

Press Release

26 October 2010

BIRLA CORPORATION'S Q2 PROFIT AT RS 69 CRORES

	Q2 2010-11	Q2 2009-10	% increase/ (decrease)
Clinker Production (Lac Tns.)	8.73	10.44	(16.38)
Cement Production (Lac Tns.)	13.61	13.07	4.13
Cement Despatch (Lac Tns.)	13.85	12.87	7.61
Turnover (Rs in crore)	550.34	556.31	(1.07)
Profit After Tax (Rs in crore)	68.97	152.05	(54.64)

Birla Corporation Limited, flagship company of the M.P. Birla Group, has earned profit after tax of Rs 68.97 crores in the second quarter of the financial year 2010-11, against Rs 152.05 crores, in the previous corresponding quarter. Turnover for the quarter was Rs. 550.34 crores (Rs 556.31 crores).

The Board declared an Interim Dividend of Rs.2.50 per share (25%) for the Financial Year 2010-11 while approving the second quarter results today.

Profitability of the Company declined due to lower clinker production on account of shutdown of the plants for capacity expansion, regular maintenance activities, lower cement realization, increased use of outsourced clinker owing to non-availability of clinker from the Company's own plant, higher consumption of stores and spares during stoppages for maintenance, increased cost of packing materials and increase in freight cost as a result of rise in diesel prices.

The profitability of the power plants at Satna and Chanderia has also been lower on account of lower requirement of power for shutdown of the plants for capacity expansion activities and regular maintenance. The cost of power generated has been higher during the quarter due to purchase of more quantity of coal from open market because of non-movement of linkage coal.

However, despite the expansion and modernization activities and substantial increase in the cost of inputs, the performance of the Company is satisfactory in the present scenario prevailing in the Cement Industry.

Shri Harsh V. Lodha, Chairman of the Company, commenting on the results, highlighted that the cement industry, in general, had suffered pressure on prices as well as in demand in the quarter under review. Increased supplies, on account of new capacities, compelled companies to sell at lower prices. This affected realization in the central and eastern marketing regions of the Company's Satna and Durgapur units.

The bunching of capacities may continue impacting cement prices in the foreseeable future. However, the increased thrust by the Government on the infrastructure projects and the expected demand boost in the housing and retail sectors may partly offset the situation.

The relatively higher prices in the central and eastern zones prompted the southern and northern zone players also to push material into these zones, forcing the existing players to reduce the prices for retaining their market share. In the northern region, demand of cement decreased substantially because of heavy rains, causing prices to remain under pressure. Because of low demand, there was heavy pressure from volume players for retaining market share. The Company also increased its cement despatch by 7.61% to 13.85 lakh tons during the quarter.

The production of clinker at one of the units at Satna was lower because of the ongoing capacity expansion programme. After de-bottlenecking, the plant at Satna went on stream in July 2010. Thereafter, it took some time to stabilize production at normal levels. Clinker production at Chanderia during September 2010 was lower due to hooking up of the 7.5 MW Waste Heat

Recovery System (WHRS) which has been commissioned on 26 October 2010.

The WHRS project of 7.5 MW at Satna Cement Works, Satna, was successfully commissioned on 10 October this year. Another 7.5 MW WHRS project at Satna's Birla Vikas Cement unit is in an advanced stage of completion and expected to be commissioned by end-December this year.

Shri Lodha said the WHRS projects of the Company were the first of its kind in the cement industry in India and added that after successful commissioning of all the WHRS projects, the Company was expected to save substantially on power and fuel cost.

He added that order placement and designing for the 1.2 million-ton brownfield New Chittor Cement Works and the 0.6 million-ton capacity addition at Durgapur were almost complete and civil work was in progress. The Company has applied to the Pollution Control Authorities to increase the capacity of the New Chittor Cement Works from 1.2 million tones to 2.7 million tones. At Durgapur, civil construction of the cement silo and packing plant was almost complete and erection was in progress. After completion of the expansion work in Durgapur, the plant would remain the single largest cement manufacturing facility in West Bengal.

Work on other projects like replacement of the age-old cement ball mills by two roller presses, one at Satna and the other at Chanderia, for increasing the cement grinding capacity and ensuring substantial power saving, installation of a mixing and packing plant with a capacity of 3 lakh tons per annum at Kota, Rajasthan, was progressing as per schedule. After completion of all the expansion programmes, including the proposed increase in the New Chittor Cement Works, the effective annual capacity of the Cement Division will stand enhanced to about 10.8 million tons. This will also result in substantial improvement in operational efficiency.

Performance of the Company's **Jute Division** has consistently been improving over the corresponding quarter of the previous year. Better productivity, savings in interest and wages cost, foreign exchange gain and

better market conditions have contributed to the Jute Division's positive results.

Proactive action, initiated for timely purchase of raw jute and sale of jute goods, upgrading of machinery, reduction in wastage, use of grid power instead of captive generation of costly power and use of jute caddies as fuel in the boilers, yielded the desired results. The capacity of the Jute Division is also being increased to further strengthen its competitiveness.
