DATA SYSTEMS LIMITED

## Annexure 2

### Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

1. Conservation of energy:

Your Company's operations involve very low energy consumption. Regardless, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

2. Research and Development (R&D)

a) Specific areas in which R & D carried out by the Company:

Your Company has set up focused units of business centered on business domains like Banking, Financial Services and Insurance. PSI has aligned the technology practices to deliver solutions in these domains. As part of technology practices, PSI builds competence and capabilities in technology focus area and also invests in chosen technologies.

As part of its Continuous Improvement Program (CIP), your Company has constantly honed business processes and development methodologies relating to these technologies with the objective of providing optimal solution to clients.

PSI has built toolsets for Project Management, Automation of HR functions and developed Knowledge Management Portal. To monitor and control the projects, a Project Management Portal was built, which can also be accessed by clients.

b) Product Development :

As part of the product development activity to increase its offerings PSI has developed:

**Credit Appraisal System (CAPS)** is a web-based solution, which can be deployed on the Internet or the intranet of the bank. Credit appraisal forms one of the critical activities in Banking. The high rate of defaults and the need for arresting them call for an efficient assessment and monitoring mechanism. This product facilitates the processing of proposals using one or more appraisal methods such as Turnover Method, Maximum Permissible Bank Finance-Method I & II or Cash Budget Method and analysis of its results. The system comes with a host of inbuilt utilities.

The system focuses on appraisal of Industrial Advances (Working Capital, Term Loans) and non-industrial advances. CAPS is designed and developed as an independent product that can be integrated with other Banking solutions such as Risk Processing / Limit / Advances / MIS, etc.

**SWIFT Adapter** – This is a one-point solution for generation and receipt of SWIFT messages for the purposes of conducting business transactions. It resides in-between the application software and the message transmission software to provide Straight Through Processing (STP). With a well-configured set of maintenance programs the user can define the user's message formats on the one-side and on the other side for the same message the user can map the user's application database. With a sophisticated intelligence built into the system, it can process the messages with rule-based validations. Message adapter can support generation and processing of outgoing messages and scanning and processing of incoming messages.

The main objective of this software is to have an integrated online automated message processing to enable STP, which deals with electronic transfer of the messages.

**PSIFACTOR** – A Web based solution, which takes care of the automation needs required for Factoring services beginning with Qualifying Clients, Rating Account Debtors, and Account Maintenance, until collection and Invoice tracking. The solution is envisaged to meet all automation requirements of Factoring services, including alerts, reminders and email support. Further, the software will also support electronic document management and Imaging that take care of the storage, indexing, retrieval and reproduction of documents associated with factoring services like Invoices, Debtor's Credit Reports, etc.

c) Benefits derived as a result of the above R & D:

Benefits are:

- Additional products in the portfolio, improvements in the business processes and development methodologies.
- Improved delivery capabilities, like reusability, framework architecture, productivity and client satisfaction.

d) Future plan of action:

Your Company will continue to invest time and resources into identifying and understanding newer technologies relevant to its business. PSI will align the technology practices based on such inputs on an ongoing basis.

The summarized focus areas are:

- Migration, Legacy Application Maintenance and Support
- Integration with Legacy Application and interfaces to external systems to provide unified view of enterprise
- Data Warehousing
- WEB Based Application Development and Knowledge Management
- Traditional Client Server Application and Maintenance
- Enterprise Resource Planning and Customer Relationship Management

e) Expenditure on R & D:

a) Capital	Nil
b) Recurring	Not separately accounted
c) Total	Not Applicable
d) Total R & D expenditure as a percentage of total turnover	Not Applicable

f) Technology absorption, adaptation and innovation:

As part of your Company's plans to provide end-to-end solution in the e-solutions market space, your Company has developed a multi-tiered solution model. During the year, technology absorption activities have mainly centred on:

- Enterprise Application Integration
- Microsoft and traditional Client Server applications
- Data Warehousing
- Enterprise Resource Planning/Customer Relationship Management
- Legacy Application and Maintenance
- Security Solutions

g) Foreign exchange earnings and outgo:

Foreign exchange earnings	Rs.358 million
Foreign exchange outgo	Rs.258 million

# PSI DATA SYSTEMS LIMITED

## AUDITOR'S REPORT

To the Members of PSI DATA SYSTEMS LIMITED

1. We have audited the attached Balance Sheet of PSI DATA SYSTEMS LIMITED, as at March 31, 2003, and also the Profit and Loss Account and the Cash Flow Statement of the Company for the year ended on that date annexed thereto wherein are incorporated the accounts of the US and Japan Branches of the Company not visited by us and audited by the Branch Auditors and accounts of the UK Branch audited by one of us. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and Other Companies (Auditors Report) Order, 1988 issued by the Company Law Board in terms of section 227 (4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further, to our comments in the Annexure referred to above, we report that
  - i. 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.
  - ii. 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 those books and proper returns adequate for the purpose of our

- audit have been received from the branches not visited by us. The Branch Auditors Reports have been forwarded to us and are appropriately dealt with.
- iii. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are prepared in accordance with the Accounting Standards referred to in section 211(3C) of the Companies Act 1956.
- iv. The Balance Sheet, Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account and with the audited returns from the branches.
- v. On the basis of written representations received from the directors of the Company, as at 31<sup>st</sup> March, 2003 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31<sup>st</sup> March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act 1956.
5. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and *subject to Note no. 3 regarding possible diminution in the value of the investments in a subsidiary, in respect of which we are unable to express an opinion*, give a true and fair view in conformity with the accounting principles generally accepted in India;
  - (a) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003;
  - (b) in the case of the Profit and Loss Account of the loss for the year ended on that date; and
  - (c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For VARMA & VARMA  
Chartered Accountants  
Cherian K Baby  
Partner  
Mumbai, 24th April 2003

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
S. Ganesh  
Partner

## Annexure to the Auditors' Report

Statement referred to in paragraph 3 of our report of even date to the members of PSI Data Systems Limited on the accounts for the year ended 31<sup>st</sup> March 2003.

1. The Company has maintained proper records showing full particulars including quantitative details, where applicable and situation of all its fixed assets. The Company has conducted physical verification of fixed assets during the year and as explained to us no material discrepancies were noticed.
2. None of the fixed assets of the Company have been revalued during the year.
3. The stocks of goods, stores, spare parts and raw materials of the Company other than materials lying with customs and bonded warehouse have been physically verified by the management during the year at reasonable intervals.
4. The procedure of physical verification of the aforesaid stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies between the physical stock and book stocks, which were not material, have been properly dealt with in the books of account.
6. In our opinion and on the basis of our examination of the stock records, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to companies under the same management as defined under section 370(1B) of the Companies Act, 1956.
9. In respect of loans or advances in the nature of loans given by the Company to the employees and third parties, the principal amounts are generally being repaid/adjusted as stipulated.
10. In our opinion and on the basis of the checks carried out during the course of our audit, the internal control procedures for the purchase of stores, spares and raw materials and for the sale of goods is fairly adequate and commensurate with the size of the Company and the nature of its business.
11. We are informed that the Company has not entered into any transactions for the purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements listed in the register maintained under section 301 of the Companies Act, 1956, and aggregating during the year to Rs. 50,000 or more in respect of each party.
12. As explained to us, the Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off/provided for.
13. The Company has not accepted any deposits within the meaning of Section

- 58A of the Companies Act, 1956 and rules framed thereunder.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company does not have any by-products.
15. In our opinion, the Company has an internal audit system, the scope and coverage of which is fairly adequate commensurate with the size and nature of the business of the Company.
16. As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the products of the Company.
17. According to the records of the Company, it has been generally regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.
18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income tax, Sales tax, Customs Duty and Excise duty as at March 31<sup>st</sup> 2003 for a period of more than 6 months from the date they became payable.
19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice of the Company.
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 our opinion and according to the explanations given to us, there is a reasonable system of recording receipts, issues and consumption of materials and stores at its main stores. To the best of our information and according to the explanations given to us, the Company does not have a system of allocation of materials/stores and man-hours to relative maintenance jobs as it is considered not required by the management in view of the nature of the services rendered.
22. In our opinion and according to the explanations given to us, the Company has a reasonable system of authorisation at proper levels and adequate system of internal controls commensurate with the size of the Company and nature of its business for issue of stores to maintenance jobs.
23. The Company has a reasonable system of allocating man-hours (with authorisation at proper levels) utilised to the relative jobs, commensurate with its size and nature of business.

For VARMA & VARMA  
Chartered Accountants  
Cherian K Baby  
Partner  
Mumbai, 24th April 2003

For DELOITTE HASKINS & SELLS  
Chartered Accountants  
S. Ganesh  
Partner

# PSI DATA SYSTEMS LIMITED

## BALANCE SHEET AS AT 31ST MARCH, 2003

Schedule	As at 31st March, 2003		As at 31st March, 2002	
	Rs.	Rs.	Rs.	Rs.
<b>SOURCES</b>				
Share Capital	A	75,503,340		75,503,340
Reserves and Surplus	B	14,329,417		152,475,240
			89,832,757	227,978,580
Secured Loans	C	39,862,610		24,362,219
Unsecured Loans	D	154,800,000		112,500,000
			194,662,610	136,862,219
<b>TOTAL</b>		<b>284,495,367</b>		<b>364,840,799</b>
<b>APPLICATIONS</b>				
Fixed Assets	E			
Gross Block		162,270,241		164,686,274
Less: Depreciation		125,846,610		101,633,838
Net Block		36,423,631		63,052,436
Investments	F	112,704,535		112,601,035
		149,128,166		175,653,471
Current Assets, Loans & Advances				
Inventories	G	14,576,028		5,389,286
Sundry Debtors	H	80,422,175		110,397,089
Cash and Bank Balances	I	40,395,735		98,855,913
Loans and Advances	J	51,397,233		66,081,680
		186,791,171		280,723,968
Less: Current Liabilities and Provisions	K			
Liabilities		77,787,152		79,230,078
Provisions		16,054,328		12,306,562
		93,841,480		91,536,640
Net Current Assets		92,949,691		189,187,328
Debit balance carried from Profit & Loss Account		42,417,510		—
<b>TOTAL</b>		<b>284,495,367</b>		<b>364,840,799</b>

### NOTES ON ACCOUNTS O

As per our report of even date attached

For Varma & Varma  
Chartered Accountants

For Deloitte Haskins & Sells  
Chartered Accountants

Cherian K Baby  
Partner

S. Ganesh  
Partner

O.P. Chechani  
Vice President - Finance

Directors: Sanjeev Aga  
Adesh Gupta  
Arun Thiagarajan

Place : Mumbai  
Date : 24th April, 2003.

