A CLEAR VISION OF TOMORROW, TODAY.

INDIAN RAYON

ADITYA BIRLA GROUP

2001 - 2002
ANNUAL REPORT

Indian Rayon and Industries Limited

IN HOMAGE TO A LEGEND

The late Aditya Vikram Birla, a man rooted in Indian values yet global in vision. Rock solid in fundamentals.

He spawned a culture that encouraged vigour and vitality, the spirit of innovation, the spirit of experimentation, and the passion to excel. A culture where learning afresh underpinned success.

Beyond business, he nurtured communities, sending out a clear message that we care.

Simply put, he was one man who made a difference. In business and as a human being.

Our constant endeavour is to keep up to his standards.

ADITYA BIRLA GROUP

ADITYA VIKRAM BIRLA,
November 14, 1943 - October 1, 1995

INDIAN RAYON AND INDUSTRIES LIMITED

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

MANAGER
Mr. K. K. Maheshwari

CHIEF FINANCIAL OFFICER
Mr. Adesh Gupta, President & CFO

COMPANY SECRETARY
Mr. Devendra Bhandari

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

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

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

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

EXECUTIVES

RAYON DIVISION

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

HI-TECH CARBON

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

JAYA SHREE INSULATORS

Mr. D. R. Dhariwal	Executive President
Mr. S. S. Baid	Joint President (Halol Unit)
Mr. Anil Chand Lodha	Sr. Vice President (Rishra Unit)
Mr. Vikas Khosla	Sr. Vice President (Export Marketing)

TEXTILES

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

MADURA GARMENTS

Mr. Prakash Nedungadi	President

GLOBAL EXPORTS & MARKETING

Mr. S. R. Dutt	President

OTHERS

Mr. K. B. R. Murthy	Joint President
Mr. Manoj Kedia	Sr. Vice President (Corporate Finance)

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THE CHAIRMAN'S LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

The year 2001-2002 will be remembered for long, not necessarily for all the right reasons. It has been a year of aberrations. With the attack on the World Trade Centre in September, dark clouds encircled the global economy. Given the preponderance of the U.S., worldwide business faced great uncertainty. The sudden drop in consumer confidence was no surprise. Stock markets nose-dived as well. No longer insular, corporates in India too felt the tremors of these seismic events. Your Company is no exception.

Even as we were grappling with this situation, internal issues added to the challenge of sustaining performance. Regrettably at Veraval, a strike that prolonged over two months put the brakes on the Viscose Filament Yarn (VFY) Division's growth and earnings, albeit temporarily.

VFY, as you may be aware, has always been a frontrunner at your Company, contributing substantively to its revenues and profitability. The loss that stemmed from the stoppage at the Plant neutralized the impact of the impressive earnings of the Insulator and Carbon Black divisions. The economic torpor that characterized the year, threw the plans of the Garments sector, out of kilter, particularly in the last quarter.

In the face of these setbacks, I believe, your Company has displayed a remarkable resilience. Revenues at Rs.1552 crores have risen by 2 percent vis-à-vis Rs.1526 crores attained in the previous year, while Profit before Tax at Rs.74.07 crores is on par with that achieved in the last year.

I would like to apprise you of developments that have a significant bearing on your Company's sustainable success and are geared to deliver shareholder value.

Going forward, our intent is to create a portfolio, which has a better balance

"In the face of these setbacks, I believe, your Company has displayed a remarkable resilience. Revenues at Rs.1552 crores have risen by 2 percent vis-à-vis Rs.1526 crores attained in the previous year, while Profit before Tax at Rs.74.07 crores is on par with that achieved in the last year."

between the asset intensive and the not so asset intensive businesses. This does not imply that we will ever lose focus of our businesses such as VFY, carbon black, insulators and textiles. They have their mainstay and have created and continue to create value in continuum. To achieve a fair balance in terms of portfolio, in the recent past we have forayed into the ready-to-wear apparel segment and the insurance sector. This year we have ventured into the software sector, given its growth potential. The acquisition of PSI Data Systems from Groupe Bull S.A. of France, is a step in this direction. To consolidate this business further, subsequently Birla Technologies was acquired by PSI Data Systems.

To ensure your Company's competitiveness in good times and tough times as well, your management had to recourse to rightsizing of its textile operations. The VRS floated was responded to positively by 370 employees.

I am also pleased to inform you that we have been able to dispose off the Sea Water Magnesia Plant at Visakhapatnam.

Having said this, let me add that at each of our business sectors, sweating of assets, strengthening operating efficiencies and paring costs continues non-stop.

To keep stoking growth in revenues and shore profits, we have taken a slew of radical yet focused initiatives while leveraging our distinct strategic architecture. Let me now dwell upon our business sectors and share with you our plans for taking these ahead despite the challenging times.

Garments :

The sweeping change among consumers, towards a marked preference for ready-to-wear brands that make a fashion and a status statement portends well for Madura Garments, the leader in this segment.

With their closets full of an exciting range of brands and their continued thrust on spawning extensions that will nurture new revenue streams, Madura Garments is in a vantage position.

Expanding the frontiers of the branded apparel segment has been fructified. Your Company's recently set-up state-of-the-art new suit manufacturing factory is now fully operational. Suits and jackets that can stack up to the best in class global brands are being crafted here. The Allen Solly women's wear brand, which has met with an overwhelming response in Bangalore, Hyderabad and Kolkata, is soon to broaden its geographic reach. Our intent is also to establish a deeper foothold not only in India, but overseas through raising our contract exports.

While short-term consumer sentiment may not be so buoyant, I am confident that Madura Garments will score very well over the long haul on growth and earnings.

"Looking ahead, the growth drivers will be the Garments, Insulators and Carbon Black businesses. The Rayon Division's entrenchment into newer markets should also fuel growth. Further, benefits of the rightsizing of your Company's textile division will flow in the foreseeable future."

Rayon Division :

In Viscose Filament Yarn too your Company enjoys a position of dominance. While this year's performance, as I explained earlier, has been a bit of a dampener, the Rayon Division has already textured ambitious plans aiming at improving performance manifold. I am pleased to share with you that the Plant at Veraval has attained highest quality levels. Endeavours are on to regain its markets through superior quality yarns and excellent technical backup services.

However, in India, a mature demand and continued competition from cheaper product substitutes is hampering growth. To sustain its leadership therefore the Division is aggressively exploiting export opportunities and entering into new markets. A worldwide rationalization of capacities and the closure of Plants in the West, I believe, will act as a stimulant for the growth of VFY exports.

Carbon Black Division :

The Carbon Black's business performance has been indeed impressive, regardless of the challenges it faced. The Division is gearing to march forward through aggressive marketing in an environment that is showing signs of recovery. As the recession in the automobile sector and the replacement tyre market simultaneously has put pressure on the Carbon Black Division's performance, we are trying to reduce this dependence and enlarge our reach in the non-tyre segments. The Division is channelising its energies for the development of new applications for Carbon Black and bring in specialty grades. Innovative experiments are on at the Aditya Birla Institute of Fundamental Research, Chennai. The Institute is recognized by the Department of Scientific and Industrial Research, Government of India.

Tying in of our carbon black products under the 'Birla Carbon' brand has also been a positive move, building as it does, upon our brand equity.

Insulator Division :

The insulator business has been growing in a commendable manner. A renewed product mix with a thrust on better value added equipment porcelain insulators, and the higher end of the transmission products will take this Division's fortunes ahead.

We are also much encouraged by the Government of India's policy pronouncements on the power sector. Developing the Power infrastructure is a priority. The Accelerated Power development and Reform Programme, the construction of the national grid, and opening up transmission and distribution for participation by the private sector are distinct pointers. This surge in the growth and renewal of the power sector has indeed created an exciting opportunity to take the insulator business to new heights.

"Despite the strong economic undercurrents, your Company has managed to maintain profits, by and large outperforming their competitors in most of the sectors in which they operate. This is a matter of satisfaction for all of us. To my mind, more than anything else, it is the culture of meritocracy that we espouse, it is the ebullience, the perseverance and the commitment of practically all of your Company's employees that has made your Company what it is today."

Textiles Division :

Given the proliferation of manufactures from the unorganized sector, the price wars that they wage, and with markets awash with cheaper products, ensuring a positive bottom-line for the textile business of your Company remains a veritable challenge.

Rightsizing of fabric operations and closure of the hosepipe business in the textile segment, have been inevitable steps, to ensure long-term viability of this sector. The Division is increasingly concentrating on Wool processing, Worsted Yarns and Flax Fabrics (Linen) where your Company enjoys a niche market.

The Outlook :

Looking ahead, the growth drivers will be the Garments, Insulators and Carbon Black businesses. The Rayon Division's entrenchment into newer markets should also fuel growth. Further, benefits of the rightsizing of your Company's textile division will flow in the foreseeable future.

At the end of the day, despite the strong economic undercurrents, your Company has managed to maintain profits, by and large outperforming their competitors in most of the sectors in which they operate. This is a matter of satisfaction for all of us. To my mind, more than anything else, it is the culture of meritocracy that we espouse, it is the ebullience, the perseverance and the commitment of practically all of your Company's employees that has made your Company what it is today. I wish to record my sincere appreciation of their contribution.

They know fully well that creating and enhancing shareholder value is at the core of your Company's agenda.

The Aditya Birla Group – In Perspective

That said, I would like to dwell on the proactive measures taken on various counts to keep our Group attuned to the shifting realities of today's hyper-competitive landscape, and importantly to make sure that we continue to remain successful.

Over the last four years, we have embarked on a continual process of renewal with a single-minded strategic focus on creation of customer and shareholder value.

Being among the top three players, in the sectors in which we operate or exiting; offering superior value addition to our customers, being continually focused on targeted, cost-effective commercial innovations that drive us unflinchingly towards global benchmarks in every operation of ours and building upon the Aditya Birla brand form the contours of our strategic structure.

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Our strategic architecture :

Value creation is the raison d'etre underpinning all of our businesses.

Growth in our key businesses has been pegged on consolidation, acquisition and mergers. In so far as it relates to acquisitions, we are very clear that we will bid at values and prices that make sense for us, depending on what value we see in the asset and at what price we think we will create value for our shareholders.

At Hindalco, the Rs. 1,800 crores brownfield expansion is well on track. The 9th Potline in the smelter has been commissioned. The phased implementation of the expansion programme will make much headway during this financial year and should be completed by the year 2003-2004.

Enhancing the smelter capacity at Hirakud and merging Annapurna Foils with Indal are calculated steps taken to entrench our Group's stronghold in the aluminium sector.

In the copper business of Indo Gulf while we have grown the smelter capacity from 100,000 TPA to 150,000 TPA at Birla Copper, with a view to attain a global scale, a further expansion is on the anvil.

As you are well aware, we have acquired 12.89% equity in Larsen and Toubro. This initiative represents a strategic investment by us, in what I believe, is India's premier infrastructure company. We have identified cement among other sectors along with knowledge-intensive businesses, with a strong service orientation, as businesses that offer significant growth opportunities, going forward.

In VSF we have outpaced competition not only in India but in the Asian region too, commanding as we do nearly 25% of the global pie. To retain our hold and grow further, given the changing market dynamics, we are exploring the possibility of foraying into selective cellulose fibres like Highwet Modular Fibres and Lyocal.

To turn around the textile business in the foreseeable future and to stem recurring losses, we have divested our textile unit at Gwalior, as a going concern as the unit made losses continuously. Our premier brands "Grasim and Graviera" are now being manufactured at a single location in Bhiwani. Besides bringing in better synergies, fixed costs and the value of current assets have been significantly pared. This is the first major step to reverse the downturn of the fabric business.

In the telcom sector, the three-way joint venture between AT&T, Tata Cellular and our Group, newly christened "Idea Cellular Limited" is progressing very well. Currently, the fastest growing cellular venture has registered a growth

"CVA (Cash Value Added) is indeed well entrenched as our measurement metric across the Group. We are now in the third planning cycle of the CVA. Over the last three years we have successfully met with its objective - essentially the streamlining and refinement of management decision making processes which necessitate understanding business variables in depth and quantifying their effect on value creation."

of 135 percent this year, outpacing the industry average of 80 percent, and commanding a teledensity in excess of 30 percent in the country.

Birla Sun Life, our insurance venture, is gaining ground. As you may be aware in this sector we have to factor a gestation period of atleast five years before returns accrue.

Regrettably up until now we have not been able to effect a restructuring in the petroleum refinery given the complexities of this J.V.

Structural Processes / People Processes :

CVA (Cash Value Added) is indeed well entrenched as our measurement metric across the Group. We are now in the third planning cycle of the CVA. Over the last three years we have successfully met with its objective - essentially the streamlining and refinement of management decision making processes which necessitate understanding business variables in depth and quantifying their effect on value creation.

As a proactive response to today's competitive global landscape and changing times, we are continuously ensuring that our Group remains customer-centric, nimble footed, performance-driven and accountable on all fronts. To do so, we spawn a culture of creativity and continuous innovation that can best the competition.

We are endeavouring to foster an environment in which our people are enthused to work with an entrepreneurial spirit, creating that enabling ambience where passion becomes embedded in the genetic coding.

Unleashing people potential in a balanced manner through a razor sharp focus on competence enhancement and learning is happening at Gyanodaya, the Aditya Birla Institute of Management Learning. Our aim here is also to convert our people into global managers, to create entrepreneurs out of them, to encourage them to think out-of-the-box. I believe it is only new ideas and new thought that prevent obsolescence, create value for shareholders and enable the Group to achieve ongoing profitable growth.

"As a proactive response to today's competitive global landscape and changing times, we are continuously ensuring that our Group remains customer-centric, nimble footed, performance-driven and accountable on all fronts. To do so, we spawn a culture of creativity and continuous innovation that can best the competition."

With best regards,

Yours Sincerely,

Mumbai
6th May, 2002

FINANCIAL HIGHLIGHTS

	Units	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
PRODUCTION (Quantity)										
Garments *	'000 Nos.	6,288	5,736	2,445	—	—	—	—	—	—
Viscose Filament Rayon Yarn	MT	12,253	15,496	12,621	14,685	14,273	13,803	13,615	13,217	12,780
Caustic Soda	MT	23,976	30,620	27,419	17,085	13,883	400	—	—	—
Chlorine	MT	19,258	23,960	21,750	13,751	10,529	349	—	—	—
Spun Yarns	MT	12,717	13,833	14,113	16,275	15,721	12,549	11,211	12,732	10,834
Carbon Black	MT	93,634	89,739	95,828	63,968	42,104	52,209	51,056	43,140	26,251
Insulators	MT	25,277	25,665	24,353	24,026	22,752	21,077	20,728	13,667	16,381
White Cement #	'000 MT	—	—	—	81	199	158	155	150	134
Cement #	'000 MT	—	—	—	1,045	3,075	2,934	2,362	1,680	1,611
SALES (Quantity)										
Garments *	'000 Nos.	6,690	5,884	1,130	—	—	—	—	—	—
Viscose Filament Rayon Yarn	MT	12,812	15,326	13,507	13,662	14,322	13,688	13,725	12,527	9,252
Caustic Soda	MT	24,111	31,104	27,516	16,694	13,596	204	—	—	—
Chlorine	MT	19,290	23,834	21,890	13,784	10,547	159	—	—	—
Spun Yarns	MT	13,188	13,258	14,641	16,483	15,190	12,568	11,555	10,755	7,356
Carbon Black	MT	94,504	91,735	94,656	61,243	42,118	50,647	51,618	25,935	21,231
Insulators	MT	25,183	25,691	23,701	23,656	23,088	21,179	20,504	13,969	16,677
White Cement #	'000 MT	—	—	—	79	202	159	153	152	139
Cement #	'000 MT	—	—	—	1,054	3,083	2,952	2,314	1,688	1,626

PROFIT & LOSS ACCOUNT	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
									Rs. in Crores
GROSS SALES									
Garments *	356.99	300.63	52.33	—	—	—	—	—	—
Viscose Filament Rayon Yarn	223.55	246.61	229.64	266.22	283.31	261.64	251.22	224.77	145.29
Caustic Soda	25.56	27.87	21.60	8.41	4.44	0.03	—	—	—
Chlorine	4.53	12.97	7.34	4.57	4.31	0.03	—	—	—
Spun Yarns	225.87	247.77	235.46	232.02	226.25	181.88	175.59	129.41	81.05
Carbon Black	315.55	287.86	258.26	174.67	126.48	173.99	149.42	70.36	61.39
Insulators	211.13	196.36	166.98	185.79	157.78	134.89	112.98	77.01	80.29
White Cement #	—	—	—	47.22	120.06	106.59	106.38	79.06	65.89
Cement #	—	—	—	243.55	699.51	688.45	516.56	322.60	274.22
Others	188.37	205.88	215.53	298.67	192.40	93.64	90.27	174.86	200.15
Total Gross Sales	1,551.55	1,525.95	1,187.14	1,461.12	1,814.54	1,641.14	1,402.42	1,078.07	908.28
Excise duty	143.39	109.76	115.05	162.09	232.29	228.58	194.54	149.71	115.71
Net Sales	1,408.16	1,416.19	1,072.09	1,299.03	1,582.25	1,412.56	1,207.88	928.36	792.57
Operating Expenses	1,225.88	1,220.16	917.42	1,060.69	1,228.22	1,066.68	919.01	720.28	597.40
Operating Profit	182.28	196.03	154.67	238.34	354.03	345.88	288.87	208.08	195.17
Other Income	9.53	13.01	28.31	24.62	19.67	29.23	60.93	41.25	17.60
Interest Payment (Net)	45.53	61.79	52.89	56.90	54.97	56.51	75.31	46.06	54.92
Gross Profit	146.28	147.25	130.09	206.06	318.73	318.60	274.49	203.27	157.85
Depreciation/Amortisation	73.54	73.08	72.50	90.70	87.22	69.83	56.74	37.83	31.79
Profit before Exceptional Items & Tax	72.74	74.17	57.59	115.36	231.51	248.77	217.75	165.44	126.06
Exceptional Items Gain/ (Loss)	1.33	—	(298.82)^	—	—	—	—	—	—
Profit after Exceptional Items	74.07	74.17	(241.23)	115.36	231.51	248.77	217.75	165.44	126.06
Provision for Current Tax	5.00	5.65	—	9.32	19.00	34.00	33.00	32.80	28.20
Net Profit after Current Tax	69.07	68.52	(241.23)	106.04	212.51	214.77	184.75	132.64	97.86
Provision for Deferred Tax	25.61	—	—	—	—	—	—	—	—
Net Profit	43.46	68.52	(241.23)	106.04	212.51	214.77	184.75	132.64	97.86
Equity Shares Dividend(incl. Divident tax)	19.76	19.79	6.65	29.96	37.11	33.40	28.09	22.15	14.49
Retained Profit	23.70	48.73	(247.88)	76.08	175.40	181.37	156.66	110.49	83.37

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

\# Cement Units demerged w.e.f. 1st September, 1998.

^ Exceptional loss due to exit from Sea Water Magnesia business

	Units	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
BALANCE SHEET										Rs. in Crores
Net Fixed Assets		761.76	794.38	842.80	1,054.63	1,644.03	1,490.62	1,257.23	883.48	517.74
Assest held for disposal (Sea Water Magnesia)		13.52	19.58	43.07						
Investments		439.79	343.82	344.16	440.19	367.04	289.51	360.89	569.05	461.05
Net Current Assets		425.24	438.10	441.41	569.52	576.20	705.48	498.76	311.59	265.41
Deferred Tax $		(101.20)								
Misc. expenditure not wriitten off or adjusted		10.81	14.74	18.67	—	—	—	—	—	—
Capital Employed		1,549.92	1,610.62	1690.11	2064.34	2587.27	2485.61	2116.88	1764.12	1244.20
Net Worth represented by :										
Share Capital @		59.88	59.88	59.88	67.48	67.48	44.98	44.95	44.67	30.99
Reserves & Surplus (Net of Revaluation Reserves)		1,030.91	1,082.79	1,034.06	1,345.80	1,510.03	1,356.93	1,175.04	1,013.09	658.97
Net Worth		1,090.79	1,142.67	1,093.94	1,413.28	1,577.51	1,401.91	1,219.99	1,057.76	689.96
Loan Fund										
Secured fund		435.76	451.13	450.03	638.06	869.04	875.57	720.45	554.97	543.47
Unsecured fund		23.37	16.82	146.14	13.00	140.72	208.13	176.44	151.39	10.77
Total Loan Fund		459.13	467.95	596.17	651.06	1,009.76	1,083.70	896.89	706.36	554.24

RATIOS & STATISTICS	Units	2001-02	2000-01	1999-00	1998-99	1997-98	1996-97	1995-96	1994-95	1993-94
Operating Margin	%	12.94	13.84	14.43	18.35	22.38	24.49	23.92	22.41	24.62
Gross Profit Margin	%	10.39	10.40	12.13	15.86	20.14	22.55	22.72	21.90	19.92
Net Margin before exceptional items	%	2.99	4.84	5.37	8.16	13.43	15.20	15.30	14.29	12.35
Interest Cover (EBITDA/Interest)	x	4.21	3.38	3.46	4.62	6.80	6.64	4.64	5.41	3.87
Current Ratio	x	2.98	3.45	3.30	2.99	2.30	2.43	2.36	1.67	2.25
DSCR	x	2.00	2.46	0.57	1.87	1.06	2.27	2.20	1.78	1.42
ROACE (PBIT/Average Capital Employed)	%	7.48	8.24	5.89	7.41	11.29	13.27	15.10	14.06	18.78
ROAE (Net Profit/Average Net Worth)	%	3.77	6.13	4.59	7.09	14.27	16.38	16.22	15.18	21.30
ROAE (Net Profit before deferred tax/Average Net Worth)	%	5.80	6.13	4.59	7.09	14.27	16.38	16.22	15.18	21.30
Net Sales/Total Assets	x	0.91	0.88	0.63	0.63	0.61	0.57	0.57	0.53	0.64
Debts Equity Ratio	x	0.42	0.41	0.54	0.46	0.64	0.77	0.74	0.67	0.80
Long Term Debt Equity Ratio	x	0.26	0.28	0.29	0.38	0.55	0.69	0.62	0.53	0.60
Dividend per share	Rs.	3.30	3.00	1.00	4.00	5.00	6.75	6.25	5.75	5.50
EPS (Before exceptional items)	Rs.	7.04	11.44	9.62	15.71	31.49	47.75	41.10	29.69	31.58
CEPS (Before deferred tax & exceptional items))	Rs.	23.82	23.65	21.73	29.15	44.42	63.27	53.72	38.16	41.84
Book Value per share	Rs.	182	191	183	209	234	312	271	237	223
No. of Equity Shareholders	Numbers	124,153	127,257	133,805	155,558	160,539	167,908	174,676	175,426	132,700
Market capitalization	Rs. in Crores	430	481	329	550¢	1,209	1,318	2,090	2,010	2,030
Exports	Rs. in Crores	386.70	388.88	296.00	287.92	297.21	212.79	170.27	139.63	106.85
Capital Expenditure	Rs. in Crores	38.90	23.74	185.26	88.73	244.31	313.70	437.11	404.79	139.04

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

@ Includes:

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

1994-95 to 1996-97: Share alloted against conversion of FCD and Detachable Warrants
(5,319,054 FCD @ Rs. 170 for Rs. 90.42 Crores)
(1,620,000 FCD @ Rs. 200 for Rs. 32.40 Crores)
(7,057,105 Detachable Warrants @ Rs. 2000 for Rs. 141.14 Crores)

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW

The year that has gone by has been one of the most challenging ones in the recent history of the Company. While recessionary pressures in the domestic economy deepened, the pronounced slowdown in the global economy added to the strain. The September 11th attack on the United States worsened the situation. These developments had a cascading impact on consumer spending and on the overall demand for goods and services, both in the domestic and export markets.

A 67-day illegal strike at the VFY plant at Veraval and subsequent breakdown of the Power plant during the second half compounded the issue. These have since been overcome and plants are stabilized now, but it took a serious toll on volumes and profitability of the VFY business, which traditionally has been a key profit contributor.

Viewed in this context, the performance of the Company is indeed satisfactory. Overall revenues have been maintained at Rs. 1,408.2 Crores. Operating profits declined by 8% from Rs. 217.0 Crores to Rs. 200.6 Crores in 2001-02 (FY02). Despite this, Gross Profits as well as Profits After Current Taxes have been sustained, benefiting from lower interest charges. Net Profit has plummeted from Rs. 68.5 Crores to Rs. 43.5 Crores due to the mandatory deferred tax provision of Rs. 25.6 Crores, in line with the Accounting Standard for Taxes on Income from the current year. For better comparison if the deferred tax, mandatory from the current year, were to be adjusted the Net Profit for the previous year on a similar basis would have been Rs. 47.7 Crores.

VALUE ADDING PORTFOLIO RESTRUCTURING MOVE

Efforts to balance the mix of manufacturing, brands and services in its overall business portfolio continued. Having entered into the brands sector successfully through the acquisition of Madura Garments in FY00 and the service sector with investments in the newly opened insurance sector last year, the Company decided to venture in the high growth software sector.

Foray into the Software Sector

The Company decided to foray into the high growth software sector, as part of a well crafted strategy to balance business portfolio through its presence in the Service and Branded sectors. This also gives an opportunity to deploy surplus funds in growth-oriented businesses since our traditional businesses provide limited growth opportunities. In this regard the company acquired Madura Garments in early 2000 and forayed into the insurance sector through the setting up of a joint venture last year. Given that in the service sector the software business offers high growth potential, the Company decided to acquire PSI Data Systems Limited. The software sector has excellent long-term potential due to the inherent advantages enjoyed by the country. Towards tapping this opportunity and creating long-term value, the Company decided to make an entry using the acquisition route for ensuring a significant presence in this emerging sector.

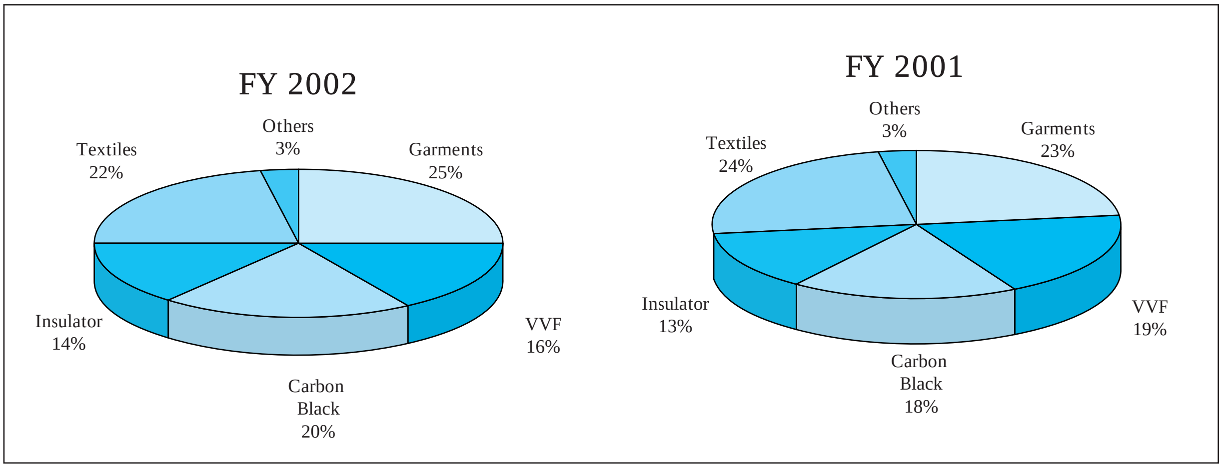
The Company acquired a 50.35% stake in PSI from Groupe Bull S.A., France and an additional 20% stake through an open offer, in line with regulatory requirements. The Company has invested a sum of Rs. 100.3 Crores towards the 70.35% stake in PSI, which was funded through internal accruals. The acquisition process was completed in October 2001.

PSI Data Systems anchored by 483 professionals, is a quality player in the profitable niche segments of the software services sector. Its track record built on enduring relationships with key clients across major regions has been one of its major positives. The Company believes the acquisition offers a ready platform for building and growing in the IT Services sector in the coming years.

Towards a focused approach for this growth sector and to consolidate the software interests of the Group under a single umbrella, PSI Data Systems has acquired Birla Technologies Limited, a subsidiary of Grasim Industries Limited, for a consideration of Rs. 11.3 Crores. Birla Technologies specializes in enterprise integration and mobile applications, an area that complements PSI's strengths in the market place. With these acquisitions, the Company hopes to make a mark in this sector, creating significant value for shareholders in the long run.

SEGMENTAL ANALYSIS AND REVIEW

The revenue mix has changed with Garments, Carbon Black and Insulators showing improvement over the previous year. The share of the VFY business declined marginally on the back of interruptions at the VFY plant as well as at Textiles on accounts of weak exports and scaling down of operations in the non-profitable segments.



GARMENTS

	2001-02	2000-01	Change (%)
Volumes (Lac Pieces)	66.9	58.8	14
Net Turnover (Rs. Crores)	349.9	325.5	7
Operating Profit before Advertisement and Royalty (Rs. Crores)	64.9	59.3	9
Operating Margin Before Advertisement and Royalty (%)	18.5	18.2	
Advertisement Expenses (Rs. Crores)	50.7	39.0	30
Royalty Expenses (Rs. Crores)	8.8	7.9	11
Divisional Operating Profit (Rs. Crores)	5.4	12.4	(56)

Review of Operations

The year for Garments was indeed tough. The business suffered due to an acute economic slowdown, characterised by a decline in consumer spending. The problems were compounded further by the imposition of excise duty, which necessitated a price increase, affecting volumes. Growing supplies and excessive inventories led to a large discount competition and margin pressure, a trend more pronounced during the 4th quarter of the year.

Under these circumstances, Madura Garments, the garments division of the Company has reported satisfactory results, benefiting from the strong performance of all of its key brands, including their extensions and new products launched. To increase market share and fulfill varying consumer needs in different categories the division launched a range of new products that show high promise for the future.

The national launch of Peter England Trousers, the test launch of Allen Solly ‘Women’s Wear’, which received a positive response, the expansion of Louis Philippe into premium evening casuals through the ‘Clubline’ range, and the introduction of the ‘International Traveller’ world wear range from Van Heusen, have been the major highlights.

Revenue growth

Divisional revenues have grown by 7% YoY to Rs. 349.9 Crores, the highest ever achieved so far, regardless of the weak market conditions. Improved volumes and enhanced market share across product segments have been the growth drivers. The Company sold over 66.9 lac pieces of Trousers and Shirts, up by 14% over volumes reported for the previous year.

We attribute such strong performance to a well-crafted marketing strategy that ensured continued leadership of our brands in their respective segments, through a thrust on innovation, strengthening distribution network and focused advertising support.

- *Innovation:* To meet fashion trends and changing aspirations of consumers we strived to innovate, to hone our design development capabilities and increased speed of response to change in market requirements. Consequently, the largest set of successful innovations in the industry came from Madura Garments. The newly set Design Studio played a vital role in keeping our brands refreshed and on the cutting edge, thereby wooing customers in difficult markets. It also facilitiated the successful test launch of Allen Solly Women's Wear, and the national launch of Peter England Trousers, an entirely new customer segment.
- *Strengthening of distribution network* was another key contributor. The emphasis on new retail formats emerged as a suitable model as consumers too were seen shifting towards Mega Stores and Shopping Malls from traditional outlets. Strengthening customer relationship by offering an excellent shopping experience and the widened reach of the new retail formats viz., Planet Fashion and Trouser Towns have been ongoing endeavours. We launched 17 Trouser Towns and 21 Planet Fashions in India and added 6 Planet Fashions in the Middle East. The Company has managed to increase retail space of its exclusive showrooms by almost 21% in FY02.
- *Advertising Support:* To nurture new brands, their extensions and retail formats while bolstering existing brands and building on its equity, substantial investments had to be made. Advertisement expenses were raised by 30% to Rs. 50.7 Crores, about 14% of revenues. This was required to strengthen the brand equity and ensure superior volumes in difficult market conditions. Fresh initiatives like the launch of Women's Wear, Peter England Trousers and expansion of retail formats also necessitated a higher ad-spend. This high decibel media blitz has helped maintain our leadership position, high volumes and revenues.

Despite an impressive volume growth of over 14%, business revenues have grown only by around 7%. This reflects an increasing share of mid-priced brands in the total basket as well as higher discounts, particularly during the second half of the year. In the last quarter off-the mark demand projections made by most of the market players created a high surplus in the markets. The Garments sector could not export against committed export orders given the global scenario, thus adding to the market surplus. Stocks grew substantially pushing discounts significantly, a facet more evident in the last quarter, which has eased since then.

Profitability under pressure

Divisional operating margins (before advertisements and royalty) improved from 18.2% to 18.5% gaining from supply chain efficiencies and cost control measures. While marginal, it is impressive, in the context of the prevailing market pressures sparked by the imposition of excise duty, deep discount competition and excessive sales promotion efforts required to maintain the sales momentum. Profitability would have been even better but for a fire at the main warehouse in September 2001, just before the peak season, which impacted revenues.

As mentioned earlier, advertisement expenses had to be raised significantly – by 30% to Rs. 50.7 Crores keeping in mind the need to nurture new brands and their extensions as well as strengthen existing brands and retail formats. With higher royalty payments of Rs. 8.8 Crores towards technology and know-how supplied by the Company's overseas subsidiary, divisional operating profits (after advertisement and royalty) turned negative during the year.

The Company is confident of improving profitability benefiting from the strong growth of the garments industry, the strengthening of market position for our brands and returns from existing brand investments in the form of improved volumes and realisation in the coming years. Improving of efficiency levels and falling costs will aid the division's profitability in gaining momentum.

Sector Outlook

The outlook for the Garment Industry remains promising in the long term. The fundamental shift in consumer preference from tailored to ready-to-wear products and increasing brand consciousness is likely to lead to an impressive 15% annual growth in this sector. The share of branded garments in the overall men's wear industry is on the rise, driven by changing customer aspirations and life styles, improving standards of living, better purchasing power, mushrooming of brands and emergence of large scale organized retailing in India. Industry experts believe that the branded garments will account for 40% of the men's wear industry by 2010. This augurs well for Madura Garments, being the market leader.

However, short term prospects are impaired by sagging confidence and poor consumer spending. Any improvement will be contingent on economic recovery in India and the Middle East, the major branded export market. The marginal reduction in excise duty in the Union Budget will also have a positive impact on revenues and profitability in the short term.

Outlook for Indian Rayon's Garment Business

In the forecast competitive environment, Madura Garments will concentrate on leveraging its brand equity to ensure superior volumes. While doing so, it will remain focused on strengthening of brand image, design and product development capabilities and widen geographical expansion. Effeciency improvement and relentless pursuit of cost control will remain a priority. Within this overall framework, our strategy for profitable growth is four pronged:

- *Strengthening of marketing and distribution efforts* to outpace the industry will be the focal point going forward. To achieve this, we will expand our distribution network and new retail formats (viz., Trouser Towns and Planet Fashions) into mini-metros and smaller towns. While doing so, we are setting up a specialised retail team to substantially improve the shopping experience of consumers in our retail outlets, which in turn will give a strong fillip to our brands and retail formats.
- *Market development efforts:* Being the market leader, the need to sustain the strong growth of the branded garments sector can never be underscored. To ensure speedy conversion from ready-to-stitch products to ready-to-wear products, we will leverage our design and product development capabilities. Towards this end, we will step-up focused advertisement support to both gestated brands (viz., Louis Phillipe, Van Heusen, Allen Solley and Peter England) as well as their extensions and new gestating segments like Allen Solley Womens Wear, San Frisco Jeanswear and Suits/Jackets. The objective however is to ensure that the brands yield superior returns in future.

  In addition, we will continue to focus on designs development, launching of fresh seasonal collections and brand extensions. The launching of "Peter England Trousers", concerted efforts to make "Peter England" a complete wardrobe brand and proposed introduction of denim products under the San Frisco name are part of this strategy. These moves coupled with the relentless focus on delivering consumer value, building brand image and improving efficiencies will enable us maintain market leadership and ensure profitable growth.

  Proactive measures to minimise discount and sales promotion spends through realistic forecasting and introducing systems to improve risk-reduction in launches of new designs/ collections will go a long way to improve the profitability of the business.
- *Improving international presence to strengthen branded exports business* is the third leg of our strategy. We will leverage upon the recent acquisition of global rights for key brands and the successful kick-off of new retail formats in the Middle East to improve branded export volumes. Contract exports will also be a thrust area as they help in striking an excellent relationship with large customers, apart from exposure to technology, design and product ideas. In addition, contract exports also enable us achieve balanced volumes during slack seasons in the local market.
- *Strengthening of cost structure* will remain a priority. Improving efficiencies through value analysis and controlling material costs, reduction of waste and supply chain management will be areas of concentration. The benefits of the Project SPARK and SAP-ERP systems implementation will lead to superior stock turnouts and reduce costs. Optimal leveraging of technology for logistics management should also enable cost reduction and improve margins.

Finally, towards attaining strong growth in the medium term, the Company is tapping new segments of the market. The introduction of Blazers and Jackets in multiple brands and price segments is on the anvil. In addition, the Company has identified opportunities in the Women's formal wear segment in the domestic markets and test launched women's wear under the Allen Solly brand, which has met with encouraging response. During the year the Brand will be expanded to other metros. These will remain an on-going effort at Madura Garments and will contribute significantly towards its objective of achieving growth ahead of industry and superior returns in the coming year.

VISCOSE FILAMENT YARN (VFY)

	2001-02	2000-01	Change (%)
Installed Capacity (TPA)	15,000	15,000	-
Production (Tonnes)	12,253	15,496	(21)
Sales Volumes (Tonnes)	12,812	15,326	(16)
VFY Net Realisation (Rs./Kg.)	160	148	8
Net Turnover (Rs. Crores)	232.2	263.5	(12)
- VFY	205.4	226.5	(9)
-Caustic Soda and Chlorine	26.8	36.9	(27)
Divisional Operating Margin(%)	21.3	22.5	-

Review of Operations

The Rayon business, which is traditionally a key profit contributor, gave satisfactory results during the first half on the back of management initiatives to improve quality, cost efficiencies and tapping of premium markets. In the second half the business suffered due to an unfortunate, illegal strike for 67 days. The VFY plant resumed normal operations in January 2002 and stabilized only by end-February. Operations have been stabilized with highest quality levels since March 2002. The full year performance is thus skewed.

Sales volumes down 16% on lower production

While the plant reported encouraging efficiencies during the pre-strike period, the subsequent start-up operations dragged production volumes by 21% to 12,253 tonnes. Consequently, sales volumes too declined from 15,326 tonnes to 12,812 tonnes, a fall of 16% YoY in FY02. As part of a well-thought strategy aimed at protecting long-term interests, the Company maintained export volumes. Aggressive marketing efforts and relentless focus on quality went a long way towards preserving its position. Consequent to strong exports, domestic volumes dropped by 20% in FY02.

Realisation improved by 8% YoY

The Average VFY realization improved by 8% from Rs. 148/Kg to Rs. 160/Kg largely from improved quality and a changing product mix in favour of high value deniers and first quality yarn. Domestic realization grew by 9%. Export realizations were higher by 4%.

The chemical business witnessed a 27% fall in revenues at Rs. 26.8 Crores due to interruptions at its power plant. Lower per unit Electro Chemical Unit (ECU) realization was another debilitating factor. This, despite higher caustic prices during the first half is due to the weak Chlorine prices, which prevailed during the year. Overall revenues thus declined by 12% to Rs. 232.2 Crores in FY02.

Margins under pressure

Operating margins fell from 22.5% to 21.3% in FY02 due to the impact of the illegal strike, the subsequent start up costs at the VFY plant as well as higher maintenance costs at the Power plant. Better realization and weak global prices of wood pulp the key raw material mitigated the fall in margins. .

Sector Outlook

VFY presents a challenging outlook. Positive changes in fashion trends and recovery in the textiles sector will improve domestic demand. However, domestic supplies are on the rise and the threat of cheaper imports from China are growing. Hence, pricing pressures would continue, but we will benefit from weak global pulp prices. Further we see promising prospects with realignment of global capacities and plant closures in the West for cost reasons. Importantly, there is a growing demand from quality conscious customer segments, which bodes well for cost competitive quality producers, like the Company.

Outlook for Indian Rayon's VFY Business

Indian Rayon is amongst the top two producers of VFY in India with significant cost advantages. It is fully geared to face challenges and take on growth opportunities in the domestic and export markets.

Our primary focus will be on regaining our market share through ringing in superior quality, raising the share of first quality yarn, and providing excellent backup technical assistance. This is aimed at building capabilities to serve quality conscious premium segments in India and abroad.

Secondly, towards seizing export opportunities, we will position ourselves as a reliable supplier of premium quality yarns as it will allow us to overcome competition and ensure premium pricing. While doing so, we will take aggressive measures to penetrate deeper into the existing markets and explore new markets that offer profitable growth opportunities. We are targeting to increase the share of exports to 20% of sales against 16% last year.

Our attention will also be on improvements in cost structure through shop floor efficiencies, higher yield, consumption norms and productivity.

CARBON BLACK

	2001-02	2000-01	Change (%)
Installed Capacity (TPA)	110,000	110,000	-
Production (Tonnes)	93,634	89,739	4
Sales Volumes (Tonnes)	94,504	91,735	3
Realisation (Rs./Ton)	29,681	27,719	7
Net Turnover (Rs. Crores)	280.5	254.3	10
Divisional Operating Margins (%)	20.6	20.2	-

Review of Operations

The Carbon Black business has posted an impressive performance notwithstanding the challenging industry environment. The slump in the auto and tyre sector continued throughout the year, showing signs of recovery only towards the end of fiscal. Even then, the HCV segment (the largest user segment) did not display any definite signs of picking up. Export demand too suffered on the back of the September attack on the US and deepening slowdown in other key markets.

Sales volumes have grown by 3% to 94,504 tonnes and average realisation is higher by 7% YoY. Consequently, divisional revenues have gone up 10% from Rs. 254.3 Crores to Rs. 280.5 Crores in FY02.

Aggressive marketing efforts, a competitive pricing strategy and rising share of sales in the non-tyre segment led to the modest increase in sales volumes despite demand pressures. Exports were given a special thrust through adoption of penetration strategy in the Asian markets. Towards this, we capitalised upon the newly launched "Birla Carbon" brand and coastal advantages of the Chennai plant optimally. Exports grew by 18% in FY02. Domestic sales were marginally down, reflecting the recession in the auto sector. Its impact would have been more but for substantial growth in non-tyre sales.

The average realisation grew by 7% YoY to Rs. 29,681/Ton benefiting from improved product and market mix as well as product rationalisation efforts. Business revenues have grown by 10% to Rs. 280.5 Crores in FY02.

Marginal improvement in profitability, enabled by stable CBFS prices

The CBFS prices remained stable, after having witnessed extreme volatility in the previous year. It hovered within a narrow band of US$110-125/Ton throughout FY02. While post-September, 11 developments led to short-term spurt, global CBFS prices softened quickly, being erratic only towards the end of the fiscal, riding on the West Asian crisis. The average cost of CBFS grew marginally by 1.5% in FY02, even though there was about 5% depreciation in the value of Indian Rupee against the USD.

Benefiting from higher realisation and stable input costs, operating margins improved from 20.2% to 20.6% in FY02. Operating profits have gone up 13% from Rs. 51.2 Crores to Rs. 57.9 Crores. A tight costs control, improved efficiencies and reduced overheads have brought in stable margins.

Sector Outlook

The long-term outlook for the Carbon Black industry is promising, though the immediate term is uncertain and poses a challenge. The auto sector appears to be recovering, but the largest user segment (viz., the HCV segment) is yet to show a definite improvement. Given the expectations of a pick-up in the overall economic activity, there is scope for improved goods movement and demand for HCV in the near future. The impending strong performance of the agricultural sector will be a booster. Collectively, these should translate into improved domestic demand for tyres and hence carbon black. Export prospects are also encouraging and are expected to gain momentum with recovery in the US markets.

However, fresh volatility in the global CBFS prices on the back of rising crude prices and increased import duty on CBFS may put pressure on costs. Profitability of the manufacturers will be dependent on their ability to penetrate into profitable niche segments and lower costs.

Outlook for Indian Rayon's Carbon Black Business

To spark growth going forward, the Company's strategy is to increase exports by leveraging logistic strengths and focussed marketing efforts. The Company is well entrenched in the tyre sector. It will strengthen its presence in the non-tyre segments and drive on commercialisation of new grades developed in house.

- *Volume enhancement:* Endeavours to widen the product range, enhancing the quality of service and ensuring competitive pricing for better volumes and a larger market share in the domestic market continue to be areas of priority. To expand its product range and usher in new grades of carbon black it will increasingly exploit its R&D capabilities. A few new grades, patented under the ADIT series are already being commercialised in the domestic market. These value added products will not only support higher volumes, but also create dominance in the profitable niche segments of the user industry. Additionally concerted marketing and successful leveraging of its existing relationship with key customers should ensure stable volume growth even in future.
- *Improving export focus:* Keeping in mind the stressful domestic environment the Company is relying on exports for better volumes. It will leverage advantages of its coastal location and competitive cost structure towards attaining robust growth in export markets. In this regard the branding of its products as "Birla Carbon", its coastal location and new product development efforts coupled with better penetration into existing and new customers will be its growth enablers.
- *Developing of non-tyre applications:* To reduce dependence on the automobile sector and expand markets, the Company is channelising its energies on the development of new applications for carbon black, especially in the non-tyre segments. Backed by its R&D efforts, we are also hopeful of increasing our share of overall volumes in future.
- *Margin enhancement efforts:* Towards ensuring superior margins, the Company is concentrating on speciality grades of carbon black, as these offer higher realisation. Efforts are on for increasing its share of these value added products, which together with advantages of split locations, enable the Company achieve optimum domestic-export mix and will result in improved realisations in future. Simultaneously, cost reduction, through tightening of consumption norms, reduction in distribution costs (through better logistics management by taking advantage of split plant locations) and better operating efficiencies – will be ongoing.

These revenue maximisation and cost reduction efforts along with a concentrated reduction of inventories, no doubt will aid the Company in achieving superior margins, despite the forecast challenging business environment over the next few years.

INSULATORS

	2001-02	2000-01	Change (%)
Installed Capacity (TPA)	34,000	34,000	-
Production (Tonnes)	25,277	25,665	(2)
Sales Volumes (Tonnes)	25,183	25,691	(2)
Realisation (Rs./Ton)	78,211	71,480	9
Net Turnover (Rs. Crores)	197.0	183.6	7
Divisional Operating Margins (%)	22.7	17.3	-

Review of Operations

The Insulator business demonstrated remarkable improvement, driven by a renewed product mix in favour of value added products and a relentless focus on internal efficiencies. This is noteworthy, particularly since the power sector is still going through a phase of restructuring and SEBs are facing a resource crunch – all of which did impair insulator demand and profitability.

Sales volumes declined marginally

Aggregate sales volumes were a shade lower at 25,183 tonnes against 25,691 tonnes in FY01. While exports declined by 30% YoY, impressive growth in domestic volumes offset the impact and aided the company in maintaining volumes almost at the levels of the previous year.

The sharp fall in exports reflects demand slackness in key markets, emanating from the economic slowdown, the unhurried pace of implementation of electrification projects in the underdeveloped/ developing countries and the overall malaise that affected demand from the OEM segment. This, against price competition from Asian producers, made profitable exports an extremely difficult task.

