



CHARTING GLOBAL GROWTH

**ADITYA BIRLA NUVO**



**ADITYA BIRLA GROUP**

ADITYA BIRLA NUVO LIMITED

ANNUAL REPORT 2006-2007



Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.  
We live by their values.  
Integrity, Commitment, Passion, Seamlessness and Speed

## THE CHAIRMAN'S LETTER TO SHAREHOLDERS



India stands in the midst of an epochal transformation. Today, we are the fourth largest economy in the world in terms of purchasing power parity, the third largest in Asia, and the second largest among the emerging nations. Growing at a clip of over 9% annually, India is one of the few markets that has enormous potential for growth and earnings in practically all sectors. There is no let up from the Government on the reform process which has spurred the economy. These developments at the macro level will have a positive impact on your Company.

Your Company's performance has been good. Its net consolidated revenue at Rs.8,258 crores, up by 65%, with a net profit of Rs.281.2 crores, reflecting a sharp growth of 38%, is indeed noteworthy.

To sustain our leadership position in both the value businesses such as Carbon Black, Rayon, Textiles, Insulators and Fertiliser and the growth businesses, viz. Garments, Telecom, ITES and Financial Services, significant strategic steps have been taken. Let me add that the Carbon Black, Rayon and Fertiliser businesses account for a significant portion of your Company's standalone earnings, almost in equal proportion.

Let me first focus on the value businesses.

*"Your Company's performance has been good. Its net consolidated revenue at Rs.8,258 crores, up by 65%, with a net profit of Rs.281.2 crores, reflecting a sharp growth of 38%, is indeed noteworthy."*

#### **Rayon Division**

Despite the challenging business environment in the Rayon sector where growth is stagnant, your Company's Rayon Division has turned in a smart performance. Its net revenues are higher by 15 percent, over that of the previous year on the back of cost optimization and efficiency improvements.

Its emphasis will continue to be on escalating the share of value-added yarns. An additional thrust is on technological upgradation for upping the quality of its yarn, which is a challenge our teams have to grapple with.

#### **Carbon Black**

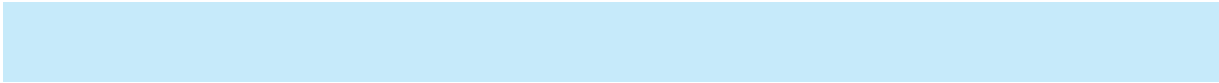
The global automotive market has seldom looked so enticing. It is true of India too. Capitalising on this, your Company's Carbon Black Division continues to show a robust performance. The 60,000 tpa Brownfield expansion is on track, and should go on stream by the end of June 2007. A 120,000 tpa Greenfield project in Western India is on your Company's radar as well. Currently we are in the process of acquiring the land for the same. I believe, this business is slated to grow at a much faster clip, led by the transport sector.

#### **Textiles**

Linen and Worsted Yarn continue to be the key drivers of the Textile Division's improved performance. To sustain our leadership position in the Linen segment, the Division has embarked upon a capacity expansion and a much wider customer reach through exclusive linen retail outlets. In the Worsted segment, your Company is increasingly focussing on value-added products. In line with our strategy to exit from synthetic spinning, your Company has begun scaling down its operations in this segment.

#### **Fertiliser**

Enhanced operational efficiencies, backed by the increasing demand for urea fertilizers, have fuelled the Fertiliser Division's revenues and earning. The share of value-added products is steadily increasing with its neem-coated urea 'Krishidev', gaining greater popularity with the farmers both because of its higher efficacy and environment-friendliness. As a further step in this direction, your Company has developed zincated, sulphonated and boronated urea. Your Company is dialoguing with the Government to fix a fair price for these value-added products to make them economically feasible.



Your Company has begun the debottlenecking process at the plant to raise the urea capacity. It is also exploring the possibility of an additional Greenfield/Brownfield expansion. The outlook for this business is promising.

#### **Insulators**

In the Insulator business, capacity expansion, focus on value-added products, yield and process betterment are measures taken to bolster performance. As the power sector is on a roll with huge investments lined up in the transmission and distribution segment, the outlook for this business is positive.

#### **Growth Business**

##### **Garments**

In the Garments segment, the Division has put in a remarkable performance. It has evolved a distinctive strategic brand architecture which has notched up its brand equity manifold. We look upon this business with a great degree optimism as the market for ready-made garments is growing at a phenomenal pace. Strengthening its innovative lifestyle brands through a constant enrichment of the product mix, expanding its retail reach and giving its customers a distinctively international shopping ambience will see the Division maintain its edge on-goingly.

##### **Idea Cellular**

Idea Cellular is gaining in stature. The Company has over 14 million subscribers. Its market share has risen to 8.6%. It enjoys a leadership position in most of the eight circles in which it operates, viz., Maharashtra, Gujarat, Andhra Pradesh, Kerala, Madhya Pradesh, Delhi, Uttar Pradesh (West) and Haryana. Three new circle operations were rolled out in Himachal Pradesh, Rajasthan and Uttar Pradesh (East). Thus expanding its network to eleven circles. A roll out of services in Mumbai and Bihar circles should happen in 2007. At the same time, Idea is working on a National long-distance roll-out. Idea is now a listed entity on the Stock Exchange.

Given the rapid pace of growth in the telecom sector, I believe, Idea Cellular can only go forward.

##### **Life Insurance**

Aggressively expanding its distribution network and launching unique products should enable the business move up. Your Company's thrust in the Life Insurance business will be to regain its market leadership. In this regard, its distribution network has been considerably beefed up. This additional

ramping up and higher marketing expenses on account of competitive pressures may delay the breakeven by another two years.

### **Financial Services**

The business has been characterized by a raft of changes with many new entrants in the fray. The total asset under management of the Asset Management Company rose to Rs.20,849 crores. To sustain growth levels, the business is enhancing its distribution reach through a slew of innovative offerings. Birla Global Division has sustained its leadership position in the IPO Financing, extending finances of Rs.3,305 crores during the year.

### **IT/ITES Sector**

In the BPO business the TransWorks/Minacs combine has catapulted your Company to a truly global corporation. The division envisions becoming a leading global premium BPO player and grow the Company aggressively. Our intent is also to build up the combined non-voice/ KPO business and have significant revenues and earnings flow from transaction and knowledge processing

*“Today our Group is a US\$ 24 billion corporation with a market cap in excess of US\$ 23 billion, anchored by a committed 100,000 workforce belonging to 25 nationalities, representing 20 countries across 5 continents. We are all glued together by a common set of values – Integrity, Commitment, Passion, Seamlessness and Speed.”*

assignments. It boasts of marquee clients, many of whom are Fortune 500 companies. Your Company is also exploring expansion opportunities in India, Philippines and other geographies. The ITES business is on a high-growth trajectory.

PSI Data Systems strategy of concentrating on core verticals, largely corporate banking, financial services and high technology, has begun to yield dividends. Your Company has ramped up its sales team, enlisted new clients and has put in place cost optimization measures. It is building up on scalability to support growth, strengthening delivery capabilities and offering a marked differentiation in service.

For our success, much credit must go to our people. The quality of our people, their intellectual and emotional commitment has been and continues to be unwavering. I deeply acknowledge their contribution in perpetuating such a meritocratic organization.

## **The Aditya Birla Group : In Perspective**

In line with our vision to be a premium global conglomerate with a clear focus at each business level, I am pleased to inform you that our geographic reach has far expanded. This year has indeed been a landmark year consequent to major acquisitions. Today our Group is a US\$ 24 billion corporation with a market cap in excess of US\$ 23 billion, anchored by a committed 100,000 workforce belonging to 25 nationalities, representing 20 countries across 5 continents. We are all glued together by a common set of values – Integrity, Commitment, Passion, Seamlessness and Speed.

As a Group we are a meritocracy with a sharp focus on people processes. We try and make space for new ideas and encourage a spirit of experimentation. Champions of good ideas have every chance to try them out.

Our people systems and our Group's HR strategy continue to evolve as our Group increasingly globalises. In this regard, we are continuously innovating to support our business vision with world-class HR processes and strategies. The Group-wide implementation of Project Poornata – the People soft based HR-ERP Programme, in its first year of implementation is already reckoned as an enabler of strategic people decisions. These on-line people processes enhance transparency and productivity.

Talent management and strengthening of the talent pool in building leadership across the Group continues to be a focus area. On the professional front, our people systems are aligned to foster excellence, empower and enrich people, recognize creativity, innovation and reward performance. People with a track record, people with a passion to perform are steered on to a growth trajectory. Our endeavours to identify, develop and push high potential talent, which was an initiative begun two years ago, will soon be institutionalised. It might interest you to learn that more than 4000 of our high caliber management talent have been put through our Development Assessment Centres and their professional development plans charted out.

Our investments into employee development both through classroom teaching, e-learning, personal coaching by senior management and mentoring have been scaled up.

***“To offer our people a share in the value created by the organisation, we announced the Employee Stock Option Plan which we expect to roll out in the next financial year. This would give them an increasing sense of ownership in our Group.”***

*"It is with a great sense of pride that I share with you the fact that our Group has been adjudged as the Best Employer in India in 2007 and amongst the top 20 Best Employers in Asia in the Hewitt-Economic Times and Wall Street Study of 2007. This is a singular achievement and a great honour given that the Study encompassed 230 companies in India and over 700 companies in Asia. This honour is also a reflection of the pride, the affection and attachment that colleagues all over have for our Group."*

Given the intense war for talent, in addition to these HR systems, we have taken a slew of initiatives to strengthen our employer brand and to improve the quality of life of our employees. This, we hope, will help us keep the edge.

We have set up a taskforce to define the unique employment proposition that our Group can and does offer. Our intent is to ensure that these employee value propositions translate in the day-to-day experiences of our people and enhance their involvement with our Group.

To offer our people a share in the value created by the organisation, we announced the Employee Stock Option Plan which we expect to roll out in the next financial year. This would give them an increasing sense of ownership in our Group.

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While we cherish this acknowledgement, we realise that we have to work harder in the people area and bring in an even sharper focus on employees and their engagement.

Best regards,

Yours sincerely,



Kumar Mangalam Birla

# ADITYA BIRLA NUVO LIMITED

## BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla, Chairman  
 Mrs. Rajashree Birla  
 Mr. H. J. Vaidya  
 Mr. B. L. Shah  
 Mr. P. Murari  
 Mr. B. R. Gupta  
 Ms. Tarjani Vakil  
 Mr. Vikram Rao, Whole Time Director  
 Mr. S. C. Bhargava  
 Mr. G. P. Gupta  
 Mr. S. K. Mitra, Whole Time Director  
 Mr. Rakesh Jain, Whole Time Director  
 Mr. K. K. Maheshwari, Whole Time Director  
 Mr. Adesh Gupta, Whole Time Director  
 Dr. Bharat K. Singh, Managing Director

## MANAGING DIRECTOR

Dr. Bharat K. Singh

## WHOLE-TIME DIRECTOR & CFO

Mr. Adesh Gupta

## COMPANY SECRETARY

Mr. Devendra Bhandari

## AUDITORS

Khimji Kunverji & Co., Mumbai  
 S. R. Batliboi & Co., Mumbai

## OTHER BRANCH AUDITORS

K. S. Aiyar & Co., Mumbai  
 Deloitte Haskins & Sells, Bangalore

## SOLICITORS

Mulla & Mulla and Craigie,  
 Blunt & Caroe, Mumbai

## REGISTERED OFFICE

Indian Rayon Compound,  
 Veraval 362266 (Gujarat)

## EXECUTIVES

### DIVISION

#### RAYON DIVISION

Mr. K. K. Maheshwari Business Director  
 Mr. V. G. Somani President

#### HI-TECH CARBON

Mr. Rakesh Jain Business Director  
 Mr. S. S. Rathi Executive President

#### TEXTILES

Mr. Vikram Rao Business Director  
 Mr. J. C. Soni President

#### MADURA GARMENTS

Mr. Vikram Rao Business Director  
 Mr. Hemchandra Javeri Sr. Executive President  
 Mr. Ashish Dixit President

#### INDO GULF FERTILISERS

Dr. Bharat K. Singh Business Director  
 Mr. S. K. Jain Sr. President

#### FINANCIAL SERVICES DIVISION

Mr. S. K. Mitra Director (Financial Services)  
 Mr. Sushil Agarwal President

## PROMINENT SUBSIDIARIES/JOINT VENTURE COMPANIES

### Birla Sun Life Insurance Co. Ltd.

Mr. Vikram Mehmi President & Chief Executive Officer

### PSI Data Systems Ltd.

Mr. Dev Bhattacharya Group Executive President  
 Mr. Sampath Iyengar Chief Executive Officer

### Transworks Information Services Ltd.

Mr. Dev Bhattacharya Group Executive President

### Minacs World Wide Inc.

Mr. Bruce Simmonds Chief Executive Officer

### Madura Garments Exports Ltd.

Mr. Vikram Rao Director  
 Mr. Partho Kar Chief Operating Officer

### Aditya Birla Insulators Ltd.

Mr. Jayant Dua Managing Director

### Idea Cellular Ltd.

Mr. Sanjeev Aga Managing Director

### Birla Global Finance Co. Ltd.

Mr. S. K. Mitra Director (Financial Services)

### Birla Sun Life Asset Management Co. Ltd.

Mr. Mukul Gupta Chief Executive Officer

### Birla Sun Life Distribution Co. Ltd.

Mr. Ravi Sharma Chief Executive Officer

### Birla Insurance Advisory Services Ltd.

Mr. Sushil Agarwal Chief Executive Officer

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## FINANCIAL HIGHLIGHTS

|  | Units   | 2006-07         | 2005-06         | 2004-05         | 2003-04         | 2002-03         | 1997-98              |
|--|---------|-----------------|-----------------|-----------------|-----------------|-----------------|----------------------|
| <b>PRODUCTION (Quantity)</b>                       |         |                 |                 |                 |                 |                 |                      |
| Viscose Filament Rayon Yarn                        | MT      | 17,669          | 17,233          | 16,420          | 16,060          | 15,873          | 14,273               |
| Chlor-alkali (Caustic Soda)                        | MT      | 67,663          | 57,051          | 45,457          | 39,305          | 34,875          | 13,883               |
| Spun Yarns   | MT      | 17,720          | 19,190          | 15,445          | 14,421          | 13,781          | 15,721               |
| Fabric   | 000 Mtr | 5,088           | 4,646           | 3,751           | 2,734           | 3,627           | 5,232                |
| Urea (Merged w.e.f. 1st Sep 05)                    | MT      | 1,028,064       | 575,646         | -               | -               | -               | -                    |
| Carbon Black                                       | MT      | 182,668         | 175,080         | 164,025         | 118,707         | 112,563         | 42,104               |
| Insulators (Demerged w.e.f. 1st Aug., 02)          | MT      | -               | -               | -               | -               | 7,673           | 22,752               |
| White Cement (Demerged w.e.f. 1st Sep., 98)        | 000 MT  | -               | -               | -               | -               | -               | 199                  |
| Cement (Demerged w.e.f. 1st Sep., 98)              | 000 MT  | -               | -               | -               | -               | -               | 3,075                |
| <b>SALES (Quantity)</b>                            |         |                 |                 |                 |                 |                 |                      |
| Viscose Filament Rayon Yarn                        | MT      | 17,039          | 17,380          | 16,445          | 15,694          | 15,422          | 14,322               |
| Chlor-alkali (Caustic Soda)                        | MT      | 67,226          | 56,954          | 45,920          | 39,344          | 34,207          | 13,596               |
| Spun Yarns   | MT      | 18,357          | 18,866          | 15,686          | 14,594          | 13,882          | 15,190               |
| Fabric   | 000 Mtr | 4,645           | 4,418           | 3,593           | 2,798           | 3,614           | 5,027                |
| Urea   | MT      | 1,043,565       | 563,914         | -               | -               | -               | -                    |
| Carbon Black                                       | MT      | 180,893         | 175,944         | 165,095         | 118,182         | 114,232         | 42,118               |
| Insulators (Domestic sales since 03-04)            | MT      | 7,776           | 16,245          | 9,219           | 6,813           | 7,596           | 23,088               |
| White Cement                                       | 000 MT  | -               | -               | -               | -               | -               | 202                  |
| Cement   | 000 MT  | -               | -               | -               | -               | -               | 3,083                |
| <b>PROFIT &amp; LOSS ACCOUNT</b>                   |         |                 |                 |                 |                 |                 |                      |
| <b>GROSS SALES (excluding captive consumption)</b> |         |                 |                 |                 |                 |                 | <b>Rs. in Crores</b> |
| Garments   |         | 693.65          | 615.80          | 476.07          | 413.09          | 347.56          | -                    |
| Viscose Filament Rayon Yarn                        |         | 308.21          | 296.29          | 284.05          | 292.33          | 319.82          | 283.31               |
| Chlor-alkali                                       |         | 138.57          | 113.67          | 92.15           | 63.92           | 54.00           | 8.75                 |
| Spun Yarns   |         | 513.57          | 421.74          | 379.11          | 356.93          | 307.43          | 226.25               |
| Fabric   |         | 98.60           | 95.35           | 71.90           | 55.14           | 52.67           | 43.37                |
| Carbon Black                                       |         | 817.66          | 619.18          | 500.95          | 378.48          | 370.75          | 126.48               |
| Urea   |         | 756.74          | 366.47          | -               | -               | -               | -                    |
| Insulators   |         | 112.69          | 121.56          | 89.38           | 59.82           | 62.87           | 157.78               |
| Financial Services (Merged w.e.f. 1st Sep 05)      |         | 27.65           | 31.64           | -               | -               | -               | -                    |
| White Cement                                       |         | -               | -               | -               | -               | -               | 120.06               |
| Cement   |         | -               | -               | -               | -               | -               | 699.51               |
| Others   |         | 110.55          | 104.69          | 94.43           | 97.91           | 78.25           | 149.03               |
| <b>Total Gross Sales</b>                           |         | <b>3,577.89</b> | <b>2,786.39</b> | <b>1,988.04</b> | <b>1,717.61</b> | <b>1,593.35</b> | <b>1,814.54</b>      |
| Excise duty  |         | 157.42          | 144.34          | 127.20          | 140.22          | 150.93          | 232.29               |
| <b>Net Sales</b>                                   |         | <b>3,420.47</b> | <b>2,642.05</b> | <b>1,860.84</b> | <b>1,577.39</b> | <b>1,442.42</b> | <b>1,582.25</b>      |
| Operating Expenses                                 |         | 2,861.19        | 2,222.10        | 1,606.41        | 1,333.79        | 1,212.23        | 1,228.22             |
| <b>Operating Profit</b>                            |         | <b>559.28</b>   | <b>419.95</b>   | <b>254.43</b>   | <b>243.60</b>   | <b>230.19</b>   | <b>354.03</b>        |
| Other Income                                       |         | 44.51           | 23.44           | 9.72            | 14.23           | 10.00           | 19.67                |
| Interest Payment (Net)                             |         | 171.16          | 55.79           | 18.73           | 14.82           | 21.72           | 54.97                |
| <b>Gross Profit</b>                                |         | <b>432.63</b>   | <b>387.60</b>   | <b>245.42</b>   | <b>243.01</b>   | <b>218.47</b>   | <b>318.73</b>        |
| Depreciation /Amortisation                         |         | 120.32          | 111.81          | 80.69           | 81.52           | 71.74           | 87.22                |
| <b>Profit before Exceptional Items and Tax</b>     |         | <b>312.31</b>   | <b>275.79</b>   | <b>164.73</b>   | <b>161.48</b>   | <b>146.73</b>   | <b>231.51</b>        |
| Exceptional Items Gain/ (Loss)                     |         | (1.23)          | (4.04)          | (7.65)          | 19.95           | (7.18)          | -                    |
| <b>Profit after Exceptional Items</b>              |         | <b>311.08</b>   | <b>271.75</b>   | <b>157.08</b>   | <b>181.43</b>   | <b>139.55</b>   | <b>231.51</b>        |
| Provision for Current Tax                          |         | 67.56           | 87.48           | 45.35           | 44.25           | 9.00            | 19.00                |
| Provision for Deferred Tax                         |         | 15.16           | (6.91)          | (1.99)          | 5.90            | 25.22           | -                    |
| Fringe Benefit Tax                                 |         | 3.39            | 4.25            | -               | -               | -               | -                    |
| <b>Net Profit</b>                                  |         | <b>224.97</b>   | <b>186.93</b>   | <b>113.72</b>   | <b>131.28</b>   | <b>105.33</b>   | <b>212.51</b>        |
| Equity Shares Dividend (incl. Dividend tax)        |         | 58.52           | 47.61           | 27.31           | 27.08           | 25.33           | 37.11                |
| <b>Retained Profit</b>                             |         | <b>166.45</b>   | <b>139.32</b>   | <b>86.41</b>    | <b>104.20</b>   | <b>80.00</b>    | <b>175.40</b>        |

## FINANCIAL HIGHLIGHTS

| BALANCE SHEET                       | Units | Rs. in Crores   |                 |                 |                 |                 |                 |
|-------------------------------------|-------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                                     |       | 2006-07         | 2005-06         | 2004-05         | 2003-04         | 2002-03         | 1997-98         |
| Net Fixed Assets                    |       | 1,308.13        | 1,135.52        | 810.28          | 737.47          | 684.08          | 1,644.03        |
| <b>Investments</b>                  |       |                 |                 |                 |                 |                 |                 |
| Long term Strategic Investments     |       | 3,473.87        | 1,410.24        | 618.31          | 581.63          | 412.19          | 139.31          |
| Others                              |       | 375.52          | 265.55          | 81.35           | 159.99          | 102.10          | 227.73          |
| <b>Total Investments</b>            |       | <b>3,849.39</b> | <b>1,675.79</b> | <b>699.66</b>   | <b>741.63</b>   | <b>514.30</b>   | <b>367.04</b>   |
| Net Current Assets                  |       | 972.94          | 1,127.57        | 462.67          | 318.95          | 359.85          | 576.20          |
| Misc. Expenditure (Not written off) |       | -               | -               | -               | 2.95            | 6.88            | -               |
| <b>Capital Employed</b>             |       | <b>6,130.46</b> | <b>3,938.88</b> | <b>1,972.61</b> | <b>1,801.00</b> | <b>1,565.11</b> | <b>2,587.27</b> |
| Net Worth represented by:-          |       |                 |                 |                 |                 |                 |                 |
| Equity Share Capital #              |       | 93.31           | 83.50           | 59.88           | 59.88           | 59.88           | 67.48           |
| Reserves & Surplus                  |       | 3,031.24        | 2,124.11        | 1,294.18        | 1,207.80        | 1,110.91        | 1,510.03        |
| <b>Net Worth</b>                    |       | <b>3,124.55</b> | <b>2,207.61</b> | <b>1,354.06</b> | <b>1,267.68</b> | <b>1,170.79</b> | <b>1,577.51</b> |
| <b>Loan Fund</b>                    |       |                 |                 |                 |                 |                 |                 |
| Long Term                           |       | 1,650.66        | 965.69          | 285.30          | 211.54          | 197.80          | 865.53          |
| Others                              |       | 1,181.17        | 597.88          | 207.73          | 194.27          | 70.10           | 144.23          |
| <b>Total Loan Funds</b>             |       | <b>2,831.83</b> | <b>1,563.57</b> | <b>493.03</b>   | <b>405.81</b>   | <b>267.90</b>   | <b>1,009.76</b> |
| Deferred Tax                        |       | 174.08          | 167.70          | 125.52          | 127.51          | 126.42          | -               |
| <b>Capital Employed</b>             |       | <b>6,130.46</b> | <b>3,938.88</b> | <b>1,972.61</b> | <b>1,801.00</b> | <b>1,565.11</b> | <b>2,587.27</b> |

# Capital raised through rights issue in February 2007 and Indo Gulf & Birla Global merged w.e.f. 1st September 2005

### RATIOS & STATISTICS

|  |               |          |        |        |         |         |         |
|--|---------------|----------|--------|--------|---------|---------|---------|
| Operating Margin   | %             | 16.35    | 15.89  | 13.67  | 15.44   | 15.96   | 22.38   |
| Gross Profit Margin  | %             | 12.65    | 14.67  | 13.19  | 15.41   | 15.15   | 20.14   |
| Net Margin before exceptional items                              | %             | 6.61     | 7.23   | 6.52   | 7.06    | 7.80    | 13.43   |
| Net Sales / Average Assets                                       | x             | 0.68     | 0.89   | 0.99   | 0.94    | 0.90    | 0.62    |
| Interest Cover (EBITDA/Net Interest)                             | x             | 3.53     | 7.95   | 14.10  | 17.40   | 11.06   | 6.80    |
| Interest Cover (EBITDA/Interest)                                 | x             | 3.09     | 6.47   | 11.53  | 10.75   | 5.50    | 3.44    |
| DSCR   | x             | 1.23     | 2.91   | 6.79   | 1.70    | 1.09    | 1.06    |
| ROACE (PBIT/ Average Capital Employed)                           | %             | 9.94     | 11.80  | 10.42  | 11.33   | 11.32   | 11.29   |
| ROAE (Net Profit before exceptional items/<br>Average Net Worth) | %             | 8.48     | 10.72  | 9.26   | 9.13    | 9.95    | 14.27   |
| ROAE (Net Profit/ Average Net Worth)                             | %             | 8.44     | 10.50  | 8.68   | 10.77   | 9.31    | 14.27   |
| Current Ratio  | x             | 3.15     | 3.26   | 2.74   | 2.27    | 2.61    | 2.30    |
| Debt Equity Ratio (Total Debt)                                   | x             | 0.91     | 0.71   | 0.36   | 0.32    | 0.23    | 0.64    |
| Debt Equity Ratio (Long Term Debt)                               | x             | 0.53     | 0.44   | 0.21   | 0.17    | 0.17    | 0.55    |
| Dividend per share   | Rs.           | 5.50     | 5.00   | 4.00   | 4.00    | 3.75    | 5.00    |
| Dividend as % to Net Profit                                      | %             | 26.02    | 25.47  | 24.02  | 20.58   | 24.05   | 17.46   |
| EPS (Before exceptional items) *                                 | Rs.           | 25.74    | 25.01  | 20.27  | 18.59   | 18.79   | 31.49   |
| EPS (After exceptional items)*                                   | Rs.           | 25.60    | 24.48  | 18.99  | 21.92   | 17.59   | 31.49   |
| CEPS (Before exceptional items) *                                | Rs.           | 41.16    | 38.75  | 33.41  | 33.19   | 34.98   | 44.42   |
| CEPS (After exceptional items)*                                  | Rs.           | 41.02    | 38.22  | 32.13  | 36.52   | 33.78   | 44.42   |
| Book Value per share   | Rs.           | 335      | 264    | 226    | 212     | 196     | 234     |
| No. of Equity Shareholders                                       | Numbers       | 164,603  | 89,287 | 94,137 | 102,488 | 117,869 | 160,539 |
| Closing Market Price   | Rs.           | 1,061.8  | 743.0  | 399.3  | 189.0   | 75.3    | 179.1   |
| Market Capitalization  | Rs. in Crores | 9,907    | 6,204  | 2,391  | 1,131   | 451     | 1,209   |
| Price Earning Ratio (Before exceptional items)                   | x             | 41.25    | 29.71  | 19.70  | 10.16   | 4.01    | 5.69    |
| Price /Book Value Ratio  | x             | 3.17     | 2.81   | 1.77   | 0.89    | 0.39    | 0.77    |
| Exports (FOB)  | Rs. in Crores | 482.56   | 460.05 | 447.37 | 383.54  | 372.76  | 297.21  |
| Capital Expenditure (Net)  | Rs. in Crores | 293.90   | 199.90 | 153.66 | 147.61  | 33.02   | 244.31  |
| Strategic Investments (Net)                                      | Rs. in Crores | 2,063.63 | 791.93 | 36.68  | 169.44  | (22.93) | 50.44   |

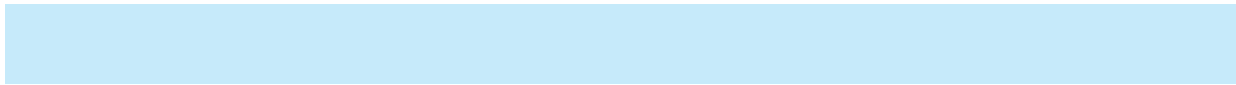
\* Weighted Average

## FINANCIAL HIGHLIGHTS - CONSOLIDATED

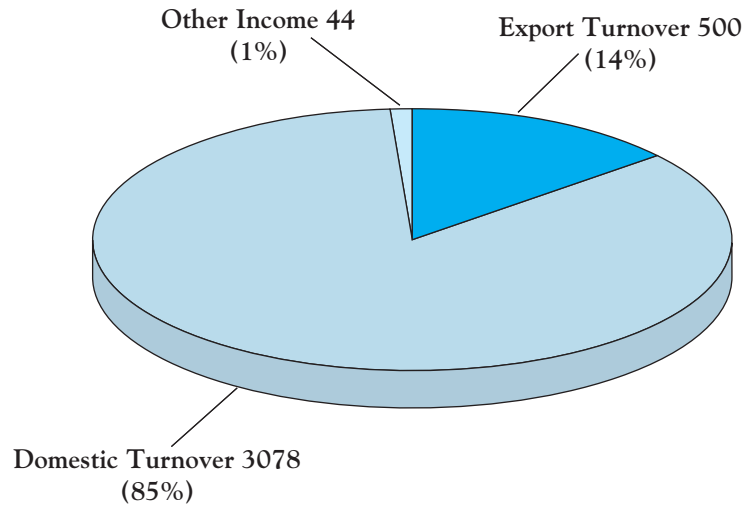
| PROFIT & LOSS ACCOUNT                             |       | Rs. in Crores    |                 |                 |                 |                 |
|---|-------|------------------|-----------------|-----------------|-----------------|-----------------|
|   | Units | 2006-07          | 2005-06         | 2004-05         | 2003-04         | 2002-03         |
| <b>NET SALES</b>                                  |       |                  |                 |                 |                 |                 |
| Garments  |       | 830.38           | 620.64          | 472.63          | 391.68          | 326.07          |
| Rayon Yarn (Including Caustic & Allied Chemicals) |       | 441.46           | 385.55          | 352.00          | 335.17          | 338.01          |
| Carbon Black                                      |       | 738.94           | 564.23          | 467.25          | 340.30          | 327.84          |
| Insulators  |       | 225.30           | 249.19          | 184.53          | 154.35          | 130.57          |
| Textiles (Spun Yarn & Fabrics)                    |       | 625.00           | 527.69          | 459.02          | 397.88          | 348.40          |
| Fertilisers (w.e.f. 1st September 2005)           |       | 778.48           | 379.39          | -               | -               | -               |
| Financial Services (w.e.f. 1st September 2005)    |       | 136.55           | 70.97           | -               | -               | -               |
| Software (w.e.f. 24th Oct., 2001)                 |       | 93.58            | 85.79           | 82.13           | 86.01           | 71.28           |
| Life Insurance                                    |       | 1,960.01         | 1,575.37        | 956.19          | 545.26          | 151.01          |
| Telecom (w.e.f. 1st April, 2002)                  |       | 1,421.81         | 388.32          | 96.91           | 55.56           | 39.04           |
| BPO (w.e.f. 1st July, 2003)                       |       | 1,015.54         | 163.30          | 108.23          | 57.28           | -               |
| Others  |       | 0.98             | 0.97            | 13.70           | 47.73           | 49.67           |
| Inter business transfer                           |       | (10.03)          | (4.48)          | (3.47)          | (6.98)          | (9.91)          |
| <b>Total Net Sales</b>                            |       | <b>8,258.00</b>  | <b>5,006.93</b> | <b>3,189.11</b> | <b>2,404.25</b> | <b>1,771.98</b> |
| <b>PBIT</b>                                       |       |                  |                 |                 |                 |                 |
|   |       | <b>716.35</b>    | <b>390.76</b>   | <b>131.07</b>   | <b>77.32</b>    | <b>90.09</b>    |
| Interest Payment (Net)                            |       | 362.88           | 103.83          | 36.93           | 32.36           | 40.75           |
| <b>Profit before Exceptional Items and Tax</b>    |       | <b>353.47</b>    | <b>286.93</b>   | <b>94.14</b>    | <b>44.97</b>    | <b>49.34</b>    |
| Exceptional Items Gain/ (Loss)                    |       | 0.52             | (4.04)          | (7.65)          | 17.26           | 1.20            |
| <b>Profit after Exceptional Items</b>             |       | <b>353.99</b>    | <b>282.89</b>   | <b>86.49</b>    | <b>62.63</b>    | <b>50.54</b>    |
| Provision for Tax                                 |       | 111.56           | 94.12           | 43.77           | 49.34           | 37.88           |
| <b>Net Profit Before Minority Interest</b>        |       | <b>242.43</b>    | <b>188.77</b>   | <b>42.72</b>    | <b>12.89</b>    | <b>12.67</b>    |
| Profit/(Loss) pertaining to Minority Interest     |       | (38.80)          | (15.27)         | (16.00)         | (20.21)         | (24.02)         |
| <b>Net Profit</b>                                 |       | <b>281.23</b>    | <b>204.04</b>   | <b>58.72</b>    | <b>33.11</b>    | <b>36.68</b>    |
| <b>BALANCE SHEET</b>                              |       |                  |                 |                 |                 |                 |
| <b>Net Fixed Assets</b>                           |       | 3,776.43         | 2,157.59        | 1,109.49        | 993.63          | 949.11          |
| <b>Goodwill On Consolidation</b>                  |       | 2,968.47         | 961.36          | 185.25          | 153.84          | 104.85          |
| <b>Investments</b>                                |       |                  |                 |                 |                 |                 |
| Insurance (Shareholder's / Policyholders')        |       | 4,020.05         | 2,554.83        | 1,333.04        | 639.90          | 174.16          |
| Others  |       | 523.34           | 362.09          | 135.59          | 236.43          | 168.37          |
| <b>Total Investments</b>                          |       | <b>4,543.39</b>  | <b>2,916.92</b> | <b>1,468.63</b> | <b>876.33</b>   | <b>342.53</b>   |
| <b>Net Current Assets</b>                         |       | <b>1,751.36</b>  | <b>1,017.54</b> | <b>478.41</b>   | <b>339.27</b>   | <b>365.20</b>   |
| <b>Misc. Expenditure (Not written off)</b>        |       | -                | -               | -               | <b>3.03</b>     | <b>8.37</b>     |
| <b>Capital Employed</b>                           |       | <b>13,039.65</b> | <b>7,053.41</b> | <b>3,241.78</b> | <b>2,366.09</b> | <b>1,770.06</b> |
| <b>Net Worth represented by:-</b>                 |       |                  |                 |                 |                 |                 |
| Equity Share Capital #                            |       | 93.31            | 83.50           | 59.88           | 59.88           | 59.88           |
| Preference Share Capital                          |       | -                | 100.17          | 20.70           | 20.70           | 16.07           |
| <b>Total Share Capital</b>                        |       | <b>93.31</b>     | <b>183.67</b>   | <b>80.58</b>    | <b>80.58</b>    | <b>75.95</b>    |
| Reserves & Surplus                                |       | 3,400.20         | 1,914.83        | 1,034.06        | 1,002.75        | 999.52          |
| <b>Net Worth</b>                                  |       | <b>3,493.51</b>  | <b>2,098.50</b> | <b>1,114.64</b> | <b>1,083.33</b> | <b>1,075.46</b> |
| Policyholders Fund                                |       | 3,761.98         | 2,378.40        | 1,212.28        | 539.07          | 110.14          |
| <b>Loan Fund</b>                                  |       |                  |                 |                 |                 |                 |
| Secured fund                                      |       | 4,079.99         | 1,525.18        | 699.33          | 551.15          | 372.23          |
| Unsecured fund                                    |       | 1,381.60         | 839.45          | 62.16           | 37.16           | 64.47           |
| <b>Total Loan Funds</b>                           |       | <b>5,461.59</b>  | <b>2,364.63</b> | <b>761.49</b>   | <b>588.31</b>   | <b>436.70</b>   |
| Minority Interest                                 |       | 143.27           | 43.20           | 27.63           | 27.79           | 19.40           |
| Deferred Tax                                      |       | 179.30           | 168.68          | 125.66          | 127.60          | 128.35          |
| <b>Capital Employed</b>                           |       | <b>13,039.65</b> | <b>7,053.41</b> | <b>3,241.79</b> | <b>2,366.09</b> | <b>1,770.06</b> |
| <b>RATIOS &amp; STATISTICS</b>                    |       |                  |                 |                 |                 |                 |
| Operating Margin                                  | %     | 13.79            | 12.30           | 8.20            | 8.49            | 11.21           |
| Net Margin *                                      | %     | 3.40             | 4.16            | 2.08            | 0.66            | 2.00            |
| Net Sales / Average Assets                        | x     | 0.82             | 0.97            | 1.14            | 1.16            | 1.01            |
| Debt Equity Ratio (Total Debt)                    | x     | 1.56             | 1.13            | 0.68            | 0.54            | 0.41            |
| Interest Cover (EBITDA/Net Interest)              | x     | 3.14             | 5.93            | 7.08            | 6.31            | 4.87            |
| ROACE (PBIT/ Average Capital Employed) *          | %     | 10.53            | 12.19           | 7.27            | 4.79            | 5.71            |
| ROAE (Net Profit / Average Net Worth) *           | %     | 10.04            | 12.95           | 6.04            | 1.47            | 3.33            |
| ROAE (Net Profit/ Average Net Worth)              | %     | 10.06            | 12.70           | 5.34            | 3.07            | 3.44            |
| EPS (weighted average)                            | Rs.   | 32.00            | 26.12           | 8.78            | 5.53            | 6.13            |

\* Before Exceptional Items

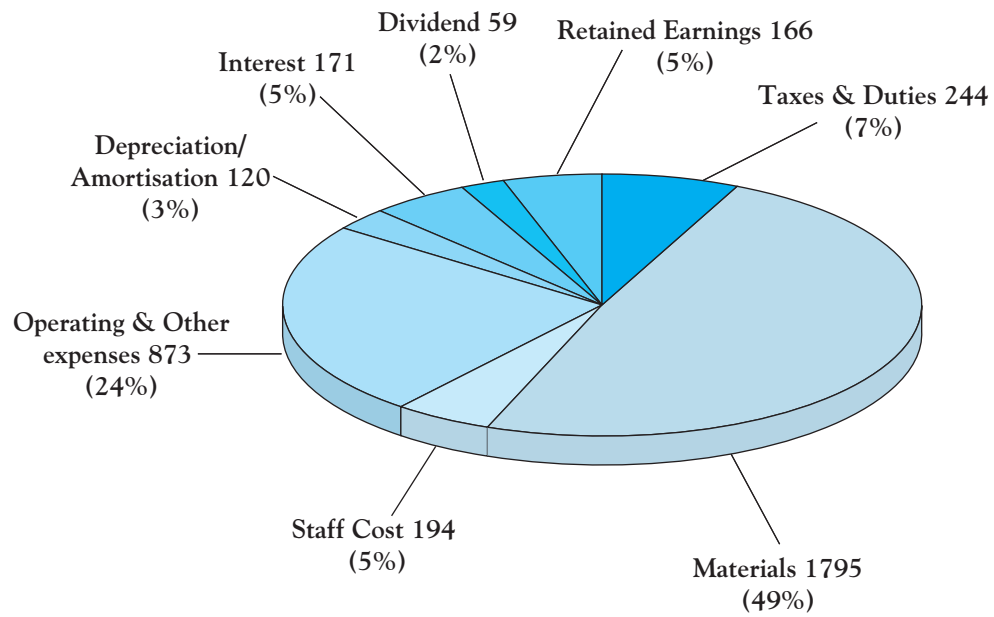
# Capital raised through rights issue in February 2007 and Indo Gulf & Birla Global merged w.e.f. 1st September 2005



### Sources of Total Revenue (Rs. 3622 Crores)



### Distribution of Total Revenue (Rs. 3622 Crores)



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### OVERVIEW

During the year, India emerged as one of the fastest growing major economies of the world. A robust growth in the manufacturing and services sector continues to sustain the country on a high growth track. Our economy clocked an impressive growth of 9.2 % during FY '07, thus maintaining the momentum despite challenging conditions of a surge in commodity prices that posed inflationary threats, hardening of interest rates and appreciation of the rupee that clouded exports prospects.

Viewed against this backdrop, your company has posted good performance during the year. Standalone revenues have grown by 29% from Rs. 2642 Crores in the previous year to Rs.3420.5 Crores. Standalone Profit before Interest, Depreciation and Tax is higher by 36% at Rs. 603.8 Crores. Consolidated net revenues have increased by 65% at Rs. 8258 Crores while consolidated net profit grew by 38% to Rs.281.2 Crores

### STRATEGIC MOVES

Your company has taken many strategic steps during the year to strengthen its financials and boost the growth of new age businesses.

#### Successful completion of the Rights Issue

To strengthen its balance sheet and to provide financial resources to pursue growth opportunities, your company has successfully raised Rs. 777.2 cores through a rights issue of 9,80,0201 equity shares priced at Rs. 793 per share. The proceeds from the Rights issue are used/being used for repaying debt and for making fresh investments in Idea.

#### Increase of equity stake in Idea Cellular Limited

Your company has fortified its presence in the fast growing telecom space. In a strategic move, your company, along with its wholly owned subsidiary, acquired additional equity stake in Idea Cellular at a cost of Rs. 1372.9 Crores in the first quarter of FY '07. Your company further invested Rs. 225 Crores in Idea's pre-placement IPO. With these investments, Aditya Birla Nuvo's stake in Idea Cellular has increased from 20.74% to 31.78%.

#### Acquisition of Minacs Worldwide

In 2006, TransWorks Information Services Ltd., a subsidiary of your company, acquired 100% of the shareholding of Minacs Worldwide Inc., Canada, through its wholly owned subsidiary A V TransWorks Limited Canada at a total outlay of CAD\$ 127.1 million. Minacs is a leading BPO provider.

The combined BPO business, now, has over 21 delivery centers in 7 countries across 3 continents. With a global client base including 15 Fortune 500 companies, the business supports customers in 30 different languages. It has about 11000 employees worldwide. The BPO business now has a global delivery model with integrated management and marketing structure.

#### Insulators Business

The joint venture with NGK Insulators Ltd., Japan was terminated during the year. Your company, along with its wholly owned subsidiary viz. Laxminarayan Investment Limited (LIL), acquired 49% equity shares in Birla NGK Insulators Private Limited (Birla NGK) at a total cost of Rs. 74.1 Crores. The remaining 1% share was also bought by LIL from Mitsubishi Corporation, Japan in April '07. Birla NGK has become a subsidiary of your company from 29<sup>th</sup> November, 2006 and has been rechristened as Aditya Birla Insulators Ltd. The company's proposed merger with Nuvo is subject to requisite approvals.

With various investments and growth initiatives, Aditya Birla Nuvo has a business portfolio that captures opportunities in the evolving Indian economy through leadership in focussed value businesses i.e., carbon black, rayon, textiles, insulators and fertilizers, and driving high growth businesses viz., garments, telecom, ITES / IT and financial services. In a nutshell, Aditya Birla Nuvo is a business builder, it nurtures and handholds businesses, helping them to stand on their own feet, eventually.

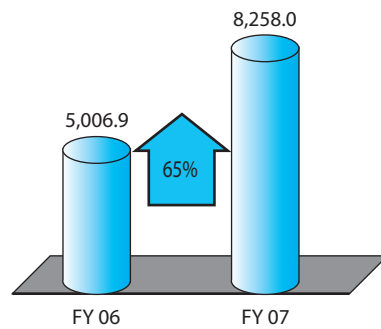
## CONSOLIDATED PERFORMANCE

Rs. Crores

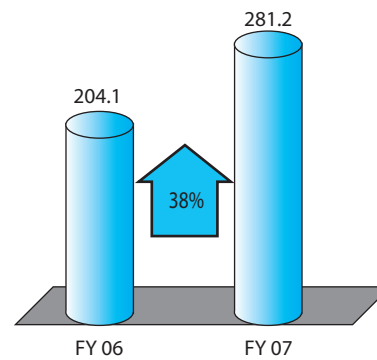
|                         | 2006-07        | 2005-06        | Change (%)  |
|-------------------------|----------------|----------------|-------------|
| <b>Net Turnover</b>     | <b>8,258.0</b> | <b>5,006.9</b> | <b>65%</b>  |
| Operating Profits       | 1,139.1        | 615.7          | 85%         |
| <b>Net Profit</b>       | <b>281.2</b>   | <b>204.0</b>   | <b>38%</b>  |
| Net Worth               | 3,493.5        | 2,098.5        | 66%         |
| Total Debts             | 5386.3         | 2,303.5        | 134%        |
| <b>Capital Employed</b> | <b>9023.1</b>  | <b>4445.2</b>  | <b>103%</b> |

Aditya Birla Nuvo has posted a strong growth, both in top-line and bottom-line, on a consolidated basis.

**Consolidated Revenue (Rs. Crores)**

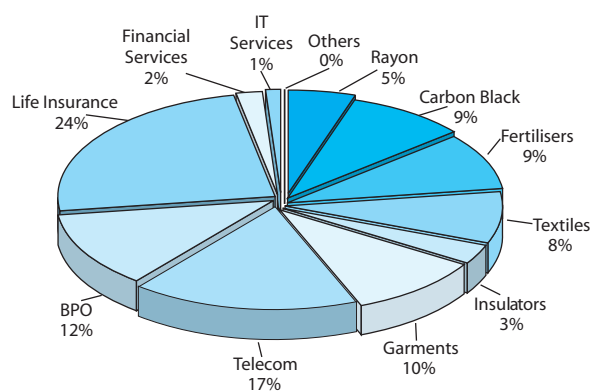


**Consolidated Profit (Rs. Crores)**

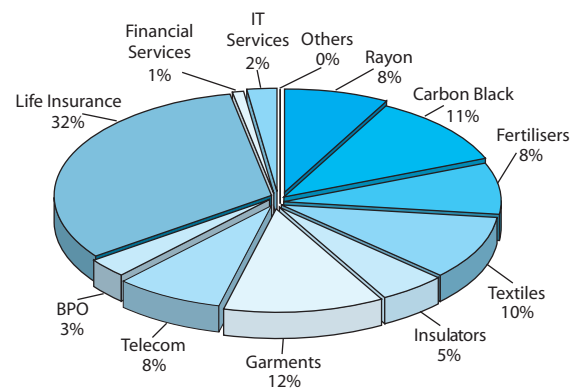


Net revenues have increased by 65% to Rs.8258 Crores while net profit grew by 38% to Rs.281.2 Crores on the back of an all-round growth in businesses, further supported by the increased stake in Idea Cellular Ltd. and acquisition of Minacs. Your company's JV and Subsidiaries contributed 59% to the consolidated revenues. The share of growth businesses in the total consolidated revenue is around 66%.

**FY 2007**



**FY 2006**



The performance of individual businesses is highlighted in the subsequent paragraphs.

## VALUE BUSINESSES

### RAYON

Rs. Crores

|                              | 2006-07 | 2005-06 | Change (%) |
|------------------------------|---------|---------|------------|
| Capacity (MTPA)              | 16,400  | 16,000  | 3%         |
| Production (MT)              | 17,669  | 17,233  | 3%         |
| Sales Volumes (MT)           | 17,039  | 17,380  | -2%        |
| VFY Net Realisation (Rs./Kg) | 169     | 150     | 13%        |
| Net Turnover                 | 441.5   | 385.6   | 15%        |
| - VFY                        | 288.6   | 260.4   | 11%        |
| - Chlor alkali               | 152.8   | 125.2   | 22%        |
| Operating Profits            | 119.7   | 89.7    | 33%        |
| PBIT                         | 88.7    | 64.2    | 38%        |
| Capital Employed             | 450.5   | 408.2   | 10%        |
| ROCE                         | 20%     | 16%     |            |

### Performance Review

The VFY business performed excellently amidst a challenging business environment. Realisation improved by 13% supported by reduction in excise duty on yarn, higher international prices and imposition of anti-dumping duty against dumping by China. VFY sales volume was at 17039 tons as against 17380 in the last year. Improved realisation pushed up the net turnover of VFY division by 11%, from Rs.260.4 Crores to Rs. 288.6 Crores. Out of VFY capacity expansion by 1000 MTPA, first phase of capacity enhancement by 400 MTPA has been accomplished in Jan '07

The Chlor-alkali segment has shown a better performance with revenues growing by 22% to Rs. 152.8 Crores. Higher volumes supported this performance, while realisations remained flat. With further increase in Caustic Soda capacity by 65 MTPD, the total capacity now stands at 225 MTPD as against 160 MTPD in FY '06. The division has also set up an 18 MW captive power plant which will help in reducing the power cost and dependence on costlier & unstable public grid power.

Operating profits of the division increased by 33% at Rs. 119.7 Crores as against Rs. 89.7 Crores in FY '06. ROCE has improved from 16% in the previous year to 20% for the fiscal year 2006-07.

### Business Outlook

The long-term outlook of VFY is moderate, as demand is expected to grow at a modest rate. Taking this reality into account, the business has chalked out strategic plans towards sustaining volumes and improving realization. The business has embarked on increasing its share of value-added yarns that give higher realization. Simultaneously, there is a focus on technological improvements to enhance quality. All these efforts will help us provide superior customer value and fetch a premium on our products.

The long-term outlook for the chlor-alkali segment remains moderate, though realizations may be impacted in the short term. To counter this, your company is optimizing asset utilization, reducing power costs on availability of power from a captive power plant and further expanding caustic soda capacity by 25 MTPD.

## CARBON BLACK

Rs. Crores

|                      | 2006-07 | 2005-06 | Change (%) |
|----------------------|---------|---------|------------|
| Capacity (MTPA)      | 170,000 | 170,000 | 0%         |
| Production (MT)      | 182,668 | 175,080 | 4%         |
| Sales Volumes (MT)   | 180,893 | 175,944 | 3%         |
| Realisation (Rs./MT) | 40,850  | 32,069  | 27%        |
| Net Turnover         | 738.9   | 564.2   | 31%        |
| Operating Profits    | 132.2   | 92.4    | 43%        |
| PBIT                 | 116.0   | 75.8    | 53%        |
| Capital Employed     | 487.2   | 409.0   | 19%        |
| ROCE                 | 24%     | 19%     |            |

### Performance Review

The Carbon Black business has delivered an impressive performance, boosted by the continuing robust demand from the auto and tyre sector. Carbon Black demand grew at 8.4% year-on-year.

Your company has registered the highest ever production and sales volume of carbon black in the fiscal year 2006-07. The sales volumes, at 180893 MT, were higher by 3% over the previous year and realizations by 27% over the previous year. The high and volatile CBFS prices witnessed during the year were effectively countered by positive changes in market-product-logistics mix. Revenues thus leapfrogged by 31% to Rs.738.9 Crores as against Rs.564.2 Crores in the previous year, backed by improved realizations and higher volumes.

### Highest ever operating profits with improved ROCE

Operating profit of the Carbon Black business at Rs.132.2 Crores is up by 43% vis-à-vis Rs. 92.4 Crores in the previous year. Optimized market-product-logistics mix coupled with better contribution from additional volumes has complemented growth in profit. However, high and volatile CBFS prices continued to create pressure on the margins.

ROCE has improved from 19% in the previous year to 24% for the fiscal year 2006-07.

### Business Outlook

The brown-field expansion of 60,000 MTPA, which your company had initiated, is expected to commence commercial production by the end of June 2007. The completion of this expansion will help your company capitalize on the vibrant auto sector growth. Further, your company is working to accelerate the Greenfield expansion of 120,000 MTPA in Western India.

## TEXTILES

Rs. Crores

|                   | 2006-07 | 2005-06 | Change (%) |
|-------------------|---------|---------|------------|
| Net Turnover      | 625.0   | 527.7   | 18%        |
| Operating Profits | 67.4    | 56.6    | 19%        |
| PBIT              | 52.1    | 41.4    | 26%        |
| Capital Employed  | 311.2   | 232.5   | 34%        |
| ROCE              | 17%     | 18%     |            |

## Performance Review

The Textiles business has shown improved performance with an all-round contribution.

The demand for Linen Fabric continued to remain buoyant. Strong growth has been seen in the retail segment and to encash the opportunity, more exclusive showrooms were set up. The linen yarn segment registered improved performance despite the concern of higher fibre prices and competitive pressure on international yarn prices.

Full utilization of the expanded capacity for Wool Combing and the increased share of value added products yielded encouraging results. Worsted yarns experienced improved performance and contributed a higher operational efficiency and improved product/market mix.

The company has begun downsizing of Synthetic spinning during the year, in line with the strategy to exit from this business in a phased manner. Sale of its synthetic spinning unit Rajshree Syntex is expected to be completed this year.

The division's revenue at Rs.625.0 Crores was higher by 18% as compared to Rs. 527.7 Crores achieved in the previous year. Operating profits have increased by 19% to Rs. 67.4 Crores against Rs. 56.6 Crores in the previous year, due to higher sales and enriched product-market mix.

## Business Outlook

India is rapidly becoming a preferred destination for several global brands for sourcing their requirements in the textiles and apparel segment. Thus, the outlook for the industry looks positive.

The outlook on Linen Fabric, in particular, seems to be quite good. Linen is in vogue in domestic as well as export markets. Plans are afoot for opening more exclusive showrooms of Linen Fabric. Thrust on optimum utilization of existing resources, product and design development and penetration in the niche Wool and Worsted segment has been planned. Your company is increasing the capacity of linen fabric from 76 looms to 112 looms and flax spinning capacity by 5,052 spindles, taking total capacity to 14,004 spindles.

## FERTILISERS

Rs. Crores

|                                  | 2006-07 | 7 months<br>2005-06 |
|----------------------------------|---------|---------------------|
| Re-assessed Annual Capacity (MT) | 864600  | 864600              |
| Production (MT)                  | 1028064 | 575,646             |
| Sales (MT)                       | 1043565 | 563,914             |
| Net Turnover                     | 778.5   | 379.4               |
| Operating Profits                | 129.6   | 81.6                |
| PBIT                             | 100.9   | 51.5                |
| Capital Employed                 | 400.7   | 303.3               |
| ROCE                             | 25%     | 29%                 |

Note: Figures include corresponding figures of Argon gas unit for full year as the unit uses waste gases from fertilisers division.

## Performance Review

The growth in Agriculture sector was about 3% and due to favourable weather conditions, the demand for urea fertiliser was higher by 8.7%. Considering this, the fertiliser division could achieve higher production

and sales, compared to its reassessed capacity, through enhanced operational efficiency. Operating profits for the year touched Rs.129.6 Crores mainly on account of higher operational efficiency leading to higher production. Strong focus on cost reduction and increased share of value added products further augmented the performance.

Indo Gulf's Neem Coated "Krishi Dev" urea has become the preferred choice of farmers and the production during FY '07 was 2,80,869 MT. The fertiliser division has developed Zincated, Sulphonated and Boronated Urea using a balanced mix of micro nutrients to enhance the productivity of farmlands. The division is also taking up the case with the Government for fixing of proper specifications and price to facilitate the introduction of value added products on commercial scale.

### **Fertiliser Pricing Policy Review**

The division along with peers made successful efforts with the concerned Government department to rectify the anomalies in the New Pricing Policy (NPS-II). The anomalies have been corrected in the NPS-III announced by the Government on March 8 '07, effective October 1 '06. The division is pursuing with the concerned Government department on few of the measures announced in NPS- III impacting the division's profitability.

### **Business Outlook**

Industry experts forecast urea demand to grow by 3 to 4% annually and to reach 25 million MT by 2010. The present production capacity in the country is about 20 million MT, thus leaving a gap of 5 million MT. In the year 2006-07, the Government imported about 5 Million MT of urea.

In the new policy (NPS-III), the government has done away with the requirement of approval for de-bottlenecking. Your company has initiated the work for de-bottlenecking the plant to increase urea capacity to 3320 MTPD. Also, the government is eager to increase domestic production capacity and has asked urea companies for comments on the present greenfield/brownfield expansion policy, and to suggest modifications to make the policy investor-friendly.

### **INSULATORS**

Rs. Crores

|  | <b>2006-07</b> | <b>2005-06</b> | <b>Change (%)</b> |
|--|----------------|----------------|-------------------|
| <b><u>Domestic Marketing</u></b>       |                |                |                   |
| Revenue                                | 112.8          | 135.9          | -17%              |
| PBDIT/PBIT                             | 35.1           | 30.3           | 16%               |
| Capital Employed                       | 27.5           | 21.6           | 27%               |
| <b><u>Manufacturing Subsidiary</u></b> |                |                |                   |
| Production (MT)                        | 21,326         | 25,501         | -16%              |
| Sales Volumes (MT)                     | 22,967         | 26,068         | -12%              |
| Net Turnover                           | 218.7          | 226.6          | -3%               |
| Operating Profits                      | 19.2           | 13.7           | 40%               |
| PAT                                    | 1.1            | (3.6)          |                   |
| Capital Employed                       | 158.6          | 163.2          | -3%               |
| Nuvo's Investment                      | 60.4           | 12.5           |                   |

## Performance Review

The domestic marketing division of Insulators and Aditya Birla Insulators Limited (ABIL), a subsidiary of your company posted drops in revenue by 17% and 3% respectively as against last year, as it was affected by a labour strike at the Halol Plant for a major part of the year. After an amicable settlement with the workers end December 2006, operations at the plant have now been normalised with new productivity norms. The insulators business continues to do well with rising demand fuelled by the growth in the power sector. The business has reported a higher operating profit at Rs. 54.3 Crores as against Rs. 44.0 Crores the previous year, supported by improved realizations and a strong demand for Insulators. The insulators division along with ABIL continues to retain its leadership position in India with the third largest capacity worldwide.

