INDIAN RAYON AND INDUSTRIES LIMITED

ANNUAL REPORT 1999-2000

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INDIAN RAYON AND INDUSTRIES LIMITED

BOARD OF DIRECTORS
Shri Kumar Mangalam Birla, Chairman
Smt. Rajashree Birla
Shri H. J. Vaidya
Shri D. S. Dahanukar
Shri B. L. Shah
Shri Ashwini Kumar Kanoria
Shri P. Murari
Shri B. R. Gupta

MANAGER
Dr G. L. Moondra

COMPANY SECRETARY
Shri Ashok Malu

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

BRANCH AUDITORS
K. S. Aiyer & Co., Mumbai
S. R. Batliboi & Co., Calcutta

SOLICITORS
Mulla & Mulla and Craigie, Blunt & Caroe, Mumbai

BANKERS
State Bank of India
Corporation Bank
United Bank of India
UCO Bank
HDFC Bank Ltd.
Bank of America NT & SA
Punjab National Bank
Citibank N.A.
ANZ Grindlays Bank p.l.c.
American Express Bank Limited
Standard Chartered Bank
Hongkong and Shanghai Banking Corporation Ltd.
Canara Bank
Central Bank of India
State Bank of Saurashtra
Allahabad Bank

REGISTERED OFFICE
Veraval - 362 266 (Gujarat)

EXECUTIVES

RAYON DIVISION

Shri V. T. Moorthy	Director BMC
Shri C. P. Mathur	Sr. President
Shri V. G. Somani	Jt. President
Shri S. S. Gupta	Jt. President (Admn. & Mktg.)
Shri B. C. Upreti	Jt. President (Production)
Shri P. V. Gala	Sr. Vice-President (Yarn Mktg.)
Shri S. K. Nanda	Sr. Vice-President (Caustic)

HI-TECH CARBON

Shri M. C. Bagrodia	Group Executive President
Shri Anil Kumar	Sr. Exe. President (Chennai Unit)
Shri D. C. Goel	Sr. Exe. President (Renukoot Unit)
Shri S. S. Rathi	Sr. Jt. President (Renukoot Unit)
Shri S. Balchandani	Sr. Vice-President (Project)

JAYA SHREE INSULATORS

Shri Ravi Kastia	Sr. President
Shri B. K. Sethi	Sr. Jt. President (Halol Unit)
Shri S. S. Baid	Jt. President (Halol Unit)
Shri Anil Chand Lodha	Sr. Vice-President (Rishra Unit)
Shri Anil Mehta	Sr. Vice-President (Rishra Unit)

TEXTILES

Shri S. B. Agarwal	Advisor

JAYA SHREE TEXTILES

Dr. G. L. Moondra	Sr. President
Shri A. N. Choudhary	President (Flax Mills)
Shri P. C. Jain	President (Rishra Cotton Mills)

RAJASHREE SYNTEX

Shri L. N. Rawat	President

MADURA GARMENTS

Shri Vikram Rao	Group Executive President

BIRLA PERICLASE

Shri D. R. Dhariwal	Sr. Jt. President
Shri K. B. R. Murthy	Jt. President (Fin. & Comm.)

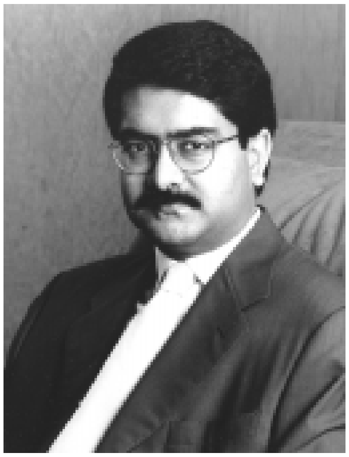
GLOBAL EXPORTS & MARKETING

Shri S. R. Dutt	President

CORPORATE FINANCE DIVISION

Shri Adesh Gupta	President & CFO

The Chairman's Letter to Shareholders



Dear fellow shareholders,

INDIAN RAYON – IN FOCUS

It was an eventful year for us at Indian Rayon. The Company successfully completed the de-merger process, initiated last year and made several strategic moves with the singular objective of enhancing value for shareholders. These included the pre-payment of existing debt, a large buy-back programme to utilise surplus cash and exit from the Sea Water Magnesia business on value creation criteria. Above all, it acquired Madura Garments, the garments division of Madura Coats Limited, elevating Indian Rayon from a mere commodity player to a brand player.

Madura Garments acquisition has catapulted the Company as the market leader in the apparels market. Its well renowned brands viz., Louis Philippe, Van Heusen, Allen Solley, Peter England, Byford and San Frisco are brand leaders in their respective segments and together account for a 30% share of the branded apparels market in India. The acquisition was dictated by the strong growth prospects for the branded apparels and limited opportunities in some of our key businesses. These strategic moves, I believe, will enable Indian Rayon deliver enhanced value for shareholders on a sustainable basis in the years to come.

Operationally, it was a difficult year. The Company's core businesses suffered with lower volumes and realisation due to sluggish market conditions, locally as well as internationally. The overall profitability, thus, came under pressure despite various proactive measures taken to improve efficiency and reduce costs.

The overall revenues declined by 19% year-on-year to Rs.1,187.0 Crores and pre-tax profits nearly halved to Rs.58.6 Crores during the year. Previous year's figures include contributions from the Cement division, which was de-merged effective 1st September 1998, and hence cannot be strictly compared. The Company also took an extra-ordinary loss of Rs.298.9 Crores arising out of its decision to exit Sea Water Magnesia business, during the year. This resulted in a net loss of Rs.241.2 Crores for the year vis-à-vis a profit of Rs.106.0 Crores reported for 1998-99.

The overall financial position of the Company remains strong. The exceptional loss was set-off against reserves and hence the Company's cash flows remain healthy. More importantly, the performance of our key divisions has shown healthy improvement over the quarters, with most of them having bottomed-out during the first half of 1999-2000. All these businesses have demonstrated considerable improvement in terms of volumes and pricing during the second half, thus clearly pointing towards changing fortunes of our key businesses, with the economy gearing towards improvement.

> "Indian Rayon will focus on its identified growth businesses viz., Garments, Carbon Black and Insulators. Cashing on its existing strong position in the mature VFY industry will also be a priority area going forward."

Outlook

Indian Rayon will focus on its identified growth businesses viz., Garments, Carbon Black and Insulators. Cashing on its existing strong position in the mature VFY industry will also be a priority area going forward. In all these businesses, efficient utilisation of physical and strategic assets developed over the years, will be the key driver of shareholder value in future.

Garments

The outlook for ready-made garments sector is extremely positive and offers a strong growth potential. The changing customer aspirations and lifestyles as well as emergence of large scale organised retailing appears to be catalysing the on-going shift towards branded apparels. This augurs well for us, being the market leader in branded apparels. Our strategy for growth will be to focus on consolidation and leveraging brand equity through launching of new seasonal collections and line extensions in the short term. Branded exports and creation of new retail formats, including "Click and Mortar" are very much a part of this strategy. In the medium term, we will stress on accelerating conversions and entry into the high growth new markets, like active-wear and women's wear segments, to ensure growth ahead of the market.

Carbon Black

The nascent recovery in the carbon black industry, reported last year, is likely to gain further momentum in the next few years on the back of continuing buoyancy in the automobile sector. The Asian recovery will also have positive impact, both in terms of lower imports as well as better exports in future. Our strategy is three pronged: Firstly, we will focus on improving volumes by increasing market share, widening product range and developing new markets, coupled with leveraging advantages of our coastal location to improve export volumes further. Secondly, we will unlock the full potential of existing assets and ensure optimum utilisation of other assets including power assets. Finally, we will enhance margins through introduction of new grades and value-added products that offer higher realisation and strong competitive advantage in the market place.

Insulators

The Insulator sector appears to be heading for strong growth in the near future, especially given the likely increase in the Government's spending on power infrastructure and proposed entry of the private sector in the transmission and distribution business. Our strategy for ensuring profitable growth will be to go on high value products, where competition from the unorganised sector is relatively lower, explore new markets and leverage on existing relationship with customers, both in the local as well as international markets. We will concentrate on enhancement of margins through improvement in yield and operational efficiencies. Development of new products, such as HVDC and high rating products as well as Isolators will be also central to our growth.

Viscose Filament Yarn (VFY)

The industry is at the bottom of its cycle and appears to have a limited downside. The upside in this business is also limited due to changing fashion trends and its mature nature. We believe, the industry would go through a consolidation in the foreseeable future, given the sluggish outlook and resultant pressure of lower volumes, prices and liquidity on small players. Indian Rayon, being one of the two large players with cost advantages will gain from the consolidation process and generate reasonable growth in the years to come.

Given such an outlook, our strategy will be to concentrate on increasing market share for higher volumes and on cost reduction for enhanced margins. We are focusing on improving quality further, widening export/regional presence to tap growth in specific user segments, rightsizing labour force and reducing input costs further. These measures will enable us improve overall performance and profitability of this division in future. Our overall focus will be to cash on the Company's strong position, to the extent possible, in this mature industry.

Summary

In essence, the Company's growth over the next few years will be driven by the Garments, Carbon Black and Insulators businesses, which appear to have strong growth prospects. The expected positive outlook coupled with well-thought strategies planned for these businesses will ensure improved volume and profitability in our core area of operations. Our strategies are geared to deliver enhanced value for shareholders in future.

At this juncture, I would like to take the opportunity of placing on record my appreciation of our employees and the management team at Indian Rayon. Their dedication and commitment have enabled us weather the trying times. Our employees are integral to our success and to sustain shareholder value creation. I would now like to brief you on some of the measures taken by us at the Group level.

THE ADITYA BIRLA GROUP – IN PERSPECTIVE

As you are aware tectonic shifts are changing the very contours of the economic and business environment, regardless of geographic boundaries. Digitalisation, deregulation, globalisation and investor activism have altered the corporate landscape and ushered in an era of discontinuity. Organisations in India have had to reconstruct their very business architecture. And we in the Aditya Birla Group are no exception.

To face these challenges, over the last four years, we have been constantly re-inventing our Group. Our basic objective is to ensure sustainable success and continue to deliver value for our shareholders, customers, employees and the community at large.

A slew of proactive measures have been unveiled, riding on our renewed strategic thrust, innovative structural initiatives and contemporary systems adoption. In my report to you last year, I had shared several of these. Today, I wish to keep you abreast of the progress achieved in these areas and the growth trajectory that we will traverse in this new millennium.

"Fundamental value creation and a razor-sharp business focus continue to be the pillars of our strategic thrust."

Renewed Strategic Thrust

Fundamental value creation and a razor-sharp business focus continue to be the pillars of our strategic thrust.

Consequent to the in-depth review of our business portfolio by the Boston Consulting Group, we have identified the core business for each of our Companies. Businesses have been evaluated against stringent value-creation criteria. We have made a conscious decision to build and grow only those of our businesses that have high value creation potential.

While in the past, our portfolio focused heavily on capital-intensive manufacturing oriented businesses, the future may see us move increasingly into knowledge-based, brand-management and service sectors where again we will scout for a premium position – a position of leadership. At the portfolio level, we will continue to look into some of the businesses that are futuristic and add to enhancing shareholder value.

Knowledge-based industries offer enormous growth. This sunrise sector is far less capital intensive and has the advantage of enhanced value-creation in a much shorter time frame. Acquiring management control in Learning-Byte International by overseas companies of the Group, and the strategic alliance with Lawson Software to set up the Lawson Competency Centre by Birla Consultancy and Software Services, a division of Grasim – are forward steps in this direction. Similarly, the acquisition of Madura Garments by Indian Rayon has overnight catapulted our Group to the top-of-the-league in the branded apparels sector. Importantly, these strategic moves have significantly enhanced value for Indian Rayon and Grasim shareholders.

In the new economy, cellular services offers a significant growth platform in a sector that is rapidly consolidating. Our strategic alliance with Tata Telecommunications is a forward step that will help take our telecom business ahead.

"To institutionalize enabling processes that help us benchmark with the best in the world, to align the interest of shareholders and employees, and to better manage capital, we have chosen CVA (Cash Value Added) as our measurement metric."

To bring in sharper business focus in each of our businesses, so as to realize better synergies, we have recoursed to restructuring, where ever necessary. Restructuring of the cement business has not only created synergies and simplicity of operations, but has given us one resounding voice in the market place, propelling our growth from one strong platform vis-à-vis fragmented units in operation.

Structural Initiatives

To institutionalize enabling processes that help us benchmark with the best in the world, to align the interest of shareholders and employees, and to better manage capital, we have chosen CVA (Cash Value Added) as our measurement metric. It is the cornerstone of the "value management" architecture, to which I am personally committed. CVA helps us focus on the three key aspects of value creation, i.e., profitability, asset-productivity and growth. Simply put, CVA is a structured, exhaustive process that entails understanding business variables in depth and quantifying their effect on value creation. This in turn enables us put our finger on the key drivers of value creation in every single activity that we do.

In response to the changing times, we are continuously striving to make our Group as market-driven and agile as possible. To do so we are doing our utmost to create an organizational ambiance where talent can bloom. Unleashing people power in a planned manner through a focus on their growth, development and learning is our priority. Our thrust is on developing our Group's intellectual capital. Infusion of fresh blood and talent at all levels coupled with the creation of thought leaders has gained momentum.

Six directors have been inducted at the Corporate level. Further, increasingly, professionals of high caliber have been recruited. The retirement policy has been implemented. Succession plans are well in place. Building, developing and upgrading competencies across the Group through training and development continues as an integral ongoing activity.These steps will not only help us nurture leaders, but capable, self-assured colleagues across all levels. The push on growing the Group's intellectual capital will propel it to new heights of value-creation.

Contemporary Systems Adoption

We are institutionalising processes to realise better value for shareholders. To create a wired organisation, which will accentuate the quality of communication and information flow throughout the organisation, we are in the process of setting up the "Aditya Birla Information Highway". "Gyanodaya" our temple of learning has gone on-stream. It will help us constantly upgrade our knowledge base.

These slew of proactive measures, in my view, will help weave our Group into one seamless organisation, with the singular aim of creating value for our shareholders in 21^{st} century and beyond.

Thank you,

Yours sincerely,

Kumar Mangalam Birla

Management's Discussion and Analysis

OVERVIEW

It was a historic year for Indian Rayon and Industries Ltd. The Company successfully completed the cement de-merger process initiated during 1998-99. To further enhance shareholder value, the Company chartered several strategic moves viz., pre-payment of debt, completion of a share buy-back, exiting Sea Water Magnesia business and acquisition of the garments business.

It was a challenging year operationally. The Company's core businesses suffered with lower volumes and realisation due to poor market conditions. Overall profitability came under pressure despite various proactive measures taken to improve efficiency and reduce costs. Gross revenues thus dropped 19% from Rs.1,466.6 Crores in 1998-99 to Rs.1,187.0 Crores in 1999-2000. Operating profits fell from Rs.322.6 Crores to Rs.205.3 Crores during this period. Pre-tax profits were lower at Rs.58.6 Crores. As a result of this and an extra-ordinary and non-recurring charge associated with the exiting of the Sea Water Magnesia business, the Company reported a net loss of Rs.241.2 Crores for 1999-2000.

The current year's financials are not strictly comparable with that of the previous year. The Company's revenues and profits for the year 1998-99 includes performance of the cement divisions for 5 months (transferred to Grasim Industries Limited effective September 1998) while the current year results include performance of the Garments division for 3 months, which was acquired by the Company effective 1st January 2000. In addition, extra-ordinary loss of Rs.298.8 Crores was provided during the year due to the permanent closure of Sea Water Magnesia plant.

STRATEGIC MOVES TO ENHANCE SHAREHOLDER VALUE

Acquisition of Madura Garments

The Company acquired Madura Garments (MG), the garments division of Madura Coats Limited, as a going concern during the year. MG is the market leader in the ready-made garments business in India. Its brands viz., Louis Philippe, Van Heusen, Allen Solley, Peter England, Byford and San Frisco are brand leaders in their respective segments and together account for a 30% share of the branded apparels market. The acquisition of MG has transformed the Company from being a mere commodity player to a brand player. The Company invested Rs.187.75 Crores on this acquisition. This was funded through primarily internal cash. In a separate transaction, the Company also paid US$10.8 million, through a wholly owned subsidiary, towards technical know-how, overseas rights for trademark and perpetual license for India, Middle East and SAARC countries to Coats Viyella Plc., UK.

Buy-back of shares

To utilise surplus cash and increase value for its shareholders, the Company bought back its own shares during the year. The Company made an offer to buy-back 25% of the outstanding equity capital within a price range of Rs.75-85 per share and received 76 lac shares (representing 11.3 % of equity) at a price of Rs.85 per share. The Company has utilised Rs.65.6 Crores of surplus funds for this purpose.

Exit from Sea Water Magnesia

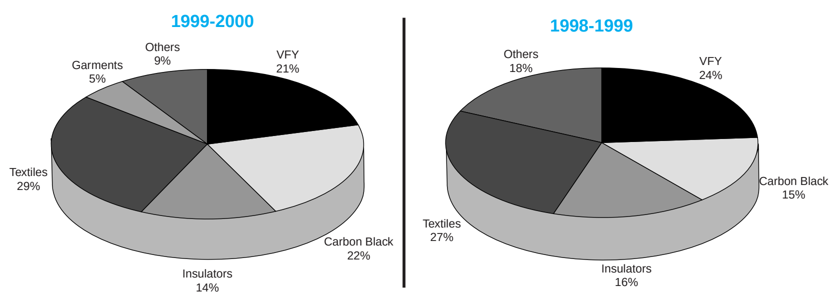
The Company, after suspending operations of the Sea Water Magnesia (SWM) plant during the first half of the year, decided to exit from the SWM business effective 1st October 1999. Despite serious efforts, the business could not be sold as a going concern. It was therefore decided to dispose the assets and set off losses against accumulated profits. The Company has thus taken a one-time non-cash loss of Rs.298.8 Crores. The Company is in the process of disposing off these assets.

The Company has also pre-paid Non-Convertible debentures to the tune of Rs.200 Crores, associated with the unit, with a view to reduce interest charges. These moves will ensure improved cash flows for the Company due to the elimination of losses, saving in interest charges and above all better utilisation of capital.

SEGMENTAL ANALYSIS AND REVIEW

The core businesses of the Company viz., VFY, Carbon Black, Insulators and Garments together accounted for 62% of the gross turnover during 1999-2000.

Business Mix



VISCOSE FILAMENT YARN

	1999-00	1998-99	% Change
Installed Capacity (TPA)	15,000	15,000	—
Production (Tonnes)	12,621	14,685	(-)14.1
Sales Volume (Tonnes)	13,507	13,662	(-)1.1
Gross Turnover (Rs. Crores)	244.6	279.8	(-)12.6
Gross Realisation (Rs./Kg)	181.1	204.8	(-)11.6
Operating Margin (%)	14.8	24.8	

Review of Operations

Depressed domestic demand, sluggish exports and cheaper imports of substitute materials as well as end products impacted the Viscose Filament Yarn (VFY) business severely. Labour unrest and water scarcity at Veraval (Gujarat) compounded the problem further. As a result, despite outperforming domestic peers, the Division reported lower asset utilisation, drop in sales volumes and lower realisation. This affected overall margins and profitability of the Division adversely during the year.

Depressed domestic demand

The VFY sector in India witnessed one of worst years in its recent history. Industry demand dropped by 9% year-on-year (YoY) from 55,500 tonnes in 1998-99 to 50,600 tonnes in 1999-2000. This was primarily due to a slump in demand from the user segments, notably the garments, dress materials and fashion fabrics. Such a poor trend was the result of a continued shift in consumption from VFY to Polyester Filament Yarn (PFY), prices of which remained substantially lower than the VFY prices despite firm global petrochemical prices. Further, relatively lower demand for fabrics also had adverse impact on the demand and prices of PFY in the local markets.

Despite such an adverse market condition, the Company was able to maintain sales volumes at 13,507 tonnes during the year. Domestic sales improved from 11,440 tonnes in 1998-99 to 12,222 tonnes during the year, an increase of 7% YoY. Such a performance is a reflection of the Company's continued focus on improved quality, strong brand image and aggressive marketing efforts. The Company's market share has risen from 24% in 1998-99 to 27% in 1999-2000.

Sluggish exports

The Company reported a sharp fall in export volumes, down 42%YoY to 1,285 tonnes in 1999-2000. We attribute this to sluggish global demand, change in fashion trends and increasing competition from cheaper substitutes.

Lower asset utilisation

Keeping in mind the poor demand situation and build-up of inventory towards end of last year, the Company decided to effect a 10-15% cut in production for most part of the year. This was lifted only during the last quarter of 1999-2000. The Company also faced an illegal strike at the VFY plant in Veraval, Gujarat for a brief period during March 2000. As a result of these, aggregate production fell 14% from 14,685 tonnes in 1998-99 to 12,621 tonnes in 1999-2000 and plant utilisation dropped from 98% to 84% during the year. Overall inventories are lower at 23 days and compare well with 39 days reported for 1998-99 and a peak inventory of 53 days in May 1999.

Lower average realisation impacted margins adversely

The Company reported a 12% YoY fall in gross realisation from Rs.204.8 per kg in 1998-99 to Rs.181.1 per kg in 1999-2000. Industry average price fell even sharper (by 15% YoY) and was due largely to the unfavourable demand situation and aggressive selling strategy followed by a few large players in the industry.

This sharp fall in prices, together with lower volumes, negatively impacted margins during the year. Divisional margins fell from 25% in 1998-99 to 15%. A sharp rise in input costs also took its toll on margins. The average cost of wood pulp (the key raw material) moved up 18% YoY to US$630 per tonne, which together with rise in water costs added towards a major part of rise in input costs. The Company suffered on account of a failed/delayed monsoon in the Saurashtra region in Gujarat. The Company uses large quantities of water for VFY manufacturing. The monsoon failure compelled the Company to source water through tankers from nearby villages, pushing up overall costs significantly. The impact would have been larger but for excellent efforts taken by the Company to bring down water consumption. The average daily consumption has been brought down from 15,000 M^3 per day in April 1999 to 9000 M^3 per day currently.

The Company arrested a further fall in margins by reducing power costs. With the stabilisation of its captive power plants and the resultant rise in share of captive power in total consumption, up from 15% in 1998-99 to 31% in 1999-2000. The aggregate power costs dropped by over 7% to Rs. 2.9 Crores in 1999-2000, in turn impacting margins positively during the year.

Outlook

The outlook for the VFY industry remains challenging. We believe that the industry is at the bottom of its cycle and has a limited downside. We also see limited upside due to the changing fashion trends and the continuing shift in consumption in favour of PFY in the global as well as domestic markets. The prevailing gap in the prices of VFY and PFY is substantive. It is inducing consumers to shift to PFY, in turn adversely affecting long term prospects of this mature industry.