The higher end of the domestic market emerged as a savoir as it benefited from the spurt in transmission and distribution activities in the power sector as well as renewed demand from select SEBs, restructured in recent years. Consequent to this and the nimble footed strategies followed by the Company to cash on these opportunities, domestic sales volumes grew by an impressive 46% in FY02. This does not factor the demand pressures prevailing in most other segments of the market on account of the resource crunch, the on-going restructuring at several other SEBs and the slow pace of rural electrification efforts.

Keeping in mind profitable opportunities as well as challenges in low-rating product segments, the Company has consciously upgraded production portfolio towards high value added products with improved yield and restricted production to pre-sold goods. So production volumes nearly matched sales volumes at 25,277 tonnes, reflecting a fall of 2% YoY.

Improved realization and enhanced yield enable impressive rise in margins

With the altered product portfolio dominated by high value product segments, average realizations improved by over 9% to Rs. 78,211/Ton regardless of the falling share of exports, which traditionally offer higher realization in overall revenues.

Benefiting from these and substantial improvements in yield, divisional margins rose from 17.3% to 22.7%, pushing operating profits up by 41% to Rs. 44.8 Crores in FY02. A rein on input costs and enhanced efficiencies contributed towards margin enhancement and is significant considering that raw material and fuel costs have risen sharply during this year.

The division has a healthy order book position, and is confident of superior performance in the future.

Sector Outlook

The long-term outlook for the Insulators industry is extremely positive in the light of growing importance accorded by the Government towards development of the power infrastructure in India. The Government is targeting to add an additional 100,000 MW generating capacity by 2010 to meet the growing demand supply gap. This augurs well for insulator demand in the long run.

Other policy initiatives taken by the Government including the Accelerated Power Development and Reform Programme (APDRP), construction of the national grid and private participation in T&D segment are gaining momentum. These, coupled with likely reforms in the T & D segment, should spur insulator demand in the foreseeable future. The scheduled completion of on-going restructuring at SEBs and resumption of purchase by them will release a huge pent-up demand, which is a good sign for the insulator market in the short term.

Global markets provide exciting opportunities on two counts. Firstly, European manufacturers are scaling down production, faced with rising costs. Secondly, the underdeveloped markets of Africa and Asia offer enormous potential. India is a major low cost supply source for Equipment Porcelain for the OEM's in the developed markets. While China has been a threat in the low end of the market, it has an enormous opening for exports of Equipment Porcelains, where India enjoys a competitive advantage.

We are thus buoyant about the prospects in the industry, both in domestic and export markets, in the short and long term.

Outlook for Indian Rayon's Insulator Business

Our focus will be on the quality conscious user segments of the Equipment Porcelain market and higher end of the Transmission Products market. Exports will be on the rise through deeper penetration into existing markets and a successful foray into new markets, exploiting our existing strong relationship with the Original Equipment Manufacturers. The Company carries a healthy order book at present and sees tremendous opportunities in the market place.

Towards capitalizing on emerging opportunities in the domestic as well as export markets, the Company is embarking on a three-pronged strategy:

- *Improvement in operating efficiencies will remain a priority*. Efforts to further improve plant efficiency and optimum utilization of Kilns are on. We will improve the yield further through adoption of global best practices and upgradation of plant processes. Such a focus will position Indian Rayon on a stronger footing in the international market.
- *Strengthen export presence further*, based on our solid relationship with global OEMs and utility companies, developed over the years. Our aim is to leverage this bond to successfully penetrate into the new export markets of United States, United Kingdom and China, in the high value, high rating product segments.
- *Focus on high value products* to overcome competition and ensure profitable growth. Equipment Porcelain market has been the key focus area for the Company in recent years. After having met with success in this segment, the Company is entrenching further into other high value products including 210 KN Insulators and High Strength Suspension Insulators for HVDC transmission lines. These new products will contribute significantly towards enhancement of volumes, revenues and profitability.

These measures should hopefully lead to superior volume growth and enhanced profitability in the future as well.

TEXTILES

Review of Operations

For the Textile business, which depends on exports for 50% of its revenues, the prolonged slowdown in the global markets had a telling impact on revenues and profitability. Although the Company focused on rightsizing and exited from non-profitable segments, it could offset the impact only partly. Business revenues declined by over 10% from Rs. 341.0 Crores to Rs. 306.6 Crores.

The Worsted Yarn segment remained a stable performer, with volumes up by over 11% to 3,782 tonnes and revenues growing by over 4% YoY to Rs. 123.0 Crores. This was largely due to the emphasis on speciality yarn and Wool Top its intermediate product.

The performance of Flax Yarn and Synthetic Yarn segments suffered on account of sluggish demand, falling prices and a stiff competition from overseas players, which led to a stagnation in the average realization for flax yarn.

Fabric operations were right sized to focus on the profitable Linen Fabric and to reduce dependence on the Synthetic Fabrics. The Company has exited from the Hose Pipe segment during the 3rd quarter as structural issues in the industry rendred its continuance superfluous.

Reflecting a mixed performance of product segments, business revenues declined by 10% to Rs. 306.6 Crores against Rs. 341.0 Crores in FY01. Operating margins have fallen from 13.0% to 10.0% affected by lower realization and higher costs of key inputs such as Flax Yarn and Wool. Operating profits have dropped from Rs. 44.2 Crores to Rs. 30.5 Crores

Due to right sizing of various operations and suspension of Hosepipe manufacturing activities, the unit has initiated VRS. Over 370 employees have accepted the VRS, completed at a cost of Rs. 7.6 Crores. The payback period would be barely 3 years.

Outlook for Indian Rayon's Textile Business

The outlook for the textiles business remains challenging due to the adverse industry environment and intense price competition from smaller producers. The Company is taking several proactive measures to mitigate its impact and move towards sustainable success. With the impending recovery in the global economy, exports performance is likely to improve in which case the Company stands to benefit significantly in future.

With the advantages accruing from the stress on speciality yarns and profitable intermediate products, we expect the Worsted Yarn segment to report superior performance in the coming years. Other forward looking steps such as the reduced dependence on the less profitable synthetic segment, the increased attention on value added flax and speciality fabrics, fuel our optimism. The completion of the equipment modernisation programme provides enhanced benefits. Taken together, these inititives, will lead to the desired upturn in the Division's performance and profitabilty, going forward.

FINANCIAL REVIEW AND ANALYSIS

Highlights

Rs. in Crores

	2001-02	2000-01	Change (%)
Gross Turnover	1,551.6	1,526.0	2
Net Turnover	1,408.2	1,416.2	(1)
Other Income	9.5	12.9	(26)
Operating Profit (PBDIT)	200.6	217.0	(8)
Royality	8.8	7.9	11
Interest	45.5	61.8	(26)
Depreciation/Amortisation	73.5	73.1	1
Profit Before Tax and Exceptional items	72.8	74.2	(2)
Exceptional Items			
- VRS Cost at Textiles	(7.6)	-	-
- Surplus on Sale of assets under disposal	8.9	-	-
Profit after Exceptional Items	74.1	74.2	-
Provision for Current Tax	5.0	5.7	(12)
Net Profit after Current Tax	69.1	68.5	1
Provision for Deferred Tax	25.6	-	-
Net Profit	43.5	68.5	(36)

Revenues

Gross revenues have grown by 2% YoY to Rs. 1551.6 Crores, but aggregate net revenues have declined marginally from Rs. 1,416.2 Crores to Rs. 1,408.2 Crores. The Garments, Carbon Black and Insulator divisions have reported higher revenues, while the VFY and Textiles divisions have recorded lower revenues during the year. The deepening recessionary pressures in the domestic and export markets took a serious toll on most of our businesses.

Operating Profit

The Company has reported an 8% fall in operating profits due to mixed performance of key businesses. This was despite an impressive 41% rise in profits from the insulator division on the back of improved relisation and enhanced yield and a 13% YoY rise in profits from the Carbon Black division on superior realization. Profitability of the VFY division was affected by the illegal strike while Garments and Textiles reported a nearly 30% fall in profits due to a weak operating environment and higher costs. Lower other income from Rs. 12.9 Crores to Rs. 9.5 Crores also led to fall in PBDIT in FY02.

Interest

Net Interest charges declined by 26% from Rs. 61.8 Crores to Rs. 45.5 Crores on account of repayments of long-term loans as well as lower interest rates during the year. In this regard the interest on income tax refund has helped. The substantial reduction in interest charges enabled the Company to offset the impact of lower operating profits and maintain Gross Profit at Rs. 155.1 Crores in FY02.

Depreciation

Depreciation charges have been maintained almost at last year's levels of Rs. 73.5 Crores.

Exceptional Items

The Company had two exceptional items in its accounts for FY02. First, it has incurred Rs. 7.6 Crores towards VRS costs at Textiles. This includes a sum of Rs. 6.1 Crores towards VRS benefits and an additional Rs. 1.5 Crores towards retirement benefit provided as per actuarial valuation. Though the benefit of the VRS cost shall accrue in future, the Company has decided to charge the entire sum in the current year on a conservative accounting policy.

Secondly, the Company realised a gain of Rs. 8.9 Crores towards the write-back of losses on the Sea Water Magnesia Assets due to higher realizations on sale of substantial assets including infrastructure assets at the plant.

Provision for Current Tax

The Company had made a provision of Rs. 5.0 Crores against Rs. 5.7 Crores in the previous year towards current taxes, in line with MAT liability.

Provision for Deferred Tax

As per Accounting Standard for Taxes on Income, made mandatory during the year, a provision for Rs. 25.6 crore has been made towards deferred tax liabilities in the current year.

Net Profit

After provisions for current and deferred taxes, net profit for the year is down at Rs. 43.5 Crores as against Rs. 68.5 Crores in the previous year. When recasted on a similar basis, net profit of Rs. 43.5 Crores in FY02 compares with Rs. 47.7 Crores in the previous year.

Additionally, as stipulated by the Accounting Standards, accumulated deferred tax liability of Rs. 75.6 Crores has been provided from the opening revenue reserves of the Company.

The Company's Earnings Per Share (EPS) has declined 37% to Rs. 7.3 while Cash Earning Per Share (CEPS) has gone up marginally from Rs. 23.7 to Rs. 23.8 in FY02.

CASH FLOW ANALYSIS

Rs. in Crores

	2001-02
SOURCES OF CASH	
Cash flow from operations (Net of Tax)	175.6
Non-operating cash-flows	5.1
Proceeds from Borrowing	38.3
Proceed from sale of Sea water magnesia business assets held for disposal	15.0
Decrease in Working Capital	10.1
Net inflow from Investment activity	21.3
TOTAL	265.4
USES OF CASH	
Net Capital Expenditure	36.0
Repayment of Borrowings	47.2
Increase in Investments	122.5
Net Interest	39.8
Dividend	19.8
Increase/(Decrease) in Cash and Cash Equivalents	0.1
TOTAL	265.4

Sources of Cash

Cash from operation

Operating cash flows for the year is Rs. 175.6 Crores. This is marginally lower than the corresponding figures for the previous year and it primarily reflects lower contributions from the Garments, VFY and Textiles businesses.

Non-operating Cash Flows

Non-operating cash flows primarily consisted of dividend receipts.

Borrowings

The Company has raised a Concessional Term Loan of Rs. 8.0 Crores from Financial Institutions and an additional Rs. 25.8 Crores under working capital borrowings for matching cash flow requirements. Total borrowings for the year thus stand at Rs. 23.8 Crores. An additional sum of Rs. 4.5 Crores was raised in the form of Deferred Sales Tax loan, thus placing the aggregate sum of debt funds raised during the year at Rs. 38.3 Crores.

Sale of Sea Water Magnesia assets

The Company disposed off substantial assets of the Sea Water Magnesia project including the infrastructure facilities available at the Site, garnering Rs. 15.0 Crores on this front.

Uses of Cash

Capital Expenditure

The Company has invested a sum of Rs. 36.0 Crores towards normal capital expenditure at its key businesses. These include investments in an ERP system at Garments division and modernization of Flax operations at the Textiles division.

Debt Repayment

The Company has repaid a sum of Rs. 47.2 Crores during the year, comprising of the long-term debt of Rs. 45.9 Crores and short term borrowing (FD) of Rs. 1.2 Crores.

Investments

The Company liquidated short-term investments and generated net inflows of Rs. 21.3 Crores. This was used for part-financing of the acquisition of PSI Data Systems, at a cost of Rs. 100.3 Crores and an additional sum of Rs. 22.2 Crores was infused as additional capital in Birla Sun Life Insurance Company, a subsidiary of the Company.

Dividend

The Company paid a sum of Rs. 19.8 Crores towards dividend for the year 2000-2001. The Board has proposed a dividend of Rs. 3.3 per share for the year 2001-02. This would lead to an outflow of Rs. 19.8 Crores in the current financial year.

RISK MANAGEMENT

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

Foreign Exchange Risk

The Company's policy is to hedge its long-term foreign exchange risk as well as short-term exposures. Currently, the Company does not have any long-term foreign exchange liability and its short-term exposure is covered time to time. The Company has reported aggregate exports of Rs. 386.7 Crores and imports of Rs. 256.2 Crores in FY02. Due to excess of exports over imports, the Company is long on US$ and this position at times remains unhedged. However, considering that the pattern and extent of depreciation in the value of rupee against US Dollars in the past, there seems no risk in keeping exports un-hedged.

Interest Rate Risk

The Company's long-term borrowings are at fixed interest rates and short-term borrowings are at floating interest rates. Accordingly, we do not perceive any Interest Rate Risk.

Commodity Price Risk

The Company is exposed to risk on raw material as well as finished goods price of all its products. As presently there is no hedging mechanism available, is exposed to price fluctuation of input as well as output.

INTERNAL CONTROL SYSTEM

The Management Information Systems (MIS) is the backbone of our control mechanism. Clearly defined roles and responsibilities down the line for all managerial positions have been institutionalised. All operating parameters are monitored and controlled. Regular internal audits and checks ensure that responsibilities are executed effectively and that the MIS is flawless among a well-conceived annual planning and budgeting system.

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

JOINT VENTURE AND SUBSIDIARY COMPANIES

JOINT VENTURE COMPANIES

The investments in joint venture companies total Rs. 199.8 Crores. These encompass Indo Gulf Corporation Limited, Mangalore Refinery & Petrochemicals Limited and IDEA Cellular Limited (Formerly Birla Tata AT&T Ltd.).

Indo Gulf Corporation Ltd.

Indo Gulf has reported an excellent performance for the year 2001-02. The Company has achieved a sales turnover of Rs. 2,706.2 Crores, which is higher by 23.1% over the previous year. PBDIT at Rs. 624.3 Crores reflects a growth of 15.9% over the last year. Net profit at Rs. 302.4 Crores is up by 20.2% over Rs. 251.7 Crores achieved last year.

The Copper division has reported improved performance with the expansion of its copper smelter from 100,000 TPA to 150,000 TPA and higher exports from 10,272 MT in the previous year to 42,879 MT this year. These two factors over shadowed 15.4% fall in LME prices and lowering of customs duty. The performance of Di-ammonium phosphate plant (DAP) has been satisfactory. Fertilizer business continues to suffer from the restrictive government policies. In spite of the adverse external environment, Indo Gulf continues to perform exceedingly well in terms of growth in Revenues, Profits and Asset Productivity. The Company is prepared to capitalize on the foreseeable upturn in the global macro-economic environment, and hopefully a rationale long-term fertilizer policy.

Mangalore Refinery & Petrochemicals Ltd. (MRPL)

Commercial production of the expansion project at MRPL has commenced from April 2001, increasing its refining capacity by almost three times which has resulted in an improved operational performance.

MRPL was conceived in the fully regulated environment with total dependence on PSU marketing companies for marketing its products. HPCL, being the joint venture partner markets MRPL products. MRPL, continues incurring losses due to deregulation of the Hydro Carbon sector relating to refining effective from April, 1998 without an adequate duty protection, non availability of marketing rights for major products like petrol, diesel, kerosene & LPG and high debt burden.

To improve upon the financial health of MRPL, several strategies are being seriously explored for its capital restructuring. Among these are scouting for a third partner/prospective investor, debt restructuring and divesting of the Group's stake etc.

Idea Cellular Limited (Formerly Birla Tata AT&T Ltd.)

Idea Cellular Limited (Idea) has emerged as a dominant Cellular Operator in India. Subsequent to merger of Birla AT&T Communications Ltd. and Tata Cellular Ltd. and with acquisition of license in Madhya Pradesh & Chattisgarh and Delhi, the Company operations now cover central India coast to coast and Delhi. The Company has launched a national brand called "Idea" and the Company's name now stands changed to "Idea Cellular Limited". Among the operators "Idea" was the growth leader during the year with a 135% YoY jump to the subscriber base to 0.8 million. The industry growth during the year was 80% YoY. Idea's national market share improved from 8% to 13%. With its improved market dominance and presence in the strong markets the Company is expected to perform well in the coming years.

SUBSIDIARY COMPANIES

Rs. 205.3 Crores is invested in our two subsidiary companies, namely Birla Sun life Insurance Company Limited in insurance and PSI Data Systems Limited in software businesses.

Birla Sun Life Insurance Company Ltd.

Birla Sun Life Insurance Company Limited (BSLI) is a 74:26 joint venture between the Aditya Birla Group and Sun Life Financial for offering life insurance products in India. It received the license from IRDA for commencing business in January 2001.

BSLI commenced operations in March 2001 with the launch of innovative unit linked insurance products, being the first insurance company in India to do so. It has set up multi distribution channels comprising of a 2000 strong high quality Direct Sales Force of insurance advisors, an alternate channels team for managing corporate agents and bancassurance and a dedicated in-house team of sales professionals for selling group products to corporates and institutions.

BSLI started operations with only 2 branches at Mumbai and Delhi to ensure that its processes backed by state of the art IT systems are fully tested. It has since, expanded its operations to 12 branches in 9 cities with about 2000 advisors and 40 corporate agents.

BSLI has completed a very successful first year in March 2002, generating new business with annualised premiums of Rs. 28.3 crs, much ahead of its plan. It offered excellent investment returns to its policyholders, in line with its strategy to focus on investment linked products.

BSLI has a professional and highly motivated team of 400 employees to manage its operations.

BSLI now plan to aggressively grow its business after having set up its processes very successfully.

BSLI aims "To be amongst the top 3 life insurance companies in India"

PSI Data Systems Limited (PSI)

The impact of the slowdown in the US has been felt across the IT services industry. The Company has achieved a total income of Rs. 95.8 Crores for the fifteen month period ended 31st March 2002 and reported a loss of Rs. 13.0 Crores against a turnover of Rs. 85.0 Crores and profit of Rs. 18.2 Crores last year.

PSI has a portfolio of broad range of information technology services, including application development, maintenance and e-business solutions. PSI has significant software project management experience across multiple systems and technologies that provide leverageable competitive advantage. It has recently acquired Birla Technologies Limited to complement in the market place with enhanced product and servicing capabilities. PSI has recently attained Level 4 rating for its development centers in Bangalore.

PSI has extensive knowledge and experience in the banking and financial services and the insurance industry. The Company has executed several large projects in these domains. With investments in these sectors continuing to be quite robust, PSI believes that it has the opportunity to capitalize on it's expertise in these segments.

PSI will continue to focus on the Banking and Financial Services and Insurance markets with EAI and CRM leading in the technology space. PSI is cautiously optimistic about its prospects for the current financial year, and it hopes to achieve a turn around of its business.

CONCLUSION

To sum up, the Company has faced serious challenges in some of its key businesses on account of global slowdown and deepened recessionary pressures in the domestic markets, which impacted its volumes, revenues and profitability. On top of this, an illegal strike at the VFY division, a traditional key profit contributor, impaired its output considerably. Despite these challenges, the Company has been able to maintain overall profitability and report satisfactory performance.

Going forward, global economies are showing early signs of recovery. Experts believe that the recovery will gain momentum during the year. This should benefit all our key businesses significantly, given their intrinsic linkages with the level of economic activity. Garments will be a key beneficiary with higher revenues and profitability. Carbon Black too will gain substantially from the upturn in the automobile and tyre sectors. Insulator is poised to grow significantly into the future largely from the renewed thrust on power sector reform and increased private participation in the T&D sector. With the stabilization of its plant, VFY will target to regain its market share and penetrate deeper into the export markets.

In all these businesses, our focus will be on strengthening our market position, deeper penetration into export markets, improved efficiency and asset utilization while remaining focused on costs. On the back of these, we are confident of delivering superior results in the years to come.

CAUTIONARY STATEMENT

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

CORPORATE GOVERNANCE REPORT

Corporate Governance

Corporate Governance is concerned with creation of long-term value for shareholders while also balancing interests of other stakeholders, viz., Employees, Creditors, Government and the Society, at large. Corporate Governance is crucial to the very existence of a company as it builds confidence and trust, which eventually leads to a more stable and sustained resource flows and long-term partnership with its investors and other stakeholders.

The corporate governance framework will thus encourage efficient use of resources and ensure accountability for the stewardship of these resources. Its importance lays in the contribution it makes to the overall growth and direction of the business, management accountability and transparency and above all, equitable treatment for its stakeholders.

In sum, corporate governance reinforces the concept of "*Your Company*" and emphasise that the Chairman and Board of Directors are your fiduciaries and trustees, engaged in pushing the business forward and maximising value for you, the shareholders.

Corporate Governance at Indian Rayon

Indian Rayon and Industries Limited, a member of the Aditya Birla Group, believes in adopting the best corporate governance practices and protecting rights and interests of stakeholders. We further believe that the shareholders have the right to know complete information on the Board of Directors and the management, their interests in the organisation as well as governance practices followed by them.

Towards this end, Indian Rayon has been making extensive disclosures on the Company and its Board of Directors in the past and has been benchmarking its practices with the recommendations of the SEBI Committee on Corporate Governance since 1999-2000. We have continued the practice during the year and the compliances are highlighted in this report.

Compliance with the SEBI Code on Corporate Governance

The recommendations of the Kumar Mangalam Birla Committee on Corporate Governance have been accepted by the Securities and Exchange Board of India (SEBI) in December, 1999 and have since formed part of Clause 49 of the Listing Agreement with Stock Exchanges. They are mandatory for the Company from 2000-01 onwards and your Company is fully compliant with these recommendations, as detailed in this report.

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

   The Board of the Company comprises fully of Non-executive Directors with considerable experience in their respective fields. Over fifty-five percent of the Board comprise of Independent Directors (including a Nominee Director representing an Investor), who have no business / professional relationship with the Company.

Director	Executive / Non-Executive / Independent [1]	No.of Outside Directorships held		No. of Outside Committee Positions Held	
		Public	Private	Member	Chairperson
Mr. Kumar Mangalam Birla	Non-Executive	9	6	–	–
Mrs. Rajashree Birla	Non-Executive	5	6	–	–
Mr. B. L. Shah	Non-Executive	4	–	1	–
Mr. Vikram Rao [3]	Non-Executive [2]	–	–	–	–
Mr. B. R. Gupta	Independent [4]	7	–	4	1
Mr. H. J. Vaidya	Independent	1	–	–	–
Mr. P. Murari	Independent	11	1	8	1
Ms. Tarjani Vakil	Independent	2	1	2	1
Mr. Siddhartha Sen	Independent	3	4	1	2

1. *Independent director, as defined in Clause 49 of the Listing Agreement, is one, who apart from receiving Director's remuneration, does not have any other material pecuniary relationship or transactions with the*

Company, its promoters, management or its subsidiaries, which in judgement of the Board may affect independence of judgement of the Director.

2. *Employee of another company of the Aditya Birla Group.*
3. *Joined the Board on 30th October, 2001.*
4. *Nominee of Life Insurance Corporation of India (LIC), an Investor.*

2. The Board should set up a committee under the chairmanship of a Non-executive/Independent Director to specifically look into shareholder issues including share transfer and redressing of shareholder complaints.

The Company has an "Investor Relations and Finance Committee" at the Board level to look into issues related to shareholders, including transfer and transmission of shares, issue of duplicate shares, non-receipt of dividend, Annual Report, etc. The composition of the committee is as follows:

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

The Committee met 3 times during the year to deliberate on various matters as per its terms of reference. Details of attendance by Directors for the Committee meetings are as follows:

Name of Director	*No. of Meetings*	
	Held	*Attended*
Mr. P.Murari	3	2
Mr. B.L.Shah	3	3
Mr. H.J.Vaidya	3	3

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

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

The Company's shares are compulsorily traded in the dematerialised form and have to be delivered in the dematerialised form in all Stock Exchanges, with effect from 5th April, 1999. To expedite transfers in the physical segment, authority has been delegated to the Investor Relations and Finance Committee of the Board. Certain officers of the Company are authorised to approve transfers of up to 5,000 shares and debentures under one transfer deed.

There were no pending share transfers as on 31st March, 2002. Details of number of shares transferred during the year, time taken for effecting transfers and number of complaints received are highlighted in the "Shareholder Information" section of the Annual Report.

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

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

Details of the remuneration paid to the Board of Directors are given in Para 5 of this section.

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

Date of Board Meeting	City	No.of Directors Present
26th April, 2001	Mumbai	6
25th June, 2001	”	7
30th July, 2001	”	6
30th October, 2001	”	8
28th January, 2002	”	8

Directors' interests in the Company and Attendance Record

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

Director	Sitting fees paid during the year	No. of Board Meetings		Attended Last AGM held on 23rd June, 2001
		Held	Attended	
Mr. Kumar Mangalam Birla	22,000	5	5	Yes
Mrs. Rajashree Birla	15,000	5	3	No
Mr. B. L. Shah	37,000	5	5	Yes
Mr. Vikram Rao	10,000	5	2	NA
Mr. B. R. Gupta	28,000	5	4	Yes
Mr. H. J. Vaidya	37,000	5	5	Yes
Mr. P. Murari	30,000	5	2	No
Mr. Siddhartha Sen	22,000	5	5	No
Ms. Tarjani Vakil	33,000	5	4	Yes

Note:

No Director is related to other Directors on the Board, except for Mr Kumar Mangalam Birla & Mrs Rajashree Birla, who are Son & Mother respectively.

The Company has a policy of not advancing any loans and paying commission on profits to its Directors and hence is not highlighted separately.

6. As a part of disclosures related to management, in addition to the Directors' Report, Management's Discussion and Analysis should form part of the Annual Report.

Management's Discussion and Analysis forms part of this Annual Report. The Company has been regularly providing a detailed Management's Discussion and Analysis in its Annual Report from the year 1998-99 onwards.

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

The Company makes presentation to institutional investors and equity analysts on a half yearly basis. Copies of the Press Release, Presentations and quarterly results are made available on the website of the Company (www.indianrayon.com) as well as of the Aditya Birla Group (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.

   From 1999-2000 onwards, Indian Rayon has been following the practice of giving a separate section on Corporate Governance in its Annual Report . All mandatory recommendations as per SEBI Committee on Corporate Governance have been complied with by the Company and necessary certificate of the Statutory Auditors forms part of the Annual report.

9. The Non-Executive Chairman of the Company should be entitled to maintain a office at the Company's expense and also allowed reimbursement of expenses incurred in performance of his duties. This will enable him to discharge the responsibilities effectively *(This is a non-mandatory recommendation).*

   At present, the Chairman does not have separate office in the Company. The corporate office of the Company supports the Chairman for discharging the responsibilities.

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

    Indian Rayon has an Audit Committee, comprising of three Independent/Non-Executive Directors as mentioned hereunder. The terms of reference of the Audit Committee are in conformity with the requirements as per Clause 49 of the Listing Agreement with Stock Exchanges and the Companies Act, 1956.

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

    The Audit Committee met four times during the year to deliberate on the aforesaid matters. Details of the meetings are given below.

Name of Director	*No. of Meetings*	
	Held	*Attended*
Ms. Tarjani Vakil	4	4
Mr. P.Murari	4	2
Mr. B.R.Gupta	4	4

11. The Board should set up a "Remuneration Committee" to determine on their behalf and on behalf of the shareholders with agreed terms of reference, the company's policy on specific remuneration packages for executive directors including pension rights and any compensation payment.

    Indian Rayon does not have any Executive and/or Whole-time Director on the Board and hence it does not require a separate Remuneration Committee at the Board level.

12. No Director should be a member in more than 10 committees or act as chairman of more than five committees across all companies in which he/she is a Director. Furthermore, it should be a mandatory

requirement for every Director to inform the company about the committee positions he occupies in other companies and changes on an annual basis.

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

13. The company should provide a brief resume, expertise in specific functional areas and names of companies, in which he/she holds Directorship and the membership of Committees of the Board, while appointing a new Director or re-appointing an existing Director. These should form part of notice to shareholders.

    Relevant details are provided in the explanatory statement to the Notice of the Annual General Meeting.

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

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

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

    The Company is sending a detailed "Performance Update" consisting of financial and operational performance on a half yearly basis from the year 2000-01 onwards.

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

    Not a Company level issue. At present, the Board has one Nominee Director — Mr. B. R. Gupta, representing Life Insurance Corporation of India (LIC) — an Investor.

Other disclosures recommended by the SEBI Committee

1. Details of Annual General Meetings

    1.1. Location and time, where last three AGMs held

Year	AGM/EGM	Location	Date	Time
2000-01	AGM	Regd. Office, Veraval, Gujarat	23rd June, 2001	11.00 a.m.
1999-00	AGM	Regd. Office, Veraval, Gujarat	26th May, 2000	10.00 a.m.
1998-99	AGM	Regd. Office, Veraval, Gujarat	17th September, 1999	2.00 p.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? Will be done, if needed, as per Rules.

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

   Transactions with related parties as per requirements of Accounting Standard-18 are disclosed elsewhere in this Annual Report, none of these transactions have potential conflict with interest of the Company at large.

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

   None.

4. Means of communication

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

4.2 Quarterly results

4.2.1. Which newspapers normally published in

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

4.2.2. Any website, where displayed www.indianrayon.com
www.adityabirla.com

4.3. Whether the Company Website displays

4.3.1. All official news releases Yes

4.3.2. Presentation made to Institutional Investors/Analysts Yes

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

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

SOCIAL REPORT

BEYOND BUSINESS, REACHING OUT TO COMMUNITIES

For us in the Aditya Birla Group success is measured by how well we fulfill our economic, environmental and social responsibility. This "triple-bottom-line" accountability lies at the heart of our Group, factoring as it does holistically the interest of all of our stakeholders – shareholders, customers, employees and the community at large.

For many decades, we have been involved in working with the weaker sections of society, who live close to our plants through "The Aditya Birla Centre for Community Initiatives and Rural Development". This Centre, which is led by your Director, Mrs. Rajashree Birla, is the glue that holds all of the Group's projects.

At Indian Rayon we work predominantly in the areas of education, health-care inclusive of family planning, capacity building through sustainable livelihood programmes and empowerment of the people, land and watershed management.

Our activities span nearly 600 villages in proximity to our plants at Veraval and Halol in Gujarat, Renukoot in Uttar Pradesh, Rishra in West Bengal and Gummidipoondi in Tamil Nadu. Our work touches the lives of more than 2,50,000 people.

Health Care

Towards better health-care for the populace as also to raise the Human Development Index, immunization against polio, measles, mumps, hepatitis B, tuberculosis and administering the BCG vaccine is an ongoing endeavour.

In collaboration with the District Health Authorities, our teams have immunized over a 1000 children. At the cataract operation camps held at Rishra, Barasat and Veraval, over 2500 patients were examined while nearly 700 senior citizens who were operated upon for cataract have gained better sight through lens implantation. Likewise in more than 110 medical camps organized by our Units, 12,000 villagers were given a thorough health check as well. At these camps over 2000 patients suffering from different ailments were treated.

Towards better sight. An Eye Care Camp at Veraval.

Additionally blood donation camps were organized at Rishra and Barasat. At the Community Health Centre at Gummidipoondi within the precincts of our Carbon Black Plant, more than 50 villagers come for treatment for minor ailments day in and day out, barring Sundays.

The Jaya Shree Textiles' sponsored Intensive Care Unit at Rishra Seva Sadan in Hooghly continues to cater to the local population. Over a 1000 patients have availed of its services so far.

Mother and Child Health Care

To stem the population tide, our teams have intensified their efforts. A holistic Mother and Child Health Care Project at Veraval and Rishraspanning 120 villages has been launched. The Project entails education, women and their development, maternal and child health care apart from sensitizing men to the need for small families.

A doctor examines young ladies at the Mother and Child Care Camp at Rishra, Kolkata

Helping Maniben eke out a living. She is one of the ladies trained by us in crafting clothes at Veraval.

"Over the years, we have endeavoured to understand the problems of the communities. We have put them on the same pedestal as our customers – so that there is no contentious relationship with them. Our guiding philosophy is that – having gauged their major issues, our aim should always be to work out projects that are sustainable by the beneficiaries over the long haul, and that we then withdraw. Our reasoning is that this way we will not build a culture of dependency and instead, after the hand-holding, make them self-reliant."

Mrs. Rajashree Birla — *Chairperson*
The Aditya Birla Centre for Community Initiatives and Rural Development.

Through our involvement, more than 3000 couples have opted for planned families, favouring the two-child family norm. Since the last two years, we have initiated an AIDS Awareness Camp at Rishra also.

Spreading Literacy

Our adult-education programmes, balwadis and other projects, which are headed by professionally trained teachers to raise the literacy level, are becoming increasingly popular. For instance, at Veraval 40 women from the under-privileged class have enrolled themselves in a formal course on reading and writing, run by us.

Nearly 400 children attend the Balwadis run at Halol, while 200 children at Rishra are taught by the wives of our colleagues at Jayashree Insulators in Rishra.

At Pethikuppam Village in Gummidipoondi, the local school run by the Government is extensively supported by us, by way of books, uniforms, scholarships and infrastructural facilities.

Towards Sustainable Livelihood

Through education and training, we encourage the building of skills in a number of enterprises that can provide villagers with the leeway to stand on their feet. They are trained in setting up and running provision stores, small stalls and bee-keeping. To empower women attain self-reliance, we conduct vocational training centers where they are taught tailoring, embroidery and knitting.

Through linkages with our Group's Shaktiman Krishi Shevak Kendras, we tutor farmers in the latest agricultural practices, actually using their demonstration plots. We also espouse inter-cropping to enable them attain better yields.

So that farmers prosper, in tandem with the Government, we organise veterinary camps, where besides health check-up, artificial insemination for their animals, is done by professional veterinaries. Up until now 19,671 animals have been treated, of which 4,671 animals were the beneficiaries this year.

Basic Amenities

Our endeavours to equip the village with basic amenities, such as supporting infrastructure through better roads, check dams, drains and Panchayat buildings, are ongoing.

Sanitary facilities have been provided for schools in Gummidipoondi. With the help of the Gujarat Agro Industries Corporation, Junaghad, "Gobbar Gas" Plants have been installed in two villages.

Garnering Development Aid

For the year 2002, we have mobilized Rs.415 lakhs, apart from our own contribution. Garnering aid through the various development programme of the Government, we touched the lives of nearly 2,50,000 people collectively across all our Units.

Making A Difference

Knowing that our projects in their own small manner make a difference to people's lives, gives us a humble sense of fulfillment. It is also a way of living our values, and in all humility, playing a leadership role even as a caring corporate citizen.

ENVIRONMENT REPORT

ENVIRONMENTAL PROTECTION - A WAY OF LIFE AT INDIAN RAYON

As a business house, we are fully committed to sustainable development. In our view it is extremely vital to meet the needs of today without compromising the welfare of the future generations. We see a tremendous intrinsic linkage between economic growth and environmental protection. Therefore running our plants in an eco-efficient manner comes naturally to us.

At the Rayon Plant at Veraval, the Insulator Plants at Halol and Rishra, the Textile Plant at Rishra, coupled with the Carbon Black Plants at Renukoot and Gummidipoondi, environment protection is an ongoing focus area.

All of our Plants are ISO 14001 EMS certified, mostly first one in the industry to achieve such status. Jaya Shree Insulators enjoys the rare distinction of being the first and the only Indian company in the insulator industry to have their Environment Management System certified by the American Bureau of Shipping, a renowned certification agency headquartered in the U.S.A.

We also seek validation of our Environmtent Management System on a continual basis. At Veraval, the environment audit is effected by the Central Salt and Marine Chemical Research Insitute (Bhavnagar), a Gujarat Pollution Control Board recognized Institute. At the Carbon Black Plants, a surveillance audit by KPMG is carried out every six months. Similarly at our Textile Plant in Rishra, the Bureau of Indian Standards conducts bi-annual audits. Besides these, we have trained environmental systems auditors, who conduct periodic audits. Their reports confirm our commitment to environment conservation.

State-of-the-art Industrial Effluent Treatment Plants operate at all of our locations. A major quantity of the treated effluent is recycled for use at the Plants. The sludge that emerges out of the process works as a soil conditioner for the lawns and the gardens that beautify the plants. At full-fledged sophisticated laboratories in the Units, effluents, water emissions and air quality is continually tested.

Our quest to innovatively work towards environment conservation, through waste control and disposal, as also maintaining the purity of air as far as possible is ceaseless. To prevent particles from being released in the environment at Veraval, steam generated boilers have been fitted with electrostatic precipitators and bag filters. A dust extraction system is also in operation at the coal crusher house. In the Caustic Soda plant at Veraval, all the sensors and control systems are provided to eliminate the potential risk of any accidental release of gases.

To arrest the spread of fly ash emanating from the boiler stacks into the environment, besides installing a cyclonic bag filter, we have instituted a mechanical ash conveying system plant in the boiler division. Consequently, the suspended particulate matter in the boiler has been lowered by more than 50 per cent. The centralized dust extraction system in the Spinning Department blocks the suspended fine flax fibres.

Towards substantially reducing the noise level caused by the running of the fans at the humidification towers in the worsted plant, a buffeting wall has been erected.

Two grease recovery plants at Jaya Shree Textiles in Rishra enable the conversion of the oil and grease discharged from the scouring plant into a raw material for use by the pharmaceutical sector. In doing so we are creating value out of waste.

We have also embarked on a special project that aims to convert wastes emanating from the wool combing effluent into energy. Towards this a pilot plant has been set up and the results are extremely encouraging. We expect to generate a substantial amount of fuel gas through this process. On its successful execution, Jaya Shree Textiles will be the first plant in India in the textile sector to have done so.

A large measure of carbon black processes do not produce any effluents. An oily water treatment Plant and settling Ponds take care of effluents, generated through the usage of water for cleaning and domestic purposes. To treat the demineralised Plant effluents, a highly sophisticated Reverse Osmosis Plant is in operation. This process purifies the effluent. The entire treated water is then recycled into the process, so ultimately there is virtually zero discharge.

At our Carbon Black Plants, wet and dry scrubbers have helped us minimize the emission levels significantly, way below the statutory norms. Excess steam generated through gases has been converted into power which we use for our plant. Additional power is transmitted to the State Grid Station. Built-in sensors and control systems are other pro-active measures undertaken to stave off the risk of even accidental pollution.

Even as eco-efficiency is built into all of our operations, we sensitize our employees on the importance of sustainable development in continuum. The township for our employees at our plants is housed within the campus. Thousands of employees live within the complex. Not surprisingly, more than a quarter of the land in all of our plants, is verdant with tens of thousands of trees, swaying with the wind.

SHAREHOLDER INFORMATION

1. Annual General Meeting

Date and Time	:	27th July, 2002 at 12.00 noon
Venue	:	Registered Office Junagadh – Veraval Road Veraval - 362 266 Gujarat, India

2. Financial Calendar

Financial reporting for the quarter ending June 30, 2002	:	End July 2002
Financial reporting for the half year ending September 30, 2002	:	End October 2002
Financial reporting for the quarter ending December 31, 2002	:	End January 2003
Financial reporting for the year ending March 31, 2003	:	End April/May 2003
Annual General Meeting for the year ended March 31, 2003	:	End June/July 2003

3.	Dates of Book Closure	:	18th July, 2002 to 27th July, 2002 (Both days inclusive)
4.	Dividend Payment Date	:	End July, 2002
5.	Registered office	:	Junagadh-Veraval Road Veraval - 362 266 Gujarat, India Tel: (02876) 45711 Fax: (02876) 43220 Email:irilveraval@aditybirla.com Web Site: http://www.indianrayon.com http://www.adityabirla.com

6(a) Listing on Stock Exchanges at

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

Note: Listing fees for the year 2002-03 has been paid to the respective Indian Stock Exchanges. Listing fees for the GDRs has been paid to Societe de la Bourse de Luxembourg for the calendar year 2002.

6(b) Overseas Depository for GDRs

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

6(c) Domestic Custodian of GDRs

ICICI Limited
Custodial Services Division
ICICI Towers
South Block (East Wing), 2nd Floor,
Bandra-Kurla Complex
Bandra East
MUMBAI – 400 051
Ph: (+91-22) 653 1414
Fax: (+91-22) 653 1122

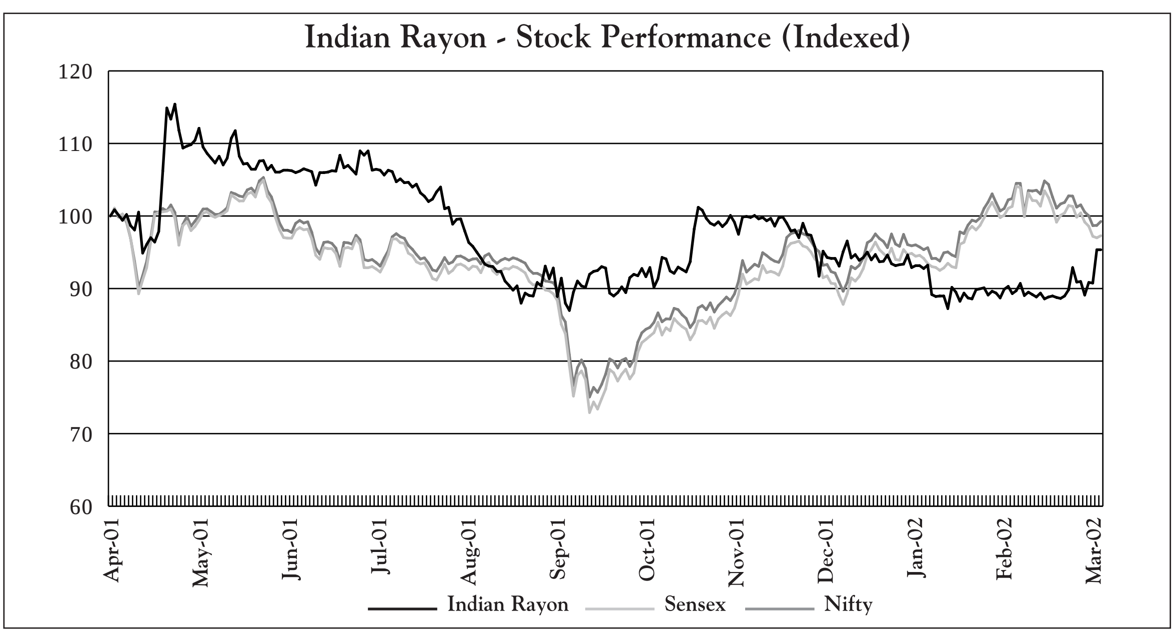
7. Stock Code :

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

8. Stock Price Data

	Stock Exchange, Mumbai				National Stock Exchange				Luxembourg Stock Exchange		
	High	Low (In Rs.)	Close	Av. Volume (In Nos)	High	Low (In Rs.)	Close	Av. Volume (In Nos)	High	Low (In US$)	Close
Apr-01	92.00	67.90	82.30	87,361	92.60	68.40	82.50	79,448	1.65	1.50	1.65
May-01	85.40	75.00	80.50	82,187	85.65	75.00	80.30	65,437	1.73	1.65	1.65
Jun-01	82.85	76.00	79.60	77,425	81.80	75.15	79.50	33,267	1.73	1.65	1.65
Jul-01	82.00	76.00	76.00	3,592	82.35	75.75	78.15	9,534	1.68	1.60	1.65
Aug-01	77.30	66.00	67.00	5,856	79.25	66.00	67.30	6,751	1.65	1.55	1.60
Sep-01	73.00	62.60	67.25	10,130	73.00	62.00	69.90	10,569	1.65	1.40	1.40
Oct-01	74.40	66.00	73.90	24,684	74.80	63.00	71.20	35,794	1.45	1.40	1.45
Nov-01	79.00	73.00	74.20	10,139	78.90	70.55	74.95	12,423	1.50	1.45	1.45
Dec-01	76.85	69.00	70.90	7,754	77.50	69.00	72.45	41,877	1.45	1.40	1.45
Jan-02	72.50	61.00	66.95	4,665	72.60	65.65	66.70	11,010	1.45	1.35	1.43
Feb-02	70.00	64.95	67.00	5,981	71.00	54.50	67.15	19,025	1.45	1.35	1.43
Mar-02	71.90	65.80	71.75	13,259	72.00	65.00	67.30	8,527	1.45	1.35	1.45

9. Stock Performance



10. Stock Performance over the past few years:

(In Percentage)	1 Year	3 Years	5 Years
Indian Rayon	(-) 10.8	76.3	(-) 16.3
BSE Sensex	(-) 3.7	(-) 7.2	3.2
NSE Nifty	(-) 1.6	4.8	16.7

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

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

Share Department
Registered Office, Junagadh – Veraval Road
Veraval 362 266, Gujarat, India
Tel: (02876) 45711; Fax: (02876) 43220
E-mail: irilsecretarial@adityabirla.com

12. Share Transfer System :

Share transfers in physical form are registered normally within 15 days from the date of receipt, provided that the documents are clear in all respects.

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

The total number of shares transferred in the physical form during the year was 198,478 (Previous Year 287,343). Over 99.19% of transfers were completed within 15 days from the date of receipt. Transfers in physical segment were significantly lower during the year since trading in the Company's shares is permitted only in the dematerialised form w.e.f. 5th April, 1999.

	2001 – 2002				2000 – 2001			
Transfer period (in days)	No. of transfers	No. of shares	%	Cumulative total	No. of transfers	No. of shares	%	Cumulative total
1-10	3,526	1,94,546	98.02	98.02	4,888	2,76,116	96.09	96.09
11-15	31	2,328	1.17	99.19	80	5,605	1.95	98.04
16-20	22	986	0.50	99.69	53	1,977	0.69	98.73
21-30	10	618	0.31	100.00	58	3,645	1.27	100.00
30 and above	—	—	—	—	—	—	—	—
TOTAL	3,589	1,98,478	100.00	—	5,079	2,87,343	100.00	—

Number of pending Share Transfers as on 31st March, 2002 is NIL.