## Business Outlook

The outlook for the Insulators business is positive with huge investments lined up in the transmission and the distribution segment. The manufacturing business aims to further expand its capacity to capitalize on the strong demand in the sector. Focus on value added products; yield and process improvement would further strengthen the business performance.

## GROWTH BUSINESSES

### GARMENTS

Rs. Crores

|   | 2006-07 | 2005-06 | Change (%) |
|---|---------|---------|------------|
| Volumes (Lac Pieces)                              | 107.1   | 111.0   | -4%        |
| Net Turnover                                      | 700.1   | 620.6   | 13%        |
| Operating Profit before Advertisement and royalty | 136.2   | 105.4   | 29%        |
| Advertisement Expenses                            | 51.9    | 47.5    | 9%         |
| Operating Profit                                  | 84.3    | 57.9    | 46%        |
| Capital Employed                                  | 331.2   | 307.5   | 8%         |

The contract export business was divested from Garments division into subsidiary w.e.f. 1<sup>st</sup> July 2006. FY 2005-06 numbers include those of Contract Export business for full year, whereas FY 2006-07 numbers include those of Contract Export business only for a period of 3 months ended 30<sup>th</sup> June 2006.

## Performance Review

The Garments business has posted a healthy performance. The business leveraged its brand equity by executing a strategic brand architecture. Madura Garments' brands viz. Louis Philippe, Van Huesen and Allen Solly strengthened their position as "Lifestyle brands" by constantly enriching the product mix and introducing new product categories and accessories with global benchmarks. The Peter England brand continued to expand its reach. The focus of the business was to expand the retail reach by increasing the controlled retail space, though delays in opening of malls impacted aggressive growth in retail space.

The Branded garments business posted a healthy growth of 15% in volumes. The net turnover grew, on like to like basis, by 28% at Rs. 670.4 Crores as against Rs. 525.7 Crores in the previous year. The division's operating profit, on like to like basis, was higher by 33% at Rs. 81.2 Crores vis-à-vis Rs. 61.2 Crores in the previous year.

The contract exports business has been divested into Madura Garment Exports Limited w.e.f. July 1, 2006. Volumes increased through capacity expansion and revenues grew, on like to like basis, by 58% to Rs. 173.2 Crores. A new facility to manufacture shirts is slated to be completed by August '07, which will give a fillip to the Contract Exports business.

## Business Outlook

The branded garments business has a positive outlook. The business has a well defined strategy and a focused growth plan to maintain leadership and increase market share. Madura Garments will aggressively pursue retailing of both "Lifestyle" and "Popular" brands by expanding its reach with bigger size stores, besides creating specialized outlets.

Two new subsidiary companies have been formed viz. **Peter England Fashion and Retail Limited** to promote large format stores offering affordable mega retail brand and **Madura Garments Lifestyle Retail Company Limited** for promoting the Lifestyle brands.

The business is focusing on cost efficiencies by efficient management of discounting, supply chain and outsourcing.

## TELECOM

Rs. Crores

|                          | 2006-07 | 2005-06 | Change (%) |
|--------------------------|---------|---------|------------|
| No of Subscribers (Lacs) | 140.1   | 73.7    | 90%        |
| Revenue                  | 4,366.4 | 2,965.5 | 47%        |
| PBIT                     | 830.9   | 546.1   | 52%        |
| PAT                      | 503.3   | 211.8   | 138%       |
| Capital Employed         | 7,606.9 | 4,419.2 | 72%        |
| ROCE                     | 11%     | 12%     |            |

## Performance Review

Idea Cellular Limited has delivered a robust performance during the year. The Company has over 14 million subscribers as on March 31, 2007. Total subscribe base increased by 90% over the corresponding period last year. The All India market share has improved from 7.7% to 8.6% between March 31, 2006 and March 31, 2007. The company's gross revenues have risen significantly by 47% to Rs. 4366.4 Crores from Rs. 2965.5 Crores in the previous year. The Company's net profit soared to Rs. 503.3 Crores, from Rs. 211.8 Crores, an increase of 138%.

The company rolled out operations in three new circles viz. Himachal Pradesh, Rajasthan and U.P (E), thus expanding its network across 11 circles. The initial launch expenses in these circles created some pressure on margins. The operating margins of the Company declined to 34% vis-à-vis 37% in FY '06.

The Company has successfully completed its Initial Public Offering and raised Rs. 2819 Crores. The Company is focusing on building, strengthening and expanding network and related services in the new circles and has planned roll out of services in Mumbai and Bihar circles. National Long Distance roll out is being worked upon.

## Business Outlook

The outlook for the telecom sector is positive. With the telecom space growing rapidly, we believe Idea Cellular is on a high growth trajectory and will continue to gain momentum going forward.

**ITeS (BPO)****TRANSWORKS**

Rs. Crores

|                        | <b>2006-07</b> | <b>2005-06</b> | <b>Change (%)</b> |
|------------------------|----------------|----------------|-------------------|
| Operating Seats (Nos.) | 2,384          | 2,235          | 7%                |
| Employees (Nos.)       | 3,884          | 4,114          | -6%               |
| Voice Revenue          | 131.9          | 127.6          | 3%                |
| Non-Voice Revenue      | 65.3           | 35.7           | 83%               |
| Total Revenue          | 197.2          | 163.3          | 21%               |
| PBIT                   | 36.8           | 28.1           | 31%               |
| PAT                    | 23.5           | 26.5           | -11%              |
| Capital Employed       | 82.9           | 72.8           | 14%               |
| Nuvo's investment      | 218.8          | 68.8           |                   |

**MINACS**

Rs. Crores

|                        | <b>2006-07<br/>(18-08-06 to 31-03-07)</b> |
|------------------------|---|
| Operating Seats (Nos.) | 5099                                      |
| Employees (Nos.)       | 7030                                      |
| Revenue                | 818.4                                     |
| PBIT                   | (2.9)                                     |
| PAT                    | (41.0)                                    |
| Capital Employed       | 324.6                                     |

**Performance Review**

During the year, TransWorks Information Services Limited., a subsidiary of your company, successfully acquired Minacs Worldwide Inc., Canada, a leading BPO provider, through its wholly owned subsidiary i.e. A V Transworks Limited, Canada. During the year, Transworks also started operations in Philippines, through its newly formed wholly subsidiary Transworks BPO Philippines Inc. Company has robust plan to gain foothold in this region.

Revenues at TransWorks increased by 21% to Rs. 197.2 Crores as against Rs. 163.3 Crores in the previous year supported by improved share in non voice business. Net profit declined by 11% to Rs. 23.5 Crores because of increase in interest cost on funds borrowed for acquisition of Minacs.

Revenues of Minacs has been at Rs. 818.4 Crores for the period from 18<sup>th</sup> August 2006, the date of its acquisition, to 31<sup>st</sup> March 2007. The profits of Minacs were affected by unusual costs like one time restructuring cost and accounting readjustment expenses.

## Business Outlook

The ITeS sector is on a high-growth trajectory. TransWorks & Minacs are well positioned to maintain the growth momentum and are committed to increase their share in the industry. The BPO business will continue to focus on meeting customers' expectations with a thrust on excellence in execution. It will also have a strong focus on being a high quality provider of call center/BPO services and on adding value to clients across multiple service lines through superior service innovation and distinctive delivery.

The BPO business has a well defined strategy. It will continue to improve its performance by building a robust sales pipeline and ensuring cost efficiency company wide. It will work on **extracting value from the synergy between TransWorks and Minacs**. Also, it will strive towards improving asset utilization through value added services and migrating to more sustainable high value BPO/KPO mix and focusing on high growth sectors like retail banking, insurance and telecom/technology. The company is exploring expansion opportunities in India, Philippines and other new locations. The company is focusing on best in class people practices in areas like recruitment, training, talent and performance management, etc. to become a preferred employer.

## BIRLA SUN LIFE INSURANCE (BSLI)

Rs. Crores

|  | 2006-07 | 2005-06 | Change (%) |
|--|---------|---------|------------|
| <b>Business Highlights</b>             |         |         |            |
| Asset Under Management                 | 4020.1  | 2554.8  | 57%        |
| Agency Force (Nos.)                    | 56,603  | 17986   | 215%       |
| Individual business first year premium | 711.4   | 586.5   | 21%        |
| Group business first year premium      | 129.8   | 86.5    | 50%        |
| Total New Business Premium             | 841.2   | 673.0   | 25%        |
| <b>Financials</b>                      |         |         |            |
| First Year Premium                     | 790.7   | 635.5   | 24%        |
| Renewal Premium                        | 894.0   | 560.8   | 59%        |
| Single Premium                         | 50.4    | 37.5    | 34%        |
| Gross Premium Income                   | 1,735.2 | 1,233.9 | 41%        |
| PAT                                    | (139.7) | (61.1)  | -129%      |
| Equity Share Capital                   | 671.5   | 460.0   |            |

## Performance Review

In the life insurance business, at Birla Sun Life Insurance (BSLI) the new business annualized premium grew by 25% to Rs. 841.2 Crores. The Company recorded an increase of 41% in gross premium income to Rs. 1735.2 Crores. To regain its market position, the Company undertook several initiatives. BSLI ramped up its branches and agency force with the number of branches increasing from 85 to 137 and agency force increasing from 17986 to 56603. Higher marketing expenses on account of competitive pressures and opening of new branches led to a higher loss compared to last year. Introduction of Unit linked Insurance Product (ULIP) guidelines impacted sales of some of the products of the Company.

BSLI continues to leverage technology for achieving business goals and views technology as a key driver for supporting growth. The core of the technical architecture is the policy management system – Ingenium, is

robust and scalable that provides the means to manage the entire life cycle of the policy management process. In continuance with the effort to provide the highest level of customer service, the Company has successfully launched the auto-settle program which automates some of the steps of the issuance process, and will lead to substantial reduction in turn around times.

Due to additional ramping-up and other efforts taken to meet the competition, the breakeven may be delayed by two to three years.

### **Business outlook**

India is one of the fastest growing markets in Asia in the life insurance industry. It offers a strong potential, driven by buoyant economic growth, increasing penetration, regulatory reforms and rising awareness amongst the population about the need for insurance. BSLI is well positioned to capitalize on these opportunities. The Company has proactively taken steps to increase its distribution reach and is in advanced stages of implementing its plans for rural and micro insurance markets. The Company will continue to remain focused on launching new and innovative products to meet the varied needs of different customer segments.

### **BIRLA SUN LIFE ASSET MANAGEMENT COMPANY (BSLAMC)**

Rs. Crores

|                         | <b>2006-07</b> | <b>7 months<br/>2005-06</b> |
|-------------------------|----------------|-----------------------------|
| Assets under Management |                |                             |
| Domestic                | 19066          | 15043                       |
| Offshore                | 1783           | 1405                        |
| Revenue                 | 81.9           | 43.5                        |
| PBIT                    | 21.7           | 14.4                        |
| PAT                     | 14.3           | 9.4                         |
| Net worth               | 81.4           | 67.2                        |
| RONW                    | 18%            | 24%                         |

### **Performance Review**

The performance of Birla Sun Life Asset Management Company (BSLAMC) has been satisfactory. The Company attained gross revenue of Rs.81.9 Crores and a net profit of Rs.14.3 Crores during the year ended 31<sup>st</sup> March, 2007. The net profit was impacted by higher marketing expenses on new fund offerings and higher proportion of low margin liquid funds in Assets Under Management (AUM). The Company's AUM stood at Rs. 20,849 Crores.

### **Business Outlook**

The favorable outlook for GDP growth coupled with high financial savings, healthy capital markets and increasing preference towards investment with the help of professional fund management, augurs well for the mutual fund industry. The Asset management business is witnessing increased competition and growing interest from global players. The Company is looking forward to proactively meeting the forthcoming challenges and has geared itself for the future growth by increasing its reach.

To capitalize on the emerging opportunity and to regain its market position, BSLAMC will focus on increasing distribution reach by adding more branches, providing superior returns to the investors consistently and institutionalizing processes. BSLAMC will continue to focus on innovative product launches.

## BIRLA SUN LIFE DISTRIBUTION (BSDL)

Rs Crores

|           | 2006-07 | 7 months<br>2005-06 |
|-----------|---------|---------------------|
| Revenue   | 21.0    | 16.0                |
| PBIT      | 1.0     | 3.2                 |
| PAT       | 0.7     | 1.9                 |
| Net worth | 11.2    | 13.0                |
| RONW      | 6%      | 25%                 |

### Performance Review

Birla Sun Life Distribution attained a gross revenue of Rs.21.0 Crores and a net profit of Rs.0.7 Crores during the year ended March 31, 2007.

During FY 2007, your company had mobilized funds to the tune of Rs. 26,167 Crores for various Asset management companies. The AUM as at March 31, 2007 was Rs. 4,953 Crores. The share of equity AUM increased to 27% as at the end of March 31, 2007.

### Business Outlook

The favourable outlook for GDP growth coupled with high financial savings, healthy capital markets and increasing preference towards investment with help of professional fund management portends well for the wealth management industry.

To capitalize on the emerging opportunity as well as with a view to regain its market position, BSDL's thrust will be on increasing distribution reach, providing guidance to its client and institutionalising processes.

## FINANCIAL SERVICES

Rs Crores

|  | 2006-07 | 7 months<br>2005-06 |
|--|---------|---------------------|
| <b>Financial Services division (FSD) &amp; BGFCL</b> |         |                     |
| Revenue  | 76.1    | 5.5                 |
| PBT (FSD)  | 7.8     | 11.4                |
| PAT (BGFCL)  | 5.4     | (1.01)              |
| Capital Employed                                     | 90.3    | 77.9                |
| <b>Birla Insurance Advisory Services Limited</b>     |         |                     |
| Revenue  | 8.2     | 5.4                 |
| PAT  | 2.8     | 2.0                 |

### Performance Review

The Financial Services division (FSD) along with Birla Global Finance Company Limited (BGFCL), a subsidiary of your company are among the leading players in the IPO finance and Loan against securities market. Riding on the boom in Capital Markets, the total amount extended to various investors in IPO finance was at Rs. 3305 Crores as against Rs. 2448 Crores the last year. The total amount of finance extended to various investors under Loan against securities aggregated to Rs. 768 Crores as against Rs. 547 Crores in the previous year. The Company has maintained its leadership position in the IPO finance market. The Corporate Finance Group of Financial Services division/ BGFCL are also among the large players in the bills discounting market.

During the year under review, BGFCL successfully marketed housing loans, personal loans, other retail loans and investment products etc worth Rs. 419 Crores to more than 8000 customers. Successive increase in the lending rates by the banks affected the demand of loan products in the last quarter of the year.

Birla Insurance Advisory (BIASL), a subsidiary of your company has created a dominant position for itself in General Insurance broking business in the four years of its existence. It placed a business of over Rs.125 Crores for the year with several non-life insurance companies on behalf of its clients. Birla Insurance Advisory had total revenue of Rs. 8.20 Crores and reported a net profit after tax of Rs. 2.8 Crores for the year ended March 31, 2007. The company has also been issued licence to conduct Reinsurance Broking business by Insurance Regulatory and Development Authority.

### Business Outlook

The increased volatility in capital markets has slowed the pace of new public offerings which should pick up with Companies approaching capital markets to meet their long term fund requirements. Reserve Bank of India has tightened exposure norms for non-banking finance companies. Many more players including a few international ones entering the segment and rising interest rates will put some pressure on margins in the near term. However, with strong economic growth, the long term prospects of the financial services sector remain optimistic. Your company will keep its growth momentum by expanding its business operations by strengthening its branch network.

### SOFTWARE

Rs. Crores

|                   | 2006-07 | 2005-06 | Change (%) |
|-------------------|---------|---------|------------|
| Software Revenue  | 92.5    | 79.5    | 16%        |
| Hardware Revenue  | 1.1     | 6.3     | -83%       |
| Total Revenue     | 93.6    | 85.8    | 9%         |
| Gross Margin      | 28.4    | 33.2    | -14%       |
| SG&A              | 22.0    | 27.5    | -20%       |
| PBDIT             | 6.4     | 5.7     | 13%        |
| PAT               | 1.5     | 1.3     | 13%        |
| Capital Employed  | 29.1    | 23.1    | 26%        |
| Nuvo's Investment | 100.3   | 100.3   |            |

### Performance Review

PSI Data Systems Limited generated revenues of Rs. 93.6 Crores as against Rs. 85.8 Crores in the previous year. The net profit is at Rs. 1.5 Crores as against Rs. 1.3 Crores in the previous year. This has been possible because of the increased thrust on select verticals of Banking, Financial Services and High Technology.

The company has been successful in increasing its high margin offshore business to 50% as compared to 40% in the previous year. Its manpower utilization for the full year has been at about 83%, which is in line with the industry. The Company has added 20 new clients during the year. Its employee base has been strengthened to 684.

## Business Outlook

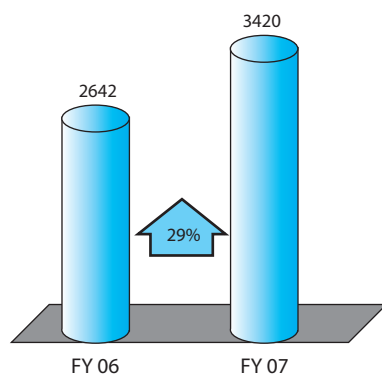
The overall outlook for the business is positive with the Indian IT industry regaining momentum, and off-shoring becoming mainstream. PSI Data Systems has ramped up its sales team and is poised to grow with its initiatives for revenue enhancement and curtailing costs. Towards this end, scalability is being built up and delivery capabilities are being strengthened with differentiation in service offering. The company's focus on high growth verticals like Banking, High Technology, Financial Services and Insurance, increasing orders in the high margin off-shore business and strengthening relationships with strategic clients will help it grow further.

## FINANCIAL REVIEW AND ANALYSIS – Aditya Birla Nuvo standalone

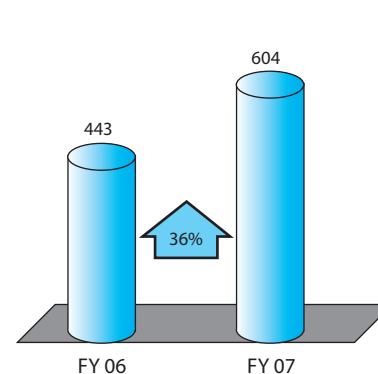
Rs. Crores

|  | 2006-07        | 2005-06        | Change (%) |
|--|----------------|----------------|------------|
| <b>Net Sales</b>                               | <b>3,420.5</b> | <b>2,642.0</b> | <b>29%</b> |
| Other Income                                   | 44.5           | 23.4           | 90%        |
| <b>Operating Profit (PBDIT)</b>                | <b>603.8</b>   | <b>443.4</b>   | <b>36%</b> |
| Net Interest                                   | 171.2          | 55.8           | 207%       |
| Depreciation                                   | 120.3          | 111.8          | 8%         |
| <b>Profit Before Tax and Exceptional Items</b> | <b>312.3</b>   | <b>275.8</b>   | <b>13%</b> |
| Exceptional Items                              | (1.2)          | (4.0)          |            |
| <b>Profit after Exceptional Items</b>          | <b>311.1</b>   | <b>271.7</b>   | <b>15%</b> |
| Provision for Current Tax                      | 67.6           | 87.5           | -23%       |
| Fringe Benefit Tax                             | 3.4            | 4.2            | -19%       |
| Provisions for Deferred Tax                    | 15.2           | (6.9)          |            |
| <b>Net Profit</b>                              | <b>225.0</b>   | <b>186.9</b>   | <b>20%</b> |

Revenue (Rs.Crores)

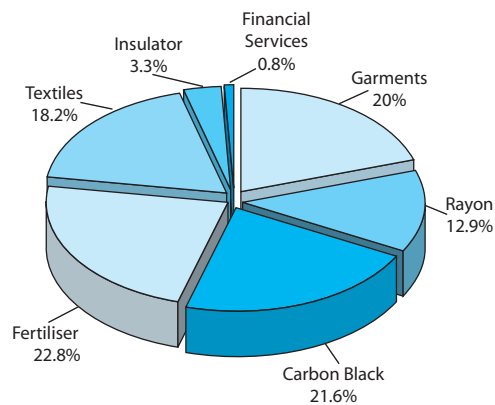


Operating Profit (Rs.Crores)

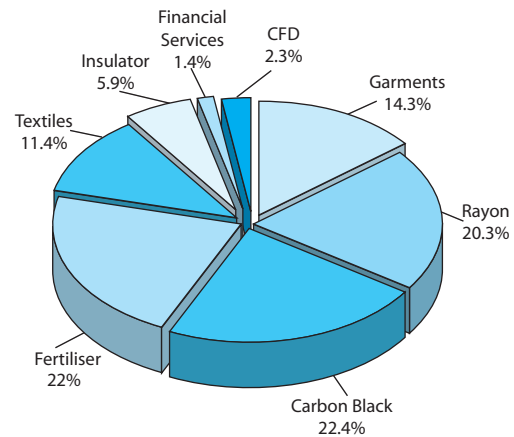


On a stand-alone basis, your company has posted a revenue growth of 29% at Rs.3420.5 Cores vis-à-vis Rs. 2642.0 Crores in the previous year. Operating profit is also higher by 36% at Rs. 603.8 Crores against the previous year's Rs. 443.4 Crores.

### Segmental Revenue



### Segmental Operating Profit



There was growth in revenue across businesses. Fertilizers grew with full year revenue coming in FY '07, after the merger with your company effective from September 1, 2005. Insulators saw a decline in revenue, hampered by lower production. Fertilizer was the highest contributor to revenue followed by Carbon Black, Garments and Textiles.

While Carbon Black, Fertilizers and VFY have contributed significantly to the company's profitability, the improved performance of the Garments and Textiles business has strengthened the company's bottom line.

### Interest

Interest during the year has increased substantially from Rs.68.5 Crores to Rs.195.4 Crores as borrowings increased for investments in Idea and for Capex.

Interest income for the full year has risen from Rs.12.7 Crores to Rs.24.2 Crores on account of treasury income on temporary investment of unutilised funds from the rights issue. This will be used for the scheduled repayment of debt taken for Idea acquisition.

### Depreciation

Depreciation is higher at Rs.120.3 Crores against Rs. 111.8 Crores in the previous year because of increased capital expenditure.

### Exceptional Items

The VRS scheme at Rayon Division continued this year too. VRS was provided to 56 persons at a cost of Rs. 1.4 Crores as against VRS provided to 172 persons at a cost of Rs.4.0 Crores last year. VRS cost is shown as exceptional cost. There was a gain of Rs 20 Lacs on divestment of contract export business into Madura Garments Export Limited, which has been accounted in exceptional items.

### Provision for Current, Deferred Tax and FBT

Provision for taxation is at Rs.86.1 Crores as against Rs. 84.8 Crores in the previous year. We have written back tax provision of Rs. 31.6 Crores related to earlier years on completion of the assessment.

## Net Profit

As a result, Net profit for the current year has risen by 20% to Rs.225.0 Crores.

The Company's Earnings Per Share (EPS) is at Rs.25.6 against Rs. 24.5 in the previous year. Cash Earning Per Share (CEPS) is also higher at Rs 41.0, up from Rs.38.2 in FY '06.

## Dividend

Your company has paid interim dividend of Rs. 5.5 per share in March 2007 which was treated as the final dividend for the year as against Rs. 5.0 per share paid last year. The dividend outgo, including dividend tax was Rs. 58.5 Crores as against Rs. 47.6 Crores last year.

## CASH FLOW ANALYSIS

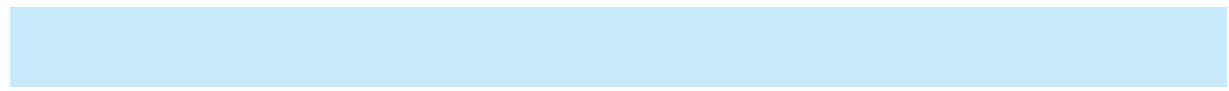
Rs. Crores

|   | 2006-07        |
|---|----------------|
| <b>SOURCES OF CASH</b>                            |                |
| Cash flow from operations (Net of Tax)            | 514.2          |
| (Increase)/Decrease in Working Capital            | 114.7          |
| Dividend Received                                 | 23.7           |
| Proceeds from Borrowings (Net)                    |                |
| - Long Term Borrowings                            | 846.7          |
| - Short Term Borrowings                           | 426.2          |
| Proceeds from sale of Contract Export division    | 34.5           |
| Proceeds from Rights issue                        | 769.7          |
| <b>TOTAL</b>                                      | <b>2,729.7</b> |
| <b>USES OF CASH</b>                               |                |
| Net Capital Expenditure                           | 293.9          |
| Investment in JV's and Subsidiaries               | 2,050.8        |
| Purchase / (Sale/Redemption) of investments (Net) | 116.1          |
| Net Interest Paid                                 | 160.4          |
| Dividend Paid                                     | 106.1          |
| Increase/(Decrease) in Cash and Cash Equivalents  | 2.4            |
| <b>TOTAL</b>                                      | <b>2,729.7</b> |

## Sources of Cash

### Operating cash flow

Operating cash flow for the year is Rs. 514.2 Crores. VFY and Carbon Black businesses remained the main contributors to the operating cash flows. The Garments, Fertilisers and Textiles businesses also contributed significantly to the operating cash flows.



Your company has given VRS to 56 persons at a cost of Rs. 1.42 Crores. This would help to improve the productivity norms.

#### Proceeds from Borrowings

Your company has raised long-term and short-term loans of Rs. 1168.0 Crores for funding the acquisition of stake in Idea. Further, a sum of Rs. 95 Crores was raised as Term Loan under Technology Upgradation Fund (TUF) scheme of the Government of India. Deferred Sales Tax loans have escalated by Rs. 14.2 Crores.

IDEA specific borrowings of Rs. 400.0 Crores have been repaid during the year, out of the rights issue proceeds. FCNRB loan of Rs. 9.1 Crores has been repaid during the year. A sum of Rs. 4.7 Crores has been repaid towards TUF loans.

#### **Uses of Cash**

##### Net Capital Expenditure

At Rayon division, your company invested a sum of Rs. 17.2 Crores for expanding the caustic soda capacity by 65 MTPD, taking the total capacity to 225 MTPD. Further Capex of Rs. 34.7 Crores was incurred for an 18 MW captive power plant set up in Sep'06. Capex of Rs. 3.8 Crores was incurred to increase VFY capacity by 400 MTPA in Jan'07.

At the textiles division, capex of Rs. 35.6 Crores was incurred for expansion of flax spinning by 2816 spindles and fabrics by 14 looms.

At the Garments division, capex of Rs. 15.2 Crores was incurred to increase retail space for exclusive brand outlets.

At the Carbon Black division, capex of Rs. 84.5 Crores was incurred for capacity expansion by 60,000 MT. This will be completed by the end of June '07

At the Fertilizers division, capex of Rs. 21.9 Crores was incurred for de-bottlenecking of the ammonia plant.

Other capex includes modernisation of plants at various divisions.

##### Investments in JVs and Subsidiaries (Net)

Investment in equity shares comprised Rs. 156.5 Crores in Birla Sunlife Insurance Company Ltd.

Your company acquired further 15% equity stake in Idea Cellular Limited at a cost of Rs. 1372.9 Crores during first quarter of fiscal year 2006-07 taking Nuvo's stake to 35.74%. Your company also invested Rs. 225 Crores in Idea's IPO Pre-Placement. Post the Idea IPO, Nuvo's equity stake has come down to 31.78%.

Your company has invested Rs. 150.0 Crores in TransWorks for the acquisition of Minacs.

Other major investments include equity infusion in Birla Global Finance Company Limited to the tune of Rs. 68.7 Crores.

Your company, along with its wholly owned subsidiary Laxminarayan Investments Ltd., acquired further 49% stake in Birla NGK Insulator (Pvt.) Limited at a total cost of 74.1 Crores, making its Nuvo's subsidiary w.e.f. 29<sup>th</sup> November 2006.

### Increase in Working Capital

The working capital decreased by Rs. 114.7 Crores.

Inventories have been reduced by Rs. 28.0 Crores, as raw material inventory in the Carbon Black business went down due to the lower CBFS Stock.

Debtors and other receivables are up by Rs. 13.1 Crores, due to higher receivables in the fertilizers business.

Creditors and other Liabilities have been reduced by Rs. 32.7 Crores.

### **Risk Management**

The link between risk and reward has become more important for the company, as it grapples with the challenges of growing and delivering profit amidst stiff competition from global players. The world economic environment, client expectations and competitive landscape continue to evolve. This brings new challenges and risks such as expansion of overseas-based competitors in India, predatory pricing in the market, poaching of talent and acquisition of Indian companies.

Aditya Birla Nuvo's risk management framework establishes risk management processes at each business, helping in identifying, assessing and mitigating risks that could materially impact our performance in achieving our stated objectives. The components of risk management are different for different businesses and are defined by the company's business model and strategies, organisational structure, culture, risk appetite and dedicated resources.

Aditya Birla Nuvo's structured Risk Management (RM) process provides confidence to the stakeholders that the Company's risks are known and well managed. The risk management framework ensures compliance with the requirements of amended clause 49 of listing agreement.

Since Aditya Birla Nuvo is a diversified conglomerate, the risk events are identified, assessed, mitigated and monitored for each business separately. Our risk management approach comprises three key components:

- (1) **Risk identification:** External and internal risk events that must be managed are identified in the context of each business' strategy and specific business objectives. These risk events are assessed by senior managers of the business on defined criteria and prioritized for development of risk mitigation plans.

Broadly risks are classified into Strategic, Operations, Financial and Knowledge risks, which are further drilled down to market structure, process, systems, legal, governance and people culture.

- (2) **Risk mitigation:** This step comprises developing of a mitigation plan for the risks identified and to be treated on priority.
- (3) **Risk monitoring and assurance:** Key risks are managed through a structure that cascades across the corporate and businesses. At the corporate level, the Risk Management Committee is headed by the Managing Director and comprising of the business heads, is responsible for the risk management process and reviewing the implementation and effectiveness of mitigation plans. The Board of Directors of the Company review the process after it is vetted by the Audit Committee.

Apart from business risks, the Company is exposed to risks on account of interest rate, foreign exchange, commodity pricing and regulatory changes, which are being effectively monitored and mitigated.



### **Foreign exchange risk**

The company has a policy to hedge its long-term as well as short-term foreign exchange exposures to minimize foreign exchange risk. While long-term foreign currency borrowings are fully hedged, short-term exposures are hedged as per the policy formulated by the Company in this regard. The Company has reported aggregate exports of Rs. 499.9 Crores and imports of Rs. 991.1 Crores on CIF basis in FY 2006-07.

### **Interest rate risk**

The company has a mixed basket of fixed and floating rate borrowings, both in rupees and foreign currency. The Company continuously monitors its interest rate exposures and whenever required, uses derivative instruments to minimize interest rate risk and interest cost.

### **Commodity price risk**

The Company is exposed to the risk of price fluctuation on raw materials as well as finished goods in all its products. However, the risk is mitigated well considering the inventory levels and normal correlation in the price of raw materials and finished goods.

### **INTERNAL CONTROL SYSTEM**

The Company has adequate internal control systems for business processes across various profit centres, with regard to efficiency of operations, financial reporting, compliance with applicable laws and regulations, etc. The Internal control system is supplemented by extensive audits conducted by the Corporate Audit Cell.

Clearly defined roles and responsibilities for all managerial positions have been institutionalised. Regular internal audits and checks ensure that responsibilities are executed effectively. The Audit Committee of the Board of Directors actively reviews the adequacy and effectiveness of the internal control systems and suggests improvements.

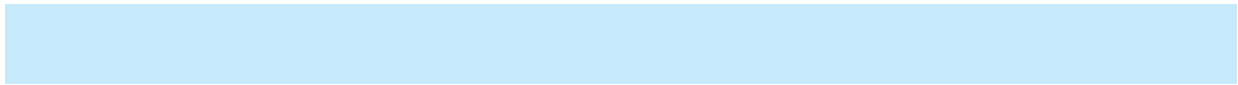
The Management Information System (MIS) is the backbone of the Company's control mechanism. All operating parameters are monitored and controlled. Any material change in the business outlook is reported to the Board. Material deviations from the annual planning and budgeting, if any, are reported on 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**

At present the Company has 8197 employees on its rolls. These human resource assets are integral to the Company's ongoing successes 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.

### **CONCLUSION**

With its various investments and growth initiatives your company has a well-diversified, balanced portfolio of "value" and "high growth" businesses. Against the backdrop of the initiatives taken and strong performance by the individual businesses during the year, Aditya Birla Nuvo is travelling on the path of superior performance.



Our strategy continues to focus on all-around growth and consolidation across the diversified businesses. As a result of the transformation, the high growth businesses contribute 66% to our total revenues. The high growth businesses impact would be more prominent in the coming years, helped by the success of strategic plans.

The overall outlook for the Company's future is bright.

**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

### **Governance Philosophy**

**The Aditya Birla Group** is committed to the adoption of best governance practices and its adherence in the true spirit, at all times. Our governance practices are a product of self-desire, reflecting the culture of the trusteeship that is deeply ingrained in our value system and reflected in our strategic thought process. At a macro level, our governance philosophy rests on five basic tenets viz., Board accountability to the Company and shareholders, strategic guidance and effective monitoring by the Board, protection of minority interests and rights, equitable treatment of all shareholders as well as superior transparency and timely disclosure.

In line with this philosophy, **Aditya Birla Nuvo Limited**, a flagship of the Aditya Birla Group, is striving for excellence through adoption of best governance and disclosure practices. During the year, the Company has further strengthened the quality of disclosures on the Board composition and its functioning, remunerations paid and level of compliance with various Corporate Governance Codes.

### **Compliance with SEBI Code of Corporate Governance**

Your company is fully compliant with the requirements of the prevailing and applicable corporate governance code and is committed to ensuring compliance with any proposals for modifications well ahead of their implementation timelines. Your Company's compliance with requirements are presented in the subsequent sections of this Report.

### **I. BOARD OF DIRECTORS**

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 if the Chairman is non-executive and at least half of the Board should be independent in case of an executive Chairman. Also a Director shall not be a member in more than ten committees or act as Chairman of more than five committees across all companies in which he is a director.

#### **Composition of the Board**

*The Company has a balanced Board, comprising Executive and Non- Executive Directors which includes independent professionals. The Chairman being Non- Executive, the total strength of Independent Directors exceeds one- third of the total strength of the Board. The details of the directors with regards to the outside Indian directorships ( other than Section 25 Companies), positions in either Audit Committee or Shareholder's/ Investor Grievance Committee as well as attendance at board meeting/ Annual General Meeting are as follows:*

| Director                         | Category                  | No. of Outside Directorship(s) Held |                 | Outside Committee Positions Held <sup>3</sup> |                       | No. of Board Meetings |          | Attended Last AGM |
|----------------------------------|---------------------------|-------------------------------------|-----------------|---|-----------------------|-----------------------|----------|-------------------|
|                                  |                           | Public                              | Private         | Member  | Chairman/ Chairperson | Held                  | Attended |                   |
| Mr. Kumar Mangalam Birla         | Non-Executive             | 11                                  | 11              | -   | -                     | 10                    | 8        | No                |
| Mrs. Rajashree Birla             | Non-Executive             | 6                                   | 12              | -   | -                     | 10                    | 5        | No                |
| Mr. H. J. Vaidya                 | Independent               | -                                   | 1               | -   | -                     | 10                    | 10       | No                |
| Mr. B. L. Shah                   | Non-Executive             | 5                                   | -               | 1   | -                     | 10                    | 10       | No                |
| Mr. P. Murari                    | Independent               | 10                                  | -               | 3   | 1                     | 10                    | 7        | Yes               |
| Mr. B. R. Gupta                  | Independent               | 5                                   | -               | -   | 3                     | 10                    | 9        | Yes               |
| Ms. Tarjani Vakil                | Independent               | 6                                   | 1               | 3   | 3                     | 10                    | 10       | Yes               |
| Mr. Vikram Rao <sup>1</sup>      | Whole Time Director       | 3                                   | 1               | -   | -                     | 10                    | 7        | No                |
| Mr. S. C. Bhargava               | Independent               | 13                                  | -               | 2   | 1                     | 10                    | 9        | No                |
| Mr. G. P. Gupta                  | Independent               | 13                                  | -               | 4   | 5                     | 10                    | 10       | Yes               |
| Dr. Bharat K. Singh <sup>2</sup> | Managing Director         | 7                                   | -               | -   | -                     | 3                     | 3        | N.A.              |
| Mr. Rakesh Jain                  | Whole Time Director       | 1                                   | -               | -   | -                     | 10                    | 9        | No                |
| Mr. S.K. Mitra                   | Whole Time Director       | 6                                   | 2               | 4   | -                     | 10                    | 9        | No                |
| Mr. K.K. Maheshwari              | Whole Time Director       | 3                                   | -               | 3   | 2                     | 10                    | 8        | Yes               |
| Mr. Adesh Kumar Gupta            | Whole Time Director & CFO | 8                                   | -               | 6   | -                     | 10                    | 10       | Yes               |
| Mr. Sanjeev Aga <sup>4</sup>     | Managing Director         | NA <sup>4</sup>                     | NA <sup>4</sup> | NA <sup>4</sup>                               | NA <sup>4</sup>       | 7                     | 5        | Yes               |

1. Appointed as Whole-Time Director w.e.f 1<sup>st</sup> November, 2006
2. Appointed as Managing Director in place of Shri Sanjeev Aga w.e.f 1<sup>st</sup> November , 2006
3. Only two Committees viz. Audit Committee and Shareholders'/ Investors' Grievance Committee are considered.
4. Mr. Sanjeev Aga was holding the office of Managing Director of the Company up to 1<sup>st</sup> November, 2006.

**Non Executive Directors' Compensation and Disclosure:**

All fees/ compensation , (except sitting fees) paid to non-executive directors, including independent directors , shall be fixed by the Board of Directors and shall require shareholders approval. The Shareholders' resolution shall specify the limits for the maximum number of stock options that can be granted to non- executive directors, including independent directors.

*Sitting fees for attending meeting of Board/ Committee is paid as per the provisions of Article 102 of Articles of Association of the Company . Commission paid to the non-executive directors is fixed by Board of Directors pursuant to the shareholder's approval.*

• **Details of Board Meetings and Attendance**

The Board shall meet at least four times a year , with a maximum time gap of four months between any two meetings. The minimum information to be made available to the Board as prescribed in clause 49 of the Listing Agreement.

*The Company's Board of Directors play primary role in ensuring good governance and functioning of the Company. The Board's role, functions, responsibility and accountability are clearly defined. All relevant information (as mandated by the regulations) is placed before the Board. The Board reviews compliance reports of all law as applicable to the Company, as well as steps taken by the Company to rectify instances of non-compliances. The Members of the Board have complete freedom to express their opinion and decisions are taken after detailed discussion. The details of Board meetings held during FY 2006-2007 are as outlined below:*

| Date of Board Meeting        | City   | No. of Directors Present |
|------------------------------|--------|--------------------------|
| 10 <sup>th</sup> April, 2006 | Mumbai | 13 out of 15             |
| 28 <sup>th</sup> April, 2006 | Mumbai | 14 out of 15             |
| 15 <sup>th</sup> June, 2006  | Mumbai | 11 out of 15             |
| 3 <sup>rd</sup> July, 2006   | Mumbai | 13 out of 15             |
| 29 <sup>th</sup> July, 2006  | Mumbai | 13 out of 15             |
| 11 <sup>th</sup> Sep , 2006  | Mumbai | 13 out of 15             |
| 19 <sup>th</sup> Oct, 2006   | Mumbai | 13 out of 15             |
| 7 <sup>th</sup> Dec, 2006    | Mumbai | 13 out of 15             |
| 29 <sup>th</sup> Jan, 2007   | Mumbai | 13 out of 15             |
| 12 <sup>th</sup> Mar, 2007   | Mumbai | 13 out of 15             |

**Code of Conduct:**

The Board shall lay down a code of conduct for all Board members and senior management of the company. All Board members and senior management personnel shall affirm compliance with the code on an annual basis. The Annual Report of the Company shall contain a declaration to this effect signed by the CEO.

*A declaration by Managing Director affirming the compliance of the Code of Conduct by Board members and senior management executives is also annexed separately in this Annual Report.*

## II Audit Committee

A qualified and independent audit committee shall be set up and should meet at least four times in a year. The audit committee shall have minimum three directors as members, with two-thirds of its members being independent directors. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise. The Chairman of the Audit Committee shall be an independent director and shall be present at Annual General Meeting to answer shareholder queries. The Company Secretary shall act as the Secretary to the Committee.

*The Company has an Audit Committee at the Board level with the powers and the role that are in accordance with Clause 49 of the Listing Agreement. The Committee acts as a link between the management, the statutory and internal auditors and the Board of Directors and oversees the financial reporting process. All the members of the Company's Audit Committee are Independent directors. During the year, the Audit Committee met 9 times to deliberate on various matters and details of the attendance by the Committee members are as follows:*

| Name of Director               | Served in past   | No.of Meetings held | No. of Meetings attended |
|--------------------------------|--|---------------------|--------------------------|
| Ms. Tarjani Vakil, Chairperson | As Chairperson and Managing Director of Exim Bank  | 9                   | 9                        |
| Mr. P. Murari                  | As Secretary to the President of India before retiring from service in September, 1992. He has held several key positions in various institutions and professional bodies. | 9                   | 7                        |
| Mr. B. R. Gupta                | As Executive Director of Life Insurance Corporation of India (Investments).  | 9                   | 9                        |
| Mr. G. P. Gupta                | As Chairman of Industrial Development Bank of India and Former Chairman of Unit Trust of India.  | 9                   | 9                        |

*The Managing Director and the CFO of the Company are permanent invitees to the meetings of the Committee. The Company Secretary acts as Secretary to the Committee.*

*The Scope of the functioning of the Audit Committee is to review, from time to time, the internal control procedures, the accounting policies of the Company and such other functions as may be recommended from time to time by SEBI, Stock Exchanges and/or under the Companies Act, 1956 which inter-alia include review of :*

- 1. Management Discussion and Analysis of financial condition and results of operations;*
- 2. Statement of significant related party transactions submitted by the management;*
- 3. Management letters/ letters of internal control weaknesses issued by the statutory auditors;*
- 4. Internal audit reports relating to internal control weaknesses; and the appointment, removal and terms of remuneration of the Chief internal auditor;*
- 5. Risk Framework*

### Other Board Committees:

During the year, the Board has constituted following other Board Committees. The Names of the Committee, brief terms of reference and No. of meetings held during the year are as under :-

| Name of the Committee       | Date of constitution | Members   | Terms of reference   | No. of Meetings held in 2006-07   |
|-----------------------------|----------------------|---|--|---|
| Risk Management Committee.  | 29.07.06             | Chairman-Managing Director<br>Members-Whole-Time Directors    | To review and reassess the risks of the businesses on an annual basis and to develop an effective risk mitigation plan.  | One meeting held on 19 <sup>th</sup> Sep, 2006                                |
| ESOP Compensation Committee | 07.12.06             | Mr. Kumar Mangalam Birla<br>Mr. H.J. Vaidya<br>Mr. B.R. Gupta | Formulating an ESOS Scheme, and its Simplementation, administration and supervision and formulating details terms and conditions in accordance with SEBI Guidelines. | As the Committee has been recently formed no meeting was held upto 31.03.2007 |

A Special Committee consisting of Shri Kumar Mangalam Birla, Dr. Bharat K. Singh and Shri G.P. Gupta, was constituted on 11th September, 2006 to decide the amount of the Rights Issue, price band and premium of the Rights Issue and to decide the ratio and number of shares to be issued.

### III Subsidiary Companies

At least one Independent director on the Board of Directors of the holding company shall be a director on the Board of Directors of a material non-listed Indian Subsidiary Company. The Audit Committee of the listed holding company shall also review the financial statements, in particular, the investments made by the unlisted subsidiary company. The minutes of the Board meetings of the unlisted subsidiary Company shall be placed at the Board meeting of the listed holding company. The management should periodically bring to the attention of the Board of Directors of the listed holding company, a statement of all significant transactions and arrangements entered into by the unlisted subsidiary company.

*The Company has one material non-listed Indian Subsidiary Company namely Birla Sun Life Insurance Company Limited (BSLICL). The Audit Committee reviews the financial statements and investments made by unlisted subsidiary companies. The minutes of the Board meeting as well as statements of all significant transactions of the unlisted subsidiary companies are placed regularly before the Board of Directors for their review.*

*Mr. G.P Gupta, an Independent Director of the Company is director of BSLICL.*

### IV Disclosures

#### (A) Basis of related party transactions :

A statement in summary form of transactions with related parties in the ordinary course of business, details of material individual transactions with related parties that are not in the normal course of business and details of material individual transactions with related parties that are not on an arm's length basis is required to be placed before the audit committee.

*The Company places all the aforesaid details before the Audit Committee from time to time. Particulars of related party transactions are listed out in Schedule 19 of the Balance Sheet forming part of the Annual Report.*

#### (B) Disclosure of Accounting treatment :

*The Company has followed all relevant Accounting Standards while preparing the financial statements.*

#### (C) Risk Management :

The Company shall lay down procedure to inform Board members about the risk assessment and minimization procedures. These procedures shall be reviewed to ensure that executive management controls risk through means of a properly defined framework

*The Company has developed comprehensive risk management policy and it is reviewed by the Audit Committee, which in turn, informs the Board about the risk assessment and minimization procedures. Since the risk control framework is new to Indian Corporate culture, it is being strengthened on continuous basis using the outside professional help.*

*With a view to further strengthen the risk management framework and to continuously review and reassess the risks that the businesses of the Company are confronted with, the Board of Directors in its meeting held on 29<sup>th</sup> July, 2006, has constituted a Risk Management Committee comprising of all the Whole-time Directors including the Managing Director.*

*The Committee reviews and re-assesses the business risks on an annual basis. The Committee has identified top 30-40 risks covering various businesses and has initiated steps for effective risk mitigation plan. During the year under review, the committee has met once on 19<sup>th</sup> September, 2006.*

#### (D) Proceeds from public issues, right issues, preferential issues etc:

If any capital is raised through an issue, the Company needs to disclose to the Audit Committee, the uses/applications of funds on a quarterly basis. Further, on an annual basis, the company shall prepare a statement of funds utilized for purposes other than stated to the other document / prospectus/notice and place it before the audit committee. The statement shall be certified by the statutory auditors of the Company.

*The Company made a Rights Issue of Equity Shares in the month of December, 2006. The Company has placed a detailed statement containing the uses/application of funds raised through the said Rights Issue before the Audit Committee held on 03.05.2007.*

### (E) Remuneration of Directors.

The Company needs to disclose all pecuniary relationship or transactions of the Non- Executive director's vis-à-vis the Company.

The Company has a system where all the directors or senior management of the Company are required to disclose all pecuniary relationship or transactions with the Company.

*No significant material transactions have been made with the non-executive directors vis-à-vis the Company.*

The Company needs to make disclosures on the remuneration of directors.

The Company shall publish its criteria of making payments to non-executive directors in its annual report. Alternatively, this may be put up on the Company's website and reference drawn thereto in the annual report.

*Besides sitting fees @ of Rs. 20,000/- per meeting of the Board or Committee thereof, the Company also pays commission to the non-executive Directors.*

*For F.Y. 2006-07, the Board has approved payment of Rs. 1.5 crores (Previous year Rs. 1.5 crores ) as commission to the non-executive Directors of the Company pursuant to the authority given at the Annual General Meeting of the Company held on to pay commission , not exceeding 1% of the net profits of the Company , to the non- executive Directors of the Company . The amount of commission payable is determined after assigning weightage to attendance, type of meeting and preparations required.*

#### The Details of remuneration to the Directors: -

| Name of Director         | Salary & Allowance | Perquisites and Other benefits | Performance linked income/ bonus paid/ Commission payable | Sitting fees paid |
|--------------------------|--------------------|--------------------------------|---|-------------------|
|                          | (In Rs.)           | (In Rs.)                       | (In Rs.)  | (In Rs.)          |
| Mr. Kumar Mangalam Birla | —                  | —                              | 92,03,000   | 1,80,000          |
| Mrs. Rajashree Birla     | —                  | —                              | 2,87,000  | 1,00,000          |
| Mr. H. J. Vaidya         | —                  | —                              | 8,06,000  | 3,00,000          |
| Mr. B. L. Shah           | —                  | —                              | 6,26,000  | 3,20,000          |
| Mr.P Murari              | —                  | —                              | 7,13,000  | 3,00,000          |
| Mr. B. R. Gupta          | —                  | —                              | 9,05,000  | 3,60,000          |
| Ms. Tarjani Vakil        | —                  | —                              | 9,71,000  | 3,80,000          |
| Mr. Vikram Rao           | 47,63,725          | 11,39,853                      | 0   | 1,20,000          |
| Mr. S. C. Bhargava       | —                  | —                              | 5,17,000  | 1,80,000          |
| Mr. G. P. Gupta          | —                  | —                              | 9,71,000  | 4,00,000          |
| Dr. Bharat. K. Singh #   | 55,55,400          | 12,62,759                      | 0   | 0                 |
| Mr. Rakesh Jain          | 1,52,34,408        | 38,17,648                      | 62,40,000   | 0                 |
| Mr. S. K. Mitra #        | 1,13,23,980        | 68,30,774                      | 0   | 60,000            |
| Mr. K. K. Maheshwari     | 1,68,67,990        | 30,05,084                      | 0   | 0                 |
| Mr. Adesh Gupta          | 62,94,219          | 18,34,934                      | 20,18,000   | 0                 |
| Mr. Sanjeev Aga #        | 1,00,59,060        | 38,45,829                      | 65,67,000   | 0                 |

Note:

1. No Director is related to any other Director on the Board, except for Mr. Kumar Mangalam Birla and Mrs. Rajashree Birla, who are son & mother respectively.
2. The Company has a policy of not advancing any loans to its Directors except to Executive Directors in the course of normal employment.
3. The appointment of Managing/ Whole Time Directors is subject to termination by three months notice in writing by either side.

# Remuneration relates to the part of the year

The Company shall disclose the number of shares and convertible instruments held by non-executive directors in the annual report.

*Detail of shareholding of Non- Executive Directors in the Company is as follows.*

| Director                 | No. of Shares |
|--------------------------|---------------|
| Mr. Kumar Mangalam Birla | 4609          |
| Mrs. Rajashree Birla     | 127634        |
| Mr. H.J. Vaidya          | 7127          |
| Ms. Tarjani Vakil        | 177           |
| Mr. S.C. Bhargava        | 233           |
| Mr. G.P. Gupta           | 339           |

#### **(F) Management**

As part of the director's report or as an addition thereto, a Management Discussion and Analysis report should form part of the Annual Report to the shareholders.

*The Management Discussion and Analysis Report, published as a separate section of this report is prepared in accordance with the requirements laid out in Clause 49 of the Listing Agreement and forms part of the Annual Report.*

Senior Management shall make disclosures to the Board 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 ( for e.g dealing in company shares, commercial dealings with bodies , which have shareholding of management and their relatives etc.)

*No material transaction 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.*

#### **(G) Shareholders:**

In case of the appointment of a new director or re-appointment of a director, the shareholders must be provided with the details of Directors.

*The Company is regularly providing details of new Directors and Directors seeking re-appointment in the Annual General Meeting notice attached with the Annual Report.*

Quarterly results and presentations made by the Company to analysts shall be put on company's website, or shall 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.

*Quarterly Presentations on the Company results are available on the website of the Company ([www.adityabirlanuvo.co.in](http://www.adityabirlanuvo.co.in)) and the Group ([www.adityabirla.com](http://www.adityabirla.com)). The hard and soft copies are also sent to concerned stock exchanges simultaneously so as to enable them to put them on their notice board/website.*

#### **SHAREHOLDER'S GRIEVANCES COMMITTEE.**

A Shareholders' Grievances Committee under the chairmanship of a non-executive director is formed to specifically look into the redressal of shareholder and investors complaints like transfer of shares, non-receipt of balance sheet, non-receipt of declared dividend , non- receipt of corporate benefits etc.

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

*The Company has an " Investor Relations and Finance Committee " comprising of Mr.P. Muari , Mr. H.J. Vaidya, Mr. B.L. Shah, Dr. Bharat K. Singh, as the members , Mr. P. Murari is the Chairman of the Committee. The Committee looks into various issues relating to shareholders including transfer and transmission of shares as well as non - receipt of dividend, Annual Report, shares after transfers and delays in transfer of shares. In addition, the Committee looks into other issues including status of dematerialisation/ rematerialisation of shares as well as systems and procedures followed to track investor complaints and suggest measures for improvement from time to time.*

*During the year under review, the Committee met 6 times to deliberate on various matters referred above. Details of attendance by Directors for the Committee meetings are as follows:-*

| Name of Director      | Non Executive / Independent | No. of Meetings |          |
|-----------------------|-----------------------------|-----------------|----------|
|                       |                             | Held            | Attended |
| Mr. P. Murari         | Independent                 | 6               | 1        |
| Mr. H.J. Vaidya       | Independent                 | 6               | 5        |
| Mr. B.L. Shah         | Non- Executive              | 6               | 6        |
| Mr. Sanjeev Aga       | Executive                   | 4               | 3        |
| Dr. Bharat K. Singh # | Executive                   | 2               | 2        |

*# Dr. Bharat K. Singh has become a member of the Investor Relations and Finance Committee (IRFC) in place of Mr. Sanjeev Aga w.e.f. 1<sup>st</sup> November, 2006.*

*The Company Secretary acts as Secretary to the Committee. He is compliance officer of the Company and also responsible for redressal of investor complaints.*

*The Company's shares are compulsorily traded and delivered in the dematerialised form in all Stock Exchanges, To expedite the transfer in the physical segment , necessary authority has been delegated to officers, who are authorised to transfer upto 5000 shares under one transfer deed. Details of share transfers/transmission approved by the officers are placed before the Committee from time to time.*

*Details of complaints received, number of shares transferred during the year , time taken for effecting these transfers and the number of share transfers in the Shareholder Information section of this Annual Report.*

#### **V. CEO/ CFO certification:**

*The CEO and CFO certification of the financial statements and the cash flow statement for the year is enclosed separately at the end of the report.*

#### **VI. REPORT ON CORPORATE GOVERNANCE.**

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 extend 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. Certificate form 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 this report.*

## VII. General Body Meetings:

Details of Annual General Meetings:-

Location and time, where last 3 Annual General Meetings held:-

| Year    | AGM | Location                      | Date                        | Time       |
|---------|-----|-------------------------------|-----------------------------|------------|
| 2005-06 | AGM | Regd. Office Veraval, Gujarat | 17 <sup>th</sup> Aug, 2006  | 10:30 A.M. |
| 2004-05 | AGM | Regd. Office Veraval, Gujarat | 24 <sup>th</sup> June, 2005 | 11:30 A.M. |
| 2003-04 | AGM | Regd. Office Veraval, Gujarat | 30 <sup>th</sup> June, 2004 | 12:00 Noon |

### Court Convened Meeting (CCM) for approval of Scheme of Amalgamation between Indo Gulf Fertilisers Limited and the Company

|   |                                       |
|---|---------------------------------------|
| <b>Year</b>   | 2005-06                               |
| <b>Location</b>   | Regd. Office, Veraval, Gujarat        |
| <b>Date</b>   | 16 <sup>th</sup> November, 2005       |
| <b>Date of declaration of result of poll results</b>            | 17 <sup>th</sup> November, 2005       |
| <b>Number of shareholders attended and voted at the Meeting</b> | 96 (Shareholding Votes – 3,39,90,339) |
| <b>Shareholders whose votes were invalid</b>                    | 4 (Shareholding Votes – 11,26,193)    |
| <b>Shareholders who voted in favour of the Scheme</b>           | 90 (Shareholding Votes – 3,28,63,944) |
| <b>Votes against the Resolution</b>                             | 2 (Shareholding Votes – 11,26,193)    |

### Court Convened Meeting (CCM) for approval of Scheme of Amalgamation between Birla Global Finance Limited and the Company

|   |  |
|---|--|
| <b>Year</b>   | 2005-06                                |
| <b>Location</b>   | Regd. Office, Veraval                  |
| <b>Date</b>   | 16 <sup>th</sup> November, 2005        |
| <b>Date of declaration of result of poll results</b>            | 16 <sup>th</sup> November, 2005        |
| <b>Number of shareholders attended and voted at the Meeting</b> | 108 (Shareholding Votes – 3,28,97,867) |
| <b>Shareholders whose votes were invalid</b>                    | 2 (Shareholding Votes – 32,797)        |
| <b>Shareholders who voted in favour of the Scheme</b>           | 105 (Shareholding Votes – 3,28,44,869) |
| <b>Votes against the Resolution</b>                             | 2 (Shareholding Votes – 20,201)        |

Whether any special resolutions passed in the previous 3 AGMs

Yes

All the resolutions, including following special resolutions set out in the respective Notices were passed by the Shareholders.