In our view, the industry is likely to go through a consolidation process, if current sluggish trend continue for sometime. We expect large players to gain from the consolidation process with smaller players coming under pressure of lower volumes, prices and liqudity. This will enable large players increase market share and ensure reasonable growth in volumes over the next 2-3 years.

The Company expects prices to remain stable over the next few years. Given the mediocre demand outlook, VFY prices may not firm up in the near future. At the same time, the Company does not expect prices to fall from these levels due to firm outlook for global petrochemical prices (which determine prices of competing materials) and the benefits of likely industry consolidation in the near future.

Outlook for Indian Rayon's VFY Business

Indian Rayon, being one of the two largest players with a significant cost advantage, will benefit from the likely industry consolidation and report a higher market share. It hopes to attain satisfactory growth in the future. The Company's strategy for this business is to concentrate on increasing its market share for higher volumes and focus on cost reduction to improve margins.

Increasing market share

Given its strong market position and cost advantages, the Company is fully geared to capitalise on the opportunities, likely to emerge with the industry consolidation. The Company will focus on improving quality of products and customer service, leverage on the benefits of recent investments in technology to widen exports and strengthen regional presence to take advantage of growth in select user segments. The Company has set up a continuous-spun-yarn plant set up at the existing location last year. This plant uses superior technology and generates high quality output. This will enable the Company to improve export volumes significantly in the future.

In addition, the Company is focussing on strengthening its presence in the Southern regional markets, where use of VFY in Saree manufacturing is gaining momentum due to the changing fashion trends. It aims to capitalise on this trend by strengthening its regional distribution network to ensure higher volumes. These measures should enable utilisation of existing assets optimally in future.

Reducing costs further

Wood pulp, water and labour costs are the biggest cost components accounting for 51% of the cost of production. To enhance margins in future, the stress is on reducing these costs further. The options available with it, for reducing wood pulp cost, due to import dependence, is limited. It is evaluating possibility of sourcing Wood pulp from local suppliers, subject to quality issues.

To lower water costs and minimise the impact of the vagaries of monsoon, the Company is setting up a desalination plant at Veraval. The plant will leverage on its proximity to sea and ensure uninterrupted water supply throughout the year.

The Company is also in the process of right-sizing its labour force at the VFY plant. It has already entered into an agreement with the labour unions for reduction of manpower and has floated a modified Voluntary Retirement Scheme (VRS) during mid-1999-2000.

CARBON BLACK

	1999-00	1998-99	% Change
Effective Installed Capacity (TPA)	98,750*	80,417*	22.8
Production (Tonnes)	95,828	63,968	49.8
Sales Volume (Tonnes)	94,656	61,243	54.6
Gross Turnover (Rs. Crores)	262.7	176.5	48.8
Gross Realisation (Rs./Ton)	27,751	28,826	(-)3.7
Operating Margin (%)	19.3	23.0	

* Installed capacity moved up to 110,000 tonnes towards end of the year with the de-bottlenecking of existing plants.

Review of Operations

The Carbon Black division reported impressive performance on the back of a recovery in domestic demand and strong exports. Operating margins dropped marginally due to a sharp rise in feedstock prices, which could be passed on to customers only partially. The new plant near Chennai stabilised operations successfully and leveraged on the advantages of coastal location to improve exports substantially.

The aggregate sales volume jumped 55% from 61,243 tonnes in 1998-99 to 94,656 tonnes in 1999-2000, consequent to the improved local demand and better exports. Aggressive marketing and support of increased supplies from the new plant also contributed towards sharp rise in volumes during the year. The Company's market share has risen from 28% in 1998-99 to 31% during the year.

The domestic carbon black demand grew by 11%YoY benefiting from a turnaround in the automobile sector and the resultant rise in demand for tyres, the single largest user segment. The introduction of new cars by multinational corporations and the rising aspiration levels of consumers appear to have led to a high demand for cars. This had a positive impact on the demand for carbon black during the year.

On the export front, the Company benefited from a strong recovery in Asian demand and also leveraged on the coastal advantages of its new plant near Chennai commissioned last year. Consequently, export volumes soared from 1,572 tonnes in 1998-99 to 8,769 tonnes in 1999-2000, reflecting an increase of 58% YoY. Reflecting such a sharp rise in domestic as well as export sales volumes, the Company improved asset utilisation from 80% in 1998-99 to 97% during the year. This is commendable considering that the year under review was the first full year of operations for the Company's new plant near Chennai.

The average realisation is marginally lower at Rs.27,751 per tonne and indicates a fall of 4% YoY. The fall would have been sharper except for a rise in global carbon black prices and lower quantities of dumping by overseas players with the pick-up in demand in their respective countries. Global carbon black prices have grown from US$ 320 per tonne in April 1999 to around US$375 per tonne during March 2000.

The company suffered a set back in terms of operating margins, which fell from 23% in 1998-99 to around 19% in 1999-2000, despite improved volumes and marginally higher prices. The rise in the landed cost of Carbon Black Feed Stock (CBFS), a key input accounting for 65% of the divisional production cost was the major influencing factor. CBFS prices have gone up by 50% to US$ 130 per tonne during the year, due to a spurt in international crude oil prices. The impact of such a sharp rise in feed stock prices would have been even larger, but for further improvement in consumption norms and lower production costs. A significant portion of the increase in CBFS cost has been passed on to the customers.

Outlook

We see a positive outlook for the Division. We expect the automobile sector to report sustained strong performance over the next few years. This is likely to gain momentum in the years to come with the introduction of new models by multinational automobiles companies in India. Such a development augurs well for the carbon black business, as the automobile sector drives growth in the demand for tyres. We forecast domestic carbon black demand to grow by 6-8% annually.

The outlook for exports is buoyant as well. The recovery process in Asia, which began in 1999 is likely to continue in the short term. It will result in a strong demand from Asian tyre manufacturers and offer better export prospects. In addition, the demand in Asia will lower the dumping of carbon black in the domestic market at uneconomical prices.

The domestic price of carbon black is expected to remain stable in the near future. Given the firm outlook for CBFS prices (in turn due to the firm global oil price outlook) and continuing strong demand for carbon black in the global markets, international carbon black prices are not expected to fall significantly in the near future.

Outlook for Indian Rayon's Carbon Black Business

The Company is fully geared to capitalise on the emerging opportunities from the recovery in the domestic demand and pickup in exports to Asia. The Company's strategy for this business is three pronged:

Improve volumes

The Company's strategy to increase sales volume is through an increase in market share, widening product range and focus on market development. The Company will pursue aggressive marketing strategies and offer unmatched customer service. The Company will fully exploit the advantages of its split location i.e., one plant in Renukoot in North India and the other unit near Chennai in South India, to ensure timely and cost-effective distribution. Its coastal location will enable improve export volumes, which currently accounts for 9% of aggregate volumes.

Widening product range through introduction of new grades of carbon black, used in the manufacturing of high mileage, low resistance tyres is on the anvil. The Company is at an advanced stage of approval and these new grades of carbon black will open-up new segments and ensure higher volumes in future. The Company is also developing non-tyre markets for carbon black to augment volumes in future. Non-tyre applications currently account for only 15 –18% of the total volume.

Improve asset productivity

The Company's strategy to improve asset productivity is to de-bottleneck existing facilities and unlock full potential of the existing assets. This will offer significant cost advantage and also enable the Company capitalise on the distribution and export infrastructure developed by the company over the years. The de-bottlenecking process initiated towards end of last year stands completed and has led to an increase in installed capacity from 95,000 tonnes to 1,10,000 tonnes. This upscaled capacity will be operational for the full year during 2000-01 and enable the Company utilise these assets optimally.

A renewed thrust is on the efficient utilisation of power assets in future. With the setting up of new turbines, the Company now is in a position to generate additional quantities of power. Keeping this in mind, we have entered into an agreement with the Tamil Nadu Electricity Board for sale of surplus power, which should enable it utilise power assets optimally. In so doing, it also unlocks value for shareholders.

Enhance margins

The Company will benefit from the planned introduction of new grades of carbon black, which offers higher realisation, given the unique features of the new product. The intent is to fully capitalise on this opportunity and benefits of economies of scale, likely with improvement in volumes and capacity utilisation, to enhance margins in future. The emphasis on reducing manufacturing costs is ongoing.

INSULATORS

	1999-00	1998-99	% Change
Installed Capacity (TPA)	34,000	34,000	-
Production (Tonnes)	24,353	24,026	1.4
Orders in Hand (Tonnes)	13,168	11,535	14.0
Gross Turnover (Rs. Crores)	167.0	185.8	(-)10.1
Operating Margin (%)	14.1	25.8	

Review of Operations

It was a difficult year for the Insulator division. With the domestic demand situation turning sluggish and with continuing intense competition globally, overall volumes remained flat. The average realisation for the full year dropped sharply. The export sector helped to contain the realisation. The performance of the division was unsatisfactory during the first half of 1999-2000 due to factors beyond its control, but demonstrated considerable improvement during the subsequent quarters.

Weak domestic demand

Domestic demand fell by over 25% in 1999-2000. The restructuring of the State Electricity Boards (SEB), resulted in a poor off-take from this single largest consuming sector. Lower than budgeted investments for development of infrastructure in the Power sector by the Government of India added to the poor demand situation during the year.

Intensified local competition

The organised sector also suffered due to increased competition from the smaller manufacturers in the lower-end of the distribution segment of the Insulators market.

Strong export performance supported volumes during 1999-2000

Mirroring this difficult industry environment, domestic sales volumes dropped 10% YoY despite aggressive marketing efforts by the Company. The Company consciously decided to focus on export markets, and leveraged its distribution network as well as excellent relationship with OEMs and utilities abroad to push export volumes. As a result, export volumes improved by 22% to 9,159 tonnes during the year. But for this strong support from exports, the aggregate sales volumes would have taken a hit during the year.

Realisation down 13%YoY

The average net realisation was lower by 13% YoY. This was primarily due to a 15% fall in domestic realisation and is the reflection of lower domestic demand and increased market competition. Export realisation was 47% higher than the average realisation in the local market, despite being 16% lower than that for 1998-99. The relatively better market conditions abroad and the Company's focus on quality conscious customers facilitated exports.

Outlook

The overall outlook for the insulators business is positive and is predicated on the likely increase in the Government's spending on building infrastructure for the power sector as well as the proposed entry of private sector in the Transmission and Distribution segment of the power sector. The likely completion of the restructuring process at the State Electricity Boards and resultant inflow of orders may boost the domestic demand over the next few years. The probable shift in the procurement mechanism post-restructuring (insulators to be bought by EPC contractors instead of SEBs) is a good portend for the sector. No substantial increase in competition in the organised sector is foreseen due to the high entry barriers. The emergence of substitute products like polymer insulators may have negative effect on the demand, but this is unlikely to be significant in the short to medium term.

On the export front, the outlook remains positive due to the improved demand from Asia with the economic recovery and strong demand from other emerging markets. Competition from China is still an issue, but is unlikely to intensify in the immediate future due to quality concerns and marked preference for quality products from the user segments.

Outlook for Indian Rayon's Insulator Business

The Company carries forward a healthy order book of 6 months . The Compay's strategy for ensuring profitable growth in this business is to focus on high value products, explore new markets, leverage on existing relationship with customers and cut cost through improvement in operational efficiencies and lower rejections.

Focus on high value products

To overcome competition from the unorganised sector and move up the value chain to ensure profitable growth, the Company is focusing on products which have high growth potential and offer better margins. In addition, the Company will be able to capitalise on its product quality in this quality conscious, high value segment of the insulator industry.

Explore new markets

The Company is developing new products to meet the customer needs in the emerging new segment of the industry. New products for High Voltage Direct Current (HVDC) segment and high rating products are in its pipeline. During the year, we successfully type tested the unit of high rating Disc insulators of 210KN. New products such as Isolators will be launched. A push to Lightening Arrestors will augment its efforts to penetrate newer markets.

Leveraging on existing relationship

The Company has developed a strong relationship with large OEMs and overseas utility companies over the year, which it aims to leverage to grow export volumes in future. Given that these large customers focus primarily on quality, the Company expects to benefit immensely from such a strong relationship.

Focusing on further reduction in costs

The Company is one of the low cost producers of insulators globally. To accelerate upon its cost competitiveness further in the market place, the Company will focus on greater optimisation through further improvements in consumption norms and reduced rejections. To control total business cost, value engineering all aspects of business systems is being undertaken.

GARMENTS DIVISION

The Company acquired Madura Garments (MG), the readymade garments division of Madura Coats, Indian subsidiary of Coats Viyella, UK, during the year. MG was acquired as a going concern together with the employees, brands, manufacturing and distribution network for a sum of Rs.187.75 Crores.

Madura Garment's brands viz., Louis Philippe, Van Heusen, Allen Solley, Peter England, Byford and San Frisco are brand leaders in their respective segments. These brands together have a market share of 30% in India. MG has an excellent, loyal and dynamic distribution network consisting of 4 mega stores, 2 Trouser Towns, 45 Dress Circles, 185 franchisee showrooms and over 1600 multi-brand outlets spread across the Country.

Strategically important, this will transform Indian Rayon from being a pure commodity player to a brand player. More importantly, MG is the market leader in the ready made garments sector, which has grown at 30-40% per annum and is expected to grow by at least by 25% per annum in the future. The acquisition will bring much needed growth for Indian Rayon and enhance value for shareholders.

Review of Operations

As the Company's acquisition of Madura Garments became effective from 1st January 2000, the performance of the division relates only to the fourth quarter of 1999-2000. The Division reported a turnover of Rs.57.2 Crores, reflecting a growth of 19% over the corresponding quarter of the previous year, when the Company was part of Madura Coats Limited.

Subsequent to the acquisition, the Company has made various strategic moves during the fourth quarter of 1999-2000, aimed at further strengthening of its market position and ensuring sustainable growth in the future. The Company tied-up with an Italian contractor for technology and designs for manufacturing trousers. It opened two exclusive trousers show rooms - "Trouser Towns" – one in Chennai and the other in Ahmedabad during the year.

Outlook

The outlook for readymade garments is extremely positive. The size of the men's readymade garment market (RMG) is around Rs.6,000 Crores at present and is expected to reach the level of Rs.15,000 Crores by 2010, an increase of 10% per annum. However, the branded segment currently accounts for only 25% of the RMG market and is expected to rise to 45-50% by 2010. This would mean a CAGR of 25% of the branded segment. The growth is likely to be more prominent in the trouser and casual wear segments. Changing customer aspirations and lifestyles (an outcome of rising purchasing power and impact of media explosion), emergence of large scale organised retailing in the country and increasing number of new brands in the mid-value/economy segments, inducing the common man to shift towards the branded segment of RMG industry – will be pursuing this growth.

Outlook for Indian Rayon's Garments Division

The Company took-over Madura Garments, keeping in mind such a growth opportunity. To capitalise on the emerging opportunity, the Company will be focusing on consolidating and leveraging its existing brand equity in the short term and on growth by accelerating conversions, grooming aspirations and entering new markets that offer high growth potential.

Consolidating and Leveraging Brand Equity in the Short term

The Company's strategy on this front is three pronged viz., Product strategy, Retailing strategy and Branded exports, as discussed below.

Product strategy

The Company will focus on vitalising existing brands by launching new seasonal collections. Action on this front has been initiated with the launching of Allen Solly "Uncrushables", Van Heusen "Durafresh", Louis Philippe "Super Permapress" and San Frisco "Zero Wrinkle", as part of its Summer 2000 initiatives. Appropriate line extensions to leverage on brand investments form its focal point. This is similar to its recent extensions like the introduction of "Elements"casuals from Peter England and "Byford Cargos" bottom-weights by Byford introduced during the year. The Company will strive to ensure growth ahead of the market by leveraging its existing brands and through optimum use of its strong distribution network even in future.

Retailing Strategy

New retailing formats to grow its current portfolio and compliment traditional channels with innovative initiatives in "Click and Mortar" will be created.

The Company created a net retail format by setting up exclusive all-trouser mega stores in the name of "Trouser Town" in the cities of Chennai and Ahmedabad during last quarter of 1999-2000. These mega show-rooms have received excellent response from its target audience within a short time. Creation of such Trouser Towns as well as similar retail formats even in future is on cards.

Plans to take new initiatives in the "Click & Mortar", which will compliment traditional distribution channels. It will go a long way in strengthening our brand image and distribution network. This will be achieved through creation of its distinctive brand site as well as I-Malls and portals in joint venture with established players.

Branded Exports

The Company will focus on strengthening existing structure and create a new structure, where required, for exporting its brands to SAARC countries and Middle East, while also focusing on expansion of existing distribution network for Van Heusen, Louis Philippe and Peter England. The Company aims to have a complete portfolio presence in its key markets of the SAARC countries and Middle East in the near future.

Growth Strategy for Medium Term

The Company's strategy for growth in the medium term is through acceleration of conversions, addressing life styles and entering new markets that offer high growth potential. Its endeavour will be to accelerate the process of conversion from "tailor-made" to "ready-made" segments through aggressive promotion and marketing efforts. These are expected to boost the industry demand and in turn benefit the Company, being the market leader. The Company will work ceaselessly on grooming aspirations and addressing relevant lifestyles with wardrobe and line extensions, with the ultimate objective of strengthening of its market position and ensuring a sustained growth in the future. Finally, the Company will evaluate possibilities of entering new markets with high growth potential to generate "critical mass" in the women's wear as well as the active wear segments of the RMG industry. These measures, along with continued focus on leveraging existing strong brand equity discussed earlier, will go a long way in ensuring strong, profitable growth in the Garments business going forward.

TEXTILES

Review of Operations

The company pursued rightsizing of its operations by emphasising on higher margin products and reducing the output of low margin products. The division concentrated on three key products viz., Flax yarn, Worsted yarn and Synthetic yarn during the year. Aggregate exports accounted for 45% of divisional revenues.

Flax Yarn – the capacity utilisation increased by 9% due to higher fashion led demand. Realisations also saw an increase of 8.5% though manufacturing cost went up on account of high raw material cost and adverse $-Rs parity.

Worsted Yarn - Despite capacity utilisation going up by 13%, the total volume decreased due to spinning of finer counts. This also helped maintain operating margins despite a 5% fall in average realisations during the year.

Synthetic yarn - The plant maintained its capacity utilisation at 97% though volume reduced by 18% on account of the ongoing downsizing programme. Realisation was up by 14% and enabled the unit make operating profits during the year.

Outlook

The demand for flax yarn is expected to grow at a CAGR of 10% in the next 3 years though competition is likely to intensify due to cheap imports from China. This is likely to keep the prices under pressure. In the worsted yarn industry over capacity is likely to continue. The company is actively developing customised products to achieve better returns. To counter the poor domestic market for synthetic yarn, the company is developing exports market and also developing new products. The company will continue to downsize its synthetic operations to make it more competitive in the world market.

FINANCIAL REVIEW AND ANALYSIS

Highlights

(Rs. in Crores)

	1999-2000	1998-99	% Change
Gross Turnover	1,187.0	1,466.6	(-)19.1
Net Turnover	1,071.9	1,304.5	(-)17.8
Operating Profit (PBDIT)	205.3	322.6	(-)36.4
Other Income	52.1	94.4	(-)44.8
Profit Before Tax and Exceptional Items	58.6	115.4	(-)49.2
Exceptional Items	(-)299.8	0.0	-
Tax	0.0	9.3	-
Net Profit	(-)241.2	106.0	-

The financials for the year 1999-2000 are not strictly comparable with that of previous year. This is due to the fact that the Company's revenues and profits for 1998-99 include the performance of the cement divisions for five months (de-merged effective 1st September 1998) while current year results include the performance of the Garments division for three months ended 31 March 2000. In addition, current year net profit also reflects an extra-ordinary provision of Rs.299.8 Crores, making it un-comparable with previous year's financials.

Revenues

The aggregate revenues have dropped 19% YoY to Rs.1,187.0 Crores primarily due to a fall in overall volumes and realisation in core businesses viz., VFY and Insulators. Following its conscious decision to scale down operations and stop trading in unrelated products, trading turnover fell from Rs.170.9 Crores in 1998-99 to Rs.76.3 Crores in 1999-2000. This, together with closure of Sea Water Magnesia plant also led to a fall in revenues for the year. The strong performance from the Carbon Black division, which reported a 49% YoY growth in turnover on the back of improved volumes following full scale operations at the new plant near Chennai, buffeted the decline in revenues. Contributions from the Garments division also enabled the Company to arrest the negative impact on revenues during the year.

Operating Profit

Operating profits declined by 36% YoY to Rs.205 Crores, due to lower operating margins of all our core businesses viz., VFY, Insulators and Carbon Black. As discussed earlier, operating margins of these divisions suffered primarily due to the sluggish demand in the local as well as export markets and rise in input costs, which could not be passed-on to the customers fully. Figures for the previous years also include contribution for five months from the Cement division, which was de-merged effective 1st September 1998.

Other Income

Other Income was lower at Rs.52.1 Crores vis-à-vis Rs.94.4 Crores reflecting a fall of 45% YoY, due to a complete deployment of surplus funds towards the acquisition of Madura Garments, pre-payment of debt and buy-back of shares, completed successfully during the year.

Interest

Interest charges were lower by 36% YoY at Rs.74.2 Crores as against Rs.116.6 in 1998-99, due to pre-mature redemption of debentures worth Rs.200 Crores associated with the Sea Water Magnesia plant and also pre-payment of entire outstanding term loans.

Depreciation/Amortisation

Depreciation charges were lower by 20% at Rs.72.5 Crores due to exit from the Sea Water Magnesia business. This was despite the charging of fresh depreciation of Rs.3.2 Crores associated with the Garments division, acquired by the Company effective 1st January 2000.

Extra-ordinary Charges

The Company has provided for an extra-ordinary loss of Rs.298.8 Crores following its decision to exit the Sea Water Magnesia business. The Company decided to exit the business effective 1st October 1999. As the division could not be sold as a going concern, it decided to dispose the assets and set off losses against free reserves. All outstanding assets at the year-end have been marked at their realisable value and the balance has been provided as an extra-ordinary provision during the year.

In addition, the Company charged Rs.1.0 Crores as an extra-ordinary expense incurred towards the share buy-back programme, thus taking the total extraordinary charge to Rs.299.8 Crores during the year.

Income Tax

The Company reported a pre-tax profit of Rs.58.6 Crores vis-à-vis Rs.115.4 Crores in 1998-99. The Company did not provide for taxes due to the extra-ordinary write-off, which resulted in a net loss of Rs.241.2 Crores for the year.

Cash Flow Analysis

	(Rs. in Crores) 1999-2000
SOURCES OF CASH	
Cash flow from Operations (Net of Tax)	150.7
Non-operating Cash Flow	32.8
Proceeds from borrowing	209.6
Decrease in Working Capital	6.5
Net inflow from investment activities	252.9
Total	**652.5**
USES OF CASH	
Net Capital Expenditure	200.4
Repayment of borrowings	271.3
Share buy-back	65.6
Interest	82.2
Dividend (including Dividend Tax)	30.0
Increase / (Decrease) in cash and cash equivalents	3.0
Total	**652.5**

Sources of Cash

Cash from Operations

Operating cash flows declined to Rs.150.7 Crores due to lower volumes and profitability in select key businesses of the Company. The cash flow for the current year includes contributions from the Garments division for 3 months as well.