13. Investor Services :

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

— Complaints received during the year

Nature of complaints	2001 – 2002		2000 – 2001	
	Received	Cleared	Received	Cleared
1) Relating to Transfer, Transmission etc.	4	4	7	7
2) Dividend, Interest, Redemption etc.	25	25	53	53
3) Change of address	—	—	1	1
4) Demat – Remat	3	3	7	7
5) Others	4	4	—	—
Total	36	36	68	68

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

14. Distribution of Shareholding as on 31st March:

	2002				2001			
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	81,273	65.46	28,03,968	4.68	82,611	64.91	29,50,166	4.93
101-200	22,327	17.98	31,22,002	5.21	23,300	18.31	32,59,609	5.44
201 – 500	14,287	11.51	44,08,075	7.36	14,866	11.68	45,67,387	7.63
501-1000	3,921	3.16	27,89,943	4.66	4,055	3.19	28,64,189	4.78
1001-5000	2,105	1.70	38,65,673	6.46	2,183	1.72	39,63,032	6.62
5001-10000	120	0.10	8,35,740	1.40	128	0.10	8,80,714	1.47
10001 and above	120	0.09	4,20,51,341	70.23	114	0.09	4,13,91,645	69.13
Total	1,24,153	100.00	5,98,76,742	100.00	1,27,257	100.00	5,98,76,742	100.00

15. Categories of Shareholding as on 31st March:

Category	2002				2001			
	No. of share-holders	% of share-holders	No. of shares held	% of share holding	No. of share-holders	% of share-holders	No. of shares held	% of share holding
Promoters	28	0.02	1,61,29,295	26.92	32	0.03	1,59,73,187	26.68
UTI and other mutual funds	19	0.01	36,95,485	6.17	28	0.02	42,70,635	7.13
Banks, Financial Institutions and Insurance Companies	63	0.05	1,11,49,114	18.63	53	0.04	1,00,53,323	16.79
FIIs	10	0.01	3,96,484	0.66	10	0.01	10,25,711	1.71
NRIs / OCBs	2,962	2.39	10,21,774	1.71	3,004	2.36	10,59,750	1.77
GDRs	2	0.00	36,25,263	6.05	1	0.00	40,15,022	6.71
Other Corporates	1,244	1.00	56,37,301	9.41	1,320	1.04	51,48,066	8.60
Individuals	1,19,825	96.52	1,82,22,026	30.45	1,22,809	96.50	1,83,31,048	30.61
Total	1,24,153	100.00	5,98,76,742	100.00	1,27,257	100.00	5,98,76,742	100.00

16. Dematerialisation of Shares and Liquidity : Over 65.82% of outstanding equity share capital has been dematerialised up to 31st March, 2002. Trading in Equity Shares of the Company is permitted only in the dematerialised form with effect from 5th April, 1999 as per notifications issued by SEBI.

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

18. Outstanding GDR/Warrants and Convertible Bonds, Conversion date and likely impact on Equity. : Outstanding GDRs as on 31st March, 2002 is 36,25,263. Each GDR representing one underlying equity Share.

19. Plant locations:

Garments Division

Madura Garments
110, K.H. Road
Post Box No.2736
Bangalore 560 027
Tel: (080) 2270711/5731120
Fax: (080) 2272515 / 5731846

Rayon and Caustic Soda Plants

Rayon Division
Veraval 362266
Gujarat
Tel: (02876) 45711
Fax: (02876) 43220
E-mail: irilveraval@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: (05446) 52502 / 52858
E-mail: hitechr@adityabirla.com

Hi-Tech Carbon
K-16, Phase II, SIPCOT Industrial Complex
Gummidipoondi – 601 201
Dist. Tiruvallur – Tamil Nadu
Tel: (04119) 323233 to 36
Fax: (04119) 323129 / 323116
E-mail: gmpd@hitechcarbon.com

Insulator Plants

Jaya Shree Insulators
P.O. Prabhasnagar 712249
Dist. Hooghly, West Bengal
Tel: (033) 6723535 / 6722593
Fax: (033) 6722705
E-mail: jsir@cal.vsnl.net.in

Jaya Shree Insulators
P.O.Meghasar, Tal.Halol
Dist. Panchmahal, Gujarat – 389 330
Tel: (02676) 21002 / 20958 / 20959 / 20510
Fax: (02676) 23374 / 23375 / 23359
E-mail: jsihalol@adityabirla.com

Textile Plants

Jaya Shree Textiles
P.O. Prabhasnagar – 712 249
Dist Hooghly, West Bengal
Tel: (033) 6721146
Fax: (033) 6721683 / 6722626
E-mail: jayasri@giascl01.vsnl.net.in

Rajashree Syntex
Tantigaria, Midnapur 721102
West Bengal
Tel: (03222) 62820 / 63965
Fax: (03222) 62528
E-mail: rajsyntex@adityabirla.com

Rajashree Gases

IGCL Complex
P.O. Jagdishpur Industrial Area – 227 817
Dist.Sultanpur, Uttar Pradesh
Tel: (05361) 70032 to 38
Fax: (05361) 70595 / 70165
E-mail: igclfert@adityabirla.com

Other Divisions

Global Exports & Marketing
Industry House, 19th Floor & 16th Floor
10 Camac Street
Kolkata 700 017
Tel: (033) 282 5122 / 5212 / 5683 / 8933
Fax: (033) 282 9288
E-mail: gemcal@satyam.net.in

20. Investor Correspondence:

Share Transfers/ De-materialisation or other queries relating to Shares and debentures of the Company	The Company Secretary Indian Rayon And Industries Limited Registered Office : Junagadh – Veraval Road Veraval – 362266, Gujarat, India Tel: (02876) 45711 Fax: (02876) 43220 E-mail: irilsecretarial@adityabirla.com
For queries of Analysts, Institutions, Banks and Others	Chief Financial Officer Indian Rayon And Industries Limited Corporate Finance Division 92, 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 :

	2001-2002	2000-2001	1999-2000	1998-99	1997-98
Net Earnings (Rs Crores)	43.46	68.52	57.59	106.04	212.51
Cash Earnings (Rs Crores)	147.61	141.60	131.08	196.74	299.73
EPS (Rs) before exceptional items	7.04	11.44	9.62**	15.71	31.49
CEPS (Rs)	23.82	23.65	21.73**	29.15	44.42
Dividend Per Share (Rs)	3.30@	3.00	1.00	4.00	5.00
Dividend Payout (%)	41.33	28.89	11.35	28.25	17.46
Book Value Per Share (Rs)	182	191	183	210	234
Price to Earnings*	10.19	7.02	5.62	5.19	5.68
Price to Cash Earnings*	3.01	3.40	2.51	2.80	4.03
Price to Book Value*	0.39	0.42	0.30	0.39	0.77

* Stock price as on 31st March
** Before exceptional items of Rs.298.82 Crores
@ Proposed

22. **Other useful information for Shareholders**

How to claim Unpaid Dividends ?

1. Pursuant to Section 205A of the Companies Act, 1956, unclaimed Equity Dividend upto the financial year 1994-95, have been transferred to the General Revenue Account of the Central Government. Members, who have not encashed their dividend warrants for the said period, are requested to claim the amount from the Registrar of Companies–Gujarat, C.G.O.Complex, Opp.Rupal Park, Near Ankur Bus Stop, Naranpura, Ahmedabad – 380 013.
2. Shareholders of the Company are informed that pursuant to the newly inserted provisions of Section 205C in the Companies Act, 1956, the amount of dividend which remains unclaimed/unpaid for a period of 7 years will be transferred to the Investor Education & Protection Fund constituted by the Central Government and the Shareholders will not be able to claim any amount of the dividend so transferred to the Fund. As such, Shareholders who have not encashed their dividend warrants are requested in their own interest to write to the Company immediately claiming dividends declared by the Company for the year 1995-96 and onwards and still remaining outstanding.

ECS Facility

Shareholders desirous of availing the facility of Electronic Credit of Dividend are requested to fill in the ECS form being sent along with this Annual Report.

All such shareholders who have already furnished their ECS mandate to the Company need not furnish the ECS mandate form afresh unless there is a change in the ECS mandate.

The Company proposes to credit dividend to the shareholders bank account directly through ECS where such facility is available in case of shareholders holding shares in demat account and who have furnished their MICR Code to the Depository Participant.

Change of Address

(a) Members are requested to notify immediately any change of address (with pin code) to their Depository Participants(DPs) in respect of their electronic share accounts and to the Company in respect of their physical share folios, if any, quoting reference of their folio number.

(b) In case mailing address mentioned in this Annual Report is without PIN CODE, members are requested to kindly inform their PIN CODE immediately to their DPs in respect of their electronic share accounts and to the Company in respect of their physical share folios, if any, quoting reference of their folio numbers.

Communication to the Company

Members are requested to make all correspondence in connection with the shares and debentures held by them by addressing letters directly to the Share Department of the Company situated at the Registered Office of the Company at Veraval, quoting reference of their folio numbers and / or Client ID and DP ID number.

Share Transfer / Dematerialisation

a) Share transfer requests are acted upon in 10 days from the date of their receipt. In case no response is received from the Company within 20 days of lodgement of transfer request, the lodger may write to the Company with full details so that necessary action could be taken to safeguard interest of the concerned against any possible loss/interception during postal transit.

b) Dematerialisation requests duly complete in all respects are normally processed within 5 days from the date of their receipt at Registered Office.

c) Members who are holding Shares in identical order of names in more than one folio are requested to send to the Company the details of such folios together with the Share Certificates for consolidating their holdings in one folio. The Share Certificates will be returned to the Members after making requisite changes thereon.

For Non Resident Shareholders

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

(a) An address, in India, for sending all communications from the Company.

(b) Change in their residential status on return to India for permanent settlement.

(c) The particulars of NRE Bank Account maintained in India with complete name and address of the Bank, if not furnished earlier.

Bank Details for Dividend payment

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

1) Name of Sole/First Joint holder and Folio No.

2) Particulars of Bank Account, viz.

   i) Name of the Bank

   ii) Name of Branch

   iii) Complete address of the Bank with Pincode Number

   iv) Account Type, whether Savings (SB) or Current Account (CA)

   v) Bank Account Number allotted by the Bank.

Nomination Facility

The Company, consequent to introduction of the Depository System (DS), entered into agreements with National Securities Depository Limited (NSDL) and Central Depository Services (India) Limited (CDSL). Members, therefore, have the option of holding and dealing in the shares of the Company in electronic form through NSDL or CDSL.

Effective 5th April, 1999, trading in shares of the Company is permitted only in dematerialised form.

The DS envisages the elimination of several problems involved in the scrip-based system such as bad deliveries, fraudulent transfers, fake certificates, thefts in postal transit, delay in transfers, long settlement cycles, mutilation of share certificates, etc. Simultaneously, DS offers several advantages like exemption from stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs, improved liquidity, etc.

If you wish to maintain your shareholding in the electronic form by joining the DS, you will have to open an account with a Depository Participant (DP), who are agents of NSDL or CDSL and lodge your share certificates, through the DP with the Share Department of the Company for Dematerialisation. The DP will then ensure that the physical share certificates are cancelled and after verification by the Company, an equivalent number of shares will be credited to your account with the DP in the electronic form. You are also permitted under the DS to reconvert your electronic shareholding into the physical form of share certificates by a process of Rematerialisation. It may be noted that the DP would charge the investors for its services, which may vary from one DP to another.

It may be noted that the dividend warrants in respect of all the shares, whether held in the electronic form or in the physical mode by way of share certificates, will be sent by the Company to the respective shareholders directly, as per the practice presently followed under the scrip-based system.

It is reiterated that requests for Dematerialisation and Rematerialisation are to be made only to the DP with whom you have opened an account and not directly to the Company.

The Company is also pleased to inform the Shareholders that with effect from 1st April, 2000, it has started offering the facility of simultaneous transfer cum dematerialisation of physical Shares. Under this scheme, on completion of process of transfer of physical Shares, sent to the Company, the Company will give the option to the concerned shareholders for getting the said shares dematerialised. In case, the option is accepted by the shareholder and the formalities are completed within the prescribed time, the Company will arrange to confirm the credit against the said physical shares in electronic form.

As per the provisions of the amended Companies Act, 1956, facility for making nominations is now available to INDIVIDUALS holding shares in the Company. The Nomination Form–2B prescribed by the Government is sent alongwith this Annual Report. Individual shareholders holding shares in physical form can make nominations in the prescribed form.

For nomination in respect of shares held in electronic form, shareholders may approach their Depository Participants.

DIRECTORS' REPORT TO THE SHAREHOLDERS

Dear Shareholders,

Your Directors are pleased to present the 45th Annual Report together with the Audited Accounts of the Company for the year ended 31st March, 2002.

FINANCIAL PERFORMANCE

Your Company's performance has been satisfactory particularly in the light of recessionary pressures in the domestic and global economy which adversely impacted consumer spending leading to a poor demand scenario.

Turnover in the Garments, Carbon Black and Insulators has been commendable. In VFY sector turnover has been lower due to illegal strike, while in Textiles it has been impaired by market conditions.

Better performance by Insulators and Carbon Black helped contain the fall in operating profits and enabled maintaining pre tax profits at the same level as that of previous year.

OPERATIONAL REVIEW

VOLUMES

Products	Unit	FY 2002	FY 2001	Variation
Production :-				
Viscose Filament Yarn	MT	12253	15496	(-) 20.9%
Carbon Black	MT	93634	89739	4.3%
Insulator	MT	25277	25665	(-) 1.5%
Sales :-				
Garments	No.s	66.9 lacs	58.8 lacs	13.8%
Viscose Filament Yarn	MT	12812	15326	(-) 16.4%
Carbon Black	MT	94504	91735	3%
Insulator	MT	25183	25691	(-) 2%

TURNOVER (RS. IN CRORES)

Products	FY 2002	FY 2001	Variation
Garments	349.9	325.5	7.5%
Viscose Filament Yarn	232.2	263.5	(-) 11.9%
Carbon Black	280.5	254.3	10.3%
Insulator	197.0	183.6	7.3%
Textiles	306.6	341.0	(-) 10.1%
Trading & Others	41.98	48.2	(-) 13%
Total	1408.2	1416.2	(-) 0.6%

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

FINANCIAL RESULTS

The table below gives the results: (Rs. in Crores)

	Current Year ended 31.3.2002	Previous Year ended 31.3.2001
Profit before Depreciation/Amortisation and Exceptional items	146.28	147.25
Depreciation / Amortisation	69.61	69.52
Less : Transfer from Revaluation Reserve	—	0.37
Marketing / Technical knowhow expenditure written off	3.93	3.93
Profit before Exceptional items and Tax	72.74	74.17
Exceptional items		
Voluntary Retirement cost	7.58	—
Surplus in respect of assets held for disposal (Refer note no. 8 in schedule 18)	(8.91)	—
Profit after exceptional items	74.07	74.17
Provision for Current Tax	5.00	5.65
Net Profit after Current Tax	69.07	68.52
Provision for Deferred Tax	25.61	—
Profit/(Loss) after Exceptional items	43.46	68.52
Transfer from Debenture Redemption Reserve	5.96	—
Balance brought forward	57.52	30.55
Profit available for appropriation	106.94	99.07
APPROPRIATIONS		
Proposed Dividend	19.76	17.96
Corporate Tax on Proposed Dividend	—	1.83
Debenture Redemption Reserve	—	14.91
General Reserve	7.50	6.85
Surplus carried to Balance Sheet	79.68	57.52
	106.94	99.07

DIVIDEND

Your Directors recommend for your consideration a dividend of Rs. 3.30 per Equity Share of Rs. 10/- each for the year ended 31st March, 2002.

	Current Year Rs. Crores	Previous Year Rs. Crores
On 5,98,76,742 fully paid-up Equity Shares of Rs.10 each, @ Rs. 3.30/- per share subject to deduction of tax, as applicable. (Previous year @ Rs.3 per share, Tax free.)	19.76	17.96
Corporate Dividend Tax	N. A.	1.83

FORAYS INTO NEW BUSINESS SEGMENTS

During the year, your Company ventured into the Information Technology Sector by acquiring 70.35% of the outstanding equity share capital of PSI Data Systems Limited (PSI). PSI is a listed Indian IT Service Company and offers Software Development, Systems Integration and Software Maintenance Services globally.

With the acquisition of the stake, PSI has become a subsidiary of your Company.

Technology Sector is a knowledge based industry and offers enormous growth potential. The object behind the strategic foray into the technology sector is to enhance shareholder value, through significant rise in growth and earnings of your Company. Your Directors believe that despite the recent slowdown in the economy, over the long term, the IT services sector represents one of the best growth opportunities.

PSI in turn, has acquired a 99.91% stake in Birla Technologies Limited (BTL). BTL, which speciliases in enterprise integration and mobile applications, has also become a subsidiary of your Company.

Thus your Company has strengthened its presence in the highly lucrative IT sector. The aspiration of your Company is to attain a leadership position in this sector as well in the foreseeable future.

FINANCE

During the year under review, the Company has invested Rs.100 crores for the acquisition of a majority stake in PSI Data Systems Ltd. An additional investment of Rs.22 crores in the insurance venture to shore up its paid up capital has been made apart from the normal Capex of the Company. In view of the strong and steady cash flows, no fresh borrowings have been made during the year except a concessional term loan of Rs.8 crores under the TUF Scheme for modernization of its Textile Division at Rishra. The Company enjoys a healthy Debt Equity ratio of 0.24:1.

The Company has renegotiated the interest rate on its 16th and 17th Series Debentures by paying the premium upfront. This will lower the interest cost over the remaining time span of the debentures.

BUY BACK OF SHARES

As you are aware, in the last Annual General Meeting of the Company a Special Resolution for buy back upto 89,81,511 Equity Shares of Rs.10 each consisting 15% of the paid up equity share capital of the Company was passed. In view of the acquisition of PSI Data Systems Limited, financed through internal accruals, the closure of Rayon Division for 67 days on account of the illegal strike, the VRS in Textile Division, Rishra, other commitments and present market conditions the Board of Directors have decided not to pursue the buy-back plan.

HUMAN RESOURCES DEVELOPMENT AND INDUSTRIAL RELATIONS

Your Company believes in people power. It recognizes the fact that people are key to its sustainable success. Consequently, an HR Vision forms an integral part of your Company's larger Vision and Strategy.

Your Company is fully committed to people development. We therefore strive to create a working environment that is challenging and motivates people to be performance-oriented and customer-focused.

Building, developing and upgrading employee competencies in line with business needs and strategies is now an institutionalized process.

At Gyanodaya, the Aditya Birla Institute of Management Learning customized training programmes, at which your Company's managers, and executives are nominated, help hone their competencies. This is a very enabling training process as participants are exposed to the latest trends and practices in related fields, and emerge more self-assured.

Delegation, empowerment and decentralization are being pushed downward, dependent on competency levels, to foster the sense of intrapreneurship. Performance-linked reward mechanisms and pay systems have and continue to generate the desire to do better and better among employees. Additional recognition mechanisms have been instituted too. To move towards a leaner delayered organization so as to build speed of response, your Company's drive toward manpower optimization is on.

In the people area, regrettably there has been an aberration. Your Directors regret to inform you that the workers of the Rayon Division, Veraval went on illegal strike from 14th November, 2001, which was called off on 21st January, 2002 after a settlement with the workers. Normalcy has since been restored at the Plant.

Barring this the industrial relations of the Company continued to be cordial throughout the year.

To ensure your Company's competitiveness and its sustainable future your Company has had to recourse to rightsizing of its manpower/operations. Consequently, your Company offered VRS to 361 employees in the Textile Division at Rishra.

Your Directors place on record its deep appreciation of the endeavors and commitment of the employees in contributing to the performance of the Company during the year under review.

CORPORATE GOVERNANCE

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

Your Company's Statutory Auditors Certificate dated 6th May, 2002 confirming the above compliance is annexed to and forms part of the Directors' Report.

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

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

ii) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit or loss of the Company for that period;

iii) the Directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

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

SUBSIDIARY COMPANIES

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

Aditya Vikram Global Trading House Limited

Birla Sun Life Insurance Company Limited

Birla Technologies Limited

Laxminarayan Investments Limited

Rajnidhi Finance Limited

PSI Data Systems Limited

PSI Kalinga Limited (In liquidation)

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, are given in a separate statement attached to this report and forms part of it.

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

DIRECTORS

During the year, your Board has been further strengthened with the induction of Mr. Vikram Rao as an Additional Director. Mr. Vikram Rao is currently Business Head of the Fabrics and Apparel Business of the Aditya Birla Group.

Mr. Vikram Rao, being an Additional Director, is liable to retire at the Annual General Meeting, and being eligible offers himself for reappointment.

Mrs. Rajashree Birla, Mr. H.J.Vaidya and Ms. Tarjani Vakil retire from office by rotation, and being eligible, offer themselves for reappointment.

AWARDS AND RECOGNITION

- In recognition of its outstanding export performance, Jayashree Insulators, has been honoured with the "CAPEXIL" Award for the top exporter of Ceramics and Allied Products, for the year 2000-01. Your Company has the distinction of bagging this Award for the 25th Year in succession.
- The coveted IMC Ramkrishna Bajaj National Quality Award, 2001 was received by Hi-Tech Carbon, Gummidipoondi Division. You would be pleased to learn that this is the first time in the history of Indian Merchants Chamber that a unit has been given such an award barely within 3 years of commencement of its operations.
- The National Energy Conservation Award, 2001 has been bestowed on your Company's Carbon Black Plants at Renukoot and Gummidipoondi. The Award is a testimony to your Company's Energy Conservation initiatives in the Petro Chemicals and Chemicals Sector.
- Hi-Tech Carbon, Renukoot Division has received the ISO 9001-2000 certification.
- Images Fashions Award conferred upon Madura Garments as the "Best Branded Apparel Company" for second year in succession. 'Allen Solly' was named the Best Menswear Brand.

AUDITORS

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

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

APPRECIATION

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

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

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

For and on behalf of the Board

Mumbai
6th May, 2002

Chairman

ANNEXURE TO DIRECTORS' REPORT

Auditors' Certificate on Corporate Governance

To the Members of Indian Rayon and Industries Limited

We have examined the compliance of the conditions of Corporate Governance by Indian Rayon And Industries Limited for the year ended 31st March, 2002 as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges in India.

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

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

We state that in respect of investor grievances received during the year ended 31st March, 2002, no investor grievances are pending against the Company as on 31st March 2002, as per the records maintained by the Company and presented to the Investors'/Shareholders' Grievance Committee.

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

For LODHA & CO.
Chartered accountants

N. KISHORE BAFNA
Partner
Mumbai,
Dated : 6th May, 2002

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner

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, 2002.

A. CONSERVATION OF ENERGY

a) Energy conservation measures taken :

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

i) Rayon Division
- Replacement of inefficient AT dryer exhaust fans and motors.
- Additional Electrolyzer membrane elements in Caustic Soda Plant.

ii) Carbon Black Division
- Heat recovery from Boiler continuous Blowdown water.
- Cooling of system ejector from D.M.Water in place of Cooling Water.
- Installation of Variable Frequency Drive for FD Fan.

iii) Insulator Division

- Use of Ceramic Fibre Blanket in Kiln Car Base.
- Increase in loading density by 50kg./car in Tunnel Kiln.
- Use of Superior Kerosene Oil with Magnetizer in place of High Speed Diesel in DG set.

iv) Textile Division

- Use of energy saving F.R.P. Fans in Humidification Tower.
- Bed Modulation and Furnace Draft Control in Boiler.
- Installation of Atomiser in place of Conventional Nozzles in Humidification Plant.

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

i) Rayon Division

- Revamping of hot air supply system for sodium sulphate dryer.
- Recovery of heat of DG set exhaust gases to generate steam.

ii) Carbon Black Division

- Establishment of Soft Black Reactor Boiler for Steam Recovery.

iii) Insulator Division

- Installation of New Electric Kiln for firing.

iv) Textile Division

Establishment of Cogeneration plant of 2.5 MW capacity, Vapour Absorption Chiller from waste heat and replacing Thermic Fluid Heater by High Pressure Steam.

c) Impact of measures at (a) and (b) above for reduction of energy consumption and consequent impact on the cost of production of goods :

The above measures have resulted / will result in Energy Saving and consequent decrease in the cost of production.

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

As per annexure attached.

B. TECHNOLOGY ABSORPTION

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

RESEARCH AND DEVELOPMENT

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

i) Rayon Division

- Developing new shades of Spun Dyed Yarn.
- Alternate spinbath composition for quality improvement.

ii) Carbon Black Division

- Developing new applications of Carbon Black in the manufacture of Inks, Paints, Plastics and Rubber.

iii) Insulator Division

- Development of Line Post Insulator from special Phyrophilite body.
- Utilisation of clay from Effluent Treatment Plant for Low Tension items.
- Development of extra high green sand strength Alumina body for higher rated insulators.
- Development of oxy-firing glaze to suit Tunnel Kiln and batch kiln firing process.
- Import substitution of ultra low viscosity SCMC as glaze binder.
- Modification of outlived imported photocopying turning machine to indigenously developed CAM Technology.

iv) Textile Division

- Development of flame retardant Worsted Yarn in Pure Wool and Polywool blended qualities.
- Development of Super Soft and Stretchable Woolen Yarn.
- Development of superfine woolen yarns for shawl using water-soluble vinyl fibre along with Marino wool.

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

Improvement of process and productive capacity, better quality and marketability of products, development of new range of products, value addition in the existing products, improved customer satisfaction, development of eco friendly products and reduction of cost of production.

3. Future Plan of action

i) Rayon Division —

- Development of Cationic Softener for Soft finishing.
- Development of micro filament yarn/trilobal yarn and flat yarn etc.
- Development of improved design roller guide for Spinning machines.
- Development of waste water recycle system.
- Eco auditing.
- Development related to improved yarn dying.

ii) Insulator Division —

- Production of quartz less extra high strength body for increased recovery.
- Conversion of outlived photocopying turning machines to CAM technology process.

iii) Textile Division –

- Development of Antibacterial Worsted Yarn for inner garments
- Development of Exotic blended yarn using Passom, Wool, Angora, Silk Cotton etc.

4. Expenditure on Research and Development

i) Capital Expenditure	Rs.	48.45 lac
ii) Recurring Expenditure	Rs.	52.95 lac
iii) Total	Rs.	101.40 lac
iv) Total R&D Expenditure as a percentage of total turnover	— 0.07%	

5. Technology absorption, adaptation and innovation

i) Efforts in brief, made towards technology absorption, adaptation and innovation

Rayon Division —

- Development of improved types of yarn

ii) Benefits derived as a result of the above efforts

Quality improvement in existing range, development of new market segments, improvement in process, productivity and cost control.

iii) Information regarding Technology imported during the last years

a) Technology imported during last five years:

Rayon Division —

Continuous Spinning Technology from M/s Snia Engineering, Italy for continuous Viscose Filament Yarn. (Year of import 1997-98)

b) Has technology been fully absorbed:

Yes. The technology has been fully absorbed.

C. FOREIGN EXCHANGE EARNING AND OUTGO

The information on foreign exchange earnings and outgo is contained in Note No. 20 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	1,272.31	1,186.51
Total Amount	Rs.in Lacs	4,770.84	4,250.81
Rate per Unit	Rs.	3.75	3.58
(B) Own Generation			
(i) Through Diesel Generator - Units	KWH in Lacs	495.44	636.58
Unit per Ltr. of Diesel Oil	—	3.39	2.70
Cost Per Unit	Rs.	4.45	4.64
(ii) Through Steam Turbine/Generator - Units	KWH in Lacs	1745.86	2108.84
Unit per ton of steam coal	—	320.28	391.73
Cost Per Unit	Rs.	2.09	2.43
2. Coal (Grade B,C and D)			
Quantity	'000 Tonnes	148.15	183.59
Total Cost	Rs.in Lacs	2091.43	2637.49
Average Rate	Rs.per tonne	1411.67	1436.61
3. Furnace Oil			
Quantity	K.Ltrs.	9775.86	10535.74
Total Amount	Rs.in Lacs	1155.86	1326.69
Average Rate	Rs.per K.Ltr	11823.61	12592.28
4. Others/Internal generation	—	Nil	Nil

(B) Consumption per unit of production :

	Production Unit	Standards, if any	Current Year	Previous Year
1. Electricity (KWH)				
Viscose Filament Rayon Yarn	MT	—	6318.00	6072.00
Other Yarns (Average)	MT	—	5055.42	5060.76
Caustic Soda	MT	—	2398.00	2452.00
Fabrics	'000 Mtr	936.00	1240.01	1203.60
Hose Pipes	'000 Mtr	757.00	845.40	809.60
Carbon Black	MT	—	497.89	508.00
Liquid Argon	SM3	3.80	4.18	3.87
Insulator	MT	—	968.32	934.73
2. Furnace Oil (Kilo Ltr.)				
Viscose Filament Rayon Yarn	MT		0.02	0.001
Other Yarns	MT		15.00	13.30
Carbon Black	MT		0.01	0.01
Insulator	MT		0.47	0.48
3. Coal (Grade B,C and D)				
Viscose Filament Rayon Yarn	MT		3.11	3.47
Other Yarns	MT		148.80	138.20
Fabrics	'000 Mtr		74.00	23.00
Hose Pipes	'000 Mtr		36.60	29.30

AUDITORS' REPORT TO THE MEMBERS

We have audited the attached Balance Sheet of Indian Rayon And Industries Limited as at 31st March, 2002 and also the Profit & Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

2. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988, issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (hereinafter referred to as the Act), we enclose in the Annexure a statement on the matters specified in paragraphs 4 & 5 of the said Order.

3. Further to our comments in the Annexure referred to above, we report that:

   i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   ii) In our opinion, proper books of account as required by law have been kept by the company so far as appears from our examination of those books. The Branch Auditors' reports have been forwarded to us and have been appropriately dealt with;

   iii) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches;

   iv) In our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Act;

   v) On the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Act;

   vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read together with Significant Accounting Policies and Notes on Accounts in Schedule '18' and those appearing elsewhere in the accounts give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and

      b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.

For LODHA & COMPANY
Chartered Accountants

N.KISHORE BAFNA
Partner

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

Mumbai, 6th May, 2002

Annexure referred to in Para 3 of our Auditors' Report to the Members of Indian Rayon And Industries Limited of even date.

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

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

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

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

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

vi) In our opinion, the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

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

viii) The Company has not granted any loans, secured or unsecured, to any companies or other parties listed in the register maintained under section 301 of the Act .

ix) In respect of loans and advances in the nature of loan given by the Company, the parties have 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 Act, and aggregating during the year to Rs.50,000 or more in respect of each party have been made at prices which 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 with regard to the deposits accepted from the public complied with the provisions of Section 58A of the Act and the rules framed thereunder.

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

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

xvi) The books of account maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1) (d) of the Act have broadly been reviewed and prima facie, the prescribed accounts and records have been made and maintained. However, these are not required to be examined by us in detail with a view to determine whether they are accurate or complete.

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

xviii) No undisputed amounts payable in respect of Income Tax, Wealth Tax, Sales Tax, Customs duty and Excise duty were outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable.

xix) On the basis of our examination of the books of account, the vouchers produced to us for our verification, the explanations given and representations made to us on our inquiries, unqualified report of the internal auditors and the check and control relating to authorising the expenditure on the basis of contractual obligations to the employees/ directors, accepted business practices having regard to the Company's needs and exigencies, we have not come across any expenses charged to revenue, which in our opinion and judgement and to the best of our knowledge and belief, could be regarded as personal expenses.

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

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

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

For LODHA & COMPANY
Chartered Accountants

N.KISHORE BAFNA
Partner

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

Mumbai, 6th May, 2002

BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule	As at 31st March, 2002 Rs. in Crores	As at 31st March, 2001 Rs. in Crores
SOURCES OF FUNDS			
Shareholders' Funds:			
Share Capital	'1'	59.88	59.88
Reserves & Surplus	'2'	1030.91	1096.06
		1090.79	1155.94
Loan Funds:			
Secured Loans	'3'	435.76	454.48
Unsecured Loans	'4'	23.37	13.46
		459.13	467.94
	Total Funds Employed	1549.92	1623.88
APPLICATION OF FUNDS			
Fixed Assets:			
Gross Block	'5'	1242.14	1244.58
Less: Depreciation		491.30	438.01
Net Block		750.84	806.57
Capital Work-in-Progress		10.92	1.15
		761.76	807.72
Assets held for disposal		13.52	19.58
Investments	'6'	439.79	343.82
Current Assets, Loans & Advances:			
Inventories	'7'	265.43	276.45
Sundry Debtors	'8'	223.26	214.25
Cash & Bank Balances	'9'	14.20	14.07
Interest accrued on Investments		0.06	0.05
Loans & Advances	'10'	130.17	107.95
		633.12	612.77
Less: **Current Liabilities & Provisions:**	'11'		
Current Liabilities		188.12	154.96
Provisions		19.76	19.79
		207.88	174.75
Net Current Assets		425.24	438.02
Deferred Tax Liabilities		(101.20)	—
Miscellaneous expenditure (to the extent not written off)			
Marketing/Technical know-how		10.81	14.74
	Total Funds Utilised	1549.92	1623.88

Significant Accounting Policies and
Notes on Accounts — '18'

Schedules referred to above form an integral part of the accounts

As per our attached Report of even date

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner

Mumbai, 6th May, 2002

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

ADESH GUPTA
President & CFO

DEVENDRA BHANDARI
Company Secretary

Chairman: KUMAR MANGALAM BIRLA

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

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Schedule	2001-02 Rs. in Crores	2000-01 Rs. in Crores
INCOME			
Sales		1551.55	1525.95
Other Income	'12'	9.53	12.95
		1561.08	1538.90
EXPENDITURE			
(Increase)/Decrease in Stocks	'13'	6.13	(6.45)
Cost of Materials	'14'	646.02	648.11
Salaries,Wages and Employee Benefits	'15'	119.74	118.51
Manufacturing, Selling and Other Expenses	'16'	453.99	459.93
Excise Duty		143.39	109.76
Interest and Other Finance Expenses	'17'	45.53	61.79
		1414.80	1391.65
Profit before Depreciation/Amortisation and Exceptional items		146.28	147.25
Depreciation / Amortisation		69.61	69.52
Less : Transfer from Revaluation Reserve		—	0.37
Marketing / Technical knowhow expenditure written off		3.93	3.93
Profit before Exceptional Items and Tax		72.74	74.17
Exceptional Items			
Voluntary Retirement cost		7.58	—
Surplus in respect of assets held for disposal (Refer note 8 in Schedule 18)		(8.91)	—
Profit after Exceptional Items		74.07	74.17
Provision for Current Tax		5.00	5.65
Net Profit after Current Tax		69.07	68.52
Provision for Deferred Tax		25.61	—
Net Profit		43.46	68.52
Transfer from Debenture Redemption Reserve		5.96	—
Balance brought forward		57.52	30.55
Profit available for Appropriation		106.94	99.07
APPROPRIATIONS			
Proposed Dividend		19.76	17.96
Corporate Tax on Proposed Dividend		—	1.83
Debenture Redemption Reserve		—	14.91
General Reserve		7.50	6.85
Surplus carried to Balance Sheet		79.68	57.52
		106.94	99.07
Basic Earnings per share		7.26	11.44
Diluted Earnings per share		7.25	11.43
Significant Accounting Policies and Notes on Accounts	'18'		

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

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner
Mumbai, 6th May, 2002

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

ADESH GUPTA
President & CFO

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Company Secretary

Chairman: KUMAR MANGALAM BIRLA
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P. MURARI
B. L. SHAH
H. J. VAIDYA
TARJANI VAKIL
VIKRAM RAO

SCHEDULES

SCHEDULE '1'
SHARE CAPITAL

	Numbers	As at 31st March, 2002 Rs. in Crores	As at 31st March, 2001 Rs. in Crores
Authorised:			
Equity Shares of Rs. 10 each	85,000,000	85.00	85.00
Redeemable Preference Shares of Rs. 100 each	1,500,000	15.00	15.00
		100.00	100.00
Issued, Subscribed & Paid-up:			
Equity Shares of Rs. 10 each, fully paid-up*	59,876,742	59.88	59.88
		59.88	59.88

1. * Includes:

   — 13,75,500 shares allotted as fully paid-up pursuant to contracts for consideration other than cash

   — 2,33,69,797 shares issued as Bonus Shares by capitalisation of Reserves and Share Premium

   — 36,25,263 (Previous Year 40,15,022) shares represented by Global Depositary Receipts

2. Issue of 38,181 (Previous Year 39,281) equity shares and bonus shares thereon are held in abeyance pursuant to the provisions of Section 206A of the Companies Act, 1956.

SCHEDULE '2'
RESERVES & SURPLUS

	Balance as at 31st March, 2001 Rs. in Crores	Additions during the year Rs. in Crores	Deductions/ Adjustments during the year Rs. in Crores	Balance as at 31st March, 2002 Rs. in Crores
Capital Reserve	1.44	—	—	1.44
Revaluation Reserve	13.26	—	13.26#	—
Capital Redemption Reserve	7.61	—	—	7.61
Debenture Redemption Reserve	107.25	17.00	22.96	101.29
Securities Premium Reserve	373.36	—	—	373.36
General Reserve	498.62	7.50	75.59##	430.53
Investment Allowance Reserve (Fully utilised)	37.00	—	—	37.00
Surplus as per Profit & Loss Account	57.52	22.16	—	79.68
	1,096.06	46.66	111.81	1,030.91
Previous Year	1,047.70	48.73	0.37	1,096.06

Adjusted on reinstatement of revalued assets to their Original Cost (Refer note 4 in Schedule 18)

Deferred Tax Liability for earlier years (Refer note 11 in Schedule 18)

SCHEDULE '3'
SECURED LOANS

	As at 31st March, 2002 Rs. in Crores	As at 31st March, 2001 Rs. in Crores
Debentures	242.59	288.50
Term Loan from Financial Institution	20.00	12.00
Deferred Sales Tax Loan	6.76	3.35
Working Capital Borrowings from Banks	166.41	150.63
	435.76	454.48

SCHEDULE '4'
UNSECURED LOANS

Fixed Deposits	2.88	4.12
Deferred Sales Tax Loan	10.49	9.34
Commercial Paper	10.00	—
	23.37	13.46
Includes amounts repayable within one year	11.37	1.19

SCHEDULE '5'
FIXED ASSETS

Rs. in Crores

	Gross Block				Depreciation/Amortisation				Net Block	
	As at 31st March, 2001	Additions	Deduction/ Adjustments	As at 31st March, 2002	Upto 31st March, 2001	For the year	Deduction/ Adjustments	Upto 31st March, 2002	As at 31st March, 2002	As at 31st March, 2001
Goodwill	20.35	—	—	20.35	—	—	—	—	20.35	20.35
Land										
Freehold #	8.11	—	6.86	1.25	—	—	—	—	1.25	8.11
Leasehold	5.49	—	0.35	5.14	0.40	0.08	0.04	0.44	4.70	5.09
Buildings #	142.94	2.36	17.26	128.04	31.22	3.15	10.85	23.52	104.52	111.72
Plant & Machinery	911.51	22.60	5.71	928.40	381.14	55.40	4.78	431.76	496.64	530.37
Furniture, Fixtures & Equipments	25.15	2.43	0.56	27.02	12.80	2.03	0.35	14.48	12.54	12.35
Trade mark / Brands	123.60	—	—	123.60	10.28	8.24	—	18.52	105.08	113.32
Vehicles	7.35	1.74	0.83	8.26	2.09	0.71	0.30	2.50	5.76	5.26
Livestock	0.08	—	—	0.08	0.08	—	—	0.08	—	—
Total	1,244.58	29.13	31.57	1,242.14	438.01	69.61	16.32	491.30	750.84	806.57
Previous Year	1,213.05	37.20	5.67	1,244.58	371.15	69.52	2.66	438.01	806.57	

Notes:

1. Execution/renewal/registration of documents pending in respect of Freehold land Rs. 0.06 Crores (Previous year Rs. 0.06 Crores) and Buildings of Rs. 0.30 Crores (Previous Year Rs. 0.30 Crores).
2. Assets held under co-ownership — Leasehold Land Rs. 0.25 Crore (Previous Year Rs. 0.61 Crores), Buildings Rs. 1.08 Crores (Previous Year Rs. 1.08 Crores) and Furniture, Fixture & Equipment Rs. 0.48 Crores (Previous Year Rs. 0.51 Crores).
3. The Company has made an application for exemption under section 20 of the Urban Land (Ceiling & Regulation) Act, 1976 for excess land of 4.25 acres (Previous Year 4.25 acres) at Rishra
4. Buildings include Rs. 8.12 Crores (Previous Year Rs. 8.12 Crores) being cost of Debentures and Shares in a Company entitling to the right of exclusive occupancy and use of certain office premises.
5. Plant & Machinery include Rs. 1.51 Crores being assets not owned by the Company.
6. # Refer Note 4 in Schedule 18

SCHEDULE '6'
INVESTMENTS

	Face Value Rupees	As at 31st March 2002 Numbers	As at 31st March 2002 Rs. in Crores	As at 31st March 2001 Numbers	As at 31st March 2001 Rs. in Crores
LONG TERM INVESTMENTS					
Government Securities (Unquoted):					
6 & 7 Years National Savings Certificates	41,000		ß		0.01
12 Years National Defence Certificates	500		ß		ß
Indira Vikas Patra	500		—		ß
Other Investments (Fully paid up) :					
Non Trade					
QUOTED					
Units of Unit Trust of India (1964 Scheme)	10		—	100,000	0.13
Non-Convertible Debentures (NCD):					
16% NCD of Indian Petrochemicals Corporation Ltd.	40		—	170,000	0.69
Equity Shares:					
Industrial Development Bank of India Limited	10	538,593	3.69	538,593	3.69
HGI Industries Ltd.	10	432,322	3.46	432,322	3.46
UNQUOTED					
Non-Convertible Debentures (NCD):					
11% NCD of Grasim Industries Ltd.	45		—	5,500,000	25.70
16% NCD of Mangalore Refinery and Petrochemicals Ltd. (MRPL) (Previous year 17.5%)	40	250,000	0.98	250,000	0.98
Equity Shares :					
Gwalior Properties and Estates Ltd.	10	346,850	1.45	346,850	1.45
Seshashayee Properties Ltd.	10	365,750	1.64	365,750	1.64
Trapti Trading & Investments Ltd.	10	351,700	3.77	351,700	3.77
Turquoise Investments & Finance Ltd.	10	341,600	3.66	341,600	3.66
Trade					
QUOTED					
Equity Shares :					
Indo-Gulf Corporation Ltd. (Indo Gulf)	10	19,579,357	45.85	19,579,357	45.85
Mangalore Refinery and Petrochemicals Ltd. (MRPL)	10	41,012,461	65.10	41,012,461	65.10
Century Enka Ltd.	10	62,500	1.25	62,500	1.25
UNQUOTED					
Equity Shares :					
IDEA Cellular Limited (IDEA) (Formerly Birla Tata AT&T Ltd.)	10	88,816,400	88.82	88,816,400	88.82
Investment in Subsidiary Companies:					
Equity Shares					
QUOTED					
PSI Data Systems Ltd. (PSI)	10	5,311,669	100.29		—

SCHEDULE '6' (Contd.)
INVESTMENTS

	Face Value Rupees	Numbers	As at 31st March 2002 Rs. in Crores	Numbers	As at 31st March 2001 Rs. in Crores
UNQUOTED					
Aditya Vikram Global Trading House Ltd., Mauritius	US$ 1	850,000	3.70	850,000	3.70
Birla Sun Life Insurance Company Ltd. (Birla Sun Life)	10	105,000,000	105.00	82,800,000	82.80
Laxminarayan Investment Ltd.	10	11,093,000	11.09	11,093,000	11.09
Rajnidhi Finance Ltd.	10	40,000	0.04	40,000	0.04
			439.79		343.82
Aggregate Book Value — Quoted			219.64		120.15
— Unquoted			220.15		223.67
Aggregate Market Value — Quoted			183.32		102.87

1. Units of Mutual Fund purchased and sold during the year:

	Numbers
Birla Cash Plus (Growth)	38,658,339
DSP Merrill Lynch Liquid Fund (Growth)	965,333
HDFC Liquid Fund (Growth)	20,020,818
Prudential ICICI Liquid Fund (Growth)	12,769,135
Templeton Liquid Fund (Growth)	5,905,367
Alliance Cash Manager (Growth) (of face value of Rs. 1000 each)	73,336

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

   (a) Transfer of investments in Indo Gulf /MRPL/IDEA/Birla Sun Life is restricted by the terms as contained in their respective joint venture agreements.

   (b) The Company has given undertaking to certain lenders that investments made in Indo Gulf and MRPL will not be disposed off without their prior approval until the loans extended to these companies are repaid

3. Equity shares of IDEA are pledged with certain lenders to secure loan extended by them to IDEA.

4. 425 equity shares of PSI are in the process of being transfered in the name of the company.