R Vittal  
Manager & Company Secretary

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2003

Schedule	Year ended 31st March, 2003		Period ended 31st March, 2002	
	Rs.	Rs.	Rs.	Rs.
<b>INCOME</b>				
Sale of Hardware		46,111,984		67,668,017
Software Services/Licence Fees		376,819,462		871,772,897
Maintenance Income		12,383,228	435,314,674	18,397,915
Other Income	L		4,393,014	10,325,987
<b>Total</b>		<b>439,707,688</b>		<b>968,164,816</b>
<b>EXPENDITURE</b>				
Manufacturing, Administrative and other Expenditure	M	571,774,134		1,043,152,095
Financial Expenses	N	18,833,638		11,953,441
Depreciation	E	29,672,551		42,198,975
			620,280,323	1,097,304,511
Profit/(Loss) before Tax			(180,572,635)	(129,139,695)
Deferred taxes (Refer note 9)			—	—
Current Taxes			9,302	(574,865)
Profit/(Loss) after Tax			(180,563,333)	(129,714,561)
Balance of Profit brought forward from previous year			104,515,823	234,230,384
Balance in General Reserve as per Contra			33,630,000	—
Balance of Profit/(Loss) carried to Balance Sheet			(42,417,510)	104,515,823
No. of Equity Shares of Rs. 10/- each outstanding			7,550,334	7,550,334
Basic and Diluted Earnings per Share			(23.91)	(17.18)

### NOTES ON ACCOUNTS O

# PSI DATA SYSTEMS LIMITED

Schedule forming part of the Balance Sheet				As at	As at	As at	As at			
				31st March, 2003	31st March, 2002	31st March, 2003	31st March, 2002			
				Rs.	Rs.	Rs.	Rs.			
<b>SCHEDULE - 'A' - SHARE CAPITAL</b>										
AUTHORISED										
42,500,000 Equity Shares of Rs.10/-each	425,000,000		425,000,000							
3000 - 14% Cumulative Redeemable Preference Shares of Rs.10/-each	30,000		30,000							
249,700 - 14% Cumulative Redeemable Preference Shares of Rs.100/-each	24,970,000		24,970,000							
	<u>450,000,000</u>		<u>450,000,000</u>							
ISSUED										
7,550,334 Equity Shares of Rs. 10/- each	75,503,340		75,503,340							
	<u>75,503,340</u>		<u>75,503,340</u>							
SUBSCRIBED AND PAID UP										
7,550,334 Equity Shares of Rs. 10/- each fully paid up	75,503,340		75,503,340							
(Of the above 600 Equity Shares of Rs.10/- each have been issued in pursuance of an agreement for consideration other than cash) (5,311,669 shares are held by the holding company Indian Rayon & Industries Ltd.)	<u>75,503,340</u>		<u>75,503,340</u>							
<b>SCHEDULE - 'B' - RESERVES AND SURPLUS</b>										
Capital Redemption Reserve				10,000,000		10,000,000				
Share Premium				2,076,344		2,076,344				
Investment Allowance Reserve										
Per Last Balance Sheet				2,253,073		2,253,073				
General Reserve										
Per Last Balance Sheet				33,630,000		33,630,000				
Debit balance in profit & loss account as per contra				33,630,000	—	—				
Profit & Loss Account										
Balance of profit carried forward				—		104,515,823				
				<u>14,329,417</u>		<u>152,475,240</u>				
<b>SCHEDULE - 'C' - SECURED LOANS</b>										
FROM BANK :										
1) RUPEE TERM LOAN				4,416,553		4,421,603				
Payable within one year Rs.4,416,553/- (Rs.44,21,603)										
Interest Accrued and due thereon				—		144,459				
2) Cash Credit				12,149,557		—				
3) FOREIGN CURRENCY LOAN				23,296,500		19,305,000				
Payable within one year Rs. 23,296,500/- (Rs.19,305,000)										
Interest Accrued and due thereon				—		491,157				
(The above loans are secured by first charge on existing/future current and fixed assets)										
				<u>39,862,610</u>		<u>24,362,219</u>				
<b>SCHEDULE - 'D' - UNSECURED LOANS</b>										
Inter Corporate Deposits				154,800,000		112,500,000				
Payable within one year Rs. 154,800,000/- (Rs.112,500,000)										
				<u>154,800,000</u>		<u>112,500,000</u>				
<b>SCHEDULE - 'E' - FIXED ASSETS</b>										
DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	AS AT 01.04.2002	ADDITIONS DURING THE YEAR	DELETIONS	AS AT 31.03.2003	UPTO 01.04.2002	FOR THE YEAR	ADJUSTMENTS	AS AT 31.03.2003	AS AT 31.03.2003	AS AT 31.12.2002
	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.
Plant & Machinery	132,605,970	5,920,240	6,476,275	132,049,935	86,930,054	24,784,322	4,537,611	107,176,765	24,873,170	45,675,916
Electrical Fittings	2,031,841	0	0	2,031,841	1,028,182	87,009	0	1,115,191	916,650	1,003,659
Office Equipment	5,898,477	0	80,766	5,817,711	1,805,948	218,201	12,425	2,011,724	3,805,987	4,092,529
Furniture & Fixtures	10,710,165	6,025	1,030,649	9,685,541	4,948,480	889,483	365,948	5,472,015	4,213,526	5,761,685
Vehicles	2,690,713	0	754,608	1,936,105	1,118,962	220,155	543,795	795,322	1,140,783	1,571,751
Leasehold Premises	10,749,108	0	0	10,749,108	5,802,212	3,473,381	0	9,275,593	1,473,515	4,946,896
TOTAL	164,686,274	5,926,265	8,342,298	162,270,241	101,633,838	29,672,551	5,459,779	125,846,610	36,423,631	63,052,436
Previous Year	152,411,000	26,444,280	14,169,006	164,686,274	70,386,611	42,198,975	10,951,748	101,633,838	63,052,436	