*All the following special resolutions set out in the respective Notices were passed by the Shareholders.*

| Date of AGM | Section         | Particulars of Special Resolution   |
|-------------|-----------------|---|
| 30.06.2004  | 198,309         | Special Resolution approving the amount payable as commission on annual profits to non-executive directors of the Company, in addition to the sitting fees and reimbursement of expenses.   |
| 24.06.2005  | 198,269,309     | Special Resolution approving the appointment of Mr. Sanjeev Aga as the Managing Director of the Company for a period of 5 years w.e.f. 1st May, 2005.   |
| 17.08.2006  | 16(1), 94       | Special Resolution for increase and reclassification of Authorised Capital of the Company and consequential alteration in the Capital Clause of the Memorandum of Association of the Company.   |
| 17.08.2006  | 31              | Special Resolution for alteration of Articles of Association of the Company due to increase in Authorised Capital of the Company.   |
| 17.08.2006  | 198,269,309,314 | Special Resolution approving the appointment of Mr. K.K. Maheshwari as the Wholetime Director of the Company for a period of 5 years w.e.f 1st October, 2005.   |
| 17.08.2006  | 198,269,309,314 | Special Resolution approving the appointment of Mr. Adesh Gupta as the Wholetime Director of the Company for a period of 5 years w.e.f. 1st October, 2005.  |
| 17.08.2006  | 198,269,309,314 | Special Resolution approving the appointment of Mr. Rakesh Jain as the Wholetime Director of the Company for a period of 5 years w.e.f. 3rd April, 2006.  |
| 17.08.2006  | 198,269,309,314 | Special Resolution approving the appointment of Mr. S.K. Mitra as the Wholetime Director of the Company for a period of 5 years w.e.f. 1st July, 2006.  |
| 17.08.2006  | 314             | Special Resolution approving the receipt of sitting fees by the Managing/ Wholetime Directors of the Company for attending meetings of the Board of Directors / Committee of Directors of the Company's subsidiaries or Companies promoted by Aditya Birla group. |
| 17.08.2006  | 81(1A)          | Special Resolution approving for further issue and allotment of equity shares/securities as may be required to the members of the Company or to the persons other than the members of the Company.  |

*Whether any special/Ordinary resolution passed last year through postal ballot?*

*During the year, consent of the members of the Company was sought by Special Resolutions/Ordinary resolution, through postal ballot on two occasions as under:-*

| Particulars of Postal Ballot  | Date of Postal Ballot | No. of Valid Postal Ballot | No. of Invalid Postal Ballot | Votes in favour of the Resolution | Votes against the resolution |
|---|-----------------------|----------------------------|------------------------------|-----------------------------------|------------------------------|
| Special Resolution authorising the Board to make investments, give loans and provide guarantees / securities under Section 372A of the Companies Act, 1956.   | 28.08.2006            | 2997                       | 94                           | 44,253,900                        | 14125                        |
| Ordinary Resolution authorising the Board for restructuring / demerger / sale / transfer or otherwise disposal of Contract Export Business of Madura Garments Division of the Company pursuant to Section 293(1)(a) of the Companies Act, 1956.   | 28.08.2006            | 2848                       | 94                           | 44,235,020                        | 7146                         |
| Special Resolution under Section 81(1A) of the Companies Act, 1956 and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for approval of the Employee Stock Option Scheme-2006 and issue of equity shares under the Employee Stock Option Scheme to employees including Managing/ Whole time Director(s) of the Company | 16.01.2007            | 2639                       | 104                          | 46,082,141                        | 88,324                       |
| Special Resolution under Section 81(1A) of the Companies Act, 1956 and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 for issue of equity shares under the Employee Stock Option Scheme to employees including Managing/ Whole time Director(s) of subsidiary companies of the Company                               | 16.01.2007            | 2540                       | 104                          | 46,056,719                        | 90,361                       |

#### **MEANS OF COMMUNICATION**

##### **Quarterly results:**

##### **Which newspaper normally published in**

| Newspaper         | Cities of Publication   |
|-------------------|---|
| Business Standard | Ahmedabad, Bangalore, Bhubaneswar, Chandigarh, Chennai, Hyderabad, Kochi, Kolkata, Lucknow, Mumbai, New Delhi and Pune. |
| Financial Express | Ahmedabad, Bangalore, Chandigarh, Chennai, Hyderabad, Kochi, Kolkata, Mumbai, New Delhi, and Pune.                      |

Any website, where displayed

www.adityabirlanuvo.co.in  
www.adityabirla.com

Whether it also displays official news releases

Yes

Presentations made to investors/analysts:

Yes

General Shareholder Information

Published as a separate section in this report.



**Status of Compliance of Non mandatory requirement.**

1. The non- Executive Chairman of the Company may be entitled to maintain an office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties. This will enable him to discharge his responsibility effectively.

*The Company maintains a separate office for the Non- Executive Chairman . All necessary infrastructure and assistance are available to enable him to discharge his responsibilities effectively.*

2. The Board may 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 .

*The Company does not have a Remuneration Committee except for ESOP. The remuneration of the Managing/ Whole- time Directors is fixed by the Board of Directors.*

3. 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 sent to the shareholders.*

4. Company may move towards a regime of unqualified financial statements.

*During the period under review, there is no audit qualification in the financial statement. The Company continues to adopt best practices to ensure unqualified financial statements.*

5. The Company may establish a mechanism for employees to report to the management concerns about unethical behaviours, actual or suspected fraud or violation of the company's code of conduct or ethics avails of the mechanism and also provide for 'direct access to the Chairman of Audit committee in exceptional cases. Once established, the existence of the mechanism may be appropriately communicated within the organisation.

*The Company has established policy in this regard.*

## DECLARATION

As provided under Clause 49 of the Listing Agreement with the Stock Exchange(s), it is hereby declared that all the Board Members and Senior Management personnel of the Company have affirmed the compliance with the Code of Conduct for the year ended 31.3.2007.

Place: Mumbai  
Date: May 03, 2007

**Dr. Bharat K. Singh**  
Managing Director

## CEO/CFO CERTIFICATION

The Managing Director and the CFO heading the finance function have certified to the Board that:

- (a) They have reviewed financial statements and the cash flow statement for the year and that to the best of their knowledge and belief:
  - (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - (ii) these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- (b) There are, to the best of their knowledge and belief, no transactions entered into by the company during the period which are fraudulent, illegal or violative of the company's code of conduct.
- (c) They have accept responsibility for establishing and maintaining internal controls and they have evaluated the effectiveness of the internal control systems of the company and they have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of internal controls, if any, of which they are aware and the steps they have taken or propose to take to rectify these deficiencies.
- (d) They have indicated to the auditors and the Audit committee
  - (i) significant changes in internal control during the year;
  - (ii) significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - (iii) instances of significant fraud of which they have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system.

Place: Mumbai  
Date: May 03, 2007

**Adesh Gupta**  
(Whole-time Director & CFO)

**Dr. Bharat K. Singh**  
(Managing Director)

## SOCIAL REPORT

### **Beyond Business**

Transcending business, we reach out to the weaker sections of society, residing near our plants. We believe it is our collective responsibility to narrow the inequities that exist in our country. Our social projects therefore address issues of deep relevance to human society, such as poverty alleviation through sustainable development and livelihood processes, healthcare, education, societal change and infrastructure development.

Your Company's social projects are carried out under the aegis of the Aditya Birla Centre for Community Initiatives and Rural Development, led by Mrs. Rajashree Birla, your Director.

For the year 2006-07 we have made significant progress. A summary :

### **In Health Care :**

- Conducted 340 medical camps at which over 68,500 villagers were medically examined and those who were afflicted treated for their ailments.
- 3,400 villagers were checked for their eyesight of which 579 senior citizens were provided with intra ocular lens and 460 were given spectacles for better sight, in collaboration with the Aravind Eye Hospital and the Indira Gandhi Eye-care Hospital, the District Authorities and Ophthalmologists from major towns.
- At camps organized for tuberculosis, dental check ups and treatment, cancer detection at Rishra, Renukoot and Gummudipoondi over 1130 patients were treated.
- 410 physically impaired persons were examined. Of these, 203 were provided with artificial limbs fitment, while reconstructive surgery enabled rehabilitate over 70 people.
- In collaboration with Indian Red Cross Society, blood donation camps were organized at Jayashree Textiles at Rishra and Hi-Tech Carbon in Gummidipoondi. Over 230 people donated blood.
- In a special drive to treat skin-ailments by Indo Gulf, Jagdishpur, more than 3200 patients were treated. Of these, 162 leprosy affected villagers were cured, of which again 22 patients underwent reconstructive surgery. 30 leprosy-free patients were rehabilitated.
- AIDS awareness camps built greater awareness amongst hundreds of students and the people amidst whom we work, numbering over 7000.

*"Our vision is to make a qualitative difference to the lives of the weaker sections of society in proximity to our plants and in doing so improve the human development index of our nation."*

— Mrs. Rajashree Birla

### **Mother and Child Care :**

- Through the Government Health Departments and agencies like CARE RACHNA and CARE SURE START Project we have collectively reached out to over 28 lakh families under the Mother and Child Health Care programme.
- 3,170 couples have taken to planned families.
- Immunised 30,72,018 children against polio at Jagdishpur, Veraval, Rishra, Barasat, Gummidipoondi and Renukoot.
- At Rishra 100% Hepatitis immunization was achieved at selected 4 wards. Allopathy and Homeopathy Centres cater to the general health-care needs.



*Kids at our creche in Madura Garments.*



*Farmers pose after a Training Programme at Veraval.*



*Sparking the desire to learn among visually challenged kids and grown-ups at Jagdishpur*



*An Aids awareness rally at Gummidipoondi.*

#### **Education :**

- Merit Scholarships were earned by 170 students close to Indian Rayon, Veraval and Hi-Tech Carbon, Renukoot.
- The Aditya Junior High School in Belharrhi Panchayat, run by Hi-Tech Carbon, Renukoot, helps provide education to the underprivileged.
- At the Kamakhya Balak Ashram at Barasat, which shelters orphans, Jayashree Textiles supports 24 children. Likewise at the Ankur Vidaylaya close by, its involvement benefits 38 children.
- The schools close to our plants are aided through infrastructural support.
- Adult Education Centres at Jagdishpur, Rishra and Gummidipoondi continue to provide informal education.
- The talent search and recognition programme organized by Indo Gulf spanned over 37 schools and 1190 students.

#### **Sustainable livelihood :**

- Through village campus interviews, conducted in the hinterland of Karnataka, we provided employment to 475 women at Madura Garments.
- At Jagdishpur, training in the art of zardosi (zari embroidery) has been initiated and 50 girls have joined in.

- More than 400 women who have been trained in tailoring, knitting, mirror-work embroidery, making palm leaves products at Gummudipoondi, Veraval and Rishra now stand on their own feet.
- Agriculture – Through farm-based programmes, farmer training, nursery raising, setting up of vermin-compost units, seed multiplication and intercropping, more than 4400 of farmers benefited.
- Imparting training in computer maintenance, electrical fittings, cutting and tailoring, electronic and automobile repairing, food processing, phenyl making, detergent manufacturing, various traditional handicrafts have enabled 2210 youths become self reliant at Jagdishpur, Veraval and Gummudipoondi.
- Water harvesting structures, such as hand-pumps installation, erecting check-dams, ponds, roof-water harvesting and digging wells support about several families at Renukoot, Uttar Pradesh.
- Immunised 9650 animals and attended to their ailments at animal treatment camps near Veraval.
- The Birla Shaktiman Vocational Training Centre at Jagdishpur honed the skills of 96 village boys in various trades in a year long course. This Centre has been in operation for now over two decades.

#### **Women Self-Help Groups :**

- Formed 362 Self Help Groups. These have enabled the empowerment of nearly 3730 women through skills – training and income generation.
- 391 women in our plants were trained in embroidery, tailoring and knitting.

#### **Social Welfare :**

- A mass marriage programme was organized in Veraval to discourage the practice of dowry.

#### **Infrastructure :**

- Infrastructure development is supported by your Company through the construction and repair of approach roads, setting up troughs and drinking water structures, health centres and facilities for the under-served communities.
- Close to Gummudipoondi, low cost toilets benefited 140 families.
- Through Indian Rayon at Veraval, we also distributed solar cookers which aided 155 families.
- At Renukoot, 5 check-dams built in two villages are a boon for 1550 people.
- To solve drinking water problems at the primary schools in Umrالا and Sonaraya village, the team at Veraval installed a pipeline for hand-pumps, supported by the Gujarat Water Supply and Sewage Board.
- Over 17,800 tree samplings were planted in 16 villages including Umrالا and Sonaraya.

In our own humble way we try to make a difference. At the end of the day we fully realize that even though we work in 3700 villages at the Group level, so much more needs to be done, given that we are a nation of over 6 lakh villages.

## ENVIRONMENT REPORT

Sustainable development is the cornerstone of our activities.

We subscribe to the triple-bottomline line accountability and are signatories to the Global Compact, a UN Sponsored initiative. We take our social, economic and environmental responsibility seriously. We believe these are linked and key to our success as a Corporate. We make no compromises on this score.

All of your Company's Plants- the Rayon Plant at Veraval, Jaya Shree Textiles at Rishra, the Carbon Black Plants at Renukoot and Gummidipoondi and Insulator Plants at Rishra and Halol are all ISO 14000 EMS Certified. Your Company's plants have also received OHSAS 18001 Certification for Safety Management Systems and are SA 8000 Certified for Social Accountability Standards.

Insulators' Environment Management Systems are attested by the American Bureau of Shipping, a renowned certification agency, based in the USA.

An in-depth environmental audit is conducted at our plants by Professional Environment Auditors, The Central Salt and Marine Chemical Institute (Bhavnagar), - a Gujarat Pollution Control Board recognized Institute, GITCO- Ahmedabad and the Bureau of Indian Standards Their Audit Reports validate our commitment to environment conservation. Additionally, trained environment systems auditors conduct periodic checks.

Your Company's Rayon Brands - RayOne and KolorOne are OEKO TEX Certified. This is an endorsement of all products manufactured under these two brands' highest ecological standards, established for products that come in direct contact with the skin.

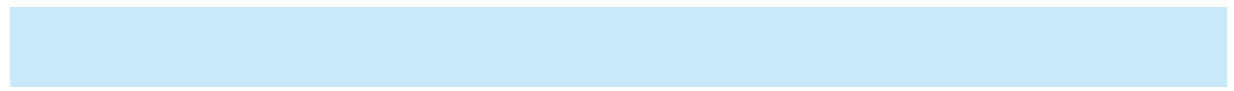
State-of-the-art automated industrial Effluent Treatment Plants (ETP) operate across all of your Company's manufacturing units. The treated effluent inclusive of treated sewage thrown up by the plants is recycled and is used for horticulture and irrigation.

The Rayon Division's Caustic Soda Plant at Veraval, is reckoned as a benchmark plant with the lowest rate of solid waste per tonne of production. Initiatives are continuously taken to recycle the waste. Sodium Sulphide is made from Hydrogen sulphite and hypochloride is produced from waste chlorine. We use hydrogen gas to produce caustic flakes. It is one of the cleanest fuels for the Flaker Furnace.

We have commissioned a Brick Manufacturing Plant, utilizing Fly Ash. Most of the fly ash now being generated is supplied to our Group's Cement Plant.

The Veraval Plant operates the latest state of art Bipolar Membrane Cell Technology with 2<sup>nd</sup> Generation Elements. The expansion of the Plant to 225 TPD has been done using advanced technology, 4<sup>th</sup> Generation Elements, for the first time in India in 2005 and 2007 in 2 phases, rendering it highly energy efficient.

At Jayshree Textiles in Rishra, the Effluent Treatment Plant has been upgraded to factor the expansion of its wool combining division. The three projects taken under the clean Development mechanism under the aegis of the United Nations Framework Convention on Climate Change (UNFCCC) have been validated and are now awaiting registration with the UNFCCC.



At your Company's Insulator Plant, the effluent generated is recycled for low tension insulators and whatever is not used is given off to the cottage industries.

At your Company's Carbon Black plants in Renukoot and Gummidipoondi, to block the venting of carbon black, vent scrubbers and zero leakage valves have been installed. This has resulted in twin benefits – firstly, no off-gas leakages; and secondly, conservation of energy.

Steam and electricity are generated through channelizing of gases. The power so generated is used for captive consumption and the additional steam is sold to Hindalco, one of our Group Companies, in proximity to your Company's plant in Renukoot.

Your Company is working on Green House Gas Abatement through CDM Projects.

At your Company's Fertiliser Division, mechanisms towards better environment management are well in place. The Plant has Zeolite softners, Deep Hydrolyser, Ammonia stripping systems, de-dusting systems, oily water treatment systems, and guard ponds, supported by effective online monitoring system to safeguard the environment.

Process optimization, water conservation projects and using recycling treated effluent has substantially lowered the plant's water consumption. The Plant's water consumption level is comparable to world class Urea fertilizer plants globally.

Your Company has implemented energy savings projects, leading to significant reduction of CO<sub>2</sub> gas emission, a Green House Gas. Your Company is the first fertilizer plant globally to register a Clean Development Mechanism (CDM) Project with UNFCCC. This has resulted in CO<sub>2</sub> emission reduction (CERs) by about 60,000 Te and will continue to generate about 25,000 Te CERs per annum. Your Company is working on a few more CDM projects. Three CDM Projects have already been registered with UNFCCC.

Our rain-water harvesting projects are on track. Rain-water has been stored in the lower benches of some of our captive limestone mines. Effective water recharging projects have been implemented. Several water bodies in the catchment areas for rain-water storage and ground water recharging have been created. There is an additional upside as these projects help provide water to communities that live close to our plants.

Your Directors and all of your Company's employees are totally committed to sustainable development.

Our plants wear a green look. And at the break of dawn you can listen to the chirping of birds, while at sundown, as they rush to their nest, you can hear their cacophony.

## SHAREHOLDER INFORMATION

1. Annual General Meeting
  - Date and Time : 1st August, 2007 at 11.00 a.m.
  - Venue : Registered Office  
Indian Rayon Compound  
Veraval - 362 266  
Gujarat, India.
2. Financial Calendar
  - Financial reporting for the quarter ending June 30, 2007 : End July, 2007
  - Financial reporting for the half year ending September 30, 2007 : End October, 2007
  - Financial reporting for the quarter ending December 31, 2007 : End January, 2008
  - Financial reporting for the year ending March 31, 2008 : End April, 2008
  - Annual General Meeting for the year ended March 31, 2008 : June/July, 2008
3. Dates of Book Closure : 26th July, 2007 to 1st August, 2007  
(both days inclusive)
4. Dividend Payment Date : Interim dividend paid in the  
last week of March, 2007.
- 5(a) Registered office : Indian Rayon Compound,  
Veraval – 362 266  
Gujarat, India.  
Tel: (02876) 245711  
Fax: (02876) 243220  
Email: [irilveraval@adityabirla.com](mailto:irilveraval@adityabirla.com)
- 5(b) Web Site: : <http://www.adityabirlanuvo.co.in>  
: <http://www.adityabirla.com>
- 6(a) Listing on Stock Exchanges at

| Equity Shares   | Global Depository Receipts (GDRs)  |
|---|--|
| Bombay Stock Exchange Limited<br>Phiroze Jeejeebhoy Towers<br>Dalal Street<br>Mumbai – 400 001<br><br>National Stock Exchange of India Ltd.<br>“Exchange Plaza” Bandra-Kurla Complex<br>Bandra (East)<br>Mumbai – 400 051 | Luxembourg Stock Exchange Undertaking<br>Societe de la Bourse de Luxembourg<br>L- 2011, Luxembourg |

**Note:** Listing Fees has been paid to all the Stock Exchanges as per their schedule.

6(b) Overseas Depository for GDRs Citibank N.A  
 Depository Receipts  
 388 Greenwich Street,  
 NEW YORK, NY – 10013, USA  
 Phone: 212/657-8782  
 Fax: 212/825-5398

6(c) Domestic Custodian of GDRs ICICI Bank Limited  
 Securities Market Services  
 F7/E7 1<sup>st</sup> floor, 414  
 Senapati Bapat Marg,  
 Lower Parel,  
 Mumbai - 400 013  
 Ph: (+91-22) 2490 6882  
 Fax: (+91-22) 2492 3443

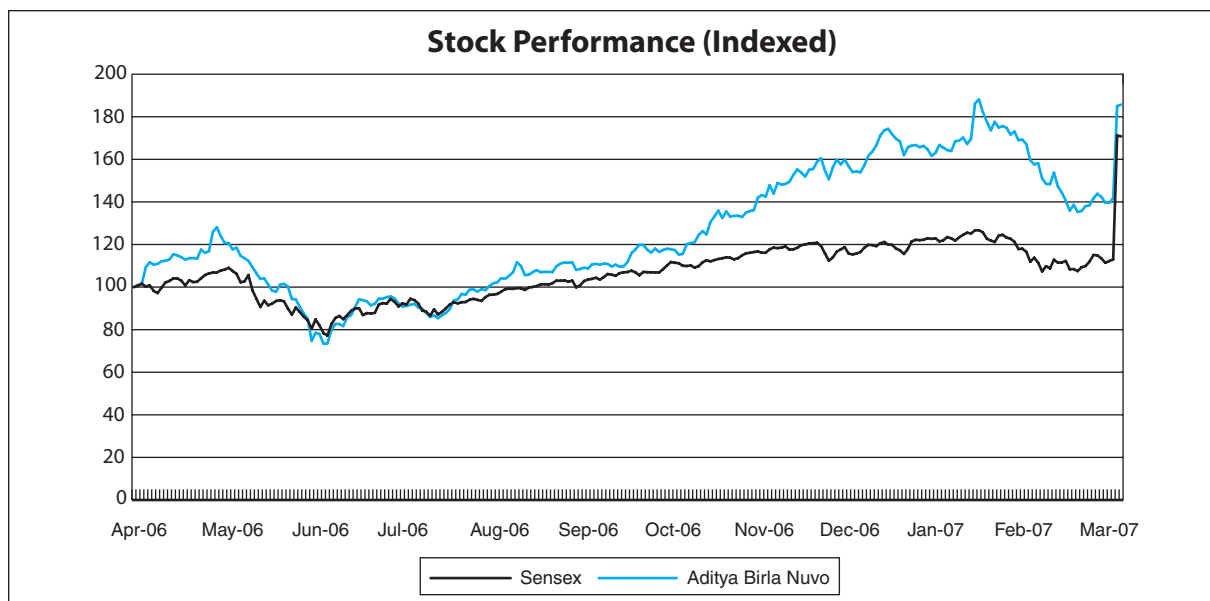
7. Stock Code:

|   | Stock Code   | Reuters | Bloomberg |
|---|--------------|---------|-----------|
| Stock Exchange, Mumbai<br>National Stock Exchange<br>Global Depository Receipts<br>(GDRs) | 500303       | ABRL.BO | ABNL IN   |
|   | ABIRLANUVO   | ABRL.NS | NABNL IN  |
|   |              | IRYN.LU | IRIG LX   |
| ISIN No. of Equity Shares   | INE069A01017 |         |           |
| ISIN No. Of GDRs  | USY394561192 |         |           |

8. Stock Price Data

|        | <i>Bombay Stock Exchange Limited</i> |            |              |                   | <i>National Stock Exchange</i> |            |              |                   | <i>Luxembourg Stock Exchange</i> |            |              |
|--------|--------------------------------------|------------|--------------|-------------------|--------------------------------|------------|--------------|-------------------|----------------------------------|------------|--------------|
|        | <i>High</i>                          | <i>Low</i> | <i>Close</i> | <i>Av. Volume</i> | <i>High</i>                    | <i>Low</i> | <i>Close</i> | <i>Av. Volume</i> | <i>High</i>                      | <i>Low</i> | <i>Close</i> |
|        | <i>(In Rs.)</i>                      |            |              | <i>(In Nos)</i>   | <i>(In Rs.)</i>                |            |              | <i>(In Nos)</i>   | <i>(In US\$)</i>                 |            |              |
| Apr-06 | 889.80                               | 729.50     | 880.75       | 31631.28          | 897.00                         | 730.00     | 880.45       | 27744.11          | 18.91                            | 16.88      | 18.82        |
| May-06 | 1000.00                              | 695.35     | 750.80       | 17199.41          | 980.00                         | 683.00     | 750.15       | 25414.23          | 19.78                            | 15         | 15           |
| Jun-06 | 798.00                               | 510.05     | 708.05       | 27495.70          | 757.00                         | 500.00     | 717.50       | 34254.70          | 15.5                             | 11.99      | 14.65        |
| Jul-06 | 739.95                               | 625.10     | 724.65       | 33319.76          | 775.40                         | 601.10     | 724.65       | 38813.00          | 15.65                            | 13.73      | 15.20        |
| Aug-06 | 859.00                               | 702.00     | 802.40       | 65137.00          | 862.00                         | 706.00     | 804.80       | 56262.91          | 17.88                            | 15.56      | 17.20        |
| Sep-06 | 871.00                               | 795.50     | 868.30       | 19502.67          | 871.00                         | 790.00     | 869.10       | 20404.00          | 18.23                            | 17.18      | 18.23        |
| Oct-06 | 983.95                               | 850.00     | 978.00       | 51183.65          | 985.00                         | 819.60     | 980.90       | 61225.55          | 21.78                            | 19.13      | 21.78        |
| Nov-06 | 1176.00                              | 805.00     | 1162.85      | 37085.36          | 1179.00                        | 939.50     | 1161.40      | 59186.14          | 25.65                            | 22.17      | 25.65        |
| Dec-06 | 1252.00                              | 1090.00    | 1247.50      | 47375.20          | 1251.00                        | 1081.65    | 1247.50      | 67088.50          | 27.91                            | 24.71      | 27.91        |
| Jan-07 | 1324.90                              | 1190.05    | 1262.00      | 63896.70          | 1325.00                        | 1191.00    | 1260.70      | 67148.65          | 29.6                             | 27.32      | 28.08        |
| Feb-07 | 1494.00                              | 1150.00    | 1194.85      | 42266.74          | 1498.00                        | 1210.00    | 1187.70      | 73506.08          | 31.06                            | 28.41      | 28.41        |
| Mar-07 | 1205.00                              | 960.00     | 1061.80      | 44211.00          | 1202.90                        | 991.50     | 1070.90      | 59475.14          | 26.83                            | 22.65      | 24.56        |

## 9. Stock Performance



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

### Absolute Return (In %)

| (In Percentage)   | 1 Year | 3 Years | 5 Years  |
|-------------------|--------|---------|----------|
| ADITYA BIRLA NUVO | 47.87% | 481.43% | 1431.07% |
| BSE Sensex        | 15.89% | 133.82% | 276.79%  |
| NSE Nifty         | 12.31% | 115.68% | 238.32%  |

### Annualised Returns (In %)

| (In Percentage)   | 1 Year | 3 Years | 5 Years |
|-------------------|--------|---------|---------|
| ADITYA BIRLA NUVO | 47.87% | 79.82%  | 72.58%  |
| BSE Sensex        | 15.89% | 32.73%  | 30.38%  |
| NSE Nifty         | 12.31% | 29.20%  | 27.60%  |

BSE Code : 500303  
 NSE Code : ABIRLANUVO  
 ISIN No. : INE069A01017

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

In-house Share Transfer  
 Registered with SEBI as Category II - Share Transfer Agent  
 (Registration No. INR 000001815)

Share Department  
 Registered Office:  
 Indian Rayon Compound  
 Veraval 362 266, Gujarat, India  
 Tel: (02876) 245711  
 Fax: (02876) 243220  
 E-mail: abnlsecretarial@adityabirla.com

12. Share Transfer System : Share transfers in physical form are registered normally within 2-3 days from the date of receipt, provided that the documents are clear in all respects.

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

The total number of shares transferred in physical form during the year was 89,010 (Previous Year 88,780). Majority of transfers were completed within 2-3 days from the date of receipt.

| Transfer period (in days) | 2006 – 2007      |               |               |                    | 2005 – 2006      |               |               |                    |
|---------------------------|------------------|---------------|---------------|--------------------|------------------|---------------|---------------|--------------------|
|                           | No. of transfers | No. of shares | %             | Cumulative total % | No. of transfers | No. of shares | %             | Cumulative total % |
| 1 – 5                     | 1857             | 74,514        | 83.39         | 83.00              | 1683             | 77,802        | 87.51         | 87.51              |
| 6-10                      | 89               | 2,205         | 4.00          | 87.39              | 37               | 1,967         | 1.93          | 89.44              |
| 11-15                     | 33               | 1,812         | 1.48          | 88.87              | 30               | 1,712         | 1.56          | 91.00              |
| 16-20                     | 87               | 3,347         | 3.90          | 92.77              | 55               | 2,667         | 2.86          | 93.86              |
| 21-30                     | 161              | 7,132         | 7.23          | 100.00             | 118              | 4,632         | 6.14          | 100.00             |
| 30 and above              | -                | -             | -             | -                  | -                | -             | -             | -                  |
| <b>TOTAL</b>              | <b>2,227</b>     | <b>89,010</b> | <b>100.00</b> | <b>-</b>           | <b>1,923</b>     | <b>88,780</b> | <b>100.00</b> | <b>-</b>           |

Number of pending Share Transfers as on 31<sup>st</sup> March, 2007 : No Transfer Deeds were pending for transfer as on 31.03.2007.

13. Investor Services:

(a) The Share Department of the Company has been accredited with ISO 9001:2000 Certification for providing Investor and Secretarial Services by KPMG, Quality Registrar, Mumbai with effect from July 16, 2004 for a period of three years. This Certification testifies to the exemplary standards that the Company's Investor Service Centre has achieved in complying with statutory and regulatory requirements and redressing investor grievances.

(b) Complaints received during the year

| Nature of complaints                       | 2006-07    |            | 2005-06   |           |
|--|------------|------------|-----------|-----------|
|  | Received   | Cleared    | Received  | Cleared   |
| 1) Relating to Transfer, Transmission etc. | -          | -          | 10        | 10        |
| 2) Dividend, Interest, Redemption etc.     | 15         | 15         | 12        | 12        |
| 3) Annual Report                           | 1          | 1          | 14        | 14        |
| 4) Demat – Remat                           | 4          | 4          | 4         | 4         |
| 5) Rights Issue related                    | 954        | 853        |           |           |
| 6) Others                                  | 10         | 10         | 13        | 13        |
| <b>Total</b>                               | <b>984</b> | <b>883</b> | <b>53</b> | <b>53</b> |

(c) 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 | 2007                 |                    |                    |                 | 2006                 |                    |                    |                 |
|---------------------------|----------------------|--------------------|--------------------|-----------------|----------------------|--------------------|--------------------|-----------------|
|                           | 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                     | 1,28,982             | 78.36              | 31,18,819          | 3.34            | 59,961               | 67.16              | 20,75,441          | 3.47            |
| 101-200                   | 17,745               | 10.78              | 24,72,003          | 2.65            | 14,497               | 16.24              | 20,65,658          | 3.45            |
| 201 – 500                 | 11,642               | 7.07               | 35,78,431          | 3.83            | 9,974                | 11.17              | 31,07,776          | 5.19            |
| 501-1000                  | 3,626                | 2.20               | 25,03,719          | 2.68            | 2,984                | 3.34               | 21,56,669          | 3.60            |
| 1001-5000                 | 2,240                | 1.36               | 41,85,337          | 4.49            | 1,636                | 1.83               | 30,92,850          | 5.16            |
| 5001-10000                | 141                  | 0.09               | 994,263            | 1.07            | 102                  | 0.11               | 7,06,836           | 1.18            |
| 10001 & above             | 227                  | 0.14               | 76,452,615         | 81.94           | 133                  | 0.15               | 4,66,84,682        | 77.95           |
| <b>Total</b>              | <b>1,64,603</b>      | <b>100.00</b>      | <b>9,33,05,187</b> | <b>100.00</b>   | <b>89,287</b>        | <b>100.00</b>      | <b>5,98,89,912</b> | <b>100.00</b>   |

15 Categories of Shareholding as on 31<sup>st</sup> March: -

| Category  | 2007                 |                    |                    |                    | 2006                 |                    |                    |                 |
|---|----------------------|--------------------|--------------------|--------------------|----------------------|--------------------|--------------------|-----------------|
|   | 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 | % share holding |
| Promoters/Persons acting in concert                   | 21                   | 0.01               | 3,63,96,379        | 39.01              | 30                   | 0.03               | 1,71,55,739        | 28.64           |
| UTI and other mutual funds                            | 110                  | 0.07               | 86,25,125          | 9.24               | 39                   | 0.04               | 62,42,489          | 10.42           |
| Banks, Financial Institutions and Insurance Companies | 69                   | 0.04               | 1,06,36,824        | 11.40              | 49                   | 0.05               | 93,94,482          | 15.69           |
| FIs   | 90                   | 0.05               | 1,39,51,238        | 14.95              | 48                   | 0.05               | 89,66,170          | 14.97           |
| NRIs / OCBs   | 6058                 | 3.68               | 12,61,519          | 1.35               | 2433                 | 2.72               | 8,55,261           | 1.43            |
| GDRs  | 3                    | 0.00               | 33,77,439          | 3.62               | 2                    | 0.00               | 32,07,006          | 5.35            |
| Other Corporates                                      | 1925                 | 1.17               | 30,95,990          | 3.32               | 1089                 | 1.23               | 15,99,950          | 2.67            |
| Individuals   | 1,56,327             | 94.98              | 1,59,60,673        | 17.11              | 85,597               | 95.88              | 1,24,68,815        | 20.83           |
| <b>Total</b>  | <b>1,64,603</b>      | <b>100.00</b>      | <b>9,33,05,187</b> | <b>100.00</b>      | <b>89,287</b>        | <b>100.00</b>      | <b>5,98,89,912</b> | <b>100.00</b>   |

16. Dematerialisation of Shares and Liquidity : The shares of the Company are required to be compulsorily traded in the dematerialised form. The shares of the Company are admitted for trading under both the Depository Systems in India- NSDL and CDSL. The International Securities Identification Number ( ISIN) allotted to the Company's Shares under the Depository System is INE069A01017. A total of 84,674,010 Shares of the Company constituting 90.75% of the Issued and Subscribed Share Capital were dematerialised as on 31<sup>st</sup> March, 2007.
17. Details on use of public funds obtained in the last three years : The Company has made a Rights Issue to the Shareholders of the Company in the ratio of 2 Right shares for every 17 shares held on the Record Date fixed for the said purpose. The issue price of Rights shares was Rs. 793/- per share of the face value of Rs.10/- each. The said rights shares were allotted on 13<sup>th</sup> February ,2007. The Company has utilised Rs. 400 Crs till March 31, 2007 for the purposes disclosed in the letter of offer and the balance amount (net of issue expenses) has been temporarily invested in short term liquid instruments/securities.
18. Outstanding GDR/Warrants and Convertible Bonds, Conversion date and likely impact on Equity. : Outstanding GDRs as on 31<sup>st</sup> March, 2007 are 33,77,439 amounting to 3.62% of outstanding paid-up equity capital of the Company. Each GDR represents one underlying Equity Share. Consequent to merger of IGFL with the Company, the Company issued 196581 shares underlying GDR's on 24<sup>th</sup> April,2006 to the Custodian of GDR holders of erstwhile IGFL.

19. Plant locations

**Garments Division:**

**Madura Garments**

110, 4<sup>th</sup> Cross, 5<sup>th</sup> Block  
Koramangala Industrial Layout  
Koramangala  
Bangalore – 560 095  
Tel: (080) 56915000  
Fax: (080) 56915050

**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  
P.O. Gummidipoondi – 601 201  
Dist. Tiruvallur – Tamil Nadu  
Tel: (044) 27989233 to 36  
Fax: (044) 27989129 / 27989116  
E-mail: htcmgpd@vsnl.com  
Website: www.hitechcarbon.com

**Rayon and Caustic Soda Plants:**

**Indian Rayon Division**

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

**Textile Plants:**

**Jaya Shree Textiles**

P.O. Prabhasnagar – 712 249  
Dist Hooghly, West Bengal  
Tel: (033) 26721146  
Fax: (033) 26721683 / 26722626  
E-mail: jayashree.abn@adityabirla.com

**Financial Services Division**

Appejay, 2<sup>nd</sup> floor, Shahid Bhagat  
Singh Road, Fort, Mumbai- 400 001  
Tel: (022) 22880660  
Fax (022) 22881088  
E-mail: bgflcorp@adityabirla.com

**Other Division:****Insulator Division (Domestic Marketing)**

P.O. Meghasar Tal. Halol  
Dist. Panchmahal , Gujarat – 389330  
Tel: (02676) 221002  
Fax: (02676) 223375  
Email: jsihdom@adityabirla.com

**Rajashree Syntex**

P.O. Tantigaria Dist. Midnapur  
PaschimPIN: 721 102 (West Bengal)  
Tel: (03222) 263131/ 275820/ 263964  
Fax: (03222) 275528  
E-mail: rajsyntex@adityabirla.com

**Fertiliser Plant:****Indo Gulf Fertilisers**

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

20. Investor Correspondence:  
Other than Secretarial Matters

Whole Time Director & CFO  
Aditya Birla Nuvo Limited  
Corporate Finance Division  
A-4, Aditya Birla Centre,  
S.K. Ahire Marg,  
Worli, Mumbai 400 030  
Tel: (022) 6652 5000/2499 5000  
Fax: (022) 6652 5821/2499 5821  
E-Mail: nuvocfo@adityabirla.com

On Secretarial and Investor  
Grievances Matters

The Company Secretary  
Aditya Birla Nuvo Limited  
**Registered Office:**  
Indian Rayon Compound  
Veraval – 362 266, Gujarat, India  
E-mail: abnlsecretarial@adityabirla.com

**Corporate office:**  
A-4, Aditya Birla Centre  
S.K. Ahire Marg,  
Worli, Mumbai 400 030  
Tel: (022) 6652 5585  
Fax: (022) 6652 5821/2499 5821  
E-mail: abnlsecretarial@adityabirla.com

21. Per Share Data:

|  | 2006-07 | 2005-06 | 2004-05 | 2003-04 | 2002-03 |
|--|---------|---------|---------|---------|---------|
| Net Earnings (Rs Crores)                       | 224.97  | 186.93  | 113.72  | 131.28  | 105.33  |
| Cash Earnings (Rs Crores)                      | 360.45  | 291.82  | 192.42  | 218.70  | 202.29  |
| EPS (Before exceptional items) (Rs) *          | 25.74   | 25.01   | 20.27   | 18.59   | 20.71   |
| CEPS (Before exceptional items) (Rs)           | 41.16   | 38.75   | 33.41   | 33.19   | 36.90   |
| Dividend Per Share (Rs)@                       | 5.50    | 5.00    | 4.00    | 4.00    | 3.75    |
| Dividend Payout (on Net Profit) (%)            | 26.02   | 25.47   | 24.02   | 20.58   | 24.05   |
| Book Value Per Share (Rs)                      | 335     | 264     | 226     | 212     | 196     |
| Price to Earnings * (Before exceptional items) | 41.25   | 29.71   | 19.70   | 10.17   | 3.64    |
| Price to Cash Earnings *                       | 25.80   | 19.17   | 11.95   | 5.69    | 2.04    |
| Price to Book Value *                          | 3.17    | 2.81    | 1.77    | 0.89    | 0.39    |

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

22. Major Changes in Equity Share Capital in last 10 years

(Rs. in Crores)

| Year    | Change   |        | Share Capital at the end of Financial Year |
|---------|--|--------|--|
|         | Reason   | Amount |  |
|         | Equity Share Capital as on 1.04.1994   |        | 30.99                                      |
| 1994-95 | Shares allotted against conversion of FCDs & Detachable Warrants of Rs.170/- & Rs.200/- each   | 13.68  | 44.67                                      |
| 1995-96 | -do-   | 0.28   | 44.95                                      |
| 1996-97 | -do-   | 0.03   | 44.98                                      |
| 1997-98 | 2.25 crore Bonus shares issued in the ratio of 1:2   | 22.5   | 67.48                                      |
| 1999-00 | 76.06 lac shares bought back   | -7.6   | 59.88                                      |
| 2003-04 | 5160 shares allotted out of abeyance cases   | 0.00   | 59.88                                      |
| 2004-05 | 2880 shares allotted out of abeyance cases   | 0.00   | 59.88                                      |
| 2005-06 | 5130 shares allotted out of abeyance cases   | 0.01   | 59.89                                      |
| 2006-07 | a) 15030935 Shares allotted on amalgamation of IGFL (in the ratio of 1:3)<br>b) 8583479 Shares allotted on amalgamation of BGFL (in the ratio of 1:3)<br>c) 9800201 Right Issue Shares ( in the ratio of 2:17)<br>d) 660 Shares allotted out of abeyance cases | 33.42  | 93.31                                      |
|         | <b>Equity Share Capital as at 31.03.2007</b>   |        | <b>93.31</b>                               |

## 23. Other useful information for Shareholders

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

1. In terms of the provisions of Section 205A(5) of the Companies Act, 1956, (the "Act") unpaid and unclaimed dividend for the financial year 1997-98 has been transferred to the Investor Education and Protection Fund (IEPF) established by the Central Government under Section 205C of the Act.
2. Pursuant to the provisions of above mentioned Section, 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.

| Dividend Year | Unclaimed/ unpaid dividend as on 31.03.07 |              |              | Due date of Transfer to IEPF |            |            |
|---------------|---|--------------|--------------|------------------------------|------------|------------|
|               | ABNL                                      | IGFL         | BGFL         | ABNL                         | IGFL       | BGFL       |
| 1998-1999     | N.A.                                      | N.A.         | Rs. 2,94,053 | N.A.                         | N.A.       | 23.06.2007 |
| 1999-2000     | Rs 520,353                                | N.A.         | Rs. 3,07,288 | 05.07.2007                   | N.A.       | 23.07.2007 |
| 2000-2001     | Rs.1,470,354                              | N.A.         | Rs. 3,14,227 | 20.07.2008                   | N.A.       | 25.06.2008 |
| 2001-2002     | Rs.1,602,868                              | N.A.         | Rs. 1,52,709 | 25.08.2009                   | N.A.       | 28.06.2009 |
| 2002-2003     | Rs.1,955,640                              | Rs. 871,349  | N.A.         | 29.08.2010                   | 01.09.2010 | N.A.       |
| 2003-2004     | Rs.2,201,320                              | Rs.1,015,248 | Rs. 2,59,004 | 28.07.2011                   | 13.10.2011 | 12.05.2011 |
| 2004-2005     | Rs.2,307,708                              | Rs.8, 44,885 | Rs.2,98,475  | 22.07.2012                   | 17.09.2012 | 30.08.2012 |
| 2005-2006     | Rs.4,430,545                              | N.A.         | N.A.         | 14.09.2013                   | N.A.       | N.A.       |

Accordingly, the amount of dividend for the Financial Year 1999-00 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. Though a reminder has been sent to the shareholders for claiming unpaid/unclaimed, it is noted that quite a number of shareholders have still not come forward to claim the unpaid /unclaimed dividends. We, therefore request the members who have not en-cashed their dividend warrants to write to the Company immediately claiming dividends declared by the Company for the said Financial Years.

### Investor Services

Details of Investor Services/information are displayed on Company's website [www.adityabirlanuvo.co.in/com](http://www.adityabirlanuvo.co.in/com) under the head- Investors:

1. ECS Facility
2. Share Transfer / Dematerialisation
3. For Non Resident Shareholders
4. Bank Details for Dividend payment
5. Depository System (DS)
6. Nomination of Shares
7. Investor Feedback Form

Various Forms in the respect of the above are also available on the website.

### Share Certificates

Members are requested to ensure that they possess share certificate(s) in respect of shares held by them in physical form. In case, the same are not available, members are requested to write to the Share Department of the Company quoting reference of their folio number(s)] for further course of action in the matter.

### **On-Line Complaint Redressal System**

For the benefit of shareholders, Ministry of Company Affairs (MCA) has made provision in the new system i.e. MCA21 System for online lodging of complaints by Investors. This new system accepts complaints filed against a company by an investor as part of investor services. There is a specific eForm for this purpose. A separate eForm has to be filed for complaints with respect to each company. No digital signature is needed for filing this eForm. Also, no filing fee is required for submitting the eForm for complaints. The investor will be in a position to view the latest status of the complaint by querying on the Service Request Number (SRN) of the complaint.

### **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 Indian Rayon Compound, Veraval, quoting reference of their folio numbers and/or Client ID and DP ID number. Other queries may be sent at [abnlsecretarial@adityabirla.com](mailto:abnlsecretarial@adityabirla.com) or faxed at 02876 – 243220. With a view to facilitate speedy communication, shareholder may furnish their e-mail Id to the Share Department of the Company. In view of the SEBI Circular no MRD/DoP/ Dep/ Se/ Cir-22/06 dated December 18, 2006 and consequential amendment in clause 47(f) of the listing agreement, which required a Company to designate an email Id of the grievance redressal division/compliance officer exclusively for the purpose of registering complaints by investors, the Company has designated an exclusive email id [abnlsecretarial@adityabirla.com](mailto:abnlsecretarial@adityabirla.com) for the purpose where the investors can register their complaint/queries and requests for speedy and prompt redressal.

### **Queries / requests relating to Amalgamation**

Shareholders holding shares in physical form and who have become the shareholder(s) of the Company by virtue of their holding in IGFL and BGFL which have since amalgamated with the Company, are requested to send all their requests / queries arising out of amalgamation and also the requests for Change of Address, Nomination Form, Change / Modification in ECS Mandate, Bank Details, deletion, transfer, transmission, dematerialization at the Registered office of the Company at Indian Rayon Compound, Veraval - 362 266. Shareholders may also send their queries at the e-mail id [abnlsecretarial@adityabirla.com](mailto:abnlsecretarial@adityabirla.com) for prompt and speedy communication.

### **Depository System (DS)**

Trading in shares of the Company is permitted only in dematerialised form. As such, we wish to advise members to arrange to dematerialize 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 further information on matters relating to dematerialisation of shares, members may write to the Share Department of the Company at Veraval, Gujarat.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

### Dear Shareholders,

Your Directors are pleased to present the **50th Annual Report** together with the Audited Accounts of the Company for the year ended 31<sup>st</sup> March, 2007.

### MAJOR ACTIVITIES:

#### 1. Acquisition of Minacs Worldwide Inc., Canada

To enhance its presence in the BPO segment, your Company through its subsidiaries, Transworks Informations Services Ltd. (Transworks) and AV Transworks Limited, Canada completed the acquisition of Minacs Worldwide Inc. (Minacs), a leading Canadian company, through an open offer made in July, 2006.

An additional investment of Rs. 150 Crores has been made towards the share capital in Transworks at a price of Rs.300/- per share. Subsequently Transworks issued 27.5 lac equity shares of Re.1/- each to RHCP TXW Investment Inc. at the same price for a consideration of Canadian Dollars 20 million, consequent to which your Company's holding in Transworks stands reduced from 100% to 88.3%.

#### 2. Idea Cellular Limited

Along with a clutch of Aditya Birla group companies, your company has acquired the 48.14 % equity shares of Idea Cellular Limited (Idea) held by Tata Industries Limited and Apex Investment Mauritius Holdings Private Limited. Of this a 15% shareholding in Idea has been acquired by your Company, increasing its total holding to 35.74%.

Idea came out with an IPO placement in February, 2007 for an aggregate sum of Rs.2500 crores including a Green Shoe Option of Rs. 318.75 crores. Prior to the IPO placement, your Company acquired 30,000,000 shares of Rs.10/-each at a price of Rs.75/- per share for an overall amount of Rs.225 crores. Currently your Company holds 31.78 % of the equity share capital of Idea.

#### 3. Insulator Business

As the Joint Venture (JV) with NGK Insulators Ltd., Japan (NGK) was not progressing in line with expectations, both the partners decided to terminate the JV. Consequently, your Company and its subsidiary, viz. Laxminarayan Investment Limited (LIL) acquired 49% equity shares in Birla NGK Insulators Private Ltd. (Birla NGK) from the erstwhile Joint Venture Partner, NGK. The remaining 1% share was also bought by LIL from Mitsubishi Corporation, Japan, their associate, in April, 2007. Birla NGK has become a subsidiary of your Company from 29<sup>th</sup> November, 2006 and rechristened as Aditya Birla Insulators Ltd. (ABIL).

#### 4. Garments Business

To leverage the potential in the Garment Export Business (post WTO), your Company transferred its contract export business to its wholly owned subsidiary, viz. Madura Garments Export Limited (MGEL) from the 1<sup>st</sup> of July, 2006.

To bolster its presence significantly in the growing retail market segment, your Company through one of its subsidiary has floated the following subsidiaries in the current financial year: -

- 1) Madura Garments Lifestyle Retail Company Limited for a razor sharp focus on Men's Lifestyle Retailing including MG's fashion brands e.g. Louis Philippe, Van Huesen, Allen Solly etc.
- 2) Peter England Fashions and Retail Limited for the requisite thrust on mid-segment brands such as Peter England.

#### 5. Rights Issue

Towards raising resources for the prepayment / repayment of debts and for general corporate purposes, your Company offered a rights issue. It issued 98,26,638 Equity Shares of Rs.10/- each at a premium of Rs.783 per equity share for an amount aggregating Rs.779.25 crores to the Equity Shareholders on rights basis.

Your Company made an allotment of 98,00,201 equity shares to eligible shareholders / investors, 26,437 equity shares have been kept in abeyance under Section 206A of the Companies Act, 1956. The new shares have been listed on the Bombay Stock Exchange Ltd. and the National Stock Exchange of India Ltd.

Consequent to the allotment of 98,00,201 rights shares and a lot of 600 shares which were earlier held back, the paid up share capital of your Company has increased from Rs. 83.50 crores to Rs.93.31 crores.

Up until March 31, 2007 your Company had utilized Rs. 400 crores for prepayment of loans, debts and general corporate purposes. The balance amount which is net of issue expenses, has been temporarily invested in short term liquid investments/ securities.

### FINANCIAL PERFORMANCE

Your Company's performance has been impressive. Its turnover grew by 29% from Rs.2642.05 crores to Rs. 3420.47 crores. While operating profit increased from Rs.443.39 crores to Rs.603.79 crores by 36%, the interest cost has escalated from Rs.68.55 crores to Rs. 195.40 crores on funds borrowed for the acquisition of the additional stake in Idea Cellular and capital expenditure.

The net profit increased from Rs. 186.93 crores to Rs. 224.97 crores.

### OPERATIONAL REVIEW

An unrelenting focus on operational efficiencies, cost optimization coupled with an improved product mix across all the businesses, have contributed significantly to your Company's growth.

- The **branded Garments business** posted a healthy revenue growth of 28% on a like to like basis. Volumes increased by 15%. Its Fashion brands viz. Louis Philippe, Van Huesen & Allen Solly experienced a healthy growth supported by new launches. Its popular brand Peter England continued to expand its reach. The Operating Profit of the branded business has increased by 33 % to Rs. 81.22 crores on a like to like basis. It was supported by a better channel mix and pricing notwithstanding the high discount and the dormancy phenomena that prevailed across the industry, throughout the year.
- The **Rayon Division** improved its overall performance. Its revenue rose by 15 % to Rs. 441.46 crores and the operating profit increased by 33 % to Rs.119.68 crores.

In VFY realization improved by 13% to Rs. 169 per Kg. while sales volume remained flat. The Chloralkali Segment has witnessed a revenue growth of 22% to Rs. 152.8 crores. Its recently Commissioned Power Plant has led to saving in energy cost.

- **The Carbon Black** business achieved its best ever-annual results with a record production and sales volume. Revenues soared by 31% to Rs. 738.94crores backed by higher realisation and enhanced volumes. The operating profit magnified by 43 % to Rs.132.23 crores.
- The **Fertilisers business** benefited from higher dispatches. Revenues on like to like basis built up by 20 % to Rs.778.48 crores due to higher volumes and rising input prices. The operating profits were sustained at Rs.129.60 crores despite the profitability in the 2nd half of the year being constrained by the new pricing policy norms emanating from NPS III.
- The **Textiles business** attained higher revenues and profits. Revenues at Rs. 625crs mounted by 18% and operating profits stepped up to Rs. 67.4 crores, up by19%.

In the Linen Segment, Linen Yarn benefited from a volumes increase, while Linen Fabrics registered a marginal growth. In the Wool Segment, both Worsted yarn and Wool Combing rode on the back of higher volumes and better product mix.

- In the **Insulators** Business, good realisations have bettered the profit though revenues are lower.

## VOLUMES

| Products              | Unit      | FY 2007 | FY 2006 | Variation (%) |
|-----------------------|-----------|---------|---------|---------------|
| Production :-         |           |         |         |               |
| Viscose Filament Yarn | MT        | 17669   | 17233   | 2.5           |
| Carbon Black          | MT        | 182668  | 175080  | 4.3           |
| <b>Sales :-</b>       |           |         |         |               |
| Garments              | Lac Pcs.  | 107.1   | 111.0   | -3.5          |
| Viscose Filament Yarn | MT        | 17039   | 17380   | -2.0          |
| Carbon Black          | MT        | 180893  | 175944  | 2.8           |
| Insulator             | MT        | 7776    | 16245   | -52.1         |
| Textiles              |           |         |         |               |
| Cloth                 | '000 Mtrs | 4645    | 4418    | 5.1           |
| Spun Yarn             | MT        | 18357   | 18866   | -2.7          |
| Urea                  | MT        | 1043565 | 563914  | 85.1          |

## TURNOVER

(Rs. in Crores)

| Products              | FY 2007        | FY 2006        | Variation (%) |
|-----------------------|----------------|----------------|---------------|
| Garments              | 700.12         | 620.55         | 12.8          |
| Viscose Filament Yarn | 441.46         | 385.55         | 14.5          |
| Carbon Black          | 738.94         | 564.23         | 31.0          |
| Insulator             | 112.81         | 135.89         | 17.0          |
| Fertiliser            | 778.48         | 379.39         | 105.2         |
| Textiles              | 621.01         | 524.80         | 18.3          |
| Financial Services    | 27.65          | 31.64          | -12.6         |
| <b>Total</b>          | <b>3420.47</b> | <b>2642.05</b> | <b>29.5</b>   |

## FINANCIAL RESULTS

(Rs. in Crores)

|  | On consolidated basis       |                              | On Standalone basis         |                              |
|--|-----------------------------|------------------------------|-----------------------------|------------------------------|
|  | Current Year Ended 31.03.07 | Previous Year Ended 31.03.06 | Current Year ended 31.03.07 | Previous Year ended 31.03.06 |
| <b>Profit before Depreciation and Exceptional items</b>    | <b>776.25</b>               | <b>511.90</b>                | <b>432.63</b>               | <b>387.60</b>                |
| Depreciation and Amortisation                              | 422.78                      | 224.97                       | 120.32                      | 111.81                       |
| <b>Profits before Tax and Exceptional Items</b>            | <b>353.47</b>               | <b>286.93</b>                | <b>312.31</b>               | <b>275.79</b>                |
| Exceptional Items  | 0.52                        | (4.04)                       | (1.23)                      | (4.04)                       |
| <b>Profit before Tax</b>                                   | <b>353.99</b>               | <b>282.89</b>                | <b>311.08</b>               | <b>271.75</b>                |
| Provision for Tax  | 111.56                      | 94.12                        | 86.11                       | 84.82                        |
| <b>Net Profit</b>  | <b>281.23</b>               | <b>204.04</b>                | <b>224.97</b>               | <b>186.93</b>                |
| Balance brought forward                                    | (281.18)                    | 5.27                         | 0.45                        | 323.56                       |
| Amount transferred on amalgamation of IGFL & BGFL          | -                           | 262.57                       | -                           | 262.57                       |
| Amount transferred on change in stake in Subs/JVs          | 54.19                       | 24.13                        | -                           | -                            |
| Adjustment due to AS-15                                    | (8.26)                      | -                            | -                           | -                            |
| Transfer from Debenture Redemption Reserve                 | -                           | 25.00                        | -                           | 25.00                        |
| Transfer from General Reserve                              | -                           | 0.04                         | -                           | -                            |
| <b>Profit available for appropriation</b>                  | <b>45.98</b>                | <b>521.05</b>                | <b>225.42</b>               | <b>798.06</b>                |
| <b>Appropriation :</b>                                     |                             |                              |                             |                              |
| Proposed/Interim Dividend                                  | 51.32                       | 41.75                        | 51.32                       | 41.75                        |
| Corporate Tax on Dividend                                  | 7.29                        | 7.11                         | 7.20                        | 5.86                         |
| General Reserve  | 150.05                      | 753.25                       | 150.00                      | 750.00                       |
| Special Reserve  | 0.22                        | 0.12                         | -                           | -                            |
| Surplus carried to Balance Sheet                           | (162.90)                    | (281.18)                     | 16.90                       | 0.45                         |
| <b>Total</b>   | <b>45.98</b>                | <b>521.05</b>                | <b>225.42</b>               | <b>798.06</b>                |
| <b>Exceptional Items :</b>                                 |                             |                              |                             |                              |
| VRS Expenses   | (2.01)                      | (4.04)                       | (1.43)                      | (4.04)                       |
| Profit /(loss) on sale of Subsidiary/ transfer of business | 2.53                        |                              | 0.20                        |                              |
| <b>Total</b>   | <b>0.52</b>                 | <b>(4.04)</b>                | <b>(1.23)</b>               | <b>(4.04)</b>                |

The operational performance of each of your Company's division has been spelt out in depth in the Management Discussion and Analysis Report, which forms part of this Annual Report.