SCHEDULE '7'
INVENTORIES

(As valued and certified by the management)

	As at 31st March 2002	As at 31st March 2001
Finished Goods	109.85	113.20
Stores & Spares	25.10	23.80
Raw Materials	110.97	117.16
Materials-in-Process	19.31	22.17
Waste/Scrap	0.20	0.12
	265.43	276.45

SCHEDULES

SCHEDULE '8'
SUNDRY DEBTORS

	As at 31st March, 2002 Rs. in Crores	As at 31st March, 2001 Rs. in Crores
(Unsecured, considered good except otherwise stated)		
Over Six Months	15.76	16.35
(Doubtful, fully provided Rs. 10.47 Crores — Previous Year Rs. 8.67 Crores)		
Others	207.50	197.90
	223.26	214.25
Includes amount in respect of which the Company holds deposits and Letters of Credit/ Guarantees from Banks	29.90	22.94

SCHEDULE '9'
CASH & BANK BALANCES

Cash & Cheques in hand and remittances in transit	5.54	6.44
Balances with Scheduled Banks:		
Current Accounts	6.79	7.42
Deposit Accounts	1.87	0.12
Balances with Non-Scheduled Banks: #		
Standard Chartered Bank, London (SCB)	ß	0.09
Veraval Mercantile Co-op. Bank Limited (VMCB)	—	ß
	14.20	14.07
# Maximum amount due at any time during the year		
SCB	0.09	0.09
VMCB	ß	ß

SCHEDULE '10'
LOANS AND ADVANCES

(Unsecured, considered good except otherwise stated)		
Advances recoverable in cash or in kind or for value to be received +	66.98	65.32
(Doubtful, fully provided Rs. 2.18 Crores — Previous Year Rs. 2.09 Crores)		
Deposits	35.17	13.30
Balances with Central Excise, Customs & Port Trust etc	10.13	9.32
(Doubtful, fully provided Rs. 3.11 Crores — Previous Year Rs. 8.64 Crores)		
Taxation (Net of Provisions)	17.89	20.01
	130.17	107.95
+ Includes		
(a) Amount due from Officers	—	0.04
(b) Maximum amount due from Officers at any time during the year	0.04	0.06
(c) Due from subsidiary companies	3.59	0.32

SCHEDULE '11'
CURRENT LIABILITIES & PROVISIONS

Current Liabilities:		
Acceptances	6.84	4.24
Sundry Creditors	111.80	85.61
Advances from Customers	4.09	5.17
Interest accrued but not due on loans	11.22	5.50
Unclaimed Dividends	1.55	1.35
Other Liabilities	52.62	53.09
	188.12	154.96
Provisions:		
Proposed Dividend	19.76	17.96
Provision for Corporate Tax on Dividend	—	1.83
	19.76	19.79
	207.88	174.75
Due to subsidiary companies	0.46	2.62

SCHEDULES

SCHEDULE '12'
OTHER INCOME

	Rs. in Crores	2001-02 Rs. in Crores	2000-01 Rs. in Crores
Dividends on Long Term Investments :			
Trade	4.98		4.55
Others	0.07		0.01
		5.05	4.56
Profit/(Loss) on sale of Investments (Net) :			
Long Term	(0.52)		1.85
Current	0.29	(0.23)	3.44
Miscellaneous Income		4.71	3.10
		9.53	12.95

SCHEDULE '13'
(INCREASE)/DECREASE IN STOCKS

	2001-02 Rs. in Crores	2000-01 Rs. in Crores
Closing Stocks:		
Finished Goods	109.85	113.20
Materials-in-Process	19.31	22.17
Waste / Scrap	0.20	0.12
	129.36	135.49
Less:		
Opening Stocks:		
Finished Goods	113.20	112.33
Materials-in-Process	22.17	16.51
Waste/Scrap	0.12	0.20
	135.49	129.04
(Increase)/Decrease	6.13	(6.45)

SCHEDULE '14'
COST OF MATERIALS

	2001-02 Rs. in Crores	2000-01 Rs. in Crores
Raw Material Consumption	615.88	602.59
Purchase of Finished Goods	30.14	45.52
	646.02	648.11

SCHEDULE '15'
SALARIES, WAGES AND EMPLOYEE BENEFITS

	Rs. in Crores	2001-02 Rs. in Crores	2000-01 Rs. in Crores
Payments to & Provisions for Employees:			
Salaries, Wages and Bonus	98.94		97.72
Contribution to Provident & Other Funds	14.00		13.68
Welfare Expenses	6.19		6.73
		119.13	118.13
Payments to & Provisions for Manager:			
Salary	0.50		0.34
Contribution to Provident & Other Funds	0.07		0.04
Welfare Expenses	0.04	0.61	ß
			0.38
		119.74	118.51

SCHEDULE '16'
MANUFACTURING, SELLING AND OTHER EXPENSES

	2001-02 Rs. in Crores	2000-01 Rs. in Crores
Consumption of Stores & Spares	77.70	84.61
Power & Fuel	113.06	120.33
Processing Charges	46.02	36.49
Commission to Selling Agents	43.91	43.61
Brokerage & Discounts	7.22	7.37
Export Expenses	9.52	11.35
Advertisement	51.28	38.41
Transportation & Handling Charges	25.45	30.31
Other Selling Expenses	21.28	21.43
Auditors Remuneration :		
Payments to Statutory Auditors:		
Audit Fees	0.08	0.07
For Taxation Matters	0.01	0.01
For Tax Audit	0.03	0.03
For Certification Work	0.02	0.02
Reimbursement of Expenses	0.02	0.03
Payments to Branch Auditors:		
Audit Fees	0.06	0.06
For Certification Work	0.01	0.02
Reimbursement of Expenses	0.01	0.01
Payments to Cost Auditors:		
Audit Fees	0.01	0.01
Reimbursement of Expenses	ß	ß
Bad debts & provisions for doubtful debts & advances	3.93	2.80
Repairs & Maintenance of:		
Buildings	3.74	4.97
Plant & Machinery	12.98	15.06
Others	1.96	1.49
Rent	4.82	3.53
Rates & Taxes	1.50	1.28
Insurance	3.95	3.70
Donations	0.60	0.59
Directors' Fees & Travelling Expenses	0.06	0.05
Research & Development Expenses	0.54	0.60
(Profit)/Loss on sale / discard of Fixed Assets (Net)	(0.94)	0.71
Miscellaneous Expenses	37.77	36.80
	466.60	465.75
Less:		
Insurance Claims	5.45	2.25
Unspent Liabilities, Excess provisions and unclaimed balances in respect of earlier years written back (net of short provisions and sundry balances written off)	7.16	3.57
	12.61	5.82
	453.99	459.93

SCHEDULE 17
INTEREST AND OTHER FINANCE EXPENSES

	2001-02	2000-01
Interest		
On Debentures and Fixed Loans	39.12	44.39
Others	18.86	24.11
Other Finance Expenses	4.31	6.19
	62.29	74.69
Less: Interest Income		
Interest on long term Securities (Tax deducted at source Rs. 0.05 Crores — Previous Year Rs. 1.01 Crores)	1.13	3.82
Other Interest (Tax deducted at source Rs. 1.12 Crores — Previous year Rs. 1.61 Crores)	15.63	9.08
	45.53	61.79

SCHEDULES

SCHEDULE '18'

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

A. SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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

FIXED ASSETS

Fixed assets are stated at cost.

DEPRECIATION / AMORTISATION

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

Intangible and certain other assets are amortised as under :

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

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

BORROWING COST

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

TRANSLATION OF FOREIGN CURRENCY ITEMS

Transactions in foreign currency are recorded at the rate of exchange in force at the date of the transactions.

Foreign currency assets (except investments) and liabilities other than for financing fixed assets are stated at the rate of exchange prevailing at the year end and resultant gains / losses are 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 values.

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

SCHEDULE '18' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

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. Obsolete, defective and unserviceable stocks are duly provided for.

RETIREMENT BENEFITS

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

TAXATION

Provision for current tax is made on the basis of estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing differences between the book and tax profits for the year is accounted for, using the tax rates and laws that have been substantively enacted as of the balance sheet date.

Deferred tax assets arising from timing differences are recognised to the extent there is reasonable certainty that these would be realised in future.

RESEARCH AND DEVELOPMENT EXPENDITURE

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

GOVERNMENT GRANTS

Revenue grants are recognized in the Profit & Loss account. Capital grants relating to specific fixed assets are reduced from the gross value of the respective fixed assets. Other capital grants are credited to capital reserve.

MISCELLANEOUS EXPENDITURE

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

B. NOTES ON ACCOUNTS

	Current Year Rs. in Crores	Previous Year Rs. in Crores
1. Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	7.18	4.71
2. Contingent Liabilities not provided for:		
a) Claims for taxes and other items not acknowledged as debts, estimated at (including interest upto the date of demand)	73.15	64.87
b) Bills discounted with Banks	57.21	67.31
c) Corporate Guarantees given to Banks / Financial Institutions for loans taken by wholly owned overseas subsidiary/associate companies.	78.66	48.59
d) Customs duty on capital goods and raw materials imported under advance licencing / EPCG scheme, against which export obligation is to be fulfilled.	6.79	5.06

SCHEDULE '18' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

	Current Year Rs. in Crores	Previous Year Rs. in Crores
3. DEBENTURE AND SECURED LOANS:		
a) Non Convertible Debentures are secured by way of first charge created by mortgage of the immovable properties of the Company situated at Veraval, Halol, Rishra, Jagdishpur, Renukoot and Sakhar Bhavan, Mumbai and hypothecation of movables (except book debts) situated at the above locations and at Midnapur, subject to prior charge(s) created on certain assets in favour of a Financial Institution and on inventories in favour of the Company's bankers for the working capital borrowings, ranking pari-passu inter-se.		
(i) 11% Sixteenth Series (Redeemable at par in three equal annual instalments-commenced from 31st July, 2000)	19.25	38.50
(ii) 11% Seventeenth Series (Redeemable at par in three equal annual instalments-commenced from 24th January, 2002)	53.34	80.00
(iii) 14.25% Nineteenth Series (Redeemable at par on 17th July, 2002)	40.00	40.00
(iv) 13.20% Twentieth Series (Redeemable at par on 8th Oct, 2003)	30.00	30.00
(v) 13.50% Twenty First Series (Redeemable at par on 1st Aug, 2003)	50.00	50.00
(vi) 10.85% Twenty Second Series (Redeemable at par on 10th March, 2006)	50.00	50.00
b) Term Loan from a Financial Institution is secured by exclusive charge of the assets acquired/to be acquired there-against.	20.00	12.00
c) Deferred sales tax loan is to be secured by way of second charge on the fixed assets of the Carbon Black Unit at Gummidipundi.	6.76	3.35
d) Working Capital Borrowings are secured by hypothecation of inventories and book debts	166.41	150.63
4. The Company had revalued certain Land and Buildings in the years 1982 and 1987. In order to bring consistency in the accounting policy in respect of assets, it was considered desirable to reinstate these assets at their respective original costs. The aforesaid reinstatement does not have any impact on the profit for the year.		
5. Capital Work-in-Progress includes advances against Capital Expenditure.	3.05	0.05
6. a) The Company had taken some assets on Finance Lease basis prior to 1st April,2001. Future Lease Rental obligations in respect of these assets is Rs. 0.42 Crores (Previous Year Rs. 0.52 Crores) and Lease Rent payable within a year is Rs. 0.27 Crores (Previous Year Rs. 0.26 Crores).		

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

	Current Year Rs. in Crores	Previous Year Rs. in Crores
b) During the year, the Company has taken certain plant and machinery on operating lease. The future minimum lease payment in respect of the aforesaid lease is as follows :		
i) Not later than one year	0.03	—
ii) Later than one year and not later than five years	0.05	—
iii) Later than five years	—	—

7. Considering the strategic and long term nature of the investments and asset base of the investee companies, in the opinion of the management, the decline in the market value of certain quoted investments and the book value of certain unquoted investments is of temporary nature and requires no provisioning.

8. The Board had decided to exit the Sea Water Magnesia business in the accounting year 1999-2000 and accordingly, the unsold assets as on 31st March, 2000 were brought down to their realisable value. During the year, the Company had signed a memorandum of understanding for disposal of land and other infrastructure facilities during the year. The disposal process has since been completed and sale proceeds realised. The unsold assets as on 31st March, 2002 were revalued at the year end at their realisable values. As disposal process has been completed substantially, the net surplus of Rs. 8.91 crores has been credited to Profit & Loss Account and disclosed as an exceptional item.

9. 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 respective projects after procuring all regulatory approvals etc.

	Current Year	Previous Year
Rosa Power Supply Co. Ltd.	0.81	1.23
Bina Power Supply Co. Ltd.	8.28	8.28
Birla Telecom Ltd.	0.05	0.05

	Current Year	Previous Year
10. Based on the information / documents available with the Company Sundry creditors include amounts due to small scale undertakings:	1.09	0.60

a) of which no amount was overdue on account of principal and / or interest

b) of which the parties to whom amount exceeding Rs. 1 Lac are outstanding for more than 30 days though not overdue are Pattern & Carpentry Works, Global Industrial Corporation and Vinay Industries.

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

	Current Year Rs. in Crores	Previous Year Rs. in Crores
11. a) The Company has adopted Accounting Standard 22 - "Accounting for Taxes on Income" w.e.f. 01.04.2001. The accumulated net deferred tax liability amounting to Rs. 75.59 crores on account of timing differences between book and tax profit as on 31.3.2001 has been charged to the General Reserve.		
b) Deferred Tax Liability / (Assets) at the year end comprise timing differences on account of :		
Depreciation	132.65	
Expenditure / Provisions allowable	(9.73)	
MAT credit available for set-off in future years	(21.72)	
	101.20	
12. Earnings per Share (EPS) is calculated as under :		
a) Numerator - Net Profit as disclosed in Profit & Loss account	43.46	68.52
b) Denominator - Weighted average number of Equity Shares outstanding		
— Basic	59,876,742	59,876,742
— Diluted	59,934,013	59,935,663
c) Nominal value of Shares (in Rs.)	10	10
13. Sales include Export Incentives	35.20	40.73
14. Amount of exchange difference (net) :		
— included in additions to the fixed assets	—	—
— debited / (credited) to the Profit and Loss account	(3.56)	(4.20)
— to be debited/(credited) in the Profit and Loss account of the subsequent year in respect of forward contracts	0.20	0.06
15. Miscellaneous expenses include Rs. 0.07 Crores (Previous Year Rs. NIL) as contribution to General Electoral Trust for political purpose for distribution to political parties/ persons, as per the decisions of the Trustees from time to time.		
16. a) The following are included under other heads of expenses in the Profit & Loss Account :		
Raw Materials consumed	0.04	0.03
Stores & Spares consumed	10.60	10.00
Salaries, Wages and Contribution to PF & other funds	0.66	0.56
Insurance	0.04	0.04
Rent	0.02	0.02
b) All Insurance Claims, unless clearly identifiable with the respective heads of expenses are reduced from Manufacturing, Selling and Other expenses.	5.45	2.25

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

17. SEGMENT DISCLOSURES FOR THE YEAR ENDED 31ST MARCH, 2002 — Rs. in Crores

(I) Primary Segments - Business	Garments	Rayon (Includes Caustic soda and allied Chemicals)	Carbon Black	Insulators (Includes Bushings,lighting & Surge Arrestors)	Textiles (Includes Spun Yarn Fabrics and Hose Pipes)	Others	Gross Total	Inter Segment Elimination	Net Total
a. Segment Revenue #									
Sales to External Customers	381.57	265.89	322.65	211.13	327.68	42.63	1551.55		
Inter Segment Revenue	—	0.05	0.10	0.12	0.83	—	1.10		
Total Segment Revenue	381.57	265.94	322.75	211.25	328.51	42.63	1552.64	(1.10)	1,551.55
b. Segment Result (PBIT)	(7.74)	29.61	45.00	38.68	11.09	0.33	116.97	—	116.97
Less:-Interest and Finance charges									45.53
Add:- Unallocable income net of Unallocable expenditure									1.30
Profit before Tax and Exceptional items									72.74
Exceptional Items :									
Voluntary Retirement cost at Textiles									7.58
Surplus on sale of Assets under disposal									(8.91)
Profit before tax									74.07
Provision for Current Tax									5.00
Provision for Deferred Tax									25.61
Profit after tax									43.46
c. Carrying amount of Segment Assets	285.00	324.00	342.18	167.89	189.61	42.86	1351.54	—	1,351.54
Unallocated Assets									507.46
Total Assets									1,859.00
d. Carrying amount of Segment Liabilities	58.57	39.62	38.90	29.38	19.26	3.75	189.47	—	189.47
Unallocated liabilities									578.74
Total Liabilities									768.21
e. Cost incurred to acquire Segment fixed assets during the year	5.32	4.67	5.84	3.37	9.53	0.15	28.88	—	28.88
Unallocated cost									0.25
f. Depreciation/Amortization	13.15	19.85	12.93	6.07	19.42	1.73	73.15	—	73.15
Unallocated depreciation									0.39

(II) Secondary segment – Geographical

The Company's operating facilities are located in India

Domestic Revenues	1,128.75
Exports Revenues	422.80
Total	1,551.55

Inter segment revenues are recognised on arm's length basis.

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

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

a) List of Related Parties

I. Parties where control exists - Subsidiaries :
Aditya Vikram Global Trading House Ltd.
Birla Sun Life Insurance Co. Ltd.
Laxminarayan Investment Ltd. (LIL)
Rajnidhi Finance Ltd. (Subsidiary of LIL)
PSI Data Systems Ltd. (PSI)
Birla Technologies Ltd. (Subsidiary of PSI)
PSI Kalinga Limited (Subsidiary of PSI)

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

i) Joint Ventures
Bina Power Supply Co. Ltd.
IDEA Cellular Limited (Formerly Birla Tata AT&T Ltd.)
Indo Gulf Corporation Ltd.
Mangalore Refinery & Petrochemicals Ltd.
Rosa Power Supply Co. Ltd.

ii) Associates
Alpha Garments Pvt. Ltd.
Classical Menswear Pvt. Ltd.
Crafted Clothing Pvt. Ltd.
Design Knitwear Pvt. Ltd.
English Apparels Pvt. Ltd.
Europa Garments Pvt. Ltd.
Harwood Garments Pvt. Ltd.
Perfect Apparels Pvt. Ltd.

iii) Key Management Personnel and enterprises having common key management personnel
Key Management Personnel — Mr. K. K. Maheshwari, Manager
Enterprises having common key management personnel — Tanfac Industries Ltd.

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

	Current Year Rs. in Crores
i) Sales, Services and other income	
Subsidiaries	0.56
Associates	0.80
Joint Ventures	9.00
Enterprise having common key management personnel	3.54
ii) Purchase of Goods and Services	
Subsidiaries	0.02
Associates	34.98
Joint Ventures	3.18
iii) Expenditure on Royalty and Commission	
Subsidiaries	10.81

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

	Current Year Rs. in Crores
iv) Purchase of Fixed Assets	
Subsidiaries	0.01
Joint Ventures	0.01
v) Sale of Fixed Assets	
Enterprise having common key management personnel	0.01
vi) Managerial Remuneration	0.61
vii) Fresh Investments made	
Subsidiaries	22.20
viii) Gross Loans to	
Subsidiaries	13.06
Associates	5.58
Joint Ventures	67.00
ix) Loans from	
Joint Ventures	5.25
x) Guarantees provided for	
Subsidiaries	10.98
Associates	6.14
xi) Outstanding balances as at 31st March, 2002	
Amounts Receivable	
Subsidiaries	3.59
Associates	7.65
Joint Ventures	3.55
Enterprise having common key management personnel	0.20
Amounts Payable	
Subsidiaries	0.46
Associates	3.20
Joint Ventures	ß
Guarantees provided for	
Subsidiaries	43.52
Associates	14.14
Investments in	
Subsidiaries	220.12
Joint Ventures	200.74

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

20. a) Additional information required under para 3, 4C and 4D Part II of Schedule VI of the Companies Act, 1956 is as per Annexure I. The details as required under para 3(i)(a) of part II of Schedule VI of the Companies Act, 1956 have not been given in respect of Insulator Division of the Company, in view of 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. 46/71/2002/CL - III dated 5-4-2002.

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. 50,000 or less have been denoted by ß.

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

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

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

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

Particulars	Unit	Year ended 31st March	Installed Capacity Per Annum	Opening Stock		Production	Purchase		Turnover		Closing Stock	
				Quantity	Amount	Quantity#	Quantity	Amount	Quantity @	Amount	Quantity	Amount
Garments *	Nos./000	2002		1166.34	38.25	6288.41	539.45	19.25	6690.45	356.99	1303.74	43.94
		2001		1314.46	36.45	5163.83	571.67	36.14	5883.62	300.63	1166.34	38.25
Viscose Filament Rayon Yarn	MT	2002	15000	853.00	11.89	12253.01			12812.31	223.55	293.70	4.10
		2001	15000	682.75	9.12	15496.05			15325.80	246.61	853.00	11.89
Sulphuric Acid & Allied Chemicals	MT	2002	55300	649.15	0.38	40589.95			39898.79	9.43	1340.31	0.70
		2001	55300	1185.57	0.66	47522.96			48059.38	12.89	649.15	0.38
Caustic Soda	MT	2002	33000	293.42	0.24	23976.38			24111.06	25.56	158.74	0.12
		2001	33000	777.09	0.52	30620.44			31104.11	27.87	293.42	0.24
Chlorine	MT	2002	29370	127.30	0.02	19258.40			19289.70	4.53	96.00	0.03
		2001	29370	0.49	ß	23960.41			23833.60	12.97	127.30	0.02
Hydro Chloric Acid	MT	2002	9900	145.34	0.01	6003.61			6079.75	0.32	69.20	0.01
		2001	9900	50.67	0.01	10068.60			9973.93	1.35	145.34	0.01
Spun Yarn	Spdl/MT	2002	83380	1198.75	16.43	12717.47	181.66	2.36	13188.18	225.87	909.71	12.65
		2001	84040	623.52	9.38	13489.73	343.17	3.85	13257.67	247.77	1198.75	16.43
Cloth	Lm/'000Mtr	2002	33	511.03	5.11	3905.75			3788.32	44.88	628.46	6.94
		2001	33	850.05	7.88	5306.64			5645.66	57.65	511.03	5.11
Hose Pipes	Lm/'000Mtr	2002	19	166.83	0.96	1039.90			1120.44	7.54	86.29	0.33
		2001	19	104.30	0.56	1931.98			1869.45	15.86	166.83	0.96
Carbon Black	MT	2002	110000	5002.00	13.24	93634.00			94504.00	315.55	4132.00	10.60
		2001	110000	6998.00	15.69	89739.00			91735.00	287.86	5002.00	13.24
High & Low Tension Insulators and Bushings $	MT	2002	34000			25277						
		2001	34000			25665						
Lightning & Surge Arrestors $	NOS.	2002	25000			40206.00						
		2001	25000			21414.00						
Liquid Argon	'000 SM3	2002	3000	25.46	0.06	1749.69			1754.32	4.42	20.83	0.06
		2001	3000	88.46	0.18	1687.62			1750.62	4.16	25.46	0.06
Traded goods		2002			0.16			6.22		9.16		0.18
		2001			1.40			5.53		9.03		0.16
Others		2002			5.89					121.96		9.31
		2001			6.72					114.35		5.89

The Installed Capacity is as Certified by the Management

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

\# After adjusting departmental consumption, excesses, shortages etc.

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

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

$ Read with Note no. 20a

SCHEDULE '18' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS

ANNEXURE I (Contd.)

(b) Raw Materials Consumed :

	Quantity MT	Current Year Rs. in Crores	Quantity MT	Previous Year Rs. in Crores
Wood Pulp	13295	40.07	16548	51.72
Wool Fibre	3011	61.82	2542	50.96
Flax Fibre	1167	16.97	1409	19.46
Staple & Synthetic Fibre	12216	61.15	11728	69.35
Cotton Staple & Synthetic Yarn	837	14.32	1579	24.27
Carbon Black Feed Stock / Coal Tar	159549	160.50	157802	144.78
Fabrics in '000 Mtrs.	11059	126.43	9431	105.84
Others		134.66		136.24

		Current Year Rs. in Crores		Previous Year Rs. in Crores
(c) Value of Imports calculated on C.I.F. Basis				
Raw Materials		222.51		250.59
Stores & Spare Parts		12.21		11.74
Capital Goods		7.20		2.46
Purchase of Finished Goods		14.25		15.61
(d) Expenditure in Foreign Currency (on actual payment basis):				
Technical Assistance Fees/Royalty		8.77		6.56
Interest and Commitment Charges		0.28		4.57
Professional Charges		0.32		0.12
Others		15.82		16.35
(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	46.38%	285.64	46.10%	277.82
Indigenous	53.62%	330.28	53.90%	324.80
		615.92		602.62
(ii) Stores, Spare Parts & Components :				
Imported	12.04%	10.63	14.78%	13.98
Indigenous	87.96%	77.67	85.22%	80.63
		88.30		94.61
(f) Amount remitted in Foreign Currency on account of Dividend:				
Dividend in respect of Accounting Year 2000-01 [177 Shareholders holding 85,042 Equity Shares]		0.03		
Dividend in respect of Accounting Year 1999-2000 [186 Shareholders holding 77,497 Equity Shares]				0.01
(g) Earnings in Foreign Exchange :				
(i) On export of goods (F.O.B.Basis) :				
(a) Foreign Currency		365.27		367.45
(b) Rupee Payments		15.87		24.80
(c) Export through Merchant Exporters		5.56		5.07
(ii) Interest		0.03		0.17
(iii) Others		3.95		0.05

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I Registration Details

Registration No.	1107			State Code	04
Balance Sheet Date	31	03	2002		
	Date	Month	Year		

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

Public Issue	Right Issue
Nil	Nil
Bonus Issue	Private Placement
Nil	Nil

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

	Total Liabilities	Total Assets
	1549.92	1549.92
Source of Funds	Paid-Up-Capital	Reserve & Surplus
	59.88	1030.91
	Secured Loans	Unsecured Loans
	435.76	23.37
Application of Funds	Net Fixed Assets	Investments
	761.76	439.79
	Net Current Assets*	Misc. Expenditure
	337.56	10.81

*Net of Deferred Tax Laibilities

IV Performance of Company (Amount in Rs.Crores)

Turnover	Total Expenditure
1551.55	1414.80
Profit Before Tax	Profit After Tax
74.07	43.46
Earning per share	Dividend rate %
7.26	33%

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

Item Code No.(ITC Code)	Product Description
620000	Garments
5403110.09	Viscose Filament Rayon Yarn
2803	Carbon Black
854620	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

Mumbai, 6th May, 2002

ADESH GUPTA
President & CFO

DEVENDRA BHANDARI
Company Secretary

Chairman: KUMAR MANGALAM BIRLA

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

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

(Rupees in Crores)

	PARTICULARS	2001-02			2000-01		
A	CASH FLOW FROM OPERATING ACTIVITIES						
	Net Profit before tax & extra-ordinary items		72.74			74.17	
	Adjustments for :						
	Voluntary Retirement Scheme	(7.58)			—		
	Depreciation	69.61			69.15		
	Marketing & Technical know-how written-off	3.93			3.93		
	Interest Expenses (Net)	45.54			61.79		
	(Profit)/Loss on Fixed Assets sold	(0.94)			0.71		
	(Profit)/Loss on Sale of Investments	0.23			(5.29)		
	Dividend Income	(5.05)	105.74		(4.56)	125.73	
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		178.48			199.90	
	Adjustments for:						
	Decrease/(Increase) in trade and other receivables	(28.35)			(14.02)		
	Decrease/(Increase) in inventories	11.02			(9.80)		
	Increase/(Decrease) in trade and other payables	27.44	10.11		(7.13)	(30.95)	
	CASH GENERATED FROM OPERATIONS		188.59			168.95	
	Income Taxes paid (net)		(2.88)			(11.25)	
	NET CASH FROM OPERATING ACTIVITIES			185.71			157.70
B	CASH FLOW FROM INVESTING ACTIVITIES						
	Proceeds from Sale of Fixed Assets		2.93			2.30	
	Proceeds from Sale of Assets held for disposal		14.97			23.49	
	Proceeds from Sale/Redemption of Investments		26.29			147.35	
	Interest Received		16.75			14.80	
	Dividend Received		5.05			4.56	
	(Increase)/Decrease in Corporate Deposit		(5.00)			31.50	
	Purchase of Fixed Assets		(38.90)			(23.82)	
	Purchase of Investments		0.00			(58.92)	
	Investment in equity of subsidiaries @		(122.49)			(82.80)	
	NET CASH (USED IN)/FROM INVESTING ACTIVITIES			(100.40)			58.46
C	CASH FLOW FROM FINANCING ACTIVITIES						
	Proceeds from Borrowings		38.34			20.96	
	Repayment of borrowings (including premium on repayment)		(47.15)			(149.18)	
	Dividends paid (including tax thereon)		(19.79)			(6.65)	
	Interest and Finance Charges paid		(56.58)			(78.01)	
	NET CASH (USED IN)/FROM FINANCING ACTIVITIES			(85.18)			(212.88)
	NET INCREASE IN CASH AND EQUIVALENTS			0.13			3.28
	CASH AND CASH EQUIVALENTS (OPENING BALANCE)			14.07			10.79
	CASH AND CASH EQUIVALENTS (CLOSING BALANCE)			14.20			14.07

@ acquired by paying cash

Notes:

1) Cash and cash equivalents include:-

	2001-02	2000-01
Cash, cheque in hand and remittance in transit	5.54	6.44
Balance with Schedule Bank	8.66	7.63
Unrealised translation loss on foreign currency balances	—	—
Total	14.20	14.07

2) The Company has undrawn working capital facilities of Rs. 213.59 Crores as on 31.3.2002 (Previous Year - Rs. 229.37 Crores)

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

ADESH GUPTA
President & CFO

DEVENDRA BHANDARI
Company Secretary

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

Mumbai, 6th May, 2002

AUDITORS' CERTIFICATE

We have examined the attached Cash Flow Statement of INDIAN RAYON AND INDUSTRIES LIMITED for the year ended 31st March, 2002. 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
Mumbai 6th May, 2002

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF INDIAN RAYON AND INDUSTRIES LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF INDIAN RAYON AND INDUSTRIES LIMITED AND ITS SUBSIDIARIES

We have examined the attached consolidated Balance Sheet of Indian Rayon And Industries Limited and it's subsidiaries as at 31st March, 2002, the Consolidated Profit and Loss Account and also the Consolidated Cash Flow Statements for the year then ended.

1. These financial statements are the responsibility of Indian Rayon And Industries Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with generally accepted auditing standards in India. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with and identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe our audit provides a reasonable basis for our opinion.

2. The financial statements of the subsidiaries Laxminarayan Investment Limited and Rajnidhi Finance Limited, have been audited by Khimji Kunverji & Co. whose financial statements reflect total assets of Rs. 13.98 Crores as at 31st March, 2002 and total revenue of Rs. 1.01 Crores for the year then ended.

   We did not audit the financial statements of other subsidiaries whose financial statements reflect total assets of Rs. 283.93 Crores as at 31st March 2002 and total revenue of Rs. 57.44 Crores for the respective financial years then ended. These financial statements have been audited by respective auditors, whose reports have been furnished to us, and in our opinion, in so far as it relates to the amounts included in respect of the subsidiaries is based solely on the report of the respective auditors.

3. We report that the consolidated financial statements have been prepared by the Company in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements, issued by the Institute of Chartered Accountants of India and on the basis of the separate audited financial statements of Indian Rayon And Industries Limited and its subsidiaries included in the consolidated financial statements.

4. On the basis of the information and explanation given to us and on the consideration of the separate audit reports on individual financial statements of Indian Rayon And Industries Limited and its subsidiaries included in the consolidated financial statements read together with the Significant Accounting Policies & Notes on Accounts of consolidated financial statements in Schedule 19:

   a) The consolidated Balance Sheet gives a true and fair view of the consolidated state of affairs of Indian Rayon And Industries Limited and its subsidiaries as at March 31, 2002 and

   b) The consolidated Profit and Loss Account gives a true and fair view of the consolidated results of operations of Indian Rayon And Industries Limited and its subsidiaries for the year then ended.

For LODHA & COMPANY
Chartered Accountants

N. KISHORE BAFNA
Partner

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K. VIKAMSEY
Partner

Mumbai, 6th May, 2002

CONSOLIDATED BALANCE SHEET AS AT 31ST MARCH, 2002

	Schedule	As at 31st March, 2002 Rs. in Crores
SOURCES OF FUNDS		
Shareholders' Funds:		
Share Capital	'1'	59.88
Reserves & Surplus	'2'	994.72
		1054.60
Minority Interest		37.41
Loan Funds:		
Secured Loans	'3'	498.67
Unsecured Loans	'4'	34.63
		533.30
Policyholders' funds		19.81
Total Funds Employed		1645.12
APPLICATION OF FUNDS		
Fixed Assets:		
Gross Block	'5'	1470.13
Less: Depreciation		521.76
Net Block		948.37
Capital Work-in-Progress		11.15
		959.52
Assets held for disposal		13.52
Investments	'6'	335.25
Current Assets, Loans & Advances:		
Inventories	'7'	266.45
Sundry Debtors	'8'	239.87
Cash & Bank Balances	'9'	31.11
Interest accrued on Investments		2.05
Loans & Advances	'10'	142.28
		681.76
Less: **Current Liabilities & Provisions:**	'11'	
Current Liabilities		234.78
Provisions		19.76
		254.54
Net Current Assets		427.22
Deferred Tax Liabilities		(101.20)
Miscellaneous expenditure (to the extent not written off)		
Marketing / Technical know-how		10.81
Total Funds Utilised		1645.12
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

Mumbai, 6th May, 2002

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

ADESH GUPTA
President & CFO

DEVENDRA BHANDARI
Company Secretary

Chairman: KUMAR MANGALAM BIRLA

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

CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31ST MARCH, 2002

	Schedule	2001-02 Rs. in Crores
INCOME		
Income from Operations	'12'	1598.46
Other Income	'13'	9.16
		1607.62
EXPENDITURE		
(Increase)/Decrease in Stocks	'14'	6.80
Cost of Materials	'15'	647.70
Salaries, Wages and Employee Benefits	'16'	141.70
Manufacturing, Selling and Other Expenses	'17'	468.71
Excise Duty		143.39
Interest and Other Finance Expenses	'18'	48.68
Deficit on Policyholders Account in Insurance Business		43.50
		1500.48
Profit before Depreciation/Amortisation and Exceptional items		107.14
Depreciation / Amortisation		76.60
Marketing / Technical knowhow expenditure written off		3.93
Profit before Exceptional Items and Tax		26.61
Exceptional Items		
Voluntary Retirement cost		7.58
Surplus in respect of assets held for disposal		(8.91)
Profit after Exceptional Items		27.94
Provision for Current Tax		6.46
Net Profit after Current Tax		21.48
Provision for Deferred Tax		25.61
Net Profit/(Loss) before Minority Interest		(4.13)
Minority Interest in the loss of Consolidated Subsidiaries		(14.16)
Net Profit		10.03
Transfer from Debenture Redemption Reserve		5.96
Balance brought forward		54.46
Profit available for Appropriation		70.45
APPROPRIATIONS		
Proposed Dividend		19.76
Special Reserve		0.11
General Reserve		7.50
Surplus carried to Balance Sheet		43.08
		70.45
Basic Earnings per share		1.68
Diluted Earnings per share		1.67
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.	For KHIMJI KUNVERJI & CO.	ADESH GUPTA	*Chairman:*	KUMAR MANGALAM BIRLA
Chartered Accountants	*Chartered Accountants*	*President & CFO*	*Directors:*	B. R. GUPTA
				P. MURARI
				B. L. SHAH
N. KISHORE BAFNA	SHIVJI K.VIKAMSEY	DEVENDRA BHANDARI		H. J. VAIDYA
Partner	*Partner*	*Company Secretary*		TARJANI VAKIL
Mumbai, 6th May, 2002				VIKRAM RAO

SCHEDULES

SCHEDULE '1'
SHARE CAPITAL

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

1. *Includes:
   - — 13,75,500 shares allotted as fully paid-up pursuant to contracts for consideration other than cash
   - — 2,33,69,797 shares issued as Bonus Shares by capitalisation of Reserves and Share Premium
   - — 36,25,263 (Previous Year 40,15,022) shares represented by Global Depositary Receipts
2. Issue of 38,181 (Previous Year 39,281) equity shares and bonus shares thereon are held in abeyance pursuant to the provisions of Section 206A of the Companies Act, 1956.

SCHEDULE '2'
RESERVES & SURPLUS

	Balance as at 31st March, 2001 Rs. in Crores	Additions during the year Rs. in Crores	Deductions/ Adjustments during the year Rs. in Crores	Balance as at 31st March, 2002 Rs. in Crores
Capital Reserve	1.45	—	—	1.45
Revaluation Reserve	13.26	—	13.26#	0.00
Capital Redemption Reserve	7.62	—	—	7.62
Debenture Redemption Reserve	107.25	17.00	22.96	101.29
Securities Premium Reserve	373.36	—	—	373.36
General Reserve	498.62	7.50	75.59##	430.53
Special Reserve @	0.28	0.11	—	0.39
Investment Allowance Reserve (Fully utilised)	37.00	—	—	37.00
Surplus as per Profit & Loss Account	54.46	—	11.38	43.08
	1,093.30	24.61	123.19	994.72

\# Adjusted on reinstatement of revalued assets to their Original Cost

\## Deferred Tax Liability for earlier years (Refer note 9 in Schedule 19)

@ "Special Reserve" has been created in Laxminarayan Investment Limited and Rajnidhi Finance Limited in terms of Section 45-IC of Reserve Bank of India Act,1934

SCHEDULE '3'
SECURED LOANS

Debentures	242.59
Term Loan from Financial Institutions	70.95
Deferred Sales Tax Loan	6.76
Working Capital Borrowings from Banks	178.37
	498.67

SCHEDULE '4'
UNSECURED LOANS

	As at 31st March, 2002 Rs. in Crores
Fixed Deposits	2.89
Deferred Sales Tax Loan	10.49
Others	21.25
	34.63
Includes amounts repayable within one year	22.62

SCHEDULE '5'
FIXED ASSETS

(Rs. in Crores)

	Gross Block					Depreciation/Amortisation					Net Block
	As at 31st March, 2001	Additions on acquisitions (Ref. Note 6)	Additions for the year	Deduction/ Adjustments	As at 31st March, 2002	Upto 31st March, 2001	On acquisitions (Ref. Note 6)	For the* year	Deduction/ Adjustments	Upto 31st March, 2002	As at 31st March, 2002
Goodwill on Consolodilation	—	—	81.14	—	81.14	—	—	—	—	—	81.14
Goodwill on acquisition	20.35	5.36	—	—	25.71	—	1.07	0.18	—	1.25	24.46
Land											
Freehold	8.11	—	—	6.86	1.25	—	—	—	—	—	1.25
Leasehold	5.49	1.60	—	0.35	6.74	0.40	0.03	0.08	0.04	0.47	6.27
Buildings	156.43	6.25	2.36	17.26	147.78	31.88	0.10	3.39	10.85	24.52	123.26
Leasehold improvement	2.64	1.11	3.06	0.04	6.77	0.11	0.44	1.22	0.03	1.74	5.03
Plant & Machinery	920.37	16.08	28.10	5.73	958.82	381.41	8.24	60.44	4.79	445.30	513.52
Software Products	—	7.50	—	—	7.50	—	2.08	0.42	—	2.50	5.00
Furniture, Fixtures & Equipments	26.63	3.81	7.65	0.80	37.29	12.85	0.88	2.68	0.44	15.97	21.32
Trade mark / Brands	183.95	—	1.91	—	185.86	14.56	—	12.40	—	26.96	158.90
Vehicles	8.27	0.87	2.93	0.88	11.19	2.12	0.16	1.00	0.31	2.97	8.22
Livestock	0.08	—	—	—	0.08	0.08	—	—	—	0.08	—
Total	1,332.32	42.58	127.15	31.92	1,470.13	443.41	13.00	81.81	16.46	521.76	948.37

Notes:

1. Execution/renewal/registration/transfer of documents pending in respect of Freehold land Rs. 0.06 Crores, Leasehold Land Rs. 1.61 crores and Buildings of Rs. 0.30 Crores.
2. Assets held under co-ownership - Leasehold Land Rs. 0.25 Crores, Building Rs. 1.08 Crores and Furniture, Fixture & Equipments Rs. 0.48 Crores.
3. The Company has made an application for exemption under section 20 of the Urban Land (Ceiling & Regulation) Act, 1976 for excess land of 4.25 acres at Rishra
4. Buildings include Rs. 8.12 Crores being cost of Debentures and Shares in a Company entitling to the right of exclusive occupancy and use of certain office premises.
5. Plant & Machinery include Rs. 1.51 Crores being assets not owned by the Company.
6. In respect of Assets as on the date of the acquisition of the subsidiries
7. * Including Depreciation of Birla Sun Life Insurance of Rs. 5.21 crores which is directly debited to Policyholders Account.

SCHEDULE '6'
INVESTMENTS

	Face Value Rupees	Numbers	As at 31st March 2002 Rs. in Crores
OF HOLDING COMPANY AND SUBSIDIARIES (OTHER THAN INSURANCE SUBSIDIARY) :			
LONG TERM INVESTMENTS			
Government Securities (Unquoted):			
6 & 7 Years National Savings Certificates	41,000		ß
12 Years National Defence Certificates	500		ß
Other Investments :			
Non Trade, Fully Paid-up			
QUOTED			
Equity Shares:			
Industrial Bank of India Limited (IDBI)	10	538,593	3.69
HGI Industries Ltd.	10	432,322	3.46
UNQUOTED			
Non-Convertible Debentures (NCD):			
16% NCD of Mangalore Refinery and Petrochemicals Ltd. (MRPL)	40	250,000	0.98
Equity Shares :			
Gwalior Properties and Estates Ltd.	10	346,850	1.45
Seshashayee Properties Ltd.	10	365,750	1.64
Trapti Trading & Invesments Ltd.	10	351,700	3.77
Turquoise Investments & Finance Ltd.	10	341,600	3.66
Trade Investments-Fully paid-up			
QUOTED			
Equity Shares :			
Indo-Gulf Corporation Ltd. (Indo Gulf)	10	19,579,357	45.85
Mangalore Refinery and Petrochemicals Ltd. (MRPL)	10	41,012,461	65.10
Century Enka Ltd.(CEL)	10	62,500	1.25
UNQUOTED			
Equity Shares :			
IDEA Cellular Limited (Formerly Birla Tata AT&T Ltd.)	10	88,816,400	88.82
Crafted Clothing Pvt Ltd.	10	240,000	0.24
Perfect Apparels Pvt Ltd.	10	35,520	0.04
Alpha Garments Pvt Ltd.	10	20,000	0.02
Classical Mens Wear Pvt Ltd.	10	20,000	0.02
Europa Garments Pvt Ltd.	10	20,000	0.02
Harwood Garments Pvt Ltd.	10	20,000	0.02
English Apparels Pvt Ltd.	10	10,000	0.01
Design Knitwear (Bangalore) Pvt Ltd.	10	10,000	0.01
SHORT TERM INVESTMENTS			
Trade Investements- Fully paid-up			
UNQUOTED			
Units of Mutual Funds:			
Birla Cash Plus (Growth Scheme)	10	234,934	0.35

SCHEDULE 6 (Contd.)
INVESTMENTS

	As at 31st March 2002 Rs. in Crores
OF INSURANCE SUBSIDIARY:	
INVESTMENT -SHAREHOLDERS	
LONG TERM INVESTMENTS	
Government Securities and Government Gauaranteed Bonds inculuding Treasury Bills	35.18
Investments in Infrastructure and Social Sector	15.18
SHORT TERM INVESTMENTS	
Government Securities and Government Gauaranteed Bonds inculuding Treasury Bills	19.09
Other Approved Securities	4.86
Mutual Funds	6.45
Debenture/Bonds	15.03
INVESTMEMNT-POLICYHOLDERS	
LONG TERM INVESTMENTS	
Government Securities and Government Gauaranteed Bonds inculuding Treasury Bills	2.90
INVESTMEMNT HELD TO COVER LINKED LIABILITIES	
LONG TERM INVESTMENTS	
Government Securities and Government Gauaranteed Bonds inculuding Treasury Bills	6.58
Other Investments	
Equity Shares	3.14
SHORT TERM INVESTMENTS	
Government Securities and Government Gauaranteed Bonds inculuding Treasury Bills	1.72
Mutual Funds	4.49
Others	0.23
	335.25

ß Denotes figure below Rs. 50,000/-.

SCHEDULE 7
INVENTORIES

(As valued and certified by the management)

Finished Goods	109.85
Stores & Spares	25.58
Raw Materials	110.97
Work-in-Process	19.85
Waste / Scrap	0.20
	266.45

SCHEDULES

SCHEDULE '8'
SUNDRY DEBTORS

	As at 31st March, 2002 Rs. in Crores
(Unsecured, considered good except otherwise stated)	
Over Six Months	17.85
(Doubtful, fully provided Rs. 14.98 Crores)	
Others	
(Doubtful, fully provided Rs. 0.32 Crores)	222.02
	239.87
Includes amount in respect of which the Company holds deposits and Letters of Credit/ Guarantees from Banks	29.90

SCHEDULE '9'
CASH & BANK BALANCES

Cash & Cheques in hand and remittances in transit	5.66
Balances with Scheduled Banks:	
Current Accounts	17.46
Deposit Accounts	2.65
Balances with Non-Scheduled Banks:	
On Current Account	1.50
On Deposit Account	3.84
	31.11

SCHEDULE '10'
LOANS AND ADVANCES

(Unsecured, considered good except otherwise stated)	
Advances recoverable in cash or in kind or for value to be received	72.00
(Doubtful, fully provided Rs. 2.44 Crores)	
Deposits	40.79
Balances with Central Excise, Customs & Port Trust etc	10.13
(Doubtful, fully provided Rs. 3.11 Crores)	
Taxation (Net of Provisions)	19.36
	142.28

SCHEDULE '11'
CURRENT LIABILITIES & PROVISIONS

Current Liabilities:	
Acceptances	6.84
Sundry Creditors	148.47
Advances from Customers	4.99
Income received in advance	2.11
Interest accrued but not due on loans	11.68
Unclaimed Dividends	1.61
Other Liabilities	59.08
	234.78
Provisions:	
Proposed Dividend	19.76
	254.54

SCHEDULES

SCHEDULE '12'
INCOME FORM OPERATIONS

	Rs. in Crores	2001-02 Rs. in Crores
Manufacturing & Trading		1,551.55
Software Segment		37.60
Insurance Segment		8.37
Other Segment		0.94
		1,598.46

SCHEDULE '13'
OTHER INCOME

Dividends on Long Term Investments :		
Trade	4.98	
Others	0.07	
		5.05
Profit / (Loss) on Sale of Investment (Net):		
Long Term	(0.52)	
Current	0.32	(0.20)
Miscellaneous Income		4.31
		9.16

SCHEDULE '14'
(INCREASE)/DECREASE IN STOCKS

Closing Stocks:		
Finished Goods		109.85
Work-in-Process		19.85
Waste / Scrap		0.20
		129.90
Less:		
Opening Stocks:		
Finished Goods		113.20
Work-in-Process *		23.38
Waste / Scrap		0.12
		136.70
(Increase)/Decrease		6.80

* Includes Rs. 1.19 Crore on acquisition of subsidiaries during the year

SCHEDULE '15'
COST OF MATERIALS

Raw Material Consumption		615.88
Purchase of Finished Goods/Software		31.82
		647.70

SCHEDULES

SCHEDULE '16'
SALARIES, WAGES AND EMPLOYEE BENEFITS

	2001-02 Rs. in Crores
Payments to & Provisions for Employees:	
Salaries, Wages and Bonus	111.03
Contribution to Provident & Other Funds	14.39
Other Benefits	6.95
Expatriation Expenses	9.33
	141.70

SCHEDULE '17'
MANUFACTURING, SELLING AND OTHER EXPENSES

Consumption of Stores & Spares	77.95
Power & Fuel	113.06
Processing Charges	46.02
Software Develpoment exp.	3.95
Commission to Selling Agents	44.44
Brokerage & Discounts	7.22
Export Expenses	9.52
Advertisement	51.49
Transportation & Handling Charges	25.45
Other Selling Expenses	10.47
Bad debts & provisions for doubtful debts & advances	6.05
Repairs & Maintenance of:	
Buildings	3.78
Plant & Machinery	13.02
Others	2.05
Rent	7.40
Rates & Taxes	1.57
Insurance	4.05
Donations	0.60
Directors' Fees & Travelling Expenses	0.06
Research & Development Expenses	0.54
Provision for diminution in value of investments	1.08
(Profit) /Loss on sale / discard of Fixed Assets (Net)	(0.71)
Investment advisory fees	0.42
Exchange fluctuation on consolidation	0.55
Miscellaneous Expenses	51.29
	481.32
Less:	
Insurance Claims	5.45
Unspent Liabilities, Excess provisions and unclaimed balances in respect of earlier years written back (net of short provisions and sundry balances written off)	7.16
	12.61
	468.71

SCHEDULE '18'
INTEREST AND OTHER FINANCE EXPENSES

Interest	
On Debentures and Fixed Loans	41.95
Others	18.99
Other Finance Expenses	4.92
	65.86
Less: Interest Income	
On long term Securities	1.13
Others	16.05
	48.68

SCHEDULE '19'

SIGNIFICANT ACCOUNTING POLICIES ON CONSOLIDATED FINANCIAL STATEMENTS

A. BASIS OF CONSOLIDATION

BASIS OF PREPARATION

The consolidated financial statements are prepared in accordance with Accounting Standard 21 on Consolidated Financial Statements issued by the Institute of Chartered Accountants of India.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements comprise the financial statement of Indian Rayon And Industries Limited (The Holding Company) and its subsidiaries. The financial statements of all the companies are in line with generally accepted accounting principles in India. All Inter Company transactions have been eliminated on consolidation.