# PSI DATA SYSTEMS LIMITED

	As at 31st March, 2003 Rs.	As at 31st March, 2002 Rs.	As at 31st March, 2003 Rs.	As at 31st March, 2002 Rs.
<b>SCHEDULE - 'F'- INVESTMENTS - LONG TERM</b>				
<b>Unquoted :</b>				
<b>Indira Vikas Patra</b>	500	500		
<b>Investment in Subsidiary Companies</b>				
<b>Birla Technologies Ltd.</b>				
( Refer Note 3 )				
9,800,350 (9,791,350) Equity Shares of Rs. 10 each at cost fully paid-up.	112,704,025	112,600,525		
(Previous year - 9,791,350 Equity Shares of Rs. 10 each at cost fully paid-up)				
<b>PSI Kalinga Limited (in Liquidation)</b>				
3,400 Equity Shares of Rs. 1,000/- each, at cost, fully paid-up (lodged with the Industrial Promotion and Investment Corporation of Orissa Ltd. as security for loan granted by them to PSI Kalinga Ltd.)	3,400,000	3,400,000		
Advance Subscription for Equity Shares of PSI Kalinga Ltd	147,000	147,000		
	<u>3,547,000</u>	<u>3,547,000</u>		
Less: Provision for depletion in value	3,547,000	3,547,000		
<b>Trade Investments :</b>				
<b>Software Services Support and Education Centre Ltd.</b>				
Equity share of Rs. 10/- each at cost fully paid-up	10	10		
<b>Accelerex Ltd., U.K.</b>				
1,125,000 "B" category Ordinary Shares of USD 0.02 each, at cost fully paid-up. 10,375,000 "C" category Deferred Equity shares of USD 0.02 each at cost fully paid-up.	958,333	958,333		
	<u>8,837,963</u>	<u>8,837,963</u>		
	9,796,296	9,796,296		
Less : Provision for depletion in value	9,796,296	9,796,296		
<b>Advisor Technologies Ltd. U.K. ( in Liquidation )</b>				
1,520,000 ordinary Equity Shares of GBP 0.01 each, at cost fully paid-up.	1,023,720	1,023,720		
Less : Provision for depletion in value	1,023,720	1,023,720		
	<u>112,704,535</u>	<u>112,601,035</u>		
<b>SCHEDULE - 'G'- INVENTORIES</b>				
(As taken, valued and certified by the Management)				
Maintenance Spares	5,006,099	4,640,242		
Software Work In Progress	8,553,836	565,999		
Finished Goods	1,016,093	183,045		
	<u>14,576,028</u>	<u>5,389,286</u>		
<b>SCHEDULE - 'H'- SUNDRY DEBTORS</b>				
(a) Debts outstanding for a period exceeding six months				
Considered Good	12,841,135	11,931,286		
Considered Doubtful	14,287,837	27,297,478		
	<u>27,128,972</u>	<u>39,228,764</u>		
Less : Provision	14,287,837	27,297,478	11,931,286	
(b) Other Debts				
Considered Good	67,581,040	98,465,803		
Considered Doubtful	—	3,162,787		
	<u>67,581,040</u>	<u>101,628,590</u>		
Less : Provision	—	3,162,787	98,465,803	
	<u>80,422,175</u>	<u>110,397,089</u>		
<b>SCHEDULE - 'I'- CASH AND BANK BALANCES</b>				
Cash on hand			117,268	144,766
<b>Balances with Scheduled Banks -</b>				
a) On Current Accounts			10,314,769	37,888,968
b) On Deposit Accounts			517,077	7,713,466
<b>Balances with other Banks -</b>				
<b>On Current Accounts -</b>				
a) Norwest Bank , U S A.,		Max. Balance 12,536,258 (12,834,495)	1,265,633	1,673,416
b) Natwest Bank, U.K.		15,658,404 (12,631,414)	517,739	3,040,741
c) Deer Valley Federal Credit Union, U.S.A.		46,221 (47,047)	46,221	47,047
d) Royal Bank of Scotland, Germany		319,078 (663,377)	—	319,078
e) Tokyo Mitsubhishi Bank, Japan		12,566,526 (4,246,667)	9,988,916	3,092,495
g) Natwest Bank, U.K.Branch		12,900,109 (21,410,011)	2,702,349	6,497,163
<b>On Deposit Accounts -</b>				
a) Norwest Bank , U S A.,		39,112,358 (40,788,864)	13,792,020	36,827,371
b) The Peoples Bank , U S A.,		5,413,511 (5,900,095)	942,764	1,235,311
c) Deer Valley Federal Credit Union, U.S.A.		11,541 (11,541)	11,447	11,541
d) Natwest Bank, U.K.		2,275,022 (364,550)	179,532	364,550
			<u>40,395,735</u>	<u>98,855,913</u>
<b>SCHEDULE - 'J'- LOANS &amp; ADVANCES</b>				
<b>Unsecured</b>				
Advances recoverable in cash or in kind or for value to be received			11,347,161	19,505,622
Balances with Central Excise Department			—	27,309
Advance Income Tax/ Tax deducted at source (Net of Provisions)			13,716,799	12,456,969
Prepaid Expenses			4,331,050	3,911,800
Advances to PSI Employees' Welfare Trust			1,960,023	3,260,023
Deposits			21,483,518	28,678,182
Accrued Interest on Margin Money/				
Fixed Deposit			271,017	251,103
Other Receivables			—	629,678
			<u>53,109,569</u>	<u>68,720,686</u>
Less: Provision for doubtful advances			1,712,336	2,639,006
Balance Considered Good			<u>51,397,233</u>	<u>66,081,680</u>
<b>SCHEDULE - 'K'- CURRENT LIABILITIES AND PROVISIONS</b>				
<b>A. CURRENT LIABILITIES</b>				
Sundry Creditors - due to SSI Units			—	—
Sundry Creditors - Material and Services			66,747,417	66,032,300
Advance from Customers			597,186	1,873,199
Other Liabilities			5,963,145	7,607,505
Due to Directors			—	309,600
Unclaimed Dividends(Refer Note no 6)			618,336	646,064
Interest accrued and not due			1,664,384	1,202,178
Income not accrued			2,196,684	1,559,232
			<u>77,787,152</u>	<u>79,230,078</u>
<b>B. Provisions</b>				
Provision for Staff Benefit Scheme			12,726,599	11,402,820
Provision Others			3,327,729	903,742
			<u>16,054,328</u>	<u>12,306,562</u>
			<u>93,841,480</u>	<u>91,536,640</u>

# PSI DATA SYSTEMS LIMITED

## Schedule forming part of the Profit and Loss Account

	For the year ended 31st March, 2003 Rs.	For the year ended 31st March, 2002 Rs.
<b>SCHEDULE - 'L' - OTHER INCOME</b>		
Interest Income	1,502,823	4,903,975
Tax deducted at source Rs. 35,555 /- (Previous year Rs.131,922/-)		
Commission - Sales	—	2,198,101
Miscellaneous Receipts (includes old materials & scrap sold)	2,890,191	3,223,911
	<u>4,393,014</u>	<u>10,325,987</u>
<b>SCHEDULE - 'M' - MANUFACTURING, ADMINISTRATIVE AND OTHER EXPENDITURE</b>		
Cost of Finished Goods (Hardware)	35,468,589	60,045,213
Cost of Finished Goods (Software)	584,401	14,751,297
Consumption of Spares & Parts	5,108,493	5,593,991
Other Operating Expenses	172,432	1,274,161
Salaries, Bonus, etc, Salaries & Bonus	214,219,736	308,530,444
Contribution to ESI	17,959	32,270
Contribution to Provident Fund and Pension Fund	4,381,070	6,573,844
Staff Welfare Expenses	11,108,744	18,911,075
Gratuity	1,501,820	389,424
Expatriation Expenses	103,929,750	335,159,079
	<u>255,600,163</u>	<u>590,037,220</u>
Staff Training & Recruitment	30,246,386	49,674,776
Rent	33,295,321	56,245,786
Rates & Taxes	1,297,864	4,712,304
Hire / Lease Charges	6,798,148	9,180,023
Establishment Expenses	3,121,783	4,880,857
Electricity and Water Charges	5,361,044	7,161,400
Communication Charges	9,882,442	19,846,939
Printing & Stationery	2,068,722	4,742,564
Travelling and Conveyance	22,796,131	63,184,882
Commission - Sales	2,634,574	7,662,943
Advertisement & Publicity	3,053,768	6,031,234
Repairs & Maintenance - Plant & Machinery	1,827,380	425,566
- Building	465,643	1,450,462
- Others	594,940	2,629,235
	<u>2,887,963</u>	<u>4,505,263</u>
Insurance	766,494	1,091,649
Professional & Consultancy Charges	67,916,334	54,437,414
General Charges	3,751,446	6,969,992
Payment to Auditors	3,815,641	4,566,715
Loss on disposal of assets	45,185	2,256,348
Provision for Bad Debts and Loans & Advances	3,529,731	47,940,176
Provision for demunitation in investments	—	10,820,016
Software Work In Progress	—	—
Opening Work In Progress	565,999	6,104,931
Closing Work In Progress	8,553,836	565,999
	<u>(7,987,837)</u>	<u>5,538,932</u>
	<u>571,774,134</u>	<u>1,043,152,095</u>
<b>SCHEDULE - 'N': FINANCIAL EXPENSES</b>		
Interest charges - Term Loans	1,673,287	3,619,379
Interest charges - Working Capital	1,087,552	1,034,552
Interest charges - Others	12,268,834	1,664,384
Other Charges	604,771	3,040,651
Foreign Exchange Loss (net)	3,199,194	2,594,475
	<u>18,833,638</u>	<u>11,953,441</u>

## SCHEDULE 'O' - NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2003

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) General:

The accounts have been prepared on historical cost convention based on the accrual concept and applicable accounting standards, as a going concern.

#### (b) Use Of Estimates:

The preparation of the financials statements in conformity with Indian GAAP requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the financials statements and the reported amounts of revenue and expenses during the reported period. Actual result could differ from those estimates.

#### (c) Revenue Recognition:

- Revenue from the sale of goods is recognised based on contract terms, with the passing of title. Installation and commissioning revenue relating to the sale of Hardware is recognised on completion of acceptance test.
- For fixed price software contracts, revenue is recognised based on milestone/(s) achieved as specified in the contracts.
- In the case of software developed by the company and supplied to the customer the revenue is recognised as follows:
  - Revenue pertaining to the delivery of the product is recognised at the time the license to use is made over to the customer.
  - Revenue pertaining to the implementation of the software is recognised after implementation.
- For other software contracts revenue is recognised based on the contract terms and time billed.
- Interest income earned on the temporary deployment of funds is recognised prorate, based on the implied interest rates for each transaction.
- Maintenance / Rental Income is accrued evenly over the period of contract.
- Claims are accounted on final admittance/determination.

#### (d) Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation.

#### (e) Depreciation:

- Depreciation on owned assets is charged on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in the following cases where Straight Line Method rates, as applied on the date of acquisition, are different from the principal rates specified in the schedule.

Description of assets	SLM Depreciation rates applied
Computers, peripherals and other related Plant and Machinery purchased	
Before 01.01.1998	20.00%
On or after 01.01.1998	33.33%
Assets acquired on or after 01.01.98 costing Rs. 10,000/- or less	100.00%

ii) Depreciation on improvements to leasehold assets have been made so as to write off the assets over the primary lease period.

#### (f) Foreign Currency Transactions:

- Foreign Currency Loans relating to acquisition of fixed assets have been translated at the rates in force on the dates of payment and cost of the assets so acquired is determined on that basis. Fluctuations in exchange rates of foreign currency liabilities contracted specifically for the purpose of acquiring fixed assets are added to or reduced from the historical cost of the concerned fixed assets.
- Transactions in foreign currencies are translated at the exchange rates prevailing on the date of the transaction. Realised gains/(losses) on such transactions other than those relating to fixed assets are recognised in the Profit and Loss Account. Unrealised transactions in foreign currencies relating to current assets and liabilities are translated into rupees at the exchange rates prevailing at the year-end. The exchange gains/(losses) arising out of such translations other than those relating to fixed assets are dealt with in the Profit and Loss Account. The exchange gain/(losses) relating to fixed assets are adjusted in the carrying cost thereof.
- Foreign Currency transactions at the US / UK / Japan branch office are translated into rupees at various exchange rates as under :
  - Fixed assets at the rates prevailing on transaction date.
  - Income and Expenditure at the average rate of exchange.
  - Current Assets and Current Liabilities at the exchange rates prevailing on the Balance Sheet date.