Non-operating Cash flows

Non-operating cash flows consist primarily of interest, dividend and income from sale of investments, primarily to fund the acquisition of Madura Garments during second half of 1999-2000.

Borrowings

The Company has raised a total sum of Rs.209.6 Crores, including long term loans to the tune of Rs.50 Crores through issue of non-convertible debentures bearing a coupon rate of 10.85% payable annualy for 6 years, which is amongst finest rates obtained by any corporate in recent times. The Company raised short-term funds to the tune of Rs.159.6 Crores, including funds raised for part-financing the acquisition of Madura Garments.

Investments

The net inflow from liquidation of investment was Rs. 252.9 crores during the year. This was used to pre pay debt, buy back shares and part finance acquisition of Madura Garments. The Company invested Rs.2.0 Crores in other companies of the Aditya Birla Group, including Rs.1.5 Crores in Birla AT&T Communications Limited and Rs.0.5 Crores in Bina Power Supply Co. Limited. These were part of commitments made by the Company in the past few years.

Uses of Cash

Capital Expenditure

The Company has invested Rs.204.1 Crores during the year. Of this, Rs.166.1 Crores was invested towards acquisition of Madura Garments and balance was used for normal capital expenditures.

Debt Repayment

The Company has pre-paid/re-paid long-term debt to the tune of Rs.271.3 Crores during the year. Consequent to this, despite fund raised during the year, the Company's debt-equity ratio dropped from 0.37x in 1998-99 to 0.28x in 1999-2000.

Dividend

The Company paid a sum of Rs.30.0 Crores towards dividend for the year 1998-99. The Board has proposed a dividend of Rs.1.0 per share for the year 1999-2000. This is the maximum permissible dividend that can be announced by the Company under the present regulations. With the Company's decision to write-off a sum of Rs.299 Crore following the closure of Sea Water Magnesia Plant and the resultant loss for the year 1999-2000, the Company was constrained to limit the dividend to the tune of 10% for the year. The proposed dividend, including the Corporate Tax on Dividends would mean an outflow of Rs.6.6 Crores during the year under review.

DELIVERING ENHANCED VALUE TO SHAREHOLDERS IN THE NEW MILLENNIUM

The Company has gone through one of the more difficult years in its recent history. However, as discussed earlier, most of its core businesses are showing visible signs of improvement and appear to be turning around smartly, after having bottomed out, during the second half of 1999-2000.

Having restructured its business portfolio during the past two years, the Company has now become focused and is poised for strong growth in its core areas namely Garments, Carbon Black, Insulators and VFY. The Company's strategy for delivering enhanced value to shareholders on a sustainable basis in the new millennium is through a relentless focus on:

Optimum Asset Utilisation - This will be achieved through improving volumes in the local and export markets by capitalising on its product quality, strong brand equity and excellent distribution network.

Growth in Core Business - Indian Rayon will focus on development of new products, markets and applications in its core businesses to ensure continued strong growth in future. Research and Development will become a central area to ensure that the Company changes with the changing needs of its customers in both traditional as well as new markets.

Improving Cost Competitiveness - The Company will concentrate on further improvements in operational efficiency and cost reduction through process improvements.

Maintenance of a Strong Balance Sheet will be another focal point going forward

CAUTIONARY STATEMENT

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

Corporate Governance Report

CORPORATE GOVERNANCE

Corporate Governance refers to a combination of laws, regulations, procedures, implicit rules and voluntary practices that enables companies attract financial and human capital, perform efficiently and thereby maximise long-term value for shareholders, while respecting the aspect of multiple stakeholders.

Corporate Governance is not a matter of ticking off checklists, it is integral to the very existence of a Company. It strengthens investors' trust and ensures a long-term partnership that helps in fulfilling a company's quest for higher growth and profits. Corporate governance rests upon four pillars viz., transparency, full-disclosure, independent monitoring and being fair to all, especially to minority shareholders. A good corporate governance policy should ensure that

- A best possible management team is in place
- The Board is strong with non-executive and independent directors, who represent interests of all stakeholders
- The Board effectively monitors management's progress and key corporate decisions
- The Board is aware of the concerns of the Company's shareholders
- The Management and employees have a stable environment
- The Board is effectively in control of the Company's affairs
- The Company's policies benefit all its shareholders

In sum, the essence of Corporate Governance is thus the phrase "Your Company". It is "your" company because it belongs to you, the shareholders. The Chairman and Directors are your fiduciaries and trustees. Their objective is to push the business forward to maximise "your" long-term value.

A Beginning at Indian Rayon

Corporate Governance is an important cornerstone of the Aditya Birla Group's objective of creating shareholder value on a sustainable basis. Your Company, a flagship company of the Aditya Birla Group, is no exception. Indian Rayon is committed to benchmarking itself with global standards in all areas including corporate governance. Towards this end, this year's Annual Report has made substantial disclosures on the Board of Directors, financial and stock performance. In addition, the Company has endeavoured to evaluate and benchmark "your company" with the guidelines recommended by the SEBI Committee on Corporate Governance.

BOARD OF DIRECTORS

Composition of Board

The need for having a majority of non-executive directors on the Board is internationally well recognised. Indian Rayon's board meets this requirement as it consists fully of non-executive and independent directors. Four directors on the Board are 'Independent' i.e., they have no business relationship with the Company. One director represents Life Insurance Corporation of India.

Director	Executive/Non-executive/ Independent #	No. of Outside Directorship held
Mr Kumar Mangalam Birla	Non-Executive	18 *
Mrs Rajashree Birla	Non-Executive	9 **
Mr B L Shah	Non-Executive	4 ***
Mr B R Gupta	Non-Executive@	10
Mr H J Vaidya	Independent	2 ****
Mr D S Dahanukar	Independent	6
Mr Ashwini Kumar Kanoria	Independent	3
Mr P Murari	Independent	16 ****

 # An independent director is

- *not a formal executive and has no professional relationship with the company*
- *not a large customer and / or vendor to the company*
- *not a close relative of the promoter and / or any executive directors*
- *not holding a significant stake*
- *not a nominee of any large shareholder / creditor.*

** - excluding 18 foreign companies, SEBI, G D Birla Medical Research & Education Foundation and 1 private limited company.*

*** - excluding 16 foreign companies, G D Birla Medical Research & Education Foundation and 1 private limited company.*

**** - excluding 1 foreign company and G D Birla Medical Research & Education Foundation*

***** - excluding 1 private limited company*

@—Represents Life Insurance Corporation of India Limited (LIC)

Director's Interest in the Company

Indian Rayon's commitment to transparency goes beyond the statutory requirement. The Company has thus decided to make full disclosures regarding the interests of, and payments to, all Directors on the Board.

Director	Relationship with other Directors	Business relationship with the Company, if any	Loans and advances received from the Company*	Remuneration paid during 1999-2000 (All figures in Rupees)			
				Sitting fees	Salary & perks	Com-mission	Total
Mr Kumar Mangalam Birla	Son of Mrs Rajashree Birla	-	-	22,000	-	-	22,000
Mrs Rajashree Birla	Mother of Mr Kumar Mangalam Birla	-	-	16,000	-	-	16,000
Mr B L Shah	-	-	-	45,000	-	-	45,000
Mr B R Gupta	-	Represents LIC	-	18,000	-	-	18,000
Mr H J Vaidya	-	-	-	43,000	-	-	43,000
Mr D S Dahanukar	-	-	-	16,000	-	-	16,000
Mr Ashwini Kumar Kanoria	-	-	-	22,000	-	-	22,000
Mr P Murari	-	-	-	10,000	-	-	10,000

**Note: Indian Rayon has a policy of not advancing any loans and paying any commission from profits to non-executive/independant directors*

Attendance record of the Directors

It is important for the shareholders to know the number of times the Board had met during the past year as well as attendance record of their Directors. Indian Rayon has, therefore, decided to make full disclosure on the board meetings as well as attendance record of all Directors on the Board.

Director	No. of Meetings		Attended Last AGM*
	Held	Attended	
Mr Kumar Mangalam Birla	11	11	No
Mrs Rajashree Birla	11	8	No
Mr B L Shah	11	11	Yes
Mr B R Gupta	11	9	No
Mr H J Vaidya	11	10	No
Mr D S Dahanukar	11	2	No
Mr Ashwini Kumar Kanoria	11	11	No
Mr P Murari	11	5	No

** Annual General Meeting (AGM) held on 17th September, 1999 at the Company's Registered Office at Veraval*

CORPORATE GOVERNANCE DISCLOSURES

As mentioned earlier, "Your Company" has endeavoured to benchmark itself with the guidelines issued by the Committee on Corporate Governance set up by the Securities and Exchange Board of India (SEBI). Indian Rayon adheres to most of the recommendations made by the SEBI Committee, but for a few areas for which the Company is taking steps to implement the same.

Recommendations Complied Already

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

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

2. The Board should set up a committee under the chairmanship of a non-executive / independent director to specifically look into shareholder issues, including share transfers and redressal of shareholder complaints.

   Indian Rayon has a Share Transfer Committee at the Board level. This comprises of Mr B L Shah, Mr H J Vaidya and Mr D S Dahanukar who are the Non-executive / Independent directors of the Company.

   The Committee meets at frequent intervals to look after the approval of share transfers and other related matters.

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

   The Company's shares are traded in dematerialised form and have to be delivered in the dematerialised from in all Stock Exchanges. To expedite the transfer in physical segment, authority has been delegated to the Share Transfer Committee. Officers of the Company have also been authorised to approve transfer of upto 5,000 shares/debentures each in physical form under one transfer deed.

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

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

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

   Details of remuneration paid to the Directors are highlighted at the beginning of this section. Indian Rayon has a policy of not paying commission on profits to any Director of the Company.

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

   The Board of Indian Rayon met 11 times during the past year. Agenda papers were circulated to the members well in advance of each meeting. The Company places before the Board the working of all the units and all statutory reports from time to time. As regards various items recommended by the SEBI Committee on Corporate Governance the following items are not presented in a structured manner at present. However, necessary steps are being taken to present all items recommended by the SEBI Committee in a structured manner from the current year.

   - *Annual operating plans and budgets and any updates.*
   - *Capital budgets and any updates.*
   - *Quarterly details of foreign exchange exposures and steps taken by the Company to limit the risk of adverse movements in exchange rate, if material.*

6. As a part of disclosures, in addition to the Director's Report, Management's Discussion and Analysis report should form part of the annual report to the shareholders.

   Management's Discussion and Analysis forms part of the Annual Report. The Company introduced this new section in the Annual Report for the year 1998-99.

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

Indian Rayon makes presentation to investors as well as equity analysts following the announcement of quarterly results. A copy of the Press Release and quarterly results announcement are made available on the Company's web site (www.indianrayon.com) as well as on the Aditya Birla Group's website (www.adityabirla.com).

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

Indian Rayon has introduced a separate section on Corporate Governance in this year's Annual Report.

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

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

10. The Non-Executive Chairman of the Company should 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 the responsibilities effectively. (This is a non-mandatory recommendation).

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

Recommendations Under Review

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

Indian Rayon does not have an active Audit Committee at present. The Company is in the process of re-activating the Audit Committee.

12. The Board should set up a "Remuneration Committee" to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the Company's policy on remuneration packages for Executive Directors, including pension rights and other compensation payments.

Indian Rayon does not have any Executive/ Wholetime Director on its Board. Hence Remuneration Committee is not required.

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

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

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

Relevant details forms part of the explanatory statement of the Notice of the Annual General Meeting.

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

The Company aims to send update on half-yearly performance to the individual shareholders from 2000-01 onwards.

Recommendation not pertaining to the Company

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

Not a company level issue.

Other disclosures recommended by the SEBI Committee

1. Details on Annual / Extraordinary General Meetings

 1.1. Location and time, where General Meetings held in last 3 years:

Year	AGM/EOGM	Location	Date	Time
1998-99	AGM	Registered office of the Company at Veraval, Gujarat	17th September 1999	2.00 p.m.
1998-99	EOGM	- do -	12th December,1998	10.30 a.m.
1997-98	AGM	- do -	6th August 1998	11.00 a.m.
1996-97	AGM	- do -	15th July 1997	11.00 a.m.
1996-97	EOGM	- do -	22nd November 1997	10.00 a.m.

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

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

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

 There is no material transactions with related party which requires separate disclosure.

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

Neither any non-compliance with any of the legal provisions of law has been made by the Company nor has any penalty, stricture has been imposed by the Stock Exchanges or SEBI or any other statutory authority, on any matter related to capital markets, during the last 3 years.

4. Means of communication

➢ Half-yearly report sent to each household of shareholders	No
➢ Quarterly results	
Which newspapers normally published in	All editions of Financial Express and Ahmedabad edition of Indian Express
Any website, where displayed	www.indianrayon.com www.adityabirla.com
➢ Whether it also displays official news releases and presentations made to institutional investors/ analysts	Yes
➢ Whether MD&A is a part of annual report	Yes
➢ Whether Shareholder Information section forms part of the annual report	Yes

Social Report

Beyond Business - Reaching out to Communities

To qualitatively impact the life of the weaker sections of society, we engage in a series of welfare driven initiatives. These are carried out under the aegis of "The Aditya Birla Centre for Community Initiatives and Rural Projects", spearheaded by Mrs. Rajashree Birla, who is our Director on the Board of your Company.

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

Given this backdrop, we work in 500 villages, surrounding our Plants in Veraval in Gujarat, Renukoot in Uttar Pradesh and Gummidipoondi near Chennai. We reach out to more than two lakhs of people. Our focus areas are health-care, sustainable livelihood and education.

MEDICAL CAMPS

To provide health care to villagers in the nook and cranny of the villages surrounding our Units, we organise medical camps.

In nearly 30 medical camps conducted during the year, more than 8000 villagers were examined and treated for diverse ailments including tuberculosis, leprosy, cataract, polio and skin-related diseases. Immunization camps form part of this activity. Hundreds of people have gained immensely. For instance, 239 patients benefitted from the Jaya Shree Textiles' Laproscopic, Eye Micro-surgery and Lense Implant Camps. The physically impaired are also serviced by us. Our teams of doctors examine the extent to which their disability can be reduced. Depending on their affliction, they are provided with tricycles, calipers, crutches, artificial limbs, and special shoes - to cite a few examples. These supportive aids are instrumental in significantly enhancing their self-sufficiency levels. Additionally, an Intensive Care Unit, the first of its kind in a public hospital, has also been provided by Jaya Shree Textiles to Rishra Seva Sadan in Hooghly.

To look after the well-being of animals, veterinary camps are conducted at Veraval. Additionally, incentives are given for artificial insemination of cows and buffaloes. This year 14,530 animals were benefited as a result of these activities.

> "Our Social engagement stems from our fundamental belief that the organization of the future will be judged by the values it stands for, for its contribution and for the benefits it offers to communities amidst which it operates".
>
> *- Smt. Rajashree Birla*
> *Chairperson,*
> *The Aditya Birla Centre*
> *for Community Initiatives*
> *and Rural Development*

SPREADING LITERACY

To raise the literacy level, in the areas around our Plants, we recourse to various ways. These encompass the setting up of adult education centers, "balwadis", which are non-formal education centers and offering merit scholarships. At Veraval, 1,468 students received our Scholarship which not only enabled their educational expenses, but more importantly motivated them to study harder.

To espouse the cause of the girl-child, we provide educational support. Distribution of text books to the Panchayat Schools, and financial aid to needy educational institutions also forms part of our canvas. We have kindled the desire to learn among 5000 children.

We are supporting a College library at Renukoot.

TOWARDS SUSTAINABLE LIVELIHOOD

Farmer Focus

Acting as catalysts, our teams narrow in on farmers who can avail of the economic programmes launched by the Government. They then assist the farmer in accessing the necessary funds which go towards enhancing his yield. The farmer is thus assured of a sustainable income, given a normal monsoon.

To boost agricultural and horticultural activities, we reach out to thousands of farmers in manifold ways. Farmer training programmes, teaching them better farming techniques on demonstration plots and agricultural meetings where agricultural experts give them valuable inputs are proving most useful to them.

Training in nurturing bees is imparted to many farmers. Bee-keeping is a good source of generating income.

To enable villagers have a sustainable livelihood, hundreds of them have been trained in cottage industries as well.

Village development Schemes

We aim to embed the villages with at least the basic amenities, such as providing support towards better infrastructure through construction of roads, check-dams, drains and the repair of buildings which house the Panchayats.

As Renukoot is an area prone to severe water scarcity during summer, our team supplies fresh drinking water to the nearby communities. Towards this end, water booths are specially set up during this period.

Garnering developmental aid

For the year 1999-2000, we mobilised over Rs.410 lakhs through different development programmes. This is apart from our own contribution. We influenced the lives of fifty thousand people in a direct manner, by ensuring their well-being physically, and for many others a sustainable means of livelihood.

MAKING A DIFFERENCE

Our involvement in these community driven initiatives has made a perceptible difference to the lives of the marginalised villagers. Many of them are no longer below the poverty line and are in good-health. And that gives us a humble sense of fulfillment, and pride in the fact that we are helping in shaping new societies.

Directors' Report to the Shareholders

Dear Shareholders,

Your Directors are pleased to present the 43rd Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2000.

At the outset, your Directors would like to dwell on the strategic moves made by your Company towards value creation during the year under review. These pertain mainly to the restructuring process.

BUSINESS RESTRUCTURING

- The decision to exit from the Sea Water Magnesia business and dispose off the assets of the division individually.
- Entry into the Readymade Garments business with the acquisition of Madura Garments, who are industry leaders. World renowned brands such as VAN HEUSEN, LOUIS PHILLIPE, ALLEN SOLLY, PETER ENGLAND, BYFORD and SAN FRISCO now come into your Company's fold.
- The formation of a wholly owned overseas subsidiary company in Mauritius for export and brand promotion.

FINANCIAL RESTRUCTURING

- Prepayment of 16.5% 15th Series Secured Reedemable Non-Convertible Debentures amounting to about Rs.200 Crores;
- Buyback of 76.06 lac equity shares of the Company, representing 11.27% of the total paid-up capital at Rs.85 per share aggregating to Rs.64.65 crores;

Importantly, your Company continues to retain its sound financials and commands a leadership position in all of its core businesses.

The results on account of part of these major initiatives will be fully reflected in the ensuing period.

FINANCIAL PERFORMANCE

During the first half of the year, the performance of your Company was impaired. This was due to the downturn in the economy coupled with adverse conditions in the commodity business. In the second half, the economy showed signs of recovery. Alongside, your Company initiated various proactive steps, which will benefit the Company in the long run. Consequently, your Company's overall performance has been satisfactory.

OPERATIONAL REVIEW

Your Company's operational performance continues to be good. A summary is given below:-

VOLUME (MT)

Products	FY 2000	FY 1999	Variation
PRODUCTION :-			
Viscose Filament Yarn	12,621	14,685	(-) 14.05%
Carbon Black	95,828	63,968	49.81%
Insulator	24,353	24,026	1.36%
SALES :-			
Viscose Filament Yarn	13,507	13,662	(-) 1.13%
Carbon Black	94,656	61,243	54.56%

TURNOVER (RS IN CRORES)

Products	FY 2000	FY 1999	Variation
Viscose Filament Yarn	244.7	279.8	(-)12.54%
Carbon Black	262.7	176.5	48.84%
Insulator	167.0	185.8	(-)10.12%
Textiles	341.6	318.0	7.42%
Garments(3 months)	57.2	*	**
Trading and Others	113.7	506.5	**
Total	1186.9	1466.6	–

*The Turnover for corresponding period in Madura Coats Ltd. stood at Rs. 48.1 crores.
** Not comparable as previous year figures includes the 5 months turnover of Erstwhile Cement Division which was demerged w.e.f. 1.9.1998

The operational performance of each of your Company's Division has been comprehensively explained in the Management Discussion and Analysis Report as a part of this Annual Report .

FINANCIAL RESULTS

The table below gives the results:

(Rs. in Crores)

	Current Year ended 31.3.2000	Previous Year ended 31.3.1999
Operating Profit	205.32	322.63
Less: Interest	74.24	116.57
Gross Profit	131.08	206.06
Less : Depreciation / Know-how written off	72.50	90.70
Profit before Exceptional items and Tax	58.58	115.36
Less : Exceptional loss due to exit from Sea Water Magnesia Business	298.82	—
Share Buyback Expenses	0.99	—
Provision for Taxation	—	9.32
Net Profit/(Loss) after Exceptional items	(241.23)	106.04
Add : Transfers from Investment Allowance Reserve/Debenture Redemption Reserve	71.11	10.29
	(170.12)	116.33
Balance brought forward	207.32	131.95
Profit available for appropriation	37.20	248.28

Appropriations are made as under:

Proposed Dividend	5.99	26.99
Provision for Corporate Tax on Dividend	0.66	2.97
General Reserve	—	11.00
Balance carried forward to next year	30.55	207.32
	37.20	248.28

Your Directors would like you to bear in mind the fact that the results for the year 1999 - 2000 are not comparable with those of the previous year as the previous year's result include the working of Cement Division for five months. This Division was demerged from the Company on the 1st of September, 1998.

The current year's result include the three months operations of the newly acquired Madura Garments business from 1 st January, 2000 to 31 st March ,2000.

DIVIDEND

In view of the one time non cash loss of Rs. 298.82 crores provided by the Company on closure of Sea Water Magnesia Plant ,the Profit and Loss Account show losses for the year. In view of this extraordinary loss, your Directors are constrained to recommend a lower dividend of 10 %, which is the maximum permissible presently under law. The dividend will be paid after your approval at the Annual General Meeting, in accordance with the regulations applicable at that time.

	Current Year Rs. Crores	Previous Year Rs. Crores
On 5,98,76,742 fully paid-up Equity Shares of Rs.10 each, @ Rupee One per share (Previous year @ Rupee Four per share on 6,74,83,041 fully paid-up Equity Shares)	5.99	26.99
Corporate Tax @ 11% (Previous Year 11%)	0.66	2.97
	6.65	29.96

STATUS OF Y2K COMPLIANCE

The Y2K transmission was smooth without any disruption to the operations of any of the divisions of your Company.

FINANCE

Your Company gave a serious re-look to its financial structure to align it with the present business focus. The following initiatives stemmed from this exercise:-

- Prepaid 16.5% 15th Series Secured Redeemable Non-Convertible Debenures of Rs.300 each aggregating to Rs.199.93 crores.
- Completed buyback of 76.06 lacs equity shares representing 11.27% of the total paid-up capital at Rs.85 per share aggregating to Rs.64.65 crores.
- Completed acquisition of Madura Garments without any market borrowing.

To meet the requirement for ongoing capital expenditure and general corporate purposes, your Company has raised a sum of Rs.50 crores through private placement of Non-Convertible Debentures at very competitive rates during the year end.