COMPANIES INCLUDED IN CONSOLIDATION:

	Country of incorporation	Proportion of ownership	Reporting period (Months)	Consolidated period with Parent
Birla Sun Life Insurance Company Limited (BSLICL)	India	70.00%	12	12
Aditya Vikram Global Trading House Limited (AVGTHL)	Mauritius	100.00%	15	12
Laxminarayan Investment Limited (LNIL)	India	100.00%	12	12
Rajnidhi Finance Limited (RFL)(Subsidiary of LNIL)	India	100.00%	12	12
PSI Data Systems Limited. (PSI) (Acquired on 24.10.2001)	India	70.35%	15	6
Birla Technologies Limited (BTL) (Subsidiary of PSI) (Acquired on 6.2.2002)	India	70.29%	12	2

CONSOLIDATION OF FOREIGN SUBSIDIARY

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

OTHER SIGNIFICANT ACCOUNTING POLICIES

Most of the accounting policies of the holding company and that of the subsidiaries are similar. However, since certain subsidiaries are in the business which are distinct from that of the holding company and function in a different regulatory environment, certain policies such as in respect of investments, depreciation/amortisation etc. differ. The accounting policies followed by the subsidiaries and holding company are disclosed in their respective financial statements annexed in this annual report.

B. NOTES ON ACCOUNTS

	Rs. in Crores
1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for (Net of advances)	7.31
2. Contingent Liabilities not provided for in respect of :	
a) Claims for taxes and other items not acknowledged as debts, estimated at	77.08
b) Bills/Cheques discounted with Banks	57.21
c) Corporate Guarantees given to Banks/Financial Institutions for loans taken by associates companies.	77.03
d) Custom duty on capital goods and raw material imported under advance licencing /EPCG scheme, against which export obligation to be fulfilled.	6.79
3. The Holding company has taken some assets on Finance Lease basis prior to 1st April,2001. Future Lease Rental obligations in respect of these assets is Rs. 0.42 Crores and Lease Rent payable within a year is Rs.0.27 Crores	0.42
4. During the year, the Holding Company has taken certain plant and machinery on operating lease. The future minimum lease payment in respect of aforesaid lease payment as follows:	
a) Not later than one year	0.03
b) Later than one year and not later than five years	0.05
c) Later than five years	—

SCHEDULE '19' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES ON CONSOLIDATED FINANCIAL STATEMENTS

		Rs. in Crores
5.	Capital Work in Progress include advances against Capital Expenditure	3.05
6.	Amount of exchange difference (net) :	
	– included in additions to the fixed assets	—
	– debited / (credited) to the Profit and Loss account	(3.62)
	– to be debited / (credited) in the Profit and Loss accounts of subsequent year in respect of forward contracts	0.20

7. Considering the strategic and long term nature of the investments and asset base of the investee companies, in the opinion of the management, the decline in the market value of certain quoted investments and the book value of certain unquoted investments is of temporary nature and requires no provisioning.

8. The Holding company had decided to exit the Sea Water Magnesia business in the accounting year 1999-2000 and accordingly the unsold assets as on 31st March, 2000 were brought down to their realizable value. During the year, it had signed a memorandum of understanding for disposal of land and other infrastructure facilities. The disposal process has since been completed and sales proceed realized. The unsold assets as on 31st March, 2002 were revalued at the year end at their realizable value. As disposal process has been completed substantially, the net surplus of Rs. 8.91 crores has been credited to Profit and Loss Account and disclosed as an exceptional item.

9. a) The Holding company and its subsidiaries have adopted Accounting Standard 22 – Accounting for Taxes on Income w.e.f. 1.4.2001. The accumulated net deferred tax liability amounting to Rs. 75.59 Crores on account of timing differences between book and tax profit as on 31.3.2001 has been charged to the General Reserve.

   b) Deferred Tax Liability / (Assets) at the year end comprise:
   Timing difference on account of :

Depreciation	132.65
Expenditure/Provisions allowable	(9.73)
MAT credit available for set-off in future years	(21.72)
	101.20

10. Disclosure in respect of Related Parties pursuant to Accounting Standard 18
Related Party Disclosures

a) List of Related Parties

i) Joint Ventures

Bina Power Supply Co. Ltd.
IDEA Cellular Limited (Formerly Birla Tata AT&T Ltd.)
Indo Gulf Corporation Ltd.
Mangalore Refinery & Petrochemicals Ltd.
Rosa Power Supply Co. Ltd.

ii) Associates

Alpha Garments Pvt. Ltd.
Classical Menswear Pvt. Ltd.
Crafted Clothing Pvt. Ltd.
Design Knitwear Pvt. Ltd.
English Apparels Pvt. Ltd.
Europa Garments Pvt. Ltd.
Harwood Garments Pvt. Ltd.
Perfect Apparels Pvt. Ltd.

iii) Other Companies

Accelerex Limited, UK

iv) Key Management Personnel and enterprises having common key management personnel

Key Management Personnel

Mr. K. K. Maheswari, Manager (Indian Rayon And Industries Limited)
Mr. Ashok Sand, Manager (Birla Technologies Limtied)
Mr. Nagendra Venkaswamy, MD and Manager (PSI Data Systems Limited)
Mr. Nani Zaveri, Chief Executive Officer & Manager (Birla Sun Life Insurance Company Limtied)

Enterprises having common key management personnel

Tanfac Industries Ltd.

SCHEDULE '19' (Contd.)

SIGNIFICANT ACCOUNTING POLICIES ON CONSOLIDATED FINANCIAL STATEMENTS

Rs. in Crores

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

i)	Sales, Services and other income	
	Associates	0.83
	Joint Ventures	9.00
	Enterprise having common key management personnel	3.54
ii)	Purchase of Goods and Services	
	Associates	34.98
	Joint Ventures	3.18
iii)	Purchase of Fixed Assets	
	Joint Ventures	0.01
iv)	Provision for Doubtful Debts	
	Other Companies	0.07
v)	Sale of Fixed Assets	
	Enterprise having common key management personnel	0.01
vi)	Managerial Remuneration	2.10
vii)	Fresh Investments made	
	Associates	0.14
viii)	Gross Loans to	
	Associates	5.94
	Joint Ventures	67.00
ix)	Loans from	
	Joint Ventures	5.25
x)	Guarantees provided for	
	Associates	6.14
xi)	Outstanding balances as at 31st March, 2002	
	Amounts Receivable	
	Associates	8.01
	Joint Ventures	3.55
	Enterprise having common key management personnel	0.20
	Key Management Personnel	0.08
	Amounts Payable	
	Associates	3.20
	Guarantees provided for	
	Associates	14.14
	Investments in	
	Associates	0.38
	Joint Ventures	200.74

SCHEDULE '19' (Contd.)
SIGNIFICANT ACCOUNTING POLICIES ON CONSOLIDATED FINANCIAL STATEMENTS

11. SEGMENT DISCLOSURES FOR THE PERIOD ENDED 31ST MARCH, 2002 — Rs. in Crores

(I) Primary Segments - Business	Garments	Rayon (Includes Caustic soda and allied Chemicals)	Carbon Black	Insulators (Includes Bushings, lighting & Surge Arrestors)	Textiles (Includes Spun Yarns Fabrics and Hose Pipes)	Insurance	Software	Others	Gross Total	Inter Segment Elimination	Net Total
a Segment Revenue #											
Sales to External Customers	381.57	265.89	322.65	211.13	327.68	8.37	37.60	43.57	1598.46		
Inter Segment Revenue	—	0.05	0.10	0.12	0.83	—	0.10	10.84	12.04		
Total Segment Revenue	381.57	265.94	322.75	211.25	328.51	8.37	37.70	54.41	1610.50	(12.04)	1,598.46
b Segment Result (PBIT)	(7.74)	29.61	45.00	38.68	11.09	(36.10)	(10.63)	4.08	73.99	—	73.99
Less:-Interest and Finance charges											48.68
Add:- Unallocable income net of Unallocable expenditure											1.30
Profit before Tax and Exceptional items											26.61
Exceptional Items											
Voluntary Retirement cost at Textiles											7.58
Surplus on sale of Assets under disposal											(8.91)
Profit before tax											27.94
Provision for Current Tax											6.46
Provision for Deferred Tax											25.61
Profit after Tax											(4.13)
Minority Interest											(14.16)
Net Profit											10.03
c Carrying amount of Segment Assets	285.00	324.00	342.18	167.89	189.61	151.46	65.65	110.89	1636.68	(0.78)	1,635.90
Unallocated Assets											364.96
Total Assets											2,000.86
d Carrying amount of Segment Liabilities	58.57	39.62	38.90	29.38	19.26	46.80	19.12	5.08	256.73	(0.78)	255.95
Unallocated liabilities											633.14
Total Liabilities											889.09
e Cost incurred to acquire Segment fixed assets during the year	5.32	4.67	5.84	3.37	9.53	12.31	2.66	2.06	45.76	—	45.76
Unallocated assets											0.25
f Depreciation/Amortization of the year	13.15	19.85	12.93	6.07	19.42	5.21	2.61	6.11	85.35	—	85.35
Unallocated depreciation											0.39

(II) Secondary segment – Geographical

Revenues:

Domestic Revenues	1,142.75
Exports Revenues	455.71
Total	1,598.46

Operating facilities:
The assets of the subsidiaries and the holding company are mostly located in India except assets of Rs. 54.3 crores in respect of Mauritius subsidiary which are situated outside India.

\# Inter segment revenues are recognised on arm's length basis.

12. Earnings per Share (EPS) is calculated as under : — Rs. in Crores

a) Numerators - Net Profit as disclosed in Profit & Loss account	10.03
b) Denominators - Weighted average number of Equity Shares outstanding	
– Basic	59,876,742
– Diluted	59,934,013
c) Nominal value of Shares (in Rs.)	10

ADESH GUPTA
President & CFO

DEVENDRA BHANDARI
Company Secretary

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

Mumbai, 6th May, 2002

CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

CONSOLIDATED CASH FLOW STATEMENT OF INDIAN RAYON AND INDUSTRIES LTD. AND ITS SUBSIDIARY COMPANIES FOR THE YEAR ENDED 31ST MARCH, 2002

(Rupees in Crores)

	PARTICULARS		2001-02	
A	CASH FLOW FROM OPERATING ACTIVITIES			
	Net Profit before tax & extra-ordinary items		26.61	
	Adjustments for :			
	Minority Interest	14.16		
	Depreciation	81.81		
	Voluntary Retirement Scheme	(7.58)		
	Marketing & Technical know-how written-off	3.93		
	Interest Expenses (Net)	48.68		
	(Profit) / Loss on Fixed Assets sold	(0.71)		
	(Profit) / Loss on Sale of Investments	0.20		
	Diminution in value of investments	1.08		
	Dividend Income	(5.05)	136.52	
	OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES		163.13	
	Adjustments for:			
	Decrease / (Increase) in trade and other receivables	(53.19)		
	Decrease / (Increase) in inventories	10.00		
	Increase / (Decrease) in trade and other payables	64.44	21.25	
	CASH GENERATED FROM OPERATIONS		184.38	
	Income Taxes paid (net)		(5.80)	
	NET CASH FROM OPERATING ACTIVITIES			178.58
B	CASH FLOW FROM INVESTING ACTIVITIES			
	Proceeds from Sale of Fixed Assets		2.91	
	Proceeds from Sale of Assets held for disposal		14.97	
	Proceeds from Sale/Redemption of Investments		9.66	
	Interest Received		16.29	
	Dividend Received		5.05	
	(Increase) / Decrease in Corporate Deposit		(5.00)	
	Purchase of Fixed Assets		(55.65)	
	Addition to Fixed Assets on acquisition of subsidiaries		(29.58)	
	Purchase of Investments		0.38	
	Goodwill on consolidation		(81.14)	
	NET CASH (USED IN)/FROM INVESTING ACTIVITIES			(122.11)
C	CASH FLOW FROM FINANCING ACTIVITIES			
	(Decrease) / Increase in minority interest		3.07	
	(Decrease) / Increase in policyholders fund		19.62	
	Proceeds from Borrowings		60.53	
	Repayment of borrowings (including premium on repayment)		(47.14)	
	Dividends paid (including tax thereon)		(19.79)	
	Interest and Finance Charges paid		(60.20)	
	NET CASH (USED IN)/FROM FINANCING ACTIVITIES			(43.91)
	NET INCREASE IN CASH AND EQUIVALENTS			12.56
	CASH AND CASH EQUIVALENTS (OPENING BALANCE)			18.55
	CASH AND CASH EQUIVALENTS (CLOSING BALANCE)			31.11
	Note:			
	Cash and cash equivalents include:-			
	Cash, cheque in hand and remittance in transit			5.66
	Balance with Scheduled Bank			20.11
	Balance with Non-Scheduled Bank			5.34
	Total			31.11

As per our attached Report of even date

For LODHA & CO.
Chartered Accountants

N. KISHORE BAFNA
Partner
Mumbai, 6th May, 2002

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

ADESH GUPTA
President & CFO

DEVENDRA BHANDARI
Company Secretary

Chairman: KUMAR MANGALAM BIRLA
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VIKRAM RAO

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

		Aditya Vikram Global Trading House Limited	Birla Sun Life Insurance Company Limited	Birla Technologies Limited	Laxminarayan Investment Limited	PSI Data System Limited	Rajnidhi Finance Limited
1.	The period of the Subsidiary Company	1st January, 2001 to 31st March, 2002	1st April, 2001 to 31st March, 2002	1st April, 2001 to 31st March, 2002	1st April, 2001 to 31st March, 2002	1st January, 2001 to 31st March, 2002	1st April, 2001 to 31st March, 2002
2.	Extent of Interest in Subsidiary Company						
	Equity Share Capital	US $ 8.50 lacs	Rs. 15000.00 Lacs	Rs. 980.04 Lacs	Rs. 1109.30 Lacs	Rs. 755.03 Lacs	Rs. 29.00 Lacs
	% Share held by Indian Rayon and Industries Limited and its Subsidiaries	100%	70%	99.91%	100%	70.35%	100%
3.	Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of Indian Rayon and Industries Ltd.	US $ in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs	Rs. in Lacs
	a) not dealt with in the Accounts of the Company						
	(i) For the financial year of the subsidiary	0.79	(2,527.16)	(178.95)	50.15	(470.15)	1.88
	(ii) For the previous financial years since it became the subsidiary of the Company	3.78	(574.07)	Not Applicable	130.01	Not Applicable	5.64
	b) dealt with in the Accounts of the subsidiary Company						
	(i) For the financial year of the subsidiary	Nil	Nil	Nil	Nil	Nil	Nil
	(ii) For the previous financial years since it became the subsidiary of the Company	Nil	Nil	Nil	Nil	Nil	Nil
4.	AdditionalInformation u/s 212 (5)	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Note : PSI Data Systems Ltd. holds 73.91% of equity share capital of 4600 shares of Rs. 1000/- in PSI Kalinga Ltd., Bhuvenshwar, Winding up proceedings are pending in Court against the said Company since 1990. As the Balance Sheet and Profit & Loss Account of the said subsidiary for the year ended 31st March, 2001 and 2002 are not available, the details pertaining to that Company are not given.

ADESH GUPTA
President & CFO

DEVENDRA BHANDARI
Company Secretary

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

Mumbai, 6th May, 2002

COMMENTARY OF THE DIRECTORS PERIOD ENDED 31 MARCH 2002

ACTIVITIES

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

RESULTS AND DIVIDEND

The Company's profit for the fifteen month period ended 31 March 2002 is USD 79,037.

With a view to conserve the cash for repayment of debt, the directors do not recommend the payment of a dividend for the period ended 31 March 2002.

STATE OF AFFAIRS

The state of the Company's affairs at the balance sheet date was satisfactory.

DIRECTORS

The present membership of the Board including appointments and resignations during the period are set out on page 1.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial year, which present fairly the financial position, financial performance and the cash flow of the Company. The directors are also responsible for keeping accounting records which:

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

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

AUDITORS

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

REPORT FROM THE SECRETARY TO THE MEMBERS OF ADITYA VIKRAM GLOBAL TRADING HOUSE LTD UNDER SECTION 166 (d) OF THE COMPANIES ACT 2001

We certify that we have filed with the Registrar all such returns as are required of the Company under the Companies Act 2001, which came into effect on 1st December 2001.

For International Financial Services Limited
CORPORATE SECRETARY

Mauritius, 3 May, 2002.

AUDITOR'S REPORT

TO THE SHAREHOLDERS OF

ADITYA VIKRAM GLOBAL TRADING HOUSE LTD

We have audited the financial statements set out on pages 2 to 9. (Page 91 and 92)

Respective responsibilities of directors and auditors

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

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by directors in the preparation of financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

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

Opinion

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

In our opinion:

- proper accounting records have been kept by the company as far as appears from our examination of those records; and
- the financial statements give a true and fair view of the financial position of the company as at 31 March 2002, and of its financial performance and cash flows for the period then ended, and comply with the Companies Act 2001 in so far as applicable to Category 1 Global Business Licence Companies and with internationally accepted accounting standards.

Deloitte & Touche
Chartered Accountants

Mauritius, 3 May, 2002.

BALANCE SHEET

AT 31 MARCH 2002

	Note	2002 USD	2000 USD
NON CURRENT ASSETS			
Intangible assets	4	11,251,667	12,340,000
CURRENT ASSETS			
Prepayments		2,625	3,500
Receivables		97,726	453,881
Interest accrued		—	8,165
Cash at bank		1,765	1,139,222
		102,116	1,604,768
CURRENT LIABILITIES			
Bank overdraft	6	1,004,422	—
Payables	5	92,640	463,684
Accruals		33,134	3,200
Loan	7	2,722,222	2,222,222
		3,852,418	2,689,106
NET CURRENT LIABILITIES		(3,750,302)	(1,084,338)
		7,501,365	11,255,662
CAPITAL AND RESERVES			
Share capital	8	850,000	850,000
Profit and loss account		456,921	377,884
SHAREHOLDERS' INTEREST		1,306,921	1,227,884
Loan	7	6,194,444	10,027,778
		7,501,365	11,255,662

INCOME STATEMENT

FOR THE FIFTEEN MONTHS FROM 1 JANUARY 2001 TO 31 MARCH 2002

	Fifteen months to 31 March 2002 USD	From 21 December 1999 to 31 December 2000 USD
INCOME		
Interest income	7,961	17,831
Agency commission	757,084	797,749
Technical assistance fees	2,196,087	1,634,817
	2,961,132	2,450,397
EXPENSES		
Establishment and administrative expenses	29,824	22,470
Agency commission	56,026	209,704
Interest and other finance charges	760,177	773,981
Design consultancy charges	366,162	75,962
Trademark registration fees	3,266	—
Salary	285,738	56,057
Audit fees	2,750	2,750
Amortisation of intangible assets	1,088,333	720,000
	2,592,276	1,860,924
PROFIT FOR THE PERIOD BEFORE TAXATION	368,856	589,473
Foreign taxation	(286,446)	(213,237)
Foreign exchange (loss)/gain	(3,373)	1,648
NET PROFIT FOR THE PERIOD AFTER TAXATION	79,037	377,884

STATEMENT OF CHANGES IN EQUITY

FOR THE FIFTEEN MONTHS FROM 1 JANUARY 2001 TO 31 MARCH 2002

	Share capital USD	Profit and loss account USD	Total USD
Issue of share capital	850,000	—	850,000
Net profit for the period from 21 December 1999 to 31 December 2000	—	377,884	377,884
At 31 December 2000	850,000	377,884	1,227,884
Net profit for the period from 1 January 2001 to 31 March 2002	—	79,037	79,037
At 31 March 2002	850,000	456,921	1,306,921

Approved by the Board of Directors on

Kapil Dev Joory
Couldip Basanta Lala
DIRECTORS

Mauritius, May 3, 2002

NOTES TO THE ACCOUNTS
FOR THE FIFTEEN MONTHS FROM 1 JANUARY 2001 TO 31 MARCH 2002

1. INCORPORATION AND ACTIVITY

The company is incorporated in Mauritius under the Companies Act 1984 as a private company with limited liability. The main activity of the Company is to acquire brand, technical know-how and undertake other activities, carry on business of general merchant and traders, Manufacturers' agents and representatives to enhance the global presence of the holding company.

2. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable International Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

(a) Basis of accounting

The financial statements are prepared under the historical cost convention on an accruals basis and is in accordance with International Accounting Standards.

(b) Intangible assets

Intangible assets are stated at cost and permanent impairment, if any, is provided for. Intangible assets are amortised over 15 years.

(c) Transactions in foreign currencies

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

(d) Cash and cash equivalents

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

(e) Preliminary expenses

The preliminary expenses of the Company are written off to the profit and loss account in the year in which they arise.

(f) Interest income

Interest income is recorded on an accruals basis.

3. TAXATION

The Company is liable to income tax in Mauritius at a rate of 15% against which foreign tax credit is available in respect of tax withheld in India on payments of income to the Company. For the period ended 31 March 2002, no provision for income tax payable has been made in view of foreign taxation suffered.

4. INTANGIBLE ASSETS

The Company had acquired ownership / permanent / exclusive rights to use of brands / trademarks along with the technical know-how.

In accordance with IAS 38, the intangible assets will be amortised over 15 years.

	At 31 March 2002 USD	At 31 December 2000 USD
Intangible assets	12,340,000	13,060,000
Less: Amortisation	(1,088,333)	(720,000)
Net book value of intangibles assets	11,251,667	12,340,000

5. PAYABLES

Upfront fee on term loan	—	11,250
Other payables	4,100	—
Interest accrued	75,206	366,960
Licensing support services payable	—	58,995
Design consultancy fee payable	13,334	26,479
	92,640	463,684

6. BANK OVERDRAFT

Bank Overdraft is secured on lien of funds with HSBC OBU received from the parent company.

7. LOAN

The Loan of USD 12.25 million is secured and guaranteed by holding company and on assets of the Company. These loans are repayable in full in nine equal semi-annual instalments and carry interest 1% to 1.3% over Libor rate, payable on half-yearly basis.

	At 31 March 2002 USD	At 31 December 2000 USD
Amount payable in less than one year	2,722,222	2,222,222
Amount payable between two to five years	6,194,444	10,027,778
USD	8,916,666	12,250,000

8. SHARE CAPITAL

	At 31 March 2002 and 31 December 2000 USD
Authorised 1,000,000 Ordinary shares of USD 1.00 each	1,000,000
Issued and fully paid 850,000 Ordinary shares of USD 1.00 each	850,000

9. FINANCIAL INSTRUMENTS

Fair values

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

10. REPORTING CURRENCY

The financial statements are presented in United States Dollar. Holders of qualified Global Business Licence are required to carry on business activity in currency other than the Mauritian Rupee.

11. CHANGE IN LEGISLATION

The Companies Act, 1984 and the Mauritius Offshore Business Activities Act, 1992 have been repealed as from 1 December, 2001. They have been replaced by the Companies Act, 2001 and the Financial Services Development Act, 2001.

Under the Companies Act 2001, the Company now holds a category 1 Global Business Licence and is regulated by the Financial Services Commission.

12. HOLDING COMPANY

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

CASH FLOW STATEMENT
FOR THE FIFTEEN MONTHS FROM 1 JANUARY 2001 TO 31 MARCH 2002

	Fifteen months to 31 March 2002 USD	From 21 December 1999 to 31 December 2000 USD
Cash flows from operating activities		
Profit for the period before taxation	368,856	589,473
Adjustments for:		
Amortisation of intangible assets	1,088,333	720,000
Foreign taxation paid	(286,446)	(213,237)
Foreign exchange (loss)/gain	(3,373)	1,648
Interest income	(7,961)	(17,831)
Operating profit before working capital changes	1,159,409	1,080,053
Decrease/(Increase) in prepayments	875	(3,500)
Decrease/(Increase) in receivables and interest accrued	364,320	(462,046)
Increase in accruals	29,934	3,200
(Decrease)/Increase in payables	(371,044)	463,684
	24,085	1,338
Cash generated from operations	1,183,494	1,081,391
Cash flows from investing activities		
Acquisition of intangible assets	—	(13,060,000)
Interest income	7,961	17,831
	7,961	(13,042,169)
Cash flows from financing activities		
Proceeds from issue of shares	—	850,000
Loan repaid	(3,333,334)	12,250,000
Net cash absorbed by financing activities	(3,333,334)	13,100,000
Net (decrease)/increase in cash and cash equivalents at end of period	(2,141,879)	1,139,222
Cash and cash equivalents at 1 January 2001	1,139,222	—
Cash and cash equivalents at 31 March 2002	(1,002,657)	1,139,222

Directors' Report

To the Members

Your Directors have pleasure in presenting the Second Annual Report together with the audited Balance Sheet as at March 31, 2002, the Profit and Loss Account, Cash Flow Statement, Auditor's Report, Management Report and the Report of the Board of Directors to the members for the financial year ended March 31, 2002.

BSLI having commenced operations on March 19, 2001 has completed a successful year of selling life and group insurance products in the Indian market.

BSLI is a joint venture between Aditya Birla Group of India and Sun Life Financial of Canada. The Aditya Birla Group is a premier business house and has operations in India, South-east Asia and Canada. Sun Life Financial offers life assurance products and wealth management services to individuals and groups. The joint venture partners intend that the Company should be among the first three players in the insurance sector and be recognised as a leading integrated provider of insurance solutions.

The Company has geared up through superior value creation and technology in fulfilling its aims to provide multiple products and benefits, greater investment opportunities and to provide the vast investor populace in India with better liquidity and security.

The members of your Company have subscribed to a further issue of 30000000 shares of Rs.10/- each amounting to Rs.30 crores. The authorised share capital as on March 31, 2002 stands at Rs.200 crores with a paid up share capital of Rs.150 crores.

The Insurance Regulatory and Development Authority ('IRDA') has renewed the Certificate of Registration of Birla Sun Life Insurance Company Limited to sell life insurance products in India for the year 2002-2003 vide its Certificate of Renewal of Registration no.032 dated January 15, 2002. The renewed registration is w.e.f. April 1, 2002 and is valid upto March 31, 2003.

The Company has incurred a loss in the financial year 2001-2002 amounting to Rs.36.10 crores. This loss is substantially less than that expected at the time of the Company's launch in March 2001. A summary of the financial results of the Company is as under:

Particulars		Rs. (in '000)
Income		
Premium Income (net)		267949
Income from investments		
❖ Policyholders	8849	
❖ Shareholders	83735	92584
		360533
Less: **Expenses**		
Benefits paid	3020	
Expenses other than related to insurance	4156	7176
Commission		44097
Operating expenses		429456
Depreciation		52102
Provision for actuarial liability		188726
		721557
Loss for the current year		(361024)
Add: Loss Brought Forward from last year		(83198)
Total Loss as on date		(444222)

Dividend

The Company has incurred a loss in the financial year 2001-2002 and hence the Directors are unable to recommend any dividend.

Current Operations, Future Prospects and Strategy

The transition of the insurance industry in December 1999 from a public monopoly to a competitive environment now presents very interesting opportunities both to the new private insurance players and to the customer. The new insurance players, most of which are joint ventures with the biggest global names in the life insurance industry, have an opportunity to innovate and apply their learning and experiences from the overseas market and the customer now has greater choice in choosing a provider and a solution fulfilling his/her insurance needs. The success of the private players will depend to a great extent on their ability to effect a change in the attitude of the target population towards life insurance.

The life insurance industry in India has been witnessing a 18-20% growth in premiums for the last three-four years and it is expected to continue to grow at least at the same rate if not more, with the entry of the private players. In fact based on the preliminary numbers for the current year the growth seems to be over 25%.

Insurance as a risk mitigating tool is still not a well accepted concept in India. The Indian life insurance is currently lagging behind the international life insurance markets, in the level of awareness, the level of insurance penetration, the products, the service standards, the distribution models, etc. People need to be educated about the need for insurance in the various stages of life and the products offered by the life insurance industry to meet those specific needs, whether it be savings, retirement or pure protection products. Nevertheless, the pace at which the market is now expected to grow, it is not going to be long before the local market catches up with the international markets.

The life insurance market is gradually becoming a 'buyer's market', with the customer having an option to choose from the products offered by a number of private players in addition to Life Insurance Corporation of India. The focus of the new players is on better 'Customer Service'. Information Technology is going to play a key role here and it will not only improve customer service levels considerably but also complement or supplement distribution channels in a cost effective way. Only those companies which can respond to customers' needs faster and better will survive. The Company is striving for improved customer relations leading to customer retention and continued sales with a strong information technology backup.

The new players are expected to focus on developing alternative distribution models including sales through corporate agents, brokers, bancassurance, internet and call centers. But the traditional 'agency' model is expected to be the major source of distribution for sometime to come. The traditional insurance agents are now being positioned as Insurance Advisors who will gradually move on to become Financial Advisors and be able to advise the clients on all aspects of their financial planning needs.

The Company is keen on spotting emerging trends and capitalize on these for the benefit of its customers. New products are going to be offered, designed to meet specific needs of the clients. The Company intends to be a leader in product innovation and was the first Company to offer unit linked products with investment options and group superannuation plans. These options allow the customers to choose the type of funds to invest in, based on their risk appetite.

The Company is aiming to provide life insurance products to meet the various needs of an individual over his lifetime. The Company is working on other Individual life and Group products to be launched over a period of time including individual pensions. Apart from this the Company also intends to suitably package its existing products to meet specific customer needs and the first one of those - "Young Scholar" has already been launched. It is designed to provide funds for the educational needs of children when they grow up. The Company has set up superior underwriting processes and infrastructure which have been very well appreciated by its clients. Very high policy servicing standards are maintained and 75% policies are settled within six to seven days.

The Union Budget 2002 proposed a few changes which affect the life insurance industry. The same have been amended consequently. The gist of the changes affecting the insurance Industry are as under:

- The investment limits under Section 88 have been enhanced to Rs.1 lac. The rate of rebate has been rationalized to 15% for people with taxable income above Rs.1.5 lacs and withdrawn for people with taxable income above Rs.5 lacs. The Company does not perceive any major impact since the Company is looking at selling its products more as investment and protection solutions than tax solutions.
- Levy of service tax @ 5% on life insurance and its auxiliary services - The insurance industry along with IRDA represented to the Finance Ministry to reconsider its proposal to levy service tax @ 5% on life insurance and its auxiliary services since the life insurance premiums include investment component and it would not be fair to levy service tax on the latter. The Ministry of Finance has now limited the levy of Service Tax only to the Risk Premium portion. A clarification in respect of the mode of applicability of service tax is awaited.

Regulatory Sanctions: A Bill to amend the Insurance Act, 1938, called Insurance (Amendment) Bill, 2001 has been introduced in the Lok Sabha on August 17, 2001 and the same is pending approval of Parliament. The Insurance (Amendment) Bill, 2001, inter alia contains provisions relating to payment of commission and fee for insurance intermediaries, allowing flexibility on the eligibility qualifications for corporate agents, allowing a more flexible mode of payment of premium through credit cards, smart cards, internet, etc., inclusion of insurance co-operative societies to be deemed as insurers, change in the allocation of surplus of life insurance business and consequential amendments for the smooth functioning of the sector.

Products

The Company has received expeditious licensing and product approvals from the Insurance Regulatory and Development Authority. The products have been very well received by the sales force as well as by clients. The Company currently offers the following products:

Individual Life Business

- BSLI Solutions - Endowment, Moneyback and Whole life
- Riders (Critical Illness, Accidental Death and Dismemberment, Term)
- Standalone Term
- Rural Product
- Young Scholar

Group Life Business

- Single Premium Group Superannuation product
- Birla Sun Life Group Protection Solutions
- Single Premium Group Level Term Policy

Distribution Channels

BSLI has attained nationwide presence with twelve branches located in major cities and it proposes to open many more branches in the next financial year in a planned manner.

Direct Sales Force

The Company has a Direct Sales Force (DSF) of nearly 2000 high quality, licensed insurance advisors and 118 Agency Managers in major cities and towns in India who are the flag bearers of the Company.

The Company has set very high recruitment standards for Insurance Advisors and the quality of field organisation is its paramount concern. It has achieved 98.6% - the highest percentage of passing in the pre-licensed examination for insurance advisors among all insurance companies in India. It has conducted more than 100 in-house training sessions for Insurance Advisors and Agency Managers. The high average face amount and high average premium size have translated into very good earnings for Insurance Advisors and Agency Managers. The Company aims to focus on high productivity and minimum attrition and thereby optimize recruitment and training costs of Insurance Advisors.

The Company takes great pleasure in informing you that six of its insurance advisors have qualified for the prestigious Million Dollar Round Table (MDRT), one of the highest international honours in the life insurance industry.

Group Business

The Company commenced group insurance business in October 2002 with Group Protection Solutions and has already insured 26 groups in the first six months of the product launch.

Retirement products including Group Gratuity, Group Superannuation and Group Savings are proposed to be launched soon. The Group Superannuation product has already received IRDA approval. The recent Income Tax notification extends tax relief to companies whose superannuation and gratuity funds are managed by private insurers. This is expected to increase market potential in the next financial year.

Alternate Channels

The Alternate Channels commenced full-fledged operations in May 2001 with two premier corporate distributors on a nationwide basis. The number of distributors has increased to 40 spread over more than 15 locations. In the current financial year, your Company would be taking these initiatives forward and looking at substantial premium income from this Channel. The anticipated amendments to the insurance regulations governing corporate agencies would enable the Company to exploit the potential offered by these distributors. There has been a significant effort to have a variety of distributor relationships in addition to major agencies of Citibank, Deutsche Bank and Birla Sun Life Distribution Company Limited to broadbase the channel performance.

Alternate Channels has also strongly focused on web-enabled services. The Company's website - www.birlasunlife.com offers a variety of online services to customers and insurance advisors. Your Company plans to make this web site a full fledged e-commerce site.

Business Development

During the year, various initiatives have been taken to develop and build the brand of the Company in the competitive insurance market scenario. The Company has commenced an aggressive business development strategy by issuing advertisements through the print, outdoor and radio media.

The image perception ranking undertaken by ORG MARG in September 2001 and March 2002 placed your Company as one of the best life insurance companies in India. Though the marketing spend of the Company ranked sixth/seventh in the industry, in perception the ranking was higher. A policyholders' research undertaken in January 2002 reflected a high level of satisfaction with all touch points within the organization.

The Company has built a distinctive market presence through focused advertising and publicity. Press releases were arranged regularly to support the launch of new products and branch office openings.

The Company has also sponsored programmes that have enhanced the lives of many individuals like the Terry Fox run, FICCI seminars on insurance and finance, Indo Canadian and Indo American awards function among others.

Commitment to Society

During the year 2001-2002, the Company's commitment to society and its welfare continued unabated and manifested itself beyond fiscal performance. The Company has tried to make a difference to the lives of the underprivileged by making them more secure and reliant in tandem with fulfillment of the regulatory requirements of insurance laws.

Rural and Social Sector obligations

All insurers are required to transact business in the rural and social sector(s) of the country as defined in the Insurance Regulatory and Development Authority regulations. The Company takes more than adequate steps to ensure that these requirements are not just fulfilled but surpassed since one of the Company's manifold objectives is to improve the quality of life of the people of India.

Rural Sector: The Company launched its rural product 'Birla Sun Life Bima Kavach Yojana' at Renukoot through the support of Hindalco's (Aditya Birla Group) Rural Development Team on October 2, 2001. The Company sold 2005 policies thereby surpassing its rural business by a fair margin.

Social Sector: The Company launched its social sector product 'Group Term Insurance Cover' on October 30, 2001. The Company covered a total of 8174 lives well in excess of the mandatory requirement of 7650 lives. Indian Rayon and Industries Limited (Aditya Birla Group) provided support in this area.

Particulars Of Employees

The particulars of employees, as required by Section 217(2A) of the Companies Act 1956, within the purview of Section 217(2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, are given in a separate Annexure to this Report.

Statutory Disclosure of Particulars

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

The Company has however used information technology extensively in its operations leading to enhanced quality service. The web interface of the policy administration system integrated with the accounting system, the stand alone point of sale illustration system and the e-services on the Company's website are stepping stones of the IT strategy.

The Company recorded an outgo of Rs.1,249,175.50 in foreign exchange in 2001-2002.

Auditors

The Statutory Auditors, M/s S B Billimoria & Co, Chartered Accountants, would be retiring at the conclusion of the forthcoming Annual General Meeting. They have expressed their willingness to continue as the Statutory Auditors, if reappointed at the Annual General Meeting and hold office until the conclusion of the next Annual General Meeting.

The Company has received a certificate from the Statutory Auditors to the effect that their appointment, if made, would be within the prescribed limits under Section 224(1-B) of the Companies Act, 1956.

The members are requested to consider their re-appointment, at a remuneration to be decided by the Board of Directors, for the financial year ending March 31, 2003, as set out in the notice convening the Annual General Meeting.

Auditors' Report

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

Board of Directors

The composition of the Board as at March 31, 2002 is as follows:

1. Mr. K M Birla
2. Mr. Donald A Stewart
3. Mr. B N Puranmalka
4. Mr. Douglas C Henck
5. Mr. S K Mitra
6. Mr. Gary M Comerford
7. Mr. Suresh N Talwar

Mr. Vijay Singh, representative of Sun Life Financial on the Board of the Company, was appointed as the Manager of the Company in the meeting of the Board of Directors held on June 19, 2001. He held the position till December 3, 2001.

Mr. Nani B Javeri was appointed as Manager and Chief Executive Officer with a five year tenure effective December 4, 2001 in place of Mr. Vijay Singh. Requisite approval of shareholders for the appointment of and remuneration payable to Mr. Nani Javeri is being sought at the ensuing Annual General Meeting.

Mr. K M Birla and Mr. B N Puranmalka, Directors of your Company, are liable to retire by rotation at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment as Directors of the Company. Your Directors recommend their re-appointment.

Mr. Suresh N Talwar and Mr. Gary M Comerford were appointed as Additional Directors during the year under review.

Mr. Suresh N Talwar, Partner, Crawford Bayley & Company, has been appointed as an Independent Director nominated by the shareholders.

Mr. Gary M Comerford, Vice President, International Marketing, has been appointed as a nominee Director of Sun Life Financial (India) Insurance Investments Inc.

Mr. Suresh N Talwar and Mr. Gary M Comerford hold office upto the date of the next Annual General Meeting of the Company and are eligible for re-appointment as Directors of the Company. They are proposed to be re-appointed as Directors under Section 256 of the Companies Act, 1956.

Management Report

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

Appointed Actuary's Certificate

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

Solvency Margin

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

Executive Committee

The Executive Committee comprising of the following Directors viz., Mr. B N Puranmalka, Mr. S K Mitra, Mr. Douglas C Henck and Mr. Gary M Comerford, considers general policy issues for the operations of the Company.

Audit Committee

The Audit Committee constituted under the provisions of Section 292A of the Companies Act 1956, and comprising of four Directors viz., Mr. B N Puranmalka, Mr. S K Mitra, Mr. Douglas C Henck and Mr. Gary M Comerford met four times in the financial year 2001-2002 on April 6, 2001, September 11, 2001, December 6, 2001 and January 28, 2002, to review the adequacy of system of internal controls, scope of audit and observations of auditors thereon, compliances with legislative and regulatory requirements besides laying down policies and procedures for the operational management of the Company.

The Audit Committee places on record its appreciation of the contribution of Mr. Vijay Singh during his tenure as member of the Committee and welcomes Mr. Gary M Comerford as a member in his place.

Investment Committee

The Investment Committee comprising of the following viz., Mr. B N Puranmalka, Mr. S K Mitra, Mr. Nani Javeri, Mr. Peter J Akers (Chief Actuary as his alternate), Mr. Snehal Shah and Mr. Anthony Fenn met four times in the financial year 2001-2002 viz., on May 15, 2001, July 24, 2001, December 7, 2001 and January 24, 2002, to review the investment policies and procedures of the Company.

The Investment Committee places on record its appreciation of the contribution of Mr.Vijay Singh during his tenure as member of the Committee and welcomes Mr. Gary M Comerford as a member in his place.

Corporate Governance

Your Company is endeavouring to lay the foundation for good corporate governance by envisaging the attainment of highest levels of transparency, compliance, accountability and equity in all facets of its operations.

The Board as the center of corporate governance, functions independently from the executive management. The Board has delegated all operational powers to the Chief Executive Officer & Manager. Keeping in mind the requirements stipulated in the Corporate Governance Code, the Board of Directors have a majority representation of non-executive Directors. The Chairman of the Board is a non-executive Director. The Chief Executive Officer is not a member of the Board.

The Board comprising seven Directors meets on a regular basis and invariably meets every quarter. The Board met five times in the financial year 2001-2002 on April 16, 2001, June 19, 2001, September 11, 2001, November 20, 2001 and January 29, 2002 to review strategic operations, technological and financial matters besides laying down policies and procedures for the operational management of the Company.

Directors' Responsibility Statement

Your Directors report that,

- ➢ The annual accounts have been prepared in accordance with applicable accounting standards and there have been no material departures from the same;
- ➢ The Company has selected accounting polices and applied them consistently and has made judgements and estimates that are reasonable and prudent and provide a true and fair view of the state of affairs of the Company as on March 31, 2002 and of the loss for the year ended on March 31, 2002;
- ➢ Proper and sufficient care has been taken to maintain adequate accounting records and safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- ➢ The accounts of the Company are prepared on a going concern basis. Other accounting policies are stated in the notes to the accounts which form an integral part of the annual accounts.

Acknowledgements

The Board of Directors would like to express its gratitude for the unstinting support, advice and financial backing from the Aditya Birla Group and Sun Life Financial.

The Board records its immense appreciation of the valuable and exceptional contribution of Mr. Vijay Singh, Manager, towards the successful inception and operation of the Company.

The Board sincerely acknowledges the support and co-operation received from all the office bearers of IRDA.

The Board takes this opportunity to wholeheartedly thank all insurance agents (individual and corporate), the Birla Sun Life joint venture partners especially Birla Sun Life Distribution Company Limited, NIS Sparta, its training provider, bankers, vendors and service providers for providing their support and assistance. Your Company thanks them and regards them as partners in progress.

The dedication and involvement of the Company's employees has ensured that the Company will be fostered with greater strength and determination to meet the challenges that may come its way. Your Directors cherish and appreciate the commendable teamwork, exemplary professionalism and enthusiastic contribution of all the employees of your Company.

And last but not in the least, the Directors wish to thank the customers of the Company who have contributed to and reposed their confidence in the Company and its product strategies.

Your Board is confident that such continued commitment and dedication will go a long way in realizing its vision of fulfilling and servicing the needs of the customer.

For Birla Sun Life Insurance Company Limited

Donald A Stewart Chairman	B N Puranmalka S K Mitra Director

Date: April 26, 2002

Place: Mumbai

Annexure to Directors' Report

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

(Forming part of the Report of the Directors)

Sr. No.	Name	Qualifications	Age (Years)	Designation and Nature of duties	Remuneration Received Gross (Rs.)	Remuneration Received Net (Rs.)	Experience (Years)	Date of Commencement of Employment	Particulars of last Employment
1	Nani Javeri#	B.A.	56	CEO	4635027	3363225	36	03.12.2001	Oman International Bank
2	M.C.Raisinghani	B.E.(Electronics)	56	Vice-President	2030300	1452114	28	01.04.2001	Birla Global Finance Ltd.
3	Emile Goviea	B.A.	50	Associate Director	2123697	1519004	25	01.04.2001	LIC of India.
4	K.S.Gopalakrishnan	Fellow-Institute of Actuary- London, Fellow-Actuary Society - India, Associate Society of Actuary-US. Fellow of Insurance, B Sci.	39	Associate Director	2370710	1762608	18	01.04.2001	ICICI Ltd.
5	Anjana Grewal	MMS , Bachelor Chemical Engg.	48	Assoicate Director	2633258	1909998	22	01.04.2001	Global Trust Bank Ltd.
6	P.Nandagopal	MBA, Fellow of Insurance , Associate Company Secretary. B.Com.	41	Associate Director	2103016	1609936	19	01.04.2001	Birla Sun Life Distribution Co. Ltd.
7	Jaskirat Kaur	B.Sci	40	Associate Director	1261850	951446	17	01.04.2001	LIC of India.

Employed for a part of the financial year.

The names are arranged as per the seniority of the officials as at March 31, 2002.

Notes:
1. Rules and conditions of service include benefits of Provident Fund, Gratuity Fund, Superannuation Fund, Leave Fare Concession, Medical Benefits, etc. The gross remuneration includes Basic Salary, House Rent Allowance, Leave Encashment, Leave Travel Concession, Company's contribution to Provident Fund, Superannuation Fund and taxable value of perquisites, etc., (if eligible). Net remuneration is shown after deduction from gross remuneration of contribution to Provident Fund, Superannuation Fund, Professional Tax and Income Tax.
2. Designations and remuneration are as at March 31, 2002.
3. The employees are not related to any Director.
4. None of the employees by himself/herself along with his /her spouse and dependent children hold more than two per cent of the paid up capital of the Company.

Appointed Actuary's Certificates

I have valued the policy liabilities of Birla Sun Life Insurance Company Limited at 31 March, 2002, in accordance with accepted actuarial practice and in line with relevant professional guidance including that covering the selection of appropriate assumptions.

In my opinion, the amount of policy liabilities (Rs. 190,357,323 - net of reinsurance) makes appropriate provision for all policyholders' obligations, and the financial statements fairly present the result of the valuation.

Peter J Akers
Fellow of the Institute of Actuaries
Fellow of the Actuarial Society of India

AUDITORS' REPORT

TO THE MEMBERS OF
BIRLA SUN LIFE INSURANCE COMPANY LIMITED

We have audited the attached balance sheet of BIRLA SUN LIFE INSURANCE COMPANY LIMITED as at 31st March, 2002 and the profit and loss account, the revenue account, and the receipts and payments account of the company for the year ended 31st March, 2002. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

2. The balance sheet, revenue account and profit and loss account have been drawn up in accordance with the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations, 2002 read with Section 211 of the Companies Act, 1956. We draw attention to the note explaining the reasons for management not preparing a segmented balance sheet.

3. We report that:

   (a) We have obtained all the information and explanations, which, to the best of our knowledge and belief were necessary for the purposes of our audit;

   (b) In our opinion, proper books of account as required by law have been maintained by the Company so far as appears from our examination of those books;

   (c) The balance sheet, revenue account, profit and loss account and receipts and payments account referred to in this are in agreement with the books of account;

   (d) The actuarial valuation of liabilities is the responsibility of the Company's Appointed Actuary. The actuarial valuation of liabilities has been certified by the Appointed Actuary and, in his opinion, the assumptions for such valuation are in accordance with the draft guidelines and norms, issued by the Insurance Regulatory and Development Authority, and the Actuarial Society of India in concurrence with the Authority. We have relied on the Appointed Actuary's certificate for forming our opinion on the financial statements of the Company.

   (e) On the basis of written representations received from the directors and taken on record by the board of directors, none of the directors is disqualified, as on 31st March, 2002, from being appointed as a director in terms of clause(g) of sub-section (1) of Section 274 of the Companies Act, 1956.

   (f) In our opinion the balance sheet, profit and loss account and revenue account referred to in this report, are in compliance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956 to the extent applicable to the Company.

   (g) In our opinion, investments have been valued in accordance with the provisions of the Insurance Act, 1938 and the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations 2002.

   (h) In our opinion, the accounting policies selected by the Company are appropriate and are in compliance with applicable accounting standards and principles, as prescribed in the Insurance Regulatory and Development Authority (Preparation of Financial Statements and Auditors' Report of Insurance Companies) Regulations 2002 and orders or directions issued by the Insurance Regulatory and Development Authority in this behalf.

   (i) We have reviewed the management report. In our opinion, there are no apparent mistakes or material inconsistencies between the management report and the financial statements.

   (j) According to the information and explanations given to us, and to the best of our knowledge and belief, the company has complied with the terms and conditions of registration stipulated by the Insurance Regulatory and Development Authority.