#### (g) Inventory:

- Inventories are valued at lower of cost or net realisable value.
- Cost has been identified on weighted average basis in respect of all items of inventory other than software work-in-progress and on the basis of actual identification/ allocation in respect of software work-in-progress

# PSI DATA SYSTEMS LIMITED

## h) Employee Benefits:

- Liability for leave encashment and gratuity to employees is determined actuarially as at the year-end and is either funded with the Life Insurance corporation of India or provided for. Fixed contributions to Provident Fund and other benefits are absorbed in the accounts at actual cost to the Company.
- The Company has obtained legal opinion that the new guidelines of SEBI dated June 19, 1999 are not applicable to PSI's ESOP scheme.

## (i) Customs Duty:

Customs duty payable on imported raw materials, components and stores and spares is recognised to the extent assessed by the Customs Department irrespective of whether such materials have been taken delivery of or kept in Bonded Warehouse.

## (j) Investments:

Long term investments are stated at cost, less any diminution in value other than temporary.

## (k) Warranties:

Provisions are made on the basis of Management estimates.

## (l) Borrowing Costs:

Borrowing Costs other than that attributable to a qualifying asset are expensed as and when incurred.

## (m) Income Taxes:

Income tax expense includes Indian and international income taxes. Certain items of income and expenses are not reported in tax returns and financial statements in the same year. The tax effect of this timing difference is reported as deferred income tax assets/liabilities. The tax effect is calculated on the accumulated timing differences at the end of the accounting period at the current enacted tax rates. Deferred tax assets relating to unabsorbed carry forward losses and depreciation are recognised only to the extent there is virtual certainty that the same can be realised in future and in respect of other items where there is reasonable certainty as to realisation.

## (n) Contingent Liability

All known liabilities are provided for and liabilities, which are material and whose future outcome cannot be ascertained with reasonable certainty, are treated as contingent and disclosed by way of notes to the account.

## (o) Cash Flow statement

Cash flow statement has been prepared in accordance with the indirect method prescribed in Accounting standard – 3 issued by the Institute of Chartered Accountants of India.

## 2. Contingent Liabilities are in respect of :

Particulars	Year ended	Year ended
	31st March, 2003	31st March, 2002
	Rs.	Rs.
a) Contingent Liabilities in respect of claims against the Company not acknowledged as debts not provided for	18.48 Millions	31.26 Millions
b) Additional liability if any towards customs duty on assessable value of the goods imported pending finalisation of assessments.	Not Ascertainable	Not Ascertainable
c) Contingent Liabilities on account of warranties on sale of ATM covered by bank guarantees	1.32 Millions	5.90 Millions
d) Advances due from officers of the company (Maximum amount due at any time during the year)	0.34 Millions	1.36 Millions

## 3. Investments:

During the year, the company acquired 0.09% being the balance shares of issued equity capital of Birla Technologies Ltd (BTL) for a consideration of Rs.103,500. As a result BTL has become a wholly owned subsidiary.

The shares of Birla Technologies Limited were acquired by the company in February 2002 based on an independent valuation considering the losses and future projections. Having regard to these factors as also the strategic and long term nature of the investment, and having regard to Accounting Policy No 1 (J), the management is of the opinion that the investments can be carried at cost, though the net worth of the company has turned negative.

4. During the year the Company sold its Capital Markets Business Division with effect from 5<sup>th</sup> February 2003, for a consideration to be determined on the basis of the future billings of the business with effect from 1<sup>st</sup> October 2003 to 31<sup>st</sup> March 2006.

5. In the opinion of the Management all the current assets have on value of realisation in the ordinary course of business which is at least equal to the amount at which they are stated in the balance sheet.

6. The amount of Rs. 618,336 represents the unclaimed dividends for the period from 1998 to 2000. No part thereof has remained unpaid or unclaimed for a period of seven years from the date they became due for payment requiring a transfer to the Investor Education and Protection Fund.

## 7. Segmental Reporting:

### A) Primary Segments

The Company's operations have been segregated into two segments 'Hardware' and 'Software Services', as per Accounting Standards 17-Segment Reporting. The segment wise details of the Company's operations are given below:

Primary Segment Business	Hardware		Software/Licence		Others		Total	
	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended	Year ended	Period ended
	31/03/2003	31/03/2002	31/03/2003	31/03/2002	31/03/2003	31/03/2002	31/03/2003	31/03/2002
	Amt in Rs.	Amt in Rs.	Amt in Rs.	Amt in Rs.	Amt in Rs.	Amt in Rs.	Amt in Rs.	Amt in Rs.
<b>Segment Revenue</b>								
Sales to External Customer	46,111,984	67,668,017	376,819,462	871,772,897	12,383,228	18,397,915	435,314,674	957,838,829
Inter Segment Revenue								
<b>Total Segment Revenue</b>	46,111,984	67,668,017	376,819,462	871,772,897	12,383,228	18,397,915	435,314,674	957,838,829
<b>Segment Result</b>								
<b>Gross Margin</b>	1,466,904	2,030,041	122,161,929	305,120,514	1,606,274	7,755,454	125,235,107	314,906,008
Less Interest & Finance Charges							(18,833,638)	(11,953,441)
Less Depreciation							(29,672,551)	(42,198,975)
Less Provision for Bad Debts & Advances and provision for diminution in investments							(3,529,731)	(58,760,192)
Less Other Non Allocable Common Expenses Net							(253,771,822)	(331,133,095)
Less Provision for Taxes							9,302	(574,866)
<b>Combined result of all segment in loss</b>							(180,563,333)	(129,714,561)



# PSI DATA SYSTEMS LIMITED

5. Dividends paid in Foreign Currency			Signatures to Schedules A to O			
No. of Non-resident shareholders	—	4	For Varma & Varma Chartered Accountants	For Deloitte Haskins & Sells Chartered Accountants	O.P. Chechani Vice President - Finance	Directors: Adesh Gupta Sanjeev Aga Arun Thiagarajan
No. of shares held	—	3,817,602				
Dividend paid	—	9,544,005				
13. Current year figures relate to a period of twelve months, i.e. April 1 <sup>st</sup> , 2002 to March 31 <sup>st</sup> , 2003 whereas the previous year relates to a period of fifteen months i.e. January 1 <sup>st</sup> , 2001 to March 31 <sup>st</sup> , 2002 and hence are not comparable. Previous year figures have been regrouped / reclassified to suit with current period grouping / classification wherever required.			Cherian K Baby Partner	S. Ganesh Partner		
			Place : Mumbai Date : 24th April, 2003.		R Vittal Manager & Company Secretary	

Cash Flow Statement for the year ended 31st March, 2003				
	Rs.	31.3.2003 Rs.	Rs.	31.3.2002 Rs.
<b>A) CASH FLOW FROM OPERATING ACTIVITIES</b>				
i) Net profit before Taxes and Extraordinary Items		(180,572,635)		(129,139,695)
Adjustments For :				
Depreciation	29,672,551		42,198,975	
Diminution in value of Investments	—		10,820,016	
Unrealised Foreign Exchange	73,478		161,899	
Interest Income	(1,502,823)		(4,903,975)	
Loss on write off of Assets	2,461,334		—	
Loss on Sale of Assets	45,185	30,749,725	2,256,348	50,533,263
Financial Charges		18,833,638		1,195,344
ii) Operating Profit before changes in working capital		(130,989,272)		(66,652,991)
Adjustments For :				
Trade and other receivables	45,939,107		134,558,669	
Inventories	(9,186,742)		5,743,578	
Trade Payables	(1,877,406)		(9,863,171)	
Provisions	3,747,766	38,622,725	1,670,753	(132,109,828)
iii) Cash generated from Operations		(92,366,548)		65,456,837
Interest Paid		(18,371,432)		(10,115,647)
Direct Taxes refund/(paid)		(1,324,005)		10,723,955
iv) Net Cash generated from Operations		(112,061,985)		66,065,145
<b>B) CASH FLOW FROM INVESTING ACTIVITIES</b>				
Sale of Assets		376,000		960,911
Purchase of Assets		(5,926,265)		(26,444,280)
Increase in Investment		(103,500)		(112,600,525)
Interest Income Received		1,482,909		4,862,318
Net Cash used for Investing activities		(4,170,856)		(133,221,576)
<b>C) CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase/(decrease) in borrowings - Working Capital		15,500,391		(10,474,902)
Increase in borrowings - Inter Corporate Loan		42,300,000		112,500,000
Dividend and Corporate taxes on dividend paid		(27,728)		(23,295,982)
Net Cash used for Financing activities		57,772,663		78,729,116
<b>D) TOTAL INCREASE/(DECREASE) IN CASH &amp; CASH EQUIVALENTS DURING THE YEAR (A TO C)</b>	(58,460,178)		11,572,685	
<b>E) CASH AND CASH EQUIVALENT AS AT 01.04.2002</b>		98,855,913		87,283,228
<b>F) CASH AND CASH EQUIVALENT AS AT 31.03.2002 (D + E)</b>		40,395,735		98,855,913

**Notes:**

- The above Cash Flow Statement has been prepared under the "indirect method" as set out in the Accounting Standard – 3 on cash flow statement issued by ICAI.
- Cash and cash equivalents include balances with Scheduled Bank on Divident Account Rs. 618,336/- which are not available for use by the Company.

