**PRESS RELEASE**
**2 May 2012**

# BIRLA CORPORATION MAINTAINS DIVIDEND DESPITE LOWER PROFIT

**B**irla Corporation Limited, the flagship company of the M P Birla Group, has maintained its dividend despite posting a lower profit for 2011-12. The turnover for the year was Rs 2,596.82 crores against Rs 2,436.81 crores in the previous year and the turnover for the quarter ending March 2012 was Rs 739.98 crores against Rs 665.96 crores during the same period the previous year.

Commenting on the results, Shri Harsh V. Lodha, Chairman of the Company, stated that the profit was impacted substantially because of the disruption of operations at the Chanderia unit of the Company, which is one of its main clinker producing facilities. Owing to suspension of mining operations at the unit, on account of a High Court Order, production there suffered substantially.

Apart from the substantial increase in the cost of coal, power charges and freight, both rail and road, also impacted the profits. The effective Excise Duty rate increased in the recent Budget had also added to the cost.

The working of the Chanderia unit has been hampered as the mining operation for limestone at the plant remained suspended since 20 August 2011 in view of the Order of the Hon'ble Jodhpur High Court. As directed by the Court, the Indian Bureau of Mines (IBM) has conducted inspection and various tests with regard to the mining activities and its effect on the Chittorgarh Fort and submitted a report, mentioning that the mining operations, being carried out by the unit, was not, in any way, affecting the Fort. As a measure of partial relief, the Hon'ble Court had granted permission to lift 70,000 tons of limestone, excavated before the Court Order banning the mining operation, and another 1,85,000 tons, blasted during the study and tests conducted by the IBM. The matter is expected to be heard shortly.

Shri Lodha said that it was pertinent to point out that in spite of the suspension of mining activities, the Chanderia unit could operate at more than 50% of its clinker capacity by procuring limestone and clinker from the market which helped in maintaining its market share even though it came at a higher cost, reducing profitability.

The Company could increase the production of blended cement to 89.08% in 2011-12 (the highest ever), against 86.37% in the previous year, which had partially mitigated the situation.

**DIVIDEND**: The Company's Board of Directors approved the audited financial results for 2011-12 on Wednesday (2 May 2012). In spite of the lower profit, the Board has decided to maintain the dividend and approved a final dividend of Rs 3.50 per share, in addition to the interim dividend of Rs. 2.50 per share already declared and paid. The total outgo on account of dividend, including taxes, for 2011-12 works out to Rs 53.70 crores.

Cement demand across the country was down in the first three quarters of the fiscal under review owing to poor demand from infrastructure and real estate companies. High borrowing cost and the economic slowdown brought down the demand. However, since January this year, there has been a revival in demand.

At Chanderia, the brownfield expansion of the production capacity by 1.2 million tons was commissioned in March this year. At Durgapur, the 0.7 million tons grinding capacity addition is likely to be commissioned by June this year. After completion of all the expansion programmes, the effective annual capacity of cement will stand enhanced to about 9.3 million tons.

At Satna, the Coal Washery is likely to be operational by the end of the third quarter of 2012-13. This will help in maintaining the quality of coal, required for cement production, on a sustained basis.

The Company was allotted the Bikram Coal Block in Madhya Pradesh and administrative approval for mining lease has been granted by the Union Ministry of Coal. The forest and environmental clearances are being followed up.

The M. P. Government had recommended to the Union Ministry of Mines allotment of mining lease of about 2,130 hectares in Satna district to Talavadi Cements Limited, a subsidiary of Birla Corporation Limited. The recommendation has been challenged by some parties. However, the Hon'ble Madhya Pradesh High Court at Jabalpur has upheld the right of the Company regarding the matter, subject to the final order. The Union Ministry of Mines has since conveyed relaxation of Section 6(1)(b) of the MMDR Act for the grant of the mining lease.

**ASSAM PROJECT:** The Company had signed an MoU with the Assam Minerals Development Corporation, a Government of Assam Undertaking, to set up one-million ton greenfield cement plant at Umrangsu, North Cachar, through a Joint Venture involving an investment of Rs 450 crores. The activities to set up the plant will be initiated after the JV agreement is signed with the AMDC.

**ERP:** Implementation of the ERP system in all the cement units of the Company is likely in the second quarter of the financial year 2012-13. The ERP system will introduce best practices and improve the overall efficiency of the Company by augmenting its information technology capabilities.

**AWARDS & RECOGNITION:** The Quality Circle team, "Pratigya", of the Satna unit participated in the International Convention Quality Circle at Yakohama and won the "Distinguished" Award. Two other Quality Circle teams, "Kiran" and "Lakshya", participated in the Regional Convention, Quality Circle, at Kanpur and both won "Gold" Awards. At Durgapur, the Quality Control Group, "Pragati", had participated in NCQC- 2011, at Hyderabad and had been awarded the "Meritorious Trophy".

**JUTE DIVISION:** Consequent to an illegal strike and other unlawful activities resorted to by a section of workmen on 30 March 2012, at the Birla Jute Mills unit of the Company, suspension of work has been declared with effect from 31 March 2012.

**OUTLOOK:** The demand momentum is expected to continue in the next fiscal as the Union Budget has focused on developing infrastructure and boosting investment in affordable and rural housing. Cost pressure continues to be a matter of concern. The rise in rail freight and excise duty and expected volatility of prices in the light of growing regulatory risks may add pressure to operating margins. Coal is set to become dearer as the Government has approved the revision in royalty rates to 14% on *ad valorem* basis.

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