   (k) We have verified the cash balances, to the extent considered necessary, and securities relating to the company's investments.

   (l) According to the information and explanations given to us, and to the best of our knowledge and belief, the Company is not the trustee of any trust.

   (m) According to the information and explanations given to us, and to the best of our knowledge and belief, no part of the assets of the policyholders' funds has been directly or indirectly applied in contravention of the provisions of the Insurance Act, 1938 (4 of 1938) relating to the application and investments of the policyholders' funds.

4. In our opinion and to the best of our information and according to the explanations given to us, the said accounts are prepared in accordance with the requirements of the Insurance Act, 1938 (4 of 1938), the Insurance Regulatory and Development Act, 1999 (41 of 1999) and the Companies Act, 1956 (1 of 1956), to the extent applicable and in the manner so required and on the basis of our comments in paragraph 3(d) above, given a true and fair view in conformity with accounting principles generally accepted in India:

   (a) in case of the balance sheet of the state of affairs of the Company as at 31st March, 2002; and

   (b) in the case of the revenue account of the surplus for the year ended 31st March, 2002; and

   (c) in case of the profit and loss account of the loss for the year ended 31st March, 2002; and

   (d) in case of the receipts and payments account, of the receipts and payments for the year ended 31st March, 2002.

For S. B. Billimoria & Co.
Chartered Accountants

SANJIV SHAH
Partner

Mumbai, 26th April, 2002.

REVENUE ACCOUNT

For the year ended 31st March, 2002

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
PREMIUMS EARNED - Net			
(a) Premium	1	282,587	3,235
(b) Reinsurance ceded		(14,638)	(41)
(c) Reinsurance accepted			
Sub-Total		267,949	3,194
INCOME FROM INVESTMENTS			
(a) Interest, Dividends & Rent - Gross		6,109	
(b) Profit on sale / redemption of investments		2,627	
(c) (Loss on sale / redemption of investments)		(102)	
(d) Transfer / Gain on revaluation / change in Fair value			
Other Income (to be specified)			
(a) Transfer from Shareholder's (Non-technical) Account (See Note C.3 of Part B of Schedule 16)		440,603	98,855
(b) Others		215	
Sub-Total		449,452	98,855
Total (A)		717,401	102,049
Commission	2	44,097	641
Operating expenses related to Insurance business	3	481,558	99,490
Provision for doubtful debts			
Bad debts written off			
Provision for tax			
Provision (other than taxation)			
(a) For diminution in the value of investments (net)			
(b) Others (to be specified)			
Total (B)		525,655	100,131
Benefits Paid (Net)	4	3,020	
Interim Bonuses Paid			
Change in valuation of liability in respect of life policies			
(a) Gross		194,348	1,637
(b) (Amount ceded in Re-insurance)		(5,622)	(5)
(c) Amount accepted in Re-insurance			
Total (C)		191,746	1,632
SURPLUS/(DEFICIT) (D) = (A) - (B) - (C)		0	286
APPROPRIATIONS			
Transfer to Shareholders Account			
Transfer to Other Reserves			
Balance being Funds for Future Appropriations			286
Total (D)		—	286
Notes to Accounts and Disclosure schedules referred to above form an integral part of the accounts	16		

PROFIT AND LOSS ACCOUNT

For the year ended 31st March, 2002

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Amounts transferred to the Policyholders Account (Technical Account) (See Note C.3 of Part B of Schedule 16)	(440,603)	(98,855)
INCOME FROM INVESTMENTS		
(a) Interest, Dividends & Rent - Gross	59,880	9,387
(b) Profit on sale/redemption of investments	4,366	1,155
(c) (Loss on sale/redemption of investments)	(3)	
(d) Transfer /Gain revaluation/ change in Fair value		
(e) Gain/Loss on Amortisation	19,492	5,115
OTHER INCOME (To be specified)		
Total (A)	83,735	15,657
Expenses other than those directly related to the insurance business	4,156	
Bad debts written off		
Provisions (other than taxation)		
(a) For diminution in the value of investments (net)		
(b) Provision for doubtful debts		
(c) Others (to be specified)		
Total (B)	4,156	
Profit/(Loss) Before Tax	(361,024)	(83,197)
Provision for Taxation		
Profit/(Loss) After Tax	(361,024)	(83,197)
APPROPRIATIONS		
(a) Balance at the beginning of the year		
(b) Interim dividends paid during the year		
(c) Proposed final dividend		
(d) Dividend distribution on tax		
(e) Transfer to reserves/other accounts (to be specified)		
PROFIT CARRIED FORWARD TO BALANCE SHEET	(361,024)	(83,197)

As per our report of even date attached

For S. B. Billimoria & Co.
Chartered Accountants

Sanjiv Shah
Partner

Mumbai, 26 April, 2002

For and on behalf of the Board of Directors

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

Nani Javeri, Principal Officer
Peter Akers, Chief Financial Officer

BALANCE SHEET

as at 31st March, 2002

Particulars	Schedule	Current Year (Rs. '000)	Previous Year (Rs. '000)
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share Capital	5	1,490,790	1,190,790
Reserves and Surplus	6		
Credit/(Debit) Fair Value Change Account			
Sub-Total		1,490,790	1,190,790
BORROWING	7		
POLICYHOLDERS' FUNDS			
Credit/(Debit) Fair Value Change Account		7,449	
Policy Liabilities		28,756	
Insurance Reserves			
Provision For Linked Liabilities		161,601	1,632
Sub-Total		197,806	1,632
FUNDS FOR FUTURE APPROPRIATIONS		286	286
Total		1,688,882	1,192,708
APPLICATION OF FUNDS			
INVESTMENTS			
Shareholders'	8	957,837	995,979
Policyholders'	8A	29,043	375
ASSETS HELD TO COVER LINKED LIABILITIES	8B	161,603	1,543
LOANS	9		
FIXED ASSETS	10	207,414	137,975
CURRENT ASSETS			
Cash and Bank Balances	11	69,248	44,462
Advances and Other Assets	12	89,434	36,387
Sub-Total (A)		158,682	80,849
CURRENT LIABILITIES	13	266,400	107,211
PROVISIONS	14	3,520	
Sub-Total (B)		269,920	107,211
NET CURRENT ASSETS (C) = (A-B)		(111,238)	(26,361)
MISCELLANEOUS EXPENDITURE (To the extent not written off or adjusted)	15		
DEBIT BALANCE IN PROFIT & LOSS ACCOUNT (Shareholders' Account)		444,223	83,197
Total		1,688,882	1,192,709

As per our report of even date attached

For S. B. Billimoria & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Sanjiv Shah
Partner

Donald Stewart
Chairman

B.N. Puranmalka
Director

S.K. Mitra
Director

Nani Javeri
Principal Officer

Peter Akers
Chief Financial Officer

Mumbai, 26 April, 2002

SCHEDULE-1
PREMIUM

Particulars	Current Year (Rs.'000)	Previous Year (Rs.'000)
First Year Premiums	180,903	3,235
Renewal Premiums	1,511	
Single Premiums	100,173	
Total Premium	282,587	3,235

SCHEDULE-2
COMMISSION EXPENSES

Commision Paid		
Direct — First year premiums	32,744	641
— Renewal Premiums	103	
— Single Premiums	680	
Add: Commission on Re-insurance Accepted		
Less: Commission on Re-insurance Ceded		
Others (Bonus Commission)	10,570	
Net commission	44,097	641

SCHEDULE-3
OPERATING EXPENSES RELATED TO INSURANCE BUSINESS

Employees' remuneration & welfare benefits	105,703	19,909
Travel,conveyance and vehicle running expenses	16,950	7,170
Training expenses	17,814	2,006
Rents,rates & taxes	28,807	8,813
Repairs	5,952	1,750
Printing and Stationery	5,806	703
Communication expenses	9,226	1,920
Legal & professional charges	24,638	18,354
Medical Fees	3,663	49
Auditor's Fees,expenses,etc.		
(a) as auditor	675	500
(b) as adviser or in any other capacity,in respect of		
(i) Taxation Matters		
(ii) Insurance Matters		
(iii) Management Services; and		
(c) in any other capacity		
Advertisement and publicity	99,620	22,167
Interest & Bank Charges	312	40
Others : a) Agents recruitment,seminar	10,122	4,343
b) Hire charges,Insurance etc.	486	462
c) Recruitment,Training & Seminar Expenses	11,319	718
d) IT Expenses (incl. maintenance)	57,722	4,179
e) Water electricity & other Miscellaneous Exp	10,921	1,541
f) Policy Stamps	4,361	
g) Profit/(Loss) on Sale of Assets	66	
h) Promotional Expenses	10,001	
i) Call Centre Expenses	2,832	280
j) Web-Site Expenses	2,460	
Depreciation	52,102	4,586
Total	481,558	99,490

SCHEDULE-4
BENEFITS PAID (NET)

Insurance Claims		
(a) Claims by death	1,517	
(b) Claims by Maturity		
(c) Annuities/Pensions payment		
(d) Other benefits,(Withdrawals)	2,258	
(Amount ceded in reinsurance):		
(a) Claims by Death	-755	
(b) Claims by Maturity		
(c) Annuities/Pensions payment		
(d) Other Benefits,specify		
Amount accepted in reinsurance		
(a) Claims by Death		
(b) Claims by Maturity		
(c) Annuities/Pensions payment		
(d) Other Benefits,specify		
Total	3,020	—

SCHEDULE-5
SHARE CAPITAL

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Authorised Capital Equity Shares of Rs. 10/- Each	2,000,000	1,300,000
Issued Capital Equity Shares of Rs. 10/- Each	1,500,000	1,200,000
Subscribed & Paid-up Capital Equity Shares of Rs. 10/- Each	1,500,000	1,200,000
Called-up Capital Equity Shares of Rs. 10/- Each Less : Calls unpaid Add : Shares forfeited (Amount Origionally paid up)		
Less : Par value of Equity Shares bought back		
Less : Preliminary Expenses	(9,210)	(9,210)
Expenses including commission or brokerage on Underwriting or subscription of shares		
Total	1,490,790	1,190,790

SCHEDULE-5A
PATTERN OF SHAREHOLDING

Shareholder	Current Year Number of Shares	Current Year % of Holding	Previous Year Number of Shares	Previous Year % of Holding
PROMOTERS:				
Indian				
A) Indian Rayon & Industries Ltd.	105,000,000.00	70.00	82,800,000.00	69.00
B) Others	6,000,000.00	4.00	6,000,000.00	5.00
Foreign	39,000,000.00	26.00	31,200,000.00	26.00
Others				
Total	150,000,000.00	100.00	120,000,000.00	100.00

For and on behalf of the Board of Directors

Donald Stewart Chairman	B.N. Puranmalka Director	S.K. Mitra Director
Nani Javeri Principal Officer	Peter Akers Chief Financial Offficer	

SCHEDULE-6
RESERVES AND SURPLUS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Capital Reserve		
Capital Redumption Reserve		
Share Premium		
Revaluation Reserve		
General Reserve		
Less : debit balance in Profit & Loss Account, If any		
Less : Amount utililized for Buy-back		
Catastrophe Reserve		
Other Reserves (to be specified)		
Balance of profit in Profit and Loss Account		
Total	—	—

SCHEDULE-7
BORROWINGS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Debentures/Bonds		
Fixed Deposit		
Banks		
Financial Instiitutions		
Other entities carrying on insurance business		
Others (to be specified)		
Total	—	—

SCHEDULE-8
INVESTMENTS -SHAREHOLDERS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
LONG TERM INVESTMENTS		
Government securities and Government guaranteed bonds including Treasury Bills	351,756	313,858
Other Approved Securities		
Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual fund		
(c) Derivative Instruments		
(d) Debentures / Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
Investment Properties - Real Estate		
Investment in Infrastructure and Social Sector	151,815	152,194
Other than Approved Investments		
Total (A)	503,571	466,052
SHORT TERM INVESTMENTS		
Government securities and Government guaranteed bonds including Treasury Bills	190,874	430,760
Other Approved Securities	48,577	99,167
Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual Funds	64,487	
(c) Derivate Instrument		
(d) Debentures / Bonds	150,328	
(e) Other Securities (to be specified)		
(f) Subsidiaries		
Investment Properties - Real Estate		
Investment in Infrastructure and Social Sector		
Other than Approved Investments		
Total (B)	454,266	529,927
Total (A+B)	957,837	995,979

SCHEDULE-8A
INVESTMENTS -POLICYHOLDERS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
LONG TERM INVESTMENTS		
Government securities and Government guaranteed bonds including Treasury Bills	29,043	375
Other Approved Securities		
Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual fund		
(c) Derivative Instruments		
(d) Debenture/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties - Real Estate		
Investments in Infrastructure & Social Sector		
Other than Approved Investments		
Total (A)	29,043	375
SHORT TERM INVESTMENTS		
Government securities and Government guaranteed bonds including Treasury Bills		
Other Approved Securities		
Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual Funds		
(c) Derivative Instruments		
(d) Debenture/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties - Real Estate		
Investments in Infrastructure & Social Sector		
Other than Approved Investments		
Total (B)	—	—
Total (A) + (B)	29,043	375

SCHEDULE-8B
ASSETS HELD TO COVER LINKED LIABILITIES

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
LONG TERM INVESTMENTS		
Government securities and Government guaranteed bonds including Treasury Bills	65,760	1,543
Other Approved Securities		
Other Investments		
(a) Shares		
(aa) Equity	31,404	
(bb) Preference		
(b) Mutual fund		
(c) Derivative Instruments		
(d) Debenture/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties - Real Estate		
Investments in Infrastructure & Social Sector		
Other than Approved Investments		
Total (A)	97,164	1,543
SHORT TERM INVESTMENTS		
Government securities and Government guaranteed bonds including Treasury Bills	17,191	
Other Approved Securities		
Other Investments		
(a) Shares		
(aa) Equity		
(bb) Preference		
(b) Mutual Funds	44,871	
(c) Derivative Instruments		
(d) Debenture/Bonds		
(e) Other Securities (to be specified)		
(f) Subsidiaries		
(g) Investment Properties - Real Estate		
Investments in Infrastructure & Social Sector		
Other than Approved Investments		
Bank Balances	2,292	
Interest Accrued on Investments	876	
Fund Management Fees	(791)	
Total (B)	64,439	—
Total (A) + (B)	161,603	1,543

SCHEDULE-9
LOANS

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
SECURITY-WISE CLASSIFICATION		
Secured		
(a) On mortgage of property		
(aa) In India		
(bb) Outside India		
(b) On Shares, Bonds, Goverment Securities etc.		
(c) Others (to be specified)		
Unsecured		
(a) Loans against policies		
(b) Others (to be specified)		
Total		
BORROWER-WISE CLASSIFICATION		
(a) Central and State Governments		
(b) Banks and Financial Institutions		
(c) Subsidiaries		
(d) Companies		
(e) Loans against policies		
(b) Others (to be specified)		
Total		
PERFORMANCE-WISE CLASSIFICATION		
(a) Loans classified as standard :		
(aa) In India		
(bb) Outside India		
(b) Non standard Loans less provisions:		
(aa) In India		
(bb) Outside India		
Total		
MATURITY-WISE CLASSIFICATION		
(a) Short-Term		
(b) Long-Term		
Total	—	—

SCHEDULE-10
FIXED ASSETS

(Rs. '000)

PARTICULARS	COST/GROSS BLOCK				DEPRECIATION				NET BLOCK
	Opening as on Apr 01,2001	Additions	Deductions	Closing as on Mar 31,2002	Opening as on Apr 01,2001	For the Year	On Sales/ Adjustments	To Date	As On Mar 31, 2002
Goodwill									
Intangibles (specify)									
Land-Freehold									
Leasehold Property									
Buildings									
Leasehold Improvements	26,382	30,515		56,897	1,119	10,467		11,586	45,311
Furniture & Fittings	7,195	21,491		28,686	316	2,874		3,190	25,496
Information Technology Equipments	88,658	44,982		133,640	2,754	33,798	96	36,456	97,184
Vehicles	9,201	11,902	538	20,565	273	2,715	79	2,909	17,656
Office Equiptment	7,620	14,193	9	21,804	124	2,248	2	2,370	19,434
TOTAL	139,056	123,083	547	261,592	4,586	52,102	177	56,511	205,081
Capital Work in Progress	3,505	23,090	24,262	2,333					2,333
GRAND TOTAL	142,561	146,173	24,809	263,925	4,586	52,102	177	56,511	207,414
Previous Year		142,561		142,561		4,586		4,586	137,975

SCHEDULE-11
CASH AND BANK BALANCES

Particulars	Current Year (Rs. '000)	Previous Year (Rs. '000)
Cash (including stamps)	968	1,434
Bank Balances		
(a) Deposit Accounts		
(aa) Short-term (due within 12 months of the date of Balance Sheet)		
(bb) Others		
(b) Current Accounts	68,280	43,028
(c) Others (to be specified)		
Money at call and short notice		
(a) With banks		
(b) With other Institutions		
Others (to be specified)		
Total	69,248	44,462
Balances with non-scheduled banks included in 2 and 3 above		
Cash and Bank Balances		
1. In India	69,248	44,462
2. Outside India		
Total	69,248	44,462

SCHEDULE-12
ADVANCES AND OTHER ASSETS

ADVANCES

Reserve deposits with ceding companies		
Application money for investments		
Prepayments	6,186	856
Advances to officers/directors	7,307	1,018
Advance tax paid and taxes deducted at source	6	
Other Advances		
(a) Advance to Suppliers/Contractors	4,324	
Total (A)	17,823	1,874

OTHERS ASSETS

Income accrued on Investments	19,862	11,097
Outstanding Premiums	73	
Agent's Balances		
Foreign Agencies Balances		
Due from other Entities carrying on insurance business including reinsurers)		
Due from Group/subsidiaries/holding company		
Deposit with Reserve Bank of India [pursuant to section 7 of Insurance Act,1938]	1,100	1,100
Others		
a) Deposits for offices and staff residence	50,576	22,316
Total (B)	71,611	34,513
Total (A + B)	89,434	36,387

SCHEDULE-13
CURRENT LIABILITIES

Agents' Balances	11,154	588
Balances due to other insurance companies		
Deposits held on re-insurance ceded		
Premiums recieved in advance	32	
Unallocated premium	189	
Sundry Creditors	236,636	106,101
Due to Subsidaries/holding companies		
Claims outstanding	1,400	
Annuities Due		
Due to Officers/Directors		
Others		
(a) Policy Application Deposit	16,989	522
Total	266,400	107,211

SCHEDULE-14
PROVISIONS

For taxation (less payments and taxes deducted at source)		
For proposed dividends		
For dividend distribution tax		
Others (to be specified)		
a) Provision for Leave Encashment	2,728	
b) Provision for Gratuity	792	
Total	3,520	—

SCHEDULE-15
MISCELLANEOUS EXPENDITURE

Discount allowed in issue of shares/debentures		
Others (to be specified)		
Total	—	—

SCHEDULE-16 : SIGNIFICANT ACCOUNTING POLICIES, NOTES TO ACCOUNTS AND DISCLOSURES FOR THE YEAR ENDED MARCH 31, 2002

PART A : Significant Accounting Policies

1. Basis of preparation of financial statements

The financial statements are prepared on an accrual basis, following the historical cost convention and in accordance with the following:

- Indian Generally Accepted Accounting Principles ("GAAP"),
- Provisions of the Insurance Regulatory and Development Act, 1999 and the Regulations notified by the Insurance Regulatory and Development Authority ("IRDA"), the Insurance Act, 1938, to the extent applicable and in the manner so required.

GAAP comprises mandatory accounting standards issued by the Institute of Chartered Accountants of India ("ICAI") and the provisions of the Companies Act, 1956, to the extent applicable and in the manner so required. These accounting policies have been consistently applied in relation to the previous year, except for certain recently issued accounting standards made mandatory by the ICAI effective the current fiscal year and adopted by the Company as described below.

The ICAI issued accounting standards on segment reporting, related party disclosures, leases, earnings per share and accounting for taxes on income that became mandatory effective accounting periods commencing on or after April 1, 2001. The Company has implemented all these accounting standards for these financial statements to the extent applicable and in the manner so required.

The preparation of the financial statements in conformity with GAAP requires that the management of the Company make estimates and assumptions that affect the reported amounts of income and expenses of the period, reported balances of assets and liabilities and disclosures relating to contingent assets and liabilities as of the date of the financial statements. Examples of such estimates include provisions for doubtful debts, future obligations under employee retirement benefit plans and the useful lives of fixed assets. Actual results could differ from these estimates.

2. Revenue recognition

Premium is recognised as income when it is due. For unit linked business, premium income is recognized when the associated units, corresponding to the liability, are created. Re-insurance premium ceded is accounted at the time of recognition of the premium income in accordance with the in-principle treaty arrangement with the re-insurer. Interest income is recognised on an accrual basis. Dividend income is recognised when the right to receive dividend is established.

3. Claims

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

Claims payable include the direct costs of settlement. Re-insurance recoveries are accounted for in the same period as the related claim.

4. Acquisition costs

Acquisition costs are expensed in the period when they are incurred. Acquisition costs mainly consist of commission to insurance advisors, medical costs, policy printing expenses, stamp duty, etc.

5. Investments

Debt securities and preference shares:

(a) Non-linked business: All debt securities, including Government securities and redeemable preference shares under non-linked business / shareholders' investments are considered as 'held to maturity' and stated at amortised cost. The discount or premium on the purchase of security is recognised as income or written off as expense in the profit and loss account equally over the remaining term of the security. Cost of the security includes brokerage and stamp duty, wherever applicable.

The difference between the acquisition price and the maturity value of the treasury bills and commercial papers is treated as interest and recognised as income, over the remaining term of these instruments, on a straight-line basis.

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

(b) Linked business: All debt securities, including Government securities and redeemable preference shares under linked business are valued at market price. Unrealised gains / losses arising due to this valuation are not recognised in the profit and loss account but carried forward in the balance sheet in the Fair Value Change Account. On sale of such securities, the difference between the sale price and the cost is recognised as a profit or loss in the profit and loss account and appropriate adjustments are made to the amount of unrealised gains/losses, in the Fair Value Change Account.

Equity shares:

Listed equity shares are stated at fair value, being the last quoted closing prices on the Bombay Stock Exchange at the balance sheet date. Unrealised gains/ losses arising due to this valuation are not recognised in the profit and loss account but carried forward in the balance sheet in the Fair Value Change Account. On sale of such securities, the difference between the sale price and the cost is recognised as a profit or loss in the profit and loss account and appropriate adjustments are made to the amount of unrealised gains/losses in the balance sheet in the Fair Value Change Account.

Unlisted equity shares are stated at historical cost. A provision is made for diminution in the value of these shares.

Cost of the equity shares includes brokerage and stamp duty, wherever applicable.

Long term and short term investments:

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

6. Fixed assets and depreciation

Fixed assets are stated at cost. Cost includes the purchase price and any cost directly attributable to bringing the asset to its working condition for its intended use. Software expenses for licenses for bought out software or customised software (other than for maintenance of existing software) are capitalized, if more than Rs. ten lakhs. Expenditure on development of websites is written off in the year in which it is incurred. Depreciation is provided on the basis of the estimated useful lives mentioned hereunder:

Asset Type	Rates as per Schedule XIV to the Companies Act, 1956 (translated into useful life)	Estimated useful life considered for depreciation purposes
(a) Furniture and fittings (other than those mentioned in (e) below)	6.33% (15 years)	5 years
(b) Computer Equipment (including eligible software)	16.21% (5.86 years)	3 years
(c) Office equipment	4.75% (20 years)	5 years
(d) Vehicles	9.5% (10 years)	5 years
(e) Leasehold Improvements and furniture and fittings at leased premises	6.33% (15 years)	5 years or the maximum renewable period of the respective leases, whichever is lower.

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

7. Taxation

As per Accounting Standard 22, tax expense has to be accounted as per book profits and an asset/liability has to be recognised in case the actual tax liability as per the tax laws is different.

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

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

Under the above circumstances, the Company deems it proper not to take credit for the tax gain on losses incurred in the year ended March 31, 2002. Appropriate accounting for taxation benefits/expenses will be made when the applicability of tax laws is clear and the Company can reasonably forecast its future taxable gains and losses..

PART B : Disclosures forming part of the financial statements

A.

1. Contingent liabilities

Particulars	Current Year (Rs)	Previous Year (Rs)
1. Partly paid up investments	Nil	Nil
2. Claims, other than against policies, not acknowledged as debts by the Company	Nil	Nil
3. Underwriting commitments outstanding	Nil	Nil
4. Guarantees given by or on behalf of the Company	Nil	Nil
5. Statutory demands/liabilities in dispute, not provided for	2.05 million (Refer Note A)	Nil
6. Reinsurance obligations	Nil	Nil
7. Others (to be specified)	Nil	Nil

Note A: The Income tax authorities have raised a demand of Rs. 2.05 million on the Company for short deduction of taxes from payments made to non-residents. The Company has appealed against this order and the tax advisors of the Company have advised that the chances of this demand materialising are remote.

2. Actuarial assumptions

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

Unit reserve

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

Non-unit reserve

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

Mortality

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

Expenses:

- Per policy expenses of Rs.405 per annum, inflating at 3 percent per annum.
- Rs.13.5 per thousand of the face amount in the first policy year.
- Premium related expenses are taken as
- Actual base commission rates to insurance advisors
- Other sales and acquisition expenses in the first policy year at 180 percent of the base commission for all policies, except for single premium policies where it is 56.25 percent.

Policy Lapses

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

Valuation discount rate

6 percent per annum.

Tax

35 percent of the surplus.

Fund growth rate

6 percent per annum

Investment Management Fee

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

Other provisions

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

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

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

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

The stand alone term product is also valued on a broadly similar basis. Specific assumptions are used for Riders and Rural products. Reserves for unearned premium, incurred but not reported and conversion option are provided for group term insurance policies.

3. Encumbrances

As on March 31, 2002, there were no encumbrances on the assets of the Company.

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

The commitments made and outstanding for fixed assets by the Company as on March 31, 2002 is Rs. 12.6 million.

5. Claims outstanding

The Company does not have any claims which are settled and unpaid for more than six months.

6. Value of contracts outstanding

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

7. Managerial Remuneration

Mr. Nani Javeri was appointed as Chief Executive Officer and Manager of the Company on December 3, 2001 for a period of three years. His appointment and remuneration has been approved by the IRDA. Due to inadequacy of profits in the financial year 2000-2001 (the applicable year) and the remuneration payable to Mr. Javeri exceeding the ceiling prescribed in Schedule XIII of the Companies Act, 1956, an application seeking approval has been made to the Central Government pursuant to Section 269(7) of the Companies Act, 1956, which is awaited. His appointment is also being placed before the shareholders of the Company for their approval at a general meeting.

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

Salary	19,67,742
Other Allowances	21,75,592
Contribution to:	
Provident Fund	1,57,419
Superannuation Fund	1,96,774
Perquisites	1,37,500

No commission is being paid and hence the computation of net profit under Section 349 of the Companies Act, 1956 is not required.

8. Historical Cost of Investments

The historical cost, of the investments of the Company is shown at fair value Rs.152 million.

B.

1. Statutory Investments

As on March 31, 2002, all the investments have been made in accordance with the Insurance Act, 1938 and the Insurance Regulatory Development Authority (Investment) Regulations 2000.

2. Non-performing investments

As on March 31, 2002, none of the investments of the Company have been classified as non-performing as per the income recognition norms issued by the IRDA.

3. Statutory Deposits

As on March 31, 2002, the Company had assets amounting to Rs. 2.6 million deposited with the Reserve Bank of India, as required under Section 7 of the Insurance Act, 1938.

4. Segment reporting

During the year ended March 31, 2002, the Company has introduced a number of products in the market. As per Accounting Standard 17 and the IRDA Financial Statements Regulations, the Company is required to report separately for linked and non-linked business. Accordingly the Company has prepared the Revenue Account for the two segments separately and the same is attached as Annexure 1.

The following bases have been used for allocation of revenue and expenses to these two segments;

- Premium income, commission and policy payments have been directly allocated to the segments
- Other expenses which cannot be directly allocated are distributed on one of the following basis which is the most appropriate:
  - Premium income
  - Number of policies
  - Sum assured
  - Value of assets in linked business

The fixed assets, of the Company such as furniture, IT equipment, etc. are used interchangeably for these segments and no suitable basis exists for making a rational allocation of these assets. Similarly, current assets such as advances, deposits, etc. and current liabilities such as creditors, provisions etc. are difficult to allocate to different segments on a rational basis. The investments and actuarial liabilities relating to linked and non-linked business are shown separately in the main balance sheet.

Accordingly, the Company is not reporting segmented assets and liabilities separately.

5. Retirement benefits to employees

The Company has established provident fund and superannuation schemes to provide retirement benefits to its employees. Contributions to the provident fund scheme are made on a monthly basis and to the superannuation scheme on a quarterly basis. The contributions of the Company are accounted on due basis. These are defined contribution schemes and benefits are paid to employees as per the terms of the respective schemes.

In addition to the above, the Company is required to pay gratuity to its employees. It also allows employees to encash their leave balances, subject to certain conditions. The liability for these benefits has been determined on an actuarial basis and is provided in the financial statements of the Company.

6. Summary of Financial Statements

This is the second financial year of the Company and financial figures for the previous year have been provided, wherever necessary. Further, figures pertaining to the previous year have been re-classified, wherever required, to enable meaningful comparison.

7. Allocation of investments and income

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

C. Other issues

1. Assets in the Internal Funds

The linked business products offered by the Company provide policyholders with a choice of the funds that they would like their benefits to be linked to. The composition of the assets of each fund has been defined and the investment returns on these assets will determine the benefits that the policyholders will receive under their contracts with the Company. The Company will endeavour to invest the funds of the policyholders in the manner stated in their contracts and will track the performance of these funds to determine the benefits to the policyholders. The IRDA Financial Statements Regulations require the Company to report the performance of each segregated fund separately. The funds of the Company cannot be classified as segregated funds since the policyholders do not participate in the gains/ losses on operations and mortality. However, the Company is presenting the financial statements of each internal fund in a format which discloses the performance of each fund, since no format has been prescribed. This information has been provided in Annexure 2.

2. Re-insurance treaty

The Company has negotiated a re-insurance treaty with RGA Americas Reinsurance Co Ltd. The IRDA has recently reviewed this treaty and the same is expected to be signed shortly. As per the terms of the treaty, the risks for each insurance contract are shared by the two parties. The Company is also negotiating with Munich Re the terms of reinsurance for its group business. The accounting policy for the same has been mentioned in Part A of this schedule.

3. Transfer to Revenue Account (Policyholders' Account)

The operating expenses during the year were higher than the income in the Policyholders' Account. Accordingly, a deficit of Rs. 44.06 crores has been arisen in the Policyholders' Account. The deficit in the Policyholders' Account during the year is based on the actuarial valuation made in accordance with the Insurance Act, 1938. There was no actuarial surplus arising out of favourable experience during the year, The Policyholders' Account should not show a deficit. Therefore, an amount of Rs. 44.06 crores has been transferred from the Shareholders Account to the Policyholders Account to avoid showing a deficit in the latter account. This transfer was shown as a separate be shown as "other income" in the Policyholders' Account. Accordingly, last year's transfer has also been re-classified for comparison purpose.

As per our report of even date attached

For S. B. Billimoria & Co. Chartered Accountants	For and on behalf of the Board of Directors		
Sanjiv Shah Partner	Donald Stewart Chairman	B.N. Puranmalka Director	S.K. Mitra Director
	Nani Javeri Principal Officer	Peter Akers Chief Financial Officer	

Mumbai, 26 April, 2002

ANNEXURE 1 :

REVENUE ACCOUNT FOR SEGMENTS FOR THE YEAR ENDED MARCH 31, 2002

Particulars	Schedule	Linked Business Current Year (Rs. '000)	Non-linked Business Current Year (Rs. '000)	Total Current Year (Rs. '000)
PREMIUMS EARNED - Net				
(a) Premium	1	242,723	39,864	282,587
(b) Reinsurance ceded		(5,492)	(9,146)	(14,638)
(c) Reinsurance accepted				
Sub-Total		237,231	30,718	267,949
INCOME FROM INVESTMENT				
(a) Interest, Dividend & Rent - Gross		6,109		6,109
(b) Profit on sale/redemption of investmnets		2,627		2,627
(c) (Loss on sale/redemption of investments)		(102)		(102)
(d) Transfer/Gain revaluation/ change in Fair value				
Other Income (to be specified)				
(a) Transfer from Shareholder's Account (Profit & Loss Account) (See Note C.3 of Part B of Schedule 16)		373,129	67,474	440,603
(b) Others		215		215
Sub-Total		381,978	67,474	449,452
Total (A)		619,209	98,192	717,401
COMMISSION	2	37,843	6,254	44,097
Operating Expenses related to Insurance Business	3	418,893	62,665	481,558
Other Expenses (to be specified)				
Bad debts written off				
Provision for tax				
Provision (other than taxation)				
(a) For diminution in the value of investment (net)				
(b) Others (to be specified)				
Total (B)		456,736	68,919	525,655
BENEFIT PAID (Net)	4	2,510	510	3,020
Interim Bonuses Paid				
Change in valuation of liability against life policies in force				
(a) Gross		159,964	34,384	194,348
(b) (Amount ceded in Re-insurance)			(5,622)	(5,622)
(c) Amount accepted in Re-insurance				
Total (C)		162,474	29,272	191,746
SURPLUS/(DEFICIT) (D)=(A)-(B)-(C)		—	—	—
APPROPRIATIONS				
Transfer to Shareholders Account				
Transfer to Other Reserves				
Balance being Funds for future Appropriations				
Total (D)		—	—	—
Significant Accounting Policies and Notes on Account	16			

Schedules referred to above form an integral part of the accounts

SCHEDULE-1
PREMIUM

Particulars	Linked Business Current Year (Rs. '000)	Non-linked Business Current Year (Rs. '000)	Total Current Year (Rs. '000)
First Year Premium	150,968	29,935	180,903
Renewal Premiums	1,511		1,511
Single Premiums	90,244	9,929	100,073
Total Premium (Net)	242,723	39,864	282,587

SCHEDULE-2
COMMISSION EXPENSES

Particulars	Linked Business Current Year (Rs. '000)	Non-linked Business Current Year (Rs. '000)	Total Current Year (Rs. '000)
Commision Paid			
Direct-First year premiums	28,035	4,709	32,744
— Renewal Premiums	103		103
— Single Premiums	524	156	680
Add: Commission on Reinsurance Accepted			
Less: Commission on Reinsurance Ceded			
Others (Bonus Commission)	9,181	1,389	10,570
Net commision	37,843	6,254	44,097

SCHEDULE 3
OPERATING EXPENSES RELATED TO INSURANCE COMPANIES

Particulars	Linked Business Current Year (Rs. '000)	Non-linked Business Current Year (Rs. '000)	Total Current Year (Rs. '000)
Employee's renumeration & welfare benefits	93,027	12,676	105,703
Travel,conveyance and vehicle running expenses	14,938	2,012	16,950
Training Expense.	15,590	2,224	17,814
Rents,rates & taxes	25,502	3,305	28,807
Repairs	5,269	683	5,952
Printing and Stationery	5,137	669	5,806
Communication expenses	8,143	1,083	9,226
Legal & professional charges	21,901	2,737	24,638
Medical Fees	3,243	420	3,663
Auditor's Fees,expenses,etc.			
(a) as auditor	598	77	675
(b) as adviser or in any other capacity, in respect of			
(i) Taxation Matters			
(ii) Insurance Matters			
(iii) Management Services; and			
(c) in any other capacity			
Advertisement and publicity	85,165	14,455	99,620
Interest & Bank Charges	305	7	312
Others : a) Agents recruitment, seminar	8,858	1,264	10,122
b) Hire charges, Insurance etc.	430	56	486
c) Recruitment, Training & Seminar Expenses	9,974	1,345	11,319
d) IT Expenses (incl. maintenance)	51,105	6,617	57,722
e) Water electricity & other Misc Exp.	9,664	1,257	10,921
f) Policy Stamps	1,325	3,036	4,361
g) Profit/(Loss) on Sale of Car (OYC SCheme)	59	7	66
h) Promotional Expenses	8,164	1,837	10,001
i) Call Centre Expenses	2,222	610	2,832
j) Website Expenses.	2,178	282	2,460
Depreciation	46,096	6,006	52,102
Total	418,893	62,665	481,558

SCHEDULE 4
BENEFITS PAID (NET)

Particulars	Linked Business Current Year (Rs.'000)	Non-linked Business Current Year (Rs.'000)	Total Current Year (Rs.'000)
1 Insurance Claims			
(a) Claims by death	502	1,015	1,517
(b) Claims by Maturity			
(c) Annuities/Pensions in payment,			
(d) Other benefits,specify	2,258		2,258
2 (Amount ceded in reinsurance):			
(a) Claims by Death,	-250	-505	-755
(b) claims by Maturity			
(c) Annuities/Pensions in payment,			
(d) Other Benefits,specify			
3 (Amount accepted in reinsurance)			
(a) Claims by Death			
(b) claims by Maturity			
(c) Annuities/Pensions in payment,			
(d) Other Benefits,specify			
TOTAL	2,510	510	3,020

Segregated Fund — Annexure 2

Statement of Net Assets as at March 31, 2001

	Protector Rs	Builder Rs	Enhancer Rs	Group Safe Rs	Group Stable Rs	Group Growth Rs
Assets						
Investments	42,113,955	25,271,789	20,105,865	34,850,599	17,728,204	19,157,397
Cash	1,199,879	287,617	265,201	511,370	2,376	22,240
Accrued Income	237,012	160,000	59,579	197,329	120,895	101,446
Other Receivables	242,551	242,551	149,594	74,631	317,182	242,551
	43,793,398	25,961,957	20,580,239	35,633,929	18,168,658	19,523,634
Liabilities						
Accrued Expenses	116,295	75,094	34,199	285,399	133,142	147,175
Other Payables	247,839	238,157	154,608	68,646	312,836	247,567
Net Assets	43,429,264	25,648,707	20,391,433	35,279,884	17,722,680	19,128,891

Segregated Fund — Annexure 2

Statement of Operations for the year ended March 31, 2001

	Protector Rs	Builder Rs	Enhancer Rs	Group Safe Rs	Group Stable Rs	Group Growth Rs
Income						
Dividends	7,200	7340	10000	11,395	16,125	47,545
Interest	976,084	607699	211621	2,324,583	734,599	666,537
Other						
	983,284	615039	221621	2,335,978	750,724	714,082
Expenses						
Management Fees	116,295	75094	34199	285,399	133,142	147,175
Net Investment income	866,989	539945	187422	2,050,579	617,582	566,907
Gains/losses on holdings						
Net realised gain (loss) on investments	5,012	1443	-20812	1,033,460	485,854	518,612
Unrealised gain (loss) in investments	169,364	480155	643322	1,919,454	2,134,866	2,101,527
Net gain/loss on investments	174,376	481598	622510	2,952,914	2,620,720	2,620,138
Increase/Decrease in assets from operations	1,041,364	1021543	809932	5,003,493	3,238,303	3,187,045

Segregated Fund — Annexure 2

Statement of Changes in Net Assets for the year ended March 31, 2001

	Protector Rs	Builder Rs	Enhancer Rs	Group Safe Rs	Group Stable Rs	Group Growth Rs
Net Assets at the beginning of the year	—	—	—	—	—	—
Add						
Increase(decrease) from operations	1,041,364	1,021,543	809,932	5,003,493	3,238,303	3,187,045
Premiums from customers	42,402,363	24,689,610	19,630,326	32,058,174	14,691,102	16,212,177
	43,443,727	25,711,153	20,440,257	37,061,667	17,929,404	19,399,222
Less						
Withdrawals by customers	14,463	62,446	48,824	1,781,783	206,724	270,332
Net Assets at the end of the year	43,429,264	25,648,707	20,391,433	35,279,884	17,722,680	19,128,890

RECEIPTS AND PAYMENTS ACCOUNT (CASH FLOW STATEMENT)
FOR THE YEAR ENDED 31ST MARCH, 2002

	2001-02 RS.('000)	2000-01 RS.('000)
Cash flow from operating activities		
Premium received	282,546	3,824
Application money deposit	16,656	522
Commission paid	(29,035)	—
Deposits taken from agents	1,964	272
Deposits refunded to agent	(1,850)	(46)
Payments made to employees & for expenses	(336,548)	(59,028)
Deposits with Reserve Bank of India	—	(1,100)
Other income	202	0
Net cash outflow from operating activities	(66,065)	(55,556)
Cash flow from investing activities		
Purchase of fixed assets	(131,237)	(83,995)
Sale of fixed assets	376	—
Deposits for office premises	(17,953)	(22,649)
Investments purchased	(2,283,099)	(1,255,411)
Proceeds from sale of investments	2,168,719	256,424
Interest received (Less : TDS)	54,333	5,649
Dividend received	2,005	-
Net cash from / (used in) investing activities	(206,856)	(1,099,982)
Cash flow from financing activities		
Share capital issued	300,000	1,200,000
Net cash inflow from financing activities	300,000	1,200,000
CASH & CASH EQUIVALENTS		
Net increase / (decrease) in cash and cash equivalents	27,079	44,462
Cash and cash Equivalents at end of the year	71,541	44,462
Cash and cash Equivalents at beginning of the year	44,462	—
Net increase / (decrease) in cash and cash equivalents	27,079	44,462

Note : Prior year figures are appropriately reclassified to conform to the current year's classification.

As per our report of even date attached

For S. B. Billimoria & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Sanjiv Shah
Partner

Donald Stewart
Chairman

B.N. Puranmalka
Director

S.K. Mitra
Director

Nani Javeri
Principal Officer

Peter Akers
Chief Financial Officer

Mumbai, 26 April, 2002

MANAGEMENT REPORT FOR THE YEAR ENDED MARCH 31, 2002.

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

1. Certificate of Registration

The Certificate of Registration granted by the Insurance Regulatory and Development Authority to enable the Company to transact life insurance business was valid as on March 31, 2002 and is in force as on the date of this Report

2. Statutory Dues

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

3. Shareholding Pattern

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

4. Investment of Funds

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

5. Solvency Margin

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

6. Valuation of Assets

The Company has reviewed the values of all its investments and current assets as on March 31, 2002. The Company certifies that to the best of its knowledge and belief, the value of their assets as set forth in the Balance Sheet are shown in the aggregate at amounts not exceeding their realisable or market values.

7. Investment Pattern

The Life Insurance funds have been invested in line with the provisions of the Insurance Regulatory and Development Authority (Investment) Regulations, 2000.

8. Risk Minimisation Strategies

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

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

Further, the possible financial effect of adverse mortality and morbidity experience has been reduced by entering into reinsurance agreements with RGA Americas Reinsurance Co. Ltd. (an international reinsurer) for individual life business and Munich Re (another international reinsurer) for group business. This limits the Company's exposure on each life to a maximum of Rs. 5 lakhs under individual life and Rs. 3 lakhs under group business. Both RGA and Munich Re are specialist international reinsurance companies with excellent reputation and significant financial strength.

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

The assets of the Company are invested in such a manner as to closely match its liabilities, so that the Company is effectively immunised against the impact of changes in the value of policyholder assets, and the impact of any change in the value of shareholder assets is minimised.

The Company's investment team operates under the close supervision of the Investment Committee appointed by the Board of Directors. The investments are made in line with the investment policy adopted by the Company.

9. Country Risk

The Company is operating in India only and hence has no exposure to either country risk or currency fluctuation risks

10. Ageing of Claims

The Company does not have any outstanding claim as at 31st March, 2002. However, the Company has provided for Rs. 14 lakhs towards death claims reported subsequent to the year end but pertaining to the year ended March 31, 2002. The claims paid by the Company were within the internal standards for processing of claims.

11. Valuation of Investments

The fixed income investments made in the controlled fund (Shareholders funds and non linked business) have been valued on the basis of the amortised value of these assets. For investments made in mutual funds, the valuation has been done on the basis of the Net Asset Value declared by the respective funds.

The policyholders fund investments for linked business are valued on the basis of the last traded price of the security on the Bombay Stock Exchange. In case of fixed income security, where last traded price is not available, the same has been valued on the basis of the CRISIL bond valuer matrix.

12. Review of Asset Quality

Shareholders Fund:

The Company has invested almost half of the shareholders funds in Government securities and treasury bills which have a sovereign rating. Around 15 percent of the funds have been invested in rated infrastructure bonds. The balance funds have been invested into highly rated corporate bonds, debentures and commercial paper (AA+ and above). A part of the funds is also invested in liquid schemes of leading mutual funds to meet short term cash flow requirements.

Policyholders Fund:

The policyholders funds are invested based on the commitments made to the policyholders. A substantial portion of the policyholders' funds is invested in Government securities and the balance is invested in equities. The equity selection is made after completing adequate research and analysis of the company as well as the industry to which it belongs.

13. Directors Responsibility Statement

The Board of Directors of the Company also state that:

- The financial statements have been prepared in accordance with applicable accounting standards, the regulations stipulated by the Insurance Regulatory and Development Authority and the provisions of the Insurance Act, 1938 and the Companies Act, 1956 and disclosures have been made wherever the same is required
- The Company has adopted accounting polices and applied them consistently and has made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as on March 31, 2002 and of the loss for the year ended on March 31, 2002
- Proper and sufficient care has been taken to maintain adequate accounting records in accordance with the applicable provisions of the Insurance Act, 1938, Companies Act, 1956, safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The financial statements of the Company are prepared on a going concern basis.
- The Company has appointed an accounting firm to conduct the internal audit of the Company. The scope of work of the firm is commensurate with the size and nature of the Company's business.

14. Related Party Disclosure:

During the year ended March 31, 2002, the Company has had transactions with related parties as defined in Accounting Standard 18 issued by the Institute of Chartered Accountants of India. Details of these parties, nature of relationship and the transactions with them are attached as Annexure 1 to the Management Report. Related parties to whom policies have been sold have not been included as the rates applicable to them are the market rates.

For Birla Sun Life Insurance Company Limited

Donald Stewart Chairman	B.N. Puranmalka Director	S.K. Mitra Director
Nani Javeri Principal Officer	Peter Akers Chief Financial Officer	Shirin Patel Company Secretary

Mumbai, 26 April, 2002

RECEIPTS AND PAYMENTS ACCOUNT (CASH FLOW STATEMENT) FOR THE YEAR ENDED 31ST MARCH, 2002

	2001-02 RS.('000)	2000-01 RS.('000)
Cash flow from operating activities		
Profit / (Loss) before tax adjustments	(361,024)	(83,198)
Adjustments for :		
Depreciation	52,102	4,586
Provision for acturial liabilities	188,725	1,632
Profit on sale of investment	(6,993)	(1,155)
Loss on sale of investment	105	—
Loss on sale of fixed assets	66	—
Interest received	(65,989)	(9,387)
Preliminary expenses paid	(9,210)	
Gain / Loss on ammortisation	(19,492)	(5,114)
Transfer to other reserves	286	
Operating profit / (loss) before working capital changes	(212,499)	(101,560)
(Increase) / Decrease in working capital		
Deposits with RBI	—	(1,100)
Advances & deposits	(6,362)	—
Prepayments	(6,096)	(1,542)
Sundry creditors	158,892	48,646
Net change in working capital	146,434	46,003
Cash generated from operations	(66,065)	(55,556)
Direct taxes (paid) / refund	—	—
Net cash outflow from operating activities	(66,065)	(55,556)
Cash flow from investing activities		
Purchase of fixed assets	(131,237)	(83,995)
Proceeds from sale of fixed assets	376	—
Deposits for office premises	(17,953)	(22,649)
Investments purchased	16,706	(1,255,411)
Proceeds from sale of investments	(9,257)	256,424
Interest received	54,333	5,649
Dividend received	2,005	—
Net cash from / (used in) investing activities	(206,856)	(1,099,982)
Cash flow from financing activities		
Share capital issued	300,000	1,200,000
Net cash inflow from financing activities	300,000	1,200,000
Net increase / (decrease) in cash and cash equivalents	27,079	44,462
Cash and cash equivalents at end of the year	71,541	44,462
Cash and cash equivalents at beginning of the year	44,462	—
Net increase / (decrease) in cash and cash equivalents	27,079	44,462

Note : Prior year figures are appropriately reclassified to conform to the current year's classification.