As per our report of even date attached				
For Varma & Varma Chartered Accountants	For Deloitte Haskins & Sells Chartered Accountants	O.P. Chechani Vice President - Finance	Directors:	Adesh Gupta Sanjeev Aga Arun Thiagarajan
Cherian K Baby Partner Partner	S. Ganesh Manager & Company Secretary	R Vittal		
Mumbai, 24th April, 2003				

# PSI DATA SYSTEMS LIMITED

## PART IV - Balance Sheet Abstract and Company's General Business Profile

### I. Registration Details

Registration No.	27564
State Code	08
Balance Sheet Date	31.03.2003

### II. Capital raised during the year

	(Rs. in '000)
Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil

### III. Position of Mobilisation and Deployment of Funds

Total Liabilities	284,495
Total Assets	284,495
Sources of Funds	
Paid-up Capital	75,503
Reserves & Surplus	14,329
Secured Loans	39,863
Unsecured Loans	154,800
Applications of Funds	
Net Fixed Assets	36,424
Investments	112,704
Net Current Assets	92,950
Misc. Expenditure	Nil
Accumulated Losses	42,417

### IV. Performance of Company

Turnover	439,708
Total Expenditure	620,280
Profit before Tax	(180,573)
Profit after Tax	(180,563)
Earning Per Share in Rs.	(23.91)
Dividend Rate	0%

### V. Generic Names of two Principal Products/ Services of Company (as per monetary terms)

Item Code No. (ITC Code)	84712009
Product Description	Computer Hardware
Item Code No. (ITC Code)	85249002
Product Description	Computer Software

## STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956, RELATING TO SUBSIDIARY COMPANY

		Birla Technologies Limited
1	The financial year of the Subsidiary Company	1st April, 2002 to 31st March, 2003
2	Extent of interest in Subsidiary Company	100% of paid up equity capital of 9,800,350 equity shares of Rs. 10/- each
3	Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of PSI Data Systems Limited:	
	a) not dealt with in the Accounts of the Company	
	(i) For the financial year of the Subsidiary-part of the year	(Rs. 893.10 lacs)
	(ii) For the previous financial years since it became the subsidiary of the Company	(Rs. 254.60 lacs)
	b) dealt with in the Accounts of the Subsidiary Company	
	(i) For the financial year of the Subsidiary	Nil
	(ii) For the previous financial years since it became the subsidiary of the Company	Nil
4	Additional information u/s 212(5)	
	a) Change in the interest of the Company between the end of the Subsidiary Company's and the Company's financial year ended 31st March, 2002	Nil
	b) Material changes between the end of the financial year of the Subsidiary and the Company's financial year ended 31st March, 2002	
	(i) Fixed Assets	Nil
	(ii) Investments	Nil
	(iii) Money lent	Nil
	(iv) Money borrowed for any purpose other than that of meeting current liabilities:	Nil
	Fresh Borrowings from Bank	
	Amount Repaid to Bank	

PSI Data Systems Ltd. holds 74% of equity capital of 4,600 shares of Rs. 1,000/- in PSI Kalinga Ltd., Bhubaneswar. The High Court of Orissa has by its Order dated 18th April 2003 ordered winding up of the said company. As such the Balance Sheet and Profit and Loss Account of the said subsidiary for the year ended 31st March 2003 are not attached to this Annual Report.

As per our report of even date attached

For Varma & Varma Chartered Accountants  
 For Deloitte Haskins & Sells Chartered Accountants  
 O.P. Chechani Vice President - Finance  
 Directors: Adesh Gupta, Sanjeev Aga, Arun Thiagarajan  
 Cherian K Baby Partner  
 S. Ganesh Partner  
 R Vittal Manager & Company Secretary

O.P. Chechani Vice President - Finance  
 Directors: Adesh Gupta, Sanjeev Aga, Arun Thiagarajan  
 R Vittal Manager & Company Secretary

Place : Mumbai  
 Date : 24th April, 2003

Place : Mumbai  
 Date : 24th April, 2003

# PSI DATA SYSTEMS LIMITED

Information as per Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 and forming part of the Report of the Directors for the year ended 31st March 2003.

Name	Age	Designation	Date of Employment	Gross Salary (Rs.)	Qualification	Experience in years	Previous Employment
<b>Employee located in India - Employed throughout the year</b>							
Nil							
<b>Employee located in India - Employed for part of the year</b>							
Nagendra Venkaswamy	45	President	1-Nov-98	3,026,250	BE, MBA	22	Digital Equipment India Ltd.
<b>Employees located abroad - Employed throughout the year (salary paid in foreign currency and expressed in Rupees)</b>							
Abhijeet Bhalla	36	Head Operations - Japan & Far East	1-Jan-01	8,520,000	MBA	11	PCL Mindware
Anil Kumar Chhabria	33	Project Leader	29-Dec-97	2,610,000	B.E.	10	Value Software P. Ltd.
Anthony Das	50	Associate GM - HR	1-Jun-82	2,945,175	B.SC	26	K. G. Khosla Compressors
Arun Babu G.S.	31	Project Leader	3-Aug-95	3,890,016	B.E.	9	Priya Software Services
Ashish Arvind Joshi	31	Systems Architect	19-May-95	4,068,000	B.E.	9	Computer Boutique
Chandrakumar MN	34	Systems Architect	1-March-96	3,084,768	B.E., M.TECH	12	KAP India & Consultancy
Dinesh Kanna	34	Project Manager	21-Aug-96	3,087,075	B.COM, DIP	12	Real Value Appliance
Gopalakrishna TR	38	Technical Manager	1-Sep-88	4,842,624	B.COM	15	Sri Prasad Computer Tech.
Hanumanth Rao	33	Project Leader	4-May-98	2,430,000	B.SC	9	Processware Systems Pvt. Ltd.
Jagadish Kumar K	28	Software Engineer	12-Dec-97	3,999,984	B.SC	5	Fresher
Kaushal D Almoula	39	Sr. Software Engineer	5-Jun-95	3,129,024	BSC, DIP	8	Fresher
Krishnamurthy N	40	Technical Manager	1-Feb-89	4,908,672	M.TECH	14	BEL, Bangalore
Krishnan Shankar	33	Systems Architect	2-May-97	4,254,336	BSC, DIP	9	Software Solutions Integr
Masae Tateyama	58	Marketing Manager	1Mar-01	3,360,000	B.A.	32	Mindteck K.K.
Mohan Hanumantha	32	Sr. Software Engineer	24-Sep-98	3,216,000	B.E.	7	Flash Infotech P. Ltd.
Murali C	34	Associate Project Manager	25-Nov-96	2,692,500	BSC, DIP	11	ITC Classic Fin. Ltd.
Muralidharan K.S.	34	Technical Manager	2-Jul-01	2,716,800	MSC, PGDM	11	Mind Tech-Japan
Nagaraj B A	29	Software Engineer	12-Dec-97	3,832,080	BSC, DIP	5	Fresher
Nagesh Telukunta	38	Business Development Manager	20-Dec-99	4,117,875	MBA	12	HCL Limited
Neetha M	34	Sr. Software Engineer	20-Jul-98	3,408,000	B.E.	5	Aptech Computer Point
Nirmal Prasad U	42	Executive VP-US Operations	1-Aug-97	6,336,000	B.E.	13	Supernova Software Pvt. Ltd.
Rajesh Shanbhag	35	Marketing Manager	1-Mar-01	3,780,000	B.COM	14	Simplex Solutions
Santosh P Devassy	39	Chief Financial Officer - USA	1-Nov-85	3,566,400	B.COM	18	Rattan Kumar & Co.
Sarath Kumar Kavtar	37	Regional Delivery Head - Europe	19-Sep-94	3,496,275	B.A.	20	K. Raheja Group of Co.
Sarath Kumar R.N.	26	Sr. Software Engineer	16-Jul-01	4,128,000	B.TECH	5	Wipro Ltd.
Siddhartha K.S.R.	31	Regional Sales Director	7-Sep-01	3,360,000	B.E.	13	Birla Soft. Inc.
Sriram Subbaiah	32	Associate Project Manager	21-Nov-96	2,720,025	B.SC, MCA	9	Software Systems Re-Engg
Sudharsan B	39	VP-Western Europe	22-Nov-89	4,923,000	B.SC, B.E.	14	Sonata Software Ltd.
Sunil Ramachandran	32	Associate Project Manager	20-May-97	2,692,500	B.SC., MCA	9	Fine Soft. Technologies
Uma Chidambaram	29	Technical Recruiter	10-Aug-01	2,640,000	B.SC., MBA	4	Frontier Info Tech
Uma Rao	41	Associate Project Manager	22-Jun-98	2,820,000	B.SC., DIP	16	Sonata Software Ltd.
Veera Nagendran M	28	Sr. Software Engineer	27-Jan-97	3,225,024	B.E.	7	Fresher
<b>Employees located abroad - Employed for part of the year (salary paid in foreign currency and expressed in Rupees)</b>							
Angela Helen Pisecco	29	Sales Manager	11-Nov-02	893,952	MBA	5	Next Source Inc.
Anil Sharma	32	Sr. Software Engineer	1-Jan-97	2,904,000	MCA	13	Pricewaterhouse Cooper
Gyaneshwaran	39	Sr. Project Manager	12-Jul-01	2,629,872	M. COM	8	Tata Infotech Ltd.
Partha Bose	35	Regional Director - Sales	18-Mar-02	2,883,984	B.E., MBA	11	Professional Access Ltd.
Praveen V	27	Project Leader	29-Sep-97	2,189,250	B.E.	6	Fresher
Rajesh H. Kanginakduru	27	Sr. Software Engineer	8-Oct-97	301,776	B.E.	6	Fresher
Ramesh TNK	42	Sr. Project Manager	19-Feb-90	4,457,328	MSC, MTECH	19	I T I Bagalore
Richard Ewan James	40	Business Development Manager	1-Jul-02	4,144,125	MBA	9	Strategic Solutions
Robert P. Niessen	41	Business Development Manager	6-Jan-03	1,078,275	MBA	20	Computervision
Rone Richard Soloman	35	Business Development Manager	22-Jul-02	1,537,500	MBA	12	Gulf Computers
Senthil Kumaran	32	Manager - Sales	21-May-01	445,500	B.E.	2	Fresher
Shruti Vishvesh Potdar	26	Sr. Software Engineer	4-Nov-02	916,000	B.E.	3	Reliance Industries Ltd.
Sudhanshu Misra	29	Sr. Software Engineer	16-Jan-03	700,000	B.SC.	6	NIIT Limited
Suma Venkatesh	33	Systems Architect	3-May-99	615,984	B.E.	8	Data Smart Software P. Ltd.
Venky Ramana M	33	Director - Sales	10-Sep-01	481,920	B.E., MBA	14	Birla Soft. Inc.
Vishal Kumar	31	Business Development Manager	15-Jan-01	2,158,125	MBA	2	Fresher

#### Notes :

- Gross Remuneration includes salary, allowances, value of perquisites, Company's contribution to Provident Fund and Gratuity Fund.
- None of the employees named above is a relative of any Director of the Company.
- All appointments are contractual.
- Some of the employees located abroad were in India for part of the year either after completion of the assignment or before proceeding to the new assignment overseas.