Your Directors confirm that the proceeds of the various debentures issued were used/are being used for purposes stated. With the alignment of its capital structure, your company has very strong financials.

DEPOSITORY SYSTEM

As you are aware that your Company has entered into an agreement with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). This enables you to hold your shares in a dematerialised form with either of these depositories. In order to expedite the demat process further, the Company is installing necessary equipment at the Registered Office at Veraval for having direct connectivity with NSDL.

The delivery of equity shares of your Company is now mandatory in the dematerialised form in all exchanges where your shares are listed. Since this move facilitates quick transfers and prevents forgery, those shareholders who have not opted for this facility are advised to dematerilise their shares in their own interest. Your Company has also made arrangements for simultaneous dematerilisation of the physical shares lodged for transfer.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

The integration of the Indian economy with the global economy has led to a shift in focus of the skills sets of people, which is now an imperative to run a business enterprise successfully.

To meet with this change, your Company has charted a human resource policy that integrates the people, their skills and the needs of the organisation.

Your Company firmly believes that people constitute the strength of an organisation. Proactive initiatives have been take to establish systems that foster performance, transparency, fairness and empowerment at all levels. The work processes in the Company are team driven. Your Organisation has created a culture of knowledge sharing and is endeavouring to make it a way of life. The appraisal system has been institutionalised. Performance based reward mechanism is being evolved. Individual achievements and attainment of team objectives have been inter-linked.

These initiatives of your Company have facilitated extremely cordial industrial relations at practically all the Units of your Company barring a brief aberration at the Viscose Filament Yarn Plant. An illegal and unjustified strike by a section of the workers at the Viscose Filament Yarn Plant affected operations from the 11th of March to 22nd March, 2000.

JOINT VENTURE COMPANIES

From time to time we have invested Rs. 209.08 crores in our joint venture companies encompasses Indo Gulf Corporation Limited, Mangalore Refinery & Petrochemicals Limited, Birla AT&T Communications Limited & Bina Power Supply Company Limited.

Indo Gulf's performance for the year has been exemplary. It has achieved new highs in both its fertiliser and copper businesses. The profits of the company are rising year after year.

Mangalore Refinery & Petrochemicals Limited is making serious efforts to curtail losses and create its competitive edge in the deregulated Hydro Carbon Sector.

With the announcement of the new telecom policy, Birla AT&T has already started making operating profits. The future outlook is promising. To take advantage of synergies and to expand the foot print, the Company has entered into a Memorandum of Understanding with Tata Industries Limited for merger of Tata Cellular Ltd.(the cellular licensee of Andhra Pradesh Circle) with Birla AT&T.

Bina Power is setting up a 578 MW Coal Based Power Generation facility at Bina in MP in Joint Venture with M/s. PowerGen of UK. While all Project Contracts and Agreements had been executed / finalised, the ongoing litigation for Escrow allocation had put a brake on the very fast progress that was achieved. However, the Company has now received a favourable Supreme Court verdict and are hopeful to achieve Financial closure within this calendar year.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956.

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, are given in a separate Annexure to this Report. This annexure, however, is not sent with the Report and Accounts to the shareholders of the Company in line with the provisions of Section 219(1)(b)(iv) of the Companies Act, 1956. Shareholders who are interested in obtaining these particulars may please write to the Company Secretary, at the Company's Registered Office.

Additional information relating to the conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo, required under Section 217(1)(e) of the Companies Act, 1956, is set out in a separate statement attached to this report and forms part of it.

DIRECTORS

Consequent to repayment of all the term loans to the financial institutions, ICICI Limited and Life Insurance Corporation of India have withdrawn the nomination of their respective nominees, Shri P.Murari and Shri B.R.Gupta respectively from the Board.

At the request of the Life Insurance Corporation of India, Shri B.R.Gupta has been appointed as an Additional Director at the Board Meeting held on 28th January, 2000 to represent the investment institutions. He holds office upto the date of the forthcoming Annual General Meeting and is eligible for reappointment.

Shri P.Murari has been appointed as an Additional Director at the Board Meeting held on 28th January, 2000. He holds office upto the date of the forthcoming Annual General meeting and is eligible for reappointment.

Smt. Rajashree Birla and Shri Ashwini Kumar Kanoria retire by rotation, and being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE

The concept of Corporate Governance has been attracting public attention for quite some time in India. Progressive firms like your Company have already initiated steps to put in place system of Corporate Governance. It is also gearing up to ensure that all the mandatory provisions are fully in place well before the deadlines prescribed by various authorities. A separate report on the Corporate Governance is enclosed as a part of the Annual Report.

AUDITORS

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

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

APPRECIATION

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

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

Your Directors place on record their deep appreciation of the dedication and commitment of your Company's employees. They have been and continue to be instrumental to your Company's ongoing success.

For and on behalf of the Board

KUMAR MANGALAM BIRLA
Chairman

Mumbai, 20th April, 2000

Annexure to Directors' Report

Information under section 217(1)(e) of the Companies Act, 1956 read with Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 and forming part of the Directors' Report for the year ended 31st March, 2000.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken :

- Replacement of single speed motor by double speed motor in Viscose Dissolver at Rayon.
- Use of Light Diesel Oil (LDO) in place of High Speed Diesel (HSD) in the DG Sets at Rayon.
- Installation of additional inverter / supermizer in process pumps of Caustic Soda.
- Installation of 900^0 Air Preheater to decrease fuel consumption and enrichment of tail gases at Carbon Black.
- Substitution of CBFS in place of LSHS as fuel oil in Carbon Black.
- PGF timer replaced to reduce instair consumption saving 30 KWH/hr at Carbon Black.
- Motor driver agitator replaced with air agitator saving 4 KWH/hr at Carbon Black.
- Modification of firing cycle resulted in saving of 2329 KWH/month at Insulator.
- Optimisation of loading of motors in worsted spinning at Textiles.
- Elimination of Indirect Cooling Humidifier at Textiles.
- Use of Cooling Tower water in Air Washery in place of chilled water for 5 months in a year at Textiles.
- Stopping of 75 HP ELGI Compressor by full loading of ZR-4 compressor at Textiles.
- Stopage of Chiller Plant by modification of Humidification Plant & Cooling Tower at Textiles.

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

- Use of Extraction-II Steam of Power Plant Turbine in Continuous Spinning Machines at Rayon.
- Use of Electroflow Energy Saving Systems in Power Plant Load Centres at Rayon.
- Replacement of 6.0 MW Turbine's Rotor at Carbon Black.
- Seasonsal variation with inverter drive in Humidification at Textiles.
- Heat Recovery Unit in Dye House at Textiles.
- To invest in Inverter Drive System for Auto Coner machines at Textiles.

c) Impact of measures listed at (a) and (b) 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 in the consumption of fuel and power and consequent decrease in the cost of production.

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

As per annexure attached.

B. TECHNOLOGY ABSORPTION

Efforts made in technology consumption (Form – B)

RESEARCH AND DEVELOPMENT

1. Specific areas in which R & D carried out by the Company.
   - Replacement of Zinc by Alum for Spinbath at Rayon.
   - Use of purged lean Brine of Caustic Soda Plant in water softeners at Rayon.
   - Developing new grades at Carbon Black and to carry out all requisite test for quality control.
   - Development of 210 KN and 300 KN Disc Insulators high end products at Insulator.
   - Reengineering of solid core Insulators design resulting in reduction of weight at Insulator.
   - Development of Woollen knitting yarn using "Finest Micron Wool" at Textiles.
   - On farm trial in cultivation of flax fibre in India at Textiles.
   - Use of high Alkali Pyro Phillite, Telsite and MDS Grade / HT-10 Grade low Soda Alumina for development of HVDC Insulators.
2. Benefits derived as a result of the above R & D:
   - Improvement in the Quality of product, production efficiency at low cost and development of new range of products and new markets and improved customer satisfaction.
3. Future Plan of action
   - Improvement in quality of products and process, achievement of a better product mix, development of new application of products, development of new products and reduction of cost.
4. R & D Expenditure :

Capital Expenditure	:	Rs. 20.00 lacs
Recurring Expenditure	:	Rs. 44.46 lacs
Percentage of Turnover	:	0.05%

5. Technology absorption, adaptation and innovation:

   i) Efforts in brief, made towards technology absorption, adaptation and innovation:
   - Development of Coning Machines, including better design at Rayon.
   - Incorporation of in-house reactor design and latest dryer design at Carbon Black.
   - Compressed firing cycle (10 to 18 hours per cycle in all Kilns) resulting in increased loading capacity & fuel efficiency at Insulator.
   - Reengineering of metal hardware design to achieve saving of Rs.2.3 Lacs / month at Insulator.
   - Use of C9 in place of SKO and LDO in place HSD in Thermopack for cost saving at Insulator.
   - Installation of Ultra Filter on compress air line at Textiles.
   - Inter connection between Cooling Towers and Humidification Plant at Textiles.
   - Development of Dyeable Package on T.F.O. Machine to offer value-added products in export market at Textiles.

   ii) Benefits derived as a result of the above efforts:
   - Improvement in quality of existing products, development of new market segments, improvement in process and cost control and improvement in productivity.

   iii) Information regarding Technology imported during the last 5 years
   - Membrane Cell Technology from M/s. UHDE GmbH, Germany for manufacture of Caustic Soda.
   - Caustic Flaking Technology from M/s. Bertrams, Switzerland.
   - Continuous Spinning Technology from M/s. Snia Engineering, Italy for Continuous Viscose Filament Yarn.
   - Airjet Spinning Machines from Japan, Autoconer from Italy and Japan, Hara Cherry Draw Frame from Japan and Cross Roll Cards from U.K. at Textiles.

C. FOREIGN EXCHANGE EARNING AND OUTGO

The information on foreign exchange earnings and outgo is contained in Note No. 20a and the annexure thereto.

ANNEXURE

Form-A

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

(A) Power and Fuel Consumption:-

	UNITS	CURRENT YEAR	PREVIOUS YEAR
1. Electricity			
(A) Purchased - Units	KWH in Lacs	1,074.05	1,400.80
Total Amount	Rs.in Lacs	3,835.52	5,167.43
Rate per Unit	Rs.	3.57	3.69
(B) Own Generation			
(i) Through Diesel Generator - Units	KWH in Lacs	731.80	1225.72
Unit per Ltr. of Diesel Oil	–	2.61	2.66
Cost Per Unit	Rs.	3.40	3.06
(ii) Through Steam Turbine/Generator - Units	KWH in Lacs	1861.28	2102.78
Unit per ton of Steam Coal	–	406.73	617.38
Cost Per Unit	Rs.	2.29	2.17
2. Coal (Grade B,C and D)			
Quantity	'000 Tonnes	146.10	380.42
Total Cost	Rs.in Lacs	2210.94	6162.71
Average Rate	Rs.per tonne	1513.31	1619.96
3. Furnace Oil			
Quantity	K.Ltrs.	9027.47	31163.17
Total Amount	Rs.in Lacs	810.57	2112.17
Average Rate	Rs.per K.Ltr	8978.95	6777.77

(B) Consumption per unit of production :

	Production Unit	Standards, if any	Current Year	Previous Year
1. Electricity (KWH)				
Viscose Filament Rayon Yarn	MT	–	6471.00	5962.00
Other Yarns (Average)	MT	9010.00	5815.90	5460.15
Caustic Soda	MT	–	2428.00	2528.00
Fabrics	'000 Mtr	936.00	1085.10	959.30
Hose Pipes	'000 Mtr	757.00	944.50	837.30
Carbon Black	MT	–	494.50	560.67
Liquid Argon	SM3	3.80	3.77	3.78
Insulator	MT	–	965.03	964.74
2. Furnace Oil (Kilo Ltr.)				
Viscose Filament Rayon Yarn	MT	–	0.000	0.127
Other Yarns	MT	–	43.00	52.50
Fabrics	'000 Mtr	–	0.00	0.10
Hose Pipes	'000 Mtr	–	0.00	0.20
Carbon Black	MT	–	0.01	0.003
Insulator	MT	–	0.52	0.45
3. Coal (Grade B,C and D)				
Viscose Filament Rayon Yarn	MT	–	3.32	3.47
Other Yarns	MT	–	422.20	385.80
Fabrics	'000 Mtr	–	25.60	29.20
Hose Pipes	'000 Mtr	–	41.70	52.80

Note: The figures of the current year are not comparable with that of the previous year as the figures of the previous year includes operations of cement business for five months which was demerged from the Company on 1st September,1998.

Auditors' Report to the Shareholders

We have examined the attached Balance Sheet of INDIAN RAYON AND INDUSTRIES LIMITED as at 31st March, 2000 and also the Profit and Loss Account annexed thereto for the year ended on that date, which are in agreement with the Company's books of account and with the audited returns from the branches.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, in our opinion and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the course of the audit, we state on the matters specified in paragraphs 4 and 5 of the said Order as under:-

i) The Company has maintained proper records showing full particulars, including quantitative details and situation of Fixed Assets. The Fixed Assets were physically verified by the management at reasonable intervals. The discrepancies noticed on physical verification were not material and the same have been properly dealt with in the books of account.

ii) None of the Fixed Assets have been revalued during the year.

iii) The stocks of finished goods, stores, spare parts and raw materials have been physically verified by the management at reasonable intervals. Stocks lying with third parties and in transit have been verified by the management with reference to the confirmations received/subsequent receipt of goods.

iv) The procedures for physical verification of stocks, followed by the management are reasonable and adequate in relation to the size of the Company and nature of its business.

v) No material discrepancies have been noticed on physical verification of stocks as compared to book records.

vi) On the basis of our examination of stock records, the valuation of stock, is fair and proper in accordance with the normally accepted accounting principles and except as stated in Note No. 17 in Schedule 19 is on the same basis as in the preceding year.

vii) The rate of interest and other terms and conditions of secured or unsecured loans taken from Companies and other parties listed in the register maintained under Section 301 of the Companies Act, 1956 are, prima facie, not prejudicial to the interest of the Company. In terms of section 370(6) of Companies Act, 1956 provisions of the said section are not applicable to a company on or after 31st October, 1998.

viii) The rate of interest and other terms and conditions of unsecured loans granted to companies listed in the register maintained under Section 301 of the Companies Act, 1956, are, prima facie, not prejudicial to the interest of the Company. The Company has not granted any loans, secured or unsecured, to other parties listed in the said register.

ix) In respect of loans and advances in the nature of loan given by the Company, the parties have repaid the principal amounts as stipulated and have also been regular in the payment of interest, where applicable.

x) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.

xi) The transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and aggregating during the year to Rs.50,000 or more in respect of each party have been made at prices are reasonable having regard to prevailing market prices for such goods, materials and services or the prices at which transactions for similar goods or services have been made with other parties.

xii) The Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods. Adequate provisions have been made in the accounts for the loss arising on the items so determined.

xiii) The Company has complied with the provisions of Section 58A of the Companies Act, 1956 and the rules framed thereunder, with regard to the deposits accepted from the public.

xiv) The Company has maintained reasonable records for the sale and disposal of realisable scrap and by-products wherever applicable.

xv) The Company has an internal audit system commensurate with the size and nature of its business.

xvi) We have broadly reviewed the books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Companies Act, 1956 and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We are, however, not required to make a detailed examination of the records with a view to determine whether they are accurate or complete.

xvii) The Company is generally regular in depositing Provident Fund dues and Employees State Insurance dues with the appropriate authorities.

xviii) Non undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty and Excise duty were outstanding, as at 31st March, 2000, for a period of more than six months from the date they became payable.

xix) No personal expenses of employees or directors have been charged to revenue account other than those payable under contractual obligations or in accordance with generally accepted business practice.

xx) The Company is not a Sick Industrial Company within the meaning of clause (o) of sub-Section (1) of Section 3 of the Sick Industrial Companies (Special provisions) Act, 1985.

xxi) In respect of the service activities, the Company has a reasonable system of recording receipts, issues and consumption of materials and stores commensurate with its size and nature of its business. In our opinion, the system provides for a reasonable allocation of materials consumed and man hours utilised to the relative jobs. Further, there is a reasonable system of authorisation at proper levels and an adequate internal control system, commensurate with the size of the Company and the nature of its business on the issue of stores and allocation of stores and labour to jobs.

xxii) In respect of trading activity, damaged goods which were not significant, have been determined and necessary provision for losses have been made in the accounts.

Further to the above, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books and proper returns adequate for the purposes of our audit have been received from the branches not visited by us. The Branch Auditors' Reports have been forwarded to us and are appropriately dealt with.

In our opinion, the Balance Sheet and the Profit and Loss Account are drawn up in compliance with the Accounting Standards referred in Section 211 (3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with notes appearing in Schedule "19" and elsewhere in the accounts give the information required by the Companies Act, 1956 in the manner so required and the Balance Sheet and the Profit and Loss Account give a true and fair view, of the state of the Company's affairs as at the close of the year and of the loss for the year, respectively.

For LODHA & CO.,
Chartered Accountants

N.KISHORE BAFNA
Partner

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner.

Mumbai, 20th April, 2000

Balance Sheet as at 31st March, 2000

	Schedule	As at 31st March, 2000 Rs. in Crores		As at 31st March, 1999 Rs. in Crores	
SOURCES OF FUNDS					
SHAREHOLDERS' FUNDS					
Share Capital	'1'		**59.88**		67.48
Reserves & Surplus	'2'		**1047.69**		1359.81
			1107.57		1427.29
LOAN FUNDS					
Secured Loans	'3'		**450.03**		638.06
Unsecured Loans	'4'		**146.14**		13.00
			596.17		651.06
	TOTAL FUNDS EMPLOYED		**1703.74**		2078.35
APPLICATION OF FUNDS					
FIXED ASSETS					
Gross Block	'5'		**1213.05**		1451.18
Less : Depreciation			**371.15**		395.35
Net Block			**841.90**		1055.83
Capital Work-in-Progress			**14.53**		12.81
			856.43		1068.64
ASSETS HELD FOR DISPOSAL			**43.07**		—
INVESTMENTS	'6'		**344.16**		440.19
CURRENT ASSETS, LOANS & ADVANCES:					
Inventories	'7'		**266.65**		219.01
Sundry Debtors	'8'		**200.38**		173.25
Cash & Bank Balances	'9'		**32.46**		7.75
Interest accrued on Investments			**1.95**		8.22
Loans & Advances	'10'		**112.03**		316.59
			613.47		724.82
Less : CURRENT LIABILITIES AND PROVISIONS:	'11'				
Current Liabilities			**165.41**		125.34
Provisions			**6.65**		29.96
			172.06		155.30
NET CURRENT ASSETS			**441.41**		569.52
Miscellaneous expenditure (to the extent not written off or adjusted)					
Marketing/Technical know-how			**18.67**		—
	TOTAL FUNDS UTILISED		**1703.74**		2078.35
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 LODHA & CO.,
Chartered Accountants

N. KISHORE BAFNA
Partner

For KHIMJI KUNVERJI & CO.,
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner

ADESH GUPTA
President & CFO

ASHOK MALU
Company Secretary

Chairman : KUMAR MANGALAM BIRLA
Directors : RAJASHREE BIRLA
H. J. VAIDYA
D. S. DAHANUKAR
B. L. SHAH
ASHWINI KUMAR KANORIA

Mumbai, 20th April, 2000

Profit & Loss Account for the year ended 31st March, 2000

	Schedule	1999-00 Rs. in Crores	1998-99 Rs. in Crores
INCOME			
Sales		**1186.95**	1466.62
Other Income	'12'	**52.12**	94.43
Increase/(Decrease) in Stocks	'13'	**21.24**	(4.92)
		1260.31	1556.13
EXPENDITURE			
Cost of Materials	'14'	**507.81**	501.72
Manufacturing Expenses	'15'	**186.76**	268.01
Salaries, Wages and Employee Benefits	'16'	**108.24**	109.56
Selling and Other Expenses	'17'	**137.13**	192.12
Excise Duty		**115.05**	162.09
Interest and other Finance Expenses	'18'	**74.24**	116.57
		1129.23	1350.07
PROFIT			
Profit before Depreciation/Amortisation and Exceptional items		**131.08**	206.06
Depreciation/Amortisation		**71.90**	91.58
Less : Transfer from Revaluation Reserve		**0.38**	0.88
Marketing/Technical know-how expenditure written off		**0.98**	—
Profit before Exceptional items and Tax		**58.58**	115.36
Exceptional loss due to exit from Sea Water Magnesia business (Refer note No. 3 in Schedule 19)		**298.82**	—
Share buyback expenses		**0.99**	—
Provision for Income Tax		**—**	9.32
Profit/(Loss) after Exceptional items		**(241.23)**	106.04
Transfer from Investment Allowance Reserve		**—**	7.00
Transfer from Debenture Redemption Reserve		**71.11**	3.29
Balance brought forward		**207.32**	131.95
Profit Available for Appropriation		**37.20**	248.28
APPROPRIATIONS			
Proposed Dividend		**5.99**	26.99
Corporate Tax on Proposed Dividend		**0.66**	2.97
General Reserve		**—**	11.00
Surplus carried to Balance Sheet		**30.55**	207.32
		37.20	248.28
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 LODHA & CO., *Chartered Accountants*	For KHIMJI KUNVERJI & CO., *Chartered Accountants*	ADESH GUPTA *President & CFO*	*Chairman :* KUMAR MANGALAM BIRLA
			Directors : RAJASHREE BIRLA
			H. J. VAIDYA
N. KISHORE BAFNA *Partner*	SHIVJI K. VIKAMSEY *Partner*	ASHOK MALU *Company Secretary*	D. S. DAHANUKAR
			B. L. SHAH
			ASHWINI KUMAR KANORIA

Mumbai, 20th April, 2000

Schedules

SCHEDULE '1'
SHARE CAPITAL

	Numbers	As at 31st March, 2000 Rs. in Crores	As at 31st March, 1999 Rs. in Crores
AUTHORISED:			
Equity Shares of Rs. 10 each	85000000	**85.00**	85.00
Redeemable Preference Shares of Rs. 100 each	1500000	**15.00**	15.00
Total		**100.00**	100.00
Issued, Subscribed & Paid-up:			
Equity Shares of Rs. 10 each, fully paid-up*	59876742	**59.88**	67.48
	(67483041)		
		59.88	67.48

1. * Includes:
   - 13,75,500 (Previous Year 13,75,500) shares allotted as fully paid-up pursuant to contracts for consideration other than cash.
   - 2,33,69,797 (Previous Year 2,33,69,757) shares issued as Bonus Shares by capitalisation of Reserves and Share Premium.
   - 41,47,512 (Previous Year 60,01,455) shares represented by Global Depositary Receipts.
2. Issue of 41,941 (Previous Year 44,081) equity shares and bonus shares thereon are held in abeyance pursuant to the provisions of Section 206A of the Companies Act, 1956.
3. 76,06,419 shares have been bought back during the year - (Refer Note No. 4 in Schedule '19')