As per our report of even date attached

For S. B. Billimoria & Co.
Chartered Accountants

For and on behalf of the Board of Directors

Sanjiv Shah Partner	Donald Stewart Chairman	B.N. Puranmalka Director	S.K. Mitra Director
	Nani Javeri Principal Officer	Peter Akers Chief Financial Officer	

Mumbai, 26 April, 2002

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eighth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL PERFORMANCE

	Current Year ended 31.3.2002 (Rupees)	Previous Year ended 31.3.2001 (Rupees)
Profit/(Loss) before Tax	75,63,302	68,21,242
Less : Provision for Tax	25,48,388	24,10,000
Net Profit/(Loss) after Tax	50,14,914	44,11,242
Balance brought forward from earlier year	1,02,25,567	66,97,325
Profit available for appropriation	1,52,40,481	1,11,08,567
Appropriations made are as under:		
Special Reserve	10,10,000	8,83,000
Balance carried forward to next year	1,42,30,481	1,02,25,567
	1,52,40,481	1,11,08,567

OPERATIONS

During the year under review, the Company has earned a profit of Rs.75.63 Lacs before tax from investments and rental income from its properties.

DIVIDEND

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

DEPOSITS

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

SUBSIDIARY COMPANY

In line with Section 212 of the Companies Act, 1956, the audited statements of accounts along with the report of the Board of Directors and the Auditors Report of Rajnidhi Finance Limited are annexed.

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

We, Directors of Laxminaryan Investment Limited state that –

- In the preparation of the Annual Accounts for the year ended 31st March, 2002, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st March, 2002 and of the profit of the Company for that period.
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- We have prepared the Annual Accounts on going concern basis.

DIRECTORS

Shri. K. K. Maheshwari retires by rotation and being eligible, offers himself for reappointment.

AUDITORS

The observations made in the Auditors' Report are self-explanatory and therefore, do not call for any further comments under Section 217(3) of the Companies Act, 1956. The members are requested to appoint Auditors for the current year and fix their remuneration.

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

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

ADESH GUPTA
MANOJ KEDIA
Directors

Mumbai, 19th April, 2002

AUDITORS' REPORT TO THE MEMBERS

We have examined the attached Balance Sheet of LAXMINARAYAN INVESTMENT LIMITED as at 31st March 2002 and also the Profit and Loss Account annexed thereto for the year ended on that date, which are in agreement with the Company's books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the 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 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 provisions of the said section are not applicable to a company on or after 31st October 1998.
4. 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.
5. The Company has not accepted any deposits from the public.
6. The Company has an internal audit system commensurate with its size and nature of business.
7. No undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty were outstanding as at 31st March, 2002 for period of more than six months from the date they became payable.
8. No personal expenses have been charged to revenue account.
9. Since the company has not granted loans and advance on the basis of security by way of pledge of shares, debentures and other securities the question of maintaining adequate documents and records for the same dose not arise.
10. As informed to us, the provisions of any special statute applicable to chit fund, nidhi, mutual benefit society are not applicable to the company.
11. The Company is not dealing or trading in shares, securities, debentures and other investments, hence the question of maintaining proper records of transactions and contracts and making timely entries therein, does not arise. The investments have been held by the Company in its own name.

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

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

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

On the basis of confirmation received from the Directors as on 31st March, 2002 and taken on record by the Board of Directors, none of the Director is disqualified as on date from being appointed as a Director under Section 274(1)(g) of the 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 give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2002; and

(b) In the case of Profit and Loss Account, of the profit for the year ended on that date.

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

Mumbai,
Date: 19th April, 2002

SHIVJI K. VIKAMSEY
Partner

LAXMINARAYAN INVESTMENT LIMITED

BALANCE SHEET
As at 31st March, 2002

	Schedule	As at 31st March, 2002 (Rupees)	As at 31st March, 2001 (Rupees)
SOURCES OF FUNDS			
Shareholder's Funds:	1	110,930,000	110,930,000
Reserves & Surplus	2	18,016,481	13,001,567
Total Funds Employed		128,946,481	123,931,567
APPLICATION OF FUNDS			
Fixed Assets:	3		
Gross Block		134,861,000	134,861,000
Less: Depreciation		8,792,936	6,594,702
Net Block		126,068,064	128,266,298
Investments	4	6,027,000	2,500,000
Current Assets, Loans & Advances			
Sundry Debtors (Unsecured, Considered Good, below Six Months)		24,822	729,971
Deposits with Companies		3,600,000	—
Interest accrued but not due on Deposits		58,800	—
Cash & Bank Balances	5	2,812	31,448
Advance Payment of taxes (Net of Provision)		249,383	131,101
		3,935,817	892,520
Less: Current Liabilities & Provisions			
Current Liabilities			
Due to Holding Company		—	864,929
Security Deposit against premises		7,074,900	6,804,900
Other Liabilities		9,500	57,422
		7,084,400	7,727,251
Net Current Assets		(3,148,583)	(6,834,731)
		128,946,481	123,931,567
Total Funds Utilised		128,946,481	123,931,567
Significant Accounting Policies and Notes forming part of Accounts	6		

PROFIT & LOSS ACCOUNT
For the year ended 31st March, 2002

	For the year ended 31st March, 2002 (Rupees)	For the year ended 31st March, 2001 (Rupees)
INCOME		
Income from Collateral Finance	—	78,382
Rent (Tax deducted at source Rs. 21,01,390/- Previous year Rs. 20,33,053)	9,433,200	9,433,200
Miscellenous Income	39,490	168,806
Interest on Deposit with Companies (Tax deducted at source Rs. 60,340/- Previous year Rs. nil)	295,787	—
Profit on sale of Current Investments	18,739	—
Dividend	—	571,428
Total	9,787,216	10,251,816
EXPENDITURE		
Repairs & Maintenance	—	26,293
Rates & Taxes	—	79,264
General Charges	6,083	49,331
Interest paid on other than on fixed loan	10,097	1,067,477
Payment to Auditors		
For Audit Fees	7,500	5,400
For Tax Audit Fees	2,000	4,575
Depreciation on Building given on lease	2,198,234	2,198,234
Total	2,223,914	3,430,574
Profit before Tax	7,563,302	6,821,242
Provision for Tax	2,548,388	2,410,000
Profit after Tax	5,014,914	4,411,242
Balance brought forward	10,225,567	6,697,325
Profit available for appropriation	15,240,481	11,108,567
Appropriations		
Special Reserve	1,010,000	883,000
Surplus carried to Balance sheet	14,230,481	10,225,567
Total	15,240,481	11,108,567
Basic & Diluted Earnings per Share	0.45	0.40
Significant Accounting Policies and Notes forming part of Accounts 6		

As per our Report attached

For KHIMJI KUNVERJI & CO.,
Chartered Accountants

SHIVJI K.VIKAMSEY
Partner

RAKESH GUPTA
Company Secretary

PINKY MEHTA
Manager

ADESH GUPTA
MANOJ KEDIA
Directors

Mumbai, 19th April,2002

SCHEDULE-1
SHARE CAPITAL

	Numbers	As at 31st March, 2002 (Rupees)	As at 31st March, 2001 (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
Total		110,930,000	110,930,000

NOTE:
The entire issued, subscribed and paid-up Capital of the Company is held by the Holding Company, Indian Rayon and Industries Ltd

SCHEDULE-2

RESERVES & SURPLUS	Balance As at 31st March, 2001 (Rupees)	Additions During The Year (Rupees)	Balance As at 31st March, 2002 (Rupees)
Special Reserve	2,676,000	1,010,000	3,686,000
Capital Redemption Reserve	100,000	—	100,000
Surplus as Per Profit & Loss A/C	10,225,567	4,004,914	14,230,481
Total	13,001,567	5,014,914	18,016,481

SCHEDULE-3

FIXED ASSETS	Balance As at 31st March, 2001 (Rupees)	Additions During The Year (Rupees)	Balance As at 31st March, 2002 (Rupees)
Building (Given on Lease)			
Gross Block	134,861,000	—	134,861,000
Depreciation	6,594,702	2,198,234	8,792,936
Net Block	128,266,298	2,198,234	126,068,064

SCHEDULE-4

INVESTMENTS	As at 31st March, 2002 (Rupees)	As at 31st March, 2001 (Rupees)
(Unquoted, Fully paid up)		
LONG TERM INVESTMENTS		
INVESTMENT IN SUBSIDIARY COMPANY		
2,50,000 Equity Shares of Rajnidhi Finance Ltd of Rs.10/- each	2,500,000	2,500,000
CURRENT INVESTMENTS		
2,34,934.143 Units of Birla Cash Plus scheme (Plan B) of Birla Mutual Fund of Rs.10/- each.	3,527,000	—
Other-1,89,371.641 Units of Birla Cash Plus Purchased and sold during the year		
	6,027,000	2,500,000

SCHEDULE-5 CASH & BANK BALANCES		
Cash & Cheque in hand	—	24,360
Balance with Schedule Banks In Current Account	2,812	7,088
	2,812	31,448

SCHEDULE-6
SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002
(A) SIGNIFICANT ACCOUNTING POLICIES

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

FIXED ASSET
Fixed Assets are stated at cost .

DEPRECIATION
Depreciation on Fixed Assets is provided on Straight Line Method at the rates and in manner specified in Schedule XIV to the Companies Act,1956.

INVESTMENTS
Long Term Investments are Stated at Cost after deducting provision,if any,made for permanent dimunition in the value. Current Investments are stated at lower of cost and market/fair value.

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

INITIAL DIRECT COST OF LEASE
Initial direct cost of lease is charged to Profit & Loss account in the year of incurrence.

(B) NOTES ON ACCOUNTS
(1) 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 the Company to an exclusive right of occupying and using certain office premises.
(3) Additional information required under Part IV of Schedule VI of the Companies Act,1956 is as per Annexure I.
(4) "Special Reserve" has been created in terms of section 45(IC) of Reserve Bank of India Act, 1934.
(5) The Deferred Tax Asset arising due to :-
 (a) timing difference of preliminary expenditure has not been recognized as the amount involved is not material .
 (b) Unabsorbed Capital losses has not been recognized as a measure of prudence due to uncertainty of earning Capital gain in future for setting off the same.
(6) The leases given by the company are generally renewable and having refundable security deposits from lessees.
(7) Current Year Provision for Income Tax includes Rs.87,388/- related to earlier years.
(8) Figures of previous year have been regrouped/rearranged wherever necessary.

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

SHIVJI K.VIKAMSEY	RAKESH GUPTA	PINKY MEHTA	ADESH GUPTA MANOJ KEDIA
Partner	*Company Secretary*	*Manager*	*Directors*

Mumbai, 19th April,2002

ANNEXURE I

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

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details
Registration No.: 04-22685 of 1994-95 State Code 0 4
Balance Sheet 31st Date March Month 2002 Year

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

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
128946.48	128946.48

Sources of Funds

Paid-Up Capital	Reserves & Surplus
110930.00	18,016.48
Secured Loans	Unsecured Loans
NIL	NIL

Application of Funds

Net Fixed Assets	Investments
126068.06	6027.00
Net Current Assets	Misc. Expenditure
(3,148.58)	NIL
Accumulated Losses	
NIL	

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

Turnover/Gross Income	Total Expenditure
9787.22	2223.91
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
7,563.30	5,014.91
Earning per Share in Rs.	Dividend rate %
0.45	NIL

V. Generic Names of Three Principal Products/Services of Company (as per monetary terms)
Item Code No. N.A.
Product Description Investment, Finance and Property Rental Activities

For KHIMJI KUNVERJI & CO.,
Chartered Accountants

SHIVJI K.VIKAMSEY	RAKESH GUPTA	PINKY MEHTA	ADESH GUPTA MANOJ KEDIA
Partner	*Company Secretary*	*Manager*	*Directors*

Mumbai, 19th April,2002

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

		Rajnidhi Finance Limited
1.	The period of the Subsidiary Company	1st April, 2001 to 31st March, 2002
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	1.62
	(ii) For the previous financial years since it became the subsidiary of the Company	3.59
	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
MANOJ KEDIA
Directors

Mumbai, 19th April, 2002

DIRECTORS' REPORT

Dear Shareholders,

Your Directors have pleasure in presenting the Eighth Annual Report of the Company together with the Audited Accounts for the year ended 31st March, 2002.

FINANCIAL PERFORMANCE

	Current Year ended 31.3.2002 (Rupees)	Previous Year ended 31.3.2001 (Rupees)
Profit/(Loss) before Tax	2,73,795	1,39,226
Less :Provision for Tax	85,628	14,870
Net Profit/(Loss) after Tax	1,88,167	1,24,356
Balance brought forward from earlier year	3,39,779	2,41,423
Profit available for appropriation	5,27,946	3,65,779
Appropriations made are as under:		
Special Reserve	38,000	26,000
Balance carried forward to next year	4,89,946	3,39,779
	5,27,946	3,65,779

OPERATIONS

During the year under review, the Company has earned a profit of Rs.2.74 lacs before tax from investments.

DIVIDEND

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

NBFC REGISTRATION

Reserve Bank of India has granted Certificate of Registration on 31st July 2001 to the Company to carry on the business of a Non-Banking Financial Institution without accepting public deposits.

DEPOSITS

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

PARTICULARS AS PER SECTION 217 OF THE COMPANIES ACT, 1956

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

DIRECTORS' RESPONSIBILITY STATEMENT UNDER SECTION 217(2AA) OF THE COMPANIES ACT, 1956

We, Directors of Rajnidhi Finance Limited state that –

- In the preparation of the Annual Accounts for the year ended 31st March, 2002, the applicable Accounting Standards had been followed along with proper explanation relating to material departures.
- We have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the Financial Year ended 31st March, 2002 and of the profit of the Company for that period.
- We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- We have prepared the Annual Accounts on going concern basis.

Copy of the Secretarial Compliance Certificate as defined u/s 383A of the Companies Act, 1956 is attached as a part of this Report.

DIRECTORS

Shri. K. K. Maheshwari retires by rotation and being eligible, offers himself for reappointment.

AUDITORS

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

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

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

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

Place : Mumbai
Dated: 19th April, 2002

ADESH GUPTA
MANOJ KEDIA
Director

To,
The Members,
RAJNIDHI FINANCE LTD., VERAVAL,

I have examined the Registers, Records, Books and papers of Rajnidhi Finance Ltd. as required to be maintained under the Companies Act, 1956 and the rules made thereunder and also the provisions contained in the Memorandum and Articles of Associations of the Company for the financial year ended 31st March, 2002. In my opinion and to the best of my information and according to the examinations carried out by me and explanations furnished to me by the company its officer and agents. I certify that in respect of the aforesaid financial year :

01. The Company has kept and maintained the following Registers :
    a) Register of Members.
    b) Register of Directors.
    c) Register of Directors' Shareholdings.
    d) Register of Investments.
02. The Company has filed the Forms and Returns with Registrar of Companies as per details given below :-

Date of Filing	Document filed
20/07/2001	Balance Sheet as at 31/03/2001
20/07/2001	Compliance Certificate
20/08/2001	Annual Return made upto 23/06/2001
23/05/2001	Form No. 29
23/05/2001	Form No. 32

03. The Company is not a Private Ltd. Company.
04. The Board of Directors duly met four times on 20/04/01, 28/09/01, 30/10/01, 30/03/02, in respect of which proper notices were given and the proceedings were properly recorded and signed in the Minutes Book maintained for the purpose.
05. The Company has closed its Register of Members from 22/06/2001 to 23/06/01.
06. The Annual general meeting for the year ended 31/03/2001 was held on 23/06/2001 after giving due notice to the members of the Company and the resolutions passed thereat were duly recorded in the Minutes Book maintained for the purpose.
07. No Extra Ordinary General meeting was held during the year.
08. The Company has not advanced loan to its Directors and firms or companies referred to in Section 295 of the Act.
09. The company has not entered into any contracts pursuant to Section 297.
10. Since there is no contract, Register u/s 301 is not applicable.
11. No relative of Directors is holding any office or place of profit and hence Section 314 is not applicable.
12. There is no issue of any duplicate share certificate.
13. The Company has delivered Certificates of shares after transfer as per provisions. The Company has complied with the provisions of Section 217 as far applicable to it.
14. The Board of Directors is duly constituted and appointment of Directors has been duly made.
15. There is no appointment of Managing Director or Whole time Directors during the year.
16. There is no appointment of sole selling agent.
17. There is no activity undertaken by the Company requiring approval of Company Law Board, R. D. or Central Government.
18. The Directors had disclosed their interest to the Board of Directors as per Section 299.
19. The Company has not issued any shares or debentures.
20. The Company has not bought back any shares.
21. The Company has no preference shares and debentures.
22. The Company has not issued any right shares and Bonus shares.
23. Provisions of Section 58 A and 58 AA are not applicable to the Company since the company has not accepted any deposits.
24. The Company has not borrowed any amount and hence Section 293(1)(d) is not applicable.
25. The Company has made investments but Section 372 A is not applicable.
26. The Company has not shifted its Registered Office from one state to another.
27. The Company has not altered the object clause of Memorandum.
28. The Company has not changed its name.
29. The Company has not altered share capital clause of Memorandum.
30. The Company has not altered Articles of Association.
31. The Company has not received any show cause notice for any offence under the Act.
32. The Company has not received any security deposits from employee.
33. Provident Fund Act is not applicable to the Company.

Place : Ahmedabad
Date : 16/4/2002.

Signature :
Name of Company : C. R. Damani
Secretary
C. P. No. : 445.

AUDITORS' REPORT TO THE MEMBERS

We have examined the attached Balance Sheet of RAJNIDHI FINANCE LIMITED as at 31st March, 2002 and also the Profit and Loss Account annexed thereto for the year ended on that date, which are in agreement with the Company's books of account. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988, issued by the 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 said section are not applicable to a company on or after 31st October 1998.
2. The Company has not accepted any deposits from the public.
3. No undisputed amounts payable in respect of Income-tax, Wealth-tax, Sales-tax, Customs duty and Excise duty were outstanding as at 31st March, 2002 for a period of more than six months from the date they became payable.
4. No personal expenses have been charged to revenue account.
5. Since the company has not granted loans and advance on the basis of security by way of pledge of shares, debentures and other securities the question of maintaining adequate documents and records for the same does not arise.
6. As informed to us, the provisions of any special statute applicable to chit fund, nidhi, mutual benefit society are not applicable to the company.
7. The Company is not dealing or trading in shares, securities, debentures and other investments, hence the question of maintaining proper records of transactions and contracts and making timely entries therein, does not arise. The investments have been held by the Company in its own name.

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

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

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

On the basis of confirmation received from the Directors and taken on record by the Board of Directors, none of the Director is disqualified as on date from being appointed as a Director under Section 274(1)(g) of the 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 give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of Balance Sheet, of the state of affairs of the company as at 31st March, 2002; and

(b) In the case of Profit and Loss Account, of the profit for the year ended on that date.

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

Mumbai,
Date : 19th April, 2002

SHIVJI K. VIKAMSEY
Partner

BALANCE SHEET

As at 31st March, 2002

	Schedule	As at 31st March, 2002 (Rupees)	As at 31st March, 2001 (Rupees)
SOURCES OF FUNDS			
Shareholder's Funds:			
Share Capital	1	2,900,000	2,900,000
Reserves & Surplus	2	751,946	563,779
Total Funds Employed		3,651,946	3,463,779
APPLICATION OF FUNDS			
Investments	3	3,761,976	5,861,677
Current Assets, Loans & Advances:			
Cash & Bank Balances	4	915	8,550
Advance Payment of Taxes			
(Net of Provision)		34,468	1,500
		35,383	10,050
Less: Current Liabilities & Provisions			
Current Liabilities			
Due to Holding Company		134,856	2,403,014
Other Liabilities		10,557	4,934
		145,413	2,407,948
Net Current Assets		(110,030)	(2,397,898)
Total Funds Utilised		3,651,946	3,463,779
Significant Accounting Policies & Notes forming part of Accounts.	5		

PROFIT & LOSS ACCOUNT

For the year ended 31st March, 2002

	For the year ended 31st March, 2002 (Rupees)	For the year ended 31st March, 2001 (Rupees)
INCOME		
Income from Collateral Finance	—	68,854
Dividend	—	422,978
Profit on Redemption/Sale of Current Investments	318,197	3,677
Miscellaneous Income	—	19,166
Total	318,197	514,675
EXPENDITURE		
General Charges	3,926	36,330
Printing & Stationery	—	260
Legal & Professional Fees	10,250	—
Interest paid on other than on fixed loan	27,076	328,009
Payment to Auditors		
For Audit Fees	3,150	3,300
For Certification Work	—	4,050
For Taxation Matters	—	3,500
Total	44,402	375,449
Profit before Tax	273,795	139,226
Less Provision for Income Tax	85,628	14,870
Profit after Tax	188,167	124,356
Balance brought forward	339,779	241,423
Profit available for appropriation	527,946	365,779
Appropriations		
Special Reserve	38,000	26,000
Surplus carried to Balance sheet	489,946	339,779
Total	527,946	365,779
Basic & Diluted Earnings per share	0.65	0.43
Significant Accounting Policies & Notes forming part of Accounts. 5		

As per our Report attached

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K VIKAMSEY
Partner

Mumbai, 19th April, 2002

ADESH GUPTA
MANOJ KEDIA
Directors

SCHEDULE-1
SHARE CAPITAL

	Numbers	As at 31st March, 2002 (Rupees)	As at 31st March, 2001 (Rupees)
Authorised:			
Equity Shares of Rs. 10 each	290,000	2,900,000	2,900,000
Redeemable Preference Shares of Rs. 100 each	1,000	100,000	100,000
		3,000,000	3,000,000
Issued, Subscribed and Paid-up:			
Equity Shares of Rs.10 each Fully paid up	290,000	2,900,000	2,900,000
		2,900,000	2,900,000

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 40,000 Equity Shares are held by Indian Rayon And Industries Ltd.,the ultimate Holding Company

SCHEDULE-2
RESERVES & SURPLUS

	Balance As At 31st March, 2001 (Rupees)	Additions During The Year (Rupees)	Balance As At 31st March, 2002 (Rupees)
Special Reserve	124,000	38,000	162,000
Capital Redemption Reserve	100,000	—	100,000
Surplus As Per P & L A/C	339,779	150,167	489,946
	563,779	188,167	751,946

SCHEDULE-3
INVESTMENTS
Fully paid-up (UNQUOTED)
LONG TERM INVESTMENTS

Equity Shares of Rs.10/- each	No. of Shares	As at 31st March, 2002 (Rupees)	As at 31st March, 2001 (Rupees)
Crafted Clothing Pvt. Ltd,	240000	2,400,000	2,400,000
Perfect Apparels Pvt.Ltd.,	35520	356,976	—
Alpha Garments Pvt. Ltd.,	20000	201,000	—
Classical Mens Wear Pvt. Ltd.,	20000	201,000	—
Europa Garments Pvt. Ltd.,	20000	201,000	—
Harwood Garments Pvt.Ltd.,	20000	201,000	—
English Apparels Pvt. Ltd.,	10000	100,500	—
Design Knitwear (Banglore) Pvt. Ltd.,	10000	100,500	—
CURRENT INVESTMENTS			
1,92,654.148 units of Birla Income Plus (Plan B) of Birla Mutual Fund of Rs. 10/- Each.		—	3,461,677
		3,761,976	5,861,677

SCHEDULE-4
CASH & BANK BALANCES

Cash in hand	—	82
Balance with Schedule Banks In Current Account	915	8,468
	915	8,550

SCHEDULE-5

SIGNIFICANT ACCOUNTING POLICIES AND NOTES ON ACCOUNTS FOR THE YERAR ENDED 31ST MARCH, 2002.

(A) SIGNIFICANT ACCOUNTING POLICIES

ACCOUNTING CONVENTION

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

INVESTMENTS

Long Term Investments were stated at cost after deducting provision,if any,made for permanent dimunition in the value. Current Investments are stated at lower of cost and market/ fair value.

TAXATION

Provision for Income Tax is made on the basic of the estimated taxable income for the current accounting year in accordance with the Income Tax Act, 1961.

The deferred tax for timing difference between the book and tax profits for the year is accounted for using the tax rates and laws that have been enacted or substantively enacted as of the balance sheet date.

Deferred tax asset arising from timing difference are recognized to the extent there is reasonable certainty that these would be realised in future.

(B) NOTES ON ACCOUNTS

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

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

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

(4) Disputed Income Tax Liabilities not provided for Rs. 33,244.

(5) Current year provision for Income Tax includes Rs. 15,628 related to earlier year.

(6) The Deferred Tax Asset arising due to timing difference of preliminary expenditure has not been recognized as the amount involved is not material.

(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

ADESH GUPTA
MANOJ KEDIA
Directors

Mumbai, 19th April, 2002

ANNEXURE I

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

Balance Sheet Abstract and Company's General Business Profile:

I. Registration Details

Registration No.: 04-22691 of 1994-95 State Code 0 4

Balance Sheet	31st	March	2002
	Date	Month	Year

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

Public Issue	Right Issue
NIL	NIL
Bonus Issue	Private Placement
NIL	NIL

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

Total Liabilities	Total Assets
3651.95	3651.95

Sources of Funds

Paid-Up Capital	Reserves & Surplus
2900.00	751.95
Secured Loans	Unsecured Loans
NIL	NIL

Application of Funds

Net Fixed Assets	Investments
NIL	3761.98
Net Current Assets	Misc. Expenditure
(110.03)	NIL
Accumulated Losses	
NIL	

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

Turnover/Gross Income	Total Expenditure
318.20	44.40
Profit/(Loss) Before Tax	Profit/(Loss) After Tax
273.80	188.17
Earning per Share in Rs.	Dividend rate %
0.65	NIL

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

Item Code No. N.A.
Product
Description Investment and Finance Activities

As per our Audit attached

For KHIMJI KUNVERJI & CO.
Chartered Accountants

SHIVJI K VIKAMSEY
Partner

ADESH GUPTA
MANOJ KEDIA
Directors

Mumbai, 19th April, 2002

DIRECTOR'S REPORT

Dear Shareholder,

Your Directors present herewith the twenty-fifth Annual Report with the audited accounts for the period 1st January, 2001 to 31st March, 2002.

1. *Performance Results*

The summarised results are as follows:

Particulars	(Rs. in million)	
	January 2001 to March 2002	January 2000 to December 2000
Total income	968.17	849.96
Profit/(Loss)beforeInterest, Depreciation and Tax	(66.76)	192.74
Interest & Financial Charges	9.36	4.32
Depreciation	42.20	24.58
Profit/(Loss) before Tax	(118.32)	163.84
Write Back/(Provision) for Taxation	(0.58)	7.51
Compensation for Termination of Business	—	10.93
Non recurring Extraordinary Items	(10.82)	—
Net Profit / (Loss)	(129.72)	182.28

2. Highlights of the year:

As the operating environment for all companies in the IT space continues to be difficult, PSI has achieved total income of Rs. 968.17 million for the fifteen months ended 31st March, 2002. It recorded a loss of Rs. 129.72 million for the said period. Encouraged by the good results of the year 2000, PSI had set up establishment in Japan, expanded its sales force in the US and set up new facilities in Bangalore and Mumbai, during the latter part of 2000 and first half of 2001. Owing to the economic downturn, the revenue growth could not keep pace with the higher cost structure, thus causing severe erosions in margins. The financial results also reflect continuing economic uncertainty in the market place.

The economic downturn in Europe contributed to registering a loss of about Rs. 46 million attributable to some of major customers going bankrupt – like BOSS Limited (Rs.22.60 million), E-People Ventures Limited (Rs.11.32 million). Simultaneously, the Company had to write down its investment of 20% capital in Accelerex Limited (Rs.9.80 million) as the said company has decided to seek striking off its name from the Register of Companies and the 5.3% capital in Advisor Technologies Limited (Rs.1.02 million), which has gone into Creditors' Winding up.

Faced with such adverse conditions, your Company took steps to contain the loss by implementing effective cost reduction exercise wherever feasible, without seriously jeopardising your Company's ability to regain profitable position.

Your Company looks ahead at the year 2002 – 2003 as a turnaround period with Birla Technologies Limited under its fold.

Transition from Groupe Bull to The Aditya Birla Group

As your are awere, Bull S.A. of France, which took a 26% stake in PSI in the year 1988, gradually increased it's holding to 51% in the year 1993. Your Company has been associated with Bull for over a decade in different fields like manufacture of mainframes, sale of Automated Teller Machines and other products along with providing software solutions to it and its customers. Pursuant to an agreement dated 25th June, 2001, Bull S.A. sold its entire holding of 50.35% to Indian Rayon and Industries Limited (IRIL), which is one of our major Group companies. With the acquisition of an additional 20% stake through the mandatory Open Offer by IRIL, your Company has become a subsidiary of IRIL, effective 24th October, 2001.

Having said this, your Directors would like to provide you with a brief over view of The Aditya Birla Group. The Aditya Birla Group is among India's largest business houses. Operating in the country for over 5 decades and globally for nearly 30 years, its revenues today are in excess of US$ 6 billion, with net earnings of US$ 500 million, a US$ 5.5 billion asset base, a market cap of US$ 5 billion and 7,00,000 shareholders. Your Company is proud to now belong to this Group.

Birla Technologies Limited

Your Company has acquired 99.91% stake in Birla Technologies Limited (BTL), hitherto a subsidiary of Grasim Industries Limited (an Aditya Birla Group company) for a consideration of Rs.112.60 million. BTL focuses on IT consultancy, turnkey solution, migration, conversion and e-com solutions. BTL's thrust areas are Enterprise Solutions, Insurance, Financial and Telecom Services and on-site development for clients across the world. Anchored by about 200 qualified professionals, BTL has tie up with Solcorp for Insurance, Lawson for web-enabled applications, Knowledge Mechanics for e-learning and Hotpalm.com for wireless products. In addition, it has strategic business alliance with Microsoft, Oracle and IBM.

With this acquisition, the IT sector within our Group is positioned to become a much more focused business under a single umbrella. Though we aim to create synergies between the two companies, there are no immediate plans to merge them.

3. *Employees' Stock Option Plan*

PSI has allocated shares to employees under its Stock Option Plan (ESOP) over the last four years as indicated:

Year/Phase	No. of Shares allocated	Price at which allocated
1998 – Phase I	95,550	Rs. 15.50
1999 – Phase II	42,520	Rs. 25.00
2000 – Phase III	61,725	Rs. 30.00
2001 – Phase IV	119,600	Rs. 40.00

These shares are subject to a lock-in-period of three years from the date of allocation. Employees have the option to subscribe for the shares allocated within a period of three years from the date of allocation.

Your Company does not have any whole-time director at present, who has been accorded shares under the ESOP Scheme.

4. *Corporate Governance*

Your Company is committed to good Corporate Governance practices. Your Directors endeavour to adhere to the standards set out by the Securities and Exchange Board of India's (SEBI) Corporate Governance practices and accordingly has implemented all the major stipulations prescribed. Your Company's Statutory Auditors' Certificate dated 3rd May, 2002 in line with Clause 49 of the Stock Exchange Listing Agreement is annexed to and forms part of the Directors' Report as Annexure 1.

As stipulated in Section 217(2AA) of the Companies Act, 1956 (the Act), your Directors subscribe to the "Directors' Responsibility Statement" and confirm that:

- In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures.
- The directors have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for that period.
- The directors have taken proper and sufficient care of the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- The directors have prepared the annual accounts on a going concern basis.

5. *Directors*

Mr Ajit Balakrishnan who had been a member of the Board for over 20 years and had guided the Company's affairs as Managing Director during the first decade and as Vice Chairman of the Company during the second decade has resigned in July 2001. The Board places on record the valuable services rendered by Mr Ajit Balakrishnan during his tenure as Managing Director and later as Vice Chairman of the Company.

Pursuant to the sale of shares by Bull S.A. in favour of Indian Rayon and Industries Limited, all the erstwhile directors nominated by Bull S.A. resigned and a new Board was constituted on 24th October, 2001. The

Board places on record its appreciation of the valuable services rendered by all nominees of Bull.

Your Board acknowledges the significant role played by Bull in transitioning PSI from a hardware oriented company to a software and services company across several countries alongwith backing PSI with financial, managerial and technological support over several years.

Upon the sale of shares by Bull S.A. in favour of Indian Rayon and Industries Limited, Mr. Kumar Mangalam Birla, Mr. Mukesh Patel and Mr. Adesh Gupta were co-opted as Additional Directors on 24th October, 2001.

Additionally, Mr. Kumar Mangalam Birla was named the Chairman of the Company.

Subsequent thereto, three more Additional Directors were nominated. These include Dr. Santrupt Misra, Mr. Damodar Ratha and Mr. Arun Thiagarajan .

Mr Mukesh Patel has resigned on 30th April, 2002. Your Board places on record the valuable services rendered by him during his tenure.

Mr. Kumar Mangalam Birla, Mr. Adesh Gupta, Dr. Santrupt Misra, Mr. Damodar Ratha and Mr. Arun Thiagarajan hold office only upto the date of the next Annual General Meeting of the Company. It is proposed to appoint them as Directors of the Company at this Annual General Meeting.

6. Report of Subsidiary Companies

(a) Birla Technologies Limited

As required under Accounting Standard 21, Consolidated Financial Statements incorporating the results of Birla Technologies Limited are given in this report. In line with Section 212 of the Companies Act, 1956 the audited statements of accounts along with the report of the Board of Directors and the Auditors of Birla Technologies Limited are annexed as well.

(b) PSI Kalinga Limited

PSI Kalinga Limited (PSIK) was a Bhubaneswar based joint-sector company manufacturing PCs, in which PSI held 74% and Industrial Promotion and Investment Corporation of Orissa Limited (IPICOL) held 26%. Upon PSIK closing down its undertaking in 1990 due to heavy losses, PSI filed a petition in the High Court of Orissa for the winding up of PSIK.

The High Court of Orissa appointed the Official Liquidator as Provisional Liquidator in August 1991. As the Balance Sheet and Profit and Loss Account of the said subsidiary company for the years ended 31st March, 2001 and 31st March, 2002 are not available and as exempted by the Central Government under Section 212 of the Act, they have not been attached to this Annual Report. Consequently, the financial statements of this subsidiary have not been consolidated in the accounts of the Company. As soon as the accounts of the subsidiary company are received, they shall be circulated to all the shareholders.

7. Energy and Technology Absorption

The information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 for the period ended 31st March, 2002 is given in Annexure 2, forming part of this Report.

8. Particulars regarding Employees

The particulars of employees, as required under Section 217(2A) of the Companies Act, 1956 are given in a separate Annexure to this Report. This annexure, however, is not sent with the Report and Accounts to the shareholders of the Company in keeping 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.

9. Auditors

M/s.Varma and Varma and M/s. Deloitte Haskins & Sells, retire as auditors of the Company at this Annual General Meeting and are eligible for reappointment.

The Board of Directors will appoint auditors for the overseas branches of the Company, in consultation with the Company's auditors. In respect of the Auditors' Report, relevant notes forming part of the accounts and referred to in the Auditors' Report are self-explanatory.

10. Acknowledgement

Your Directors wish to place on record their appreciation of the dedication and commitment of all employees during the year.

The Directors acknowledge the assistance, co-operation and encouragement given to your Company by various authorities including the Company's Bankers. The Board also wishes to place on record the continuous support received from the members of the Company.

For and on behalf of the Board

Mumbai
3rd May, 2002

Kumar Mangalam Birla
Chairman

ANNEXURE TO DIRECTORS' REPORT

Annexure 1

Auditors' Certificate on Corporate Governance.

To the Memebers of PSI DATA SYSTEMS LIMITED

1. We have examined the compliance of conditions of Corporate Governance by PSI DATA SYSTEMS LIMITED, for the period ended on 31st March, 2002 as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.

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

3. In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has generally complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement except that the Company reached the level of one-third of the Board being comprised of 'Independent Directors' only from April 2, 2002 onwards.

4. On the basis of representation received from the Share Transfer Agent, we state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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

For VARMA & VARMA
Chartered Accountants

Cherian K Baby
Partner

For DELOITTE HASKINS & SELLS
Chartered Accountants

M. Lakshminarayanan
Partner

Place:Mumbai
Date: 3rd May, 2002

Annexure 2

Information required under the Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988.

1. CONSERVATION OF ENERGY:

Your Company's operations involve low energy consumption. Regardless, efforts to conserve and optimise the use of energy through improved operational methods and other means will continue.

2. RESEARCH AND DEVELOPMENT (R&D)

a) Specific areas in which R & D carried out by the Company:

Your Company has set up focused units of business centered on business domains like Financial Services and Insurance. PSI has realigned the technology practices to deliver solutions in these domains. As part of technology practices, PSI builds competence and capabilities in technology focus area and also invests in chosen technologies.

As part of its Continuous Improvement Program (CIP), your Company has constantly honed business processes and development methodologies relating to these technologies with the objective of providing optimal solution to clients.

PSI is developing products for Financial Services, such as CAPS (Credit Appraisal Systems), Futures and Options and Message Adapter.

PSI has built toolsets for Project Management, Automation of HR functions and developed Knowledge Management portal.

b) Benefits derived as a result of the above R & D:

Benefits are:

- Additional products in Financial Services portfolio, improvements in the business processes and development methodologies;
- Improved Delivery capabilities like reusability, framework architecture, productivity and client satisfaction.

c) Future plan of action:

Your Company will continue to invest time and resources into identifying and understanding newer technologies relevant to its business based on inputs from Lines of Business and Business Managers. PSI will realign the technology practices based on such inputs on an ongoing basis.

The summarized focus areas are:

- Migration, Legacy Application Maintenance and Support
- Integration with legacy application and interfaces to external systems to provide unified view of enterprise
- Data Warehousing
- WEB Based Application Development and Knowledge Management
- Traditional Client Server Application and Maintenance
- Enterprise Resource Planning and Customer Relationship Management

d) Expenditure on R & D:

a) Capital	Nil
b) Recurring	Not separately accounted
c) Total	Not Applicable
d) Total R & D expenditure as a percentage of total turnover	Not Applicable

e) Technology absorption, adaptation and innovation:

As part of your Company's plans to provide end-to-end solution in the e-solutions market space, your Company has developed a multi-tiered solution model. During the year, technology absorption activities have mainly centred on:

- Enterprise Application Integration
- Microsoft and Traditional Client Server Applications
- Data Warehousing
- Enterprise Resource Planning/Customer Relationship Management
- Legacy Application and Maintenance
- Security Solutions

f) Foreign exchange earnings and outgo:

Foreign exchange earnings	Rs.813 million
Foreign exchange outgo	Rs.241 million

AUDITOR'S REPORT

To the Members of PSI DATA SYSTEMS LIMITED

We have audited the attached Balance Sheet of PSI DATA SYSTEMS LIMITED, as at 31st March , 2002, and the Profit and Loss Account of the Company for the fifteen months period ended on that date annexed thereto wherein are incorporated the accounts of the US and Japan Branches of the Company not visited by us and audited by the Branch Auditors and accounts of the UK Branch audited by one of us. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.

1. As required by the Manufacturing and Other Companies (Auditors' Report) Order, 1988 issued by the Company Law Board in terms of Section 227(4A) of the Companies Act 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

2. Further to our comments in the Annexure referred to above, we report that

(i) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit

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

(iii) The Balance Sheet and Profit and Loss Account dealt with by this report are prepared in accordance with the Accounting Standards referred to in Section 211(3C) of the Companies Act, 1956.

(iv) The Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account and with the audited returns from the branches.

(v) On the basis of written representations received from the directors of the Company, as at 31st March, 2002 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act 1956.

(vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March , 2002; and

(b) in the case of the Profit and Loss Account of the loss for the fifteen months period ended on that date.

For VARMA & VARMA
Chartered Accountants

Cherian K Baby
Partner

For DELOITTE HASKINS & SELLS
Chartered Accountants

M. Lakshminarayanan
Partner

Place : Mumbai
Date: 3rd May, 2002

Annexure to the Auditors' Report

Statement referred to in paragraph 1 of our report of even date to the members of PSI Data Systems Limited on the accounts for the fifteen months period ended 31st March, 2002.

1. The Company has maintained proper records showing full particulars including quantitative details, where applicable and situation of all its fixed assets. The Company has conducted physical verification of fixed assets during the year and as explained to us no material discrepancies were noticed.

2. None of the fixed assets of the Company have been revalued during the year.

3. The stocks of goods, stores, spare parts and raw materials of the Company other than materials lying with customs and bonded warehouse have been physically verified by the management during the year at reasonable intervals.

4. The procedure of physical verification of the aforesaid stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

5. The discrepancies between the physical stock and book stocks, which were not material, have been properly dealt with in the books of account.

6. In our opinion and on the basis of our examination of the stock records, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.

7. The Company has not taken any loans from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or from companies under the same management as defined under section 370(1B) of the Companies Act, 1956.

8. The Company has not granted any loans to companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 and/or to companies under the same management as defined under section 370(1B) of the Companies Act, 1956.

9. In respect of loans or advances in the nature of loans given by the Company to the employees and third parties, the principal amounts are generally being repaid/adjusted as stipulated.

10. In our opinion and on the basis of the checks carried out during the course of our audit, the internal control procedures for the purchase of stores, spares and raw materials and for the sale of goods is fairly adequate and commensurate with the size of the Company and the nature of its business.

11. The Company has purchased goods/materials from its foreign collaborators aggregating to more than Rs. 50,000/- in pursuance of contracts/agreements made, which are covered by the provisions of Section 301 of the Companies Act, 1956, which, as explained to us, are at negotiated prices fixed at reasonable levels, having regard to the technical requirements/quality considerations and alternate source of availability and there are no comparable purchase by the Company of similar items.

12. As explained to us, the Company has a system of determining unserviceable or damaged stores, raw materials and finished goods on the basis of technical evaluation and on such basis, in our opinion, adequate amounts have been written off/provided for.

13. The Company has not accepted any deposits within the meaning of Section 58A of the Companies Act, 1956 and rules framed thereunder.

14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable scrap. The Company does not have any by-products.

15. In our opinion, the Company has an internal audit system, the scope and coverage of which is fairly adequate commensurate with the size and nature of the business of the Company.

16. As explained to us, the Central Government has not prescribed maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956, for the products of the Company.

17. According to the records of the Company, it has been generally regular in depositing Provident Fund and Employees State Insurance dues with the appropriate authorities.

18. According to the information and explanations given to us, there were no undisputed amounts payable in respect of Income tax, Sales tax, Customs duty and Excise duty as at 31st March, 2002 for a period of more than 6 months from the date they became payable.

19. According to the information and explanations given to us and the records of the Company examined by us, no personal expenses of employees or directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with generally accepted business practice of the Company.

20. The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.

21. In our opinion and according to the explanations given to us, there is a reasonable system of recording receipts, issues and consumption of materials and stores at its main stores. To the best of our information and according to the explanations given to us, the Company does not have a system of allocation of materials/stores and man-hours to relative maintenance jobs as it is considered not required by the management in view of the nature of the services rendered.

22. In our opinion and according to the explanations given to us, the Company has a reasonable system of authorisation at proper levels and adequate system of internal controls commensurate with the size of the Company and nature of its business for issue of stores to maintenance jobs.

23. The Company has a reasonable system of allocating man-hours (with authorisation at proper levels) utilised to the relative jobs, commensurate with its size and nature of business.

For VARMA & VARMA
Chartered Accountants

Cherian K Baby
Partner

For DELOITTE HASKINS & SELLS
Chartered Accountants

M. Lakshminarayanan
Partner

Place : Mumbai
Date: 3rd May, 2002

PSI DATA SYSTEMS LIMITED

BALANCE SHEET
AS AT 31ST MARCH, 2002

	Schedule	As at 31st March, 2002 Rs.	Rs.	As at 31st December, 2000 Rs.	Rs.
SOURCES					
Share Capital	A	75,503,340		75,503,340	
Reserves and Surplus	B	152,475,240		282,189,825	
			227,978,580		357,693,165
Secured Loans	C	24,362,219		34,201,505	
Unsecured Loans	D	112,500,000		—	
			136,862,219		34,201,505
TOTAL			364,840,799		391,894,670
APPLICATIONS					
Fixed Assets	E				
Gross Block		164,686,274		152,411,000	
Less: Depreciation		101,633,838		70,386,611	
Net Block			63,052,436		82,024,389
Investments	F		112,601,035		10,820,526
			175,653,471		92,844,915
Current Assets, Loans & Advances					
Inventories	G	5,389,286		11,132,864	
Sundry Debtors	H	110,397,089		229,514,254	
Cash and Bank Balances	I	98,855,913		87,283,228	
Loans and Advances	J	66,081,680		92,942,271	
		280,723,968		420,872,617	
Less: Current Liabilities					
and Provisions	K				
Liabilities		79,230,078		88,045,279	
Provisions		12,306,562		33,777,583	
		91,536,640		121,822,862	
Net Current Assets			189,187,328		299,049,755
TOTAL			364,840,799		391,894,670
NOTES ON ACCOUNTS	O				

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 31ST MARCH, 2002

	Schedule	Period ended 31st March, 2002 Rs.	Rs.	Year ended 31st December, 2000 Rs.	Rs.
INCOME					
Sale of Hardware/ATMs		67,668,017		83,801,302	
Software Services/Licence Fees		871,772,897		725,276,740	
Maintenance Income		18,397,915		21,145,426	
			957,838,829		830,223,468
Other Income	L		10,325,987		19,740,602
Total			968,164,816		849,964,070
EXPENDITURE					
Manufacturing, Administrative and other Expenditure	M	1,045,746,570		657,215,088	
Financial Expenses	N	9,358,966		4,320,467	
Depreciation	E	42,198,975		24,576,040	
			1,097,304,511		686,111,595
Profit/(Loss) before Taxation and Extraordinary Items			(129,139,695)		163,852,475
Compensation for termination of business			—		10,932,487
Profit/(Loss) before Tax			(129,139,695)		174,784,962
Deferred taxes			—		—
Current Year taxes			(574,866)		7,511,124
Profit/(Loss) after Tax			(129,714,561)		182,296,086
Balance of Profit brought forward from previous year			234,230,384		93,306,096
Amount available for Appropriation			104,515,823		275,602,182
Transfer to General Reserve			—		(18,230,000)
Proposed Equity Dividend			—		(18,875,835)
Tax on Proposed Dividend			—		(4,265,939)
Balance of profit carried to Balance Sheet			104,515,823		234,230,408
No. of Equity Shares of Rs. 10/- each outstanding			7,550,334		7,550,334
Basic and Diluted Earnings per Share			-17.18		24.14
NOTES ON ACCOUNTS	O				

As per our report of even date attached

For Varma & Varma
Chartered Accountants

Cherian K Baby
Partner

For Deloitte Haskins & Sells
Chartered Accountants

M Lakshminarayanan
Partner

Place : Mumbai
Date : 3rd May, 2002.