For and on behalf of the Board  
Kumar Mangalam Birla  
Chairman

# BIRLA TECHNOLOGIES LIMITED

## DIRECTORS' REPORT

Dear Shareholders,

Your Directors present the Third Annual Report together with Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2003.

### 1. FINANCIAL RESULTS

Particulars	(Rs. In Million)	
	Current Year ended 31.03.03	Previous Year ended 31.03.02
Total Revenue	298.18	292.34
Profit / (Loss) before interest, depreciation and taxes	(59.56)	(96.74)
Interest and Finance charges	21.80	13.51
Depreciation	58.04	49.44
Profit / (Loss) before taxes	(139.40)	(159.69)
Extraordinary items	50.10	(50.10)
Net Profit / (Loss)	(89.30)	(209.79)

### 2. HIGHLIGHTS OF THE YEAR

The Company's performance has improved somewhat with revenues at Rs. 298 million and a substantially lower net loss of Rs. 89 million. The downturn in global spend of IT Services has affected smaller Indian companies, and your Company has been no exception. But, during the year the Company has squarely addressed issues relating to its long-term profitable growth, and expects these to manifest in future periods.

In spite of recession in the sector, the Company has seen improvement in business in United Kingdom. The Company has focused upon its strengths, Business Solutions, and in the Banking, Financial Services and Insurance domains.

During the year the Company became a wholly owned subsidiary of PSI Data Systems Limited consequent to acquisition of balance 0.09% of the equity capital of the Company.

As resolved by the shareholders at their meeting held on 2<sup>nd</sup> January 2003, the registered office of the Company has been shifted to Bangalore after obtaining the necessary approval of the Company Law Board.

### 3. DIRECTORS

Dr. Santrupt Misra, Director of the Company retires by rotation at the ensuing Annual General Meeting and being eligible, offers himself for re-appointment.

Mr. Sanjeev Aga was co-opted as an Additional Director on 24<sup>th</sup> July 2002 and will hold office upto the date of the forthcoming Annual General Meeting. It is proposed to appoint him as Director of the Company at this Annual General Meeting.

Mr. Nagendra Venkashwamy resigned from the Board as Director of the Company. The Board places on record the valuable services rendered by him during his tenure.

Mr. Ashok Sand, Manager of Company has resigned from the services of the Company. Your Board places on record the valuable services rendered by him during his tenure. Your Directors have accordingly proposed the name of Mr. R. Vittal for appointment as Manager of the Company as appearing in the item no. 5 of the notice calling the 3<sup>rd</sup> Annual General Meeting of the members of the Company.

### 4. DIRECTORS' RESPONSIBILITY STATEMENT

As stipulated in Section 217(2AA) of the Companies Act, 1956 (the Act), your Directors confirm that: -

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures;
- 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 loss of the Company for that period;

- The Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- The Directors have prepared the annual accounts on a going concern basis.

### 5. AUDIT COMMITTEE

In terms of provisions of Section 292A of the Companies Act, 1956, the duly constituted Audit Committee of the Board of Directors of the Company consists of following three directors as members: -

- Dr. Santrupt Misra
- Mr. Adesh Gupta &
- Mr. Sanjeev Aga

### 6. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

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.

#### (A) Conservation of Energy

In view of the fact that the Company's operations involve low energy consumption, no report on Energy Consumption is made.

#### (B) Research & Development Activities (R & D)

Your Company continuously carries on research and development activities to ensure a high level of technical competence in the areas of software development methodologies and refinement of existing products and services. The Company will sustain its efforts and keep its personnel abreast with latest technology applications.

#### (C) Technology Absorption

Your Company is equipped with technologies from world's leaders like Oracle, Sun, Microsoft, IBM etc.

#### (D) Foreign Exchange Earnings & Outgo

The information on foreign exchange earnings and outgo is contained in the Clause No. 8 and 9 to the Notes to the Accounts respectively.

### 7. PARTICULARS OF EMPLOYEES

The particulars of the employees, as required under Section 217(2A) read with the Companies (Particulars of Employees) Rules, 1975, are attached to this report and forms part of it.

### 8. AUDITORS' REPORT

The observations made in the Auditors' report of the Company are self-explanatory and therefore, do not call for any further explanations.

### 9. ACKNOWLEDGEMENT

Your Directors thank the members, the Company's customers, bankers, financial institutions, and business associates for the faith reposed by them in the Company and its management.

Your Directors place on record their appreciation of the dedication and commitment of your Company's employees at all levels and look forward to their continued support in the future as well.

Mumbai,  
23rd April, 2003.

For and on behalf of the Board  
Sanjeev Aga    Adesh Gupta  
Director        Director

# BIRLA TECHNOLOGIES LIMITED

## Auditors' Report

To the members of Birla Technologies Limited

1. We have audited the attached Balance Sheet of Birla Technologies Limited, as at March 31, 2003 and the relative Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report. These financial statements are the responsibility of the Management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.
  2. We have conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
  3. We draw your attention to Note 3 on Schedule Q, specifying the reasons for the preparation of these Accounts on going concern basis even as the net worth of the Company has been completely eroded as at March 31, 2003.
  4. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of Section 227 (4A) of the Companies Act, 1956, of India (the Act), 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 year 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 year.
    - (iii) In our opinion, the valuation of unbilled contracts has been fair and proper in accordance with the normally accepted accounting principles in India and is on the same basis as in the preceding year.
    - (iv) In our opinion, the rates of interest and the terms and conditions of loans, secured or unsecured, taken by the Company during the year, from companies listed in the register maintained under Section 301 of the Act, are prima facie not prejudicial to the interests of the Company. The Company has not taken any loans, secured or unsecured, from the 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.
    - (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 and 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 commensurate with the size of the Company and the nature of its business, for purchases of plant and machinery, equipment and other 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 year in respect of each party in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act. According to the information and explanations given to us, transactions involving 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 year in respect of each party, as explained to us, are not strictly comparable as the services are of specialised nature for which alternative quotations are not available.
  - (ix) The Company has not accepted any deposits from the public during the year.
  - (x) In our opinion, the Company's present internal audit system is commensurate with its size and the nature of business.
  - (xi) The Company has been regular during the year in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.
  - (xii) At the last day of the financial year, 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 such case 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 by the Company 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 the nature of its business.
  - (xvii) The other clauses of the Manufacturing and Other Companies (Auditor's Report) Order, 1988 were not applicable to the Company during the year.
5. Further to our comments in paragraph 4 above, 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 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 those 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 Balance Sheet and Profit and Loss Account dealt with by this report have been prepared in compliance with the applicable accounting standards referred to in Section 211(3C) of the Act;
  - (e) On the basis of the written representations received from the Directors and taken on record by the Board of Directors of the Company, none of the Directors is disqualified as on March 31, 2003 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;
  - (f) In our opinion, and to the best of our information and according to the explanations given to us, the Balance Sheet and Profit and Loss Account, together with the Notes thereon and attached thereto, give in the prescribed manner, the information required by the Act, and also give a true and fair view in conformity with the accounting principles generally accepted in India:
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2003; and
    - (ii) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

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

Place : Mumbai  
Date : April 23 , 2003

# BIRLA TECHNOLOGIES LIMITED

Balance Sheet as at March 31, 2003				Profit and Loss Account for the year ended March 31, 2003				
Particulars	Schedule	As at			Particulars	Schedule	Year ended	
		Rs.	Rs.	Rs.			March 31, 2002	Rs.
<b>SOURCES OF FUNDS</b>				<b>INCOME</b>				
<b>Shareholders' Funds</b>				<b>INCOME</b>				
Share Capital	A	98,003,500		98,003,500		298,181,694	292,344,995	
Reserves and Surplus	B	195,076,544		195,076,544	K	7,700,008	6,811,333	
			293,080,044	293,080,044		<u>305,881,702</u>	<u>299,156,328</u>	
<b>Loan Funds</b>				<b>EXPENDITURE</b>				
Secured Loans	C	120,553,709	120,602,788	(Increase)/Decrease in Work-in-Progress	L	(805,750)	(1,911,000)	
Unsecured Loans	D	129,166,000	35,100,000	Salaries, Wages and Employees Benefits	M	250,968,294	287,011,437	
				Operating, Selling and Other expenses	N	115,284,753	110,796,692	
		<u>542,799,753</u>	<u>448,782,832</u>	Interest and Finance charges	O	21,795,397	13,513,985	
				Depreciation/ Amortisation	E	58,044,263	49,443,165	
						<u>445,286,957</u>	<u>458,854,279</u>	
<b>APPLICATION OF FUNDS</b>				<b>Loss before Extraordinary item and Taxation</b>				
<b>Fixed Assets</b>								
Gross Block	E	283,981,180	284,694,720	Extraordinary item	P	(50,094,379)	50,094,379	
Less: Depreciation		110,048,093	53,329,818	<b>Loss before Taxation</b>		89,310,876	209,792,330	
Net Block		173,933,087	231,364,902	Provision for Income Tax		—	—	
<b>Current Assets, Loans and Advances</b>				<b>Loss after Taxation</b>				
Inventories	F	5,558,750	4,753,000	<b>Add: Loss brought forward from previous year</b>		235,872,199	26,079,869	
Sundry Debtors	G	59,204,450	57,129,013	<b>Profit and Loss Account balance carried to Balance Sheet</b>		<u>325,183,075</u>	<u>235,872,199</u>	
Cash and Bank Balances	H	4,195,720	1,039,187	<b>Loss per Share (Basic and diluted)</b>		9.11	21.41	
Loans and Advances	I	19,659,230	18,372,021	(Refer Note 6 on Schedule Q)				
		<u>88,618,150</u>	<u>81,293,221</u>					
<b>Less : Current Liabilities and Provisions</b>				<b>Notes to Accounts</b>				
Liabilities	J	39,584,580	45,766,348					
Provisions		5,349,979	53,981,142					
		<u>44,934,559</u>	<u>99,747,490</u>					
<b>Net Current Assets</b>			43,683,591					
<b>Profit and Loss Account</b>			325,183,075					
			<u>542,799,753</u>					
			<u>448,782,832</u>					
<b>Notes to Accounts</b>				<b>Notes to Accounts</b>				
Schedules referred to herein form an integral part of the Balance Sheet.				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.				This is the Profit and Loss Account referred to in our report of even date.				
Neeraj Gupta Partner For and on behalf of Price Waterhouse Chartered Accountants		For and on behalf of the Board of Directors Virendra Samani Company Secretary O. P. Chechani VP & CFO Adesh Gupta Director Sanjeev Aga Director		Neeraj Gupta Partner For and on behalf of Price Waterhouse Chartered Accountants		For and on behalf of the Board of Directors Virendra Samani Company Secretary O. P. Chechani VP & CFO Adesh Gupta Director Sanjeev Aga Director		
Place: Mumbai Date: April 23, 2003		Place: Mumbai Date: April 23, 2003		Place: Mumbai Date: April 23, 2003		Place: Mumbai Date: April 23, 2003		