## DIVIDEND

Your Directors had declared an interim dividend of Rs. 5.50 per Equity Share of Rs.10/- each for the financial year ended 31st March, 2007. The Board of Directors has decided not to recommend further dividend and to treat this as the final dividend. The final outgo on dividend is as under –

|  | Current Year<br>(Rs.in Crores) | Previous Year<br>(Rs. in Crores) |
|--|--------------------------------|----------------------------------|
| Interim dividend on 9,33,05,187, fully paid-up Equity Shares of Rs.10/- each, @ Rs.5.50 per share.             | 51.32                          | —                                |
| (Previous year –Final dividend on 8,35,04,386 fully paid-up Equity Shares of Rs.10/- each @ Rs. 5/- per share) | —                              | 41.75                            |
| Corporate Dividend Tax   | 7.19                           | 5.86                             |

## FINANCE

Besides the rights issue, your Company raised long-term rupee loans aggregating to Rs.920 crores and foreign currency loans by way of External Commercial Borrowings aggregating to JPY 4146.25 million (Rs.157.5 crores).

Long term loans aggregating to Rs.243.7 crores were repaid.

## HUMAN RESOURCES

As perhaps many of you may be aware, the Aditya Birla Group has been judged as “The Best Employer of India (2007)” and among the top 20 in Asia by the Hewitt Economic Times Study and the Hewitt Wall Street Journal Study respectively. While this is a matter of great pride, it is also validation of the exemplary people processes that go into the making of a meritocratic organization like our Group. These people processes are applied universally to all of the Group Companies across the five continents and your Company is a beneficiary as well.

Your Company has an enviable track record of managing its intellectual capital successfully. Fostering people development and harnessing their creative potential to the maximum, identifying and grooming management talent and leadership development at all levels remain a priority.

Over 200 Executives from your Company participated in Competency Honing and Leadership Development Programmes at Gyanodaya, your Company's globally benchmarkable Institute of Management Learning. Management moves across levels to the different companies and sectors helped spawn leaders.

Introducing global HR practices, systems and best practices in the areas of talent development, compensation management, recruitment etc., is enabling and preparing us to address future challenges effectively. Implementation of People soft systems, Variable Pay plan and Job Banding are the major initiatives taken in this direction.

In the recently concluded Organisational Health Study, an overwhelming majority of your Company's employees felt happy at work and found it a professionally rewarding and personally satisfying experience. They said that they would advocate your Company to potential recruits and looked forward to continue with your Company long term.

The Group's Corporate Human Resources have played and continue to play a critical role.

### **CONSOLIDATED FINANCIAL RESULTS**

The Consolidated Financial Statements pursuant to Clause 41 of the Listing Agreement entered into with the Stock Exchanges and prepared in accordance with the Accounting Standards prescribed by the Institute of Chartered Accountants of India, in this regard, are attached for your reference.

### **CORPORATE GOVERNANCE**

Your Directors reaffirm their commitment to the good corporate governance practices and adhere to all the major stipulations laid down by the SEBI Corporate Governance Practices.

This Annual Report contains a section on Corporate Governance highlighting adherence to the SEBI Code on Corporate Governance.

Your Company's Statutory Auditors' Certificate dated May 3, 2007 in terms of Clause 49 of the Stock Exchange Listing Agreement is annexed to (Annexure A) and forms part of the Directors' Report.

As required under Section 217(2AA) of the 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 of the Company for that period;
- iii) the Directors have taken proper and sufficient care for 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**

During the year, the following companies have become subsidiaries of your Company:-

- Birla Global Finance Company Limited (*Formerly Birla Global Asset Finance Company Limited*)
- Birla Insurance Advisory Services Limited
- BGFL Corporate Finance Private Limited
- Crafted Clothing Private Limited alongwith its subsidiaries viz. English Apparels Private Limited and Harwood Garments Private Limited. (both have since been amalgamated with Crafted Clothing Private Limited.)

- A V Transworks Limited (Canada)
- Micas Worldwide Inc. (Canada) and its following subsidiaries
  - Micas Group (U.S.A.) Inc.
  - Minacs Worldwide GmbH (Germany)
  - Millman Insurance Limited (Canada)
  - Minacs Limited (UK)
  - Minacs Worldwide S.A. de C.V.(Mexico)
  - Minacs Kft (Hungary)
- Transworks BPO Philippines Inc.
- Aditya Birla Insulators Limited *(Formerly Birla NGK Insulators Limited)*

During the year under review, Aditya Birla Telecom Limited and Alpha Garments Private Limited ceased to be subsidiaries of your Company. Madura Garments Lifestyle Retail Company Limited and Peter England Fashions and Retail Limited have become subsidiaries of the Company, since the close of the financial year 2006-07.

In line with the approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, copies of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and Report of the Auditors of the subsidiary companies have not been attached to the Balance Sheet of the Company as at 31<sup>st</sup> March, 2007.

The Annual Accounts of the subsidiary companies and the related detailed information will be made available to the investors of the Company and of the subsidiary companies, who seek such information at any point of time. The Annual Accounts of the subsidiary companies are open for inspection by any investor at the Registered Office of the Company and of the concerned subsidiary company. Any shareholder of the Company, who wishes to obtain a copy of the said documents of any of the subsidiary companies, may send a request in writing to the Company Secretary at the Registered Office of the Company so that the needful can be done.

#### **EMPLOYEE STOCK OPTION SCHEME**

Your Directors appreciate the critical role its employees play in your Company's growth. To share the value created by employees and to promote the culture of employee ownership in your Company, the Directors introduced the "Employee Stock Option Scheme-2006" (ESOS-2006). This is in accordance with the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 as amended. Your Directors approved granting, offering and issuing in one or more tranches to those eligible employees of the Company or its subsidiaries as may be decided by the ESOS Compensation Committee, not more than 4,75,000 equity shares of the Company.

The proposal has met with your approval through the postal ballot. To formulate the detailed terms and conditions of ESOS-2006 in accordance with the applicable Guidelines, your Directors have constituted a "ESOS Compensation Committee" comprising of a majority of independent Directors.

#### **FIXED DEPOSITS**

Your Company accepts and renews fixed deposits from its employees including ex-employees and their relatives. As on 31<sup>st</sup> March, 2007, the total deposits accepted is Rs.3.92 crores.

As on 31<sup>st</sup> March, 2007, your Company has unclaimed fixed deposits of Rs. 21.58 lacs which were accepted by erstwhile Birla Global Finance Ltd. (since amalgamated with the Company). However, these deposits are housed in a separate earmarked bank account.

#### **PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956**

The 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 (Annexure B) and forms part of it.

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 (Annexure C) and forms part of it.

#### **DIRECTORS**

During the year under review, Dr. Bharat K. Singh was appointed as Managing Director of your Company from the 1<sup>st</sup> November, 2006 in place of Mr. Sanjeev Aga. Your Directors place on record their appreciation of Mr. Sanjeev Aga and acknowledge the valuable contribution made by him during his tenure.

Mr. Vikram Rao , Director of your Company was appointed as Whole Time Director w.e.f. 1<sup>st</sup> November, 2006.

Mr. H. J. Vaidya, Ms. Tarjani Vakil and Mr. S.C. Bhargava , retire from office by rotation, and being eligible, offer themselves for reappointment at the ensuing Annual General Meeting.

#### **AWARDS AND RECOGNITION**

Your Company has been the proud recipient of the following awards and recognitions–

The following accolades have been showered on your Company:

##### **• INDIAN RAYON DIVISION**

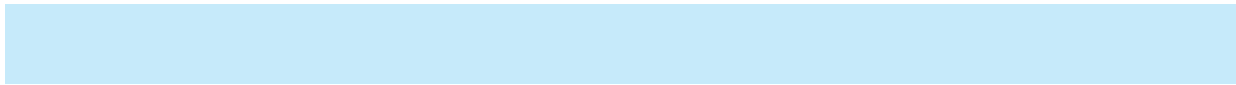
- ✓ The Top Rank Certificate in the Textile Sector for Energy Conservation for the year 2006 from the Union Ministry of Power, New Delhi
- ✓ The Gold Trophy for the Best Performance in the Category of Viscose Filament Yarn Export for the year 2005-06
- ✓ An Appreciation Certificate for excellent Safety Standards for the year 2005

##### **• JAYASHREE TEXTILES DIVISION**

- ✓ Recognition for Energy Conservation initiatives from Ministry of Power

##### **• MADURA GARMENTS DIVISION**

- ✓ The “AVAYA GLOBAL CONNECT CUSTOMER RESPONSIVENESS AWARD 2006” for the best service in Indian Industry’s manufacturers sector by ECONOMIC TIMES.
- ✓ Best Shirts Brand for Men to “Allen Solly” by Business World.
- ✓ Clothing Manufactures Association of India (CMAI) Awards-
  - “Louis Philippe” was adjudged the Best Men’s wear brand under formals category.
  - “Allen Solly” was declared the best Women’s wear brand under Western wear category.



- Madura Garments – Most admired company of the year.
- Madura Garments – Clothing Company of the year in the Domestic Category.
- Madura Garments – Supply Chain Management Company of the year.
- ✓ Images Fashion Awards
  - “Louis Philippe” – the Best Formal Wear Brand
  - “Allen Solly” – the Best Women’s Wear Brand
  - “Van-Heusen” – the Best Shirts Brand for men.
- **HI-TECH CARBON DIVISION, GUMMIDIPOONDI**
  - ✓ A Commendation prize under the Steam Process in Energy Conservation by the Andhra Pradesh Productivity Council.

**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 as set out in the accompanying notice of the Annual General Meeting.

**APPRECIATION**

Your Directors take this opportunity to express their sincere appreciation for the excellent support and co-operation extended by the shareholders, customers, suppliers, bankers and other business associates. Your Directors gratefully acknowledge the ongoing co-operation and support provided by Central and State Governments and all Regulatory bodies.

Your Directors place on record their deep appreciation for the exemplary contribution made by employees at all levels. Their dedicated efforts and enthusiasm have been pivotal to your Company’s growth.

For and on behalf of the Board

Chairman

Mumbai  
May 3, 2007

## ANNEXURE 'A' TO DIRECTORS' REPORT

### AUDITORS' CERTIFICATE

To The Members of Aditya Birla Nuvo Limited

We have examined the compliance of conditions of corporate governance by Aditya Birla Nuvo Limited, for the year ended on March 31, 2007, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange.

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.

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 the above mentioned Listing Agreement.

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 KHIMJI KUNVERJI & CO.  
Chartered Accountants

Per Shivji K. Vikamsey  
Partner Membership No.: 2242

Mumbai  
May 3, 2007

For S. R. BATLIBOI & CO.  
Chartered Accountants

per Hemal Shah  
Partner Membership No.: 42650

Mumbai  
May 3, 2007

## ANNEXURE 'B' 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 31<sup>st</sup> March, 2007

### A. CONSERVATION OF ENERGY

#### a) Energy conservation measures taken :

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) Indian Rayon Division

- Adoption of Variable Frequency Dissolving System in place of PIV (Positive invert variable) on Spinning Machines.
- Replacement of old and inefficient Motors/pumps by energy efficient motors/pumps
- Installation of FRP (Forced Reinforced Plastic) Fan in spinning air washers.
- Optimizing the temperature of chilled water in the process
- Better monitoring and control of humidity in the Spinning Halls.
- Optimizing combination of Spin bath pump for least power consumption.
- Use of double speed motors in the agitator system of dissolvers.

##### ii) Carbon Black Division

- Installed 6 capacitor Banks to reduce the power loss.
- Reutilization of Boilers CBD (Continuous blow down) water
- Replacement of APH (Air Pre-heater) in HBRx D (Hard Block Roator D)
- Soft black Rx Oil Pre Heater coil modification.
- VFD (Variable Frequency Drive) installation for P & V system Boiler.

##### iii) Textile Division

- Installed/Replaced 14 Variable Frequency Drive for humidification tower.
- Replaced old inefficient compressors of smaller size with big size of GA-75 model.
- Auto on-off system of factory lighting.

##### iv) Fertiliser Division

- Installation of variable speed drive in motors running on reduced load
- Installation of step down lighting transformer for energy conservation in plant lighting

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

**i) Rayon Division**

- Replacement of existing mixer with more efficient pulper
- Installation of Variable Frequency Dissolving System on all the chimney exhaust fans
- To provide false ceiling in all the spinning halls.

**ii) Carbon Black Division**

- Installation of VFD (Variable Frequency Drive) in L-1 MBF (Membrane Bag Filter) screw.
- Replacement of APH (Air pre-heater) in HBRx D (Hard Black Reactor D)

**iii) Fertilizer Division**

- Utilization of low grade waste heat getting dumped in cooling water and effectively utilizing it as heat source in vapor absorption machine for suction chilling of process air compressor of Ammonia Plant at Indo Gulf Fertilizers.
- Energy saving by way of reduction in steam consumption due to series operation of two synthesis converters.

**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.

Energy conservation measures taken in the fertilizer complex so far have resulted in reducing the energy consumption. Besides this, Energy conservation leads to reduction in consumption of fossil fuel (natural gas / naphtha) and consequential reduction in CO<sub>2</sub> gas emission, a green house gas, thus abating global warming.

The above measures will result in better controlling and saving of power, better utilisation of steam and saving of energy.

**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**

- Design & development of Static Mixer for uniform Viscose Temperature.
- Development of new shade of yarn.
- Reduction in Glue variation in CSY (Continuous Spun Yarn) yarn.
- Development of viscose heating system at De-aerator's inlet for improving viscose quality.
- Development of twisted yarn in CSY Plant.

#### **ii) Textile Division**

- Development of yarn for automotive fabric in Worsted division
- Improvement in emulsion application on wool by applying better of lubricant, changing oil: water ratio and adding additional nozzle
- Change in design of Burr Beater in Carding Machine

#### **iii) Fertilisers Division**

- The developmental activities are directed towards energy conservation, waste recycling, pollution control and quality improvement. In addition, it has focused R & D activities in the areas of new Product development i.e. Zincated, Sulfonated Urea etc. These products have been produced on small scale and are under field trial. Based on the feed back from the field trial, large scale production shall be done.

### **2. Benefits derived as a result of the above R & D**

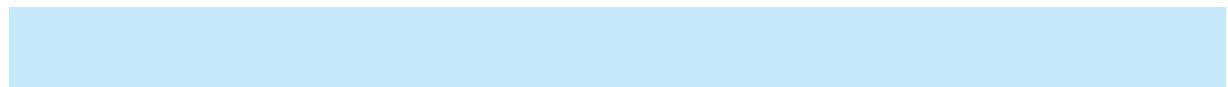
Improvement of process and productive capacity, better quality and marketability of products, development of new range of products, value addition in the existing products, enhancement of product range, reduced effluent load, improved process control, improved customer satisfaction, development of eco friendly products and reduction of cost of production, improved Company's image and higher realization.

In the year 2006-07, Indo Gulf Fertilisers added more value to the money invested by farmers. Company produced & marketed about 3 Lacs MT of Neem Coated Urea under the brand name "KRISHIDEV". In a very short time, company established a leadership in the field of Neem coated Urea.

### **3. Future Plan of action**

#### **i) Rayon Division**

- Eco & Energy Auditing
- Improvement in quality of yarn
- Development of specialty of yarn
- Reduction in cost of production
- Reduction in energy cost



**ii) Carbon Black Division**

- Research & Development in the field of Carbon Black application industry like Ink, Plastic and Paints.

**iii) Fertilisers Division**

- To continue R&D work especially in the area of new product development area and to achieve excellence in producing and marketing value added products i.e. Zincated, Sulfonated Urea etc.

**4. Expenditure on Research and Development**

- i) Capital Expenditure - Rs. 65.48 Lacs
- ii) Recurring Expenditure - Rs. 54.96 Lacs
- iii) Total - Rs.120.44 Lacs
- 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**

**a. Rayon Division**

- Quality improvement initiatives to achieve yarn quality at World class level.
- Good progress has been made during the year in quality improvement pursuant to the technical agreement with the leading European VFY manufacturers.
- Development of new shades of yarn
- Designing & Modification of new & existing system as well as in-house development.
- Reduction of Energy Consumption

**b. Indo Gulf Fertilisers**

- The Division is working on a project in association with IIT Kanpur for the removal of Ammonia, Urea and Carbon-di-oxide from Urea Process Condensate using novel membrane techniques. This project involves a great deal of R&D activities and innovation. If this project is successful then it would be a breakthrough/first of its own kind project in the fertilizer industry. The existing process involves use of large quantity of steam for distillation process. This project would lead to the savings of energy in the form of steam.
- The Division is also working on a project in association with IIT Delhi on designing of innovative, first of its kind heat exchanger which will be more efficient than the conventional Plate/ shell- tube heat exchanger.
- Continuous efforts are made to prepare steam, power and material balances and to check on the actual performance against design.

**c. 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 and 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 : Not applicable**

**C. FOREIGN EXCHANGE EARNING AND OUTGO**

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

**Form-A****Form for disclosure of particulars with respect to conservation of energy.****(A) Power and Fuel Consumption:-**

|  | <b>Units</b>               | <b>Current<br/>Year</b> | <b>Previous<br/>Year</b> |
|--|----------------------------|-------------------------|--------------------------|
| <b>1. Electricity</b>  |                            |                         |                          |
| (A) Purchased - Units  | KWH in Lacs                | 1191.42                 | 1471.02                  |
| Total Amount   | Rs.in Lacs                 | 4705.48                 | 5987.24                  |
| Rate per Unit  | Rs.                        | 3.95                    | 4.07                     |
| (B) Own Generation   |                            |                         |                          |
| (i) Through Diesel Generator - Units   | KWH in Lacs                | 812.97                  | 679.24                   |
| Unit per Ltr. of Diesel Oil  | -                          | 3.88                    | 3.73                     |
| Cost Per Unit  | Rs.                        | 5.02                    | 5.82                     |
| (ii) Through Steam Turbine/Generator - Units   | KWH in Lacs                | 2520.65                 | 2165.96                  |
| Unit per ton of steam coal   | -                          | 426.52                  | 396.93                   |
| Cost Per Unit  | Rs.                        | 2.13                    | 1.91                     |
| (iii) Through Gas Turbine  | MWH                        | 172784.80               | 96418.30                 |
| Natural Gas + Naphta   | KWH/MCAL                   | 576.00                  | 545.00                   |
| Cost per unit  | Rs./KWH                    | 3.08                    | 1.29                     |
| <b>2. Coal (Grade B,C and D)</b>   |                            |                         |                          |
| Quantity   | '000 Tonnes                | 195.23                  | 178.15                   |
| Total Cost   | Rs.in Lacs                 | 4692.53                 | 3890.97                  |
| Average Rate   | Rs.per tonne               | 2403.64                 | 2184.11                  |
| <b>3. Furnace Oil</b>  |                            |                         |                          |
| Quantity   | K.Ltrs.                    | 21449.00                | 14850.00                 |
| Total Amount   | Rs.in Lacs                 | 3543.04                 | 2169.94                  |
| Average Rate   | Rs.per K.Ltr               | 16517.92                | 14611.00                 |
| <b>4. Others/Internal generation</b>   |                            |                         |                          |
| (i) <b>LDO</b>   |                            |                         |                          |
| Quantity   | K.Ltrs.                    | 843.57                  | 3949.26                  |
| Total Amount   | Rs.in Lacs                 | 205.41                  | 788.19                   |
| Average Rate   | Rs.per K.Ltr               | 24350.23                | 19957.92                 |
| (ii) <b>NG /JV PMT / RLNG (Power &amp; Steam)</b>                                    |                            |                         |                          |
| Quantity   | '000 Sm3                   | 112271.50               | 65558.41                 |
| Total Amount   | Rs.in Lacs                 | 13872.75                | 3804.81                  |
| Average Rate   | Rs./1000 Sm3               | 12356.00                | 5804.00                  |
| (iii) <b>Naphta (Power &amp; Steam)</b>  |                            |                         |                          |
| Quantity   | MT                         | 17567.285               | 5587.72                  |
| Total Amount   | Rs./Lacs                   | 5423.04                 | 1467.73                  |
| Average Rate   | Rs./MT                     | 30870.00                | 26267.00                 |
| (iv) <b>H.S.D</b>  |                            |                         |                          |
| Quantity   | MT                         | 23.95                   | 4.83                     |
| Total Amount   | Rs./Lacs                   | 7.06                    | 1.14                     |
| Average Rate   | Rs./MT                     | 29481                   | 23580                    |
| <b>(B) Consumption per unit of production :</b>                                      |                            |                         |                          |
|  | <b>Production<br/>Unit</b> | <b>Current<br/>Year</b> | <b>Previous<br/>Year</b> |
| <b>1. Electricity (KWH)</b>  |                            |                         |                          |
| Viscose Filament Rayon Yarn  | MT                         | 4367.00                 | 4910.00                  |
| Other Yarns (Average)  | MT                         | 4827.60                 | 4310.65                  |
| Caustic Soda   | MT                         | 2507.00                 | 2435.00                  |
| Fabrics  | '000 Mtr                   | 1179.90                 | 1041.40                  |
| Carbon Black   | MT                         | 403.50                  | 413.50                   |
| Urea   | KWH                        | 168.07                  | 167.50                   |
| <b>2. Furnace Oil (Kilo Ltr.)</b>  |                            |                         |                          |
| Viscose Filament Rayon Yarn  | MT                         | 0.50                    | 0.54                     |
| Other Yarns  | MT                         | 14.00                   | 9.00                     |
| Fabrics  | '000 Mtr                   | 0.00                    | 0.30                     |
| <b>3. Coal (Grade B,C and D)</b>   |                            |                         |                          |
| Viscose Filament Rayon Yarn  | MT                         | 2.60                    | 2.88                     |
| Other Yarns  | MT                         | 332.00                  | 160.20                   |
| Fabrics  | '000 Mtr                   | 9.10                    | 22.80                    |
| <b>4. Others/Internal generation</b>   |                            |                         |                          |
| (i) <b>LDO</b>   |                            |                         |                          |
| Viscose Filament Rayon Yarn  | MT                         | 0.05                    | 0.15                     |
| Other Yarns (Average)  | MT                         | 0.005                   | 0.005                    |
| (ii) <b>NG /JV PMT / RLNG ( Power &amp; Steam)@</b>                                  | Sm3                        | 109.21                  | 113.89                   |
| (iii) <b>Naphta ( Power &amp; Steams) @</b>  | Kg                         | 17.09                   | 9.71                     |
| (iv) <b>H.S.D @</b>  | Kg                         | 0.02                    | 0.01                     |
| @ Relates to production of Urea by Indo Gulf Fertilisers , a division of the Company |                            |                         |                          |

## ANNEXURE 'C' TO DIRECTORS' REPORT

Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report dated 3<sup>rd</sup> May, 2007 for the year ended 31<sup>st</sup> March, 2007.

A) Employees who were employed throughout the Financial Year and were in receipt of remuneration in aggregate of not less than Rs.24,00,000/- per annum

| Name                  | Designation and Nature of Duties  | Remuneration (Rs.) | Qualifications                         | Age (Years) | Experience (Years) | Date of joining | Details of Previous Employment       |  |                           |
|-----------------------|---|--------------------|--|-------------|--------------------|-----------------|--------------------------------------|--|---------------------------|
|                       |   |                    |  |             |                    |                 | Name of Employer                     | Designation                              | Period of Service (Years) |
| Balachandar N V       | Vice President - Human Resources (Madura Garments)                      | 5,126,224          | MBA-PM                                 | 42          | 20                 | 02.12.2002      | Max India Ltd.                       | VP & Practice Leader - People Capability | 1                         |
| Bhandari Devendra     | Sr.Vice President & Company Secretary                                   | 3,368,329          | B.Com., F.C.S., CA (Inter)             | 53          | 26                 | 01.03.2002      | Indo Gulf Corporation Ltd.           | Vice President & Company Secretary       | 16                        |
| Chandra Pallav        | Design Director (Madura Garments)                                       | 3,183,663          | PG Diploma                             | 49          | 23                 | 01.07.2002      | Arvind Mills Ltd.                    | Head - Design & Visual Merchandise       | 2                         |
| Datta C.K.            | Joint President - (Indo Gulf Fertilisers)                               | 2,519,607          | M.Tech                                 | 54          | 29                 | 31.05.1984      | IFFCO, Phoulpur                      | Eng. (Instrument)                        | 7                         |
| David Von Platen'     | Head-Design (Madura Garments)   | 8,668,707          | Cours De Stylisme, Studio Bercot Paris | 46          | 19                 | 04.04.2004      | Marina Yacking Uomo                  | Head-Designer                            | 4                         |
| Dhamotharan R         | Director- Outer Wear & Inner Wear Category (Madura Garments)            | 2,779,236          | MBA                                    | 41          | 17                 | 23.10.2003      | Arvind Mills Ltd.                    | GM - Sourcing & PD                       | 1                         |
| Dhanuka V.K.          | Joint President- (Indo Gulf Fertilisers)                                | 2,608,765          | B.Tech (Tech.), MBA                    | 55          | 33                 | 08.06.1994      | BHEL, New Delhi                      | Sr. Manager                              | 19                        |
| Farooqi Shoab         | COO-Retail & Intl.Markets (Madura Garments)                             | 4,785,876          | M. A., Dipl. in Buss. Admn.            | 54          | 32                 | 25.05.1977      | J.K.Batteries Limited                | Sales Representative                     | 1                         |
| HariharanVishak Kumar | Brand Director - Louis Philippe (Madura Garments)                       | 3,458,232          | PG Diploma                             | 35          | 12                 | 05.06.1995      | None                                 | N.A.                                     | N.A.                      |
| Gupta Adesh           | Whole-Time Director & CFO (Corporate Finance Division)                  | 10,147,153         | B.Com., F.C.S., F.C.A                  | 51          | 28                 | 01.04.1999      | Birla Global Finance Ltd.            | Joint President                          | 5                         |
| Jacob John            | Director-Product Development & Quality Assurance (Madura Garments)      | 2,539,711          | M.Sc. Textile Chemistry                | 37          | 12                 | 12.06.1995      | N.A.                                 | N.A.                                     | N.A.                      |
| Jain Rakesh (Dr.)     | Whole Time Director & Group Executive President (Indo Gulf Fertilisers) | 25,292,056         | M.Tech.(Rubber Tech.), Ph.D            | 46          | 18                 | 10.02.2003      | GE Plastics India Ltd.               | President & CEO                          | 15                        |
| Javeri Hemchandra     | Senior Executive President (Madura Garments)                            | 9,017,904          | B.Com, PGDBM                           | 45          | 22                 | 07.01.2004      | Nike Inc.                            | Country Manager South Asia               | 4                         |
| Joshi K.D.            | Sr.Vice President (VFY Mktg.)-(Indian Rayon Division)                   | 2,452,837          | B.Sc., PGDMM, DIRPM                    | 56          | 26                 | 22.05.2001      | Grasim Industries Ltd.,              | Vice President (Sales)                   | 10                        |
| Kedia Manoj           | Joint President (Corporate Finance Division)                            | 3,718,347          | B.Com., F.C.A.                         | 41          | 18                 | 14.05.1996      | Reliance Shares & Stock Brokers Ltd. | Vice President                           | 9 months                  |
| Khosla Vikas          | Sr.Vice President - (Insulators Division)                               | 2,851,740          | BE (Elect.Engg)                        | 51          | 27                 | 01.08.2002      | None                                 | N.A.                                     | N.A.                      |
| Maheshwari K. K.      | Whole Time Director & Group Executive President (Indian Rayon Division) | 19,873,074         | M.Com., FCA                            | 52          | 30                 | 01.04.2001      | Thai Polyphosphate & Chemical Co.    | President                                | 12                        |
| Maheshwari R. C.      | Joint President (HR)- (Indian Rayon Division)                           | 2,624,354          | MA, M.Phil                             | 57          | 33                 | 29.03.2005      | Indo Phil Textile Mills, Manila      | Sr.Vice President                        | 7                         |

Contd.

**Particulars of Employees pursuant to the provisions of Section 217(2A) of the Companies Act, 1956 and forming part of the Directors' Report dated 3rd May, 2007 for the year ended 31st March, 2007.**

**A) Employees who were employed throughout the Financial Year and were in receipt of remuneration in aggregate of not less than Rs.24,00,000/- per annum**

| Name                  | Designation and Nature of Duties                      | Remuneration (Rs.) | Qualifications                | Age (Years) | Experience (Years) | Date of joining | Details of Previous Employment    |                                       |                           |
|-----------------------|---|--------------------|-------------------------------|-------------|--------------------|-----------------|-----------------------------------|---------------------------------------|---------------------------|
|                       |   |                    |                               |             |                    |                 | Name of Employer                  | Designation                           | Period of Service (Years) |
| Maihotra R.K.         | Joint President - (Indo Gulf Fertilisers)             | 2,998,377          | B.Com.(H), F.C.A.             | 58          | 34                 | 07.01.1996      | Indian Rayon And Industries Ltd.  | Sr.Vice President (F&C)               | 2                         |
| Mehta Pinky           | Joint President (Corporate Finance Division)          | 2,958,801          | B.Com., F.C.A.                | 40          | 16                 | 16.06.1991      | Bush India Ltd.                   | Manager(Taxation)                     | 1                         |
| Mehta Shitalkumar     | Brand Director - Vanheusen (Madura Garments)          | 3,368,531          | MBA                           | 36          | 12                 | 02.05.2000      | Godrej Foods Ltd.                 | Manager                               | 4                         |
| Mirchandani Vishal K. | Brand Director - AS (Madura Garments)                 | 3,454,424          | MBA                           | 39          | 18                 | 04.08.2003      | Provogue-Acme Clothing Pvt.Ltd.   | Sr.Vice President (Sales & Marketing) | 3                         |
| Misra G.S.            | Joint President (Hi Tech Carban)                      | 5,682,332          | BE.(Mech.)                    | 60          | 25                 | 11.10.2004      | Alexandra Carbon Black Ltd.       | Joint President                       | 9                         |
| Mitra S. K.           | Whole Time Director (Financial Services Division)     | 19,054,754         | M.Sc., MBA (USA)              | 59          | 35                 | 16.07.1994      | GIC Asset Management Co.Ltd.      | Managing Director                     | 4                         |
| Nair Abbey            | Sr.Vice President- (Jaya Shree Textile)               | 2,761,540          | B.A.                          | 53          | 18                 | 22.10.1988      | Sarda Textile (I) Ltd.            | Manager                               | 1                         |
| Parthasarathy R       | General Manager- Retail Operations (Madura Garments)  | 2,412,849          | Undergraduate                 | 46          | 25                 | 01.02.1990      | Perfect Apparels                  | Sales Representative                  | 1                         |
| Patodia Santosh       | Sr.Vice President- (Jaya Shree Textile)               | 2,682,307          | B.Com., ACA                   | 49          | 24                 | 08.02.1983      | None                              | N.A.                                  | N.A.                      |
| Rustogi Anil          | Joint President (Corporate Finance Division)          | 3,343,307          | B.Com. (Hons), F.C.A., AICWA  | 41          | 22                 | 01.08.2001      | Eastern Spinning Mills & Ind.Ltd. | Asst.Vice President (Fin. & Commerce) | 11                        |
| Rathi S. S.           | Executive President (Hi Tech Carban)                  | 4,373,181          | B.Com., F.C.A.                | 49          | 25                 | 15.06.1991      | Grasim Industries Ltd.            | Finance Manager                       | 10                        |
| Sathyajit R           | Brand Director - Peter England (Madura Garments)      | 3,439,610          | MBA                           | 35          | 11                 | 03.06.1996      | None                              | N.A.                                  | N.A.                      |
| Shroff Jayant         | Sr.Vice President- (Jaya Shree Textile)               | 2,808,200          | B.Com., DBM                   | 53          | 35                 | 01.01.1981      | BNT Mills Ltd.                    | Sales Executive                       | 2                         |
| Singh Neeraj Pal      | Sr.Vice President - IT & e-Commerce (Madura Garments) | 3,599,673          | M.Tech                        | 47          | 26                 | 01.04.1998      | Hindustan Lever Ltd.              | Sr. Systems Manager                   | 4                         |
| Soni J.C.             | President- (Jaya Shree Textile)                       | 4,686,898          | B.Sc, ACA                     | 54          | 29                 | 04.03.2004      | Grasim Industries Ltd.            | Executive President                   | 4                         |
| Swaminathan R         | Head Operations - Brand Apparels (Madura Garments)    | 3,877,718          | MBA                           | 39          | 14                 | 01.06.1993      | None                              | N.A.                                  | N.A.                      |
| Tiwari Manjula        | Brand Head (Madura Garments)                          | 3,067,025          | PG Diploma                    | 36          | 6                  | 07.02.2005      | DCM Benetton India                | Head-Product                          | 3                         |
| Yuan Gilbert Mah Kwai | Head-Visual Merchandising (Madura Garments)           | 3,010,861          | Degree Holder-Interior Design | 39          | 15                 | 03.01.2005      | Club 21 Pte.Ltd.                  | Executive                             | 4                         |

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**B) Employees who were employed for a part of the Financial Year and were in receipt of remuneration in aggregate of not less than Rs.2,00,000/- per month.**

| Name                 | Designation and Nature of Duties                         | Remuneration (Rs.) | Qualifications                             | Age (Years) | Experience (Years) | Date of joining | Details of Previous Employment         |  |                           |
|----------------------|--|--------------------|--|-------------|--------------------|-----------------|--|--|---------------------------|
|                      |  |                    |  |             |                    |                 | Name of Employer                       | Designation                            | Period of Service (Years) |
| Agarwal Kapil        | Head - Trouser Town (Madura Garments)                    | 27,83,884          | B.Com.,ACA                                 | 36          | 13                 | 08.09.2003      | Aditya Birla Management Corpn.Ltd.     | Executive Assistance to Chairman       | 3                         |
| Agarwal Sushil       | President - (Financial Services Division)                | 23,87,749          | M.Com., CA                                 | 44          | 19                 | 01.09.2006      | Birla Insurance Advisory Services Ltd. | Chief Executive Officer                | 2                         |
| Agarwal Vikas        | Head-Finance (Madura Garments)                           | 10,54,489          | ACA  | 40          | 18                 | 15.01.2007      | SAB Miller India Ltd.                  | Head Finance                           | 4                         |
| Ajmera K.G.          | Sr.Vice President (Financial Services Division)          | 21,60,685          | FCA, CISA                                  | 54          | 31                 | 16.12.1993      | Cemphan Organics Ltd.                  | General Manager                        | 3.5                       |
| Bhargava A. K.       | Dy.General Manager (Indo Gulf Fertilisers)               | 20,52,568          | Diploma in Mech., A.M.I.E.                 | 59          | 36                 | 08.02.1988      | National Fertilisers Limited           | Asst.Manager (Production)              | 2                         |
| Bubna Ravi R.        | Joint President - (Financial Services Division)          | 11,10,113          | MDBA                                       | 40          | 16                 | 07.12.1994      | Parasrampuria Synthetics Ltd.          | Deputy Manager                         | 4                         |
| Dixit Ashish         | President (Madura Garments)                              | 8,64,044           | PG Diploma                                 | 38          | 14                 | 25.01.2007      | Aditya Birla Management Corpn.Ltd.     | Executive Assitant to Chairman         | 4                         |
| Gupta H.C.           | General Manager-(Indo Gulf Fertilisers)                  | 6,37,377           | B.Sc., A.M.I.E., BOE                       | 57          | 37                 | 28.02.2004      | Kribhco, Surat                         | Manager (Production)                   | 9                         |
| Gupta S. S.          | Joint President (Caustic & Power, Indian Rayon Division) | 15,02,551          | M.Sc.                                      | 56          | 33                 | 16.04.1974      | None                                   | N.A.                                   | N.A.                      |
| Jain S.K.            | Senior President- (Indo Gulf Fertilisers)                | 43,33,824          | B.Com., F.C.A.                             | 56          | 31                 | 07.01.2006      | Grasim Industries Ltd.                 | Senior President                       | 2                         |
| Jajoo S. N.          | Executive President- (Indo Gulf Fertilisers)             | 19,37,127          | B.Com., F.C.A., PGDBIM,AMIMA & ICWA(INTER) | 47          | 24                 | 01.09.2004      | Grasim Industries Ltd.                 | Senior President                       | 2                         |
| Jhanwar K.C.         | Sr.Executive President- (Indian Rayon Division)          | 39,58,089          | B.Com.,F.C.A, CS (Inter)                   | 50          | 27                 | 01.09.2003      | Grasim Industries Ltd.,                | Executive President                    | 3                         |
| Jotwani Neetu        | Head-Category Sourcing (Madura Garments)                 | 10,51,169          | PG Diploma                                 | 37          | 10                 | 02.11.2006      | Busana Apparel Group                   | Deputy General Manager                 | 5                         |
| Malik Puneet Kumar   | General Manager - Technical (Madura Garments)            | 12,25,871          | DP Diploma in Garments Mfr. CA, CS         | 37          | 14                 | 01.04.2000      | Coats Vyella Clothing Ltd.             | Technical Manager                      | 3                         |
| Miranka Sanjay Kumar | Vice President - (Financial Services Division)           | 20,00,413          | CA, CS                                     | 36          | 12                 | 10.04.2003      | Walchand Capital Group                 | Head-Portfolio Management              | 2.5                       |
| Narahari N.          | General Manager-Contract Exports (Madura Garments)       | 11,27,216          | PG Diploma in Mktg.                        | 43          | 21                 | 01.01.1994      | Harwood Garments Pvt.Ltd.              | Accounts & Admin. Executive            | 2                         |
| Partho Kar           | Chief Operating Officer (Madura Garments)                | 32,75,156          | MBA  | 43          | 21                 | 01.08.2005      | Pearl Global Ltd.                      | Unit Head                              | 1                         |
| Prasad Ashish        | Head-Strategy & Business Development (Madura Garments)   | 27,74,428          | PG Diploma                                 | 36          | 11                 | 01.02.2006      | Hindustan Coca Cola Beverages (P) Ltd. | Area General Manager                   | 2                         |
| Rajpal Anurag        | Head - Trouser Town                                      | 10,59,954          | B.Tech                                     | 32          | 9                  | 04.12.2006      | Reebok India Company                   | Sr.Manager(Apparel Product & Sourcing) | 6                         |

Contd.

| Name                  | Designation and Nature of Duties  | Remuneration (Rs.) | Qualifications  | Age (Years) | Experience (Years) | Date of joining | Details of Previous Employment       |   |                           |
|-----------------------|---|--------------------|-----------------|-------------|--------------------|-----------------|--------------------------------------|---|---------------------------|
|                       |   |                    |                 |             |                    |                 | Name of Employer                     | Designation   | Period of Service (Years) |
| Rao Vikram            | Whole Time Director (Madura Garments)                                   | 59,03,578          | B.E.(Chem) MBA  | 57          | 31                 | 1.10.1999       | The Arvind Mills Ltd.                | President   | 6                         |
| Raychaudhuri Sarthak  | Head - Human Resources (Madura Garments)                                | 2,90,755           | PGDPMIR         | 37          | 12                 | 26.02.2007      | Ranbaxy Laboratories Ltd.            | General Manager (Organisation Development & Training) | 3                         |
| Sharma V. S.          | Senior Vice President (Indo Gulf Fertilisers)                           | 27,08,931          | M.A.,MBA,       | 55          | 23                 | 21.8.2000       | Bombay Paints Ltd.                   | President (Mktg.)                                     | 2                         |
| Somani Rachna         | Head-Talent Management (Madura Garments)                                | 4,30,174           | PG DBM          | 32          | 10                 | 1.2.2007        | Johnson & Johnson                    | Consultant HR-Sr.Manager                              | 4                         |
| Somani V.G.           | President- (Indian Rayon Division)                                      | 21,44,010          | B.Com., F.C.A.  | 52          | 28                 | 18.10.2006      | PT.Suinrise Bumi Textiles, Indonesia | President   | 3                         |
| Srikrishnan V         | Senior Vice President - Finance (Madura Garments)                       | 34,55,618          | B.Com.Hons, ACA | 45          | 22                 | 17.04.2002      | Reckitt Benckiser India Ltd.         | Commercial Controller                                 | 9                         |
| Sureka Suresh K.      | Retired as Vice President (Flax Spg.)- (Jaya Shree Textile)             | 25,56,060          | B.Sc., LLB      | 61          | 24                 | 12.2.1983       | Mysore Petrochemicals Ltd.           | Senior Executive                                      | 1                         |
| Thomas Neal Mc Lellon | Brand Design Head- Van Heusen/Van Heusen-Women's Wear (Madura Garments) | 59,45,865          | PG Diploma      | 48          | 15                 | 3.5.2006        | ASADA, New York                      | Freelance Designer                                    | 1                         |
| Tyagi Vipin           | Head-Technology & Product Development (Madura Garments)                 | 23,85,446          | B.Tech          | 43          | 21                 | 4.12.2000       | The Arvind Mills Ltd.                | Sr.Manager-Quality Assurance                          | 3                         |

Notes:

1. Remuneration includes salary, allowances, medical benefits, Company's contribution to Provident Fund and Superannuation Fund, wherever applicable, leave encashment, leave travel assistance and monetary value of taxable perquisites and also includes Gratuity/Retirement Benefit.
2. None of the above Executives are related to any Director of the Company.
3. All appointments are contractual, other terms and conditions are as per rules of the Company.

## AUDITORS' REPORT TO THE MEMBERS

1. We have audited the attached Balance Sheet of **Aditya Birla Nuvo Limited** as at March 31, 2007, and also the Profit and Loss account and the Cash Flow statement 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 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. As required by the Companies (Auditor's Report) Order, 2003 (as amended) (hereinafter referred to as "the Order") 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 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 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 it appears from our examination of those books. The Branch Auditors' reports have been forwarded to us and have been appropriately dealt within this report;
  - iii. The Balance Sheet, Profit and Loss Account and Cash Flow statement 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, Profit and Loss Account and Cash Flow statement dealt with by this report comply with the accounting standards referred to in section 211 (3C) of the Act.
  - v. On the basis of the written representations received from the directors as on March 31, 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on March 31, 2007 from being appointed as a director in terms of section 274 (1)(g) the Act.
  - vi. 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 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 March 31, 2007;
    - b) in the case of the Profit and Loss account, of the profit of the Company for the year ended on that date; and
    - c) in the case of Cash Flow statement, of the cash flows of the Company for the year ended on that date.

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

per Shivji K. Vikamsey  
Partner  
Membership No. 2242

Mumbai  
May 3, 2007

For S. R. BATLIBOI & CO.  
Chartered Accountants

per Hemal Shah  
Partner  
Membership No. 42650

Mumbai  
May 3, 2007

**Annexure referred to in paragraph 3 of our report of even date**

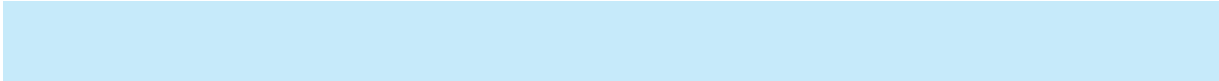
**Re: Aditya Birla Nuvo Limited**

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a program for phased physical verification of all its fixed assets which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed, no material discrepancies were noticed on such verification.
- (c) The Company has not disposed off a substantial part of its fixed assets during the year.
- (ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year.
- (b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- (iii) (a) The Company has not given any loans, secured or unsecured, to the companies, firms or other parties covered in the register maintained under section 301 of the Act. Hence clauses (iii)(b), (c) & (d) of the Order, are not applicable.
- (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Act, 1956. Hence clauses (iii) (f) & (g) of the Order are not applicable.
- (iv) In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.
- (v) Based on the audit procedures applied by us and according to the information and explanations given to us, there are no contracts or arrangements referred to in section 301 of the Act that need to be entered into the register maintained under that section. Hence clause (v)(b) of the Order is not applicable.
- (vi) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of sections 58A, 58AA or any other relevant provisions of the Act and the Companies (Acceptance of Deposits) Rules, 1975 with regard to the deposits accepted from the public. We are informed by the management that no order has been passed by the Company Law Board, National Company Law Tribunal or Reserve Bank of India or any court or any other Tribunal.
- (vii) In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.
- (viii) We have broadly reviewed the accounts and records 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, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.
- (ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty, cess, and other material statutory dues applicable to it. There were no arrears as at March 31, 2007 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us, particulars of outstanding dues of sales-tax, income-tax, wealth-tax, service tax, custom duty, excise duty and cess not deposited on account of any dispute are given below:

| Name of the Statute | Nature of the dues                                      | Period   | Amount (Rs. in Crs) | Forum where dispute is pending |
|---------------------|---|--|---------------------|--------------------------------|
| Sales Tax Act       | Sales Tax / Purchase Tax including interest and penalty | 1981-82 to 1986-87, 1998 to 2003                         | 0.52                | Tribunal(s)                    |
|                     |   | 1998-99, 2000-01 to 2004-05 & 2006-07                    | 3.86                | Commissioner (Appeals)         |
|                     |   | 1988-89, 2000-01 to 2004-05                              | 0.79                | Assessing Authorities          |
| Customs Act         | Customs Duty including interest and penalty             | 1975-76, 1976-77, 1986-87, 1991-92, 2001-02              | 1.19                | High Court(s)                  |
| Central Excise Act  | Excise Duty including interest and penalty              | 1977-78, 1996-97 to 2005-06                              | 4.57                | High Court(s)                  |
|                     |   | 1985-86, 1991-92, 1997-98 to 2001-02, 2003-04 to 2004-05 | 0.02                | Tribunal(s)                    |
|                     |   | 1993-94 to 1999-2000, 2001-02 to 2002-03                 | 4.04                | Commissioner (Appeals)         |
| Textile Cess Act    | Cess  | 1981-1999  | 2.57                | Tribunal                       |
| Service Tax         | Demand  | 2003-2004, 2004-2005                                     | 0.45                | Assessing Authorities          |
| Electricity Tax Act | Tamilnadu Electricity Taxation                          | 1999 to 2007   | 4.06                | Assessing Authorities          |

- (x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.
- (xi) Based on our audit procedures and as per the information and explanations given to us, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution or bank.
- (xii) Based on our examination of documents and records, we are of the opinion that the Company has maintained adequate records where the Company has granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities
- (xiii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Order, are not applicable to the Company.
- (xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Order, are not applicable to the Company.

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- (xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof, in our opinion, are prima-facie, not prejudicial to the interest of the Company.
  - (xvi) Based on information and explanations given to us, the term loans were, applied by the Company during the year for the purposes for which the loans were obtained, though unutilized funds amounting to Rs 30.75 crores which were not required for immediate use for project under implementation have been temporarily deployed to reduce bank overdraft.
  - (xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.
  - (xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act.
  - (xix) The Company did not have any outstanding debentures during the year.
  - (xx) We have verified that the end use of money raised by public issues is as disclosed in the notes to the financial statements.
  - (xxi) Based upon the audit procedures performed and information and explanations given to us, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

per Shivji K. Vikamsey  
Partner  
Membership No. 2242

Mumbai  
May 3, 2007

For S. R. BATLIBOI & CO.  
Chartered Accountants

per Hemal Shah  
Partner  
Membership No. 42650

Mumbai  
May 3, 2007

## BALANCE SHEET AS AT 31ST MARCH, 2007

|  | Schedule | As at<br>31-Mar-2007 | Rs. Crores<br>As at<br>31-Mar-2006 |
|--|----------|----------------------|------------------------------------|
| <b>SOURCES OF FUNDS</b>                                  |          |                      |                                    |
| <b>Shareholders' Funds:</b>                              |          |                      |                                    |
| Share Capital  | 1        | 93.31                | 83.50                              |
| Reserves & Surplus                                       | 2        | 3,031.24             | 2,124.11                           |
|  |          | 3124.55              | 2207.61                            |
| <b>Loan Funds:</b>                                       |          |                      |                                    |
| Secured Loans  | 3        | 2,071.62             | 1,084.21                           |
| Unsecured Loans  | 4        | 760.21               | 479.36                             |
|  |          | 2831.83              | 1563.57                            |
| Deferred Tax Liabilities                                 |          | 174.08               | 167.70                             |
|  |          | 6130.46              | 3938.88                            |
| <b>Total Funds Employed</b>                              |          | 6130.46              | 3938.88                            |
| <b>APPLICATION OF FUNDS</b>                              |          |                      |                                    |
| <b>Fixed Assets:</b>                                     |          |                      |                                    |
| Gross Block  | 5        | 2,653.15             | 2,461.81                           |
| Less: Accumulated Depreciation                           |          | 1,548.90             | 1,448.74                           |
| Net Block  |          | 1,104.25             | 1013.07                            |
| Capital Work-in-Progress                                 |          | 203.88               | 122.45                             |
|  |          | 1308.13              | 1135.52                            |
| <b>Investments</b>                                       | 6        | 3,849.39             | 1,675.79                           |
| <b>Current Assets, Loans &amp; Advances:</b>             |          |                      |                                    |
| Interest accrued on Investments                          |          | 0.15                 | 0.20                               |
| Inventories  | 7        | 475.26               | 526.33                             |
| Sundry Debtors   | 8        | 595.99               | 415.44                             |
| Cash & Bank Balances                                     | 9        | 22.74                | 20.32                              |
| Loans & Advances   | 10       | 332.18               | 663.98                             |
|  |          | 1426.32              | 1626.27                            |
| Less: <b>Current Liabilities &amp; Provisions:</b>       | 11       |                      |                                    |
| Current Liabilities                                      |          | 393.73               | 424.78                             |
| Provisions   |          | 59.65                | 73.92                              |
|  |          | 453.38               | 498.70                             |
| <b>Net Current Assets</b>                                |          | 972.94               | 1127.57                            |
| <b>Total Funds Utilised</b>                              |          | 6130.46              | 3938.88                            |
| Significant Accounting Policies and<br>Notes on Accounts | 19       |                      |                                    |

Schedules referred to above form an integral part of the accounts  
As per our attached Report of even date

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

Dr. BHARAT K. SINGH  
Managing Director

Directors:

TARJANI VAKIL  
P. MURARI  
B. R. GUPTA  
G. P. GUPTA

ADESH GUPTA  
Wholetime Director & CFO

per SHIVJI K. VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

per HEMAL SHAH  
Partner  
M. No. 42650

DEVENDRA BHANDARI  
Company Secretary

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

|  | Schedule | Year Ended<br>31-Mar-2007 | Rs. Crores<br>Year Ended<br>31-Mar-2006 |
|--|----------|---------------------------|---|
| <b>INCOME</b>  |          |                           |   |
| Income from Operations   | 12       | 3,577.89                  | 2,786.39                                |
| Less: Excise Duty  |          | 157.42                    | 144.34                                  |
| Net Income from Operations   |          | 3,420.47                  | 2,642.05                                |
| Other Income   | 13       | 44.51                     | 23.44                                   |
|  |          | 3,464.98                  | 2,665.49                                |
| <b>EXPENDITURE</b>   |          |                           |   |
| (Increase)/Decrease in Stocks  | 14       | (45.48)                   | (47.32)                                 |
| Cost of Materials  | 15       | 1,840.36                  | 1,447.87                                |
| Salaries, Wages and Employee Benefits  | 16       | 193.22                    | 164.10                                  |
| Manufacturing, Selling and Other Expenses                                    | 17       | 873.09                    | 657.45                                  |
| Interest and Other Finance Expenses (Net)                                    | 18       | 171.16                    | 55.79                                   |
|  |          | 3,032.35                  | 2,277.89                                |
| <b>Profit before Depreciation/Amortisation and Exceptional items</b>         |          | 432.63                    | 387.60                                  |
| Depreciation/Amortisation  |          | 120.32                    | 111.81                                  |
| <b>Profit before Exceptional items and Tax</b>                               |          | 312.31                    | 275.79                                  |
| <b>Exceptional Items</b> (Refer Note no. 17 of Schedule 19)                  |          |                           |   |
| Expenses towards Voluntary Retirement Scheme                                 |          | (1.43)                    | (4.04)                                  |
| Gain/(Loss) on Transfer of Business (Net)                                    |          | 0.20                      |   |
| <b>Profit after Exceptional items</b>  |          | 311.08                    | 271.75                                  |
| Provision for Taxation - Current Tax   |          | 98.82                     | 92.97                                   |
| - Deferred Tax   |          | 15.16                     | (6.91)                                  |
| - Fringe Benefit Tax   |          | 3.39                      | 4.25                                    |
| Provision for Tax for Earlier Years written back                             |          | (31.26)                   | (5.49)                                  |
| <b>Net Profit</b>  |          | 224.97                    | 186.93                                  |
| Balance brought forward  |          | 0.45                      | 323.56                                  |
| Amount Transferred on Amalgamation of IGFL & BGFL<br>(Note 4 of Schedule 19) |          | —                         | 262.57                                  |
| Transfer from Debenture Redemption Reserve                                   |          | —                         | 25.00                                   |
| Profit available for Appropriation   |          | 225.42                    | 798.06                                  |
| <b>APPROPRIATIONS</b>  |          |                           |   |
| Interim Dividend   |          | 51.32                     | —                                       |
| Proposed Dividend  |          | —                         | 41.75                                   |
| Corporate Tax on Dividend  |          | 7.20                      | 5.86                                    |
| General Reserve  |          | 150.00                    | 750.00                                  |
| Surplus carried to Balance Sheet   |          | 16.90                     | 0.45                                    |
|  |          | 225.42                    | 798.06                                  |
| Basic Earnings per share - Rs.   |          | 25.60                     | 24.48                                   |
| Diluted Earnings per share - Rs. } (Refer Note no. 14 of Schedule 19)        |          | 25.59                     | 24.48                                   |
| (Face Value of Rs 10/- each)   |          |                           |   |

Significant Accounting Policies and Notes on Accounts 19

Schedules referred to above form an integral part of the accounts  
As per our attached Report of even date

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

Dr. BHARAT K. SINGH  
Managing Director

Directors:

TARJANI VAKIL  
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ADESH GUPTA  
Wholtime Director & CFO

per SHIVJI K. VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

per HEMAL SHAH  
Partner  
M. No. 42650

DEVENDRA BHANDARI  
Company Secretary

## SCHEDULES

|   | Numbers                    | As at<br>31-Mar-2007 | Rs. Crores<br>As at<br>31-Mar-2006 |
|---|----------------------------|----------------------|------------------------------------|
| <b>SCHEDULE 1</b>   |                            |                      |                                    |
| <b>SHARE CAPITAL</b>  |                            |                      |                                    |
| <b>Authorised:</b>  |                            |                      |                                    |
| Equity Shares of Rs. 10 each  | 120,000,000                | 120.00               | 85.00                              |
| Redeemable Preference Shares of Rs. 100 each  | 500,000                    | 5.00                 | 15.00                              |
| Total   |                            | <u>125.00</u>        | <u>100.00</u>                      |
| <b>Issued, Subscribed &amp; Paid-up: (A)</b>  |                            |                      |                                    |
| Equity Shares of Rs. 10 each, Fully paid-up*  | 93,305,187<br>(59,889,912) | 93.31                | 59.89                              |
| <b>Share Capital Suspense: (B)</b>  |                            |                      |                                    |
| Current Year NIL (Previous Year 23,614,414) Equity Shares of Rs 10 each to be issued as fully paid up pursuant to Schemes of amalgamation for consideration other than cash<br>(Note 4 of Schedule19) |                            | —                    | 23.61                              |
| Less: Calls in arrears  |                            | —                    | β                                  |
|   |                            | <u>93.31</u>         | <u>83.50</u>                       |

1. \* Includes:

- 24,989,914 (Previous Year 1,375,500) shares allotted as fully paid-up pursuant to contracts for consideration other than cash
- 23,374,407 shares (Previous Year 23,374,187 shares) issued as Bonus Shares by capitalisation of Securities Premium, General Reserves, Capital Redemption Reserve and Capital Reserve
- 33,77,439 shares (Previous Year 3,207,006) shares represented by Global Depository Receipts
- 98,00,201 Equity Shares issued during the year on Right basis (Refer Note no. 5 of Schedule 19)

2. Issue of 14,291 (Previous Year 14,731) equity shares excluding bonus shares thereon and Issue of 26,437 (Previous Year NIL) right issue equity shares is held in abeyance pursuant to the section 206A of the Companies Act,1956.