SCHEDULE '2'
RESERVES & SURPLUS

	Balance as at 31st March, 1999 Rs. in Crores	Addition During the year Rs. in Crores	Deductions/ Adjustments During the year Rs. in Crores	Balance as at 31st March, 2000 Rs. in Crores
Capital Reserve	1.44			**1.44**
Revaluation Reserve	14.01		0.38*	**13.63**
Capital Redemption Reserve		7.61		**7.61**
Debenture Redemption Reserve	163.45		71.11	**92.34**
Share Premium Account	437.22	(14000)	63.86#	**373.36**
General Reserve	499.37		7.61	**491.76**
Investment Allowance Reserve	37.00			**37.00**
Surplus as per Profit & Loss Account	207.32		(176.77)	**30.55**
	1,359.81	7.61	(33.81)	**1,047.69**
Previous Year	1,533.66	86.70	260.55	**1,359.81**

* Deductions on account of depreciation provided on revalued amount
# Deductions/Adjustments on account of:—
Share buy-back Rs. 57.05 Crore (Refer note no. 4 in Schedule '19')
Premium paid on pre-payment of debentures Rs. 6.81 Crores

SCHEDULE '3'
SECURED LOANS

	As at 31st March, 2000 Rs. in Crores	As at 31st March, 1999 Rs. in Crores
Debentures	**307.75**	478.83
Term Loans from Financial Institutions	**—**	42.20
Working Capital Borrowings from Banks	**142.28**	117.03
	450.03	638.06
Debentures held by Directors and Manager	**(802)**	0.01

SCHEDULE '4'
UNSECURED LOANS

	As at 31st March, 2000 Rs. in Crores	As at 31st March, 1999 Rs. in Crores
Fixed Deposits	**3.51**	2.67
Other Loans from :		
Banks #	**128.46**	1.14
Others	**14.17**	9.19
	146.14	13.00
Includes amounts repayable within one year	**134.91**	3.01
# Includes Foreign Currency Loans fully hedged	81.49	_

SCHEDULE '5'
FIXED ASSETS

(Rs. in Crores)

	Gross Block						Depreciation						Net Block	
			Deductions						Deduction/Adjustments					
	As at 31st March, 1999	Additions	Sea Water Magnesia#	Others	Total	As at 31st March, 2000	Upto at 31st March, 1999	For the year	Others	Sea Water Magnesia#	Total	Upto 31st March, 2000	As at 31st March, 2000	As at 31st March, 1999
Goodwill		20.35				20.35							20.35	
Land														
Freehold	10.02	0.09	1.99	0.01	2.00	8.11							8.11	10.02
Leasehold	5.50		0.05		0.05	5.45	0.25	0.11		0.05	0.05	0.31	5.14	5.25
Buildings	153.29	5.29	24.84		24.84	133.74	25.66	4.50		2.28	2.28	27.88	105.86	127.63
Plant & Machinery	1,248.80	29.04	321.52	64.98*	386.50	891.34	356.30	62.37	62.21*	28.90	91.11	327.56	563.78	892.50
Furniture, Fixtures & Equipments	26.74	3.95	5.89	0.92	6.81	23.88	10.92	2.28	0.27	1.73	2.00	11.20	12.68	15.82
Trade mark/Brands		123.60				123.60		2.05				2.05	121.55	
Vehicles	6.75	1.22	0.60	0.87	1.47	6.50	2.14	0.59	0.49	0.17	0.66	2.07	4.43	4.61
Livestock	0.08					0.08	0.08					0.08		
Total	1,451.18	183.54	354.89	66.78	421.67	1,213.05	395.35	71.90	62.97	33.13	96.10	371.15	841.90	1,055.83
Previous Year	2,099.76	245.43			894.01	1,451.18	601.61	91.65			297.91	395.35	1,055.83	

Notes:

1. Execution/renewal/registration of documents pending in respect of leasehold land - Rs.0.68 crores (Previous year Rs.0.68 crores), Freehold land Rs.0.06 crores (Previous year Rs. 0.06 crores) and Buildings of Rs. 0.30 crores (Previous Year Rs.0.30 crores).
2. Assets of Rs. 2.61 crores (Previous Year Rs.0.61 Crores) are jointly owned with other Corporates.
3. The Company has made an application for exemption under section 20 of the Urban Land (Ceiling & Regulation) Act, 1976 for excess land of 12.63 acres at Rishra.
4. Buildings include Rs.8.12 Crores being cost of Debentures of and Shares in a Company entitling to the right of exclusive occupancy and use of certain office premises. The Debentures and Shares Certificates are yet to be received.
5. Plant & Machinery include Rs.1.51 crores (Previous Year Rs.4.81crores) being asset not owned by the Company.
6. *Includes revalued amount adjusted Rs. 56.77 crores, refer note 7b in schedule 19
7. #Refer note no. 3 in Schedule 19.

SCHEDULE '6'
INVESTMENTS

	Face Value Rupees	As at 31st March'2000 Numbers	As at 31st March'2000 Rs. in Crores	As at 31st March'99 Numbers	As at 31st March'99 Rs. in Crores
LONG TERM INVESTMENTS					
Government Securities (Unquoted):					
6 & 7 Years National Savings Certificates	97100		**0.01**		**0.01**
12 Years National Defence Certificates	500		**(500)**		**(500)**
Indira Vikas Patra	500		(500)		**(500)**
Other Investments:					
Non Trade Investments, Fully paid-up					
QUOTED					
Units of Unit Trust of India (UTI) (1964 Scheme)	10	100000	0.13	2300000	**3.17**
Units of UTI Mastergain 1992	10		—	9000	**0.01**
Non-Convertible Debentures/Bonds (NCD/NCB):					
17.5% NCD of Gujarat Ambuja Cement Ltd.	33	35000	0.12	35000	**0.24**
18% NCD of Grasim Industries Ltd.	33		—	45100	**0.16**
14% NCD of Tata Power Company Ltd.	200		—	134455	**2.41**
16% NCD of Indian Petrochemicals Corporation Ltd.	60	170000	1.03	340000	**2.06**
17.5% NCD of Mangalore Refinery and Petrochemicals Ltd. (MRPL)	80	250000	1.95	250000	**2.93**
14% NCD of Reliance Industries Ltd.	50		—	2000000	**9.27**
Secured Redeemable Non-Interest Bearing Non-Convertible Deep Discount Bonds of Reliance Capital Ltd.	10000000	10	5.29	10	**5.29**
13.5% Omni Regular Return Bond of Industrial Development Bank of India (IDBI)	100000	500	5.06	500	**5.06**
15.5%Super Deposit Bonds 1997 of IDBI	1000		—	20000	**1.97**
14% Omni Bond of IDBI	25000	1200	3.00	1200	**3.00**
9% Tax Free Redeemable NCBs :					
Indian Railway Finance Corporation Bonds 2000	1000		—	150000	**12.26**
Indian Railway Finance Corporation Bonds 2001	1000		—	20000	**1.70**
Equity Shares					
IDBI	10	336621	3.69	344100	**3.78**
HGI Industries Limited (Formaly Hindustan Gas & Industries Limited)	10	432322	3.46	432322	**3.46**
UNQUOTED					
Mutual Fund Units					
UTI (Unit Scheme 1995)	100		—	50000	**0.51**
Master Index Fund of UTI	10		—	1000000	**0.98**

SCHEDULE '6' (Contd.)

INVESTMENTS

	Face Value Rupees	As at 31st March'2000 Numbers	As at 31st March'2000 Rs. in Crores	As at 31st March'99 Numbers	As at 31st March'99 Rs. in Crores
Non-Convertible Debentures/Bonds (NCD/NCB):					
17.5% NCD of Indian Aluminium Co. Ltd.	100		—	83333	**0.86**
15.5% NCD of Birla Global Finance Ltd.	1000		—	50000	**5.00**
15.5% Own NCDs(16th Series)	33		—	5500000	**18.98**
15.5% NCD of Grasim Industries Limited	67	5500000	38.55	5500000	**38.55**
(Certificate yet to be issued)					
Equity Shares of					
Gwalior Properties and Estates Limited	10	346850	1.45	346850	**1.45**
Seshashayee Properties Limited	10	365750	1.64	365750	**1.64**
Trapti Trading & Invesments Limited	10	351700	3.77	351700	**3.77**
Turquoise Investments & Finance Limited	10	341600	3.66	341600	**3.66**
Super Bazar Co-op. Society Ltd.	10	500	(5000)	500	**(5000)**
Trade Investments-Fully paid-up					
QUOTED					
Equity Shares of					
Indo-Gulf Corporation Ltd.(Indo-Gulf)	10	19579357	45.85	19579357	**45.85**
MRPL	10	41012461	65.10	41012461	**65.10**
Century Enka Ltd.	10	62500	1.25	62500	**1.25**
UNQUOTED					
Equity Shares of					
Jayashree Angus Sales Co. Ltd.	100		—	30	**(3000)**
Birla AT&T Communication Ltd. (Birla AT&T)	10	88816400	88.82	87,339,655	**87.34**
Investment in Subsidiary Companies :					
(Fully paid up, Unquoted)					
Laxminarayan Investment Ltd.					
- Equity Shares	10	11093000	11.09	11093000	**11.09**
- 9% Non-Cumulative Redeemable Preference Shares	100		—	1000	**0.01**
Rajnidhi Finance Ltd.					
- Equity Shares	10	40000	0.04	40000	**0.04**
- 9% Non-Cumulative Redeemable Preference Shares	100		—	1000	**0.01**
Aditya Vikram Global Trading House Ltd.	US$1	850000	3.70		**—**
CURRENT INVESTMENTS					
Fully paid-up (Quoted)					
13.25% NCD of Reliance Industries Ltd.	5000000		—	40	**19.98**
12.6% Bond of ICICI Ltd.(Series F/98)	100000		—	1000	**9.97**
12.75% Bond of ICICI Ltd.(Series G/98)	100000		—	1000	**10.00**
12.9% Bond of ICICI Ltd.(Series G/98)	100000		—	1000	**10.00**
12.5% Omni Regular Return 'I' Bond of IDBI (Series D/98)	25000		—	4000	**9.97**
Redeemable Non-Convertible Step up Liquid Bonds of The Industrial Finance Corporation of India Ltd. (IFCI)	10000		—	3000	**2.94**

SCHEDULE '6' (Contd.)

INVESTMENTS

	Face Value Rupees	Numbers	As at 31st March'2000 Rs. in Crores	Numbers	As at 31st March'99 Rs. in Crores
Fully paid-up (Unquoted)					
Units of Mutual Funds					
Alliance Liquid Income (Growth Scheme)	10	1734906	2.50		-
Birla Cash Plus	10		—	17021277	20.00
Birla Gilt Plus - Liquid Plan	10	17304307	18.50		-
Birla Income Plus (Growth Scheme)	10	12922281	22.50	6570001	9.51
DSP Merrill Lynch Bond Fund (Growth Scheme)	10	4210526	6.00		-
Prudential ICICI Income Fund (Growth Scheme)	10	4893451	6.00		-
Commercial Paper of Larsen & Toubro Ltd.	10000000		—	5	4.95
TOTAL			344.16		440.19
Aggregate Book Value - Quoted			135.93		231.83
- Unquoted			208.23		208.36
Aggregate Market Value - Quoted			155.03		238.67

1. Shares & Debentures / Bonds of bodies corporates purchased/sold during the year:

	Purchases Face Value	Sold Face Value
11.25% ICICI Ltd.	15	15
13.05% Hongkong And Shanghai Banking Corporation Limited	5	5
9% Taxfree Housing & Urban Development Corporation Bonds 2000	15	15
9% Taxfree Neyveli Lignite Corporation Limited Bonds 2000	5	5

2. The investment in certain Equity Shares are subject to following transfer restrictions:

   (a) 26012461 Equity Shares of MRPL are non-transferable till 26th June 2002 as per the terms of the issue (also refer restrictions in clause (b) & (c))

   (b) Investments in MRPL/ Birla AT&T can be transferred only as per the terms of their respective joint venture agreements.

   (c) Investments in Indo Gulf and MRPL can be transferred only after obtaining permission from the financial institutions.

3. The investment in Birla AT&T shares are pledged with the bankers for securing the loans advanced to Birla AT&T.

Schedules

SCHEDULE '7'
INVENTORIES

	As at 31st March, 2000 Rs. in Crores	As at 31st March, 1999 Rs. in Crores
(As valued and certified by the Management)		
Finished Goods	**112.33***	95.78
Stores & Spares	**30.46**	33.61
Raw Materials	**107.15**	77.07
Materials-in-Process	**16.51**	12.02
Waste / Scrap	**0.20***	0.53
	266.65	219.01
*Excluding stocks shown under Assets held for disposal	**0.53**	—

SCHEDULE '8'
SUNDRY DEBTORS

(Unsecured, considered good except otherwise stated)		
Over Six Months	**16.85**	23.64
(Doubtful, fully provided Rs. 6.63 Crores - Previous Year Rs. 4.19 Crores)		
Others	**183.53**	149.61
	200.38	173.25

SCHEDULE '9'
CASH & BANK BALANCES

Cash & Cheques in hand and remittances in transit	**3.40**	1.69
Balances with Scheduled Banks:		
Dividend Accounts	**1.36**	1.01
Current Accounts	**5.09**	4.95
Deposit Accounts*	**22.61**	0.10
Balances with Non-Scheduled Bank: #		
Veraval Mercantile Co-op. Bank Limited	**(3973)**	(3973)
	32.46	7.75
* Including EEFC Deposit kept as margin money for	**21.73**	—
# Maximum amount due at any time during the year	**(3973)**	0.05

SCHEDULE '10'
LOANS AND ADVANCES

	As at 31st March, 2000 Rs. in Crores	As at 31st March, 1999 Rs. in Crores
(Unsecured, considered good, except otherwise stated)		
Bills of Exchange	—	0.86
Advances recoverable in cash or in kind or for value to be received + (Doubtful fully provided Rs. 2.05 Crores - Previous Year Rs. 0.89 Crores)	53.73	112.69
Deposits @	38.65	177.16
Balances with Central Excise, Customs & Port Trust	5.24	22.62
Advance Payment of Taxes (Net of Provision)	14.41	3.26
Total	112.03	316.59
+ Includes		
(a) Amount due from Officers of the Company	0.05	0.06
(b) Maximum amount due from Officers at any time during the year	0.06	0.07
(c) Due from Subsidiary companies	0.67	(23,591)
@ Includes amount secured by pledge of securities	—	7.25

SCHEDULE '11'
CURRENT LIABILITIES & PROVISIONS

	As at 31st March, 2000 Rs. in Crores	As at 31st March, 1999 Rs. in Crores
Current Liabilities:		
Acceptances	0.83	0.02
Sundry Creditors	103.34	70.22
Advances from Customers	4.53	2.59
Interest accrued but not due on loans	8.82	16.77
Unclaimed Dividends	1.36	1.01
Other Liabilities	46.53	34.73
	165.41	125.34
Provisions:		
Proposed Dividend	5.99	26.99
Provision for Corporate Tax on Dividend	0.66	2.97
	6.65	29.96
Total	172.06	155.30

Schedules

SCHEDULE '12'

OTHER INCOME

	1999-00 Rs. in Crores	1998-99 Rs. in Crores
On Long Term Investments :		
Dividends from :		
Subsidiary Company	(36000)	(9000)
Trade Investments	4.31	3.06
Other Investments	0.82	0.52
(Tax deducted at source Rs. Nil - Previous Year Rs. 0.03 Crores)		
	5.13	3.58
Interest on Government & Other Securities	5.26	12.95
(Tax deducted at source Rs. 1.64 Crores - Previous Year Rs. 1.87 Crores)		
Profit on sale of Investments (Net)	7.17	13.65
	17.56	30.18
On Current Investments :		
Interest on Government & Other Securities	1.51	5.23
(Tax deducted at source Rs. 0.34 Crores - Previous Year Rs. 1.05 Crores)		
Profit on sale of Investments (Net)	10.98	2.93
	12.49	8.16
Others:		
Interest	**14.67**	41.49
(Tax deducted at source Rs. 2.52 Crores - Previous Year Rs. 7.19 Crores)		
Miscellaneous Income (Net)	**7.40**	14.60
	22.07	56.09
Total	**52.12**	94.43

SCHEDULE '13'

INCREASE/(DECREASE) IN STOCKS

	1999-00 Rs. in Crores	1998-99 Rs. in Crores
Closing Stocks:		
Finished Goods	**112.77**	95.78
Materials-in-Process	**16.51**	12.02
Waste / Scrap	**0.29**	0.53
Stocks transferred to Grasim Industries Ltd.		21.91
	129.57	130.24
Less:		
Opening Stocks:		
Finished Goods	**95.78**	107.23
Contract Jobs-in-Progress	—	0.05
Materials-in-Process	**12.02**	27.59
Waste / Scrap	**0.53**	0.29
	108.33	135.16
Increase/(Decrease)	**21.24**	(4.92)

Schedules

SCHEDULE '14'
COST OF MATERIALS

	1999-00 Rs. in Crores	1998-99 Rs. in Crores
Raw Material Consumption	**448.29**	386.75
Purchase of Finished Goods	**59.52**	112.32
Finished Goods Produced in Trial Run	—	2.65
	507.81	501.72

SCHEDULE '15'
MANUFACTURING EXPENSES

	1999-00 Rs. in Crores	1998-99 Rs. in Crores
Consumption of Stores & Spares	**73.52**	88.81
Power & Fuel	**103.34**	176.33
Labour and Processing Charges	**9.90**	2.87
	186.76	268.01

SCHEDULE '16'
SALARIES, WAGES AND EMPLOYEE BENEFITS

	1999-00 Rs. in Crores	1998-99 Rs. in Crores
Payments to & Provisions for Employees:		
Salaries, Wages and Bonus*	89.18	91.13
Contribution to Provident & Other Funds	12.52	11.35
Other Benefits	6.29	6.89
	107.99	109.37
Payments to & Provisions for Manager:		
Salary	0.16	0.13
Contribution to Provident & Other Funds	0.09	0.06
Other Benefits	(2295)	(2333)
	0.25	0.19
	108.24	109.56
* Include payments in respect of voluntary retirement	1.64	0.92

SCHEDULE '17'

SELLING AND OTHER EXPENSES

	Rs. in Crores	1999-00 Rs. in Crores	1998-99 Rs. in Crores
SELLING EXPENSES:			
Commission to Selling Agents	21.67		14.56
Cash Discount	1.47		1.76
Brokerage	2.01		2.60
Export Expenses	11.73		11.63
Advertisement	6.27		2.77
Transportation & Handling Charges (Net)	18.08		57.27
Other Selling Expenses (Net)	10.00		12.20
		71.23	102.79
AUDITORS' REMUNERATION:			
Payments to Statutory Auditors:			
Audit Fees	0.07		0.12
For Taxation Matters	0.02		0.01
For Tax Audit	0.05		0.02
For Certification Work	0.01		0.06
For Management Services/Company Law matters	0.02		(30000)
Reimbursement of Expenses	—		0.03
Payments to Branch Auditors:			
Audit Fees	0.04		0.03
For Certification Work	0.01		0.01
For Management Services/Company Law matters	(25000)		0.01
Reimbursement of Expenses	0.01		0.01
Payments to Cost Auditors:			
Audit Fees	0.01		0.01
Reimbursement of Expenses	0.01		0.01
		0.25	0.32
BAD DEBTS & PROVISIONS FOR DOUBTFUL DEBTS & ADVANCES		**3.16**	3.41
OTHERS:			
Repairs & Maintenance of:			
Buildings	3.66		5.25
Plant & Machinery	15.86		20.82
Others	1.70		1.21
Rent	4.23		11.20
Rates & Taxes	1.07		3.73
Insurance (Net)	4.60		6.08
Donations	0.02		0.76
Directors' Fees & Travelling Expenses	0.04		0.04
Research & Development Expenses	0.43		0.36
Loss on sale of Fixed Assets (Net)	1.16		0.28
Miscellaneous Expenses	29.72		35.87
		62.49	85.60
Total		**137.13**	192.12

SCHEDULE '18'

INTEREST AND OTHER FINANCE EXPENSES

	1999-00 Rs. in Crores	1998-99 Rs. in Crores
Interest		
On Debentures and Fixed Loans	**47.93**	90.91
Others	**20.53**	21.63
Finance Expenses	**5.78**	4.03
	74.24	116.57
Interest paid/payable to Manager	**(9294)**	(11049)

SCHEDULE '19'
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

A. SIGNIFICANT ACCOUNTING POLICIES

- ACCOUNTING CONVENTION
  The financial statements are prepared under the historical cost convention (except for certain fixed assets which have been revalued), on an accrual basis and in accordance with the applicable accounting standards.
- FIXED ASSETS
  Fixed assets are stated at cost adjusted by revaluation in case of certain land and buildings.
- DEPRECIATION/AMORTISATION
  Depreciation on Fixed Assets (including revalued assets) is provided on Straight Line Method at the rates and in the manner specified in Schedule XIV to the Companies Act, 1956. "Continuous process plants" have been classified on technical assessment and depreciation provided accordingly.
  Depreciation on the Fixed Assets added/disposed off/discarded during the year has been provided on pro-rata basis with reference to the month of addition /disposal/discarding.
  Depreciation on the amounts capitalised during the year on account of foreign exchange fluctuation is provided prospectively over residual life of the assets.
  Intangible and certain other assets are amortised as under :
  Goodwill - Not amortised
  Trademarks / Brands - 15 years
  Capital Expenditure on assets not owned - 5 years
  Leasehold Land - Over the period of the lease
- TRANSLATION OF FOREIGN CURRENCY ITEMS
  Transactions in foreign currency are recorded at the rate of exchange in force at the date of transactions.
  Foreign currency assets and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the year end and resultant gains/losses are recognised in the Profit and Loss Account. Premium in respect of forward foreign exchange contracts is recognised over the life of the contracts.
  Foreign currency loans for financing fixed assets are stated at the contracted/prevailing rate of exchange at the year end and the resultant gains / losses are adjusted to the cost of assets.
- INVESTMENTS
  Long Term Investments are stated at cost after deducting provision, if any, made for permanent diminution in the value.
  Current Investments are stated at lower of cost and market/ fair value.
- INVENTORIES
  Inventories are valued at the lower of the cost and estimated net realisable value.
  Cost of inventories is computed on a weighted average / FIFO basis.
  Finished goods and work-in-progress include costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
  Proceeds in respect of sale of raw materials / stores are credited to the respective heads.
- GRATUITY/LEAVE ENCASHMENT
  Provision / Contribution to gratuity fund and provision for leave encashment are made on the basis of actuarial valuation.
- RESEARCH AND DEVELOPMENT EXPENDITURE
  Revenue expenditure is charged to the Profit and Loss Account and Capital expenditure is added to the cost of Fixed Assets in the year in which it is incurred.
- GOVERNMENT GRANTS
  Revenue grants are recognised in the Profit and Loss Account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets.
  Other capital grants are credited to capital reserve.
- MISCELLANEOUS EXPENDITURE
  Marketing/Technical know-how expenses are defered and are written-off over a period of five year.