# BIRLA TECHNOLOGIES LIMITED

Notes forming part of the Balance Sheet as at March 31, 2003 and Profit and Loss Account for the year ended March 31, 2003

## SCHEDULE Q NOTES TO ACCOUNTS

1. 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).

2. Significant Accounting Policies

a) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation.

Assets acquired from Grasim Industries Limited are depreciated on straight-line method over their remaining useful life at the following rates:

Plant and Machinery	16.21 % to 30.70%
Office Equipment	6.39%
Furniture and Fixtures including electrical installation	7.85% to 11.31%
Vehicles	10.99%

Depreciation on other assets is provided on a pro-rata basis on straight-line method at the higher of the rates prescribed in Schedule XIV to the Act and the rates based on the useful lives of assets, if different from that implied by the applicable Schedule XIV rates.

Assets costing less than Rs. 10,000 are depreciated fully in the year of purchase.

Leasehold land is amortized proportionately over the unexpired period of lease.

Goodwill is amortized equally over five years.

Software Products are amortized equally over three years.

b) Inventories

Work- In- Progress is valued at lower of unbilled cost and the related unbilled amounts. Provision is made for unrealizable cost in excess of contract values.

c) Retirement Benefits

Gratuity is accounted on an actuarial valuation basis. Leave encashment provision in respect of India operations is accounted on actuarial valuation basis and in respect of overseas branches is accounted on accrual basis, based on unavailed privilege leave balance as at the year end.

d) Foreign Currency Transactions

Transactions in foreign currencies are accounted for at the exchange rates prevalent on the date of transactions. Current assets and current liabilities are converted at the period-end exchange rates and both gains/ losses are recognised.

Transactions pertaining to overseas branches have been converted as under:

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

e) Revenue Recognition

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

b) In the case of Software developed by the Company and supplied to the customer the revenue is recognised as follows:

- Revenue pertaining to the delivery of the product is recognized at the time the license to use is made over to the customer.
- Revenue pertaining to the implementation of the Software is recognised after implementation.

f) Deferred Taxation

Considering the loss incurred by the Company upto the year ended March 31, 2003, and based on the Management's estimates of losses in foreseeable future, deferred tax assets have not been recognised in these Accounts.

3. The net worth of the Company has been completely eroded as at March 31, 2003. The Company, however, is able to operate uninterruptedly with continuous financial support of its ultimate Holding Company. Accordingly, the financial statements have been prepared on going concern basis.

4. Managerial Remuneration under Section 198 of the Act, paid to the manager, included in Salary, Wages and Employee Benefits (Schedule M):

Particulars	For year ended March 31, 2003 (Rs.)	For year ended March 31, 2002 (Rs.)
Salary and Allowances	2,972,442	2,880,000
Perquisites and Incentive	53,170	156,575
Contributions to Provident Fund	143,110	144,000
<b>Total</b>	<b>3,168,722</b>	<b>3,180,575</b>

The above remuneration is in accordance with the approval of the Central Government received vide its letter No.1/162/2001 - CL.VII dated September 28, 2001.

The manager Mr. Ashok Sand appointed under Section 269 of the Act has resigned effective February 28, 2003 and the Company is in process to fill up the vacancy.

5. Details of operating leases as follows:

Particulars	For year ended March 31, 2003 Rs.
a) Lease payments debited to the Profit and Loss Account	
— Minimum lease payments (net)	8,162,661
— Contingent Rent	Nil
b) The initial lease period for office premises/guest house is 11 months to 72 months and is renewable in case of Mumbai office for a further period of three years at 20% increase in rent. These leases are cancellable at the option of either party by giving 60 to 90 days notice.	

6. Earnings Per share

	For year ended March 31, 2003	For year ended March 31, 2002
Loss after Taxation (A)	89,310,876	209,792,330
Weighted Average number of equity shares (B)	9,800,350	9,800,350
Earning/ (Loss) per share – Basic and diluted (A/B)	(9.11)	(21.41)
Nominal Value of an equity share	10	10

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 of the Act.

8. Earnings in Foreign Currency

	For year ended March 31, 2003 (Rs.)	For year ended March 31, 2002 (Rs.)
F.O.B. Value of Exports		
— Software	281,840,144	272,286,803

9. Expenditure in Foreign Currency

— Software Development	273,253,245	270,725,354
------------------------	-------------	-------------

10. Segmental Reporting:

Primary Segment:

In accordance with the requirements of Accounting Standard 17 *Segment Reporting* the Company has determined its business segment as rendering of Software Services. Since 100% of the Company's business is from Software Services, there are no other primary reportable segments. Thus the segment revenue, segment result, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segments assets, the total amount of charge for depreciation and amortization during the year are all as reflected in the Financial Statements for the year ended March 31, 2003 and as on that date.

# BIRLA TECHNOLOGIES LIMITED

## Schedule Q (continued)

Secondary Segments (By Geography):

Particulars	North America Rs.	Europe Rs.	India Rs.	Others Rs.	Total Rs.
Revenue from external customers	153,722,539 (172,516,547)	106,794,698 (93,645,000)	16,341,550 (20,056,500)	21,322,907 (6,126,948)	298,181,694 (292,344,995)
Segment Assets	29,183,488 (30,283,545)	22,889,197 (27,015,760)	202,036,337 (254,011,925)	8,442,215 (1,346,894)	262,551,237 (312,658,124)
Addition to Fixed Assets during the year	— (187,615)	78,817 (1,469,179)	3,233,228 (19,119,858)	—	3,312,045 (20,776,652)

The figures in brackets pertain to previous year.

11. Figures for the previous year ended March 31, 2002, wherever necessary, have been regrouped, rearranged to confirm to those of the current year.

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

Signatures to Schedules A to Q forming part of the Balance Sheet as at March 31, 2003 and Profit and Loss Account for the Year ended March 31, 2003.

Neeraj Gupta Partner For and on behalf of Price Waterhouse Chartered Accountants	Virendra Samani Company Secretary	O. P. Chechani VP & CFO	Adesh Gupta Director	Sanjeev Aga Director
Place: Mumbai Date: April 23, 2003	Place: Mumbai Date: April 23, 2003			

## ANNEXURE

### ADDITIONAL INFORMATION PURSUANT TO THE PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956.

#### Balance Sheet Abstract and Company's General Business Profile:

##### I. Registration Details

Registration No.: 128315 State Code 1 1  
Balance Sheet 31st March 2003

##### II. Capital Raised during the Year (Amount in Rs. Thousand)

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

##### III. Position of Mobilisation and Deployment of Funds

(Amount in Rs. Thousands)

Total Liabilities*	Total Assets
262551	262551

\* including shareholder's fund

Sources of Funds	Reserves & Surplus
Paid-Up Capital	195077
98004	Unsecured Loans
Secured Loans	129166
120554	Investments
Application of Funds	NIL
Net Fixed Assets	Misc. Expenditure
173933	NIL
Net Current Assets	
43684	
Accumulated Losses	
325183	

##### IV. Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
298182	395193
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
(89311)	(89311)
Earning per Share (in Rs.)	Dividend rate %
(9.11)	NIL

##### V. Generic Names of Principal Products/Services of Company (as per monetary terms)

Item Code No.	N.A.
Product	
Description	Computer Software

For and on behalf of the Board of Directors

Virendra Samani  
Company Secretary

O. P. Chechani  
VP & CFO

Adesh Gupta  
Director

Sanjeev Aga  
Director

Place: Mumbai  
Date: April 23, 2003

# BIRLA TECHNOLOGIES LIMITED

## Statement of particulars of employees pursuant to the provision of Section 217(2A) of the Companies Act & forming part of the Director's Report for the Year ended 31st March, 2003