## SCHEDULES

Rs. Crores

### SCHEDULE 2 RESERVES & SURPLUS

|                                      | Balance as at<br>31-Mar-06 | Additions       | Deductions/<br>Adjustments | Balance as at<br>31-Mar-07 |
|--------------------------------------|----------------------------|-----------------|----------------------------|----------------------------|
| Capital Reserve                      | 2.86                       | —               | —                          | 2.86                       |
| Capital Redemption Reserve           | 7.60                       | —               | —                          | 7.60                       |
| Securities Premium Account           | 403.52                     | 767.37          | 7.44**                     | 1,163.45                   |
| General Reserve                      | 1,670.27                   | 169.46          | 19.25*                     | 1,820.48                   |
| Investment Reserve                   | 19.95                      | —               | —                          | 19.95                      |
| Special Reserve #                    | 19.46                      | —               | 19.46#                     | —                          |
| Surplus as per Profit & Loss Account | 0.45                       | 16.45           | —                          | 16.90                      |
|                                      | <u>2,124.11</u>            | <u>953.28</u>   | <u>46.15</u>               | <u>3,031.24</u>            |
| Previous Year                        | <u>1,294.18</u>            | <u>1,604.93</u> | <u>775.00</u>              | <u>2,124.11</u>            |

\* Refer Note No. 18 of Schedule 19

\*\* Rights issue expenses

# Transferred to General Reserve on receipt of RBI approval.

### SCHEDULE 3 SECURED LOANS

|                                 | As at<br>31-Mar-2007 | As at<br>31-Mar-2006 |
|---------------------------------|----------------------|----------------------|
| Loans from Banks                | 1,716.64             | 822.75               |
| Other Loans :                   |                      |                      |
| Deferred Sales Tax Loan         | 75.33                | 61.17                |
| Others                          | 279.65               | 200.29               |
| Refer note no. 7 of Schedule 19 | <u>2,071.62</u>      | <u>1,084.21</u>      |

### SCHEDULE 4 UNSECURED LOANS

|  |               |               |
|--|---------------|---------------|
| Fixed Deposits                             | 3.70          | 4.89          |
| Loan from Subsidiary Companies             | 1.50          | 4.46          |
| Short Term Loans from:                     |               |               |
| Banks                                      | 175.00        | 225.00        |
| Commercial Paper                           | 315.00        | —             |
| Others                                     | 215.01        | 195.01        |
| Other loans from:                          |               |               |
| Banks                                      | 50.00         | 50.00         |
|  | <u>760.21</u> | <u>479.36</u> |
| Includes amounts repayable within one year | 710.04        | 429.36        |

# SCHEDULES

## SCHEDULE 5 FIXED ASSETS

|                                 | Rs. Crores          |                          |                         |                     |                    |                           |                         |                    |                     |                     |           |  |
|---------------------------------|---------------------|--------------------------|-------------------------|---------------------|--------------------|---------------------------|-------------------------|--------------------|---------------------|---------------------|-----------|--|
|                                 | Gross Block         |                          |                         |                     |                    | Depreciation/Amortisation |                         |                    |                     |                     | Net Block |  |
|                                 | As at 31st March-06 | Additions for the period | Deduction/ Adjust-ments | As at 31st March-07 | Upto 31st March-06 | For the year              | Deduction/ Adjust-ments | Upto 31st March-07 | As at 31st March-07 | As at 31st March-06 |           |  |
| <b>Tangible Assets</b>          |                     |                          |                         |                     |                    |                           |                         |                    |                     |                     |           |  |
| Land                            |                     |                          |                         |                     |                    |                           |                         |                    |                     |                     |           |  |
| Freehold                        | 1.20                | —                        | —                       | 1.20                | —                  | —                         | —                       | —                  | 1.20                | 1.20                |           |  |
| Leasehold                       | 26.37               | 0.01                     | —                       | 26.38               | 1.41               | 0.12                      | —                       | 1.53               | 24.85               | 24.96               |           |  |
| Railway Siding                  | 5.84                | —                        | —                       | 5.84                | 4.87               | 0.28                      | —                       | 5.15               | 0.69                | 0.97                |           |  |
| Buildings                       | 209.26              | 8.47                     | 0.31                    | 217.42              | 48.31              | 4.88                      | 0.07                    | 53.12              | 164.30              | 160.95              |           |  |
| Lease Hold improvements         | 0.38                | —                        | —                       | 0.38                | 0.12               | 0.10                      | —                       | 0.22               | 0.16                | 0.26                |           |  |
| Plant & Machinery               | 1,928.07            | 192.81                   | 23.71                   | 2,097.17            | 1,248.35           | 83.85                     | 16.36                   | 1,315.84           | 781.33              | 679.72              |           |  |
| Furniture, Fixtures & Equipment | 74.07               | 13.12                    | 1.99                    | 85.20               | 42.48              | 10.45                     | 1.70                    | 51.23              | 33.97               | 31.59               |           |  |
| Vehicles and Aircraft           | 20.08               | 5.09                     | 3.94                    | 21.23               | 7.16               | 2.67                      | 2.14                    | 7.69               | 13.54               | 12.92               |           |  |
| Livestock                       | 0.01                | —                        | —                       | 0.01                | 0.01               | —                         | —                       | 0.01               | —                   | —                   |           |  |
| <b>Intangible Assets</b>        |                     |                          |                         |                     |                    |                           |                         |                    |                     |                     |           |  |
| Goodwill                        | 20.35               | —                        | —                       | 20.35               | —                  | —                         | —                       | —                  | 20.35               | 20.35               |           |  |
| Trade mark/Brands               | 165.76              | —                        | —                       | 165.76              | 87.80              | 16.58                     | —                       | 104.38             | 61.38               | 77.96               |           |  |
| Specialised Software            | 10.42               | 1.79                     | —                       | 12.21               | 8.23               | 1.50                      | —                       | 9.73               | 2.48                | 2.19                |           |  |
| <b>Total</b>                    | <b>2461.81</b>      | <b>221.29</b>            | <b>29.95</b>            | <b>2653.15</b>      | <b>1448.74</b>     | <b>120.43</b>             | <b>20.27</b>            | <b>1548.90</b>     | <b>1104.25</b>      | <b>1013.07</b>      |           |  |
| Previous year ended March 06    | 1418.74             | 1050.32                  | 7.25                    | 2461.81             | 663.49             | 111.91                    | 673.34                  | 1448.74            | 1013.07             |                     |           |  |

### Notes:

Gross Block of Fixed Assets Includes :

- Assets held under co-ownership - Leasehold Land Rs 18.23 Crores (Previous Year 18.23 Crores), Buildings Rs 23.66 Crores (Previous Year Rs. 23.63 Crores), Furniture, Fixture & Equipment Rs 7.48 Crores (Previous year Rs. 7.43 Crores) and Aircraft Rs. 6.82 Crores (Previous Year Rs.6.82 Crores)
- 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 8.19 Crores (Previous Year 8.19 Crores) being cost of Debentures of and Shares in a Company entitling the right of exclusive occupancy and use of certain premises.
- Plant & Machinery include Rs 1.07 Crores (Previous year Rs. 1.07 Crores) being assets not owned by the Company.
- Additions to Plant & Machinery is net of capital subsidy Rs 0.76 Crores (Previous Year Rs 0.40 Crores)
- Building includes flat of Rs 0.68 (Previous Year 0.68) Crores which is in the process of being transferred in the name of the Company.
- Previous year figures includes Gross Block addition of Rs 913.13 Crores and Accumulated Depreciation of Rs 678.06 Crores on account of amalgamation of IGFL & BGFL

## SCHEDULES

|   | Face Value | Number      | As at<br>31-Mar-07 | Number      | Rs. Crores<br>As at<br>31-Mar-06 |
|---|------------|-------------|--------------------|-------------|----------------------------------|
| <b>SCHEDULE 6</b>   |            |             |                    |             |                                  |
| <b>INVESTMENTS</b>  |            |             |                    |             |                                  |
| <b>LONG TERM INVESTMENTS</b>  |            |             |                    |             |                                  |
| <b>Government Securities</b>  |            |             |                    |             |                                  |
| ITI Limited M-I Series Bonds (Quoted)   | 1,000,000  | 37          | 3.70               | 50          | 5.00                             |
| 6 & 7 Years National Saving Certificates (Unquoted)                                   | 59,000     | —           | 0.01               | —           | 0.01                             |
| <b>Trade Investments</b>  |            |             |                    |             |                                  |
| <b>QUOTED</b>   |            |             |                    |             |                                  |
| <b>Equity Shares :</b>  |            |             |                    |             |                                  |
| Hindalco Industries Limited (Hindalco)  |            |             |                    |             |                                  |
| Fully Paid up   | 1          | 16,316,130  | 36.45              | 16,316,130  | 36.45                            |
| Partly Paid up @ Rs 0.50 per share (PY 0.25 per share)                                | 1          | 4,079,032   | 19.57              | 4,079,032   | 9.79                             |
| IDEA Cellular Limited (IDEA) (Quoted w.e.f 9th March 2007)                            | 10         | 837,526,221 | 2,355.81           | 468,597,140 | 757.91                           |
| <b>UNQUOTED</b>   |            |             |                    |             |                                  |
| <b>Equity Shares :</b>  |            |             |                    |             |                                  |
| Birla Securities Limited (Net of provision in diminution in value of Rs 2.52 Crores)  | 10         | 495,800     | 0.01               | 495,800     | 0.01                             |
| Birla Sun Life Distribution Company Limited   | 10         | 3,587,499   | 3.59               | 3,874,999   | 3.87                             |
| Birla Sun Life Trustee Company Private Limited  | 10         | 9,950       | 0.01               | 9,950       | 0.01                             |
| Birla Sun Life Asset Management Company Limited                                       | 10         | 9,000,000   | 14.31              | 9,000,000   | 14.31                            |
| Aditya Birla Science & Technology Limited   | 10         | 2,400,000   | 2.40               | —           | —                                |
| <b>Preference Shares</b>  |            |             |                    |             |                                  |
| 3.50% Cumulative Redeemable Preference Shares of Aditya Birla Health Services Limited | 100        | 1,500,000   | 15.00              | 1,500,000   | 15.00                            |
| <b>Investment in Subsidiary Companies:</b>  |            |             |                    |             |                                  |
| <b>QUOTED</b>   |            |             |                    |             |                                  |
| <b>Equity Shares</b>  |            |             |                    |             |                                  |
| PSI Data Systems Limited  | 10         | 5,315,109   | 100.30             | 5,315,109   | 100.30                           |
| <b>UNQUOTED</b>   |            |             |                    |             |                                  |
| <b>Equity Shares :</b>  |            |             |                    |             |                                  |
| Aditya Vikram Global Trading House Limited, Mauritius                                 | US\$ 1     | 850,000     | 3.70               | 850,000     | 3.70                             |
| Birla Global Finance Company Limited  |            |             |                    |             |                                  |
| Fully Paid up   | 10         | 30,964,841  | 27.62              | 7,264,841   | 3.92                             |
| Partly Paid uP @ Rs 6/- per share   | 10         | 75,000,000  | 45.00              | —           | —                                |
| BGFL Corporate Finance Private Limited  | 10         | 510,000     | 1.51               | 10,000      | 0.01                             |
| Birla Sun Life Insurance Company Limited  | 10         | 496,910,000 | 498.41             | 340,400,000 | 341.90                           |

## SCHEDULES

|  | Face Value | Number      | As at<br>31-Mar-07 | Number      | Rs. Crores<br>As at<br>31-Mar-06 |
|--|------------|-------------|--------------------|-------------|----------------------------------|
| <b>SCHEDULE 6 (Contd.)</b>   |            |             |                    |             |                                  |
| <b>INVESTMENTS</b>   |            |             |                    |             |                                  |
| Laxminarayan Investment Limited  | 10         | 21,000,000  | 21.00              | 11,093,000  | 11.09                            |
| Transworks Information Services Limited  | 1          | 20,738,378  | 218.78             | 15,738,378  | 68.78                            |
| Aditya Birla Telecom Limited   | 10         | —           | —                  | 9,997,500   | 10.00                            |
| Madura Garment Exports Limited   | 10         | 15,280,008  | 25.81              | —           | —                                |
| Aditya Birla Insulators Limited ( ABIL)<br>(Formerly known as Birla NGK Insulators P.Limited/<br>Subsidiary w.e.f 29 Nov 2006) | 10         | 20,740,000  | 60.35              | 12,490,000  | 12.49                            |
| Crafted Clothing Private Limited **  | 10         | 500,000     | 0.58               | —           | —                                |
| <b>Preference Shares</b>   |            |             |                    |             |                                  |
| 7% Cumulative, Redeemable Preference<br>Shares of PSI Data Systems Limited   | 100        | 1,500,000   | 15.00              | 1,500,000   | 15.00                            |
| 7% Redeemable, Cumulative, Participative<br>Preference Shares of Crafted Clothing Private Limited                              | 100        | 570,000     | 5.70               | 570,000     | 5.70                             |
| 9% Redeemable, Cumulative, Non-Participative<br>Preference Shares of Crafted Clothing Private Limited **                       | 100        | 180,000     | 2.60               | —           | —                                |
| 10% Redeemable, Cumulative, Non-Participative<br>Preference Shares of Madura Garment Exports Limited                           | 100        | 30,000      | 0.36               | —           | —                                |
| <b>Total Long Term Investments</b>   |            |             | <b>3,477.58</b>    |             | <b>1,415.25</b>                  |
| <b>CURRENT INVESTMENTS</b>   |            |             |                    |             |                                  |
| <b>Equity Shares:</b>  |            |             |                    |             |                                  |
| Mangalore Refinery and Petrochemicals<br>Limited (Quoted)  | 10         | 400         | β                  | 400         | β                                |
| <b>Unquoted, Non Trade and Fully paid up</b>   |            |             |                    |             |                                  |
| Units of Mutual Funds *  |            | 371,809,850 | 371.81             | 258,339,152 | 260.54                           |
| <b>Total Current Investments</b>   |            |             | <b>371.81</b>      |             | <b>260.54</b>                    |
| <b>GRAND TOTAL</b>   |            |             | <b>3,849.39</b>    |             | <b>1,675.79</b>                  |
| Aggregate Book Value   | - Quoted   |             | 2,515.84           |             | 151.54                           |
|  | - Unquoted |             | 1,333.55           |             | 1,524.25                         |
| Aggregate Market Value   | - Quoted   |             | 8,214.78           |             | 419.41                           |
| * Includes Rs 370.32 Crores being unutilized funds of Rights Issue   |            |             |                    |             |                                  |
| ** Pending to be transferred in Company's name as on March 31, 2007  |            |             |                    |             |                                  |
| <b>Number</b>  |            |             |                    |             |                                  |
| 1. Units of various Mutual Funds schemes purchased and redeemed<br>during the year:  |            |             | 4,425,892,087      |             | 4,804,982,929                    |
| - All Shares are Fully Paid Up unless otherwise stated   |            |             |                    |             |                                  |
| Refer note no. 9 of Schedule 19  |            |             |                    |             |                                  |

## SCHEDULES

|  | As at<br>31-Mar-2007 | Rs. Crores<br>As at<br>31-Mar-2006 |
|--|----------------------|------------------------------------|
| <b>SCHEDULE 7</b>  |                      |                                    |
| <b>INVENTORIES</b>   |                      |                                    |
| Finished Goods   | 194.60               | 147.00                             |
| Stores and Spares  | 46.71                | 35.91                              |
| Raw Materials  | 197.83               | 298.87                             |
| Packing Materials  | 2.68                 | 8.70                               |
| Work in Progress   | 33.00                | 35.32                              |
| Waste / Scrap  | 0.44                 | 0.53                               |
|  | <u>475.26</u>        | <u>526.33</u>                      |
| <b>SCHEDULE 8</b>  |                      |                                    |
| <b>SUNDRY DEBTORS *</b>  |                      |                                    |
| (Unsecured, considered good except otherwise stated)   |                      |                                    |
| Due for period exceeding six months  | 12.14                | 10.82                              |
| (Net of doubtful, Fully provided Rs 6.87 Crores<br>Previous Year Rs.5.08 Crores)                                 |                      |                                    |
| Others   | 583.85               | 404.62                             |
|  | <u>595.99</u>        | <u>415.44</u>                      |
| * Includes amount in respect of which the Company holds deposits<br>and Letters of Credit/ Guarantees from Banks | 34.56                | 45.22                              |
| <b>SCHEDULE 9</b>  |                      |                                    |
| <b>CASH &amp; BANK BALANCES</b>  |                      |                                    |
| Cash & Cheques in hand and remittances in transit  | 1.12                 | 1.02                               |
| Balances with Scheduled Banks:   |                      |                                    |
| Current Accounts   | 19.16                | 17.79                              |
| Current Account in respect of Rights Issue Refund Order  | 1.41                 |                                    |
| Deposit Accounts   | 1.03                 | 1.48                               |
| Balances with Non-Scheduled Bank: #  |                      |                                    |
| On Current Account-  | 0.02                 | 0.03                               |
| Standard Chartered Bank (SCB), London  |                      |                                    |
|  | <u>22.74</u>         | <u>20.32</u>                       |
| # Maximum amount due at any time during the year<br>Standard Chartered Bank (SCB), London                        | 0.24                 | 0.22                               |

## SCHEDULES

|   | As at<br>31-Mar-2007 | Rs. Crores<br>As at<br>31-Mar-2006 |
|---|----------------------|------------------------------------|
| <b>SCHEDULE 10</b>  |                      |                                    |
| <b>LOANS AND ADVANCES</b>   |                      |                                    |
| (Unsecured, considered good except otherwise stated)  |                      |                                    |
| Bills of Exchange (Net of Rediscounting)  | —                    | 59.34                              |
| Loans against Collateral Security   | 74.06                | 233.22                             |
| Advances recoverable in cash or in kind<br>or For value to be received +<br>(Net of Doubtful, Fully provided Rs 0.64 Crores<br>-Previous Year Rs 0.37 Crores) | 105.72               | 105.15                             |
| Deposits<br>(Net of Doubtful, Fully provided Rs 3.07 Crores<br>-Previous Year Rs. 0.30 Crores)  | 125.62               | 242.11                             |
| Balances with Central Excise, Customs & Port Trust etc<br>(Net of provision Rs 3.02 Crores<br>-Previous Year Rs. 3.02 Crores)                                 | 26.78                | 24.16                              |
| Refer note no. 10 of Schedule 19  | <u>332.18</u>        | <u>663.98</u>                      |
| + Includes  |                      |                                    |
| (1) Amount due from Officers  | 0.07                 | 0.06                               |
| (2) Maximum amount due from Officers at any time during the year  | 0.10                 | 0.08                               |
| (3) Due from subsidiary companies   | 50.11                | 41.24                              |
| <b>SCHEDULE 11</b>  |                      |                                    |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>   |                      |                                    |
| Current Liabilities:  |                      |                                    |
| Acceptances   | 11.04                | 37.80                              |
| Sundry Creditors  | 234.10               | 265.88                             |
| Advances from Customers   | 15.34                | 11.18                              |
| Rights Issue Money Refundable to Shareholders   | 1.41                 | —                                  |
| Investors Education & Protection Fund to be credited as and when due  |                      |                                    |
| Unpaid Dividend   | 1.88                 | 1.65                               |
| Unpaid application money  | —                    | 0.04                               |
| Unpaid matured deposits   | 0.22                 | 0.26                               |
| Unpaid matured debentures   | —                    | 0.11                               |
| Interest accrued on above   | 0.09                 | 0.23                               |
| Other Liabilities   | 109.24               | 97.93                              |
| Interest accrued but not due on loans   | 20.41                | 9.70                               |
|   | <u>393.73</u>        | <u>424.78</u>                      |
| Provisions For:   |                      |                                    |
| Taxation (Net of Advance Payment)   | 19.87                | 10.56                              |
| Proposed Dividend   | —                    | 41.75                              |
| Corporate Tax on Dividend   | —                    | 5.86                               |
| Retirement Benefits   | 39.78                | 15.75                              |
|   | <u>59.65</u>         | <u>73.92</u>                       |
|   | <u>453.38</u>        | <u>498.70</u>                      |
| Due to Subsidiary   | 24.28                | 2.59                               |
| Due to Associates   | —                    | 3.95                               |
| Refer note no. 11 & 12 of Schedule 19   |                      |                                    |

## SCHEDULES

|  | Year Ended<br>31-Mar-2007 | Rs. Crores<br>Year Ended<br>31-Mar-2006 |
|--|---------------------------|---|
| <b>SCHEDULE 12</b>                           |                           |   |
| <b>INCOME FROM OPERATIONS</b>                |                           |   |
| Revenue from Sale of Products                | 3,493.13                  | 2,715.36                                |
| Income from Services                         | 31.82                     | 23.06                                   |
| Income from Financial Services               | 27.65                     | 31.64                                   |
| Export Benefits                              | 23.05                     | 14.64                                   |
| Others                                       | 2.24                      | 1.69                                    |
|  | <u>3,577.89</u>           | <u>2,786.39</u>                         |
| <b>SCHEDULE 13</b>                           |                           |   |
| <b>OTHER INCOME</b>                          |                           |   |
| Dividends on Long Term Investments :         |                           |   |
| Trade  | 16.00                     | 5.52                                    |
| Subsidiaries                                 | 0.16                      | —                                       |
| Dividends on Current Investments             | 7.57                      | 11.02                                   |
| Profit/(Loss) on sale of Investments (Net) : |                           |   |
| Long Term                                    | 0.68                      | 0.02                                    |
| Current                                      | 6.08                      | 2.52                                    |
| Miscellaneous Income                         | 14.02                     | 4.36                                    |
|  | <u>44.51</u>              | <u>23.44</u>                            |
| <b>SCHEDULE 14</b>                           |                           |   |
| <b>(INCREASE)/DECREASE IN STOCKS</b>         |                           |   |
| Closing Stocks:                              |                           |   |
| Finished Goods                               | 194.60                    | 147.00                                  |
| Work-in-Progress                             | 33.00                     | 35.32                                   |
| Waste / Scrap                                | 0.44                      | 0.53                                    |
|  | <u>228.04</u>             | <u>182.85</u>                           |
| Less:  |                           |   |
| Opening Stocks:                              |                           |   |
| Finished Goods                               | 147.00                    | 108.20                                  |
| Work-in-Progress                             | 35.32                     | 25.47                                   |
| Waste / Scrap                                | 0.53                      | 0.22                                    |
|  | <u>182.85</u>             | <u>133.89</u>                           |
| Add:   |                           |   |
| (Increase)/Decrease in Excise duty on Stocks | (0.29)                    | (3.74)                                  |
| Less: Stock acquired on merger of IGFL       | —                         | 5.38                                    |
| (Increase)/Decrease                          | <u>(45.48)</u>            | <u>(47.32)</u>                          |
| <b>SCHEDULE 15</b>                           |                           |   |
| <b>COST OF MATERIALS</b>                     |                           |   |
| Raw Material Consumption                     | 1,618.55                  | 1,263.41                                |
| Packing Material Consumption                 | 57.49                     | 44.04                                   |
| Purchase of Finished Goods                   | 164.32                    | 140.42                                  |
|  | <u>1,840.36</u>           | <u>1,447.87</u>                         |

## SCHEDULES

|  | Year Ended<br>31-Mar-2007 | Rs. Crores<br>Year Ended<br>31-Mar-2006 |
|--|---------------------------|---|
| <b>SCHEDULE 16</b>   |                           |   |
| <b>SALARIES,WAGES AND EMPLOYEE BENEFITS</b>                                |                           |   |
| Payments to & Provisions for Employees:                                    |                           |   |
| Salaries, Wages and Bonus  | 164.04                    | 139.95                                  |
| Contribution to Provident & Other Funds                                    | 17.57                     | 15.51                                   |
| Welfare Expenses   | 11.61                     | 8.64                                    |
|  | <u>193.22</u>             | <u>164.10</u>                           |
| <b>SCHEDULE 17</b>   |                           |   |
| <b>MANUFACTURING ,SELLING AND OTHER EXPENSES</b>                           |                           |   |
| Consumption of Stores & Spares   | 76.77                     | 63.54                                   |
| Power & Fuel   | 333.75                    | 187.56                                  |
| Processing Charges   | 78.92                     | 83.95                                   |
| Commission to Selling Agents   | 76.86                     | 67.64                                   |
| Brokerage & Discounts  | 8.39                      | 8.00                                    |
| Advertisement  | 54.42                     | 47.37                                   |
| Transportation & Handling Charges (Net)                                    | 28.35                     | 35.56                                   |
| Other Selling Expenses   | 51.56                     | 40.16                                   |
| Auditors' Remuneration   | 1.42                      | 0.62                                    |
| Bad Debts & Provisions for doubtful debts & advances (Net)                 | 5.51                      | 3.97                                    |
| Repairs & Maintenance of:  |                           |   |
| Buildings  | 6.76                      | 4.39                                    |
| Plant & Machinery  | 24.54                     | 20.11                                   |
| Others   | 4.52                      | 2.51                                    |
| Rent   | 34.40                     | 22.16                                   |
| Rates & Taxes  | 5.75                      | 5.39                                    |
| Insurance  | 12.94                     | 9.65                                    |
| Donations  | 1.69                      | 1.66                                    |
| Directors' Fees & Travelling Expenses                                      | 0.35                      | 0.24                                    |
| Research & Development Expenses  | 1.04                      | 0.90                                    |
| Miscellaneous Expenses (Refer Note 15 of Schedule 19)                      | 65.15                     | 52.07                                   |
|  | <u>873.09</u>             | <u>657.45</u>                           |
| <b>SCHEDULE 18</b>   |                           |   |
| <b>INTEREST AND OTHER FINANCE EXPENSES</b>                                 |                           |   |
| Interest   |                           |   |
| On Debentures and Fixed Loans  | 159.05                    | 35.92                                   |
| Others   | 30.78                     | 26.86                                   |
| Other Finance Expenses   | 5.57                      | 5.77                                    |
|  | <u>195.40</u>             | <u>68.55</u>                            |
| <b>Less: Interest Income</b>   |                           |   |
| Interest on long term Investments  | 0.39                      | 0.21                                    |
| (Tax deducted at source 0.04 Crores<br>- Previous Year Rs. 0.06 Crores)    |                           |   |
| Other Interest   | 23.85                     | 12.55                                   |
| (Tax deducted at source Rs 3.86 Crores<br>- Previous Year Rs. 1.24 Crores) |                           |   |
|  | <u>171.16</u>             | <u>55.79</u>                            |

# SCHEDULES

## SCHEDULE '19'

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

#### A. ACCOUNTING CONVENTION

##### (i) BASIS OF PREPARATION

The financial statements have been prepared under the historical cost convention on an accrual basis in compliance with all material aspect of the applicable Accounting Standards in India and the relevant provisions of the Companies Act, 1956. Except otherwise mentioned, the accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

##### (ii) FIXED ASSETS

Fixed assets are stated at cost, less accumulated depreciation and impairment loss if any. Cost comprises the purchase price and any attributable cost of bringing the asset to its working condition for its intended use.

##### (iii) DEPRECIATION / AMORTIZATION

a) 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 except in the case of the following where depreciation is equally charged over the estimated useful lives.

|   | Estimated useful life   |
|---|---|
| Capital Expenditure on assets not owned | - 5 years   |
| Office Computers                        | - 4 years   |
| Vehicles                                | - 5 years   |
| Assets at Showrooms                     | - 5 years   |
| Furniture, Fixtures and Equipments      | - 6 years   |
| Leasehold Land/Improvements             | - Over the primary period of the lease  |
| Catalyst                                | - On the estimated life as technically assessed (ranging from 1.5 to 3 years) |

b) INTANGIBLE ASSETS ARE AMORTIZED EQUALLY OVER:

|                      |                        |
|----------------------|------------------------|
| Trademarks/ Brands   | - 10 years             |
| Specialized Software | - 3 years              |
| Goodwill             | - Not being amortized. |

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

"Continuous process plants" are classified based on technical assessment and depreciation is provided accordingly

##### (iv) IMPAIRMENT OF ASSETS

The carrying amounts of assets are reviewed at each Balance Sheet date if there is any indication of impairment based on internal/external factors. An asset is treated as impaired when the carrying cost of the assets

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

exceeds its recoverable value. An impairment loss if any, is charged to Profit and Loss Account in the year in which an asset is identified as impaired. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the assets no longer exist or have decreased.

#### (v) BORROWING COST

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

#### (vi) TRANSLATION OF FOREIGN CURRENCY ITEMS

Transactions in foreign currency are recorded at the rate of exchange prevailing on the date of transaction. Foreign currency monetary items are reported using closing rate of exchange at the end of the year. The resulting exchange gain/loss is reflected in the profit and loss account. Other items, like fixed assets, investments in equity shares are carried in terms of historical cost using the exchange rate at the date of transaction. Premium/Discount in respect of forward foreign exchange contract is recognized over the life of the contracts

#### (vii) DERIVATIVE INSTRUMENTS

The Company uses derivative financial instruments such as forward exchange contracts, currency swaps and interest rate swaps to hedge its risks associated with foreign currency fluctuations and interest rate. Currency and interest rate swaps are accounted in accordance with their contract.

#### (viii) INVESTMENTS

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

#### (ix) INVENTORIES

Raw materials, components, stores and spares are valued at lower of cost and net realizable value. However, these items are considered to be realizable at cost if the finished products in which they will be used, are expected to be sold at or above cost.

Work in progress and finished goods are valued at lower of cost and net realizable value. Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Cost of inventories is computed on a weighted average/FIFO basis.

Proceeds in respect of sale of raw materials/stores are credited to the respective heads. Obsolete, defective and unserviceable inventory is duly provided for.

#### (x) 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.

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### (xi) REVENUE RECOGNITION

Sales are recorded net of trade discounts, rebates and include excise duty.

Income from service is recognized as they are rendered based on agreements/arrangements with the concerned parties.

Fertilizer price support under Group Concession and other Scheme of Government of India is recognized based on management's estimate taking into account known policy parameters and input price escalation/de-escalation.

Dividend income on investments is accounted for when the right to receive the payment is established.

##### (xii) RETIREMENT AND OTHER EMPLOYEE BENEFITS

###### (i) Defined Contribution Plan

The company makes defined contribution to Provident Fund and Superannuation Schemes which are recognised in the Profit and Loss Account on accrual basis.

###### (ii) Defined Benefit Plan

The company's liabilities under Payment of Gratuity Act (funded), long term compensated absences and pension are determined on the basis of actuarial valuation made at the end of each financial year using the projected unit credit method except for Short term compensated absences which are provided for on based on estimates. Actuarial gain and losses are recognised immediately in the statement of Profit and Loss Account as income or expense. Obligation is measured at the present value of estimated future cash flows using a discounted rate that is determined by reference to market yields at the Balance Sheet date on Government bonds where the currency and terms of the Government bonds are consistent with the currency and estimated terms of the defined benefit obligation.

##### (xiii) TAXATION

Tax expense comprises of current, deferred and fringe benefit tax.

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.

Deferred tax assets in case of unabsorbed losses and unabsorbed depreciation are recognized only if there is virtual certainty that such deferred tax asset can be realized against future taxable profits.

Fringe Benefit Tax is provided in accordance with the provisions of the Income Tax Act, 1961.

##### (xiv) OPERATING LEASES

Leases where significant portion of risk and reward of ownership are retained by the Lessor are classified as Operating Leases and lease rentals thereon are charged to Profit and Loss account.

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

##### (xv) HIRE PURCHASE/LEASING:

- i. Finance charges on Hire Purchase business are computed on reducing balance method on the basis of implicit rate of return.
- ii. Hire purchase stock is valued at agreement values less installments due. Unmatured finance charges are reduced from the stock on Hire.
- iii. Lease rental income in respect of leased assets acquired prior to 1st April, 2001 is equalized as per guidelines issued by the Institute of Chartered Accountants of India.(ICAI).
- iv. Finance income on lease transactions entered into on or after 1st April, 2001 is accounted by applying the interest rate implicit in the contract which is in accordance with Accounting Standard 19 - "Accounting for Leases" on leasing transactions for recognizing the finance income at a constant periodic rate of return on net investment outstanding.
- v. Delayed payment/penal charges in respect of hire purchase/lease business are accounted for on the basis of certainty of collection. Prompt payment rebates are determined and accounted on timely payment of all installments.
- vi. Escalation claims in respect of Hire purchase/Lease transactions linked to change in prime lending rates are accounted for as and when settled.

##### (xvi) CONTINGENT LIABILITIES

Contingent Liabilities are not provided for and are disclosed by way of notes.

Show cause notices are considered as contingent liabilities only when they are converted into demands, unless otherwise provided.

Department appeals in respect of cases won by the Company are also considered as Contingent Liabilities.

#### B NOTES ON ACCOUNTS

|    |  | Rs. Crores   |               |
|----|--|--------------|---------------|
|    |  | Current Year | Previous Year |
| 1  | Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) | 51.90        | 110.13        |
| 2  | Contingent Liabilities not provided for:   |              |               |
| a) | Claims against the Company not acknowledged as debts   |              |               |
|    | i) Income-tax  | 44.48        | 29.20         |
|    | ii) Custom Duty  | 2.58         | 2.54          |
|    | iii) Excise Duty   | 14.75        | 36.90         |
|    | iv) Sales Tax  | 9.94         | 7.44          |
|    | v) Service Tax   | 0.45         | 0.47          |
|    | vi) Others   | 27.16        | 27.39         |
| b) | Uncalled Liability on shares partly paid up  | 49.58        | 29.37         |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|   | Current Year | Rs. Crores<br>Previous Year |
|---|--------------|-----------------------------|
| c) Bills discounted / rediscounted with Banks   | 60.74        | 62.30                       |
| d) Corporate Guarantees given to Banks/Financial Institutions for loans taken/Preference Shares issued by subsidiary/other companies.   | 110.52       | 292.85                      |
| e) Customs duty on capital goods and raw materials imported under advance licensing / EPCG scheme, against which export obligation is to be fulfilled.  | 10.94        | 15.43                       |
| f) Under the Jute Packaging Material (Compulsory use of Packing Commodities) Act, 1987, a specified percentage of fertilisers dispatched was required to be supplied in Jute Bags up to 31.08.2001. The Company made conscious efforts to use jute-packaging material as required under the Act. However, due to non-availability of material as per the Company's product specifications as well as due to strong customer resistance to use of Jute Bags, the specified percentage could not be adhered to. The Company has received a show cause notice, against which a writ petition has been filed with the High Court, which is awaiting hearing. The Company has been advised that the said levy is bad in law. |              |                             |
| 3 The company has agreed to acquire employees stock option issued by its subsidiary TransWorks, at shadow prices on fulfilling conditions specified in their stock option plan. The commitment of options outstanding as on 31 <sup>st</sup> March 2007 works out to Rs.1.05 crores (Previous Year 1.48 crores)   |              |                             |
| 4 a) Pursuant to the Schemes of Amalgamation (the Schemes) under sections 391 to 394 of the Companies Act, 1956, with effect from September 1, 2005 (the Appointed Date) Indo Gulf Fertilizers Limited (herein after referred to as IGFL) and Birla Global Finance Limited (herein after referred to as BGFL), were merged with the Company. The Effective date of the Schemes for merger of IGFL & BGFL was April 03, 2006 and June 30, 2006 respectively.   |              |                             |
| b) 1,50,30,935 and 85,83,479 Equity Shares of Rs. 10 each of the Company were issued to the shareholders of IGFL and BGFL respectively in the ratio of 1 (one) fully paid-up Equity Share of Rs.10 each of the Company for every 3 (three) fully paid-up Equity Shares of Rs.10 each held in IGFL and BGFL on April 24, 2006 and July 17, 2006 respectively.  |              |                             |
| c) In view of the aforesaid amalgamation with effect from September 1, 2005, the figures for the previous year are not comparable with current year.  |              |                             |
| 5 During the year the company made a rights offer for issue of 98,26,638 equity shares of Rs 10 each at a premium of Rs 783 per equity share, aggregating to Rs 779.25 crores. Pursuant to same 98, 00,201 equity shares of Rs 10 each fully paid up were allotted on February 13, 2007. Allotment of the balance 26,437 equity shares of Rs 10 each has been kept under abeyance pending receipt of necessary document for establishing title to these shares.   |              |                             |
| 6 The utilization of the rights issue proceeds (net of issue expenses) as at March 31, 2007 was as under :  |              |                             |

|         |   | Rs. Crores                |  |
|---------|---|---------------------------|--|
| Sr. No. | Purpose   | Use of funds as projected | Actual funds used as at March 31, 2007 |
| 1.      | Towards prepayment / repayment of a portion of debt and expenses.                                     | 622.61                    | 250.00                                 |
| 2.      | General Corporate Purposes including acquisitions, investments in subsidiaries, and/or joint ventures | 150.00                    | 150.00                                 |

The unutilized funds (net of expenses) have been temporarily invested in various Mutual Funds pending utilization.

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|   | <u>Current Year</u> | <u>Rs. Crores<br/>Previous Year</u> |
|---|---------------------|-------------------------------------|
| <b>7 SECURED LOANS :-</b>   |                     |                                     |
| a) Term loans secured by way of first pari-passu charge created by mortgage of the immovable properties of the Company situated at Veraval, Rishra, Jagdishpur (Argon Gas Plant), Renukoot and hypothecation of movables (save and except books debts) situated at these locations, subject to prior charge(s) created on certain assets in favor of a Financial Institution and on Bankers Goods in favor of the Company's Bankers for working capital borrowings.   | 200.75              | 203.13                              |
| b) Term loan secured by way of first pari-passu charge by way of mortgage (to be created) of the immovable properties of the Company situated at Veraval, Rishra, Jagdishpur (Argon Gas Plant), Renukoot and hypothecation (already created) of movables (save and except current assets) situated at these locations, subject to prior charge(s) created on certain assets in favor of a Financial Institution.  | 95.00               | —                                   |
| c) Term Loans secured by way of exclusive first charge on assets acquired there-against.  | 8.88                | 11.19                               |
| d) Term Loan secured by way of exclusive first charge created by hypothecation of Brand Rights / Trade mark and movable properties of Company's Madura Garment Division situated at Bangalore and first pari-passu charge created by hypothecation of the movable properties (except current assets) of the Company situated at Veraval, Rishra, Jagdishpur (Argon Gas Plant) and Renukoot subject to prior charge(s) created on certain assets in favor of a Financial Institution and on Bankers Goods in favor of the Company's Bankers for working capital borrowings . | 100.00              | 100.00                              |
| e) Term Loan secured by way of first pari-passu charge created by hypothecation of movable properties (save and except investment and current assets) of the Fertilizer Plant of the company situated at Jagdishpur .   | 100.00              | —                                   |
| f) Term Loan secured by way of second pari-passu charge created by hypothecation of movable fixed assets of the Company situated at Veraval, Rishra, Jagdishpur (Argon Gas Plant) and Renukoot and the entire current assets of the Company (excluding current assets of Indo Gulf Fertilisers at Jagdishpur and Birla Global Finance at Mumbai).   | —                   | 30.00                               |
| g) Term Loan secured by way of second pari-passu charge created by way of mortgage of immovable properties of the Company's Rayon & Caustic Soda Plant at Veraval, Textile Plant at Rishra,   |                     |                                     |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|   | <u>Current Year</u> | <u>Rs. Crores<br/>Previous Year</u> |
|---|---------------------|-------------------------------------|
| Carbon Black Plant at Renukoot and Argon Gas Plant at Jagdishpur; hypothecation of movable properties of the Company relating to these plants, Garment Division at Bangalore and Financial Services Division and Corporate Finance Division at Mumbai and the entire current assets (save and except investments) of the Company excluding the current assets of Rajashree Syntex at Midnapur.  | 225.00              | —                                   |
| h) Term Loan secured by way of second pari-passu charge created by way of mortgage of immovable properties of the Company's Rayon Division including Caustic Soda Plant at Veraval, Textiles Plants at Rishra, Carbon Black Plant at Renukoot and Argon Gas Plant at Jagdishpur; hypothecation of movable properties of the Company relating to these plants, Garment Division at Bangalore and Financial Services Division (other than vehicles) and Corporate Finance Division at Mumbai and the entire current assets (save and except investments) of the Company excluding the current assets of Rajashree Syntex at Midnapur.                                       | 190.00              | —                                   |
| i) Term Loan secured by way of second pari-passu charge created by way of mortgage of the immovable properties of the Company's Rayon & Caustic Soda Plant at Veraval, Textile Plants at Rishra, Carbon Black Plant at Renukoot and Argon Gas Plant at Jagdishpur; hypothecation of movable properties of the Company relating to these plants, Garment Division at Bangalore and Financial Services Division (other than vehicles) and Corporate Finance Division at Mumbai, the entire current assets (except investments) of the Company excluding current assets of Rajashree Syntex at Midnapur and Brand Rights/ Trade Marks owned by Garments Division, Bangalore. | 310.00              | —                                   |
| j) Foreign Currency Loan secured by way of first pari-passu charge created by hypothecation of movable properties (save and except stocks and book debts) of the Company situated at Gummidipoondi.   | 158.82              | 89.82                               |
| k) Foreign Currency Loan secured by way of first pari-passu charge created by hypothecation of movable properties (except current assets) situated at Veraval, Rishra, Jagdishpur (Argon Gas Plant) and Renukoot, subject to prior charge(s) created on certain assets in favor of a Financial Institution.   | 39.16               | 39.16                               |
| l) Foreign Currency Loan to be secured by way of first pari-passu charge on all the moveable and immoveable properties of the company's Fertiliser Plant at Jagdishpur.   | 88.46               | —                                   |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|  | <u>Current Year</u> | <u>Rs. Crores<br/>Previous Year</u> |
|--|---------------------|-------------------------------------|
| m) Foreign Currency Loan secured by way of exclusive first charge created by hypothecation of Brand Rights / Trade mark acquired there-against.  | 9.06                | 18.12                               |
| n) Working Capital Borrowings are secured by hypothecation of inventories, book debts and other movables, both present and future, held as current assets excluding the current assets of Rajashree Syntex at Midnapur.  | 471.02              | 331.34                              |
| o) Deferred sales tax loan for the Caustic soda unit at Veraval to be secured by first pari-passu charge over the fixed assets of Caustic soda unit of the Company at Veraval and for Carbon Black Plant at Gummidipoondi to be secured by second pari-passu charge over the fixed assets of the respective plant. | 75.33               | 61.17                               |
| p) Term Loan secured by way of second pari-passu charge to be created by way of hypothecation of moavable fixed assets and current assets of the company   | —                   | 100.00                              |
| q) Term Loan to be secured by way of first pari-pasu charge to be created by way of hypothecation of movable fixed assets of the Company   | —                   | 100.00                              |
| r) Car Loans secured by way of first exclusive charge on assets acquired there-against.  | 0.14                | 0.28                                |
| Foreign Currency Loans have been fully hedged for foreign exchange and interest rate fluctuation by way of Currency swaps and Forward cover. Hence, the year-end balances are reflected at the contracted exchange rate.   |                     |                                     |
| 8 a) Capital Work-in-Progress includes advances to suppliers:  | 22.00               | 39.46                               |
| b) Pre-operative expenses:   |                     |                                     |
| Interest   | 0.98                | 0.81                                |
| Salaries and Wages   | 0.07                | —                                   |
| Miscellaneous Expenses   | 0.06                | —                                   |
| Power and Fuel   | 0.61                | —                                   |
| Amount capitalized   | <u>1.72</u>         | <u>0.81</u>                         |
| 9 a) Market/Book values of certain long term quoted investments aggregating to Rs. 100.30 Crores (Previous year Rs. 100.30 Crores) and unquoted investments aggregating to Rs 524.23 Crores (Previous year Rs. 1182.51 Crores) are lower than its cost.  |                     |                                     |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

Considering the strategic and long-term nature of the aforesaid investments and asset base & business plan of the investee companies, in the opinion of the management, the decline in the market/book value of the aforesaid investments is of temporary nature, requiring no provision.

An amount of Rs.19.95 Crores is lying in "Investment Reserve" is to be used to meet the diminution other than temporary, if any, that may arise in future, in the value of present and future long term strategic investments.

- b) Transfer of investments in IDEA Cellular Ltd. (IDEA), Birla Sunlife Insurance Co. Ltd., Birla Sun Life Asset Management Company Ltd. (BSLAMC), Birla Sun Life Distribution Company Ltd. (BSDL) and Birla Sun Life Trustee Company Pvt Ltd. is restricted by the terms contained in their respective joint venture agreements. Non-disposal undertakings for Aditya Birla Insulators Limited (ABIL), IDEA and TransWorks Information Services Ltd. (TW) investment have also been provided to certain Banks for respective credit facilities extended by them.
- 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.
- d) IDEA floated its initial public offering (IPO) during the year with Green Shoe Option (GSO). Pursuant to Price Stabilization Agreement entered into between the Company, IDEA and the one of the Lead Manager, the price stabilizing agent (PSA) for IDEA IPO, the Company lent 4.25 Crore equity shares of IDEA to PSA under GSO. After the expiry of the GSO period, all the equity shares lent by the company have been received back by the Company on April 19, 2007. The company's share of ownership interest in IDEA in Note 21 (a) is after considering the issue of shares by IDEA under GSO

| 10 Loans & Advances include:  | <u>Current Year</u> | Rs. Crores<br><u>Previous Year</u> |
|---|---------------------|------------------------------------|
| a) Advances towards equity of the Bina Power Supply Co. Ltd. to be allotted by them on substantial progress in implementation of their project after procuring all regulatory approval etc.   | 3.14                | 3.14                               |
| b) Interest bearing deposits given to Aditya Birla Management Corporation Limited (ABMCL) 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.   | 10.40               | 10.40                              |
| c) During the year, the company has given subordinate debt at various point of time to its wholly owned subsidiary Birla Global Finance Company Limited of which Rs 31 Crs is outstanding. The interest on aforesaid sub-ordinate debt is subordinate to interest on external borrowings. At the financial year-end interest of Rs 1.02 Crs on aforesaid loan has been converted into principal on April 01, 2007. The principal amount is recoverable only after the external borrowing is repaid in full. |                     |                                    |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

d) Loans & Advances include:

Rs. Crores

| Amount Receivable From  | Balance as on 31 <sup>st</sup> March, 2007 | Balance as on 31 <sup>st</sup> March, 2006 | Maximum amount due at any time during the year ended 31 <sup>st</sup> March, 2007 | Maximum amount due at any time during the year ended 31 <sup>st</sup> March, 2006 |
|---|--|--|---|---|
| (i) Subsidiaries  |  |  |   |   |
| Aditya Birla Telecom Ltd. (upto February 27, 2007)  | —  | —  | 681.12  | —   |
| Laxminarayan Investments Ltd.   | 13.42                                      | 0.26                                       | 26.20   | 16.97   |
| Madura Garments Exports Ltd.  | —  | 2.01                                       | 26.01   | 2.01  |
| Birla Sun Life Insurance Company Ltd.   | 0.01                                       | β  | 0.06  | 0.01  |
| Birla Global Finance Company Ltd.   | 33.55                                      | 38.59                                      | 265.30  | 109.50  |
| Birla Insurance Advisory Services Ltd.  | —  | 0.38                                       | 0.70  | 0.38  |
| Crafted Clothing Pvt. Ltd.  | 3.02                                       | —  | 3.02  | —   |
| Aditya Birla Insulators Ltd.  | 0.11                                       | —  | 0.15  | —   |
| (ii) Joint Venture  |  |  |   |   |
| Aditya Birla Insulators Limited   | —  | 0.07                                       | —   | 2.74  |
| Birla Sun Life Asset Management Company Limited   | —  | β  | —   | β   |
| IDEA Cellular Limited   | 0.01                                       | —  | 0.01  | —   |
| (iii) Employees 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   | 1.23                                       | 1.14                                       | 1.65  | 1.21  |
| - no interest or at an interest rate below which is specified in section 372A of the Companies Act, 1956      | 3.18                                       | 3.93                                       | 4.37  | 4.29  |

Rs. Crores

Current Year

Previous Year

11 Based on the information / documents available with the Company, Sundry creditors include total outstanding dues to small scale undertakings of which

1.26

2.11

a) Amount overdue on account of principal and / or interest

—

—

b) Name of the parties to whom the company owe any sum outstanding for more than thirty days but not overdue:

Kapoor And Kapoor Hosiery, Anu Print Pack, Fine Print Pvt. Ltd., Interface Direct, Innova Printing & Packaging Co., Anu Poly Industries, Cardboard & Packaging Co (Mys) P. Ltd., Kaushik Products, Sel-Jegat Printers, United Precision Plastics, Supertex Labels Pvt. Ltd., Mandhana Industries Ltd., Mangal Plastic Udyog, Millennium Garment (India), Laveena Hosiery (P) Ltd.

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|  | Rs. Crores          |                      |
|--|---------------------|----------------------|
|  | <u>Current Year</u> | <u>Previous Year</u> |
| 12 As per the requirement of Section 22 of The Micro, Small and Medium Enterprises Development Act, 2006 following information are disclosed :   |                     |                      |
| a) (i) The principal amount remaining unpaid to any supplier at the end of accounting year.  | 1.85                |                      |
| (ii) The interest due on above.  | Nil                 |                      |
| The total of (i) & (ii)  | 1.85                |                      |
| b) The amount of interest paid by the buyer in terms of section 18 of the Act.   | Nil                 |                      |
| c) The amounts of interest accrued and remaining unpaid at the end of financial year   | Nil                 |                      |
| d) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the due date during the year) but without adding the interest specified under this Act. | Nil                 |                      |
| 13 Deferred Tax Liability / (Asset) at the year end comprise timing differences on account of:   | <u>Current Year</u> | <u>Previous Year</u> |
|  |                     | Rs. Crores           |
| Depreciation   | 200.15              | 182.85               |
| Expenditure / Provisions allowable   | (26.07)             | (15.15)              |
|  | <u>174.08</u>       | <u>167.70</u>        |
| 14 Earnings per Share (EPS) is calculated as under:  |                     |                      |
| - Net Profit after exceptional items as disclosed in Profit & Loss account- A  | 224.97              | 186.93               |
| A Weighted average number of Equity Shares outstanding   | 84,766,362          | 73,603,988           |
| Add: Adjustment for bonus element in rights issue  | 3,114,714           | 2,745,429            |
| Weighted average number of Equity Shares outstanding during the year for calculation of Basic EPS - B  | 87,881,076          | 76,349,417           |
| - <b>Basic EPS (Rs) A/B</b>  | 25.60               | 24.48                |
| Weighted average number of Equity Shares outstanding   | 84,766,362          | 73,603,988           |
| Add: Shares held in Abeyance   | 47,874              | 22,097               |
| Add: Adjustment for bonus element in rights issue including for shares held in abeyance  | 3,115,536           | 2,746,253            |
| Weighted average number of Equity Shares outstanding during the year for calculation of Diluted EPS - C  | 87,929,772          | 76,372,338           |
| - <b>Diluted EPS (Rs) A/C</b>  | 25.59               | 24.48                |
| Nominal value of Shares (in Rs.)   | 10.00               | 10.00                |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|  | <u>Current Year</u> | <u>Rs. Crores<br/>Previous Year</u> |
|--|---------------------|-------------------------------------|
| 15 The following amount are included in the Miscellaneous expenses in Profit and Loss Account:   |                     |                                     |
| a) Foreign Exchange difference (net)   | (0.40)              | 1.87                                |
| b) All Insurance Claims (unless clearly identifiable with the respective heads of expenses)  | (2.57)              | (1.43)                              |
| c) Unspent liabilities, excess provision and unclaimed balances in respect of earlier years written back (net of short provision and sundry balances written off)  | (9.36)              | (10.50)                             |
| d) (Profit)/Loss on sale/discard of Fixed Assets (Net)   | (2.66)              | 0.34                                |
| 16 The Company has given certain assets on non-cancelable operating lease.   |                     |                                     |
| The Gross carrying amount of the above referred assets   | 4.90                | 4.90                                |
| The accumulated depreciation for the above assets  | 1.12                | 0.89                                |
| The depreciation for the above assets for the year   | 0.23                | 0.23                                |
| The future minimum lease rental in respect of aforesaid lease is as follows:   |                     |                                     |
| i) Not later than one year   | 1.70                | 1.70                                |
| ii) Later than one year and not later than five years  | 2.95                | 4.21                                |
| iii) Later than five years   | 0.54                | 0.99                                |
| 17 <b>Exceptional Items</b>  |                     |                                     |
| a) The Company has offered Voluntary Retirement Scheme (VRS) to workers at Rayon Division, Veraval. Though full benefit of the VRS costs aggregating to Rs.1.43 Crores (Previous Year Rs 4.04 Crores) [Including Rs 0.03 Crores (Previous Year Rs 0.20 Crores) towards retirement benefits over the liability provided as per actuarial valuation] shall accrue in future, the amount has been fully provided  |                     |                                     |
| b) The company has transferred contract export business of Madura Garments division to its wholly owned subsidiary, Madura Garments Exports Limited (MGEL) effective from July 01, 2006, for a lump sum consideration of Rs 34.50 Crores. Accordingly, the company has transferred all the accounts receivables, inventory and liabilities pertaining to the contract exports business to the MGEL at the net carrying value of Rs 34.30 Crores and has recognised a gain of Rs 0.20 Crores under the head "Profit from transfer of business". |                     |                                     |
| 18 <b>Retirement Benefits</b>  |                     |                                     |
| The Company was Recognising and Accruing the Retirement Benefits as per the erstwhile Accounting Standard (AS) – 15 on "Retirement Benefits" till March 31, 2006.  |                     |                                     |
| The ICAI has revised AS -15 on "Employee Benefits" and had made it mandatory w.e.f April 01, 2006. Subsequently on December 07, 2006 ICAI postponed the applicability of the standard for Accounting Periods commencing on or after December 07, 2006. However the company has decided for early adoption of revised AS -15 w.e.f April 01, 2006.  |                     |                                     |
| In accordance with the transitional provision of revised AS 15, the incremental liability at the beginning of the year amounting to Rs 2.38 crores (net of deferred tax of Rs. 1.21 crores) in respect of Gratuity and Rs14.86 crores (net of deferred tax of Rs. 7.54 crores) in respect of compensated absence and Rs 2.01crores (net of deferred tax of Rs. 1.02 crores) in respect of pension liability, has been adjusted against general reserve.  |                     |                                     |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|   | Rs. Crores<br>Current Year |
|---|----------------------------|
| (a) Defined Benefit Plans -   |                            |
| The Amounts recognized in the balance sheet are as follows in respect of gratuity (fully funded by the company):  |                            |
| Present value of the funded defined benefit obligation at the end of the period   | 49.03                      |
| Fair value of plan assets   | 49.17                      |
| <b>Net Liability/( Asset)</b>   | <b>(0.14)</b>              |
| The Amounts recognized in Salary, Wages and Employee Benefits in the Profit and Loss Account as follows in respect of gratuity (fully funded by the company): |                            |
| Current Service cost  | 3.48                       |
| Interest on Defined Benefit Obligations   | 3.45                       |
| Expected return on plan assets  | (3.30)                     |
| Net Actuarial (gain)/loss recognized during the period  | (1.13)                     |
| <b>Net Gratuity Cost</b>  | <b>2.50</b>                |
| <b>Actual Return on Plan Assets</b>   |                            |
| Expected Return on Plan Assets  | 3.30                       |
| Actuarial gain/(loss) on Plan Assets  | (0.06)                     |
| Actual Return on Plan Assets  | 3.24                       |
| <b>Reconciliation of present value of the obligation and the fair value of the plan assets:</b>   |                            |
| Opening Defined Benefit Obligation as on 1.4.2006   | 47.64                      |
| Current Service Cost  | 3.48                       |
| Interest Cost   | 3.44                       |
| Actuarial (Gain)/loss   | (1.19)                     |
| Benefits Paid   | (4.35)                     |
| Closing Defined Benefit Obligation as on 31.03.2007   | 49.02                      |
| <b>Change in fair value plan assets</b>   |                            |
| Opening Fair Value of the plan assets   | 46.18                      |
| Expected return on plan assets  | 3.30                       |
| Actuarial Gain/(loss)   | (0.06)                     |
| Contributions by the Employer   | 4.10                       |
| Benefits Paid   | (4.35)                     |
| <b>Closing Fair value of the plan assets</b>  | <b>49.17</b>               |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|  | Rs Crores<br><u>Current Year</u> |
|--|----------------------------------|
| <b>Investment details of plan assets</b> |                                  |
| Government of India Securities           | 19%                              |
| Corporate Bonds                          | 5%                               |
| Special Deposit Scheme                   | 20%                              |
| Insurer Managed Fund                     | 53%                              |
| Others                                   | 3%                               |
| <b>Total</b>                             | <b><u>100%</u></b>               |

There are no amount included in the fair value of plan assets for:

- i) Company's own financial instrument
- ii) Property occupied by or other assets used by the company

The overall expected rate of return on assets is determined based on the market prices prevailing on that date, applicable to the period over which the obligation is to be settled.

#### General Description fair value of the plan

The company is having approved gratuity trust except for the fertilizer and financial services Divisions which is having insurer Managed Fund.

#### Principal Actuarial Assumptions At the Balance Sheet date (31.03.07)

|   |      |
|---|------|
| Discount rate                           | 8.1% |
| Estimated rate of return on plan assets | 7.5% |

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

Since this is the first year implementation of Revised AS-15, the amount of previous years are not given.

- b) Defined Contribution Plans –

Amount recognised as an expense and included in the Schedule 16 - "Contribution to Provident & Other Funds - Rs.14.28 Crores.

|  | <u>Current Year</u> | Rs. Crores<br><u>Previous Year</u> |
|--|---------------------|------------------------------------|
| 19. The following are included under other heads of expenses in the Profit & Loss Account: |                     |                                    |
| Stores & Spares consumed   | 14.79               | 10.73                              |
| Salaries and Wages   | 0.35                | 0.32                               |
| Contribution to PF & other funds   | —                   | 0.01                               |
| Welfare expenses   | β                   | β                                  |
| Insurance  | 0.02                | 0.02                               |
| Rent   | 1.24                | 1.68                               |
| Depreciation   | 0.10                | 0.10                               |
| Repair and Maintenance   | 0.04                | 0.05                               |
| Power and Fuel   | β                   | 0.02                               |
| Miscellaneous Expenses   | 0.09                | 0.10                               |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

| 20. Details of Auditors' RemunerationRs. | Rs. Crores          |                      |
|--|---------------------|----------------------|
|  | <u>Current Year</u> | <u>Previous Year</u> |
| Payments to Statutory Auditors:          |                     |                      |
| Audit Fees                               | 0.54                | 0.25                 |
| For Taxation Matters                     | 0.20                | 0.06                 |
| For Tax Audit                            | 0.10                | 0.07                 |
| For Certification Work                   | 0.27                | 0.08                 |
| Reimbursement of Expenses                | 0.13                | 0.05                 |
| Payments to Branch Auditors:             |                     |                      |
| Audit Fees                               | 0.11                | 0.06                 |
| For Certification Work                   | 0.03                | 0.01                 |
| Reimbursement of Expenses                | 0.02                | 0.02                 |
| Payment to Cost Auditors:                |                     |                      |
| Audit Fees                               | 0.02                | 0.01                 |
| Reimbursement of Expenses                |                     | 0.01                 |
| <b>Grand Total *</b>                     | <b>1.42</b>         | <b>0.62</b>          |

\* Apart from above Rs 0.24 Crs has been paid for certification and valuation works which are accounted in other heads of Accounts.