SCHEDULE '19'
NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

	Rs. in Crores	Previous Year Rs. in Crores
B. NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT		
1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of advances)	**18.43**	12.87
2. Contingent Liabilities not provided for :		
(a) Claims for taxes and other items not acknowledged as debts, estimated at	**52.23**	37.93
(b) Bills/Cheques discounted with Banks	**46.37**	34.57
(c) Corprate Guarantees given to Bank for loan taken by wholly owned overseas subsidiary	**43.81**	—

3. The Company decided to exit from the Sea Water Magnesia business on 1st Oct. '99 and initiated steps for disposal of undertaking/assets. Accordingly, the following losses incurred / provided for have been disclosed as 'Exceptional Loss due to exit from Sea Water Magnesia business' in the Profit and Loss Accounts :-

	Rs. in Crores	Previous Year Rs. in Crores
(a) loss on account of sale of assets after 1st October, 1999 :		
- on Fixed assets	**3.15**	
- on Current assets	**0.50**	
(b) provision for diminution in the value of assets (based on approved valuers report)		
- fixed assets held for disposal	**273.54**	
- inventories held for disposal	**5.71**	
- others	**0.18**	
(c) provision for doubtful debts / Loans and Advances (including unutilised Modvat)	**13.30**	
(d) Provision for dismantling / disposal cost and other liabilities	**2.44**	
	298.82	—

Unrealised value of assets of the said business as on 31st March, 2000 has been shown separately as "Assets held for disposal" in the Balance Sheet.

4. During the year the Company has bought back 7,606,419 Equity Shares of Rs.10 each at a price of Rs.85 per share. Accordingly :
   (a) the face value of these shares has been reduced from the paid up equity share capital
   (b) the balance price of Rs.75 per share paid on these shares aggregating to Rs.57.05 crores has been adjusted from the share premium account
   (c) as required Rs. 7.61 crores has been transferred to Capital Redemption Reserve from General Reserve
5. The Company has acquired Madura Garments Division of Madura Coats Limited, on a going concern basis with effect from 1.1.2000 together with all its assets and liabilities including Goodwill, Trade Marks / Brands (on registered user / ownership basis) and Marketing / Technical know-how at a lumpsum consideration of Rs.187.75 crores, which, based on an expert valuer's report, has been apportioned as under :-

	Rs. in Crores	Previous Year Rs. in Crores
Goodwill	**20.35**	
Trade Marks / Brands	**121.41**	
Other Fixed assets	**2.51**	
Net Current Assets	**23.83**	
Marketing / Technical know-how	**19.65**	
	187.75	—

6. DEBENTURES AND SECURED LOANS :
   (a) Debentures are secured by way of first charge created/to be created by mortgage of the immovable properties of the Company situate at Veraval, Halol, Rishra, Jagdishpur and Renukoot and hypothecation of moveables (except book debts) situated at the above locations and at Midnapur, subject to prior charge(s) created on inventories in favour of the Company's bankers for the working capital borrowings, ranking pari-passu inter se.

	Rs. in Crores	Previous Year Rs. in Crores
NON CONVERTIBLE DEBENTURES (NCD)		
14% Fourteenth & 16.5% Fifteenth Series (Redeemed)	**—**	202.93
15.5% Sixteenth Series (Redeemable at par in three equal annual instalments commencing from 31st July, 2000). During the year debenture of Rs.18.15 crores, purchased in the previous year have been cancelled.	**57.75**	75.90

SCHEDULE '19'

NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

		Rs. in Crores	Previous Year Rs. in Crores
	17% Seventeenth Series (Redeemable at par in three equal annual instalments commencing from 24th January, 2002)	**80.00**	80.00
	14.25% Nineteenth Series (Reedeemable at par on 17th July, 2002)	**40.00**	40.00
	13.20% Twentieth Series (Reedeemable at par on 8th October, 2003)	**30.00**	30.00
	13.50% Twenty first Series (Reedeemable at par on 1st August, 2003)	**50.00**	50.00
	10.85% Twenty second Series (Redeemable at par on 10th March, 2006)	**50.00**	—
	Term Loans from Financial Institutions	**—**	9.89
	(b) Loans from Financial Institutions secured by exclusive charge of the assets acquired thereagainst	**—**	32.31
	(c) Working Capital Borrowings secured by hypothecation of inventories and book debts	**142.28**	117.03
7.	(a) Certain Land, Buildings and Plant & Machinery were revalued in the years 1982 and 1987 on the basis of reports of approved valuers on market value/ replacement cost basis using standard indices. The following revalued amounts (net of withdrawals) remain substituted for the historical cost in the gross block of fixed assets:		
	Land	**7.00**	7.00
	Buildings	**21.76**	21.76
	(b) As the amount added on revaluation of Plant and Machinery is fully provided for by way of depreciation over the years, these assets have been restored to their hiostorical costs on 31st March, 2000 and the addition so made earlier has been written-off by adjusting the same to the related accumulated depreciation. This does not have any impact on the result of the Company or its net block of fixed assets		
8.	Capital Work in Progress includes : Advances against Capital Expenditure	**5.76**	3.68
9.	The Company has taken some assets on Finance Lease basis. Future Lease Rental obligations in respect of these assets is Rs. 0.73 Crores (Previous Year Rs.0.38 Crores) and Lease Rent payable within a year is Rs. 0.28 Crores (Previous Year Rs.0.18 Crores).		
10.	Loans & Advances include advance towards Equity of the following companies as one of the co-promoters, the respective amounts being intended to be adjusted against the value of the equity shares to be issued by such co-promoted Companies on substantial progress in implementation of the relative projects after procuring all regulatory approvals etc.		
	Rosa Power Supply Co. Ltd.	**1.05**	1.13
	Bina Power Supply Co. Ltd.	**8.21**	7.67
	Birla Telecom Ltd.	**0.05**	0.05
11.	(a) Sundry creditors includes amounts due to small scale industrial undertaking	**0.80**	0.91
	(b) The parties being small scale / ancillary industrial undertakings to whom amount exceeding Rs.1 lac are outstanding for more than 30 days but not overdue : Amtech Electronics (India) Ltd., Empire Instrumentation& Melfrank Engineers Pvt.Ltd, Rai Sons Pvt. Ltd.and Chinttaranjan Industries.		
	(c) There were no amounts overdue to Small Scale and/or Ancilliary industrial suppliers on account of principal and/or interest as at the close of the year.		
	(d) The above disclosure is based on the information/documents available with the Company.		
12.	Interest on Government and other securities is net of Rs. 3.62 crores (Previous Year 0.26 crores) in case of long term current investments, being the reversal of income accrued in the earlier years on certain securities sold during the year and the difference between the sale price and cost is realised and accounted as profit on sale of investments.		

SCHEDULE '19'
NOTES ON BALANCE SHEET AND PROFIT AND LOSS ACCOUNT (Contd.)

	Rs. in Crores	Previous Year Rs. in Crores
13. Sales include Export Incentives	**36.02**	19.66
14. Amount of exchange difference (net) :		
- included in additions to the fixed assets	**0.16**	1.32
- debited / (credited) to the Profit and Loss account	**(1.24)**	4.04
- to be debited / (credited) in the Profit and Loss accounts of subsequent year in respect forward contracts	**1.62**	0.02
15. Miscellaneous Income include unspent liabilities, excess provisions and unclaimed balances in respect of earlier years written back (net of short provisions and sundry balances written off)	**2.46**	9.94
16. The following are included under other heads of expenses in the Profit & Loss Account :		
Stores & Spares consumed	**10.19**	**17.33**
Salaries, Wages and Contribution to P.F. & other funds	**0.34**	**1.10**
Employees' Welfare	—	**0.24**
Insurance	**0.07**	**0.37**
Rent	**0.02**	**0.06**
Rates & Taxes	**0.02**	**0.38**
Royalty	**0.06**	**4.52**
Repairs and Maintenance- Plant and Machinery	—	**0.63**
Depreciation	—	**0.07**

17. In compliance with the requirements of Accounting Standard 2, 'Valuation of Inventories' which is mandatory from 1st of April, 1999, the Company has provided Excise duty/Customs duty liability on stocks lying in bond as on the Balance Sheet date and included the same in the value of such stocks. This has no impact on the results for the year.

18. Miscellaneous expenses includes Rs. 0.10 crores (Previous Year Rs. Nil) as contribution to General Electoral Trust for political purposes for distribution to political parties/person, as per decisions of the trustees from time to time.

19. The Company is one of the promoter member of Birla Management Corporation Limited (BMCL), a company limited by guarantee which has been formed to provide a common pool of facilities and resources to its members, with a view to optimise the benefits of specialisation and minimise cost for each member. The company has participated in the common pool and has shared the expenses incurred by BMCL and accounted these under appropriate heads.

20. (a) Additional information required under paras 3,4C and 4D part II of Schedule VI to the Companies Act, 1956 is as per Annexure I. The details as required under para 3(i)(a) & 3(ii)(a) of Part II of Schedule VI of the Companies Act, 1956, have not been given in respect of Insulator Division of the Company, the exemption having been obtained from the Ministry of Law, Justice and Company affairs (Department of Company affairs) Government of India, vide their order no. 46/17/99 - CL III dated 18/4/2000.

(b) All the figures have been rounded off to Rupees in Crores with two decimals as approved by the Central Government under Section 211(1) of the Companies Act, 1956. Figures of Rs. 50000 or less have been shown at actuals in brackets.

(c) Figures of previous year have been regrouped/rearranged wherever necessary. Current year's figures are not comparable with those of the previous year, interalia, since.

(i) Operations of the previous year included five months working of the demerged cement business;

(ii) Current year's figures include three months operations of the acquired Madura Garments business.

Schedules

ANNEXURE I

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

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

(Rs. in Crores)

Particulars	Unit	Year ended 31st March	Installed Capacity Per Annum	Opening Stock Quantity	Opening Stock Amount	Production Quantity#	Turnover Quantity @	Turnover Amount	Closing Stock Quantity	Closing Stock Amount
Viscose Filament Rayon Yarn	MT	**2000**	**15000**	**1569.37**	**18.84**	**12620.67**	**13507.29**	**229.64**	**682.75**	**9.12**
		1999	15000	546.37	7.04	14685.00	13662.00	266.22	1569.37	18.84
Sulphuric Acid	MT	**2000**	**35700**	**476.45**	**0.03**	**33793.00**	**33512.25**	**3.23**	**757.20**	**0.13**
		1999	35700	413.45	0.05	34211.00	34148.00	1.58	476.45	0.03
Carbon-di-sulphide	MT	**2000**	**10000**	**278.72**	**0.31**	**6009.07**	**5910.47**	**4.65**	**377.32**	**0.50**
		1999	10000	198.72	0.25	6326.00	6246.00	4.32	278.72	0.31
Anhydrous Sodium Sulphate	MT	**2000**	**9300**	**25.10**	**0.01**	**7344.75**	**7321.00**	**4.13**	**48.85**	**0.03**
		1999	9300	27.10	0.01	8461.00	8463.00	4.63	25.10	0.01
Sodium Sulphide	MT	**2000**	**300**	**2.79**	**(25511)**	**307.03**	**307.62**	**0.71**	**2.20**	(21677)
		1999	300	1.79	(19882)	248.00	247.00	0.57	2.79	(25511)
Yarn	Spdl/MT	**2000**	**84968**	**1151.71**	**13.70**	**14113.22**	**14641.41**	**235.46**	**623.52**	**9.38**
		1999	97984	1360.01	19.26	16274.66	16482.96	232.02	1151.71	13.70
Cloth	Lm/'000Mtr	**2000**	**33**	1299.12	**9.08**	**5901.66**	**6350.73**	**65.91**	**850.05**	**7.88**
		1999	33	1210.61	7.58	6468.58	6380.07	62.63	1299.12	9.08
Hose Pipes	Lm/'000Mtr	**2000**	**19**	**99.35**	**0.63**	**1431.96**	**1427.01**	**13.89**	**104.30**	**0.56**
		1999	19	85.78	0.30	1458.26	1444.69	12.81	99.35	0.63
High & Low Tension Insulators $	MT	**2000**	**34000**			**24353.00**				
and Bushings		1999	34000			24026.00				
Lightning & Surge Arrestors $	NOS.	**2000**	**25000**			**20856.00**				
		1999	25000			24157.00				
Carbon Black	MT	**2000**	**110000**	**5823.00**	**9.55**	**95828.00**	**94656.00**	**258.26**	**6995.00**	**15.69**
		1999	95000	3098.00	5.66	63968.00	61243.00	174.67	5823.00	9.55
Liquid Argon	'000 SM3	**2000**	**3000**	**56.28**	**0.10**	**2099.44**	**2067.26**	**4.58**	**88.46**	**0.18**
		1999	3000	31.23	0.07	2312.33	2287.28	5.39	56.28	0.10
Caustic Soda	MT	**2000**	**33000**	**874.55**	**0.57**	**27418.79**	**27516.25**	**21.60**	**777.09**	**0.52**
		1999	33000	483.72	0.39	17084.92	16694.09	8.41	874.55	0.57
Chlorine	MT	**2000**	**29370**	**139.50**	**0.02**	**21750.49**	**21889.80**	**7.34**	**0.19**	**(2876)**
		1999	29370	172.00	0.06	13751.00	13783.50	4.57	139.50	0.02
Hydro Chloric Acid	MT	**2000**	**9900**	**67.11**	**0.01**	**8348.04**	**8364.48**	**0.57**	**50.67**	**0.01**
		1999	9900	249.11	0.02	4341.00	4523.00	0.24	67.11	0.01
Traded goods		**2000**			**41.40**			**45.50**		**1.41**
		1999			144.13			130.97		22.44
Processing charges		**2000**						**3.96**		
		1999						3.19		
Garments	No./'000	**2000**			**40.56**	**2321***	**1007**	**52.29**	**1314.00**	**36.45**
Others		**2000**			**2.73**			**75.44**		**6.71**
		1999			6.44			82.82		2.73

The Installed Capacities is as Certified by the Management

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

After adjusting departmental consumption, excesses, shortages,samples, etc.

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

Production of Yarn includes purchases of 72.45 MT amounting to Rs.0.78 crores (Previous Year 112.66 MT amounting to Rs.1.21 crores)

Opening stock of traded goods and garments includes purchases of Rs. 18.96 crores and Rs. 40.56 crores respectively (Previous year Rs. 112.32 crores and Nil resepctively).

Carbon Black production is inclusive of trial run production of 1,774 MT and turnover of 99 MT of Rs. 0.32 Crores in FY 1999

$ Read with Note no 20a

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

ANNEXURE I (Contd.)

(b) Raw Materials Consumed :

	Current Year Total Quantity MT	Current Year Value (Rs. in Crores)	Previous Year Total Quantity MT	Previous Year Value (Rs. in Crores)
Wood Pulp	**13633**	**35.24**	15888	42.05
Wool Fibre	**2463**	**43.04**	2018	35.76
Flax Fibre	**1285**	**15.51**	1221	11.56
Staple & Synthetic Fibre	**12182**	**65.08**	14167	67.20
Cotton Staple & Synthetic Yarn	**2259**	**27.09**	1782	25.73
Carbon Black Feed Stock / Coal Tar	**165861**	**121.34**	104716	67.05
Others		**140.99**		137.41

			Rs. in Crores		Previous Year Rs. in Crores
(c)	Value of Imports calculated on C.I.F. Basis				
	Raw Materials*		**178.22**		141.79
	Stores & Spare Parts		**10.14**		17.28
	Capital Goods		**4.26**		21.05
	*includes through Canalising Agency on Invoice Value wherever C.I.F. value not ascertainable				
(d)	Expenditure in Foreign Currency (on actual payment basis) :				
	Technical know-how		**0.16**		0.04
	Interest and Commitment Charges		**0.23**		1.14
	Professional Charges		**9.67**		0.34
	Others		—		25.71
(e)	Value of Imported and Indigenous Raw Materials, Spare Parts & Components consumed and percentage thereof to the total consumption:				
	(i) Raw Materials :	**Percentage**		Percentage	
	Imported	**50.81**	**227.78**	40.94	158.35
	Indigenous	**49.19**	**220.51**	59.06	228.40
			448.29		386.75
	(ii) Stores, Spare Parts & Components :				
	Imported	**12.26**	**10.26**	18.64	19.78
	Indigenous	**87.74**	**73.45**	81.36	86.36
			83.71		106.14
(f)	Amount remitted in Foreign Currency on account of Dividend :				
	Dividend in respect of Accounting Year 1998-99 [186 Shareholders holding 79,472 Equity Shares]		**0.03**		
	Dividend in respect of Accounting Year 1997-98 [195 Shareholders holding 81,850 Equity Shares]				0.04
(g)	Earnings in Foreign Exchange :				
	(i) On export of goods (F.O.B.Basis) :				
	(a) Foreign Currency		**276.58**		265.71
	(b) Rupee Payments		**18.81**		20.41
	(c) Export through Merchant Exporters		**0.61**		1.80
	(ii) Interest		**0.20**		1.12
	(iii) Others		0.10		—

As per our attached Report of even date.

For LODHA & CO.,	For KHIMJI KUNVERJI & CO.,	ADESH GUPTA	*Chairman :* KUMAR MANGALAM BIRLA
Chartered Accountants	*Chartered Accountants*	*President & CFO*	*Directors :* RAJASHREE BIRLA
			H. J. VAIDYA
N. KISHORE BAFNA	SHIVJI K. VIKAMSEY	ASHOK MALU	D. S. DAHANUKAR
Partner	*Partner*	*Company Secretary*	B. L. SHAH
			ASHWINI KUMAR KANORIA

Mumbai, 20th April, 2000

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE :

I. Registration Details

Registration No.	1107			State Code	04
Balance Sheet Date	31	03	2000		
	Date	Month	Year		

II. Capital Raised during the Year (Amount in Rs. Thousands)

Public Issue	Right Issue
Nil	0.8
Bonus Issue	Private Placement
0.4	Nil

III. Position of Mobilisation and Deployment of Fund (Amount in Rs. Thousands)

	Total Liabilities	Total Assets
	17037581	17037581
Source of Funds		
	Paid-Up Capital	Reserves & Surplus
	598767	10477028
	Secured Loans	Unsecured Loans
	4500317	1461469
Application of Funds		
	Net Fixed Assets	Investments
	8564381	3441603
	Net Current Assets	Misc. Expenditure
	4844875	186722
	Accumulated Losses	
	Nil	

IV. Performance of Company (Amount in Rs. Thousands)

Turnover	Total Expenditure
11869527	14093536
Profit Before Tax	Profit after Tax
(2412217)	(2412217)
Earning per share	Dividend rate %
Rs. 9.78*	10%

*Earning per share is before exceptional items

V. Generic Names of Three Principal products/Services of Company (as per monetary terms)

Item Code No. (ITC Code)	Product Description
5403110.09	Viscose Filament Rayon yarn
5509	Yarn
2803	Carbon Black
854620.00	Insulator

As per our attached Report of even date.

For LODHA & CO.,
Chartered Accountants

N. KISHORE BAFNA
Partner

For KHIMJI KUNVERJI & CO.,
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner

ADESH GUPTA
President & CFO

ASHOK MALU
Company Secretary

Chairman : KUMAR MANGALAM BIRLA
Directors : RAJASHREE BIRLA
H. J. VAIDYA
D. S. DAHANUKAR
B. L. SHAH
ASHWINI KUMAR KANORIA

Mumbai, 20th April, 2000

Cash Flow Statement for the year ended 31st March, 2000

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of INDIAN RAYON AND INDUSTRIES LIMITED for the year ended 31st March, 2000. The Statement has been prepared by the Company in accordance with the requirements of the listing agreements of the various stock exchanges and is based on and in agreement with the corresponding Profit and Loss Account and Balance Sheet of the Company covered by our report of even date to members of the Company.

For LODHA & CO.,
Chartered Accountants

N. KISHORE BAFNA
Partner

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner

Mumbai, 20th April, 2000

(Rs. in Crores)

	PARTICULARS	1999-00
A.	CASH FLOWS FROM OPERATING ACTIVITIES	
	Net Profit before tax & extra-ordinary items	**58.58**
	Adjustments for :	
	Depreciation	71.52
	Foreign Exchange Loss	0.06
	Interest	74.24
	Marketing & Technical know-how written-off	0.98
	Interest and Dividend earned	(26.57)
	Profit/(Loss) on Fixed Assets sold	1.16
	Profit/(Loss) on sale of Investments	(18.15)
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES	**161.82**
	Adjustment for :	
	Decrease in trade and other receivables	14.86
	Increase in inventories	(56.36)
	Increase in trade and other payables	48.02
	CASH GENERATED FROM OPERATIONS	**168.34**
	Income Taxes Paid	(11.15)
	NET CASH FROM OPERATING ACTIVITIES	**157.19**
B.	CASH FLOW FROM INVESTING ACTIVITIES	
	Purchase of Fixed Assets	(38.80)
	Sale of Fixed Assets	4.53
	Purchase of Investments	(207.61)
	Sale/Redemption of investments	325.49
	Acquisition of Madura Garments Division @	(166.11)
	Investment in equity of overseas subsidiary @	(3.70)
	Interest Received	27.71
	Dividend Received	5.13
	Decrease in Advances to third parties	138.70
	NET CASH (USED IN)/FROM INVESTING ACTIVITIES	**85.34**
C.	CASH FLOW FROM FINANCING ACTIVITIES	
	Proceeds from issue of Share Capital (including share premium)	
	Share Buyback	(65.64)
	Proceeds from Borrowings	209.55
	Repayment of borrowings (including premium on repayment)	(271.25)
	Dividends Paid (Including Tax thereon)	(29.96)
	Interest and Finance Charges Paid	(82.19)
	NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(239.49)**
	NET INCREASE IN CASH AND CASH EQUIVALENTS	**3.04**
	CASH AND CASH EQUIVALENTS (OPENING BALANCE)	**7.75**
	CASH AND CASH EQUIVALENTS (CLOSING BALANCE)	**10.79**
	@ acquired by paying cash	
	Notes:	
	1) Cash and cash equivalents includes:-	
	Cash, cheque in hand and remittance in transit	3.40
	Balance with scheduled bank#	7.33
	Unrealised translation loss on foreign currency balances	0.06
	Total	10.79
	(# Excludes Rs. 21.73 Crores kept as margin money towards corporate guarantee)	
	2. The Company has Rs. 127.72 Crores undrawn working capital facilities as on 31.3.2000.	