Name	Designation / Nature of Duties	Qualification	Age	Expe- rience (Yrs)	Date of Joining	Remuneration (Rs.)	Details of Previous Employment	Designation	Period of Service (Yrs)
<b>Employed for the year under review and were in receipt of remuneration not less than Rs. 200000/- per month</b>									
<b>Employees located in India - Employed for part to the year</b>									
Ashok Sand	Chief Executive Officer	MS (Chem.) B. Tech	42	15.0	01/07/00	6036746	BAAAN Info Systems, Netherlands	Programme Manager	12.0
<b>Employees located Abroad - Employed throughout the Year (salary paid in the foreign currency and expressed in Rupees)</b>									
Bhujang Rao	Sr. Software Engineer	B.Sc., MCA	33	8.50	09/12/96	3120723	Novella Systems	Software Engineer	2.0
Naushad Ahmed	Head-American Operations	MBA	39	18.20	05/04/01	8813894	NIIT	Vice President (Marketing)	12.0
Paraklitaru Thomas G	Project Manager	M.Sc. (Maths & Comp. Sc.)	34	11.30	09/03/92	3876121	—	—	—
Ramadas Anantha R	Sr. Project Leader	BE (ESEC) & ER&DC	33	10.20	03/04/95	3156393	A.P.R. Agencies	Programmer	2.0
John Sudhakarbozugu	Sr. Software Engineer	B.Sc., ADM	32	9.60	12/05/99	2970223	Micro Technologies	Manager (Products)	5.7
Relan Vilas	Project Leader	MCS	31	8.40	20/01/97	2907044	Modern Group	System Analyst	0.1
Anand Lokaya Korian	Project Leader	B.Com., MCS, Dip. Travel & Tour	30	9.00	07/01/99	2895955	Systems Plus Pvt. Ltd.	Programmer	3.4
Keran Kumar Veghela	Account Manager	BE, MBA (Marketing)	34	9.00	05/07/01	2599091	Changepond Technologies	Director, Bus. Development	0.4
Joseph Herald Mendonca	Project Leader	B.Com., Dip.Sys.Mgmt., Analysis	33	8.50	02/11/99	2633671	Trilogy Software Ltd.	Sr. Software Engineer	3.2
Rajesh Lokhande	Software Engineer	BE	31	8.70	02/05/97	2589430	Vora Computer Resources	Software Engineer	2.9
Dinesh B Sundaram	Software Engineer	B.Sc. (Comp)	29	7.90	15/02/99	2558046	SSIL	Software Engineer	0.9
G. Sivasubramaniam	Software Engineer	MCA	29	6.80	24/11/97	2543341	K.T. Computing	Analyst Programmer	1.3
Muthu M Velusamy	Sr. Software Engineer	BE(ESEC), PGDBA, DCA	32	9.00	26/10/98	2488028	Florida Software Solutions	Software Engineer	3.0
Rajkumar Subburaj	Software Engineer	BE(Elec)	29	8.10	15/01/98	2507045	Goody Impex	Analyst Programmer	0.3
N. Sukumar Reddy	Software Engineer	MCA	34	6.7	06/11/98	2550459	Spar Systems	Software Engineer	1.9
Jitendra Rambhaya	Sr. Software Engineer	BE	28	6.9	05/05/98	3018662	BCC Computers Ltd.	Programmer	1.9
Mallesh Nalawde	Software Engineer	Dip.Mech.Cer., DOEACC	29	5.1	18/08/99	2917433	Netech Systems	Programmer Analyst	2.0
Sandeep Anand	Comp. Engg. Networking	BE	28	7.1	19/03/99	2692695	Accel Limited	Senior Software Engineer	2.5
Vineet Maheshari	Software Engineer	BE(Comp. Sc)	28	5.11	16/08/99	2406182	Bombay Stock Exchange	Software Engineer	0.1
Akhillesh Kothari	Software Engineer	B.Sc(Comp.Sc)	27	7.5	18/01/99	2453125	Software Algorithms Pvt. Ltd.	Senior Programmer	2.8
V. Cheezhian	Software Engineer	BE (Ind. Elec)	29	6.7	03/04/00	2587444	Bahrain Automotive Centre	Junior Executive	0.1
Kallol Dutragupta	Software Engineer	BE (Mech.)	30	5.5	22/02/00	2760220	WebCraft Software Solutions	Senior Developer	0.6
K.C. Ashok Kumar	Software Engineer	B.Sc.	27	6.1	09/09/00	2934269	Digitalis	Software Engineer	1.2
Milind Jayant Agarkar	Software Engineer	BE(M)	27	6.4	11/09/00	2869448	Silverline Technologies Ltd.	Programmer Analyst	1.2
Vijay Kasbekar	Head-European Operations	BE(Mech.),M.S.	55	31.1	11/04/00	7334537	Hexaware Software, UK	Operating Head	3.0
V. Sunderarajan	Project Leader	B.Sc., MMM	26	6.1	17/04/01	2976434	Honeywell Pvt Ltd.	Software Engineer	1.1
Pradeep Thomas	Sr. Software Engineer	BE	29	7.4	03/09/01	2664592	Apar Infotech	Programmer Analyst	0.9
Mohammad Khadeer	Sr. Software Engineer	M.E.	27	5.1	03/09/01	2754849	GSS American Inc.	Software Consultant	0.9
Sunil Kumar	Sr. Software Engineer	M. Tech	28	5.1	03/09/01	2986950	Verizon Wireless Communications	Analyst	0.8
Muralidhar Pindikura	Sr. Software Engineer	B.S.Engineering	31	8.2	03/12/01	2769342	MCI Worldcom	Software Engineer	1.1
Ashish Devalkar	Bus. Development Manager	MBA	36	12.1	02/04/02	3447477	Silverline Technologies Ltd. UK	Bus. Development Manager	0.3
<b>Employees located aboard - Employed for part of the year (salary foreign currency and expressed in Rupees)</b>									
Sadiq Mohammed	Regional Head-Mid West	MA, PDBA	44	18.11	22/06/01	4429445	Info Experts Inc.	V.P. & Managing Consultant	2.1
Kamran Ravindra L	Software Engineer	BE (Comp.)	31	7.70	05/11/97	2164766	Alpha Computers (P) Ltd.	Software Engineer	2.0
Dwate Sanjay Mahadeo	Software Engineer	BE (Comp.)	33	10.20	19/05/97	1511037	Chirokee India Pvt. Ltd.	Sr. Software Engineer	1.9
Ajith Kumar N.P.	Project Leader	M.Sc., APGDSM, MDBA	37	10.80	08/09/98	537720	Consys Technical Services Inc.	Technical Consultant	1.0
Manohar Jogi	Sales Manager	BE	33	11.0	01/09/98	2384264	Sonata Software Ltd.	Manager-Bus. Development	2.5
Mukesh Pherwani	Chief Technology Officer	Dip. in Dig. Electronics	32	11.7	13/03/00	2779724	Ajax Communications Ltd.	CEO	0.1
S. Joshi	Bus. Development Manager	BA	27	8.00	20/02/03	4211159	Xansa, UK	Sales Manager	0.1

### Notes :

1. Remuneration includes salary, allowances, medical benefits, Company's Contribution to Provident Fund, leave encashment, leave travel assistance and value of perquisites and also includes Gratuity / retirement benefits.
2. None of these Executives are related to any Directors of the Company.
3. All appointments are contractual, other terms and conditions are as per rules of the Company.



## The Aditya Birla Group of Companies / JVs in India

The Aditya Birla Group enjoys a leadership position in all of the sectors in which it operates

### LISTED COMPANIES:

<b>Grasim Industries Limited</b>	:	Viscose Staple Fibre, Cement, Sponge Iron, Textiles, Chemicals
<b>Hindalco Industries Limited</b>	:	Aluminium, Copper
<b>Indian Aluminium Company Limited</b>	:	Aluminium
<b>Indian Rayon And Industries Limited</b> (Indian Rayon)	:	Viscose Filament Yarn, Branded Apparels, Carbon Black, Textiles (Spun Yarn & Fabrics)
<b>Indo Gulf Fertilisers Limited</b>	:	Fertilisers
<b>Birla Global Finance Limited</b> (BGFL)	:	Financial Services
<b>PSI Data Systems Limited</b>	:	I.T., Software
<b>HGI Industries Limited</b>	:	Malleable Iron Castings, Industrial Gases
<b>Tanfac Industries Limited*</b>	:	Fluorine chemicals
<b>Bihar Caustic And Chemicals Limited</b>	:	Caustic Soda, Liquid Chlorine, Hydrochloric Acid
<b>Shree Digvijay Cement Company Limited</b>	:	Cement

### JOINT VENTURES\*:

<b>BIRLA NGK Insulators Private Limited</b> (JV with Indian Rayon)	:	Insulators
<b>Birla Sun Life Insurance Company Limited</b> (JV with Indian Rayon)	:	Life Insurance
<b>Birla Sun Life Asset Management Company Limited</b> (JV with BGFL)	:	Investment / Mutual Fund
<b>Birla Sun Life Distribution Company Limited</b> (JV with BGFL)	:	Investment Advisory
<b>Birla Sun Life Securities Limited</b> (JV with BGFL)	:	Stock Broking
<b>Birla Sun Life Trustee Company Limited</b> (JV with BGFL)	:	Trustee for Birla Mutual Fund
<b>Idea Cellular Limited</b>	:	Telecom



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to make sure we're comfortable.

That's how we define

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The art of dress & style for life.

**Van Heusen**  
FORMAL COLLECTION

**OUT OF THE BLUE.  
IN YOUR FACE.**

**ENIGMA**

**VAN HEUSEN**  
FORMAL COLLECTION

Available in 40 shades of blue. Now with subtle stripes. A classic shirt in a new color. Premium materials and details. It's an enigma you won't get any other way.

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**formal**  
Premium Fabrics

**VAN HEUSEN**  
FORMAL COLLECTION

A soft look at business weekends

What makes a Van Heusen shirt special:

- 100% cotton fabric of choice for added flexibility
- Unique hemstitch design
- Select 2-button styling
- Dyed to match buttons
- Rigged military collar
- Softener finish for smooth feel
- 27 vibrant colors