21 Disclosure in respect of Company's Joint Ventures in India pursuant to Accounting Standard 27 'Financial Reporting of Interest in Joint Ventures':

| a) <b>Name of the Venture</b>   | <b>Country of Incorporation</b> | <b>Proportion of Ownership Interest As at 31<sup>st</sup> March</b> |             |
|---|---------------------------------|---|-------------|
|   |                                 | <b>2007</b>   | <b>2006</b> |
| Birla NGK Insulators Private Limited (50% up to November 28, 2006 and became subsidiary thereafter)   | India                           | —   | 50.00%      |
| IDEA Cellular Limited (Consolidated). {20.74% upto June 19, 2006, 35.74% upto March 09, 2007 and thereafter 31.78% (Previous Year 4.28% upto September 28, 2005)} (Refer Note 6 d ) | India                           | 31.78%  | 20.74%      |
| Birla Sun Life Distribution Company Limited   | India                           | 49.99%  | 49.99%      |
| Birla Sun Life Asset Management Company Limited   | India                           | 50.00%  | 50.00%      |
| Birla Sun Life Trustee Company Private Limited  | India                           | 49.80%  | 49.80%      |
| b) The aggregate of Company's share in the above ventures in:   |                                 |   |             |
| Net Fixed Assets  |                                 | 1968.34   | 892.83      |
| Investments   |                                 | 19.28   | 15.22       |
| Net Current Assets  |                                 | 103.08  | (113.27)    |
| Loans/Borrowings  |                                 | 1350.82   | 715.59      |
| Income  |                                 | 1548.19   | 533.55      |
| Expenses (Including Depreciation & Taxation)  |                                 | 1378.25   | 497.90      |
| Contingent Liabilities  |                                 | 78.20   | 89.36       |
| Capital Commitments   |                                 | 329.80  | 53.66       |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

22. Disclosure in respect of Related Parties pursuant to Accounting Standard 18 – Refer Annexure I

23. Derivatives : Outstanding as at Balance Sheet date

| Particulars                   | Currency | Amount in Foreign Currency   |               | Purpose          |
|-------------------------------|----------|------------------------------|---------------|------------------|
|                               |          | As at 31 <sup>st</sup> March |               |                  |
|                               |          | 2007                         | 2006          |                  |
| Currency & Interest Rate Swap | USD      | 2,000,000                    | 4,000,000     | Hedging of Loans |
| Currency & Interest Rate Swap | Jyen     | 7,251,850,000                | 3,105,600,000 | Hedging of Loans |
| Buyers Credit                 | Jyen     | —                            | 2,986,811,871 | Hedging of Loans |
|                               | USD      | 31,906,071                   | 18,511,365    | Hedging of Loans |
| Forward Contracts             | USD      | 68,454,603                   | 3,500,000     | Hedging Purpose  |
|                               | Jyen     | 32,100,000                   | 2,631,217,618 | Hedging Purpose  |
|                               | Euro     | 229,513                      | 2,888,000     | Hedging Purpose  |

All the above contracts are for hedging purpose and not for Speculation

Foreign currency exposures which are not hedged as at the Balance Sheet date

|      | Payable                   | Receivables               | Investments          | Net                      |
|------|---------------------------|---------------------------|----------------------|--------------------------|
| USD  | 8,481,670<br>(15,434,440) | 16,467,537<br>(4,853,346) | 850,000<br>(850,000) | 8,835,867<br>(-9731,094) |
| EURO | 339,251<br>(—)            | 187,712<br>(1,081,266)    | —                    | -151,539<br>(1,081,266)  |
| GBP  | 946,500<br>(—)            | 213,221<br>(156,530)      | —                    | -733,279<br>(156,530)    |
| A \$ | —                         | 6,362<br>(102,497)        | —                    | 6,362<br>(102,497)       |
| Jyen | 2,975,800<br>(—)          | —                         | —                    | -2,975,800<br>(—)        |
| HKD  | —                         | 975,000<br>(—)            | —                    | 975,000<br>(—)           |

— Figures in brackets represent corresponding amount of previous year

|       |  | Rs. Crores   |               |
|-------|--|--------------|---------------|
|       |  | Current Year | Previous Year |
| 24 a) | <b>Remuneration to Whole Time Directors (Including Managing Director/Manager):</b> |              |               |
|       | Salary   | 9.13         | 2.55          |
|       | Contribution to Provident & Other Funds *  | 0.92         | 0.27          |
|       | Other Perquisites  | 0.63         | 0.07          |
|       |  | <u>10.68</u> | <u>2.89</u>   |
| b)    | <b>Computation of Managerial Remuneration</b>                                      |              |               |
|       | Profit before Exceptional items and Tax as per Profit and Loss Account             | 312.31       | 275.79        |
|       | Add: Managing and Whole- time directors' remuneration and commission               | 10.68        | 2.89          |
|       | Commission paid to non-executive directors   | 1.50         | 1.50          |

## SCHEDULES

### SCHEDULE 19 (Contd.)

#### SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

|  | Rs. Crores          |                      |
|--|---------------------|----------------------|
|  | <u>Current Year</u> | <u>Previous Year</u> |
| Directors' fees  | 0.35                | 0.24                 |
| Provision for doubtful debts and advances (net)  | 5.51                | 3.97                 |
| Provision for Wealth Tax   | 0.21                | 0.17                 |
| Loss (net) on sale of fixed assets as per section 349 of the Companies Act, 1956 (net of capital profits)  | —                   | 0.34                 |
|  | <u>330.56</u>       | <u>284.90</u>        |
| Less:Bad debts written out of Provisions   | —                   | 0.94                 |
| Profit on sale of current investment as per Profit and Loss Account (net)  | 6.08                | 2.52                 |
| Profit on sale of long term investment as per Profit and Loss Account (net)  | 0.68                | 0.02                 |
| Profit (net) on sale of fixed assets as per section 349 of the Companies Act, 1956   | 2.66                | —                    |
| Right Share issue expenses charged to Securities Premium Account   | 7.44                | —                    |
| Adjustment for employee retirement benefits provision in General Reserve   | 29.01               | —                    |
| Net Profit as per Section 349 of the Companies Act, 1956   | <u>284.69</u>       | <u>281.42</u>        |
| Maximum permissible remuneration to whole-time directors under Section 198 of the Companies Act, 1956 @ 10% of the profits computed above              | 28.47               | 28.14                |
| Restricted as per Service Agreement  | 10.68               | 2.89                 |
| Maximum permissible managerial remuneration to non-executive directors under Section 198 of the Companies Act, 1956 @ 1% of the profits computed above | 2.85                | 2.81                 |
| Restricted as per Board Resolution   | 1.50                | 1.50                 |
| c) Remuneration to Directors in their capacity as Managing Directors of erstwhile IGFL and BGFL before the Scheme became effective                     |                     |                      |
| Salaries and Allowances  | 0.09                | 0.99                 |
| Contribution to Provident & Other Funds*   | —                   | 0.12                 |
| Perquisites  | —                   | 0.04                 |
|  | <u>0.09</u>         | <u>1.15</u>          |

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

Expenses towards gratuity and leave encashment provisions are determined actuarially on an overall company basis at the end of each year and accordingly have not been considered in the above information.

## SCHEDULES

- 25 a) Interest earned from Financial Services Activity is included in Income from Operations. Other Interest earned is netted off from Interest and other Finance Expenses.
- b) Govt. of India has notified the revised New Price Support scheme (NPS-III) for fertilizer on March 08, 2007 with effect from October 01, 2006 and is in the process of fixing certain norms under the revised scheme. Pending fixation of final price, the price support for the year has been accounted for provisionally, on an estimated basis, inter alia, taking into account input price escalation/de-escalation and other claims

- 26 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 II.

- b) For Segment Information - Refer Annexure III

Segments have been identified in line with the Accounting Standard on Segment Reporting (AS17), taking into account the organizational structure as well as differential risk and returns of these segments.

|                    |  |
|--------------------|--|
| Garments           | Branded Apparels and Accessories                                     |
| Rayon              | Viscose Filament Yarn, Caustic Soda and Allied Chemicals             |
| Carbon Black       | Carbon Black   |
| Insulator          | Insulators   |
| Textiles           | Spun Yarn, Fabrics   |
| Fertilizers        | Urea, Pesticides and Argon Gas                                       |
| Financial Services | Retail Asset Finance, Corporate Finance, Capital Market, Syndication |

The Company considers secondary segment based on revenues within India as Domestic Revenues and outside India as Export Revenues. Since assets are used interchangeably, carrying amount of assets and cost incurred during the year to acquire assets based on secondary segment have not been disclosed.

- 27 Figures of Rs.50,000 or less have been denoted by β

- 28 Figures of previous year have been regrouped / rearranged wherever necessary.

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

Dr. BHARAT K. SINGH  
Managing Director

Directors:

TARJANI VAKIL  
P. MURARI  
B. R. GUPTA  
G. P. GUPTA

ADESH GUPTA  
Wholetime Director & CFO

Per SHIVJI K. VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

per HEMAL SHAH  
Partner  
M. No. 42650

DEVENDRA BHANDARI  
Company Secretary

# SCHEDULES

## SCHEDULE 19 (Contd.)

### ANNEXURE - I

a) List of Related Parties:

#### I. Parties where control exists - Subsidiaries: -

Aditya Birla Insulators Limited (ABIL)(w.e.f. November 29, 2006)

Aditya Birla Telecom Ltd. (ABTL) ) (w.e.f. December 24, 2005 upto February 28, 2007)

Aditya Vikram Global Trading House Ltd. (AVGTHL)

Alpha Garments Pvt Ltd. (AGL) (merged with MGEL w.e.f April 01, 2006)

AV TransWorks Ltd., Canada (AVTL) (Subsidiary of TW w.e.f. June 16, 2006)

BGFL Corporate Finance Pvt. Ltd. (BGCFPL) (w.e.f. September 01,2005)

Birla Global Finance Company Ltd.( formerly Birla Global Asset Finance Company Ltd.) (BGFCL) (w.e.f. September 01, 2005)

Birla Insurance Advisory Services Ltd. (BIASL) (Subsidiary of BGCFPL w.e.f. September 01, 2005)

Birla Sun Life Insurance Co. Ltd. (BSLICL)

Birla Technologies Ltd. (Subsidiary of PSI)

Crafted Clothing Pvt. Ltd. (CCPL) (w.e.f. August 03, 2006)

Laxminarayan Investment Ltd. (LIL)

Madura Garments Export Limited (MGEL) (w.e.f. October 26, 2005)

Millman Insuranc. (Subsidiary of MWI) (w.e.f August 18, 2006)

Minacs Kft. (Subsidiary of Minacs GmbH) (w.e.f August 18, 2006)

Minacs Limited (Subsidiary of MWI) (w.e.f August 18, 2006)

Minacs Worldwide Inc. Canada (MWI) (Subsidiary of AVTL) (w.e.f August 18, 2006)

Minacs Worldwide S.A. de C.V. (Subsidiary of MWI) (w.e.f August 18, 2006)

PSI Data Systems Ltd. (PSI)

The Minacs GmbH (Subsidiary of Minacs Ltd) (w.e.f August 18, 2006)

The Minacs Group (Subsidiary of MWI) (w.e.f August 18, 2006)

Transworks Inc. USA (Subsidiary of TW)

Transworks Information Services Ltd. (TW)

TransWorks BPO Philippines Inc (Subsidiary of TW) (w.e.f November 03,2006)

## SCHEDULES

### ANNEXURE - I (Contd.)

#### II. Other Parties with whom the Company has entered into transactions during the year:

##### Joint Ventures

Birla Sun Life Asset Management Company Limited (BSAMC) (w.e.f. September 01, 2005)

Birla Sun Life Distribution Company Limited (BSDL) (w.e.f. September 01, 2005)

Birla Sun Life Trustee Company Private Limited (BSTPL) (w.e.f. September 01, 2005)

Birla-NGK Insulators Pvt. Ltd. (BNIPL) (on becoming subsidiary ceased to be a Joint Venture w.e.f. November 29, 2006)

IDEA Cellular Limited (IDEA)

##### Associates

Birla Securities Ltd. (BSL) (w.e.f. September 01, 2005)

Crafted Clothing Pvt. Ltd. (CCPL) (w.e.f. October 26, 2005 and on becoming subsidiary ceased to be an Associate w.e.f. August 03, 2006)

English Apparels Pvt. Ltd. (EAPL) (w.e.f. February 15, 2006 and merged with CCPL w.e.f. April 01, 2006)

Harwood Garments Pvt. Ltd. (HGPL) (w.e.f. February 15, 2006 and merged with CCPL w.e.f. April 01, 2006)

##### Key Management Personnel & their relatives and enterprises having common key management personnel

Dr. Bharat K. Singh - Managing Director (w.e.f. November 01, 2006)

Sanjeev Aga – Managing Director ( Up to October 31, 2006)

Adesh Gupta – Whole Time Director

K.K. Maheshwari – Whole Time Director

Dr. Rakesh Jain – Whole Time Director (w.e.f. April 03, 2006)

S.K. Mitra – Whole Time Director (w.e.f. July 01, 2006)

Vikram Rao - Whole Time Director (w.e.f. November 01, 2006)

##### Relatives of Key Management Personnel

Usha Gupta (Wife of Adesh Gupta)

Sharda Maheshwari (Wife of K.K. Maheshwari)

Sushmita Mitra (Wife of S.K. Mitra)

Vidya Rao ( Wife of Vikram Rao)

##### Enterprises having common Key Management Personnel

K.K. Maheshwari – Whole Time Director

Tanfac Industries Ltd.

## SCHEDULES

### ANNEXURE - I (Contd.)

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

Rs. Crores

| Transaction/Nature of Relationship    | Subsidiaries     | Joint Ventures   | Associates       | Enterprise having common key management personnel | Key Management personnel | Relatives of Key Management personnel | Grand Total        |
|---------------------------------------|------------------|------------------|------------------|---|--------------------------|---------------------------------------|--------------------|
| <b>Purchase of goods and services</b> |                  |                  |                  |   |                          |                                       |                    |
| ABIL                                  | 31.02<br>(—)     | 44.79<br>(99.46) | —                | —   | —                        | —                                     | 75.81<br>(99.46)   |
| CCPL                                  | 45.88<br>(—)     | —                | 13.97<br>(15.40) | —   | —                        | —                                     | 59.85<br>(15.40)   |
| Others                                | 15.26<br>(15.08) | —                | —<br>(2.97)      | —   | 0.01<br>(—)              | 0.15<br>(0.06)                        | 15.42<br>(18.11)   |
|                                       | 92.16<br>(15.08) | 44.79<br>(99.46) | 13.97<br>(18.36) | —   | 0.01<br>(—)              | 0.15<br>(0.06)                        | 151.08<br>(132.96) |
| <b>Sales of Goods and Services</b>    |                  |                  |                  |   |                          |                                       |                    |
| Tanfac Industries Ltd.                | —                | —                | —                | 1.26<br>(2.02)                                    | —                        | —                                     | 1.26<br>(2.02)     |
| MGEL                                  | 4.20<br>(0.12)   | —                | —                | —   | —                        | —                                     | 4.20<br>(0.12)     |
| ABIL                                  | 11.12<br>(—)     | 15.11<br>(14.43) | —                | —   | —                        | —                                     | 26.23<br>(14.43)   |
| Others                                | 0.05<br>(0.02)   | 0.71<br>(0.50)   | —                | —   | —                        | —                                     | 0.76<br>(0.52)     |
|                                       | 15.37<br>(0.14)  | 15.82<br>(14.93) | —                | 1.26<br>(2.02)                                    | —                        | —                                     | 32.45<br>(17.09)   |
| <b>Interest Received</b>              |                  |                  |                  |   |                          |                                       |                    |
| LIL                                   | 0.59<br>(0.23)   | —                | —                | —   | —                        | —                                     | 0.59<br>(0.23)     |
| BGFCL                                 | 7.37<br>(0.71)   | —                | —                | —   | —                        | —                                     | 7.37<br>(0.71)     |
| ABTL                                  | 3.03<br>(—)      | —                | —                | —   | —                        | —                                     | 3.03<br>(—)        |
| Others                                | 0.84<br>(0.08)   | —<br>(0.01)      | 0.02<br>(—)      | —   | —                        | —                                     | 0.86<br>(0.09)     |
|                                       | 11.83<br>(1.01)  | —<br>(0.01)      | 0.02<br>(—)      | —   | —                        | —                                     | 11.85<br>(1.02)    |
| <b>Dividend Received</b>              |                  |                  |                  |   |                          |                                       |                    |
| BSAMC                                 | —                | 7.65<br>(2.25)   | —                | —   | —                        | —                                     | 7.65<br>(2.25)     |
| BSDL                                  | —                | 1.41<br>(—)      | —                | —   | —                        | —                                     | 1.41<br>(—)        |
| Others                                | 0.16<br>(—)      | —                | —                | —   | —                        | —                                     | 0.16<br>(—)        |
|                                       | 0.16<br>(—)      | 9.06<br>(2.25)   | —                | —   | —                        | —                                     | 9.22<br>(2.25)     |

## SCHEDULES

### ANNEXURE - I (Contd.)

Rs. Crores

| Transaction/Nature of Relationship               | Subsidiaries | Joint Ventures | Associates | Enterprise having common key management personnel | Key Management personnel | Relatives of Key Management personnel | Grand Total |
|--|--------------|----------------|------------|---|--------------------------|---------------------------------------|-------------|
| <b>Receipt against reimbursement of expenses</b> |              |                |            |   |                          |                                       |             |
| CCPL   | —            | —              | —          | —   | —                        | —                                     | —           |
|  |              |                | (0.01)     |   |                          |                                       | (0.01)      |
| EAPL   | —            | —              | —          | —   | —                        | —                                     | —           |
|  |              |                | (0.01)     |   |                          |                                       | (0.01)      |
| HGPL   | —            | —              | —          | —   | —                        | —                                     | —           |
|  |              |                | (0.02)     |   |                          |                                       | (0.02)      |
| BSAMC  | —            | 0.46           | —          | —   | —                        | —                                     | 0.46        |
|  |              | (—)            |            |   |                          |                                       | (—)         |
| Others   | 0.06         | 0.02           | —          | —   | —                        | —                                     | 0.08        |
|  | (—)          | (—)            |            |   |                          |                                       | (—)         |
|  | 0.06         | 0.48           | —          | —   | —                        | —                                     | 0.54        |
|  | (—)          | (—)            | (0.04)     |   |                          |                                       | (0.04)      |
| <b>Interest Expenses</b>                         |              |                |            |   |                          |                                       |             |
| BGCFPL   | 0.10         | —              | —          | —   | —                        | —                                     | 0.10        |
|  | (β)          |                |            |   |                          |                                       | (β)         |
| BIASL  | 0.26         | —              | —          | —   | —                        | —                                     | 0.26        |
|  | (0.13)       |                |            |   |                          |                                       | (0.13)      |
| BGFCL  | —            | —              | —          | —   | —                        | —                                     | —           |
|  | (0.23)       |                |            |   |                          |                                       | (0.23)      |
| Others   | —            | (β)            | 0.01       | —   | —                        | —                                     | 0.01        |
|  |              | (0.03)         | (β)        |   |                          |                                       | (0.03)      |
|  | 0.36         | (β)            | 0.01       | —   | —                        | —                                     | 0.37        |
|  | (0.36)       | (0.03)         | (β)        |   |                          |                                       | (0.39)      |
| <b>Managerial remuneration Paid</b>              |              |                |            |   |                          |                                       |             |
| Mr. Sanjeev Aga                                  | —            | —              | —          | —   | 2.05                     | —                                     | 2.05        |
|  |              |                |            |   | (1.80)                   |                                       | (1.80)      |
| Mr. Bharat K. Singh                              | —            | —              | —          | —   | 0.68                     | —                                     | 0.68        |
|  |              |                |            |   | (—)                      |                                       | (—)         |
| Mr. Adesh Gupta                                  | —            | —              | —          | —   | 1.01                     | —                                     | 1.01        |
|  |              |                |            |   | (0.38)                   |                                       | (0.38)      |
| Mr. K.K. Maheshwari                              | —            | —              | —          | —   | 2.00                     | —                                     | 2.00        |
|  |              |                |            |   | (0.71)                   |                                       | (0.71)      |
| Mr. Rakesh Jain                                  | —            | —              | —          | —   | 2.53                     | (—)                                   | 2.53        |
|  |              |                |            |   | (—)                      |                                       | (—)         |
| Mr. S.K.Mitra                                    | —            | —              | —          | —   | 1.82                     | (—)                                   | 1.82        |
|  |              |                |            |   | (—)                      |                                       | (—)         |
| Mr. Vikram Rao                                   | —            | —              | —          | —   | 0.59                     | —                                     | 0.59        |
|  |              |                |            |   | (—)                      |                                       | (—)         |
|  | —            | —              | —          | —   | 10.68                    | —                                     | 10.68       |
|  |              |                |            |   | (2.89)                   |                                       | (2.89)      |

## SCHEDULES

### ANNEXURE - I (Contd.)

Rs. Crores

| Transaction/Nature of Relationship   | Subsidiaries         | Joint Ventures       | Associates  | Enterprise having common key management personnel | Key Management personnel | Relatives of Key Management personnel | Grand Total          |
|--|----------------------|----------------------|-------------|---|--------------------------|---------------------------------------|----------------------|
| <b>Fresh investment made</b>   |                      |                      |             |   |                          |                                       |                      |
| IDEA   | —                    | 1,597.90<br>(661.09) | —           | —   | —                        | —                                     | 1,597.90<br>(661.09) |
| BSLICL   | 156.51<br>(81.40)    | —                    | —           | —   | —                        | —                                     | 156.51<br>(81.40)    |
| Others   | 307.32<br>(10.00)    | —                    | —           | —   | —                        | —                                     | 307.32<br>(15.70)    |
|  | 463.83<br>(91.40)    | 1,597.90<br>(661.09) | —<br>(5.71) | —   | —                        | —                                     | 2,061.73<br>(758.19) |
| <b>Investment Sold/<br/>Buyback of Shares</b>  |                      |                      |             |   |                          |                                       |                      |
| ABTL   | 10.00<br>(—)         | —                    | —           | —   | —                        | —                                     | 10.00<br>(—)         |
| Others   | —                    | 0.29<br>(—)          | —           | —   | —                        | —                                     | 0.29<br>(—)          |
|  | 10.00<br>(—)         | 0.29<br>(—)          | —           | —   | —                        | —                                     | 10.29<br>(—)         |
| <b>Fixed Assets Sold</b>   |                      |                      |             |   |                          |                                       |                      |
| CCPL   | 0.32<br>(—)          | —                    | —           | —   | —                        | —                                     | 0.32<br>(—)          |
| IDEA   | —                    | 0.54<br>(—)          | —           | —   | —                        | —                                     | 0.54<br>(—)          |
| Others   | 0.03<br>(—)          | —                    | —           | —   | —                        | —                                     | 0.03<br>(—)          |
|  | 0.35<br>(—)          | 0.54<br>(—)          | —           | —   | —                        | —                                     | 0.89<br>(—)          |
| <b>Loans granted (including<br/>Inter Corporate Deposits<br/>and Interest thereon)</b> |                      |                      |             |   |                          |                                       |                      |
| BGFCL  | 460.15<br>(258.37)   | —                    | —           | —   | —                        | —                                     | 460.15<br>(258.37)   |
| ABTL   | 679.11<br>(—)        | —                    | —           | —   | —                        | —                                     | 679.11<br>(—)        |
| Others   | 72.81<br>(20.88)     | —                    | 3.00<br>(—) | —   | —                        | —                                     | 75.81<br>(20.88)     |
|  | 1,212.07<br>(279.26) | —                    | 3.00<br>(—) | —   | —                        | —                                     | 1,215.07<br>(279.26) |

## SCHEDULES

### ANNEXURE - I (Contd.)

Rs. Crores

| Transaction/Nature of Relationship   | Subsidiaries         | Joint Ventures  | Associates     | Enterprise having common key management personnel | Key Management personnel | Relatives of Key Management personnel | Grand Total          |
|--|----------------------|-----------------|----------------|---|--------------------------|---------------------------------------|----------------------|
| <b>Loans granted received back (including Inter Corporate Deposits)</b>            |                      |                 |                |   |                          |                                       |                      |
| BGFCL  | 462.65<br>(239.80)   | —               | —              | —   | —                        | —                                     | 462.65<br>(239.80)   |
| ABTL   | 679.11<br>(—)        | —               | —              | —   | —                        | —                                     | 679.11<br>(—)        |
| Others   | 62.05<br>(1.90)      | —               | —              | —   | 0.01<br>(—)              | —                                     | 62.06<br>(1.90)      |
|  | 1,203.81<br>(241.70) | —               | —              | —   | 0.01<br>(—)              | —                                     | 1,203.82<br>(241.70) |
| <b>Loans taken (including Inter Corporate Deposits &amp; Bills Re-discounting)</b> |                      |                 |                |   |                          |                                       |                      |
| BIASL  | 0.30<br>(4.45)       | —               | —              | —   | —                        | —                                     | 0.30<br>(4.45)       |
| BGFCL  | —<br>(19.15)         | —               | —              | —   | —                        | —                                     | —<br>(19.15)         |
| BSDL   | —                    | 2.00<br>(12.00) | —              | —   | —                        | —                                     | 2.00<br>(12.00)      |
| BGCFPL   | 1.50<br>(—)          | —               | —              | —   | —                        | —                                     | 1.50<br>(—)          |
| Others   | —                    | —               | 0.06<br>(0.02) | —   | 0.29                     | 0.27                                  | 0.62<br>(0.02)       |
|  | 1.80<br>(23.60)      | 2.00<br>(12.00) | 0.06<br>(0.02) | —   | 0.29<br>(—)              | 0.27<br>(—)                           | 4.42<br>(35.62)      |
| <b>Loans repaid (including Inter Corporate Deposits and Bills Re-discounting)</b>  |                      |                 |                |   |                          |                                       |                      |
| BIASL  | 4.75<br>(2.25)       | —               | —              | —   | —                        | —                                     | 4.75<br>(2.25)       |
| BGFCL  | —<br>(19.51)         | —               | —              | —   | —                        | —                                     | —<br>(19.51)         |
| BSDL   | —                    | 2.00<br>(17.00) | —              | —   | —                        | —                                     | 2.00<br>(17.00)      |
| Others   | 0.01<br>(0.17)       | —               | 0.18<br>(0.18) | —   | 0.29<br>(—)              | 0.27<br>(—)                           | 0.75<br>(0.35)       |
|  | 4.76<br>(21.93)      | 2.00<br>(17.00) | 0.18<br>(0.18) | —   | 0.29<br>(—)              | 0.27<br>(—)                           | 7.50<br>(39.11)      |
| <b>Deposit Given Received Back</b>   |                      |                 |                |   |                          |                                       |                      |
| BSDL   | —                    | 0.01<br>(—)     | —              | —   | —                        | —                                     | 0.01<br>(—)          |
|  | —                    | 0.01<br>(—)     | —              | —   | —                        | —                                     | 0.01<br>(—)          |

## SCHEDULES

### ANNEXURE - I (Contd.)

Rs. Crores

| Transaction/Nature of Relationship          | Subsidiaries         | Joint Ventures       | Associates     | Enterprise having common key management personnel | Key Management personnel | Relatives of Key Management personnel | Grand Total            |
|---|----------------------|----------------------|----------------|---|--------------------------|---------------------------------------|------------------------|
| <b>Guarantees given during the year</b>     |                      |                      |                |   |                          |                                       |                        |
| CCPL  | 3.65<br>(—)          | —                    | —              | —   | —                        | —                                     | 3.65<br>(—)            |
| MGEL  | 30.00<br>(10.35)     | —                    | —              | —   | —                        | —                                     | 30.00<br>(10.35)       |
| IDEA  | —                    | —                    | —              | —   | —                        | —                                     | —                      |
| Others                                      | —                    | (150.22)             | —              | —   | —                        | —                                     | (150.22)               |
|   |                      |                      | (5.00)         |   |                          |                                       | (5.00)                 |
|   | 33.65                | —                    | —              | —   | —                        | —                                     | 33.65                  |
|   | (10.35)              | (150.22)             | (5.00)         |   |                          |                                       | (165.57)               |
| <b>Outstanding balances as at 31.3.2007</b> |                      |                      |                |   |                          |                                       |                        |
| Loan granted                                | 48.90<br>(37.64)     | —<br>(0.04)          | —              | —   | 0.05<br>(0.06)           | —                                     | 48.95<br>(37.74)       |
| Interest on Loans Granted                   | 1.06<br>(0.29)       | —                    | —              | —   | —                        | —                                     | 1.06<br>(0.29)         |
| Loans taken                                 | 1.50<br>(4.46)       | —                    | —<br>(0.11)    | —   | —                        | —                                     | 1.50<br>(4.57)         |
| Amount receivable against Debtors           | 34.05<br>(0.01)      | 0.01<br>(14.41)      | —              | 0.18<br>(0.28)                                    | —                        | —                                     | 34.24<br>(14.70)       |
| Amounts receivable against Advances         | 0.15<br>(3.31)       | 0.01<br>(0.07)       | —              | —   | —                        | —                                     | 0.17<br>(3.38)         |
| Amounts Payable                             | 24.28<br>(2.59)      | —<br>(13.82)         | —<br>(3.95)    | —   | —                        | —                                     | 24.28<br>(20.36)       |
| Guarantees provided for                     | 105.52<br>(71.92)    | —<br>(180.22)        | —<br>(35.72)   | —   | —                        | —                                     | 105.52<br>(287.85)     |
| Deposits Receivable                         | —                    | —<br>(0.01)          | —              | —   | —                        | 4.50<br>(3.05)                        | 4.50<br>(3.06)         |
| Deposits Payable                            | —                    | 0.01<br>(0.01)       | —              | —   | —                        | —                                     | 0.01<br>(0.01)         |
| Investments                                 | 1,026.72<br>(554.70) | 2,373.72<br>(788.59) | 0.01<br>(5.71) | —   | —                        | —                                     | 3,400.45<br>(1,349.00) |

-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.

# SCHEDULES

## SCHEDULE 19 (Contd.)

### ANNEXURE II

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.

| Particulars  | Unit     | Year ended<br>31st March | Installed<br>Capacity<br>Per Annum | Opening Stock |        | Production<br>Quantity | Purchase*** |        | Turnover   |          | Closing Stock |        |
|--|----------|--------------------------|------------------------------------|---------------|--------|------------------------|-------------|--------|------------|----------|---------------|--------|
|  |          |                          |                                    | Quantity      | Amount |                        | Quantity    | Amount | Quantity @ | Amount   | Quantity      | Amount |
|  |          |                          |                                    |               |        |                        |             |        |            |          |               |        |
| Garments   | Nos./000 | 2007                     |                                    | 3,204         | 76.68  | 9,852*                 | 2,571       | 70.39  | 10,709     | 693.65   | 4,918         | 112.31 |
|  | Nos./000 | 2006                     |                                    | 2,025         | 55.80  | 10,942*                | 1,341       | 27.33  | 11,104     | 615.80   | 3,204         | 76.68  |
| Viscose Filament<br>Rayon Yarn                     | MT       | 2007                     | 16,400                             | 941           | 13.05  | 17,669                 | —           | —      | 17,039     | 308.21   | 1,571         | 22.28  |
|  | MT       | 2006                     | 16,000                             | 1,087         | 16.39  | 17,233                 | —           | —      | 17,380     | 296.29   | 940           | 13.05  |
| Sulphuric Acid & Allied<br>Chemicals               | MT       | 2007                     | 55,300                             | 1,221         | 0.79   | 52,345                 | —           | —      | 52,916     | 16.52    | 650           | 0.42   |
|  | MT       | 2006                     | 55,300                             | 1,105         | 0.88   | 54,243                 | —           | —      | 54,128     | 20.16    | 1,220         | 0.79   |
| Caustic Soda                                       | MT       | 2007                     | 82,125                             | 422           | 0.40   | 67,663                 | —           | —      | 67,226     | 111.15   | 859           | 0.66   |
|  | MT       | 2006                     | 58,400                             | 325           | 0.31   | 57,051                 | —           | —      | 56,954     | 77.57    | 422           | 0.40   |
| Chlorine   | MT       | 2007                     | 73,000                             | 271           | 0.16   | 56,551                 | —           | —      | 56,524     | 25.98    | 298           | 0.04   |
|  | MT       | 2006                     | 49,640                             | 178           | 0.14   | 48,750                 | —           | —      | 48,657     | 35.32    | 271           | 0.16   |
| Hydro Chloric Acid                                 | MT       | 2007                     | 11,155                             | 102           | 0.02   | 8,594                  | —           | —      | 8,632      | 1.44     | 64            | 0.01   |
|  | MT       | 2006                     | 11,155                             | 42            | 0.01   | 5,753                  | —           | —      | 5,693      | 0.78     | 102           | 0.02   |
| Spun Yarn  | MT       | 2007                     | 78344 Spdl                         | 1,208         | 20.74  | 17,720                 | 9           | 0.27   | 18,357     | 513.57   | 580           | 15.60  |
|  | MT       | 2006                     | 79592 Spdl                         | 812           | 12.35  | 19,190                 | 73          | 1.88   | 18,866     | 421.74   | 1,208         | 20.74  |
| Cloth  | 000Mtr   | 2007                     | 76                                 | 964           | 12.54  | 5,088                  | —           | —      | 4,645      | 98.60    | 1,407         | 18.36  |
|  | 000Mtr   | 2006                     | 62                                 | 736           | 9.97   | 4,646                  | —           | —      | 4,418      | 95.35    | 964           | 12.54  |
| Carbon Black                                       | MT       | 2007                     | 170,000                            | 2,701         | 8.50   | 182,668                | —           | —      | 180,893    | 817.66   | 4,476         | 17.37  |
|  | MT       | 2006                     | 170,000                            | 3,565         | 9.87   | 175,080                | —           | —      | 175,944    | 619.18   | 2,701         | 8.50   |
| High & Low Tension<br>Insulators<br>and Bushings** | MT       | 2007                     |                                    | —             | —      | —                      | 7,776       | 74.88  | 7,776      | 112.31   | —             | —      |
|  | MT       | 2006                     |                                    | —             | —      | —                      | 16,245      | 100.47 | 16,245     | 120.42   | —             | —      |
| Lightning & Surge<br>Arrestors                     | NOS.     | 2007                     |                                    | —             | —      | —                      | 4,349       | 0.36   | 4,349      | 0.38     | —             | —      |
|  | NOS.     | 2006                     |                                    | —             | —      | —                      | 8,121       | 1.11   | 8,121      | 1.14     | —             | —      |
| Liquid Argon                                       | '000 SM3 | 2007                     | 3,000                              | 45            | 0.17   | 1,882                  | —           | —      | 1,854      | 8.53     | 73            | 0.26   |
|  | '000 SM3 | 2006                     | 3,000                              | 73            | 0.30   | 2,000                  | —           | —      | 2,028      | 12.22    | 45            | 0.17   |
| Urea   | MT       | 2007                     | 2620 per day                       | 20,838        | 10.54  | 1,028,064              | —           | —      | 1,043,565  | 756.74   | 5,337         | 3.21   |
|  | MT       | 2006                     | 2620 per day                       | —             | —      | 575,646                | 9,106       | 4.42   | 563,914    | 366.47   | 20,838        | 10.54  |
| Traded goods                                       |          | 2007                     |                                    | —             | 0.96   | —                      | —           | 16.02  | —          | 16.92    | —             | 1.59   |
|  |          | 2006                     |                                    | —             | 0.14   | —                      | —           | 5.74   | —          | 5.54     | —             | 0.96   |
| Financial Services                                 |          | 2007                     |                                    | —             | —      | —                      | —           | —      | —          | 27.65    | —             | —      |
|  |          | 2006                     |                                    | —             | —      | —                      | —           | —      | —          | 31.64    | —             | —      |
| Others   |          | 2007                     |                                    | —             | 2.98   | —                      | —           | 2.38   | —          | 68.58    | —             | 2.93   |
|  |          | 2006                     |                                    | —             | 2.25   | —                      | —           | 3.92   | —          | 66.77    | —             | 2.99   |
| Total  |          | 2007                     |                                    |               | 147.53 |                        |             | 164.32 |            | 3,577.89 |               | 195.04 |
|  |          | 2006                     |                                    |               | 108.42 |                        |             | 144.87 |            | 2,786.39 |               | 147.53 |

The Installed Capacity is as Certified by the Management and licensed capacity is not given as licencing has been abolished.

@ Turnover quantity includes captive consumption, damages, sample sales and shortages and value includes Export benefits.

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

\*\* Includes commission of Rs 26.03 Crores ( P.Y. Rs 14.24 Crores)

\*\*\* Includes Nil (P.Y.Rs 4.45 Crores) of inventories acquired on amalgamation

## SCHEDULES

### ANNEXURE II (Contd.)

b) Raw Materials Consumed :

|   | Current Year |                 | Previous Year |                 |
|---|--------------|-----------------|---------------|-----------------|
|   | MT           | Rs. Crores      | MT            | Rs. Crores      |
| Wood Pulp                               | 19,255       | 74.80           | 18,839        | 70.78           |
| Wool Fibre                              | 8,572        | 246.83          | 6,087         | 155.50          |
| Flax Fibre                              | 1,927        | 19.34           | 1,712         | 20.13           |
| Staple & Synthetic Fibre                | 8,740        | 69.74           | 13,025        | 86.68           |
| Cotton Staple & Synthetic Yarn          | 2,302        | 62.47           | 1,748         | 58.11           |
| Carbon Black Feed Stock/ Coal Tar       | 337,332      | 520.53          | 320,228       | 379.44          |
| Fabrics in '000 Mtrs.                   | 14,417       | 157.37          | 16,758        | 190.66          |
| Natural Gas/ RNLG (000SM <sup>3</sup> ) | 525825       | 306.84          | 296,531       | 172.66          |
| Naphtha (000)                           | 12.60        | 38.76           | 12.22         | 18.17           |
| Others                                  |              | 121.87          |               | 111.29          |
|   |              | <u>1,618.55</u> |               | <u>1,263.41</u> |

c) Value of Imports calculated on C.I.F. Basis

|                            |        |        |
|----------------------------|--------|--------|
| Raw Materials              | 855.33 | 635.53 |
| Stores & Spare Parts       | 21.87  | 30.26  |
| Capital Goods              | 99.99  | 30.56  |
| Purchase of Finished Goods | 13.93  | 6.03   |

d) Expenditure in Foreign Currency (on actual payment basis):

|                                   |      |      |
|-----------------------------------|------|------|
| Technical Assistance Fees/Royalty | 6.70 | 0.98 |
| Interest and Commitment Charges   | 5.77 | 1.85 |
| Professional Charges              | 5.11 | 1.14 |
| Travelling                        | 1.12 | 1.93 |
| Commission                        | 5.35 | 3.35 |
| Others                            | 9.79 | 7.00 |

e) Value of Imported and Indigeneous Raw Materials, Spare parts & Components consumed and percentage thereof to the total consumption:

|                                    | Percentage |                 | Percentage |                 |
|------------------------------------|------------|-----------------|------------|-----------------|
| Raw Materials :                    |            |                 |            |                 |
| Imported                           | 58.40%     | 945.16          | 55.61%     | 702.56          |
| Indigenous                         | 41.60%     | 673.39          | 44.39%     | 560.85          |
|                                    |            | <u>1,618.55</u> |            | <u>1,263.41</u> |
| Stores, Spare Parts & Components : |            |                 |            |                 |
| Imported                           | 19.20%     | 17.58           | 15.65%     | 11.62           |
| Indigenous                         | 80.80%     | 73.98           | 84.35%     | 62.64           |
|                                    |            | <u>91.56</u>    |            | <u>74.27</u>    |

f) Amount remitted in Foreign Currency on account of Dividend:

|  |      |      |
|--|------|------|
| Interim Dividend in respect of Accounting Year 2006-07<br>(617 Shareholder holding 150991 Equity Shares) | 0.08 | —    |
| Dividend in respect of Accounting Year 2005-06<br>(289 Shareholder holding 80994 Equity Shares)          | 0.04 | —    |
| Dividend in respect of Accounting Year 2004-05<br>(112 Shareholder holding 39652 Equity Shares)          | —    | 0.02 |

g) Earning in Foreign Currency

|  |        |        |
|--|--------|--------|
| i) On export of goods (F.O.B.Basis) :    |        |        |
| (a) Foreign Currency                     | 482.56 | 460.05 |
| (b) Rupee Payments                       | 0.58   | 0.55   |
| (c) Export through Merchant Exporters    | 1.30   | 1.71   |
| ii) Sale of Certified Emission Reduction | 6.95   | —      |
| ii) Service charge                       | 0.07   | 0.06   |

## SEGMENT DISCLOSURES FOR THE YEAR ENDED 31ST MARCH, 2007

Annexure - III

Rs. Crores

| (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) |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
|---|----------------|---------------|--|---------------|--------------|---------------|--|---------------|---|---------------|--|----------------|---------------|---|--|--|-------------------|---------|---------|------------------|--------|--------|-------|---------|---------|
|   | 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 including Export Benefits but net of Excise Duty  | 700.12         | 620.49        | 441.46   | 385.55        | 738.94       | 564.21        | 112.81   | 135.89        | 621.01                                  | 524.88        |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Inter Segment Revenue   |                | 0.06          | —  | —             | —            | 0.02          | —  | —             | 3.99                                    | 2.81          |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>Total Segment Revenue</b>  | 700.12         | 620.55        | 441.46   | 385.55        | 738.94       | 564.23        | 112.81   | 135.89        | 625.00                                  | 527.69        |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>b Segment Result (PBIT)</b>  | 58.04          | 32.58         | 88.74  | 64.22         | 116.03       | 75.85         | 35.07  | 30.32         | 52.13                                   | 41.44         |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Less:-Interest and Finance charges*   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Add:- Unallocable income net of Unallocable expenditure   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>Profit before Tax and Exceptional items</b>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>Exceptional Items :</b>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| VRS Expenses  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| (Gain)/Loss on Transfer of Business (Net)   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>Profit before tax</b>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Provision for Current Tax   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Provision for Deferred Tax  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Provision for FBT   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Provision for Tax for earlier years written back  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>Profit after Tax</b>   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>c Carrying amount of Segment Assets</b>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Unallocated Assets  | 450.39         | 416.98        | 533.32   | 476.00        | 608.64       | 557.40        | 48.78  | 36.60         | 361.34                                  | 305.60        |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Total Assets  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>d Carrying amount of Segment Liabilities</b>   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Unallocated liabilities   | 119.22         | 109.47        | 82.78  | 67.77         | 121.40       | 148.40        | 21.31  | 14.98         | 50.16                                   | 73.07         |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Total Liabilities   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>e Cost incurred to acquire Segment fixed assets during the year</b>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Unallocated assets  | 13.53          | 19.90         | 148.63   | 50.57         | 8.00         | 10.51         | —  | 0.06          | 31.33                                   | 51.83         |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>f Depreciation/Amortization</b>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Unallocated depreciation  | 26.28          | 25.29         | 30.94  | 25.50         | 16.20        | 16.52         | 0.01   | β             | 15.23                                   | 15.21         |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <p>* Interest and finance charges exclude interest of Rs 13.86 Cr ( PY 15.21 Cr.) on Financial Services Business, since it is considered as an expense for deriving Segment Result</p>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <b>(II) Secondary segment – Geographical</b>  |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: center; border-bottom: 1px solid black;">Current Period</th> <th style="text-align: center; border-bottom: 1px solid black;">Previous Year</th> </tr> </thead> <tbody> <tr> <td colspan="3">The Company's operating facilities are located in India</td> </tr> <tr> <td>Domestic Revenues</td> <td style="text-align: right;">2920.56</td> <td style="text-align: right;">2158.27</td> </tr> <tr> <td>Exports Revenues</td> <td style="text-align: right;">499.91</td> <td style="text-align: right;">483.78</td> </tr> <tr> <td>Total</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">3420.47</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">2642.05</td> </tr> </tbody> </table> |                |               |  |               |              |               |  |               |   |               |  | Current Period | Previous Year | The Company's operating facilities are located in India |  |  | Domestic Revenues | 2920.56 | 2158.27 | Exports Revenues | 499.91 | 483.78 | Total | 3420.47 | 2642.05 |
|   | Current Period | Previous Year |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| The Company's operating facilities are located in India   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Domestic Revenues   | 2920.56        | 2158.27       |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Exports Revenues  | 499.91         | 483.78        |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| Total   | 3420.47        | 2642.05       |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |
| #Inter segment revenues are recognised on arm's length basis.   |                |               |  |               |              |               |  |               |   |               |  |                |               |   |  |  |                   |         |         |                  |        |        |       |         |         |

## SEGMENT DISCLOSURES FOR THE YEAR ENDED 31ST MARCH, 2007

Annexure - III

Rs. Crores

| (I) Primary Segments - Business  | Fertilizers   |               | Financial Service |               | 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   |
| <b>a Segment Revenue #</b>   |               |               |                   |               |                 |                |                           |               |                 |                 |
| Sales to External Customers including Export Benefits but net of Excise Duty | 778.48        | 379.38        | 27.65             | 31.64         | 3,420.47        | 2642.05        |                           |               |                 |                 |
| Inter Segment Revenue  | —             | —             | —                 | —             | 3.99            | 2.89           |                           |               |                 |                 |
| <b>Total Segment Revenue</b>   | <b>778.48</b> | <b>379.38</b> | <b>27.65</b>      | <b>31.64</b>  | <b>3,424.46</b> | <b>2644.94</b> | <b>(3.99)</b>             | <b>(2.89)</b> | <b>3,420.47</b> | <b>2,642.05</b> |
| <b>b Segment Result (PBIT)</b>   | <b>100.89</b> | <b>55.54</b>  | <b>7.76</b>       | <b>11.38</b>  | <b>458.66</b>   | <b>311.34</b>  | <b>—</b>                  | <b>—</b>      | <b>458.66</b>   | <b>311.34</b>   |
| Less:-Interest and Finance charges*  |               |               |                   |               |                 |                |                           |               | 157.29          | 40.59           |
| Add:- Unallocable income net of Unallocable expenditure                      |               |               |                   |               |                 |                |                           |               | 10.94           | 5.03            |
| <b>Profit before Tax and Exceptional items</b>                               |               |               |                   |               |                 |                |                           |               | <b>312.31</b>   | <b>275.78</b>   |
| <b>Exceptional Items :</b>   |               |               |                   |               |                 |                |                           |               |                 |                 |
| VRS Expenses   |               |               |                   |               |                 |                |                           |               | 1.43            | 4.04            |
| (Gain)/Loss on Transfer of Business (Net)                                    |               |               |                   |               |                 |                |                           |               | (0.20)          | —               |
| <b>Profit before tax</b>   |               |               |                   |               |                 |                |                           |               | <b>311.08</b>   | <b>271.74</b>   |
| Provision for Current Tax  |               |               |                   |               |                 |                |                           |               | 98.82           | 92.97           |
| Provision for Deferred Tax   |               |               |                   |               |                 |                |                           |               | 15.16           | (6.91)          |
| Provision for FBT  |               |               |                   |               |                 |                |                           |               | 3.39            | 4.25            |
| Provision for Tax for earlier years written back                             |               |               |                   |               |                 |                |                           |               | (31.26)         | (5.49)          |
| <b>Profit after Tax</b>  |               |               |                   |               |                 |                |                           |               | <b>224.97</b>   | <b>186.93</b>   |
| <b>c Carrying amount of Segment Assets</b>                                   |               |               |                   |               |                 |                |                           |               |                 |                 |
| Unallocated Assets   | 479.93        | 354.37        | 94.80             | 345.18        | 2,557.20        | 2492.15        | —                         | —             | 2,577.20        | 2,492.15        |
| Total Assets   |               |               |                   |               |                 |                |                           |               | <b>4,006.64</b> | <b>1,945.44</b> |
|  |               |               |                   |               |                 |                |                           |               | <b>6583.84</b>  | <b>4,437.59</b> |
| <b>d Carrying amount of Segment Liabilities</b>                              |               |               |                   |               |                 |                |                           |               |                 |                 |
| Unallocated liabilities  | 79.18         | 51.03         | 79.06             | 268.04        | 553.11          | 732.76         | —                         | —             | 553.11          | 732.76          |
| Total Liabilities  |               |               |                   |               |                 |                |                           |               | <b>2906.19</b>  | <b>1,497.22</b> |
|  |               |               |                   |               |                 |                |                           |               | <b>3459.30</b>  | <b>2,229.97</b> |
| <b>e Cost incurred to acquire Segment fixed assets during the year</b>       |               |               |                   |               |                 |                |                           |               |                 |                 |
| Unallocated assets   | 18.58         | 1.64          | 0.16              | 0.20          | 220.23          | 134.71         | —                         | —             | 220.23          | 134.71          |
|  |               |               |                   |               |                 |                |                           |               | 1.06            | 2.47            |
| <b>f Depreciation/Amortization</b>   |               |               |                   |               |                 |                |                           |               |                 |                 |
| Unallocated depreciation   | 28.71         | 26.10         | 0.51              | 1.08          | 117.88          | 109.70         | —                         | —             | 117.88          | 109.70          |
|  |               |               |                   |               |                 |                |                           |               | 2.44            | 2.10            |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

|  |                   | Rs. Crores      |          |
|--|-------------------|-----------------|----------|
| PARTICULARS  | 2006-07           | 2005-06         |          |
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>             |                   |                 |          |
| Net Profit before tax                                    | 311.08            | 271.75          |          |
| Adjustments for :  |                   |                 |          |
| Depreciation   | 120.43            | 111.91          |          |
| Provision for bad & doubtful debts & advances            | 5.51              | 3.97            |          |
| Interest Expenses (Net)                                  | 171.16            | 55.80           |          |
| (Profit) / Loss on Fixed Assets sold                     | (2.66)            | 0.34            |          |
| (Profit) / Loss on Sale of Investments                   | (6.76)            | (2.54)          |          |
| Dividend Income  | (23.73)           | (16.54)         | 152.94   |
|  | <u>263.95</u>     | <u>(16.54)</u>  |          |
| <b>Exceptional Items:</b>                                |                   |                 |          |
| (Gain)/Loss on sale of Contract Export Division          | (0.20)            | —               |          |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>   | <b>574.83</b>     | <b>424.69</b>   |          |
| Decrease / (Increase) in trade and other receivables     | (13.11)           | 227.50          |          |
| Decrease / (Increase) in inventories                     | 28.00             | (118.66)        |          |
| Increase / (Decrease) in trade and other payables        | (32.71)           | (275.57)        | (166.73) |
|  | <u>(17.82)</u>    | <u>(275.57)</u> |          |
| <b>CASH GENERATED FROM OPERATIONS</b>                    | <b>557.01</b>     | <b>257.96</b>   |          |
| Income Taxes Paid (Net of Refund)                        | (60.66)           | (81.00)         |          |
|  | <u>(60.66)</u>    | <u>(81.00)</u>  |          |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                | <b>496.35</b>     | <b>176.96</b>   |          |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>             |                   |                 |          |
| Proceeds from Sale of Fixed Assets                       | 8.82              | 2.19            |          |
| Purchase of Fixed Assets                                 | (302.72)          | (199.97)        |          |
| Proceeds from sale of Contract Export division           | 34.50             | —               |          |
| (Increase)/Decrease in Corporate Deposits                | 132.50            | (184.63)        |          |
| Interest Received  | 24.29             | 13.15           |          |
| Dividend Received  | 23.73             | 16.54           |          |
| Sale / Redemption(Purchase) of current investments (net) | (105.19)          | 274.73          |          |
| Sale of investment in Joint Ventures                     | 0.96              | —               |          |
| Purchase of investment in Joint Ventures                 | (1,597.89)        | (661.09)        |          |
| Sale of investment in subsidiaries                       | 10.00             | —               |          |
| Investment in subsidiaries                               | (463.83)          | (91.40)         |          |
| Sale of investments                                      | 1.30              | —               |          |
| Purchase of investments                                  | (12.19)           | (17.29)         |          |
|  | <u>(2,245.72)</u> | <u>(847.77)</u> |          |
| <b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>      | <b>(2,245.72)</b> | <b>(847.77)</b> |          |

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2007

|  | Rs. Crores      |               |
|--|-----------------|---------------|
| PARTICULARS                                  | 2006-07         | 2005-06       |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b> |                 |               |
| Proceeds from issue of share capital         | 9.81            | 0.01          |
| Share premium received (net)                 | 759.93          | 0.06          |
| Proceeds from Borrowings                     | 2,438.55        | 828.37        |
| Repayment of Borrowings                      | (1,165.68)      | (63.51)       |
| Dividends paid (including tax thereon)       | (106.13)        | (27.31)       |
| Interest and Finance Charges paid            | (184.69)        | (62.06)       |
|  | <b>1,751.79</b> | <b>675.56</b> |
| NET INCREASE IN CASH AND EQUIVALENTS         | 2.42            | 4.75          |
| CASH AND CASH EQUIVALENTS (OPENING BALANCE)  | 20.32           | 9.41          |
| CASH OF IGFL and BGFL                        | —               | 6.16          |
| CASH AND CASH EQUIVALENTS (CLOSING BALANCE)  | 22.74           | 20.32         |

**Notes:**

1) **Cash and cash equivalents include:**

|  |              |              |
|--|--------------|--------------|
| Cash, cheque in hand and remittance in transit | 1.12         | 1.02         |
| Balance with Banks                             | 21.62        | 19.30        |
|  | <b>22.74</b> | <b>20.32</b> |

2) Previous years's figures have been regrouped / rearranged to confirm to the current year's presentation, whenever necessary.

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S.R. BATLIBOI & CO.  
Chartered Accountants

Dr. BHARAT K. SINGH  
Managing Director

Directors:

TARJANI VAKIL  
P. MURARI  
B. R. GUPTA  
G. P. GUPTA

ADESH GUPTA  
Wholetime Director & CFO

per SHIVJI K. VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

per HEMAL SHAH  
Partner  
M. No. 42650

DEVENDRA BHANDARI  
Company Secretary

## BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details  
 Registration No. 1107 State Code 04  
 Balance Sheet Date 31 03 2007  
 Date Month Year

II Capital Raised during the Year (Amount in Rs. Crores)  
 Public Issue NIL Right Issue 777.16  
 Bonus Issue NIL Private Placement NIL

III Position of Mobilisation and Development of Fund (Amount in Rs. Crores)  
 Total Liabilities 6130.46 Total Assets 6130.46  
 Source of Funds Paid-Up-Capital   93.31 Reserve & Surplus 3031.24  
 Application of Funds Secured Loans 2071.62 Unsecured Loans   760.21  
 Net Fixed Assets 1308.13 Investments 3849.39  
 Net Current Assets\*\*   798.86 Misc. Expenditure   NIL  

\*\* Net of Deferred Tax Liability

IV Performance of Company (Amount in Rs. Crores)  
 Turnover 3464.98 Total Expenditure 3153.90  
 Profit Before Tax   311.08 Profit After Tax   224.97  
 Earning per share   25.60 Dividend rate %   55.00

V Generic Names of Three Principal products/Services of Company (as per monetary terms)  
 Item Code No.(ITC Code)   620000 Product Description  
            Garments  
5403110.09 Viscose Filament Rayon Yarn  
            Carbon Black  
            Urea

Dr. BHARAT K. SINGH  
 Managing Director  
 ADESH GUPTA  
 Wholetime Director & CFO  
 DEVENDRA BHANDARI  
 Company Secretary

Directors: TARJANI VAKIL  
 P. MURARI  
 B. R. GUPTA  
 G. P. GUPTA

Mumbai, May 03, 2007

# AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To

**The Board of Directors**

**Aditya Birla Nuvo Limited**

1. We have audited the attached Consolidated Balance Sheet of Aditya Birla Nuvo Limited ("the Company") and its Subsidiaries, Joint Ventures and Associates as at March 31, 2007 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the 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 dis-closures 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 report that the CFS 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.
4. a) Included in these Consolidated Financial Statements (CFS) are Assets of Rs. 5939.71 Crores as at March 31, 2007, Revenues of Rs. 4429.64 Crores and net cash inflow of Rs. 128.40 Crores for the year then ended, which have not been jointly audited by us. These have been audited by either of us singly or jointly with others or by other auditors whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these entities, is based solely on reports of those respective auditors.  
b) Included in these CFS are assets of Rs. 3092.95 Crores, revenues of Rs. 451.70 Crores, and net cash inflow of Rs. 530.96 Crores, of CFS of IDEA Cellular Limited , a Joint Venture as mentioned in Notes No. 7(b) of schedule 19, based on financial statements certified by Management which are subject to consequential adjustments, if any, arising out of their Audit.
5. Subject to para 4(b) above and based on our audit and on consideration of reports of other auditors on separate financial statements, management's certification of unaudited components included there in and on the other financial information of the components and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements, give a true and fair view in conformity with the accounting principles generally accepted in India:
  - (a) in the case of the consolidated balance sheet, of the state of affairs of the Company and its Subsidiaries, Joint Ventures and Associates as at March 31, 2007;
  - (b) in the case of the consolidated profit and loss account, of the profit for the year ended on that date; and
  - (c) in the case of the consolidated cash flow statement, of the cash flows for the year ended on that date.