ADESH GUPTA
President & CFO

ASHOK MALU
Company Secretary

Chairman : KUMAR MANGALAM BIRLA
Directors : RAJASHREE BIRLA
H. J. VAIDYA
D. S. DAHANUKAR
B. L. SHAH
ASHWINI KUMAR KANORIA

Mumbai, 20th April, 2000

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

		Laxminarayan Investment Limited	Rajnidhi Finance Limited @	Aditya Vikram Global Trading House Limited #
1.	The period of the Subsidiary Companies	1st April, 1999 to 31st March, 2000	1st April, 1999 to 31st March, 2000	21st December, 1999 to 31st December, 2000
2.	Extent of interest in Subsidiary Companies:	Entire paid-up Equity Capital of Rs. 1109 Lacs held by the Company and its subsidiary Laxminarayan Investment Ltd.	Entire paid-up Equity Capital of Rs. 29 Lacs	Entire paid-up Equity Capital of US$ 8.50 lacs
3.	Net aggregate amount of the profits/(losses) of the Subsidiary Companies for the period, so far as it concerns members of Indian Rayon and Industries Ltd.			
		Rs. in Lacs	Rs. in Lacs	US$ in Lacs
	a) not dealt with in the Accounts of the Company			
	(i) For the financial year of the subsidiary	56.12	2.92	N.A.
	(ii) For the previous financial years since it became the subsidiary of the Company	29.98	1.44	N.A.
	b) dealt with in the Accounts of the subsidiary Company			
	(i) For the financial year of the subsidiary	Nil	Nil	Nil
	(ii) For the previous financial years since it became the subsidiary of the Company	Nil	Nil	Nil

4. a) As the financial year of the Laxminarayan Investment Limited and Rajnidhi Finance Limited coincide with the financial year of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable.
   b) The first financial year of the Aditya Vikram Global Trading House Ltd. will close on 31st December 2000 and as such Section 212(5) of the Companies Act, 1956 is not applicable.

@ a subsidiary of Laxminarayan Investment Limited
# The First Financial Year will end on 31st December, 2000

ADESH GUPTA
President & CFO

ASHOK MALU
Company Secretary

Chairman : KUMAR MANGALAM BIRLA
Directors : RAJASHREE BIRLA
H. J. VAIDYA
D. S. DAHANUKAR
B. L. SHAH
ASHWINI KUMAR KANORIA

Mumbai, 20th April, 2000

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Sixth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2000.

FINANCIAL PERFORMANCE

	Current Year ended 31-3-2000 (Rupees)	Previous Year ended 31-3-1999 (Rupees)
Profit/(Loss) before Tax	89,61,874	49,90,847
Less : Provision for Tax	33,50,000	19,05,000
Net Profit/(Loss) after Tax	56,11,874	30,85,847
Balance brought forward from earlier year	23,18,441	(87,416)
Profit available for appropriation	79,30,315	29,98,431
Appropriations made are as under:		
Interim Dividend on Preference Shares	9,000	NIL
Proposed Dividend	NIL	9,000
Corporate Tax on Dividend @ 11%	990	990
Special Reserve	11,23,000	6,70,000
Capital Redemption Reserve	1,00,000	NIL
Balance carried forward to next year	66,97,325	23,18,441
	79,30,315	29,98,431

OPERATIONS

The Company has earned profit before tax of Rs.89.62 lacs during the year under review from its investments and rental income from its properties.

DIVIDENDS

Dividend aggregating to Rs.9000 on 1000, 9% Redeemable Preference Shares of the Company has been paid to the respective preference shareholders on 31st March, 2000, being the date on which the said shares have been redeemed by the Company.

With a view to conserve the resources, your Directors do not consider it appropriate to recommend dividend on Equity Shares.

FINANCE

1000, 9% Redeemable Preference Shares of Rs.100/- each aggregating to Rs.1 lac have been redeemed by the Company on 31st March, 2000 out of the distributable profits of the Company for the year under review.

RAJNIDHI FINANCE LIMITED (RFL)

During the year the Company has invested Rs.25 lacs in equity share capital of Rajnidhi Finance Limited and as such Rajnidhi Finance Limited has become a subsidiary company of your company w.e.f. 6th September, 1999. RFL is primarily engaged in the business of Investment activities. Your Company presently holds 86.21% of the equity capital of the said subsidiary.

DEPOSITS

The Company has not accepted any public deposit during the year. Hence, no information is required to be appended to this report in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

The Company has no employees in the category specified under section 217(2A) of the Companies Act, 1956.

DIRECTORS

AUDITORS

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

There are no foreign exchange earnings and outgo during the year under review. In view of the nature of our operation, we have nothing to report on the above matter.

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA

Mumbai, 15th April, 2000 — Directors

AUDITORS' REPORT TO THE MEMBERS

We have examined the attached Balance Sheet of LAXMINARAYAN INVESTMENT LIMITED as at 31st March, 2000 and also the Profit and Loss Account annexed thereto for the year ended on that date, which are in agreement with the Company's books of account.

As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, in our opinion and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the course of the audit, we state on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable, as under:-

1) The Company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets. The Fixed Assets were physically verified by the management at reasonable intervals. No discrepancies were noticed on physical verification.
2) None of the Fixed Assets have been revalued during the year.
3) The stock of securities have been physically verified by the management at reasonable intervals.
4) The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to size of the Company and nature of its business.
5) No material discrepancies have been noticed on physical verification of stocks as compared to book records.
6) Since there were no stocks at the year end, the questions of the valuation of stock of securities being fair and proper in accordance with the normally accepted accounting principles and on the same basis as in proceeding year does not arise.
7) The Company has not taken or granted any loans, secured or unsecured, from or to Companies, firms or other parties listed in the Register maintained under section 301 of the Companies Act, 1956. In terms of section 370 (6) of the Companies Act, 1956 provision of the said section are not applicable to a company on or after 31st October, 1998.
8) In respect of loans and advances in the nature of loan given by the Company, the parties have repaid the principal amounts where stipulated and have also been regular in the payment of interest, where applicable.
9) There are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the purchase of other assets.
10) The Company has not accepted any deposits from the public.
11) The Company has an internal audit system commensurate with its size and nature of its business.
12) No undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty were outstanding as at 31st March, 2000 for period of more than six months from the date they became payable.
13) No personal expenses have been charged to revenue account.
14) The Company has maintained adequate documents and records for loans and advances granted on the basis of Security by way of pledge of shares, debentures and other securities.
15) As informed to us, the provisions of any special statute applicable to chit fund, nidhi, mutual benefit society are not applicable to the company.
16) The Company has maintained proper records of the transactions and contracts of its dealing in shares, securities, debentures and other investments and timely entries have been made therein. The shares, securities, debentures and other investments have been held by the company in its own name except to the except to the extent of exemption granted under Section 49 of the Companies Act, 1956.

Further to the above, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of these books.

In our opinion, the Profit and Loss Account and Balance Sheet comply with the accounting standards as referred to in of Section 211 (3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and the Balance Sheet and the Profit and Loss Account give a true and fair view of the Company's affairs as of the close at the year and of the Profit for the year, respectively.

For and on behalf of
KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

Mumbai, 15th April, 2000

BALANCE SHEET

As at 31st March, 2000

	Schedule	As at 31st March, 2000 (RUPEES)	As at 31st March, 1999 (RUPEES)
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	1	110,930,000	111,030,000
Reserves & Surplus	2	8,590,325	2,988,441
Total Funds Employed		119,520,325	114,018,441
APPLICATION OF FUNDS			
Fixed Assets	3		
Gross Block		134,861,000	134,861,000
Less : Depreciation		4,396,468	2,198,234
Net Block		130,464,532	132,662,766
Investments	4	2,500,000	14,088,836
Current Assets, Loans & Advances			
Stock-in-trade		—	14,850
Sundry Debtors (Unsecured, Considered Good, below Six Months)		1,901,783	186,520
Cash & Bank Balances	5	31,967	4,358,866
Advance Payment of taxes		3,165,856	2,055,998
		5,099,606	6,616,234
Less : Current Liabilities & Provisions			
Current Liabilities			
Due to holding Company		6,704,125	26,383
Security Deposit against premises		6,036,300	4,293,000
Other liabilities		2,452,398	33,315,369
		15,192,823	37,634,752
Provisions			
Provision for Taxation		3,350,000	1,905,000
Proposed dividend		—	9,000
Corporate Tax on dividend		990	990
		18,543,813	39,549,742
Net Current Assets		(13,444,207)	(32,933,508)
		119,520,325	113,818,094
Miscellaneous Expenditure (to the extent not written off or adjusted)	6		
Preliminary Expenses		—	200,347
Total Funds Utilised		119,520,325	114,018,441

Significant Accounting policies & Notes forming part of Accounts. 7

As per our Report attached

For **KHIMJI KUNVERJI & CO.**
Chartered Accountants

SHIVJI K VIKAMSEY
Partner
Mumbai, 15th April,2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

PROFIT & LOSS ACCOUNT

For the year ended on 31st March, 2000

	For the year ended 31st March, 2000 (RUPEES)	For the year ended 31st March, 1999 (RUPEES)
INCOME		
Income from Collateral Finance	17,556,225	121,537
Rent (Tax deducted at source Rs 18,14,858/- Previous year Rs 14,24,820)	10,031,000	7,124,100
Sale of Securites	33,446	575,268,650
Profit on sale of Long term Investments	172,366	—
Profit on sale of Current Investments	38,282	—
Interest on securities (Tax deducted at source Rs Nil, Previous year Rs 52,800/-)	—	43,262,032
Dividend	167,161	6,305
Increase/ (Decrease) in Stock	(14,850)	14,850
Total	27,983,630	625,797,474
EXPENDITURE		
Purchase of Securities	—	574,554,971
Repairs & Maintenance	16,881	—
Rates & Taxes	540,314	—
General Charges	54,980	7,800
Interest paid on other than on fixed loan	16,001,400	43,985,880
Payment to Auditors		
For Audit Fees	5,400	3,000
For Tax Audit Fees	4,200	—
Depreciation	2,198,234	2,198,234
Decrease in value of investments	—	1,164
Reversal of increase in value of investments made in previous year.	—	15,508
Preliminary Expenses written off	200,347	40,070
Total	19,021,756	620,806,627
Profit/(Loss)	8,961,874	4,990,847
Provision for Tax	3,350,000	1,905,000
Profit/(Loss) after Tax	5,611,874	3,085,847
Balance brought forward	2,318,441	(87,416)
Profit available for appropriation	7,930,315	2,998,431
Appropriations		
Interim Dividend on Pref.Shares	9,000	—
Proposed Dividend	—	9,000
Corporate Tax on Dividend	990	990
Special Reserve	1,123,000	670,000
Capital Redemption Reserve	100,000	—
Surplus carried to Balance sheet	6,697,325	2,318,441
Total	7,930,315	2,998,431

Significant Accounting policies & Notes forming part of Accounts. 7

As per our Report attached

For **KHIMJI KUNVERJI & CO.**
Chartered Accountants

SHIVJI K VIKAMSEY
Partner
Mumbai, 15th April,2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

SCHEDULE-1
SHARE CAPITAL

	Numbers	As at 31st March, 2000 (RUPEES)	As at 31st March, 1999 (RUPEES)
Authorised:			
Equity Shares of Rs.10 each	12490000	124,900,000	124,900,000
Redeemable Preference Shares of Rs. 100 each	1000	100,000	100,000
Total		125,000,000	125,000,000
Issued, Subscribed and Paid-up:			
Equity Shares of Rs.10 each Fully paid up	11093000	110,930,000	110,930,000
9% Redeemable Non-Cumulative Preference Shares of Rs.100 each Fully paid up.	1000	—	100,000
Total		110,930,000	111,030,000

NOTES:
1. The entire issued, subscribed and paid-up Capital of the Company is held by the Holding Company, Indian Rayon And Industries Ltd.
2. Preference shares have been redeemed on 31st March, 2000 at par.

SCHEDULE-2
RESERVES & SURPLUS

	BALANCE AS AT 31st Mar.,99 (RUPEES)	ADDITIONS DURING THE YEAR (RUPEES)	BALANCE AS AT 31st Mar.,00 (RUPEES)
SPECIAL RESERVE	670,000	1,123,000	1,793,000
SURPLUS (DEFICIT) AS PER PROFIT & LOSS ACCOUNT	2,318,441	4,378,884	6,697,325
CAPITAL REDEMPTION RESERVE	—	100,000	100,000
Total	2,988,441	5,601,884	8,590,325

SCHEDULE-3
FIXED ASSETS

	BALANCE AS AT 31st Mar.,99 (RUPEES)	ADDITIONS DURING THE YEAR (RUPEES)	BALANCE AS AT 31st Mar.,00 (RUPEES)
Buildings			
Gross Block	134,861,000	—	134,861,000
Depreciation	2,198,234	2,198,234	4,396,468
Net Block	132,662,766	2,198,234	130,464,532

SCHEDULE-4
INVESTMENTS

	AS AT 31st Mar.,00 (RUPEES)	AS AT 31st Mar.,99 (RUPEES)
LONG TERM INVESTMENTS (Unquoted fully paid up)		
Units of Birla Income Plus of Birla Mutual Fund of Rs. 10 each		
– 4,849.661 Units of Plan A	—	48,836
– 338807.941 Units of Plan B	—	5,220,000
INVESTMENT IN SUBSIDIARY COMPANY		
Equity Shares of Rajnidhi Finance Ltd. 2,50,000 Shares of Rs. 10/- each	2,500,000	—
SHORT TERM INVESTMENT (Unquoted fully paid up)		
7,50,638.298 Units of Birla Cash Plus of Birla Mutual Fund, of Rs. 10/- each	—	8,820,000
Total	2,500,000	14,088,836

SCHEDULE-5
CASH & BANK BALANCES

Cash in hand	78	78
Balance with Schedule Banks in Current Account	31,889	4,358,788
Total	31,967	4,358,866

SCHEDULE-6
MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

Preliminary Expenses	200,347	240,417
Less: Written off during the year	200,347	40,070
Total	—	200,347

SCHEDULE-7
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2000.

(A) SIGNIFICANT ACCOUNTING POLICIES

(1) The financial statements are prepared under the historical cost convention. The Company follows the Mercantile System of accounting and recognises income and expenditure on the accrual basis.

(2) Fixed Assets are stated at cost.

(3) Depreciation on Fixed Assets is provided on Straight line Method at the rates and in manner specified in schedule XIV to the Companies Act, 1956.

(4) Long term Investments are Stated at Cost after deducting provision, if any, made for dimunition in the value.

(B) NOTES ON ACCOUNTS

(1) Information Pursuant to the provisions of Paragraphs "3" of Part II of the Companies Act, 1956.

Rs. in lacs

Particulars	Year Ended 31st March	Opening Stock Numbers	Opening Stock Amount	Purchases Numbers	Purchases Amount	Sales Numbers	Sales Amount	Closing Stock Numbers	Closing Stock Amount
Shares	2000	500	0.15	—	—	500	0.33	—	—
	1999	—	—	500	0.15	—	—	500	0.15
Debentures	2000	—	—	—	—	—	—	—	—
	1999	—	—	5500000	5747.55	5500000	5752.69	—	—
Total	2000	500	0.15	—	—	500	0.33	—	—
	1999	—	—	5500500	5747.70	5500000	5752.69	500	0.15

There is no other additional information pursuant to para 3, 4C, 4D, of part II of Schedule VI of the Companies Act, 1956.

(2) Building includes cost of Debentures and Shares of a Company which entitles to an exclusive right of occupying and using certain office premises.

(3) The Company is financing carry forward transaction of The Stock Exchange, Mumbai, which is shown as Collateral Finance.

(4) The Balance Preliminary Expenses has been fully written off during the year.

(5) Additional information required under part IV of schedule VI of the Companies Act, 1956 is as per Annexure 1.

(6) "Special Reserve" has been created in terms of Section 45(IC) of Reserve Bank of India Act, 1934.

(7) Figures of previous year have been regrouped/rearranged wherever necessary.

As per our Report attached
For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner
Mumbai, 15th April, 2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

ANNEXURE I
INFORMATION PURSUANT TO THE PROVISIONS OF PARTY-IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956
Balance Sheet Abstract and Company's General Business Profile

I. REGISTRATION DETAILS
Registration No. : 04-22685 of 1994-95 State Code: 04
Balance Sheet Date 31st March 2000

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)
Public Issue : Nil Right Issue : Nil
Bonus Issue : Nil Private Placement : Nil

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)
Total Liabilities 119520.33 Total Assets: 119520.33
Sources of Funds
Paid-up Capital : 110930.00 Reserves & Surplus: 8590.33
Secured Loans: Nil Unsecured Loans: Nil
Application of Funds
Net Fixed Assets: 130464.53 Investments: 2500.00
Net Current Assets: (13444.20) Misc. Expenditure: Nil
Accumulated Losses: Nil

IV. PERFORMANCE OF COMPANY (Amount in Rs. Thousands)
Turnover/Gross Income: 27983.63 Total Expenditure: 19021.76
Profit/(Loss) Before Tax: 8961.87 Profit/(Loss) After Tax: 5611.87
EPS (in Rs.): 0.50 Dividend rate %: Nil

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)
Item Code No.: N.A.
Product Description: Investment, Finance and Property Rental Activities

As per our Report attached
For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner
Mumbai, 15th April, 2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

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

			Rajnidhi Finance Limited
1.	The period of the Subsidiary Company		1st April, 1999 to 31st March, 2000
2.	Extent of interest in Subsidiary Company		86.21% Equity Capital of Rs.29 lacs.
3.	Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of Laxminarayan Investment Limited.		
			Rs. in lacs
	a) not dealt with in the Accounts of the Company		
		(i) For the financial year of the subsidiary	2.43
		(ii) For the previous financial years since it became the subsidiary of the Company	Nil
	b) dealt with in the Accounts of the subsidiary Company		
		(i) For the financial year of the subsidiary	Nil
		(ii) For the previous financial years since it became the subsidiary of the Company	Nil

4. As the financial year of the above subsidiary companies coincide with the financial year of the Holding Company, Section 212(5) of the Companies Act, 1956 is not applicable.

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
DIRECTORS

Mumbai, 15th April,2000

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Sixth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2000.

FINANCIAL PERFORMANCE

	Current Year ended 31-3-2000 (Rupees)	Previous Year ended 31-3-1999 (Rupees)
Profit before Tax	**4,61,725**	1,02,538
Less : Provision for Tax	**1,70,000**	38,000
Net Profit after Tax	**2,91,725**	64,538
Balance brought forward from earlier year	**1,18,688**	79,140
Profit available for appropriation	**4,10,413**	1,43,678
Appropriations made are as under:		
Interim Dividend on Preference Shares	**9,000**	—
Proposed Dividend	—	9,000
Corporate Tax on Dividend	**990**	990
Special Reserve	**59,000**	15,000
Capital Redemption Reserve	**1,00,000**	—
Balance carried forward to next year	**2,41,423**	1,18,688
	4,10,413	1,43,678

OPERATIONS

The Company has earned profit before tax of Rs. 4.62 lacs during the year under review from its investments.

DIVIDENDS

Dividend aggregating to Rs.9000 on 1000, 9% Redeemable Preference Shares of the Company has been paid to the respective preference shareholders on 31st March, 2000, being the date on which the said shares have been redeemed by the Company.

With a view to conserve the resources, your Directors do not consider it appropriate to recommend dividend on Equity Shares.

INCREASE IN CAPITAL

With a view to augment the resources, the Company had allotted 2,50,000 fully paid Equity Shares of Rs.10/- each during the year to Laxminarayan Investment Limited. Consequent to this, the Company has become subsidiary of Laxminarayan Investment Limited w.e.f. 6th September,1999.

FINANCE

1000, 9% Redeemable Preference Shares of Rs.100/- each aggregating to Rs.1 lac have been redeemed by the Company on 31st March, 2000 out of the distributable profits of the Company for the year under review.

DEPOSITS

The Company has not accepted any public deposit during the year. Hence, no information is required to be appended to this report in terms of Non-Banking Financial Companies (Reserve Bank) Directions, 1998.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

The Company has no employees in the category specified under section 217(2A) of the Companies Act, 1956.

DIRECTORS

Shri D. D. Rathi and Shri B.L.Ajmera has resigned as Directors of the Company with effect from 16th July, 1999. The Board placed on record its appreciation for the valuable services rendered by both Shri D.D.Rathi and Shri B.L.Ajmera during their tenure as Directors of the Company.

Shri Adesh Gupta and Shri Manoj Kedia were appointed as Directors to fill up the casual vacancy caused by resignation of abovementioned Directors respectively.

Shri C.P. Mathur and Shri Adesh Gupta retire by rotation and being eligible, offer themselves for reappointment.

AUDITORS

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

The members are requested to appoint Auditors for the current year and fix their remuneration.

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

There are no foreign exchange earnings and outgo during the year under review. In view of the nature of our operation, we have nothing to report on the above matter

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

Mumbai, 15th April, 2000

AUDITORS' REPORT TO THE MEMBERS

We have examined the attached Balance Sheet of RAJNIDHI FINANCE LIMITED as at 31st March, 2000 and also the Profit and Loss Account annexed thereto for the year ended on that date, which are in agreement with the Company's books of account.

As required by the Manufacturing and other Companies (Auditors' Report) Order, 1988, issued by the Company Law Board in terms of Section 227 (4A) of the Companies Act, 1956, in our opinion and on the basis of such checks of the books and records as we considered appropriate and according to the information and explanations given to us during the course of the audit, we state on the matters specified in paragraphs 4 and 5 of the said order, to the extent applicable, as under :-

1. The Company has not taken or granted any loans, secured or unsecured from or to companies, firms or other parties listed in the Register maintained under section 301 of Companies Act, 1956. In terms of section 370(6) of the Companies Act, 1956 provisions of the section are not applicable to a company on or after 31st October 1998.
2. In respect of the loans and advances, in the nature of loans given by the Company, the parties have repaid the principal amount where stipulated and have also been regular in the payment of interest, where applicable.
3. The Company has not accepted any deposits from the public.
4. No undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty were outstanding as at 31st March, 2000 for a period of more than six months from the date they became payable.
5. No personal expenses have been charged to revenue account.
6. The Company has maintained adequate documents and records for loans and advances granted on the basis of security by way of pledge of shares, debentures & other securities.
7. As informed to us, the provisions of any special statute applicable to chit fund, nidhi, mutual benefit society are not applicable to the company.
8. The Company is not dealing or trading in shares, securities, debentures and other investments, hence the question of maintaining proper records of transactions and contracts and making timely entries therein, does not arise. The investments have been held by the Company in its own name except to the extent of exemption granted under Section 49 of the Company Act, 1956.

Further to the above, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit.

In our opinion, proper books of accounts as required by law have been kept by the Company so far as appears from our examination of these books.

In our opinion, the profit and loss account and Balance Sheet comply with the accounting standards as referred to in of Section 211 (3C) of the Companies Act, 1956.

In our opinion and to the best of our information and according to the explanations given to us, the said accounts, with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and the Balance Sheet and the Profit and Loss Account give a true and fair view of the Company's affairs as at the close of the year and of the Profit for the year, respectively.