For **Khimji Kunverji & Co.**  
Chartered Accountants

per **Shivji K. Vikamsey**  
Partner  
Membership No: 2242

Place: Mumbai  
Date: May 3, 2007

For **S.R. Batliboi & Co.**  
Chartered Accountants

per **Hemal Shah**  
Partner  
Membership No: 42650

Place: Mumbai  
Date: May 3, 2007

CONSOLIDATED ACCOUNTS

## CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2007

|   | Schedule | Consolidated<br>31 <sup>st</sup> March 2007 | Rs. Crores<br>Consolidated<br>31 <sup>st</sup> March 2006 |
|---|----------|---|---|
| <b>SOURCES OF FUNDS</b>   |          |   |   |
| <b>Shareholders' Funds:</b>                                       |          |   |   |
| Equity Share Capital  | 1        | 93.31                                       | 83.50   |
| Preference Share Capital  | 1A       | —   | 100.17  |
| Reserves & Surplus  | 2        | 3,400.20                                    | 1,914.83  |
|   |          | <b>3,493.51</b>                             | <b>2,098.50</b>   |
| Minority Interest   |          | 143.27                                      | 43.20   |
| <b>Loan Funds:</b>  |          |   |   |
| Secured Loans   | 3        | 4,079.99                                    | 1,525.18  |
| Unsecured Loans   | 4        | 1,381.60                                    | 839.45  |
|   |          | <b>5,461.59</b>                             | <b>2,364.63</b>   |
| Deferred Tax Liabilities  |          | 179.30                                      | 168.68  |
| Policyholders fund  |          | 3,761.95                                    | 2,378.37  |
| Fund for future appropriations                                    |          | 0.03  | 0.03  |
| <b>Total Funds Employed</b>                                       |          | <b>13,039.65</b>                            | <b>7,053.41</b>   |
| <b>APPLICATION OF FUNDS</b>                                       |          |   |   |
| <b>Fixed Assets:</b>  |          |   |   |
| Goodwill on Consolidation   |          | 2,968.47                                    | 961.36  |
| Gross Block   | 5        | 6,552.77                                    | 4,187.25  |
| Less: Accumulated Depreciation                                    |          | 3,156.66                                    | 2,199.46  |
| Net Block   |          | <b>3,396.11</b>                             | <b>1,987.79</b>   |
| Capital Work-in-Progress  |          | 380.32                                      | 169.80  |
|   |          | <b>3,776.43</b>                             | <b>2,157.59</b>   |
| <b>Investments</b>  | 6        | <b>4,543.39</b>                             | <b>2,916.92</b>   |
| <b>Current Assets, Loans &amp; Advances:</b>                      |          |   |   |
| Inventories   | 7        | 558.37                                      | 551.37  |
| Sundry Debtors  | 8        | 990.93                                      | 518.38  |
| Cash & Bank Balances  | 9        | 815.85                                      | 154.07  |
| Interest accrued on Investments                                   |          | 10.27                                       | 8.93  |
| Loans & Advances  | 10       | 1,058.94                                    | 793.09  |
|   |          | <b>3,434.36</b>                             | <b>2,025.84</b>   |
| <b>Less: Current Liabilities &amp; Provisions:</b>                | 11       |   |   |
| Current Liabilities   |          | 1,606.28                                    | 929.55  |
| Provisions  |          | 76.72                                       | 78.75   |
|   |          | <b>1,683.00</b>                             | <b>1,008.30</b>   |
| <b>Net Current Assets</b>   |          | <b>1,751.36</b>                             | <b>1,017.54</b>   |
| <b>Total Funds Utilised</b>                                       |          | <b>13,039.65</b>                            | <b>7,053.41</b>   |
| Significant Accounting Policies and Notes on Accounts             | 19       |   |   |
| Schedules referred to above form an integral part of the accounts |          |   |   |

As per our attached Report of even date

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S. R. BATLIBOI & CO.  
Chartered Accountants

DR. BHARAT K. SINGH  
Managing Director

Directors: TARJANI VAKIL  
P. MURARI  
B.R. GUPTA  
G.P. GUPTA

Per SHIVJI K.VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

Per HEMAL SHAH  
Partner  
M. No. 42650

ADESH GUPTA  
Wholetime Director & CFO

DEVENDRA BHANDARI  
Company Secretary

## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2007

|  | Schedule | Consolidated<br>2006-07 | Rs. Crores<br>Consolidated<br>2005-06 |
|--|----------|-------------------------|---------------------------------------|
| <b>INCOME</b>  |          |                         |                                       |
| Income from Operations   | 12       | 8,434.16                | 5,163.09                              |
| Less: Excise Duty  |          | 176.16                  | 156.16                                |
| Net Income from Operations   |          | <b>8,258.00</b>         | <b>5,006.93</b>                       |
| Other Income   | 13       | 64.02                   | 33.32                                 |
|  |          | <b>8,322.02</b>         | <b>5,040.25</b>                       |
| <b>EXPENDITURE</b>   |          |                         |                                       |
| (Increase)/Decrease in Stocks  | 14       | (53.84)                 | (47.30)                               |
| Cost of Materials  | 15       | 1,962.61                | 1,502.56                              |
| Salaries, Wages and Employee Benefits                                | 16       | 1,228.27                | 434.51                                |
| Manufacturing, Selling and Other Expenses                            | 17       | 2,662.30                | 1,368.69                              |
| Actuarial Liabilities  |          | 1,383.55                | 1,166.06                              |
| Interest and Other Finance Expenses (Net)                            | 18       | 362.88                  | 103.83                                |
|  |          | <b>7,545.77</b>         | <b>4,528.35</b>                       |
| <b>Profit before Depreciation/Amortisation and Exceptional items</b> |          | 776.25                  | 511.90                                |
| Depreciation/Amortisation  |          | 422.78                  | 224.97                                |
| <b>Profit before Exceptional items and Tax</b>                       |          | <b>353.47</b>           | <b>286.93</b>                         |
| Less : Loss/(Gain) due to Exceptional Items                          |          | 2.01                    | 4.04                                  |
| Add: Profit on disposal of Subsidiary                                |          | 2.53                    | —                                     |
| <b>Profit after Exceptional items</b>                                |          | <b>353.99</b>           | <b>282.89</b>                         |
| Provision for Taxation - Current Tax                                 |          | 114.58                  | 96.81                                 |
| - Deferred Tax   |          | 18.03                   | (5.51)                                |
| - Fringe Benefit Tax   |          | 9.26                    | 8.19                                  |
| Provision for Tax for Earlier Years written back                     |          | (30.31)                 | (5.37)                                |
| <b>Net Profit before Minority Interest</b>                           |          | <b>242.43</b>           | <b>188.77</b>                         |
| Minority Interest in the loss of Consolidated Subsidiaries           |          | (38.34)                 | (14.90)                               |
| Share of Profit / (Loss) of Associate                                |          | 0.46                    | 0.37                                  |
| <b>Net Profit</b>  |          | <b>281.23</b>           | <b>204.04</b>                         |
| Balance brought forward  |          | (281.18)                | 5.27                                  |
| Adjustment due to AS - 15 (Refer Note 5 of Schedule 19)              |          | (8.26)                  | —                                     |
| Amount Transferred on Amalgamation of IGFL & BGFL                    |          | —                       | 262.57                                |
| Amount Transferred on change in stake in Subs/JVs                    |          | 54.19                   | 24.13                                 |
| Transfer from Debenture Redemption Reserve                           |          | —                       | 25.00                                 |
| Transfer from General Reserve  |          | —                       | 0.04                                  |
| Profit available for Appropriation                                   |          | <b>45.98</b>            | <b>521.05</b>                         |
| <b>APPROPRIATIONS</b>  |          |                         |                                       |
| Interim Dividend   |          | 51.32                   | —                                     |
| Proposed Dividend  |          | —                       | 41.75                                 |
| Corporate Tax on Dividend  |          | 7.29                    | 7.11                                  |
| General Reserve  |          | 150.05                  | 753.25                                |
| Special Reserve  |          | 0.22                    | 0.12                                  |
| Surplus / (Deficit) carried to Balance Sheet                         |          | (162.90)                | (281.18)                              |
|  |          | <b>45.98</b>            | <b>521.05</b>                         |
| Basic Earnings per share - Rs.                                       | }        | 32.00                   | 26.12                                 |
| Dilutive Earnings per share - Rs.                                    |          | 31.98                   | 26.11                                 |
| (Face Value of Rs 10/- each)   |          |                         |                                       |

Significant Accounting Policies and Notes on Accounts 19

Schedules referred to above form an integral part of the accounts

As per our attached Report of even date

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S. R. BATLIBOI & CO.  
Chartered Accountants

DR. BHARAT K. SINGH  
Managing Director

Directors: TARJANI VAKIL  
P. MURARI  
B.R. GUPTA  
G.P. GUPTA

ADESH GUPTA  
Wholetime Director & CFO

Per SHIVJI K.VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

Per HEMAL SHAH  
Partner  
M. No. 42650

DEVENDRA BHANDARI  
Company Secretary

## SCHEDULES

### SCHEDULE 1

|   | Numbers      | Consolidated<br>31 <sup>st</sup> March 2007 | Rs. Crores<br>Consolidated<br>31 <sup>st</sup> March 2006 |
|---|--------------|---|---|
| <b>EQUITY SHARE CAPITAL</b>   |              |   |   |
| (i) <b>Issued, Subscribed &amp; Paid-up:</b>  |              |   |   |
| Equity Shares of Rs. 10 each, fully paid-up   | 93,305,187   | 93.31                                       | 59.89   |
| Previous year   | (59,889,912) |   |   |
| Equity Share Capital  |              | 93.31                                       | 59.89   |
| (ii) <b>Share Capital Suspense</b>  |              |   |   |
| Current Year NIL (Previous Year 23,614,414) Equity Shares of Rs 10 each to be issued as fully paid up pursuant to Schemes of amalgamation for consideration other than cash |              | —   | 23.61   |
| Less : Calls in arrears (Note 8 of Schedule 19)   |              | —   | β   |
|   |              | <b>93.31</b>                                | <b>83.50</b>  |
| <b>SCHEDULE 1A</b>  |              |   |   |
| Preference Share Capital of IDEA Cellular Limited   |              | —   | 100.17  |
|   |              | —   | <b>100.17</b>   |

### SCHEDULE 2 RESERVES & SURPLUS

|  | Consolidated<br>31 <sup>st</sup> March 2006 | Addition        | Addition / Deletion<br>on Stake Change /<br>Amalgamation | Deletion      | Consolidated<br>31 <sup>st</sup> March 2007 |
|--|---|-----------------|--|---------------|---|
| Capital Reserve on Consolidation         | 3.81  | 0.87            | 8.14   | —             | 12.82                                       |
| Capital Reserve                          | 2.86  | —               | —  | —             | 2.86  |
| Capital Fund                             | 0.01  | —               | —  | —             | 0.01  |
| Capital Redemption Reserve               | 8.74  | —               | —  | —             | 8.74  |
| Securities Premium Account               | 459.01                                      | 767.37          | 464.14   | 7.44 *        | 1,683.08                                    |
| General Reserve                          | 1,676.55                                    | 169.51          | (0.08)   | 19.25 @       | 1,826.73                                    |
| Investment Reserve                       | 19.95                                       | —               | —  | —             | 19.95                                       |
| Special Reserve                          | 20.25                                       | 0.22            | —  | 19.46 #       | 1.01  |
| Credit/(Debit) fair value change account | 0.01  | 0.01            | —  | —             | 0.02  |
| Amalgamation Reserve                     | 4.14  | —               | —  | —             | 4.14  |
| Employee Stock Options outstanding       | 0.68  | 0.37            | —  | —             | 1.05  |
| Foreign Currency Translation Reserve     | —   | 2.69            | —  | —             | 2.69  |
| Surplus as per Profit & Loss Account     | (281.18)                                    | 72.35           | 54.19  | 8.26 @        | (162.90)                                    |
|  | <b>1,914.83</b>                             | <b>1,013.39</b> | <b>526.39</b>  | <b>54.41</b>  | <b>3,400.20</b>                             |
| Previous Year                            | <b>1,034.14</b>                             | <b>934.68</b>   | <b>724.29</b>  | <b>778.28</b> | <b>1,914.83</b>                             |

# Rs 19.46 Crores transferred to General Reserve on receipt of RBI approval

@ Refer Note 5 of Schedule 19

\* Right Issue Expenses

### SCHEDULE 3

#### SECURED LOANS

|                         |                 |                 |
|-------------------------|-----------------|-----------------|
| Loans from Banks        | 3,270.26        | 1,085.55        |
| Other Loans             |                 |                 |
| Deferred Sales Tax Loan | 75.33           | 61.17           |
| Others                  | 734.40          | 378.46          |
|                         | <b>4,079.99</b> | <b>1,525.18</b> |

### SCHEDULE 4

#### UNSECURED LOANS

|                        |                 |               |
|------------------------|-----------------|---------------|
| Fixed Deposits         | 3.70            | 4.89          |
| Commercial Paper       | 315.00          | —             |
| Short Term Loans from: |                 |               |
| Banks                  | 345.03          | 550.17        |
| Others                 | 665.36          | 231.46        |
| Other loans :          |                 |               |
| Banks                  | 50.00           | 50.00         |
| Others                 | 2.51            | 2.93          |
|                        | <b>1,381.60</b> | <b>839.45</b> |

# SCHEDULES

## SCHEDULE 5 FIXED ASSETS

Rs. Crores

|                                  | Gross Block                       |  |                        |                        | Depreciation / Amortization       |  |               |                        | Net Block                         |                                   |                                   |                                   |
|----------------------------------|-----------------------------------|--|------------------------|------------------------|-----------------------------------|--|---------------|------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
|                                  | As at 31 <sup>st</sup> March 2006 | Addition/Deletion on Stake Change/Amalgamation | Additions for the year | Deductions/Adjustments | As at 31 <sup>st</sup> March 2007 | Addition/Deletion on Stake Change/Amalgamation | For the year  | Deductions/Adjustments | Upto 31 <sup>st</sup> March, 2006 | Upto 31 <sup>st</sup> March, 2007 | As at 31 <sup>st</sup> March 2006 | As at 31 <sup>st</sup> March 2007 |
| <b>Tangible Assets</b>           |                                   |  |                        |                        |                                   |  |               |                        |                                   |                                   |                                   |                                   |
| Land                             |                                   |  |                        |                        |                                   |  |               |                        |                                   |                                   |                                   |                                   |
| Freehold                         | 5.75                              | 3.97   | 3.34                   | —                      | 13.06                             | —  | —             | —                      | —                                 | —                                 | 13.06                             | 5.75                              |
| Leasehold                        | 29.61                             | 1.67   | 0.99                   | 0.18                   | 32.09                             | 1.34   | 0.39          | 0.16                   | 5.48                              | 26.61                             | 26.61                             | 25.70                             |
| Railway Siding                   | 5.84                              | —  | —                      | —                      | 5.84                              | 4.87   | 0.28          | —                      | 5.15                              | 0.69                              | 0.69                              | 0.97                              |
| Buildings                        | 253.79                            | 23.36  | 27.52                  | 0.31                   | 304.36                            | 3.67   | 7.57          | 0.07                   | 65.90                             | 238.46                            | 199.06                            | 199.06                            |
| Lease Hold improvements          | 33.24                             | 85.27  | 39.27                  | 21.11                  | 136.67                            | 23.62  | 12.79         | 3.88                   | 48.86                             | 87.81                             | 16.91                             | 16.91                             |
| Plant & Machinery                | 2,983.06                          | 559.58   | 953.47                 | 27.22                  | 4,468.89                          | 237.67   | 276.21        | 19.08                  | 2,183.66                          | 2,285.23                          | 1,294.20                          | 1,294.20                          |
| Computers & Telecommunication    | 51.69                             | 133.00   | 32.60                  | 26.09                  | 191.20                            | 94.96  | 21.36         | 12.87                  | 129.46                            | 61.74                             | 25.68                             | 25.68                             |
| Furniture, Fixtures & Equipments | 135.39                            | 76.43  | 30.77                  | 14.28                  | 228.31                            | 35.43  | 25.50         | 12.33                  | 127.46                            | 100.85                            | 56.53                             | 56.53                             |
| Vehicles & Aircraft              | 31.41                             | 1.33   | 17.97                  | 7.52                   | 43.19                             | 0.87   | 5.58          | 3.94                   | 13.89                             | 29.30                             | 20.03                             | 20.03                             |
| Livestock                        | 0.01                              | —  | —                      | —                      | 0.01                              | —  | —             | —                      | 0.01                              | —                                 | —                                 | —                                 |
| <b>Intangible Assets</b>         |                                   |  |                        |                        |                                   |  |               |                        |                                   |                                   |                                   |                                   |
| Entry/Licence fees               | 370.37                            | 217.19   | 73.68                  | —                      | 661.24                            | 94.82  | 31.61         | —                      | 294.13                            | 367.11                            | 202.67                            | 202.67                            |
| Goodwill                         | 52.63                             | 30.95  | —                      | 2.25                   | 81.33                             | 3.80   | 2.73          | 0.32                   | 12.92                             | 68.41                             | 45.92                             | 45.92                             |
| Trade mark/Brands                | 167.60                            | 4.30   | —                      | 0.25                   | 171.65                            | 2.78   | 16.94         | 0.19                   | 108.66                            | 62.99                             | 78.47                             | 78.47                             |
| Software                         | 66.86                             | 119.56   | 38.11                  | 9.60                   | 214.93                            | 95.39  | 22.58         | 7.85                   | 161.08                            | 53.85                             | 15.90                             | 15.90                             |
| <b>Total</b>                     | <b>4,187.25</b>                   | <b>1,256.61</b>                                | <b>1,217.72</b>        | <b>108.81</b>          | <b>6,552.77</b>                   | <b>594.35</b>                                  | <b>423.54</b> | <b>60.69</b>           | <b>3,156.66</b>                   | <b>3,396.11</b>                   | <b>1,987.79</b>                   | <b>1,987.79</b>                   |
| <b>Previous Year</b>             | <b>1,914.73</b>                   | <b>1,955.04</b>                                | <b>337.42</b>          | <b>19.94</b>           | <b>4,187.25</b>                   | <b>1,121.32</b>                                | <b>225.07</b> | <b>14.45</b>           | <b>2,199.46</b>                   | <b>1,987.79</b>                   |                                   |                                   |

## SCHEDULES

|  | Consolidated<br>31 <sup>st</sup> March 2007 | Rs. Crores<br>Consolidated<br>31 <sup>st</sup> March 2006 |
|--|---|---|
| <b>SCHEDULE 6</b>                                    |   |   |
| <b>INVESTMENTS</b>                                   |   |   |
| <b>LONG TERM INVESTMENTS</b>                         |   |   |
| Government Securities/Bonds                          | 927.23                                      | 841.20  |
| Debentures/Bonds                                     | 812.09                                      | 485.85  |
| Mutual Funds   | 0.01  | 0.01  |
| Equity   | 1,084.03                                    | 719.54  |
| Other Investments                                    | 246.18                                      | 101.22  |
| <b>SHORT TERM INVESTMENTS</b>                        |   |   |
| Government Securities/Bonds                          | 43.59                                       | 14.27   |
| Debentures/Bonds                                     | 347.89                                      | 60.14   |
| Mutual Funds   | 480.92                                      | 426.95  |
| Other Investments                                    | 601.45                                      | 267.74  |
|  | <b>4,543.39</b>                             | <b>2,916.92</b>   |
| Investment in Associates                             | 0.01  | 0.31  |
| Capital Reserve included in above                    | —   | 0.21  |
| Share of Profit / Loss for the year                  | —   | 0.37  |
| <b>SCHEDULE 7</b>                                    |   |   |
| <b>INVENTORIES</b>                                   |   |   |
| Finished Goods                                       | 210.38                                      | 157.02  |
| Stores and Spares                                    | 63.58                                       | 41.27   |
| Raw Materials  | 235.21                                      | 305.52  |
| Packing Materials                                    | 3.25  | 8.95  |
| Material-in-Process                                  | 45.51                                       | 38.08   |
| Waste / Scrap  | 0.44  | 0.53  |
|  | <b>558.37</b>                               | <b>551.37</b>   |
| <b>SCHEDULE 8</b>                                    |   |   |
| <b>SUNDRY DEBTORS</b>                                |   |   |
| (Unsecured, considered good except otherwise stated) |   |   |
| Due for period exceeding six months                  | 22.52                                       | 16.57   |
| Others   | 968.41                                      | 501.81  |
|  | <b>990.93</b>                               | <b>518.38</b>   |

## SCHEDULES

|  | Consolidated<br>31 <sup>st</sup> March 2007 | Rs. Crores<br>Consolidated<br>31 <sup>st</sup> March 2006 |
|--|---|---|
| <b>SCHEDULE 9</b>  |   |   |
| <b>CASH &amp; BANK BALANCES</b>  |   |   |
| Cash & Cheques in hand and remittances in transit                      | 73.26                                       | 65.75   |
| Balances with Scheduled Banks:   |   |   |
| Current Accounts   | 63.31                                       | 33.26   |
| Deposit Accounts   | 671.03                                      | 49.28   |
| Balances with Non-Scheduled Banks:                                     |   |   |
| On Current Account   | 7.98  | 4.56  |
| On Deposit Account   | 0.27  | 1.22  |
|  | <b>815.85</b>                               | <b>154.07</b>   |
| <b>SCHEDULE 10</b>   |   |   |
| <b>LOANS AND ADVANCES</b>  |   |   |
| (Unsecured, considered good except otherwise stated)                   |   |   |
| Bills of Exchange  | 95.18                                       | 59.34   |
| Loan against Collateral Security                                       | 439.35                                      | 233.22  |
| Advances recoverable in cash or in kind<br>or for value to be received | 353.85                                      | 182.15  |
| Deposits   | 141.34                                      | 291.34  |
| Balances with Central Excise, Customs & Port Trust etc                 | 29.22                                       | 27.04   |
|  | <b>1,058.94</b>                             | <b>793.09</b>   |
| <b>SCHEDULE 11</b>   |   |   |
| <b>CURRENT LIABILITIES &amp; PROVISIONS</b>                            |   |   |
| Current Liabilities:   |   |   |
| Acceptances  | 13.79                                       | 37.80   |
| Sundry Creditors   | 1,141.78                                    | 647.06  |
| Advances from Customers  | 129.32                                      | 65.14   |
| Income received in advance   | 3.04  | 1.48  |
| Interest accrued but not due on loans                                  | 28.47                                       | 10.18   |
| Investors Education & Protection Fund                                  | 2.24  | 2.34  |
| Other Liabilities  | 287.64                                      | 165.55  |
|  | <b>1,606.28</b>                             | <b>929.55</b>   |
| Provisions for:  |   |   |
| Taxation (Net of Advance Payment)                                      | 2.61  | 2.47  |
| Proposed Dividend  | —   | 41.75   |
| Corporate Tax on Dividend  | 0.04  | 7.11  |
| Retirement Benefits  | 74.07                                       | 27.42   |
|  | <b>76.72</b>                                | <b>78.75</b>  |
|  | <b>1,683.00</b>                             | <b>1,008.30</b>   |

## SCHEDULES

|   | Consolidated<br>2006-07 | Rs. Crores<br>Consolidated<br>2005-06 |
|---|-------------------------|---------------------------------------|
| <b>SCHEDULE 12</b>                                |                         |                                       |
| <b>INCOME FROM OPERATIONS</b>                     |                         |                                       |
| Revenue from Sale of Products                     | 3,757.30                | 2,845.11                              |
| Income from Services                              | 4,313.76                | 1,903.15                              |
| Income from Financial Services                    | 136.55                  | 70.97                                 |
| Export Benefits                                   | 29.37                   | 16.72                                 |
| Other Income                                      | 197.18                  | 327.14                                |
|   | <b>8,434.16</b>         | <b>5,163.09</b>                       |
| <b>SCHEDULE 13</b>                                |                         |                                       |
| <b>OTHER INCOME</b>                               |                         |                                       |
| Dividends on Long Term Investments :              |                         |                                       |
| Trade   | 11.93                   | 3.27                                  |
| Others  | 0.01                    | 0.05                                  |
| Dividends on Current Investments                  | 9.16                    | 11.38                                 |
| Profit/(Loss) on sale of Investments (Net) :      |                         |                                       |
| Long Term   | 0.15                    | 0.01                                  |
| Current   | 9.39                    | 3.22                                  |
| Investment Income - Shareholders fund (BSLI)      | 15.38                   | 9.36                                  |
| Miscellaneous Income                              | 18.00                   | 6.03                                  |
|   | <b>64.02</b>            | <b>33.32</b>                          |
| <b>SCHEDULE 14</b>                                |                         |                                       |
| <b>(INCREASE)/DECREASE IN STOCKS</b>              |                         |                                       |
| Closing Stocks:                                   |                         |                                       |
| Finished Goods                                    | 210.38                  | 157.02                                |
| Work-in-Process                                   | 45.51                   | 38.08                                 |
| Waste / Scrap                                     | 0.44                    | 0.53                                  |
|   | <b>256.33</b>           | <b>195.63</b>                         |
| Less:   |                         |                                       |
| Opening Stocks:                                   |                         |                                       |
| Finished Goods                                    | 157.02                  | 118.41                                |
| Work-in-Process                                   | 38.08                   | 28.15                                 |
| Waste / Scrap                                     | 0.53                    | 0.22                                  |
|   | <b>195.63</b>           | <b>146.78</b>                         |
| (Increase)/Decrease in Excise duty on Stocks      | (0.64)                  | (3.83)                                |
| Add: Stock acquired on amalgamation / acquisition | 7.50                    | 5.38                                  |
| (Increase)/Decrease                               | <b>(53.84)</b>          | <b>(47.30)</b>                        |
| <b>SCHEDULE 15</b>                                |                         |                                       |
| <b>COST OF MATERIALS</b>                          |                         |                                       |
| Raw Material Consumption                          | 1,761.46                | 1,305.16                              |
| Packing Material Consumption                      | 63.04                   | 47.92                                 |
| Purchase of Finished Goods                        | 138.11                  | 149.48                                |
|   | <b>1,962.61</b>         | <b>1,502.56</b>                       |

## SCHEDULES

|  | Consolidated<br>2006-07 | Rs. Crores<br>Consolidated<br>2005-06 |
|--|-------------------------|---------------------------------------|
| <b>SCHEDULE 16</b>                                   |                         |                                       |
| <b>SALARIES, WAGES AND EMPLOYEE BENEFITS</b>         |                         |                                       |
| Payments to & Provisions for Employees:              |                         |                                       |
| Salaries, Wages and Bonus                            | 1,130.66                | 381.38                                |
| Contribution to Provident & Other Funds              | 37.05                   | 23.83                                 |
| Welfare Expenses                                     | 60.19                   | 28.62                                 |
| Employee Compensation under ESOP                     | 0.37                    | 0.68                                  |
|  | <b>1,228.27</b>         | <b>434.51</b>                         |
| <b>SCHEDULE 17</b>                                   |                         |                                       |
| <b>MANUFACTURING, SELLING AND OTHER EXPENSES</b>     |                         |                                       |
| Consumption of Stores & Spares                       | 85.24                   | 68.40                                 |
| Power & Fuel   | 405.22                  | 223.31                                |
| Processing Charges                                   | 77.02                   | 74.31                                 |
| Tele-Service Charges                                 | 380.07                  | 108.09                                |
| Connectivity Charges                                 | 65.02                   | 18.76                                 |
| Commission to Selling Agents                         | 388.98                  | 271.64                                |
| Brokerage & Discounts                                | 14.55                   | 16.40                                 |
| Advertisement  | 177.25                  | 102.77                                |
| Transportation & Handling Charges (Net)              | 33.26                   | 38.53                                 |
| Other Selling Expenses                               | 304.92                  | 155.51                                |
| Auditors' Remuneration                               | 4.50                    | 1.26                                  |
| Bad debts & Provisions for doubtful debts & advances | 19.50                   | 10.32                                 |
| Repairs & Maintenance                                |                         |                                       |
| Buildings  | 8.08                    | 7.56                                  |
| Plant & Machinery                                    | 68.47                   | 34.55                                 |
| Others   | 28.54                   | 8.48                                  |
| Rent   | 97.17                   | 36.45                                 |
| Rates & Taxes  | 72.98                   | 18.96                                 |
| Insurance  | 48.43                   | 11.13                                 |
| Research & Development Expenses                      | 1.04                    | 0.90                                  |
| Miscellaneous Expenses                               | 382.06                  | 161.36                                |
|  | <b>2,662.30</b>         | <b>1,368.69</b>                       |
| <b>SCHEDULE 18</b>                                   |                         |                                       |
| <b>INTEREST AND OTHER FINANCE EXPENSES</b>           |                         |                                       |
| Interest on Borrowings                               | 357.53                  | 105.05                                |
| Other Finance Expenses                               | 28.55                   | 12.01                                 |
|  | <b>386.08</b>           | <b>117.06</b>                         |
| <b>Less: Interest Income</b>                         |                         |                                       |
| Interest on long term Investments                    | 0.39                    | 0.21                                  |
| Other Interest                                       | 22.81                   | 13.02                                 |
|  | <b>362.88</b>           | <b>103.83</b>                         |

# SCHEDULES

## SCHEDULE 19

### SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS ON CONSOLIDATED FINANCIAL STATEMENTS

#### 1 BASIS OF PREPARATION

The Consolidated Financial Statements (CFS) are prepared in accordance with 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 (ICAI).

#### 2 PRINCIPLES OF CONSOLIDATION

- The CFS comprises the financial statement of Aditya Birla Nuvo Ltd. (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.
- Inter company transactions have been eliminated on consolidation.

#### 3 COMPANIES INCLUDED IN CONSOLIDATION

|  | Country of incorporation | Proportion of ownership interest as on 31 <sup>st</sup> March 2007 | Proportion of ownership interest as on 31 <sup>st</sup> March 2006 |
|--|--------------------------|--|--|
| <b>SUBSIDIARIES</b>  |                          |  |  |
| Aditya Birla Insulators Limited (ABIL) (w.e.f. November 29, 2006)  | India                    | 99.00%   | —  |
| Aditya Birla Telecom Ltd. (ABTL) (w.e.f. December 24, 2005 up to February 28, 2007)                                      | India                    | —  | 100.00%  |
| Aditya Vikram Global Trading House Limited (AVGTHL)  | Mauritius                | 100.00%  | 100.00%  |
| Alpha Garments Pvt Ltd. (AGL) (merged with MGEL w.e.f. April 01, 2006)   | India                    | —  | 100.00%  |
| AV TransWorks Ltd., Canada (AVTL) (Subsidiary of TW) (w.e.f. June 16, 2006)  | Canada                   | 88.28%   | —  |
| BGFL Corporate Finance Pvt. Ltd. (BGCFPL) (w.e.f. September 01, 2005)  | India                    | 100.00%  | 100.00%  |
| Birla Global Finance Company Ltd. (formerly Birla Global Asset Finance Company Ltd.) (BGFCL) (w.e.f. September 01, 2005) | India                    | 100.00%  | 100.00%  |
| Birla Insurance Advisory Services Ltd. (BIASL) (Subsidiary of BGCFPL) (w.e.f. September 01, 2005)                        | India                    | 50.01%   | 50.01%   |
| Birla Sun Life Insurance Company Limited (BSLICL)  | India                    | 74.00%   | 74.00%   |
| Birla Technologies Limited (Subsidiary of PSI)   | India                    | 70.40%   | 70.40%   |
| Crafted Clothing Pvt. Ltd. (CCPL) (w.e.f. August 03, 2006)   | India                    | 100.00%  | —  |
| Laxminarayan Investment Limited (LIL)  | India                    | 100.00%  | 100.00%  |
| Madura Garments Export Limited (MGEL) (w.e.f. October 26, 2005)  | India                    | 100.00%  | 100.00%  |
| Millman Insuranc. (Subsidiary of MWI) (w.e.f. August 18, 2006)   | Canada                   | 88.28%   | —  |
| Minacs Kft. (Subsidiary of Minacs GmbH) (w.e.f. August 18, 2006)   | Hungary                  | 88.28%   | —  |
| Minacs Limited (Subsidiary of MWI) (w.e.f. August 18, 2006)  | UK                       | 88.28%   | —  |

## SCHEDULES

|  | Country of incorporation | Proportion of ownership interest as on 31 <sup>st</sup> March 2007 | Proportion of ownership interest as on 31 <sup>st</sup> March 2006 |
|--|--------------------------|--|--|
| Minacs Worldwide Inc, Canada (MWI) (Subsidiary of AVTL) (w.e.f August 18, 2006)  | Canada                   | 88.28%   | —  |
| Minacs Worldwide S.A. de C.V. (Subsidiary of MWI) (w.e.f August 18, 2006)  | Mexico                   | 88.28%   | —  |
| PSI Data Systems Limited (PSI)   | India                    | 70.40%   | 70.40%   |
| The Minacs GmbH (Subsidiary of Minacs Ltd) (w.e.f August 18, 2006)   | Germany                  | 88.28%   | —  |
| The Minacs Group (Subsidiary of MWI) (w.e.f August 18, 2006)   | USA                      | 88.28%   | —  |
| Transworks Inc, USA (TW Inc) (Subsidiary of TW)  | USA                      | 88.28%   | 100.00%  |
| Transworks Information Services Ltd. (TW) (88.28% w.e.f September 07, 2006)  | India                    | 88.28%   | 100.00%  |
| Transworks BPO Philippines Inc (Subsidiary of TW) (w.e.f November 03, 2006)  | Philippines              | 88.28%   | —  |
| <b>JOINT VENTURE</b>   |                          |  |  |
| Birla NGK Insulators Private Limited (BNIPL) (On becoming Subsidiary, ceased to be Joint Venture w.e.f November 29, 2006)  | India                    | —  | 50.00%   |
| Birla Sun Life Asset Management Company Limited (BSAMC) (w.e.f. September 01, 2005)  | India                    | 50.00%   | 50.00%   |
| Birla Sun Life Distribution Company Limited (BSDL) (w.e.f. September 01, 2005)   | India                    | 49.99%   | 49.99%   |
| Birla Sun Life Trustee Company Private Limited (BSTPL) (w.e.f. September 01, 2005)   | India                    | 49.80%   | 49.80%   |
| IDEA Cellular Limited (IDEA)(20.74% up to June 19, 2006; 35.74% from June 20, 2006 to March 09, 2007; further 31.78% thereafter)(Previous Year 4.28% up to September 28, 2005 and 20.74% thereafter) | India                    | 31.78%   | 20.74%   |
| <b>ASSOCIATE</b>   |                          |  |  |
| Birla Securities Ltd. (BSL) (w.e.f. September 01, 2005)  | India                    | 50.00%   | 50.00%   |
| Crafted Clothing Pvt. Ltd. (CCPL) (w.e.f. October 26, 2005 and on becoming subsidiary, ceased to be an associate w.e.f. August 03, 2006)   | India                    | —  | 48.00%   |
| English Apparels Pvt Ltd. (EAPL) (w.e.f. February 15, 2006 and merged with CCPL w.e.f. April 01, 2006)   | India                    | —  | 49.99%   |
| Harwood Garments Pvt Ltd. (HGPL) (w.e.f. February 15, 2006 and merged with CCPL w.e.f. April 01, 2006)   | India                    | —  | 47.00%   |

## SCHEDULES

### 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 and locations which are distinct from that of the Reporting Company and function in a different regulatory environment, certain accounting policies in respect of investment, depreciation /amortization etc. differ. The accounting policies of all the Companies are in line with generally accepted accounting principles in locations in which the Companies operate.

### 5. RETIREMENT BENEFITS

The Company was recognizing and accruing the Retirement Benefits as per the erstwhile Accounting Standard (AS) – 15 on “Retirement Benefits” till March 31, 2006.

The ICAI has revised AS -15 on “Employee Benefits” and had made it mandatory w.e.f April 01, 2006. Subsequently on December 07, 2006 ICAI postponed the applicability of the standard for Accounting Periods commencing on or after December 07, 2006. However the company has decided for early adoption of revised AS -15 w.e.f April 01, 2006.

In accordance with the transitional provision of revised AS 15, the incremental liability at the beginning of the year

- a. Amounting to Rs 2.38 crores (net of deferred tax of Rs. 1.21 crores) in respect of Gratuity and Rs14.86 crores (net of deferred tax of Rs. 7.54 crores) in respect of compensated absence and Rs 2.01crores (net of deferred tax of Rs. 1.02 crores) in respect of pension liability, has been adjusted against general reserve, and
- b. Rs 0.37 crores (net of tax) in respect of Gratuity and Rs 5.45 crores (net of tax) in respect of compensated absence and Rs 2.44 crores (net of tax) in respect of pension, has been adjusted against opening balance of Profit and Loss Account.

### 6. FOREIGN SUBSIDIARIES

Translation of foreign subsidiary is done in accordance with AS – 11 (Revised) “The Effects of Changes in Foreign Exchange Rates”. In the case of AVGTHL, TW Inc & Transworks BPO Philippines Inc, the financial statements have been translated into Indian rupees considering the operations as integral. The balance sheet items have been translated at closing rate except share capital and fixed assets, which have been translated at the transaction date. The income and expenditure items have been translated at the average rate for the year. Exchange Gain / (Loss) are recognized in the Profit and Loss account.

In case of AVTL and MWI Consolidated Financial Statements, the operations are considered as non-integral. The financial statements have been converted in Indian Rupees at the following exchange rates:

- a) Revenue and Expenses: At the average exchange rate during the period
- b) All Assets and Liabilities: Exchange rate prevailing at the end of the period

The resultant translation exchange difference has been transferred to foreign currency translation reserve.

7. a) On June 20, 2006 the Reporting Company increased its shareholding in IDEA from 20.74% to 35.74%. On January 23, 2007 the Reporting Company subscribed additional equity shares in the pre IPO allotment made by IDEA. Consequently, shareholding in IDEA increased to 36.26%. Pursuant to the Price Stabilization Agreement entered into between the Reporting Company, IDEA and the price-stabilizing agent (PSA) for IDEA, the Company had lent 4.25 Crore equity shares of IDEA to PSA on February 08, 2007. These shares have been allotted in the IPO of the IDEA under the Green Shoe Option (GSO). On the expiry of the GSO period, the shares have been received back by the Reporting Company on April 19, 2007 from PSA. Consequent to above events, the holding of the Reporting Company in IDEA has reduced to 31.78%. Accordingly, the consolidated financial statements (CFS) of IDEA have been incorporated in the CFS of the Reporting Company.

## SCHEDULES

- b) The CFS for IDEA for the nine-month period ended December 31, 2006 have been audited. The CFS of IDEA for the year ended March 31, 2007 have been subjected to limited review by its auditors and accordingly incorporated in CFS. The same have not been audited as the merger of its subsidiaries is in process. The management does not expect any material change arising out of the audit of IDEA for the year ended March 31, 2007. The Reporting Company's share of income & expenditure has been considered on the basis of management certified accounts for the nearest period prior to the change of shareholding.
  - c) The CFS of Minacs Worldwide Inc which reflects the consolidation of The Minacs Group, Minacs Worldwide S.A. de C.V., Millman Insuranc., Minacs Limited, The Minacs GmbH and Minacs Kft as at March 31, 2007 are prepared and Audited under Canadian Generally Accepted Accounting Principles (GAAP) and are restated as per Indian GAAP for the purpose of Consolidation. For MWI, audited CFS have been considered for the fifteen months period ended March 31, 2007 and the figures of Profit and Loss Account from August 18, 2006, the date of it becoming Subsidiary till March 31, 2007 has been derived by reducing the management certified Profit & Loss Account for the period ended August 17, 2006.
  - d) On November 28, 2006 the Reporting Company purchased additional 49% stake in its joint venture BNIPL from its Joint Venture partner NGK Insulators, Japan, thus increasing its holding to 99% in BNIPL. The name of the company was subsequently changed to Aditya Birla Insulators Limited. For the purpose of CFS, the results for the four-month period ended March 31, 2007 have been derived from the twelve month audited figures of the period ended March 31, 2007 by reducing there from management certified figures for the period ended November 28, 2006.
  - e) The Financial Statements of CCPL have been audited for the period ended March 31, 2007. For the purpose of CFS, the results for the nine months period ended March 31, 2007 have been derived from the twelve month audited figures of the period ended March 31, 2007 by reducing there from management certified figures for the three months period ended June 30, 2006.
  - f) The previous year's Profit & Loss account include BGCFFPL, BGFCL, BIASL, BSAMC, BSDL, BSTPL and BSL for seven months period ended March 31, 2006 and MGEL for six months and AGL for three months period ended March 31, 2006. During the previous year, the Reporting Company increased its holding in IDEA from 4.28% to 20.74% on September 28, 2005. For the purpose of CFS, management certified results for the period ended September 28, 2005 have been consolidated at 4.28% and the results for the remaining six months period ended March 31, 2006 have been derived from the twelve month audited figures of the period ended March 31, 2006 by reducing there from management certified figures for the period ended September 28, 2005.
8. a). Pursuant to the Schemes of Amalgamation (the Schemes) under sections 391 to 394 of the Companies Act, 1956, with effect from September 1, 2005 (the Appointed Date) Indo Gulf Fertilizers Limited (herein after referred to as IGFL) and Birla Global Finance Limited (herein after referred to as BGFL), were merged with the Company. The Effective date of the Schemes for merger of IGFL & BGFL was April 3, 2006 and June 30, 2006 respectively.
- b). 1,50,30,935 and 85,83,479 Equity Shares of Rs. 10 each of the Company were issued to the shareholders of IGFL and BGFL respectively in the ratio of 1 (one) fully paid-up Equity Share of Rs.10 each of the Company for every 3 (three) fully paid-up Equity Shares of Rs.10 each held in IGFL and BGFL on April 24, 2006 and July 17, 2006 respectively.
9. In view of aforesaid change in shareholding in subsidiaries, joint ventures, associates and amalgamations, the figures for the previous year are not comparable with current year.

## SCHEDULES

Rs. Crores

|  | Consolidated<br>31 <sup>st</sup> March , 2007 | Consolidated<br>31 <sup>st</sup> March 2006 |
|--|---|---|
| 10. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of advances)                                   | 410.27  | 170.03                                      |
| 11. Contingent Liabilities not provided for in respect of:   |   |   |
| a) Claims against the Companies not acknowledged as debts  |   |   |
| i) Income-tax  | 54.06   | 34.09                                       |
| ii) Custom Duty  | 2.58  | 2.54  |
| iii) Excise Duty   | 17.39   | 37.87                                       |
| iv) Sales Tax  | 16.06   | 9.79  |
| v) Service Tax   | 0.45  | 1.65  |
| vi) Others   | 43.97   | 35.67                                       |
| b) Bills discounted / rediscounted with banks  | 63.70   | 69.06                                       |
| c) Corporate Guarantees given to Banks/Financial Institutions for loans taken by companies   | 21.79   | 5.00  |
| d) Customs duty on capital goods and raw materials imported under advance licensing / EPCG scheme, against which export obligation is to be fulfilled. | 114.68  | 54.79                                       |
| e) Dividend on cumulative preference shares  | —   | 38.28                                       |
| f) Uncalled liability on shares partly paid up   | 19.58   | 29.37                                       |
| g) Others  | 25.11   | 4.75  |
|  | <b>379.37</b>                                 | <b>322.86</b>                               |

12. Under the Jute Packaging Material (Compulsory use of Packing Commodities) Act, 1987, a specified percentage of fertilizers dispatched was required to be supplied in Jute Bags up to 31.08.2001. The Reporting Company made conscious efforts to use jute-packaging material as required under the Act. However, due to non-availability of material as per the Reporting Company's product specifications as well as due to strong customer resistance to use of Jute Bags, the specified percentage could not be adhered to. The Reporting Company has received a show cause notice, against which a writ petition has been filed with the High Court, which is awaiting hearing. The Reporting Company has been advised that the said levy is bad in law.

13. Deferred Tax (Assets)/ Liability at the year end comprise timing difference on account of:

Rs. Crores

|                                  | Consolidated<br>31 <sup>st</sup> March, 2007 | Consolidated<br>31 <sup>st</sup> March 2006 |
|----------------------------------|--|---|
| Depreciation                     | 368.52                                       | 313.10                                      |
| Expenditure/Provisions allowable | (189.22)                                     | (144.42)                                    |
| <b>Total</b>                     | <b>179.30</b>                                | <b>168.68</b>                               |

Deferred tax assets are not recognized on losses and unabsorbed depreciation in certain subsidiaries.

## SCHEDULES

14. The Reporting Company's proportionate share in the assets, liabilities, income and expenses of its Joint Venture companies (refer note 3 above) included in these consolidated financial statements are given below:

Rs. Crores

| <b>BALANCE SHEET</b>                              | <b>FY 2007</b>  | <b>FY 2006</b>  |
|---|-----------------|-----------------|
| <b>SOURCES OF FUNDS</b>                           |                 |                 |
| Equity Share Capital                              | 836.62          | 493.98          |
| Preference Share Capital                          | —               | 100.17          |
| Reserves & Surplus (Refer detail below)           | 276.43          | (271.51)        |
|   | <b>1,113.05</b> | <b>322.64</b>   |
| <b>Loan Funds:</b>                                |                 |                 |
| Secured Loans                                     | 1124.95         | 359.97          |
| Unsecured Loans                                   | 225.87          | 355.62          |
|   | <b>1,350.82</b> | <b>715.59</b>   |
| Deferred Tax Liabilities                          | 2.36            | 1.08            |
| <b>Total Funds Employed</b>                       | <b>2466.23</b>  | <b>1039.31</b>  |
| <b>APPLICATION OF FUNDS</b>                       |                 |                 |
| <b>Fixed Assets:</b>                              |                 |                 |
| Goodwill on Consolidation                         | 375.53          | 244.53          |
| Gross Block                                       | 2968.45         | 1488.62         |
| Less: Accumulated Depreciation                    | 1160.15         | 632.36          |
| <b>Net Block</b>                                  | <b>1808.30</b>  | <b>856.26</b>   |
| Capital WIP                                       | 160.04          | 36.57           |
| Investments                                       | 19.28           | 15.22           |
| <b>Current Assets, Loans &amp; Advances</b>       |                 |                 |
| Inventories                                       | 5.69            | 24.84           |
| Sundry Debtors                                    | 54.69           | 52.50           |
| Cash & Bank Balances                              | 579.05          | 32.40           |
| Loans & Advances                                  | 158.09          | 79.19           |
|   | <b>797.52</b>   | <b>188.93</b>   |
| <b>Less: Current Liabilities &amp; Provisions</b> |                 |                 |
| Current Liabilities                               | 697.78          | 294.24          |
| Provisions  | (3.34)          | 7.96            |
|   | <b>694.44</b>   | <b>302.20</b>   |
| <b>Net Current Assets</b>                         | <b>103.08</b>   | <b>(113.27)</b> |
| <b>Total Funds Utilized</b>                       | <b>2466.23</b>  | <b>1039.31</b>  |
| Contingent Liability                              | 78.20           | 89.36           |
| Capital Commitment                                | 329.80          | 53.66           |

## SCHEDULES

Rs. Crores

| <b>PROFIT &amp; LOSS ACCOUNT</b>                          | <b>FY 2007</b> | <b>FY 2006</b>  |
|---|----------------|-----------------|
| <b>INCOME</b>   |                |                 |
| Income from Operations                                    | 1544.75        | 543.18          |
| Less: Excise Duty   | 7.24           | 11.82           |
| <b>Net Income from Operations</b>                         | <b>1537.51</b> | <b>531.36</b>   |
| Other Income  | 10.68          | 2.19            |
|   | <b>1548.19</b> | <b>533.55</b>   |
| <b>EXPENDITURE</b>  |                |                 |
| (Increase) / Decrease in Stocks                           | 5.58           | 0.03            |
| Cost of Materials   | 34.33          | 49.73           |
| Salaries, Wages and Employee Benefits                     | 102.16         | 45.22           |
| Manufacturing, Selling and Other Expenses                 | 897.37         | 272.99          |
| Interest and Other Finance Expenses (Net)                 | 106.03         | 42.37           |
|   | <b>1145.47</b> | <b>410.34</b>   |
| <b>Profit before Depreciation / Amortization</b>          | <b>402.72</b>  | <b>123.21</b>   |
| Depreciation / Amortization                               | 226.96         | 82.78           |
| <b>Profit before Tax</b>                                  | <b>175.76</b>  | <b>40.43</b>    |
| Provision for Taxes                                       | 5.82           | 4.78            |
| <b>Net Profit</b>   | <b>169.94</b>  | <b>35.65</b>    |
| <b>Share in Reserves of Joint Ventures:</b>               |                |                 |
| <b>Proportionate Share in Reserves of Joint Ventures:</b> |                |                 |
| Amalgamation Reserve                                      | 31.73          | 20.71           |
| Capital Reserve   | 15.91          | —               |
| Capital Fund  | 0.01           | 0.01            |
| Capital Redemption Reserve                                | 1.41           | 1.12            |
| Securities Premium Reserve                                | 583.33         | 55.49           |
| General Reserve   | 3.94           | 4.12            |
| Surplus as per P/L Account                                | (359.90)       | (352.96)        |
|   | <b>276.43</b>  | <b>(271.51)</b> |

- 15 The following amount are included in the Miscellaneous expenses in Profit and Loss Account:
- |   |       |        |
|---|-------|--------|
| a) Profit / (Loss) on sale of fixed assets  | 1.58  | (0.45) |
| b) Foreign Exchange difference (net)  | 16.42 | (1.32) |
| c) All Insurance Claims (unless clearly identifiable with the respective heads of expenses)   | 2.57  | 1.43   |
| d) Unspent liabilities, excess provision and unclaimed balances in respect of earlier years written back (net of short provision and sundry balances written off) | 16.76 | 14.95  |
16. During the year the Reporting Company made a rights offer for issue of 98,26,638 equity shares of Rs 10 each at a premium of Rs 783 per equity share, aggregating to Rs 779.25 crores. Pursuant to same, 98,00,201 equity shares of Rs 10 each fully paid up were allotted on February 13, 2007. Allotment of the balance 26,437 Equity Shares of Rs 10 each has been kept under abeyance pending receipt of necessary document for establishing title to these shares.

## SCHEDULES

17. The effect of acquisition / disposal of subsidiaries during the year is as under:

| Rs. Crores                                  |                               |   |            |
|---|-------------------------------|---|------------|
| Name of Subsidiary                          | Revenue<br>(post acquisition) | Net Profit / (Loss)<br>(post acquisition) | Net Assets |
| Crafted Clothing Pvt Limited                | 50.13                         | 0.91                                      | 37.84      |
| AV TransWorks Limited                       | —                             | 0.01                                      | 663.18     |
| Minacs Worldwide Inc, Canada (Consolidated) | 818.37                        | (40.99)                                   | 325.89     |
| Aditya Birla Insulators Limited             | 90.33                         | 5.93                                      | 158.63     |
| TW BPO Philippines Inc                      | 0.11                          | (0.87)                                    | 3.61       |

On February 28, 2007, the Reporting Company disposed off its investment in wholly owned subsidiary ABTL to IDEA for a total consideration of Rs 10 Crores. ABTL had accumulated losses of Rs 2.53 Crores till February 28, 2007 and its carrying value, as on that date was Rs 7.47 Crores.