For and on behalf of
KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

Mumbai, 15th April, 2000

BALANCE SHEET

As at 31st March, 2000

	Schedule	As at 31st March, 2000 (Rupees)	As at 31st March, 1999 (Rupees)
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	1	2,900,000	500,000
Reserves & Surplus	2	439,423	157,688
Total Funds Employed		3,339,423	657,688
APPLICATION OF FUNDS			
Investments	3	—	639,991
Current Assets, Loans & Advances:			
Sundry Debtors		1,234	—
Cash & Bank Balances	4	4,289	13,103
Interest accrued on Investment		—	8,955
Collateral Finance		3,339,683	—
Advance Payment of Taxes		168,482	135,758
		3,513,688	157,816
Less: Current Liabilities & Provisions			
Current Liabilities			
Due to Holding company		125	3,958
Other liabilities		3,150	3,000
Provisions			
Provision for Taxation		170,000	128,500
Proposed dividend		—	9,000
Corporate Tax on dividend		990	990
		174,265	145,448
Net Current Assets		3,339,423	12,368
Miscellaneous Expenditure	5		
(to the extent not Written off or adjusted)			
Preliminary Expenses		—	5,329
Total Funds Utilised		3,339,423	657,688

Significant Accounting policies & Notes forming part of Accounts. 6

As per our Report attached

For **KHIMJI KUNVERJI & CO.**
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner

Mumbai, 15th April, 2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

PROFIT & LOSS ACCOUNT

For the year ended on 31st March, 2000

	For the Year ended 31st March, 2000 (Rupees)	For the Year ended 31st March, 1999 (Rupees)
INCOME		
Income from Collateral Finance	7,22,343	—
Income from Long Term Investments		
Interest	5,970	20,895
(Tax deducted at source Rs. 1,313/- previous year Rs. 5,970/-)		
Dividend	62,664	59,939
(Tax deducted at source Rs. 5,106/- previous year Rs. 11,201/-)		
Profit on Redemption of Investments	44,687	28,129
(Tax deducted at source Rs. 15,105/- previous year Rs. 8,955/-)		
Miscellaneous Income	69	866
Total	835,733	109,829
EXPENDITURE		
General Charges	15,305	—
Interest paid on other than on fixed loan	350,074	—
Payment to Auditors		
For Audit Fees	3,300	3,000
Decrease in Valuation of Investments	—	3,226
Preliminary Expenses Written Off	5,329	1,065
Total	374,008	7,291
Profit	461,725	102,538
Provision for Income Tax	(170,000)	(38,000)
Profit after tax	291,725	64,538
Balance brought forward	118,688	79,140
Profit available for appropriation	410,413	143,678
Appropriations:		
Interim Dividend on Pref. Shares	9,000	—
Proposed Dividend	—	9,000
Corporate Tax on Dividend	990	990
Special Reserve	59,000	15,000
Capital Redemption Reserve	100,000	—
Surplus carried to Balance Sheet	241,423	118,688
Total	410,413	143,678

Significant Accounting policies & Notes forming part of Accounts. 6

As per our Report attached

For **KHIMJI KUNVERJI & CO.**
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner

Mumbai, 15th April, 2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

SCHEDULE-1
SHARE CAPITAL

	Numbers	As at 31st March, 2000 (RUPEES)	As at 31st March, 1999 (RUPEES)
Authorised:			
Equity Shares of Rs.10 each	290,000	2,900,000	400,000
Redeemable Preference Shares of Rs. 100 each	1000	100,000	100,000
		3,000,000	500,000
Issued, Subscribed and Paid-up:			
Equity Shares of Rs.10 each Fully paid up	290,000	2,900,000	400,000
9% Redeemable Non-Cumulative Preference Shares of Rs.100 each Fully paid up.	1000	—	100,000
		2,900,000	500,000

NOTE:
1. Out of subscribed and paid-up Capital of the Company 2,50,000 Equity Shares are held by the Holding Company, Laxminarayan Investment Ltd. and 4,00,000 Equity Shares are held by Indian Rayon And Industries Ltd., the ultimate Holding Company.
2. Preference shares have been redeemed on 31st March, 2000 at par.

SCHEDULE-2

RESERVES & SURPLUS	BALANCE AS AT 31st Mar.,1999 (RUPEES)	ADDITIONS DURING THE YEAR (RUPEES)	BALANCE AS AT 31st Mar.,2000 (RUPEES)
SPECIAL RESERVE	39,000	59,000	98,000
SURPLUS AS PER P & L A/C	118,688	122,735	241,423
CAPITAL REDEMPTION RESERVE	—	100,000	100,000
	157,688	281,735	439,423

SCHEDULE-3
INVESTMENTS

	As at 31st Mar, 2000 (RUPEES)	As at 31st Mar, 1999 (RUPEES)
LONG TERM INVESTMENTS		
Fully paid-up (QUOTED)		
995 Secured Premium Notes of The Tata Iron & Steel Co. Ltd. face Value Of Rs.300/- Each (Market Value, Previous Year Rs. 1,39,549)	—	91,272
Fully paid-up (UNQUOTED)		
54,490.437 units of Birla Income Plus (Plan A) of Birla Mutual Fund of Rs.10/- Each.	—	548,719
	—	639,991

SCHEDULE-4
CASH & BANK BALANCES

Cash in hand	82	82
Balance with Schedule Banks In Current Account	4,207	13,021
	4,289	13,103

SCHEDULE-5
MISCELLANEOUS EXPENDITURE
(To the extent not written of or adjusted)

Preliminary Expenses	5,329	6,394
Less: Written off during the year	5,329	1,065
	—	5,329

SCHEDULE-6
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2000.

(A) SIGNIFICANT ACCOUNTING POLICIES

(1) The financial statement are prepared under the historical cost convention. The Company follows the Mercantile system of accounting and recognises income and expenditure on the accrual basis.

(2) Long term Investments were stated at cost after deducting provision, if any, made for dimunition in the value.

(B) NOTES ON ACCOUNTS

(1) There is no additional information pursuant to para 3, 4C, 4D, of part II of Schedule VI of the Companies Act, 1956.

(2) Additional information under part IV schedule VI of the Companies Act,1956 is as per Annexure I

(3) The Company is financing carry forward transaction of The Stock Exchange, Mumbai, which is shown as Collateral Finance.

(4) The balance of Preliminary Expenses has been fully written off during the year.

(5) "Special Reserve" has been created in terms of Section 45-IC of Reserve Bank of India Act, 1934.

(6) Figures of previous year have been regrouped/rearranged wherever necessary.

As per our Report attached

For **KHIMJI KUNVERJI & CO.**
Chartered Accountants

SHIVJI K VIKAMSEY
Partner

Mumbai, 15th April, 2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

ANNEXURE I

INFORMATION PURSUANT TO THE PROVISION OF PART IV OF SCHEDULE VI OF THE COMPANIES ACT, 1956

Balance Sheet Abstract and Company's General Business Profile :

I. REGISTRATION DETAILS
Registration No.: 04-22691 of 1994-95 State Code : 04
Balance Sheet Date : 31st March, 2000

II. CAPITAL RAISED DURING THE YEAR (Amount in Rs. Thousands)
Public Issue: NIL Right Issue : NIL
Bonus Issue : NIL Private Placement : 2,500

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (Amount in Rs. Thousands)
Total Liabilities : 3339.42 Total Assets : 3339.42
Sources of Funds
Paid-up Capital : 2900.00 Reserves & Surplus : 439.42
Secured Loans : NIL Unsecured Loans : NIL
Application of Funds
Net Fixed Assets : NIL Investments : NIL
Net Current Assets : 3339.42 Misc. Expenditure : NIL
Accumulated Losses : NIL

IV. PERFORMANCE OF THE COMPANY (Amount in Rs. Thousands)
Turnover/Gross Income : 835.73 Total Expenditure : 374.01
Profit/(Loss) Before Tax : 461.73 Profit/(Loss) After Tax : 291.73
Earning per share (in Rs.) : 1.55 Dividend rate % : NIL

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS/SERVICES OF COMPANY (as per monetary terms)
Item Code No. (ITC Code) : N.A.
Product Description : Investment and Finance Activities

As per our Report attached

For **KHIMJI KUNVERJI & CO.**
Chartered Accountants

SHIVJI K VIKAMSEY
Partner

Mumbai, 15th April, 2000

ADESH GUPTA
ASHOK MALU
MANOJ KEDIA
Directors

Shareholder Information

1. Annual General Meeting
   - Date and Time : 26th May 2000 at 10.00 a.m.
   - Venue : Registered Office
     Junagadh – Veraval Road, Veraval 362 266, Gujarat, India

2. Financial Calendar :

- Financial reporting for the quarter ending June 30, 2000:	End July 2000
- Financial reporting for the quarter ending September 30, 2000:	End October 2000
- Financial reporting for the quarter ending December 31, 2000:	End January 2001
- Financial reporting for the year ending March 31, 2001:	End April 2001
- Annual General Meeting for the year ending March 31, 2001:	End July 2001

3. Book Closure Date: 8th May 2000 to 25th May 2000 (Both days inclusive)

4. Dividend Payment Date: End May, 2000

5. Registered office: Junagadh – Veraval Road, Veraval - 362266, Gujarat, India
   Tel: (02876) 45711
   Fax: (02876) 43220
   E-mail: indrayon@ad1.vsnl.net.in(sharedept)
   Web Site: http://www.indianrayon.com

6. a) Listing of Equity Shares on Stock Exchanges at: Ahmedabad, Mumbai, Calcutta, New Delhi and also with the National Stock Exchange (NSE). Annual Listing Fees as prescribed has been paid to each of these Stock Exchanges upto 31st March, 2001.

   b) Listing of Non-Convertible Debentures (Series 19th to 21st): National Stock Exchange of India Ltd. on Wholesale Debt Market Segement.

   c) Listing of Global Depository Receipts at: Societe de la Bourse de Luxembourg, Luxembourg
   Listing fees paid for the calendar year 2000.

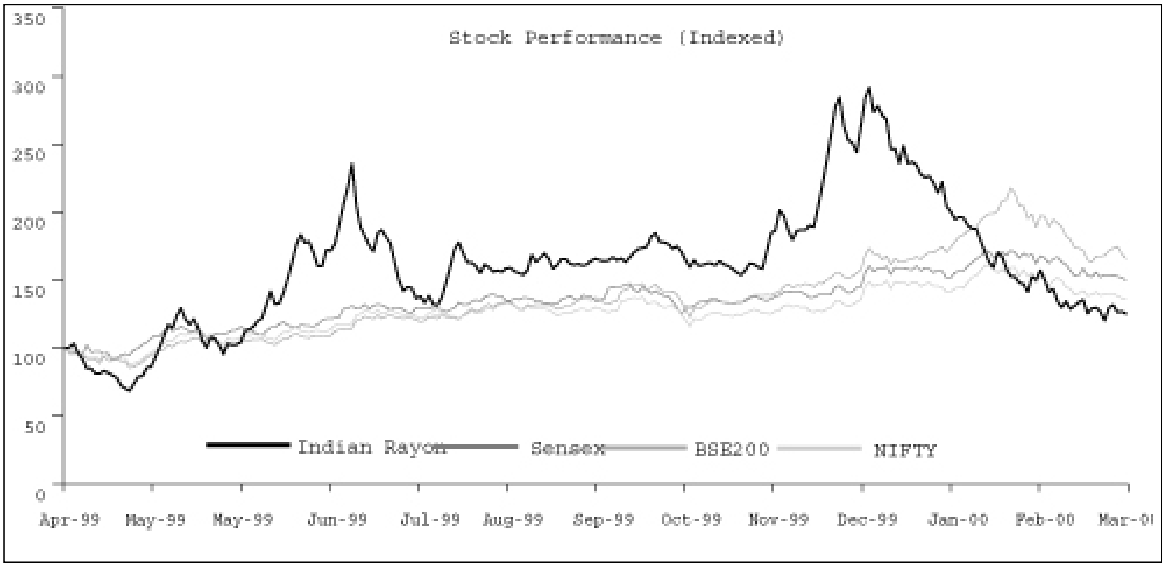
7. Stock Code:

	Reuters	Bloomberg
Bombay Stock Exchange	IRYN.BO	INRY IN
National Stock Exchange	IRYN.NS	NINRY IN
Luxembourg Stock Exchange (GDRs)		IRDS LI

8. Stock Market Data

	Bombay Stock Exchange (BSE) (In Rs.)				National Stock Exchange (NSE) (In Rs.)				Luxembourg Stock Exchange (GDRs in US$)		
	High	Low	Close	Average Volume	High	Low	Close	Average Volume	High	Low	Average Price
Apr-99	47.35	29.00	34.65	259,841	47.70	28.70	35.90	133,755	2.10	1.63	1.91
May-99	58.35	32.50	45.35	568,877	58.50	33.10	46.35	318,715	2.75	1.80	2.37
Jun-99	82.30	42.15	70.30	679,734	82.75	42.35	70.05	400,874	3.90	2.40	3.14
Jul-99	145.00	59.00	59.90	280,741	111.75	60.30	61.55	359,683	5.75	4.00	5.01
Aug-99	84.20	53.15	69.80	427,229	84.40	55.20	68.20	333,057	5.00	3.80	4.45
Sep-99	78.45	66.50	72.25	523,888	76.90	66.10	72.65	301,986	5.00	3.80	4.45
Oct-99	82.80	71.00	72.20	155,231	84.90	70.00	72.85	95,111	2.00	1.70	1.96
Nov-99	75.05	66.00	75.05	46,818	75.05	66.60	75.05	38,364	1.75	1.65	1.69
Dec-99	131.00	76.50	115.65	283,127	130.00	77.00	107.20	125,063	3.00	1.65	2.26
Jan-00	134.25	88.50	89.75	85,733	130.10	87.35	88.80	39,630	3.15	2.50	2.72
Feb-00	91.50	61.25	66.00	72,497	130.10	87.35	88.80	39,630	2.50	2.00	2.23
Mar-00	70.40	52.00	55.00	72,781	72.00	53.00	56.30	17,752	2.20	2.05	2.08

9. Stock Performance:



10. Stock Performance over the past few years:

(In Percentage)	1 Year	3 Years	5 Years
INDIAN RAYON	25.3	(-) 43.1	(-) 59.1
BSE Sensex	35.7	41.3	50.8
BSE 200	65.6	87.2	68.6
Nifty	43.7	57.5	52.0

11. Registrars and Transfer Agents: (Share transfer and communication regarding share certificates, dividends and change of address)

In-house Share Transfer
Share Department at the Registered Office at
Junagadh – Veraval Road, Veraval 362 266, Gujarat, India
Tel: (02876) 45711 Fax: (02876) 43220
E-mail: iril_vrvl@adityabirla.com

12. Share Transfer System:

Share transfers in physical form are registered and returned within 15 days from the date of receipt in most cases and in any case within 30 days from the date of receipt, if documents are clear in all respects.

The Share Transfer Committee of the Board of Directors meet frequently to approve transfer of above 5,000 shares and debentures each under one transfer deed. Officers of the Company have been authorised to approve transfers upto 5,000 shares and debentures each under one transfer deed. The total number of physical shares transferred during the year was 14,55,949 (previous year 31,44,275). Of this, 88% of transfers were completed within 15 days.

	1999 – 2000				1998 – 99			
Transfer period (in days)	No. of transfers	No. of shares	%	Cumulative total	No. of transfers	No. of shares	%	Cumulative total
1 – 10	20,463	8,85,584	60.83	60.83	37,062	17,43,875	55.46	55.46
11-15	4,093	4,00,084	27.48	88.31	11,858	5,60,109	17.81	73.27
16-20	1,799	77,988	5.35	93.66	10,093	5,02,512	15.98	89.25
21-30	1,466	92,293	6.34	100.00	6,009	2,66,517	8.48	97.73
30 and above	-	-	-	-	1,616	71,262	2.27	100.00
TOTAL :	27,821	14,55,949	100.00	-	66,638	31,44,275	100.00	-

13. Investor Services :
- Complaints received during the year

Nature of complaints	1999 – 2000		1998 – 1999	
	Received	Cleared	Received	Cleared
1) Relating to Transfer, Transmission etc.	9	9	15	15
2) Dividend, Interest, Redemption etc.	42	42	60	60
3) Change of address	-	-	-	-
4) Demat	35	35	-	-
5) Others	35	35	28	28
Total	121	121	103	103

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

14. Distribution of Shareholding as on 31st March:

	2000				1999			
No. of equity shares held	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	87,086	65.08	31,06,220	5.19	1,05,045	67.53	34,82,167	5.16
101-500	39,959	29.86	81,59,237	13.63	43,727	28.10	85,97,647	12.74
501-1000	4,236	3.17	29,85,406	4.99	4,293	2.76	29,80,133	4.42
1001-5000	2,248	1.68	40,37,977	6.74	2,236	1.44	39,79,680	5.90
5001-10000	147	0.11	10,14,038	1.69	134	0.09	9,00,903	1.34
10001 and above	129	0.10	4,05,73,864	67.76	123	0.08	4,75,42,511	70.44
Total :	1,33,805	100.00	5,98,76,742	100.00	1,55,558	100.00	6,74,83,041	100.00

15. Categories of Shareholding as on 31st March:

	2000				1999			
No. of equity shares held	No. of share holders	% of share holders	No. of shares held	% share holding	No. of share holders	% of share holders	No. of shares held	% share holding
Individuals	1,29,162	96.53	1,94,47,629	32.48	1,50,995	97.06	1,97,10,942	29.21
Corporate	1,474	1.10	3,40,16,483	56.81	1,222	0.79	3,70,12,933	54.85
FIIs	13	0.01	10,30,730	1.72	27	0.02	29,95,340	4.44
NRI / OCBs	3,130	2.34	11,20,542	1.87	3,281	2.11	11,19,253	1.66
Mutual Funds	25	0.02	1,13,846	0.19	32	0.02	6,43,118	0.95
GDRs	1	0.00	41,47,512	6.93	1	0.00	60,01,455	8.89
Total:	1,33,805	100.00	5,98,76,742	100.00	1,55,558	100.00	6,74,83,041	100.00

16. Dematerialisation of Shares and Liquidity:

Over 53.8% of outstanding shares (including 2.9% of outstanding capital in the form of Global Depository Receipts) have been dematerialised up to 31st March, 2000.

Trading in Equity Shares of the Company is permitted only in dematerialised form w.e.f. 5th April 1999 as per notification issued by the Securities and Exchange Board of India (SEBI).

17. Details on use of public funds obtained in the last three years:

No funds have been raised from public in the last 3 years
The Company bought back 76,06,419 equity shares of Rs.10 each (being 11.27% of total paid up equity capital) in October, 1999 at a price of Rs.85 per share.

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

Outstanding GDRs as on 31st March 2000 is 41,47,512 (Each GDR representing one underlying equity share)

19. Plant locations:

Rayon and Caustic Soda Plants:

Rayon Division
Veraval 362266, Gujarat
Tel: (02876) 45711, Fax. (02876) 43220
E-mail: iril_vrvl@adityabirla.com

Carbon Black Plants:

Hi-Tech Carbon
Murdhwa Industrial Area
P.O. Renukoot 231 217
Dist. Sonbhadra, Uttar Pradesh
Tel: (05446) 52387 to 389 Fax No. (05446) 52502 / 52858
E-mail: hitechr@adityabirla.com

Hi-Tech Carbon
K-16, Phase II
SIPCOT Industrial Complex, Gummidipoondi
Dist. Tiruvallur – 601201 Tamil Nadu
Tel: (04119) 23233 to 36 Fax: (04119) 23129
E-mail: hitechg@adityabirla.com

Insulator Plants:

Jaya Shree Insulators
P.O. Prabhasnagar 712249
Dist. Hooghly, West Bengal
Tel: (033) 6722593 / 6723535 / 6722858 / 6722869
Fax: (033) 6722705;
E-mail: jsir@adityabirla.com

Jaya Shree Insulators
Meghasar, Halol 389330
Dist. Panchmahal, Gujarat
Tel: (02676) 20510 / 20659 / 20958 / 20959
Fax: (02676) 23359 / 23374 / 23375
E-mail: jsih@adityabirla.com

Textile Plants

Jaya Shree Textiles
P.O. Prabhasnagar – 712 249,
Dist Hoogly, West Bengal
Tel: (033) 6721146 Fax: (033) 6721683
E-mail: jst@adityabirla.com

Rajashree Syntex
Tantigaria
Midnapur 721102, West Bengal
Tel: (03226) 62273 Fax No. (03226) 62528
E-mail: rajsyntex@adityabirla.com

Madura Garments (acquired w.e.f.1st January 2000)

110, K.H. Road
Post Box No.2736
Bangalore 560 027
Tel: (080) 2270711 Fax: (080) 2272515 / 5721846 E-mail: madurag@adityabirla.com

Other Divisions :

Global Exports & Marketing
Industry House, 19th Floor
10 Camac Street
Calcutta 700 017, West Bengal
Tel: (033) 2429643 Fax: (033) 2429288 / 2424998
E-mail: globalexports@adityabirla.com

Rajashree Gases
IGCL Complex
P.O. Jagdishpur Industrial Area,
Jagdishpur 227 817, Uttar Pradesh
Tel: (05361) 70032 to 38 Fax: (05361) 70165
E-mail: rajgas@adityabirla.com

Birla Periclase (Under disposal)
Plot No. 1, Kirlampudi Layout, Beach Road,
Visakhapatnam 530017, Andhra Pradesh
Tel: (0891) 565811 / 567343;
Fax: (0891) 561946 E-mail: birlapericlase@adityabirla.com

20. **Investor Correspondence:**

For transfer / dematerialisation of shares, payment of dividend on shares, interest and redemption on debentures, and any other query relating to the shares and debentures of the Company.

Vice President & Company Secretary
Indian Rayon And Industries Limited
Registered Office :
Junagadh – Veraval Road, Veraval – 362266
Gujarat, India
Tel: (02876) 45711 Fax: (02876) 43220
E-mail: irilsec@adityabirla.com

For queries of Analysts, Institutions, Banks and Others

President and Chief Financial Officer
Indian Rayon And Industries Limited
Corporate Finance Division
91, Sakhar Bhawan, 9th Floor
230, Nariman Point, Mumbai 400 021
Tel: (022) 2045004 Fax: (022) 2043686
E-Mail: irilcfo@adityabirla.com

21. **Per Share Data:**

	1999-2000	1998-99	1997-98	1996-97
Net Earnings (Rs Crores)	58.58	106.04	212.51	214.77
Cash Earnings (Rs Crores)	131.08	196.74	299.73	284.65
EPS (Rs)	9.78 **	15.71	31.49	47.74
CEPS (Rs)	21.89 **	29.15	44.42	63.26
Dividend Per Share (Rs)	1.00 @	4.00	5.00	6.75
Dividend Payout (%)	11.35	28.25	17.46	15.55
Book Value Per Share (Rs)	182.70	209.43	233.77	311.63
Price to Earnings (x) *	5.62	5.19	5.68	4.09
Price to Cash Earnings (x) *	2.51	2.80	4.03	3.09
Price to Book Value (x) *	0.30	0.39	0.77	0.63

* Stock price as on 31st March ** Before Exceptional Items of Rs. 299.81 Crores @ Proposed