18. **Disclosure in respect of Related Parties pursuant to Accounting Standard 18**

**a) List of Related Parties**

**Associates**

Crafted Clothing Pvt Limited (up to August 02, 2006)  
 English Apparels Pvt Limited (merged with CCPL w.e.f. April 01, 2006)  
 Harwood Garments Pvt Limited (merged with CCPL w.e.f. April 01, 2006)  
 Birla Securities Limited

**Key Management Personnel**

Dr. Bharat K. Singh – Managing Director (w.e.f. November 01, 2006)  
 Sanjeev Aga – Managing Director (up to October 31, 2006)  
 Adesh Gupta – Whole Time Director  
 K K Maheshwari – Whole Time Director  
 Dr. Rakesh Jain – Whole Time Director (w.e.f. April 03, 2006)  
 S.K. Mitra – Whole Time Director (w.e.f. July 01, 2006)  
 Vikram Rao – Whole Time Director (w.e.f. November 01, 2006)

**Relatives of Key Management Personnel**

Usha Gupta (Wife of Adesh Gupta)  
 Sharda Maheshwari (Wife of K.K. Maheshwari)  
 Sushmita Mitra (Wife of S.K Mitra)  
 Vidya Rao (Wife of Vikram Rao)

**Enterprises having common key management personnel**

K K Maheshwari – Whole Time Director  
 Tanfac Industries Limited

## SCHEDULES

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

Rs. Crores

| Transaction / Nature of Relationship             | Associates     | Enterprise having common Key Management Personnel | Key Management Personnel | Relatives of Key Management Personnel | Grand Total    |
|--|----------------|---|--------------------------|---------------------------------------|----------------|
| <b>Purchase of goods and services</b>            |                |   |                          |                                       |                |
| Crafted Clothing Pvt. Ltd.                       | 13.97          | —   | —                        | —                                     | 13.97          |
|  | (15.40)        | —   | —                        | —                                     | (15.40)        |
| Harwood Garments Pvt. Ltd.                       | —              | —   | —                        | —                                     | —              |
|  | (2.09)         | —   | —                        | —                                     | (2.09)         |
| Others   | —              | —   | 0.01                     | 0.15                                  | 0.16           |
|  | (0.88)         | —   | —                        | (0.06)                                | (0.93)         |
| <b>Total</b>                                     | <b>13.97</b>   | <b>—</b>  | <b>0.01</b>              | <b>0.15</b>                           | <b>14.13</b>   |
|  | <b>(18.36)</b> | <b>—</b>  | <b>—</b>                 | <b>(0.06)</b>                         | <b>(18.42)</b> |
| <b>Sales of Goods and Services</b>               |                |   |                          |                                       |                |
| Tanfac Industries Ltd.                           | —              | 1.26  | —                        | —                                     | 1.26           |
|  | —              | (2.02)  | —                        | —                                     | (2.02)         |
| <b>Total</b>                                     | <b>—</b>       | <b>1.26</b>                                       | <b>—</b>                 | <b>—</b>                              | <b>1.26</b>    |
|  | <b>—</b>       | <b>(2.02)</b>                                     | <b>—</b>                 | <b>—</b>                              | <b>(2.02)</b>  |
| <b>Interest Received</b>                         |                |   |                          |                                       |                |
| Crafted Clothing Pvt. Ltd.                       | 0.02           | —   | —                        | —                                     | 0.02           |
|  | —              | —   | —                        | —                                     | —              |
| <b>Total</b>                                     | <b>0.02</b>    | <b>—</b>  | <b>—</b>                 | <b>—</b>                              | <b>0.02</b>    |
|  | <b>—</b>       | <b>—</b>  | <b>—</b>                 | <b>—</b>                              | <b>—</b>       |
| <b>Receipt against Reimbursement of expenses</b> |                |   |                          |                                       |                |
| Crafted Clothing Pvt. Ltd.                       | —              | —   | —                        | —                                     | —              |
|  | (0.01)         | —   | —                        | —                                     | (0.01)         |
| English Apparels Pvt. Ltd.                       | —              | —   | —                        | —                                     | —              |
|  | (0.01)         | —   | —                        | —                                     | (0.01)         |
| Harwood Garments Pvt. Ltd.                       | —              | —   | —                        | —                                     | —              |
|  | (0.02)         | —   | —                        | —                                     | (0.02)         |
| <b>Total</b>                                     | <b>—</b>       | <b>—</b>  | <b>—</b>                 | <b>—</b>                              | <b>—</b>       |
|  | <b>(0.04)</b>  | <b>—</b>  | <b>—</b>                 | <b>—</b>                              | <b>(0.04)</b>  |
| <b>Interest Expenses</b>                         |                |   |                          |                                       |                |
| Birla Securities Ltd.                            | 0.01           | —   | —                        | —                                     | 0.01           |
|  | (β)            | —   | —                        | —                                     | (β)            |
| <b>Total</b>                                     | <b>0.01</b>    | <b>—</b>  | <b>—</b>                 | <b>—</b>                              | <b>0.01</b>    |
|  | <b>(β)</b>     | <b>—</b>  | <b>—</b>                 | <b>—</b>                              | <b>(β)</b>     |
| <b>Managerial Remuneration Paid</b>              |                |   |                          |                                       |                |
| Mr. Sanjeev Aga                                  | —              | —   | 2.05                     | —                                     | 2.05           |
|  | —              | —   | (1.80)                   | —                                     | (1.80)         |
| Mr. Bharat K. Singh                              | —              | —   | 0.68                     | —                                     | 0.68           |
|  | —              | —   | —                        | —                                     | —              |
| Mr. Adesh Gupta                                  | —              | —   | 1.01                     | —                                     | 1.01           |
|  | —              | —   | (0.38)                   | —                                     | (0.38)         |
| Mr. K. K. Maheshwari                             | —              | —   | 2.00                     | —                                     | 2.00           |
|  | —              | —   | (0.71)                   | —                                     | (0.71)         |
| Mr. Rakesh Jain                                  | —              | —   | 2.53                     | —                                     | 2.53           |
|  | —              | —   | —                        | —                                     | —              |
| Mr. S. K. Mitra                                  | —              | —   | 1.82                     | —                                     | 1.82           |
|  | —              | —   | —                        | —                                     | —              |
| Mr. Vikram Rao                                   | —              | —   | 0.59                     | —                                     | 0.59           |
|  | —              | —   | —                        | —                                     | —              |
| <b>Total</b>                                     | <b>—</b>       | <b>—</b>  | <b>10.68</b>             | <b>—</b>                              | <b>10.68</b>   |
|  | <b>—</b>       | <b>—</b>  | <b>(2.89)</b>            | <b>—</b>                              | <b>(2.89)</b>  |

## SCHEDULES

Rs. Crores

| Transaction / Nature of Relationship  | Associates    | Enterprise having common Key Management Personnel | Key Management Personnel | Relatives of Key Management Personnel | Grand Total   |
|---|---------------|---|--------------------------|---------------------------------------|---------------|
| <b>Fresh investment made</b>  |               |   |                          |                                       |               |
| Crafted Clothing Pvt. Ltd.  | —             | —   | —                        | —                                     | —             |
| Others  | (5.70)        | —   | —                        | —                                     | (5.70)        |
|   | —             | —   | —                        | —                                     | —             |
|   | (0.01)        | —   | —                        | —                                     | (0.01)        |
| <b>Total</b>  | —             | —   | —                        | —                                     | —             |
|   | <b>(5.71)</b> | —   | —                        | —                                     | <b>(5.71)</b> |
| <b>Loans granted (including Inter Corporate Deposits and Interest thereon)</b>      |               |   |                          |                                       |               |
| Crafted Clothing Pvt. Ltd.  | 3.00          | —   | —                        | —                                     | 3.00          |
|   | —             | —   | —                        | —                                     | —             |
| <b>Total</b>  | <b>3.00</b>   | —   | —                        | —                                     | <b>3.00</b>   |
|   | —             | —   | —                        | —                                     | —             |
| <b>Loans granted received back (including Inter Corporate Deposits)</b>             |               |   |                          |                                       |               |
| Mr. Adesh Gupta   | —             | —   | 0.01                     | —                                     | 0.01          |
|   | —             | —   | —                        | —                                     | —             |
| <b>Total</b>  | —             | —   | <b>0.01</b>              | —                                     | <b>0.01</b>   |
|   | —             | —   | —                        | —                                     | —             |
| <b>Loans taken (including Inter Corporate Deposits &amp; Bills Re-discounting )</b> |               |   |                          |                                       |               |
| Birla Securities Ltd.   | 0.07          | —   | —                        | —                                     | 0.07          |
|   | (0.02)        | —   | —                        | —                                     | (0.02)        |
| Mr. S.K.Mitra   | —             | —   | 0.29                     | —                                     | 0.29          |
|   | —             | —   | —                        | —                                     | —             |
| Mrs. Sushmita Mitra   | —             | —   | —                        | 0.26                                  | 0.26          |
|   | —             | —   | —                        | —                                     | —             |
| Others  | —             | —   | —                        | 0.01                                  | 0.01          |
|   | —             | —   | —                        | —                                     | —             |
| <b>Total</b>  | <b>0.07</b>   | —   | <b>0.29</b>              | <b>0.27</b>                           | <b>0.63</b>   |
|   | <b>(0.02)</b> | —   | —                        | —                                     | <b>(0.02)</b> |
| <b>Loans repaid (including Inter Corporate Deposits and Bills Re-discounting)</b>   |               |   |                          |                                       |               |
| Birla Securities Ltd.   | 0.18          | —   | —                        | —                                     | 0.18          |
|   | (0.18)        | —   | —                        | —                                     | (0.18)        |
| Mr. S.K.Mitra   | —             | —   | 0.29                     | —                                     | 0.29          |
|   | —             | —   | —                        | —                                     | —             |
| Mrs. Sushmita Mitra   | —             | —   | —                        | 0.26                                  | 0.26          |
|   | —             | —   | —                        | —                                     | —             |
| Others  | —             | —   | —                        | 0.01                                  | 0.01          |
|   | —             | —   | —                        | —                                     | —             |
| <b>Total</b>  | <b>0.18</b>   | —   | <b>0.29</b>              | <b>0.27</b>                           | <b>0.74</b>   |
|   | <b>(0.18)</b> | —   | —                        | —                                     | <b>(0.18)</b> |
| <b>Guarantees given during the year</b>   |               |   |                          |                                       |               |
| Crafted Clothing Pvt. Ltd.  | —             | —   | —                        | —                                     | —             |
|   | (5.00)        | —   | —                        | —                                     | (5.00)        |
| <b>Total</b>  | —             | —   | —                        | —                                     | —             |
|   | <b>(5.00)</b> | —   | —                        | —                                     | <b>(5.00)</b> |

## SCHEDULES

Rs. Crores

| Transaction / Nature of Relationship        | Associates     | Enterprise having common Key Management Personnel | Key Management Personnel | Relatives of Key Management Personnel | Grand Total    |
|---|----------------|---|--------------------------|---------------------------------------|----------------|
| <b>Outstanding balances as at 31.3.2007</b> |                |   |                          |                                       |                |
| Loan granted (Including Interest)           | —              | —   | 0.05<br>(0.06)           | —                                     | 0.05<br>(0.06) |
| Loans taken                                 | —<br>(0.11)    | —   | —                        | —                                     | —<br>(0.11)    |
| Amount receivable against Debtors           | —              | 0.18<br>(0.28)                                    | —                        | —                                     | 0.18<br>(0.28) |
| Amounts Payable                             | —<br>(3.95)    | —   | —                        | —                                     | —<br>(3.95)    |
| Guarantees provided for                     | —<br>(35.72)   | —   | —                        | —                                     | —<br>(35.72)   |
| Deposits Receivable                         | —              | —   | —                        | 4.50<br>(3.05)                        | 4.50<br>(3.05) |
| Investments                                 | 0.01<br>(5.71) | —   | —                        | —                                     | 0.01<br>(5.71) |

### 19. Earnings per Share (EPS) is calculated as under:

|  | FY 2007               | FY 2006           |
|--|-----------------------|-------------------|
| Net Profit after exceptional items as disclosed in Profit & Loss account                                   | 281.23                | 204.04            |
| Less: Preference Dividend of IDEA  | —                     | 4.64              |
| <b>Net Profit for EPS</b>  | <b>(A) 281.23</b>     | <b>199.40</b>     |
| <b>Basic</b>   |                       |                   |
| Weighted average number of Equity Shares outstanding   | 84,766,362            | 73,603,988        |
| Add: Adjustment for bonus element in rights issue  | 3,114,714             | 2,745,429         |
| <b>Weighted average number of Equity Shares outstanding during the year for calculation of Basic EPS</b>   | <b>(B) 87,881,076</b> | <b>76,349,417</b> |
| <b>Basic EPS (Rs)</b>  | <b>(A/B) 32.00</b>    | <b>26.12</b>      |
| Weighted average number of Equity Shares outstanding   | 84,766,362            | 73,603,988        |
| Add: Shares held in abeyance   | 47,874                | 22,097            |
| Add: Adjustment for bonus element in rights issue including for shares held in abeyance                    | 3,115,536             | 2,746,253         |
| <b>Weighted average number of Equity Shares outstanding during the year for calculation of Diluted EPS</b> | <b>(C) 87,929,772</b> | <b>76,372,338</b> |
| <b>Diluted EPS (Rs)</b>  | <b>(A/C) 31.98</b>    | <b>26.11</b>      |
| Nominal value of Shares (in Rs.)   | 10.00                 | 10.00             |

## SCHEDULES

### 20. For Segment Information - Refer Annexure I

Segments have been identified in line with the Accounting Standard on Segment Reporting (AS17), taking into account the organizational structure as well as differential risk and returns of these segments.

|                    |  |
|--------------------|--|
| Garments           | Branded Apparels & Accessories, Contract Exports   |
| Rayon              | Viscose Filament Yarn, Caustic Soda and Allied Chemicals   |
| Carbon Black       | Carbon Black   |
| Insulator          | Insulators   |
| Textiles           | Spun Yarn, Fabrics   |
| Fertilizers        | Urea, Pesticides & Argon Gas   |
| Financial Services | Retail Asset Finance, Corporate Finance, Capital Market, Syndication, Insurance Advisory, Asset Management, Brokerage Income |
| Software           | Software Services  |
| Life Insurance     | Life Insurance Services  |
| Telecom            | Telecommunication Services   |
| BPO                | Business Process Outsourcing Services  |

The Reporting Company considers secondary segment based on revenues within India as Domestic Revenues and outside India as Export Revenues. Since assets are used interchangeably, carrying amount of assets and cost incurred during the period to acquire assets based on secondary segment has not been disclosed.

### 21. For Cash flow statement - Refer annexure II

22. Previous year's figures have been regrouped / rearranged wherever necessary.

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S. R. BATLIBOI & CO.  
Chartered Accountants

DR. BHARAT K. SINGH  
Managing Director

Directors: TARJANI VAKIL  
P. MURARI  
B.R. GUPTA  
G.P. GUPTA

Per SHIVJI K.VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

Per HEMAL SHAH  
Partner  
M. No. 42650

ADESH GUPTA  
Wholetime Director & CFO

DEVENDRA BHANDARI  
Company Secretary

## SEGMENT DISCLOSURES FOR THE YEAR ENDED 31ST MARCH, 2007

### Annexure - I

Rs. Crores

| (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) |               | Fertilizers   |               | Financial Services |               | Software     |               |  |         |         |  |         |        |  |         |         |
|--|---------------|---------------|--|---------------|---------------|---------------|--|---------------|---|---------------|---------------|---------------|--------------------|---------------|--------------|---------------|--|---------|---------|--|---------|--------|--|---------|---------|
|  | 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>  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Income from External Customers   | 830.32        | 620.56        | 441.46   | 385.55        | 738.94        | 564.21        | 225.30   | 249.19        | 617.52                                  | 524.88        | 778.48        | 379.38        | 136.55             | 70.97         | 93.07        | 85.77         |  |         |         |  |         |        |  |         |         |
| Inter Segment Revenue  | 0.06          | 0.08          | —  | —             | —             | 0.02          | —  | —             | 7.48                                    | 2.81          | —             | —             | —                  | —             | 0.51         | 0.02          |  |         |         |  |         |        |  |         |         |
| <b>Total Segment Revenue</b>   | <b>830.38</b> | <b>620.64</b> | <b>441.46</b>                                      | <b>385.55</b> | <b>738.94</b> | <b>564.23</b> | <b>225.30</b>  | <b>249.19</b> | <b>625.00</b>                           | <b>527.69</b> | <b>778.48</b> | <b>379.38</b> | <b>136.55</b>      | <b>70.97</b>  | <b>93.58</b> | <b>85.79</b>  |  |         |         |  |         |        |  |         |         |
| <b>b Segment Result (PBIT)</b>   | <b>64.57</b>  | <b>33.08</b>  | <b>88.74</b>                                       | <b>64.22</b>  | <b>116.03</b> | <b>75.85</b>  | <b>42.80</b>   | <b>31.21</b>  | <b>52.13</b>                            | <b>41.44</b>  | <b>100.89</b> | <b>55.54</b>  | <b>33.52</b>       | <b>22.45</b>  | <b>4.86</b>  | <b>3.78</b>   |  |         |         |  |         |        |  |         |         |
| Less:- Interest and Finance charges*   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Add:- Unallocable income net of Unallocable expenditure  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>Profit before Tax and Exceptional items</b>   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Loss/(Gain) due to Exceptional Items   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>Profit before tax</b>   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Provision for Current Tax  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Provision for Deferred Tax   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Provision for FBT  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Tax Provision for earlier years written back   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>Profit before Minority Interest</b>   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Minority Interest  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Share of Profit/(loss) of Associate  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>Net Profit</b>  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>c Carrying amount of Segment Assets</b>   | <b>645.84</b> | <b>457.76</b> | <b>533.32</b>                                      | <b>476.00</b> | <b>608.64</b> | <b>557.40</b> | <b>227.47</b>  | <b>143.11</b> | <b>361.34</b>                           | <b>305.60</b> | <b>479.93</b> | <b>354.37</b> | <b>695.28</b>      | <b>449.27</b> | <b>41.31</b> | <b>40.66</b>  |  |         |         |  |         |        |  |         |         |
| Unallocated Assets   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Total Assets   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>d Carrying amount of Segment Liabilities</b>  | <b>150.95</b> | <b>110.98</b> | <b>82.78</b>                                       | <b>67.77</b>  | <b>121.40</b> | <b>148.40</b> | <b>41.37</b>   | <b>39.91</b>  | <b>50.16</b>                            | <b>73.07</b>  | <b>79.18</b>  | <b>51.03</b>  | <b>548.70</b>      | <b>325.38</b> | <b>12.18</b> | <b>17.52</b>  |  |         |         |  |         |        |  |         |         |
| Unallocated liabilities  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Total Liabilities  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>e Cost incurred to acquire Segment fixed assets during the year</b>   | <b>44.38</b>  | <b>26.04</b>  | <b>148.63</b>                                      | <b>50.57</b>  | <b>8.00</b>   | <b>10.51</b>  | <b>1.46</b>  | <b>2.67</b>   | <b>31.33</b>                            | <b>51.83</b>  | <b>18.58</b>  | <b>1.64</b>   | <b>4.15</b>        | <b>28.59</b>  | <b>3.33</b>  | <b>1.77</b>   |  |         |         |  |         |        |  |         |         |
| Unallocated assets   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>f Depreciation / Amortization</b>   | <b>31.28</b>  | <b>26.65</b>  | <b>30.94</b>                                       | <b>25.50</b>  | <b>16.20</b>  | <b>16.52</b>  | <b>8.09</b>  | <b>5.96</b>   | <b>15.23</b>                            | <b>15.21</b>  | <b>28.71</b>  | <b>26.10</b>  | <b>5.13</b>        | <b>3.47</b>   | <b>1.54</b>  | <b>1.87</b>   |  |         |         |  |         |        |  |         |         |
| Unallocated depreciation   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| * Interest and finance charges exclude interest of Rs 42.01Cr (PY 16.42 Cr.) on Financial Services Business, since it is considered as an expense for deriving Segment Result  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>(II) Secondary segment – Geographical</b>   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <b>a) The Company's operating facilities are located in India</b>  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Domestic Revenues  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Exports Revenues   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| Total  |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%;"></td> <td style="text-align: right; border-bottom: 1px solid black;">6509.20</td> <td style="text-align: right; border-bottom: 1px solid black;">4247.20</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 1px solid black;">1748.80</td> <td style="text-align: right; border-bottom: 1px solid black;">759.73</td> </tr> <tr> <td></td> <td style="text-align: right; border-bottom: 3px double black;">8258.00</td> <td style="text-align: right; border-bottom: 3px double black;">5006.93</td> </tr> </table> |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  | 6509.20 | 4247.20 |  | 1748.80 | 759.73 |  | 8258.00 | 5006.93 |
|  | 6509.20       | 4247.20       |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
|  | 1748.80       | 759.73        |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
|  | 8258.00       | 5006.93       |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |
| # Inter segment revenues are recognised on arm's length basis.   |               |               |  |               |               |               |  |               |   |               |               |               |                    |               |              |               |  |         |         |  |         |        |  |         |         |

## SEGMENT DISCLOSURES FOR THE YEAR ENDED 31ST MARCH, 2007

### Annexure - I

Rs. Crores

| (I) Primary Segments - Business  | Life Insurance  |                 | Telecom         |                 | BPO             |               | 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   |
| <b>a Segment Revenue#</b>  |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                |                  |                 |
| Income from External Customers   | 1,959.89        | 1,575.08        | 1,421.81        | 388.32          | 1,013.68        | 162.05        | 0.98         | 0.98          | 8,258.00         | 5,006.93        |                           |                |                  |                 |
| Inter Segment Revenue  | 0.12            | 0.30            | —               | —               | 1.86            | 1.25          | —            | —             | 10.03            | 4.48            |                           |                |                  |                 |
| <b>Total Segment Revenue</b>   | <b>1,960.01</b> | <b>1,575.38</b> | <b>1,421.81</b> | <b>388.32</b>   | <b>1,015.54</b> | <b>163.30</b> | <b>0.98</b>  | <b>0.98</b>   | <b>8,268.03</b>  | <b>5,011.41</b> | <b>(10.03)</b>            | <b>(4.48)</b>  | <b>8,258.00</b>  | <b>5,006.93</b> |
| <b>b Segment Result (PBIT)</b>   | <b>(135.45)</b> | <b>(57.94)</b>  | <b>271.06</b>   | <b>73.10</b>    | <b>33.76</b>    | <b>28.15</b>  | <b>0.43</b>  | <b>0.68</b>   | <b>673.33</b>    | <b>371.55</b>   | <b>—</b>                  | <b>—</b>       | <b>673.33</b>    | <b>371.55</b>   |
| Less:- Interest and Finance charges*                                   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 320.88           | 87.41           |
| Add:- Unallocable income net of Unallocable expenditure                |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 1.01             | 2.78            |
| <b>Profit before Tax and Exceptional items</b>                         |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | <b>353.47</b>    | <b>286.92</b>   |
| Loss/(Gain) due to Exceptional Items                                   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | (0.53)           | 4.04            |
| <b>Profit before tax</b>   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | <b>353.99</b>    | <b>282.89</b>   |
| Provision for Current Tax  |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 114.58           | 96.81           |
| Provision for Deferred Tax   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 18.03            | (5.51)          |
| Provision for FBT  |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 9.26             | 8.19            |
| Tax Provision for earlier years written back                           |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | (30.31)          | (5.37)          |
| <b>Profit before Minority Interest</b>                                 |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | <b>242.43</b>    | <b>188.77</b>   |
| Minority Interest Share of Profit/(loss) of Associate                  |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 0.46             | 0.37            |
| <b>Net Profit</b>  |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | <b>281.23</b>    | <b>204.04</b>   |
| <b>c Carrying amount of Segment Assets</b>                             | <b>4,322.58</b> | <b>2,714.34</b> | <b>3,092.98</b> | <b>1,168.46</b> | <b>1,038.69</b> | <b>88.68</b>  | <b>30.52</b> | <b>30.14</b>  | <b>12,077.90</b> | <b>6,785.81</b> | <b>(49.89)</b>            | <b>(40.37)</b> | <b>12,028.01</b> | <b>6,745.44</b> |
| Unallocated Assets   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 2,694.66         | 1,316.26        |
| Total Assets   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | <b>14,722.66</b> | <b>8,061.70</b> |
| <b>d Carrying amount of Segment Liabilities</b>                        | <b>4,095.61</b> | <b>2,559.16</b> | <b>675.50</b>   | <b>251.97</b>   | <b>127.95</b>   | <b>15.91</b>  | <b>0.84</b>  | <b>1.05</b>   | <b>5,986.63</b>  | <b>3,662.16</b> | <b>(49.89)</b>            | <b>(40.37)</b> | <b>5,936.74</b>  | <b>3,621.80</b> |
| Unallocated liabilities  |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 5,149.11         | 2,298.18        |
| Total Liabilities  |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | <b>11,085.85</b> | <b>5,919.98</b> |
| <b>e Cost incurred to acquire Segment fixed assets during the year</b> | <b>39.21</b>    | <b>22.27</b>    | <b>842.96</b>   | <b>123.06</b>   | <b>74.63</b>    | <b>15.99</b>  | <b>—</b>     | <b>—</b>      | <b>1,216.65</b>  | <b>334.94</b>   | <b>—</b>                  | <b>—</b>       | <b>1,216.65</b>  | <b>334.94</b>   |
| Unallocated assets   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 1.07             | 2.47            |
| <b>f Depreciation / Amortization</b>                                   | <b>20.36</b>    | <b>14.04</b>    | <b>218.71</b>   | <b>74.62</b>    | <b>43.95</b>    | <b>12.70</b>  | <b>0.22</b>  | <b>0.22</b>   | <b>420.35</b>    | <b>222.86</b>   | <b>—</b>                  | <b>—</b>       | <b>420.35</b>    | <b>222.86</b>   |
| Unallocated depreciation   |                 |                 |                 |                 |                 |               |              |               |                  |                 |                           |                | 2.43             | 2.10            |

# CONSOLIDATED CASH FLOW STATEMENT AS ON 31ST MARCH, 2007

ANNEXURE II

Rs. Crores

| PARTICULARS  | 2006-07           | 2005-06           |
|--|-------------------|-------------------|
| <b>A CASH FLOW FROM OPERATING ACTIVITIES</b>                   |                   |                   |
| Net Profit before tax  | <b>353.99</b>     | <b>282.89</b>     |
| Adjustments for :  |                   |                   |
| Depreciation   | 423.54            | 225.07            |
| Change in valuation of liabilities in respect of life policies | 1,383.55          | 1,166.06          |
| Provision for doubtful debts                                   | 19.50             | 10.32             |
| Provision for ESOP   | 0.37              | 0.68              |
| Interest Expenses (Net)  | 362.88            | 103.83            |
| (Profit) / Loss on Fixed Assets sold                           | (1.58)            | 0.45              |
| (Profit) / Loss on Sale of Investments                         | (9.54)            | (3.23)            |
| Investment Income on Shareholders' Fund                        | (15.38)           | (9.36)            |
| Dividend Income  | (21.10)           | (14.69)           |
|  | <u>2,142.24</u>   | <u>1,479.13</u>   |
| <b>Exceptional items</b>                                       | <b>(2.53)</b>     | <b>—</b>          |
| <b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>         | <b>2,493.70</b>   | <b>1,762.02</b>   |
| Adjustments for:   |                   |                   |
| Decrease / (Increase) in trade and other receivables           | (639.99)          | 186.57            |
| Decrease / (Increase) in inventories                           | 13.69             | (118.21)          |
| Increase / (Decrease) in trade and other payables              | 377.63            | (119.99)          |
|  | <u>(248.67)</u>   | <u>(51.63)</u>    |
| <b>CASH GENERATED FROM OPERATIONS</b>                          | <b>2,245.03</b>   | <b>1,710.39</b>   |
| Income Taxes Refund/(Paid) (net)                               | (92.40)           | (93.92)           |
|  | <u>(92.40)</u>    | <u>(93.92)</u>    |
| <b>NET CASH FROM OPERATING ACTIVITIES</b>                      | <b>2,152.63</b>   | <b>1,616.47</b>   |
| <b>B CASH FLOW FROM INVESTING ACTIVITIES</b>                   |                   |                   |
| (Purchase)/ Sale of Fixed Assets                               | (1,386.56)        | (412.63)          |
| Investment in subsidiary (Net of Cash)                         | (630.18)          | (0.11)            |
| Amount received on disposal of Subsidiary                      | 10.00             | —                 |
| Sale/ (Purchase) of Investments (net)                          | (1,616.74)        | (944.83)          |
| Investment in Joint Venture (IDEA)                             | (1,317.56)        | (645.14)          |
| Inter Corporate Deposits                                       | 193.91            | (193.95)          |
| Interest received  | 21.86             | 10.39             |
| Investment Income on Shareholders' Fund                        | 15.38             | 9.36              |
| Dividend received  | 21.10             | 14.69             |
|  | <u>(4,688.79)</u> | <u>(2,162.22)</u> |
| <b>NET CASH (USED IN)/FROM INVESTING ACTIVITIES</b>            | <b>(4,688.79)</b> | <b>(2,162.22)</b> |

## CONSOLIDATED CASH FLOW STATEMENT AS ON 31ST MARCH, 2007

|  | Rs. Crores      |               |
|--|-----------------|---------------|
| PARTICULARS  | 2006-07         | 2005-06       |
| <b>C CASH FLOW FROM FINANCING ACTIVITIES</b>                     |                 |               |
| Proceeds from issue of Shares under Right Issue                  | 9.81            | —             |
| Redemption of Preference Shares in Joint Venture                 | (153.50)        | —             |
| Proceeds from issue of Shares to Minority                        | 137.59          | 28.60         |
| Adjustment arising out of Foreign Currency Fluctuation           | 27.26           | —             |
| Security Premium on issue of shares of Company and Joint Venture | 1,223.69        | 0.06          |
| Proceeds from / (Repayment of) Borrowings (net)                  | 2,428.33        | 710.59        |
| Dividends paid (including tax thereon)                           | (107.44)        | (27.31)       |
| Interest and Finance Charges paid                                | (367.80)        | (111.23)      |
| <b>NET CASH (USED IN)/FROM FINANCING ACTIVITIES</b>              | <b>3,197.94</b> | <b>600.71</b> |
| NET INCREASE IN CASH AND EQUIVALENTS                             | 661.78          | 54.96         |
| CASH AND CASH EQUIVALENTS (OPENING BALANCE)                      | 154.07          | 88.72         |
| CASH OF BGFL SUBSIDIARIES AND JOINT VENTURES                     | —               | 4.23          |
| CASH OF IGFL AND BGFL  | —               | 6.16          |
| CASH AND CASH EQUIVALENTS (CLOSING BALANCE)                      | 815.85          | 154.07        |
| Notes:   |                 |               |
| 1) Cash and cash equivalents include:—                           |                 |               |
| Cash, cheque in hand and remittance in transit                   | 73.26           | 65.75         |
| Balance with Banks   | 742.59          | 88.32         |
| Total  | <b>815.85</b>   | <b>154.07</b> |

2) Previous year's figures have been regrouped / rearranged to confirm to the current year's presentation, wherever necessary.

For KHIMJI KUNVERJI & CO.  
Chartered Accountants

For S. R. BATLIBOI & CO.  
Chartered Accountants

DR. BHARAT K. SINGH  
Managing Director

Directors: TARJANI VAKIL  
P. MURARI  
B.R. GUPTA  
G.P. GUPTA

ADESH GUPTA  
Wholetime Director & CFO

Per SHIVJI K.VIKAMSEY  
Partner  
M. No. 2242  
Mumbai, May 03, 2007

Per HEMAL SHAH  
Partner  
M. No. 42650

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 Insurance Advisory Services Limited | Birla Global Finance Company Limited |
|--|--|--|-----------------------------------|---|--------------------------------------|
|  |  | US \$ in Lacs                              | Rs. Crores                        |   |                                      |
| The period of the Subsidiary Company   |  | 1st April 2006 to 31st March 2007          | 1st April 2006 to 31st March 2007 | 1st April 2006 to 31st March 2007         | 1st April 2006 to 31st March 2007    |
| <b>Extent of interest in Subsidiary Company</b>  |  |  |                                   |   |                                      |
| Equity Share Capital   |  | 671.50                                     | 25.00                             | 2.70                                      | 75.96                                |
| % Share held by Aditya Birla Nuvo Ltd. and its Subsidiaries  |  | 74.00%                                     | 99.00%                            | 50.01%                                    | 100.00%                              |
| Net aggregate amount of the profits / (losses) of the Subsidiary Company for the period, so far as it concerns members of Aditya Birla Nuvo Ltd. |  |  |                                   |   |                                      |
| a) not dealt with in the Accounts of the Company   |  |  |                                   |   |                                      |
| (i) For the financial year of the subsidiary   |  | (103.40)                                   | 5.87                              | 1.38                                      | 5.40                                 |
| (ii) For the previous financial years since it became the subsidiary of the Company  |  | (223.73)                                   | -                                 | 1.01                                      | (1.01)                               |
| b) dealt with in the Accounts of the Company   |  |  |                                   |   |                                      |
| (i) For the financial year of the subsidiary   |  |  |                                   |   |                                      |
| (ii) For the previous financial years since it became the subsidiary of the Company  |  |  |                                   |   |                                      |
| Additional Information u/s 212 (5)   |  |  |                                   |   |                                      |

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

|  | BGFCL Corporate Finance Private Limited |                                   | Transworks Information Services Ltd. |                                   | Transworks Inc. USA               |                                   | A V Tranworks Limited, Canada        |                                     | Transworks BPO Philippines Inc       |                 | Minacs Worldwide Inc, Canada (Consolidated)* |  |
|--|---|-----------------------------------|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-----------------|--|--|
|  | 1st April 2006 to 31st March 2007       |                                   | 1st April 2006 to 31st March 2007    |                                   | 1st April 2006 to 31st March 2007 |                                   | 16th June 2006 to 31st March 2007    |                                     | 3rd November 2006 to 31st March 2007 |                 | 18th August 2006 to 31st March 2007          |  |
|  | Rs. Crores                              | US \$ in lacs                     | Rs. Crores                           | US \$ in lacs                     | Rs. Crores                        | CAD in lacs                       | Rs. Crores                           | PHP in lacs                         | Rs. Crores                           | CAD in Millions | Rs. Crores                                   |  |
| The period of the Subsidiary Company   | 1st April 2006 to 31st March 2007       | 1st April 2006 to 31st March 2007 | 1st April 2006 to 31st March 2007    | 1st April 2006 to 31st March 2007 | 1st April 2006 to 31st March 2007 | 16th June 2006 to 31st March 2007 | 3rd November 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 |                                      |                 |  |  |
| <b>Extent of interest in Subsidiary Company</b>  |   |                                   |                                      |                                   |                                   |                                   |                                      |                                     |                                      |                 |  |  |
| Equity Share Capital   | 0.51                                    | 2.35                              | 7.00                                 | 3.33                              | 1,270.00                          | 480.06                            | 490.37                               | 39.75                               | 150.27                               |                 |  |  |
| % Share held by Aditya Birla Nuvo Ltd. and its Subsidiaries  | 100 %                                   | 88.28%                            | 100 %                                | 100 %                             | 100 %                             | 100 %                             | 100 %                                | 100 %                               | 100 %                                |                 |  |  |
| Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of Aditya Birla Nuvo Ltd. | 0.19                                    | 21.22                             | 1.00                                 | 0.35                              | 0.02                              | 0.01                              | (89.47)                              | (10.46)                             | (40.99)                              |                 |  |  |
| a) not dealt with in the Accounts of the Company   |   |                                   |                                      |                                   |                                   |                                   |                                      |                                     |                                      |                 |  |  |
| (i) For the financial year of the subsidiary   |   |                                   |                                      |                                   |                                   |                                   |                                      |                                     |                                      |                 |  |  |
| (ii) For the previous financial years since it became the subsidiary of the Company  | (0.02)                                  | 25.07                             | 0.44                                 | 0.39                              | -                                 | -                                 | -                                    | -                                   | -                                    |                 |  |  |
| b) dealt with in the Accounts of the Company   |   |                                   |                                      |                                   |                                   |                                   |                                      |                                     |                                      |                 |  |  |
| (i) For the financial year of the subsidiary   | Nil                                     | 0.16                              | Nil                                  | 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                               | Nil                                  | Nil                                 | Nil                                  |                 |  |  |
| Additional Information u/s 212 (5)   | Not Applicable                          | Not Applicable                    | Not Applicable                       | Not Applicable                    | Not Applicable                    | Not Applicable                    | Not Applicable                       | Not Applicable                      | Not Applicable                       |                 |  |  |

**Notes :**

Aditya Birla Telecom Ltd. ceased to be subsidiary w.e.f 28.02.2007.

Alpha Garments Pvt. Limited merged with Madura Garments Exports Ltd. w.e.f 1.4.2006.

Minacs Worldwide Inc, Canada (Consolidated) is converted at the average rate of exchange of CAD\$ = Rs 39.21 (Rate as on March 31, 2007 CAD\$ = Rs 37.80)

\* For details of subsidiaries of Minacs Worldwide Inc, Canada refer Annexure "1"

|                      |  |   |  |           |  |
|----------------------|--|---|--|-----------|--|
| Mumbai, May 03, 2007 | DR. BHARAT K. SINGH<br>Managing Director | ADESH GUPTA<br>Wholesale Director and CFO | DEVENDRA BHANDARI<br>Company Secretary | Directors | TARAJANI VAKIL<br>P. MURAI<br>B. R. GUPTA<br>G. P. Gupta |
|----------------------|--|---|--|-----------|--|

The Ministry of Company Affairs, Government of India vide its orders No. 47/25/2007-CL-III dated March 14, 2007 and May 17, 2007, issued under section 212 (8) of the Companies Act, 1956, has exempted the Company from attaching the documents of subsidiaries of the Company on March 31, 2007 under section 212(1) of the Companies Act, 1956. However, Annual Accounts of the subsidiary companies for the year ending on March 31, 2007, and the related detailed information will be made available to the investors of the company at any point of time. The annual accounts of the subsidiary companies are available for inspection by any investor at the Registered Office of the Company and of the concerned subsidiary of the Company.

ANNEXURE '1' OF STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956

|  | Minacs Worldwide Inc, Canada        |                                     | Millman Insurance, Canada           |                                     | Minacs Kft, Hungary                 |                                     | Minacs Ltd. UK                      |                                     | Minacs Worldwide S.A. de C.V., Mexico |                                     | Minacs GmbH, Germany                |                                     | Minacs Group, USA                   |                                     |
|--|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|-------------------------------------|
|  | CAD in Lacs                         | Rs. Crores                          | CAD in '000                         | Rs. Lacs                            | HUF in Lacs                         | Rs. Crores                          | GBP in Lacs                         | Rs. Crores                          | MXN in Lacs                           | Rs. Crores                          | EUR in Lacs                         | Rs. Crores                          | USD in Lacs                         | Rs. Crores                          |
| The period of the Subsidiary Company   | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007   | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 | 18th August 2006 to 31st March 2007 |
| <b>Extent of interest in Subsidiary Company</b>  |                                     |                                     |                                     |                                     |                                     |                                     |                                     |                                     |                                       |                                     |                                     |                                     |                                     |                                     |
| Equity Share Capital   | 397.55                              | 150.27                              | 0.10                                | 0.04                                | 30.00                               | 0.07                                | 0.01                                | 0.01                                | 0.50                                  | 0.02                                | 0.25                                | 0.15                                | 3.02                                | 1.31                                |
| % Share held by Aditya Birla Nuvo Ltd. and its Subsidiaries  | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                               | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                             | 100.00%                             |
| Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of Aditya Birla Nuvo Ltd. | (119.59)                            | (46.89)                             | 43.15                               | 16.92                               | 143.27                              | 0.32                                | 1.46                                | 1.26                                | —                                     | —                                   | 1.87                                | 1.09                                | 22.91                               | 10.28                               |
| a) not dealt with in the Accounts of the Company   | —                                   | —                                   | —                                   | —                                   | —                                   | —                                   | —                                   | —                                   | —                                     | —                                   | —                                   | —                                   | —                                   | —                                   |
| (i) For the financial year of the subsidiary   | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | 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                                 | Nil                                 | Nil                                 | Nil                                   | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 |
| b) dealt with in the Accounts of the Company   | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                   | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 |
| (i) For the financial year of the subsidiary   | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 | 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                                 | Nil                                 | Nil                                 | Nil                                   | Nil                                 | Nil                                 | Nil                                 | Nil                                 | Nil                                 |
| Additional Information u/s 212 (5)   | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                        | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                      | Not Applicable                      |

Converted at the average rate of exchange of CAD\$ = Rs 39.21 and US\$ = Rs 44.89 and GBP = Rs 86.43 and EURO = Rs 58.13 and HUF = Rs 0.22 (Rate as on March 31, 2007 CAD\$ = Rs 37.80 and US \$ = Rs 43.47 and GBP = Rs 85.55 and EURO = Rs 58.06 and HUF = Rs 0.23 and MXN = Rs 3.94)

STATEMENT PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES

The particulars of subsidiary companies as required by orders No. 47/25/2007-CL-III dated March 14, 2007 and May 17, 2007 of Ministry of Company Affairs, Government of India, issued under section 212 (8) of the Companies Act, 1956 are as follows :

|  | Birla Sun Life Insurance Company Limited | Aditya Birla Insulators Limited | PSI Data Systems Limited | Birla Technologies Limited | Laxminarayan Investment Limited | Madura Garments Export Limited | Crafted Clothing Pvt Limited | Aditya Vikram Global Trading House Limited |            | Birla Insurance Advisory Services Limited | Birla Global Finance Company Limited | BGFIL Corporate Finance Private Limited |
|--|--|---------------------------------|--------------------------|----------------------------|---------------------------------|--------------------------------|------------------------------|--|------------|---|--------------------------------------|---|
|  |  |                                 |                          |                            |                                 |                                |                              | US \$ in Lacs                              | Rs. Crores |   |                                      |   |
| Share Capital (Equity and Preference)  | 671.50                                   | 25.00                           | 22.55                    | 9.80                       | 21.00                           | 15.58                          | 8.00                         | 8.50                                       | 3.70       | 2.70                                      | 75.96                                | 0.51                                    |
| Reserves & Surplus (net of debit balance of profit & loss account and miscellaneous expenditure to the extent not written off) | (444.56)                                 | 64.22                           | (16.41)                  | (20.17)                    | 4.95                            | 8.83                           | 2.63                         | 2.93                                       | 1.28       | 5.42                                      | (1.42)                               | 1.53                                    |
| Total assets (Fixed Assets+Current Assets)   | 306.87                                   | 230.98                          | 35.87                    | 5.90                       | 13.94                           | 153.82                         | 51.03                        | 11.48                                      | 5.00       | 3.13                                      | 472.97                               | 8.06                                    |
| Total Liabilities (Debts + Current Liabilities & provisions)   | 4,099.98                                 | 141.76                          | 41.01                    | 16.28                      | 14.24                           | 129.41                         | 40.41                        | 0.06                                       | 0.02       | 1.01                                      | 447.45                               | 6.34                                    |
| Details of Investments (excluding investments in subsidiary companies) (details as per Annexure A)                             | 4,020.05                                 | -                               | 0.00                     | -                          | 0.04                            | -                              | 0.00                         | -  | -          | 6.00                                      | 49.02                                | 0.02                                    |
| Revenue  | 1,975.39                                 | 220.21                          | 85.44                    | 23.63                      | 2.31                            | 144.11                         | 68.33                        | 0.57                                       | 0.26       | 8.59                                      | 49.68                                | 1.61                                    |
| Profit before Taxation   | (137.38)                                 | 1.02                            | 2.79                     | (0.89)                     | 1.33                            | (2.07)                         | 4.50                         | 0.41                                       | 0.07       | 4.24                                      | 10.14                                | 0.20                                    |
| Provision for Taxation (Including FBT)   | 2.36                                     | (0.10)                          | 0.33                     | 0.05                       | 0.23                            | 0.35                           | 2.62                         | -  | -          | 1.49                                      | 4.74                                 | 0.01                                    |
| Profit after Taxation  | (139.74)                                 | 1.12                            | 2.46                     | (0.94)                     | 1.10                            | (1.72)                         | 1.88                         | 0.41                                       | 0.07       | 2.75                                      | 5.40                                 | 0.19                                    |
| Proposed dividend (Including Dividend Tax)   | Nil                                      | Nil                             | Nil                      | Nil                        | Nil                             | Nil                            | Nil                          | Nil  | Nil        | Nil                                       | Nil                                  | Nil                                     |

STATEMENT PURSUANT TO SECTION 212(8) OF THE COMPANIES ACT, 1956 RELATING TO SUBSIDIARY COMPANIES (CONTD.)

|  | (Rs. Crores unless otherwise stated) |            |                     |            |                               |            |                                |            |  |            |
|--|--------------------------------------|------------|---------------------|------------|-------------------------------|------------|--------------------------------|------------|--|------------|
|  | Transworks Information Services Ltd. |            | Transworks Inc, USA |            | A V Tranworks Limited, Canada |            | Transworks BPO Philippines Inc |            | Minacs Worldwide Inc, Canada (Consolidated)* |            |
|  | US \$ in Lacs                        | Rs. Crores | US \$ in Lacs       | Rs. Crores | CAD in Lacs                   | Rs. Crores | PHP in Lacs                    | Rs. Crores | CAD in Millions                              | Rs. Crores |
| Share Capital (Equity and Preference)  | 2.35                                 | 3.33       | 7.00                | 3.33       | 1,270.00                      | 480.06     | 490.37                         | 4.48       | 39.75  | 150.27     |
| Reserves & Surplus (net of debit balance of profit & loss account and miscellaneous expenditure to the extent not written off) | 307.30                               | 0.90       | 2.44                | 0.90       | 0.02                          | 0.01       | (89.47)                        | (0.87)     | (41.64)                                      | (157.40)   |
| Total assets (Fixed Assets+Current Assets)   | 173.57                               | 5.27       | 11.84               | 5.27       | 494.71                        | 187.00     | 462.99                         | 4.17       | 114.51                                       | 432.83     |
| Total Liabilities (Debts + Current Liabilities & provisions)   | 405.42                               | 1.04       | 2.40                | 1.04       | 496.28                        | 187.60     | 62.09                          | 0.56       | 116.40                                       | 439.96     |
| Details of Investments (excluding investments in subsidiary companies) (details as per Annexure A)                             | -                                    | -          | -                   | -          | -                             | -          | -                              | -          | -  | -          |
| Revenue  | 215.10                               | 6.49       | 14.35               | 6.49       | 11.59                         | 4.54       | 11.95                          | 0.11       | 411.75                                       | 1,621.67   |
| Profit before Taxation   | 24.79                                | 0.34       | 0.97                | 0.34       | 0.04                          | 0.02       | (89.47)                        | (0.87)     | (17.66)                                      | (69.53)    |
| Provision for Taxation (Including FBT)   | 0.76                                 | (0.01)     | (0.03)              | (0.01)     | 0.02                          | 0.01       | -                              | -          | 4.37   | 17.20      |
| Profit after Taxation  | 24.03                                | 0.35       | 1.00                | 0.35       | 0.02                          | 0.01       | (89.47)                        | (0.87)     | (22.02)                                      | (86.73)    |
| Proposed dividend (Including Dividend Tax)   | 0.27                                 | Nil        | Nil                 | Nil        | Nil                           | Nil        | Nil                            | Nil        | Nil  | Nil        |

For details of subsidiaries of Minacs Worldwide Inc, Canada refer Annexure "B"  
Figures of Minacs Worldwide Inc, Canada (Consolidated) is for 15 months.

\* Minacs Worldwide Inc, Canada (Consolidated) is converted at the average rate of exchange of CAD\$ = Rs 39.39 (Rate as on March 31, 2007 CAD\$ = Rs 37.80)

ANNEXURE 'A' OF STATEMENT U/S 212(8) OF THE COMPANIES ACT,1956

**A) Details of investments of Birlasunlife Insurance Company Limited as at 31.3.2007**

|  | Shareholders  | Policyholders | Assets held to cover Linked liabilities | Rs. Crores Total |
|--|---------------|---------------|---|------------------|
| <b>LONG TERM INVESTMENTS</b>   |               |               |   |                  |
| 1 Government securities and Government guaranteed bonds including Treasury Bills | 110.34        | 45.12         | 768.06                                  | 923.52           |
| 2 Other Investments  |               |               |   |                  |
| (a) Debenture / Bonds  | 10.17         | 16.60         | 256.57                                  | 283.34           |
| (b) Equity   | -             | -             | 1,025.30                                | 1,025.30         |
| 3 Investment in Infrastructure and Social Sector Bonds                           | 53.89         | 20.42         | 454.44                                  | 528.75           |
| 4 Other than Approved Investments  | 2.50          | -             | 228.44                                  | 230.94           |
| Total (A)  | 176.90        | 82.14         | 2,732.81                                | 2,991.85         |
| <b>SHORT TERM INVESTMENTS</b>  |               |               |   |                  |
| 1 Government securities and Government guaranteed bonds including Treasury Bills | 37.82         | 0.97          | 4.80                                    | 43.59            |
| 2 Other Approved Securities  | -             | -             | -                                       | -                |
| - Fixed deposits   | 15.00         | -             | -                                       | 15.00            |
| - Others   | 34.77         | -             | 262.95                                  | 297.72           |
| 3 Other Investments  |               |               |   |                  |
| (a) Mutual Funds   | 9.94          | 8.51          | 16.82                                   | 35.27            |
| (b) Debenture / Bonds  | -             | -             | 347.89                                  | 347.89           |
| (c) Fixed Deposits   | -             | -             | 62.00                                   | 62.00            |
| (d) Others   | -             | 9.80          | -                                       | 9.80             |
| Total (B)  | 97.53         | 19.28         | 694.46                                  | 811.27           |
| <b>Other Assets</b>  |               |               |   |                  |
| 1 Bank Balances  | -             | -             | 180.71                                  | 180.71           |
| 2 Interest Accrued on Investments  | -             | -             | 54.26                                   | 54.26            |
| 3 Fund Charges   | -             | -             | (2.74)                                  | (2.74)           |
| 4 Outstanding Contract (Net)   | -             | -             | (15.30)                                 | (15.30)          |
| Total (C)  | -             | -             | 216.93                                  | 216.93           |
| <b>Total (A+B+C)</b>   | <b>274.43</b> | <b>101.42</b> | <b>3,644.20</b>                         | <b>4,020.05</b>  |

**B) Details of investments of PSI Data Systems Limited**

**Rs.**

CURRENT INVESTMENTS

4294 Units of Birla Sunlife Mutual Funds

49,878

**C) Details of investments of Crafted Clothing Pvt Limited**

CURRENT INVESTMENTS

National Saving Certificates

26,250

ANNEXURE 'A' OF STATEMENT U/S 212(8) OF THE COMPANIES ACT,1956 (CONTD.)

**D) Details of investments of M/s Laxminarayan Investments Limited**

|   | Number                      | As at<br>31st March, 2007<br>Rs. |
|---|-----------------------------|----------------------------------|
| <b>LONG TERM INVESTMENTS(QUOTED)</b>                    |                             |                                  |
| <b>Equity Shares:</b>                                   |                             |                                  |
| Arvind Mills Limited                                    | 5                           | 318                              |
| Bajaj Auto Limited                                      | 2                           | 1,772                            |
| Century Textiles Ltd.                                   | 5                           | 611                              |
| Datamatics Technologies Ltd.                            | 5                           | 776                              |
| Housing Development Finance Corporation Ltd.            | 2                           | 1,148                            |
| ICICI Bank Ltd.   | 5                           | 1,303                            |
| I Flex Solutions  | 5                           | 2,815                            |
| Infosys Technologies Ltd.                               | 8                           | 5,333                            |
| Kotak Mahindra Bank                                     | 25                          | 1,742                            |
| Pantaloon Retail India Ltd.                             | 30                          | 2,188                            |
| Phillips Carbon Black Ltd.                              | 10                          | 511                              |
| Polaris Software  | 5                           | 730                              |
| Raymonds Ltd  | 5                           | 997                              |
| Satyam Computers Ltd.                                   | 10                          | 1,622                            |
| Wipro Ltd.  | 6                           | 1,596                            |
| Zodiac Cloth Co. Ltd.                                   | 10                          | 1,320                            |
| <b>UNQUOTED</b>   |                             |                                  |
| <b>Equity Shares of Rs. 10 Each Fully Paid Up</b>       |                             |                                  |
| Birla Management Centre Services Ltd.                   | 7000                        | 70,000                           |
| <b>8% Preference Share of Rs. 10 Each Fully Paid Up</b> |                             |                                  |
| Birla Management Centre Services Ltd.                   | 200                         | 2,000                            |
|   | <b>Total (A)</b>            | <b>96,783</b>                    |
| <b>CURRENT INVESTMENTS</b>                              |                             |                                  |
| <b>Units of Mutual Fund of Rs.10 Each</b>               |                             |                                  |
| Birla Cash Plus Retail Plan Dividend                    | 21268.908                   | 348,159                          |
|   | <b>Total (B)</b>            | <b>348,159</b>                   |
|   | <b>Grand Total (A + B )</b> | <b>444,942</b>                   |

ANNEXURE 'A' OF STATEMENT U/S 212(8) OF THE COMPANIES ACT,1956 (CONTD.)

| <b>E) Details of investment of Birla Global Finance Company Limited</b>   |                            | Number     | As at<br>31st March, 2007<br>Rs. |
|---|----------------------------|------------|----------------------------------|
| <b>LONG TERM INVESTMENTS</b>  |                            |            |                                  |
| <b>Equity Share</b>   |                            |            |                                  |
| <b>Quoted</b>   |                            |            |                                  |
| HDFC Bank   |                            | 68         | 4,000                            |
|   | <b>(A)</b>                 |            | <u>4,000</u>                     |
| <b>Unquoted</b>   |                            |            |                                  |
| Birla Management Centre Services Ltd                                      |                            | 7,000      | 70,000                           |
| Birla Sun Life Trustee Co. Pvt. Ltd.                                      |                            | 10         | 540                              |
|   | <b>(B)</b>                 |            | <u>70,540</u>                    |
| UTI Mutual Fund   | <b>(C)</b>                 | 48,972,874 | 490,149,909                      |
|   | <b>Grand Total (A+B+C)</b> |            | <u><u>490,224,449</u></u>        |
| <br>  |                            |            |                                  |
| <b>F) Details of investment of BGFL Corporate Finance Private Limited</b> |                            |            |                                  |
| <b>LONG TERM INVESTMENTS</b>  |                            |            |                                  |
| <b>Equity Share</b>   |                            |            |                                  |
| <b>Quoted</b>   |                            |            |                                  |
| Dhoot Industrial Finance Ltd  |                            | 200,000    | 240,000                          |
| Biochem Synergy Ltd   |                            | 5,200      | 1,000                            |
| Maxwel Apparel Ltd  |                            | 10,562     | 500                              |
| Shetkari Solvent Ltd  |                            | 300        | 1,000                            |
| Tribology Ltd   |                            | 1,950      | 975                              |
|   | <b>(A)</b>                 |            | <u>243,475</u>                   |
| <b>(a) Unquoted</b>   |                            |            |                                  |
| Birla Sun Life Trustee Co. Pvt. Ltd                                       |                            | 10         | 320                              |
|   | <b>Sub - Total (a)</b>     |            | <u>320</u>                       |
| <b>(b) Preference Shares ( Fully Paid)</b>                                |                            |            |                                  |
| Secals Ltd (.50% Cumm. Redeemable Pref Shares)                            |                            | 540,000    | 54,000                           |
| Secals Ltd (14.00% Cumm. Redeemable Pref Shares)                          |                            | 460,000    | 46,000                           |
|   | <b>Sub - Total (b)</b>     |            | <u>100,000</u>                   |
|   | <b>(B) = (a+b)</b>         |            | <u>100,320</u>                   |
| Less: Provision for dimunition in the value of investments                |                            |            | <u>103,975</u>                   |
|   | <b>Grand Total (A+B)</b>   |            | <u><u>239,820</u></u>            |

ANNEXURE 'A' OF STATEMENT U/S 212(8) OF THE COMPANIES ACT,1956 (CONTD.)

|  | <u>Number</u> | <u>As at<br/>31st March, 2007<br/>Rs. Crores</u> |
|--|---------------|--|
| <b>G) Details of investment of Birla Insurance Advisory Services Limited</b> |               |  |
| <b>CURRENT INVESTMENTS</b>   |               |  |
| Birla Fixed Term Plan Series P   | 1,000,000     | 1.00   |
| Birla Fixed Term Plan Series O   | 5,000,000     | <u>5.00</u>                                      |
| Total  |               | <u><u>6.00</u></u>                               |

ANNEXURE 'B' OF STATEMENT U/S 212(8) OF THE COMPANIES ACT,1956

|  | Minaacs Worldwide Inc, Canada |            | Millman Insurance, Canada |          | Minaacs Kft.- Hungary |            | Minaacs Ltd. UK |            | Minaacs Worldwide S.A. de C.V., Mexico |            | Minaacs GmbH, Germany |            | Minaacs Group, USA |            |
|--|-------------------------------|------------|---------------------------|----------|-----------------------|------------|-----------------|------------|--|------------|-----------------------|------------|--------------------|------------|
|  | CAD in '000                   | Rs. Crores | CAD in '000               | Rs. Lacs | HUF in Lacs           | Rs. Crores | GBP in Lacs     | Rs. Crores | MXN in Lacs                            | Rs. Crores | EURO in Lacs          | Rs. Crores | USD in Lacs        | Rs. Crores |
| Share Capital (Equity and Preference)  | 397.55                        | 150.27     | 0.10                      | 0.04     | 30.00                 | 0.07       | 0.01            | 0.01       | 0.50                                   | 0.02       | 0.25                  | 0.15       | 3.02               | 1.31       |
| Reserves & Surplus (net of debit balance of profit & loss account and miscellaneous expenditure to the extent not written off) | (363.81)                      | (137.52)   | (0.10)                    | (0.04)   | 216.86                | 0.51       | 0.11            | 0.09       | (0.50)                                 | (0.02)     | 11.31                 | 6.57       | 20.74              | 9.01       |
| Total assets (Fixed Assets+Current Assets)   | 1,087.65                      | 411.13     | -                         | -        | 1,520.68              | 3.56       | 12.44           | 10.64      | -                                      | -          | 27.22                 | 15.80      | 331.24             | 144.00     |
| Total Liabilities (Debts + Current Liabilities & provisions)   | 1,058.78                      | 400.22     | -                         | -        | 1,273.82              | 2.98       | 12.47           | 10.67      | -                                      | -          | 15.77                 | 9.15       | 307.49             | 133.67     |
| Details of Investments (excluding investments in subsidiary companies)   | -                             | -          | -                         | -        | -                     | -          | -               | -          | -                                      | -          | -                     | -          | -                  | -          |
| Revenue  | 2,128.85                      | 838.46     | -                         | -        | 4,669.53              | 10.20      | 29.40           | 24.72      | -                                      | -          | 104.36                | 59.61      | 1,540.53           | 694.58     |
| Profit before Taxation   | (217.61)                      | (85.71)    | 100.46                    | 39.57    | 160.59                | 0.35       | 0.27            | 0.23       | -                                      | -          | 6.03                  | 3.44       | 42.00              | 18.94      |
| Provision for Taxation (Including FBT)   | 20.03                         | 7.89       | -                         | -        | 26.10                 | 0.06       | 0.05            | 0.05       | -                                      | -          | 2.24                  | 1.28       | 17.14              | 7.73       |
| Profit after Taxation  | (237.64)                      | (93.60)    | 100.46                    | 39.57    | 134.49                | 0.29       | 0.22            | 0.19       | -                                      | -          | 3.79                  | 2.16       | 24.86              | 11.21      |
| Proposed dividend (Including Dividend tax)   | Nil                           | Nil        | Nil                       | Nil      | Nil                   | Nil        | Nil             | Nil        | Nil                                    | Nil        | Nil                   | Nil        | Nil                | Nil        |

Converted at the average rate of exchange of CAD\$ = Rs 39.39 and US\$ = Rs 45.09 and GBP = Rs 84.08 and EURO = Rs 57.12 and HUF = Rs 0.22 (Rate as on March 31, 2007 CAD\$ = Rs 37.80 and US \$ = Rs 43.47 and GBP = Rs 85.55 and EURO = Rs 58.06 and HUF = Rs 0.23 and MXN = Rs 3.94)





## ADITYA BIRLA NUVO & ITS SUBSIDIARIES / JVs

**Aditya Birla Nuvo Limited** : Viscose Filament Yarn, Garments, Carbon Black, Fertilisers, Textiles (Spun Yarn & Fabrics), Insulators (Domestic Marketing)

### Subsidiaries

- **Birla Sun Life Insurance Company Limited** : Life Insurance  
[JV with Sun Life Financial Inc of Canada]
- **TransWorks Information Services Limited & its subsidiaries** : Business Process Outsourcing
  - Transworks Inc. USA
  - TransWorks BPO Philippines Inc
  - A V TransWorks Ltd., Canada
  - Minacs Worldwide Inc., Canada & its subsidiaries
    - Millman Insurance Limited, Canada
    - Minacs Group (USA) Inc.
    - Minacs Worldwide S.A. de C.V., Mexico
    - Minacs Limited, UK
    - Minacs Worldwide GmbH, Germany
    - Minacs Kft., Hungary
- **PSI Data Systems Limited & its subsidiary - Birla Technologies Limited** : Software Services
- **Aditya Birla Insulators Limited** : Insulators
- **Madura Garments Exports Limited** : Contract Exports
- **Crafted Clothing Private Limited** : Garments Manufacturing
- **Laxminarayan Investment Limited & its subsidiaries** : Investment
  - **Madura Garments Lifestyle Retail Co. Limited** : Retail
  - **Peter England Fashion and Retail Limited** : Retail
- **Aditya Vikram Global Trading Housing Limited** : General Trading
- **Birla Global Finance Company Limited** : Retail Finance Company
- **Birla Insurance Advisory Services Limited** : Non-life Insurance Advisory Services
- **BGFL Corporate Finance Private Limited** : Corporate Services

### Joint Ventures

- **Idea Cellular Limited** : Telecom
- **Birla Sunlife Asset Management Company Limited** : Investment/ Mutual Fund
- **Birla Sunlife Trustee Company Pvt. Limited** : Trustee of Birla Mutual Fund
- **Birla Sunlife Distribution Company Limited** : Investment Advisory