Nagendra Venkaswamy
President

G Ramesh
Sr. Vice President-Finance

R Vittal
Vice President-Legal Affairs & Company Secretary

Chairman : Kumar Mangalam Birla
Directors: Adesh Gupta
Santrupt Misra
Damodar Ratha
Arun Thiagarajan

Schedule forming part of the Balance Sheet

	As at 31st March, 2002 Rs.	As at 31st December, 2000 Rs.
SCHEDULE - 'A'- SHARE CAPITAL		
AUTHORISED		
42,500,000 Equity Shares of Rs.10/-each	425,000,000	425,000,000
3000 - 14% Cumulative Redeemable Preference Shares of Rs.10/-each	30,000	30,000
249,700 - 14% Cumulative Redeemable Preference Shares of Rs.100/-each	24,970,000	24,970,000
	450,000,000	450,000,000
ISSUED		
7,550,334 Equity Shares of Rs. 10/- each	75,503,340	75,503,340
	75,503,340	75,503,340
SUBSCRIBED AND PAID UP		
7,550,334 Equity Shares of Rs. 10/- each fully paid up	75,503,340	75,503,340
(Of the above 600 Equity Shares of Rs.10/- each have been issued in pursuance of an agreement for consideration other than cash) (5,311,669 shares are held by the holding company Indian Rayon & Industries Ltd.) (PY 3,801,602 shares were held by the then holding company Bull S.A., France)	75,503,340	75,503,340

	As at 31st March, 2002 Rs.	Rs.	As at 31st December, 2000 Rs.	Rs.
SCHEDULE - 'B' - RESERVES AND SURPLUS				
Capital Redemption Reserve		10,000,000		10,000,000
Share Premium		2,076,344		2,076,344
Investment Allowance Reserve				
Per Last Balance Sheet		2,253,073		2,253,073
General Reserve				
Per Last Balance Sheet	33,630,000		15,400,000	
Add: Transfer from Profit and Loss Account	—		18,230,000	
		33,630,000		33,630,000
Profit & Loss Account				
Balance of profit carried forward		104,515,823		234,230,408
		152,475,240		282,189,825
SCHEDULE - 'C' - SECURED LOANS				
FROM BANK :				
1) RUPEE TERM LOAN		4,421,603		14,496,005
Secured by first charge on all existing/ future current and fixed assets. (Payable within one year Rs. 4,421,603/-)				
Interest Accrued and due thereon		144,459		—
2) FOREIGN CURRENCY LOAN				
Secured by first charge on all existing/future current and fixed assets.		19,305,000		19,705,500
(Payable within one year Rs. 19,305,000/-)				
Interest Accrued and due thereon		491,157		—
		24,362,219		34,201,505
SCHEDULE - 'D'- UNSECURED LOANS				
Inter Corporate Deposit (Payable within one year Rs. 112,500,000/-)		112,500,000		—
		112,500,000		—

SCHEDULE - 'E' - FIXED ASSETS

DESCRIPTION	GROSS BLOCK AT COST				DEPRECIATION				NET BLOCK	
	AS AT 01.01.2001 Rs.	ADDITIONS DURING THE YEAR Rs.	DELETIONS Rs.	AS AT 31.03.2002 Rs.	UPTO 01.01.2001 Rs.	FOR THE YEAR Rs.	ADJUSTMENTS Rs.	AS AT 31.03.2002 Rs.	AS AT 31.03.2002 Rs.	AS AT 31.12.2000 Rs.
Plant & Machinery	119,825,455	23,890,203	11,109,688	132,605,970	60,938,554	35,789,078	9,797,578	86,930,054	45,675,916	58,886,901
Electrical Fittings	2,210,379	40,002	218,540	2,031,841	952,888	143,387	68,093	1,028,182	1,003,659	1,257,491
Office Equipment	6,199,981	404,381	705,885	5,898,477	1,580,220	419,679	193,951	1,805,948	4,092,529	4,619,761
Furniture & Fixture	10,742,307	1,734,313	1,766,455	10,710,165	4,466,244	1,158,427	676,191	4,948,480	5,761,685	6,276,063
Vehicles	2,690,713	—	—	2,690,713	816,248	302,714	—	1,118,962	1,571,751	1,874,465
Leasehold Premises	10,742,165	375,381	368,438	10,749,108	1,632,457	4,385,690	215,935	5,802,212	4,946,896	9,109,708
TOTAL	152,411,000	26,444,280	14,169,006	164,686,274	70,386,611	42,198,975	10,951,748	101,633,838	63,052,436	82,024,389
Previous Year	96,666,554	57,923,950	2,179,504	152,411,000	47,412,148	24,576,040	1,601,577	70,386,611	82,024,389	49,254,406

SCHEDULE - 'F'- INVESTMENTS - LONG TERM

	As at 31st March, 2002 Rs.	Rs.	As at 31st Dec, 2000 Rs.	Rs.
Unquoted :				
Indira Vikas Patra		500		500
Investment in Subsidiary Companies				
Birla Technologies Ltd.				
9,791,350 Equity Shares of Rs. 10 each at cost fully paid-up.		112,600,525		—
PSI Kalinga Limited (Under Liquidation)				
3,400 Equity Shares of Rs. 1,000/- each, at cost, fully paid-up (lodged with the Industrial Promotion and Investment Corporation of Orissa Ltd. as security for loan granted by them to PSI Kalinga Ltd.)	3,400,000		3,400,000	
Advance Subscription for Equity Shares of PSI Kalinga Ltd.	147,000		147,000	
	3,547,000		3,547,000	
Less: Provision for depletion in value	3,547,000	—	3,547,000	—
Accelerex Ltd., U.K.				
1,125,000 "B" category Ordinary Shares of USD 0.02 each, at cost fully paid-up.	958,333		958,333	
10,375,000 "C" Convertible Deferred shares of USD 0.02 each at cost fully paid-up.	8,837,963		8,837,963	
	9,796,296			9,796,296
Less : Provision for depletion in value	9,796,296	—		
Advisor Technologies Ltd. U.K.				
1,520,000 Ordinary Shares of GBP 0.01 each, at cost fully paid-up.	1,023,720			1,023,720
Less : Provision for depletion in value	1,023,720	—		
Trade Investments				
Software Services Support and Education Centre Ltd.				
Equity share of Rs. 10/- at cost fully paid-up		10		10
		112,601,035		10,820,526

SCHEDULE - 'G'- INVENTORIES

	As at 31st March, 2002 Rs.	As at 31st Dec, 2000 Rs.
(As taken, valued and certified by the Management)		
Maintenance Spares	4,640,242	2,973,797
Software Work In Progress	565,999	6,104,931
Finished Goods	183,045	604,527
Goods-in-Transit (includes Materials in Bonded Warehouse)	—	1,449,609
	5,389,286	11,132,864

SCHEDULE - 'H'- SUNDRY DEBTORS

	As at 31st March, 2002 Rs.	Rs.	As at 31st Dec, 2000 Rs.	Rs.
(a) Debts outstanding for a period exceeding six months				
Considered Good	11,931,286		32,559,416	
Considered Doubtful	27,297,478		3,227,349	
	39,228,764		35,786,765	
Less : Provision	27,297,478		3,227,349	
		11,931,286		32,559,416
(b) Other Debts				
Considered Good	98,465,803		196,954,838	
Considered Doubtful	3,162,787		—	
	101,628,590		196,954,838	
Less : Provision	3,162,787		—	
		98,465,803		196,954,838
		110,397,089		229,514,254

SCHEDULE - 'I'- CASH AND BANK BALANCES

	As at 31st March, 2002 Rs.	Rs.	As at 31st December, 2000 Rs.	Rs.
Cash on hand		144,766		1,346,278
Balances with Scheduled Banks				
a) On Current Accounts	37,888,968		16,726,999	
b) On Deposit Accounts	7,713,466		11,360,482	
Balances with other Banks				
On Current Accounts -	Max. Balance			
a) Norwest Bank , U S A.,	12,834,495 (13,686,742)	1,673,416		951,411
b) Natwest Bank, U.K.	12,631,414 (11,645,724)	3,040,741		6,809,904
c) Deer Valley Federal Credit Union, U.S.A.	47,047 (44,081)	47,047		44,081
d) Royal Bank of Scotland, Germany	663,377 (1,302,236)	319,078		323,069
e) Tokyo Mitsubishi Bank, Japan	4,246,667 (—)	3,092,495		—
f) Sumitomo Bank, Japan	1,286,976 (2,336,500)	—		1,286,976
g) Natwest Bank, U.K.	21,410,011 (8,612,031)	6,497,163		5,733,025
On Deposit Accounts -				
a) Norwest Bank, U S A.,	40,788,864 (36,470,644)	36,827,371		40,929,606
b) The Peoples Bank, U S A.,	5,900,095 (6,164,866)	1,235,311		1,403,254
c) Deer Valley Federal Credit Union, U.S.A.	11,541 (10,648)	11,541		10,648
d) Natwest Bank, U.K.	364,550 (357,495)	364,550		357,495
		98,855,913		87,283,228

Figures in brackets relate to previous year

SCHEDULE - 'J'- LOANS & ADVANCES

	As at 31st March, 2002 Rs.	As at 31st December, 2000 Rs.
Unsecured		
Advances recoverable in cash or in kind or for value to be received	19,505,622	17,089,639
Claims Receivable	—	622,077
Balances with Central Excise Department	27,309	27,309
Advance Income Tax/ Tax deducted at source (Net of Provisions)	12,456,969	23,917,713
Prepaid Expenses	3,911,800	12,448,319
Advances to PSI Employees' Welfare Trust	3,260,023	4,447,517
Deposits	28,678,182	36,189,579
Accrued Interest on Margin Money/ Fixed Deposit	251,103	209,446
Other Receivables	629,678	629,678
	68,720,686	95,581,277
Less: Provision for doubtful advances	2,639,006	2,639,006
Balance Considered Good	66,081,680	92,942,271

SCHEDULE - 'K'- CURRENT LIABILITIES AND PROVISIONS

	As at 31st March, 2002 Rs.	Rs.	As at 31st December, 2000 Rs.	Rs.
A. Current Liabilities				
Sundry Creditors - due to SSI Units		—		—
Sundry Creditors - Others		66,032,300		70,793,493
Advance from Customers		1,873,199		2,453,922
Other Liabilities		7,607,505		11,626,062
Due to Directors		309,600		—
Unclaimed Dividends		646,064		800,272
Interest accrued and not due		1,202,178		—
Income not accrued		1,559,232		2,371,530
		79,230,078		88,045,279
B. Provisions				
Provision for Staff Benefit Scheme	11,402,820		10,635,809	
Provision Others	903,742		—	
		12,306,562		10,635,809
Proposed Dividend on Equity Shares	—		18,875,835	
Corporate Tax on Proposed Dividend	—	—	4,265,939	23,141,774
		91,536,640		121,822,862

Schedule forming part of the Profit and Loss Account

	For the Period ended 31st March, 2002 Rs.	Rs.	For the year ended 31st December, 2000 Rs.	Rs.
SCHEDULE - 'L' - OTHER INCOME				
Interest Income		4,903,975		2,249,734
Tax deducted at source Rs.131,922/- (Previous Year Rs.197,425/-)				
Commission - Sales		2,198,101		5,228,081
Foreign Exchange (Loss) / Gain		—		487,878
Miscellaneous Receipts (includes old materials & scrap sold)		3,223,911		11,774,909
		10,325,987		19,740,602

SCHEDULE - 'M' - MANUFACTURING, ADMINISTRATIVE AND OTHER EXPENDITURE

	For the Period ended 31st March, 2002 Rs.	Rs.	For the year ended 31st December, 2000 Rs.	Rs.
Cost of Finished Goods (Hardware)		60,045,213		65,732,454
Cost of Finished Goods (Software)		14,751,297		24,102,992
Consumption of Spares & Parts		5,593,991		10,185,705
Other Operating Expenses		1,274,161		995,077
Salaries, Bonus, etc,				
Salaries & Bonus	308,530,444		243,816,058	
Contribution to ESI	32,270		31,336	
Contribution to Provident Fund and Pension Fund	6,573,844		3,635,937	
Staff Welfare Expenses	18,911,075		11,024,807	
Gratuity	389,424		1,633,818	
Expatriation Expenses	255,600,163		125,582,935	
		590,037,220		385,724,891
Rent		56,245,786		23,559,899
Rates & Taxes		4,712,304		815,373
Hire / Lease Charges		9,180,023		5,459,262
Establishment Expenses		4,880,857		4,154,743
Electricity and Water Charges		7,161,400		5,422,672
Communication Charges		19,846,939		12,640,814
Printing & Stationery		4,742,564		3,242,652
Travelling and Conveyance		63,184,882		55,597,016
Commission - Sales		7,662,943		7,151,810
Freight & Octroi		56,507		641,972
Advertisement & Publicity		6,031,234		5,838,396
Repairs & Maintenance				
- Plant & Machinery	425,566		493,378	
- Building	1,450,462		730,292	
- Others	2,629,235		2,395,921	
		4,505,263		3,619,591
Insurance		1,091,649		1,386,593
Professional & Consultancy Charges		54,489,914		22,939,755
General Charges		59,182,736		18,155,671
Payment to Auditors		4,514,215		3,119,892
Loss on disposal of assets		2,256,348		476,423
Bad Debts Written Off/Provided for	47,940,176		—	
Less : Bad Debts written back	—		1,022,269	
		47,940,176		(1,022,269)
Provision for diminution in investments		10,820,016		—
Software Work In Progress :				
Opening Work in Progress	6,104,931		3,378,636	
Closing Work in Progress	565,999		6,104,931	
		5,538,932		(2,726,296)
		1,045,746,570		657,215,088

SCHEDULE - 'N'- FINANCIAL EXPENSES

	For the Period ended 31st March, 2002 Rs.	For the year ended 31st December, 2000 Rs.
Interest charges - Term Loans	3,619,379	1,330,743
Interest charges - Working Capital	1,034,552	952,328
Interest charges - Others	1,664,384	—
Other Charges	3,040,651	2,037,396
	9,358,966	4,320,467

SCHEDULE 'O' - NOTES ATTACHED TO AND FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2002

1. SIGNIFICANT ACCOUNTING POLICIES

(a) General:

The accounts have been prepared on historical cost convention based on the accrual concept and applicable accounting standards, as a going concern.

(b) Revenue Recognition:

- Revenue from the sale of goods is recognised based on contract terms, with the passing of title. Installation and commissioning revenue relating to the sale of Hardware / Personal Transaction systems are recognised on completion of acceptance test.
- For fixed price software contracts, revenue is recognised based on milestone/(s) achieved as specified in the contracts.
- In the case of software developed by the Company and supplied to the customer the revenue is recognised as follows:
  - ❍ Revenue pertaining to the delivery of the product is recognised at the time the license to use is made over to the customer.
  - ❍ Revenue pertaining to the implementation of the software is recognised after implementation.
- For other software contracts revenue is recognised based on the contract terms and time billed.
- Interest income earned on the temporary deployment of funds is recognised prorata, based on the implied interest rates for each transaction.
- Maintenance / Rental Income is accrued evenly over the period of contract.
- Claims are accounted on final admittance/determination.

(c) Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation.

(d) Depreciation:

i) Depreciation on owned assets is charged on Straight Line Method at rates and in the manner specified in Schedule XIV of the Companies Act, 1956 except in the following cases where Straight Line Method rates, as applied on the date of acquisition, are different from the principal rates specified in the schedule.

Description of assets	SLM Depreciation rates applied
• Computers, peripherals and other related Plant and Machinery purchased	
Before 01.01.1998	20.00%
On or after 01.01.1998	33.33%
• Assets acquired on or after 01.01.98 costing Rs. 10,000/- or less	100.00%

ii) Depreciation on improvements to leasehold assets have been made so as to writeoff the assets over the primary lease period.

(e) Foreign Currency Transactions:

- Foreign Currency Loans relating to acquisition of fixed assets have been translated at the rates in force on the dates of payment and cost of the assets so acquired is determined on that basis. Fluctuations in exchange rates of foreign currency liabilities contracted specifically for the purpose of acquiring fixed assets are added to or reduced from the historical cost of the concerned fixed assets.
- Transactions in foreign currencies are translated at the exchange rates prevailing on the date of the transaction. Realised gains/(losses) on such transactions other than those relating to fixed assets are recognised in the Profit and Loss Account. Unrealised transactions in foreign currencies relating to current assets and liabilities are translated into rupees at the exchange rates prevailing at the year-end. The exchange gains/(losses) arising out of such translations other than those relating to fixed assets are dealt with in the Profit and Loss Account. The exchange gain/(losses) relating to fixed assets are adjusted in the carrying cost thereof.
- Foreign Currency transactions at the US / UK / Japan branch office are translated into rupees at various exchange rates as under :
  - ❍ Fixed assets at the rates prevailing on transaction date.
  - ❍ Income and Expenditure at the average rate of exchange.
  - ❍ Current Assets and Current Liabilities at the exchange rates prevailing on the Balance Sheet date.

(f) Inventory:

- Inventories are valued at lower of cost or net realisable value.
- Cost has been identified on weighted average basis in respect of all items of inventory other than software work-in-progress and on the basis of actual identification/ allocation in respect of software work-in-progress

g) Employee Benefits:

- Liability for leave encashment and gratuity to employees is determined actuarially as at the year-end and is either funded with the Life Insurance corporation of India or provided for. Fixed contributions to Provident Fund and other benefits are absorbed in the accounts at actual cost to the Company.

- The Company has obtained legal opinion that the new guidelines of SEBI dated June 19, 1999 are not applicable to PSI's ESOP scheme.

(h) Customs Duty:

Customs duty payable on imported raw materials, components and stores and spares is recognised to the extent assessed by the Customs Department irrespective of whether such materials have been taken delivery of or kept in Bonded Warehouse.

(i) Investments:

Long term investments are stated at cost, less any diminution in value other than temporary.

(j) Warranties:

Provisions are made on the basis of Management estimates.

(k) Borrowing Costs:

Borrowing Costs other than that attributable to a qualifying asset are expensed as and when incurred.

(l) Income Taxes:

Income tax expense includes Indian and international income taxes. Certain items of income and expenses are not reported in tax returns and financial statements in the same year. The tax effect of this timing difference is reported as deferred income tax assets/liabilities. The tax effect is calculated on the accumulated timing differences at the end of the accounting period at the current enacted tax rates. Deferred tax assets relating to unabsorbed carry forward losses and depreciation are recognised only to the extent there is virtual certainty that the same can be realised in future and in respect of other items where there is reasonable certainty as to realisation.

2. Contingent Liabilities are in respect of :

Particulars	Period ended 31st March, 2002 Rs.	Year Ended 31st December, 2000 Rs.
(a) Claims against the Company not acknowledged as debts not provided for	31.26 Millions	20.62 Millions
(b) Additional liability if any towards customs duty on assessable value of the goods imported pending finalisation of assessments.	Not Ascertainable	Not Ascertainable
(c) On account of warranties on sale of ATM covered by bank guarantees	5.90 Millions	7.78 Millions
(d) Estimated amount of contracts remaining to be executed on capital account net of advances not provided for	Nil	3.19 Millions
(e) Advances due from officers of the company	1.36 Millions	0.05 Millions
(Maximum amount due at any time during the year)	1.50 Millions	0.11 Millions

3. Investments:

(a) During the year, the Company acquired 99.91% of issued equity capital of Birla Technologies Ltd (BTL) from Grasim Industries Ltd. for a consideration of Rs.112,600,525. The consideration was arrived at based on independent valuation report. As a result BTL has become a subsidiary. As on the Balance Sheet date, the management is of the opinion that this investment does not require a provision in its carrying value in view of the future potential and synergies.

(b) During the year the company has written off Investments in Computer Data Application Pvt. Ltd. amounting to Rs. 34,500/-.

4. Related Parties:

1) Controlling Company
   - Upto 24th October, 2001 - Bull S.A. France – Holding Company
   - 24th October, 2001 onwards- Indian Rayon and Industries Ltd. (IRIL) – Holding Company
2) Subsidiaries
   - Birla Technologies Ltd.
   - PSI Kalinga Limited.
3) Managers
   - Nagendra Venkaswamy

- Transactions with related parties:

Particulars	Amount Rs.
i) Sales, Services and other income	
Holding Company Common Control Upto 24th October, 2001	348,627,702
Holding Company 24th October, 2001 onwards	—
Subsidiaries	186,015
ii) Purchase of Goods and Services	
Holding Company Common Control Upto 24th October, 2001	48,606,062
Subsidiaries	169,163
iii) Sale of Fixed Assets Holding Company	80,000
iv) Rental Deposit	
Subsidiaries	1,500,000
v) Managerial Remuneration	7,094,375
vi) Loans Received	
Holding Company	112,500,000
vii) Interest Payment	
Holding Company	154,110
viii) Outstanding balances as at 31st March, 2002	
Amounts ReceivableHolding Company	
Common Control Upto 24th October, 2001	19,317,749
Subsidiaries	1,686,015
Manager	800,000
Amounts Payable	
Holding Company Common Control Upto 24th October, 2001	12,562,120
Subsidiaries	169,163
Managerial Remuneration	967,029
Provision for Doubtful Debts	
Associates	719,174

5. Segmental Reporting:

- Primary Segments

The Company's predominant risks and returns are from the software services, which constituted 91% of the Company's revenue for the reporting period. Thus the segment revenue, segment result, total carrying amount of segment assets, total amount of segment liabilities, total cost incurred to acquire segment assets, the total amount of expense incurred for depreciation and amortization during the period are all as reflected in the financial statements for the period ended 31st March, 2002 and as on that date.

- Secondary Segments (by Geography)

(a) Revenue from External Customers:

Particulars	Amount in Rs.
United States of America	308,432,077
Europe	484,439,105
India	146,701,454*
Rest of the World	20,464,294
Total	960,036,930

* Includes commission on sales of Rs. 2,198,101/-

(b) Fixed Assets: Fixed assets used in the Company's business have not been identified to any reportable geographical segment, as the fixed assets are used interchangeably between segments and hence geographical segment disclosures related to total carrying amount of segment assets and additions to fixed assets made during the period have not been given.

6. The timing difference relating mainly to depreciation and unabsorbed losses upto the year 2000 and for the period ended 31st March, 2002 results in net deferred asset. As a measure of prudence the net deferred asset relating to the above periods have not been recognised in the accounts.

7. Remuneration and perquisites to Managing Director (minimum):

		Period 1st Jan 2001 to 24th Oct 2001 Rs.	Year ended 31st Dec 2000 Rs.
I.	Salaries	4,774,251	3,801,958
II.	Perquisites	Nil	474,760
III.	Additional Remuneration	Nil	4,087,295
		4,774,251	8,364,013

8. Remuneration and perquisites to Manager (minimum):

	Period 25th Oct 2001 to 31st March 2002 Rs.	Year ended 31st Dec 2000 Rs.
I. Salaries	2,320,124	Nil
TOTAL	2,320,124	Nil

Manager's Remuneration is subject to Central Government Approval.

9. (a) Payment to auditors:

	For the Period ended 31st March, 2002 Rs.	For the year ended 31st December, 2000 Rs.
Audit Fee (including Limited Audit Review)	420,000	320,000
Branch Audit Fees	105,000	152,500
Tax Audit Fees	100,000	100,000
Taxation Services	178,500	66,829
Management Services	46,049	66,652
Expenses	12,958	147,831
(b) Payments to branch auditors (US/Japan) (Audit Fees & Taxation Services)	3,704,208	2,266,080

10. Additional information pursuant to the provisions of Part II of Schedule VI to the Companies Act, 1956 :

	For the Period ended 31st March, 2002 Rs.	For the year ended 31st December, 2000 Rs.
1. Value of imports calculated on CIF basis:		
a) Raw Materials and Components	—	—
b) Capital Goods	5,513,124	14,201,798
c) Spare Parts	4,777,878	14,811,479
d) Others (including Finished Goods)	49,111,695	43,754,075
2. Expenditure in foreign currency during the year on account of		
a) Salary and Allowances	223,125,082	282,430,101
b) Legal & Professional Expenses	7,830,605	13,179,239
c) Royalties	—	—
d) Travel Others	9,648,528	68,527,756
e) Interest	602,356	639,842

	For the Period ended 31st March, 2002		For the year ended 31st December, 2000	
3. Value of Raw Materials and Components Consumed	Rs.	% to total Consumption	Rs.	% to total Consumption
a) Imported	—	—	—	—
b) Indigenous	—	—	—	—
Total	—	—	—	—
4. Earnings in foreign exchange :		Rs.		Rs.
Export of Software		813,483,363		663,183,570
5. Finished Goods:	No.		No.	
a) ATM's				
Opening Stock	—	—	1	922,396
Purchases	—	—	22	17,594,042
Closing Stock	—	—	—	—
b) Cash				Dispensers
Opening Stock	—	—	1	623,200
Purchases	—	—	—	—
Closing Stock	—	—	—	—
c) Servers				
Opening stock	—	—	—	—
Purchases	32	28,997,222	—	—
Closing Stock	—	—	—	—
d) Others*				
Opening stock	—	604,527	—	509,028
Purchases	—	39,374,946	—	68,345,191
Closing Stock	—	411,295	—	604,527

* It is not practicable to give quantitative information in the absence of common expressible unit.

6. Dividends paid in Foreign Currency		
No. of Non-resident shareholders	4	4
No. of shares held	3,817,602	3,817,602
Dividend paid	9,544,005	5,726,403

11. Current year figures relate to a period of fifteen months, i.e. 1st January, 2001 to 31st March, 2002 whereas the previous year relates to a period of twelve months i.e. 1st January, 2000 to 31st December, 2000 and hence are not comparable. Previous year figures have been regrouped / reclassified to suit with current period grouping/classification wherever required.

Signatures to Schedule 'A' to 'O'

As per our report of even date attached

For Varma & Varma Chartered Accountants	For Deloitte Haskins & Sells Chartered Accountants	Nagendra Venkaswamy President	Chairman : Directors:	Kumar Mangalam Birla Adesh Gupta Santrupt Misra Damodar Ratha Arun Thiagarajan
Cherian K Baby Partner	M Lakshminarayanan Partner	G Ramesh Sr. Vice President-Finance		
Place : Mumbai Date : 3rd May, 2002.		R Vittal Vice President-Legal Affairs & Company Secretary		

Cash Flow Statement for the period ended 31st March, 2002

	Rs.	Period ended 31st March, 2002 Rs.	Rs.	Year ended 31st December, 2000 Rs.
A CASH FLOW FROM OPERATING ACTIVITIES				
i) Net profit before Taxes and Extraordinary Items		(129,139,695)		163,852,475
Adjustments for :				
Depreciation	42,198,975		24,576,040	
Diminution in value of Investments	10,820,016		—	
Unrealised Foreign Exchange	161,899		98,106	
Interest Income	(4,903,975)		(2,249,734)	
Loss on write off of Assets	2,256,348	50,533,263	476,423	22,900,835
Financial Charges		9,358,966		4,320,467
ii) Operating Profit before changes in working capital		(69,247,466)		191,073,777
Adjustments For :				
Trade and other receivables	134,558,669		(116,257,048)	
Inventories	5,743,578		7,648,353	
Trade Payables	(9,863,171)		(40,878,587)	
Provisions	1,670,753	132,109,829	(2,000,776)	(151,488,058)
iii) Cash generated from Operations		62,862,362		39,585,719
Financial expenses paid		(7,521,172)		(4, 320,467)
Direct Taxes refund/(paid)		10,723,955		(10,293,278)
iv) Net Cash generated from Operations		66,065,145		24,971,974
B CASH FLOW FROM INVESTING ACTIVITIES				
Sale of Assets		960,911		101,505
Purchase of Assets		(26,444,280)		(52,543,220)
Compensation for termination of business		—		10,932,487
Increase in Investment		(112,600,525)		(1,023,720)
Interest Income Received		4,862,318		2,249,734
Net Cash used for Investing activities		(133,221,576)		(40,283,214)
C CASH FLOW FROM FINANCING ACTIVITIES				
(Decrease)/Increase in long term borrowings		(10,474,902)		34,201,505
Increase in Short Term borrowings		112,500,000		—
Dividend and Corporate taxes on dividend paid		(23,295,982)		(11,863,880)
Net Cash used for Financing activities		78,729,116		22,337,625
D TOTAL INCREASE/(DECREASE) IN CASH & CASH EQUIVALENTS DURING THE YEAR (A TO C)		11,572,685		7,026,385
E CASH AND CASH EQUIVALENT AS AT 01.01.2001		87,283,228		80,256,843
F CASH AND CASH EQUIVALENT AS AT 31.03.2002 (D + E)		98,855,913		87,283,228

Auditors' Report

We have examined the attached cash flow statement of PSI Data Systems Ltd. for the period ended 31st March,2002. The statement has been prepared in accordance with the requirements of listing agreement Clause No. 32 with Bombay Stock Exchange 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 the members of the company.

As per our report of even date attached

For Varma & Varma Chartered Accountants	For Deloitte Haskins & Sells Chartered Accountants	Nagendra Venkaswamy President	Chairman : Directors:	Kumar Mangalam Birla Adesh Gupta Santrupt Misra Damodar Ratha Arun Thiagarajan
Cherian K Baby Partner	M Lakshminarayanan Partner	G Ramesh Sr. Vice President-Finance		
Place : Mumbai Date : 3rd May, 2002.		R Vittal Vice President-Legal Affairs & Company Secretary		

PART IV - Balance Sheet Abstract and Company's General Business Profile

I. Registration Details	
Registration No.	27564
State Code	08
Balance Sheet Date	31.03.2002
II. Capital raised during the year	(Rs. in '000)
Public Issue	Nil
Rights Issue	Nil
Bonus Issue	Nil
Private Placement	Nil
III. Position of Mobilisation and Deployment of Funds	
Total Liabilities	456 377
Total Assets	456 377
Sources of Funds	
Paid-up Capital	75 503
Reserves & Surplus	152 475
Secured Loans	24 362
Unsecured Loans	112 500
Applications of Funds	
Net Fixed Assets	63 052
Investments	112 601
Net Current Assets	189 187
Misc. Expenditure	-
Accumulated Losses	-
IV. Performance of Company	(Rs. in'000)
Turnover	968,165
Total Expenditure	1,097,305
Profit before taxes	-129,140
Profit after Taxes	-129,715
Earning Per Share in Rs.	-17.18
Dividend Rate	0%
V. Generic Names of three Principal Products/ Services of company (as per monetary terms)	
Item Code No. (ITC Code)	84712009
Product Description	Computers Hardware
Item Code No. (ITC Code)	85249002
Product Description	Computers Software
Item Code No. (ITC Code)	84729009
Product Description	Automatic Teller Machine

As per our report of even date attached

For Varma & Varma
Chartered Accountants

Cherian K Baby
Partner

For Deloitte Haskins & Sells
Chartered Accountants

M Lakshminarayanan
Partner

Nagendra Venkaswamy
President

G Ramesh
Sr. Vice President-Finance

R Vittal
Vice President-Legal Affairs & Company Secretary

Chairman : Kumar Mangalam Birla
Directors: Adesh Gupta, Santrupt Misra, Damodar Ratha, Arun Thiagarajan

Place : Mumbai
Date : 3rd May, 2002.

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

		Birla Technologies Limited
1	The financial year of the Subsidiary Company	1st April, 2001 to 31st March, 2002
2	Extent of interest in Subsidiary Company	99.91% of paid up equity capital of 9,800,350 equity shares of Rs. 10/- each
3	Net aggregate amount of the profits/(losses) of the Subsidiary Company for the period, so far as it concerns members of PSI Data Systems Limited	
	a) not dealt with in the Accounts of the Company	
	(i) For the financial year of the Subsidiary-part of the year	(Rs. 254.60 lacs) (ii)
	For the previous financial years since it became the subsidiary of the Company	Not Applicable
	b) dealt with in the Accounts of the Subsidiary Company	
	(i) For the financial year of the Subsidiary	Nil
	(ii) For the previous financial years since it became the subsidiary of the Company	Nil
4	Additional information u/s 212(5)	
	a) Change in the interest of the Company between the end of the Subsidiary Company's and the Company's financial year ended 31st March, 2002	Nil
	b) Material changes between the end of the financial year of the Subsidiary and the and the Company's financial year ended 31st March, 2002	Nil
	(i) Fixed Assets	Nil
	(ii) Investments	Nil
	(iii)Money lent	Nil
	(iv)Money borrowed for any purpose other than that of meeting current liabilities:	
	Fresh Borrowings from Bank	Nil
	Amount Repaid to Bank	Nil

PSI Data Systems Limited holds 74% of equity capital of 4,600 shares of Rs. 1,000/- in PSI Kalinga Limited, Bhubaneswar. Winding up proceedings are pending in Court against the said company since 1990. As the Balance Sheet and Profit and Loss Account of the said subsidiary for the years ended 31st March, 2001 and 31st March, 2002 are not avaiable and as exempted by the Central Government under Section 212 of the Companies Act, 1956, details pertaining to that company are not given.

Nagendra Venkaswamy
President

G Ramesh
Sr. Vice President-Finance

Chairman :
Kumar Mangalam Birla

Directors:
Adesh Gupta
Santrupt Misra
Damodar Ratha
Arun Thiagarajan

R Vittal
Vice President-Legal Affairs & Company Secretary
Mumbai
3rd May, 2002

BIRLA TECHNOLOGIES LIMITED
REGD OFFICE: 'ADISHREE' A/65, MIDC, ANDHERI (E),
MUMBAI-400 093

DIRECTORS' REPORT

Dear Share holders

Your Directors submit hereunder the second Annual Report and Audited Annual Accounts of your Company, for the financial year ended 31st March, 2002.

FINANCIAL RESULTS

(Rupees in Million)

	For the year ended 31st March, 2002	For the period ended 31st March, 2001
Revenue from operations	292.34	59.98
Profit / (Loss) before interest, depreciation and taxes	(96.74)	(20.15)
Interest and Finance charges	13.51	1.55
Depreciation / Amortisation	49.44	3.90
Profit /(Loss) before Extraordinary items and tax	(159.69)	(25.60)
Extraordinary items	50.10	—
Provision for Tax	—	0.48
Profit /(Loss) carried to Balance Sheet	(209.79)	(26.08)

OPERATIONS

During the year the Company successfully completed a number of projects, both in India and overseas, securing many repeat orders. The Company operated two offices in US and another in UK and put competent teams in position both for procurement and fulfilment of business. A number of promising leads are being pursued in new as well as established markets.

Your Company identified the following as its main business focus areas: finance, telecom, insurance and professional services. In order to widen its reach and to reduce time-to market, your Company tied up with leaders in most of these areas - with Solcorp for insurance and with Veriprise for wireless and Actaview for Business Intelligence.

The Company started its operations with the acquisition of software division of the Grasim Industries Limited, as a going concern, on 31st January, 2001. PSI Data Systems Ltd has become the holding Company with effect from 6th February, 2002 consequent to the transfer of equity shares held by Grasim Industries Limited in its favour.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors of the Company while preparing annual accounts

1) Have followed the applicable accounting standards without any material departure;
2) Selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the loss of the Company for that period;
3) Had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
4) Had prepared the annual accounts on a going concern basis.

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

A) In view of the fact that the Company's Operations involve low energy consumption, no report on Energy Consumption is made.

B) Research & Development Activities

Your Company continuously invests in research and development activities to ensure high level of technical competence in the areas of software development and refinement of existing products and services. The Company will sustain its efforts to master new technologies in hardware and software and keep its personnel current in the latest technology applications.

C) Technology Absorption

Your Company is equipped with technologies from world's leaders like Oracle, Sun, Microsoft, and IBM.

D) Foreign Exchange Earnings & outgo

The information on foregin exchange earnings and outgo is contained in the Clause Nos 7&8 to the Notes to the Accounts.

DIRECTORS

Pursuant to the sale of shares held by Grasim Industries Limited to PSI Data Systems Limited and the consequent change in the management, all the Directors representing Grasim Industries Limited resigned from the Board and Mr. Mukesh C Patel, Mr. Adesh Gupta and Dr. Santrupt Misra were co-opted as Additional Directors at the Board Meeting held on 19th February, 2002. Since Mr. Mukesh Patel resigned from the Board on 30th April, 2002, Mr. Nagendra Venkaswamy was co-opted to the Board as Additional Director on 2nd May, 2002.

In terms of Section 260 of the Companies Act, 1956, all the above Additional Directors hold office only upto the date of the next Annual General Meeting of the Company.

Directors place on record their appreciation for the yeoman services rendered by Mr. M.C. Bagrodia, Dr. Bharat K.Singh and Mr. G.K.Tulsian from the very inception of the Company, who resigned from the Board consequent to Grasim Industries Limited selling their stake to PSI Data Systems Ltd.

Directors wish to also place on record their appreciation for the valuable services rendered by Mr. Mukesh Patel during his tenure as Director.

AUDITORS APPOINTMENT & AUDITORS' REPORT

M/s. Price Waterhouse, the Auditors of the Company retire at the second Annual General Meeting and are eligible for re-appointment. The Board recommends their reappointment . The report of the Auditors of the Company is self-explanatory and, does not require any clarification.

AUDIT COMMITTEE

In terms of provisions of Section 292A of the Companies Act, 1956, the Company has constituted an Audit Committee consisting of three directors of the Company.

PARTICULARS OF EMPLOYEES

The particulars of the employees in terms of provisions of Section 217 (2A) read with the Companies (Particulars of Employees) Rules, 1975, are enclosed and forming part of this Report.

ACKNOWLEDGEMENT

The Directors place on record their sincere gratitude to the Company's bankers, financial institutions, business associates and the employees for their support and co-operation during the year.

For and on behalf of the Board

Mumbai	Adesh Gupta	Santrupt Misra
2nd May, 2002	Director	Director

BIRLA TECHNOLGIES LIMITED

Statement of Particulars of employees pursuant to the provision of Section 217(2A) of the Companies Act, 1956 & forming part of the Director's Report for the year ended 31st March, 2002.

Name	Designation and Nature of Duties	Remuneration (Rs.)	Qualifications	Age	Experience (Years)	Date of Joining	Previous Employment, Name of Employer, Designation, Period of Service (Years)
Employed for the year under review and were in receipt of remuneration not less than Rs. 100000/- per month							
Employee located in India - Employeed throughout the Year							
Ashok Sand	Chief Executive Officer	3199775	MS (Chem.) B. Tech	41	14.0	01/07/00	BAAN Info Systems, Netherlands, Programme Manager (12)
J.S. Lamba	Chief Operating Officer	2433177	MSC, PHD Industrial Management	52	27.0	29/03/00	BAAN Info Systems, India, General Manager (7)
Nilanjan Choudhary	Vice President (Lawson Business Practise)	1387325	B.E. (Electronics)	39	15.9	05/03/01	Intentia South Asia P. Ltd., President (2)
Sunil Bellara	Vice President - (GSBD)	1464424	MMS	40	18.1	08/03/01	Global Tele-Systems Ltd., VP Marketing (7)
Employee located in India - Employeed for part of the Year							
Satish Rao	SDU Head	507210	BSC	39	17.6	01/06/01	Silverline Industries, Asst General Manager (7.2)
Employees located abroad - Employeed throughout the Year (salary paid in foreign currency and expressed in Rupees)							
Ajith Kumar N P Vee	Project Leader	3581455	M.Sc,APGDSM,MDBA	36	9.8	08/09/98	Comsys Technical Services Inc., Technical Consultant (1)
Anand Lokaya Kotian	Project Leader	3044737	B.COM,MCS,Dip. Travel & Tour.	29	8.0	07/01/99	Systems Plus Pvt.Ltd., Programmer (3.4)
Bhujang Rao	Sr.Software Engineer	3105379	B.Sc., MCA	32	7.5	09/12/96	Novella Systems, Software Engineer (2)
Dinesh B Sundram	Software Engineer	3049335	B.Sc.(Comp)	28	6.9	15/02/99	SSIL, Software Engineer (0.9)
Diwate Sanjay Mahadeo	Software Engineer	2863670	BE(Comp)	32	9.2	19/05/97	Chirokee India Pvt.Ltd., Sr.Software Engineer (1.9)
G Sivasubramanium	Software Engineer	3140773	MCA	28	5.8	24/11/97	K.T.Computing, Analyst Programmer (1.3)
John Sudhakarbozugu	Sr. Software Engineer	2662045	B.Sc.,ADM	31	8.6	12/05/99	Micro Technologies, Manager(Products) (5.7)
Joseph Herald Mendonca	Project Leader	3338894	B.Com., Dip.Sys.Mgmt.Analysis	32	7.5	02/11/99	Trilogy Software ltd., Sr.Software Engineer (3.2)
K Arul Raj	Software Engineer	2401175	BE	28	5.0	01/12/99	Max Access Cyber Print Services Ltd., Senior Programmer (9)
Kamtam Ravindra L	Software Engineer	3133697	BE (Comp.)	30	6.7	05/11/97	Alpha Computers(P)Ltd., Software Engineer (2)
Mohammed Ishaque	Project Leader	2681729	B.Sc.(Phy.& Elec.)	32	9.8	27/09/99	Al-Alamiah,Kuwait, Software Dev.Manager (4.6)
Mohanty Ratan K	Sr. Software Engineer	3604850	MCA, M.Sc.	34	6.6	02/12/96	Softdeal Computer, Programmer (1.1)
Murli Mohan Pathivada	Software Engineer	2760135	B.Sc, HDSM	30	7.5	01/04/99	Cider, Programmer (2.1)
Muthu M Velusamy	Sr. Software Engineer	2831139	BE(E&C),PGDBA,DCA	31	8.0	26/10/98	Florida Software Solutions, Software Engineer (3)
Naushad Ahmed	Head - American Operations	12078220	MBA	38	17.2	05/04/01	NIIT, Vice President (Marketing) (12)
Parakilatu Thomas G	Project Manager	3606811	M.Sc. (Maths & Comp. Sc.)	33	10.3	09/03/92	—
Rajanish Sahay	Software Engineer	2436948	BE(Electronic)	26	4.8	11/11/99	Silicon Business Solutioins Pvt.Ltd., Software Engineer (2.3)
Rajesh Lokhande	Software Engineer	3316493	BE	30	7.7	02/05/97	Vora Computer Resources, Software Engineer (2.9)
Rajkumar Subburaj	Software Engineer	3144401	BE(Elec)	28	7.1	15/01/98	Gooday Impex, Analyst Programmer (0.3)
Ramdas Anantha R	Sr.Project Leader	3249091	BE (E&C)& ER&DC	32	9.2	03/04/95	A.PR.Agencies, Programmer (2)
Relan Vilas	Project Leader	3262372	MCS	30	7.4	20/01/97	Modern Group, System Analyst (0.1)
Namboodri Suresh	Sr. Software Engineer	2441002	BE,MBA	31	8.1	03/06/96	Softec international, Software Engineer (1.1)
Patel Naval Kishore	Project Leader	2553388	MCA	31	6.7	22/10/97	Haryana Concast Ltd., Programmer (1.3)
Sarath Mohan	Software Executive	2549918	MCA	28	4.9	22/08/97	Tata Infotech Ltd., Trainee-Programmer (0.1)
Arumugavel N	Software Engineer	2124642	BE	28	5.1	1/9/99	Pass Engineers, Programmer (2.7)
Devendra Rane	Software Engineer	1843877	BE	28	5.5	12/11/99	National Securities Depository Systems, Systems Officer (3)
Harsh Sahal	Sr. Software Engineer	2194623	M.Com,DST	33	13.11	01/06/92	MCS Ltd., Accounts Asst. (0.9)
Jayprakash Patel	Software Engineer	2264607	BE,PGDCA	28	4.11	09/08/99	Inter Sumex, Software Engineer (0.5)
Mohan Hebber	Software Engineer	2132759	BE	28	5.2	25/11/99	Yokogawa Bluestar Ltd., Programmer (2.2)
N Sukumar Reddy	Software Engineer	2129252	MCA	33	5.7	6/11/98	Spor Systems, Software Engineer (1.9)
Prashant Prasade	Sr.Project Leader	1475166	BE(Prod)	34	11.5	05/06/95	Nath Capital & Financial Services Ltd., Analyst Programmer (0.7)
Rakhi Hazrati	Sr Executive Recruitment	1419028	BA, MBA	27	10.0	11/1/99	Connextions, Consultant (1.1)
V Basker	Software Engineer	2216458	MSC	29	4.8	1/11/99	Nexus Computers Limited, Software Engineer (2.7)
Veeramony N Sivasankaran	Account Manager	2291520	B.com	32	9.9	17/8/98	Vedika Software Pvt Ltd., Product Manager (3.3)
Vijay Kumar Rathi	Accounts Executive	1316266	ACA	28	3.1	25/1/99	Anand Rathi Securities, Asst Manager (0.6)
Jitendra Rambhiya	Sr. Software Engineer	2635791	B.E	27	5.9	5/5/98	BCC Computers Ltd., Programmer (1.9)
Manohar Jogi	Sales Manager	3735705	B.E	32	10.0	1/9/98	Sonata Software Ltd., Manager-Bus.Development (2.5)
Mukesh Pherwani	Chief Technology Officer	2958872	Dip.in Dig.electronics	31	10.7	13/03/00	Ajax Communications Ltd., CEO (0.1)
K. Puthanveedu	Software Consultant	2816467	B.Sc	39	15.9	24/04/99	Sairides Accountancy Services, Programmer (0.6)
Shalil Kumar	Software Consultant	2401712	B.Com	29	5.1	22/02/00	SOHM Info Systems Ltd., Programmer (1.9)
Vijay Kasbekar	Head-European Operations	6854000	BE(Mech),M.S	54	30.1	11/4/00	Hexaware Software, UK Opearting Head (3)
Akhilesh Kothari	Software Engineer	1978952	B.SC(Comp.Sc)	26	6.5	18/01/99	Software Algorithms Pvt Ltd., Senior Programmer (2.8)
K.C. Ashok Kumar	Software Engineer	2356005	B.Sc	26	5.10	09/09/00	Digitolls , Software Engineer (1.2)
Kallol Duttagupta	Software Engineer	2193591	BE(Mech.)	29	4.5	22/02/00	WebCraft Software Solutions, Senior Developer (0.6)
Mahesh Nalawde	Software Engineer	2164900	Dip.Mech.Cer., DOEACC	28	4.10	18/08/99	Nettech Systems, Programmer Analyst (2.0)
Milind Jayant Agarkar	Software Engineer	2057028	BE(M)	26	5.4	11/09/00	Silverline Technologies Ltd., Programmer Analyst (1.2)
Nimesh Arya	Software Engineer	2079166	BE,DAM	30	5.6	04/01/99	Khadi & Village Industries, Programmer (2)
Omesh Lalla	Software Engineer	1966703	B.Sc,DBM	27	4.7	19/11/98	Cyber Business, Programmer (1)
Sandeep Anand	Comp.Engg-Networking	2351790	BE	27	6.1	19/03/99	Accel Limited, Senior Software Engineer (2.5)
Sony John Daniel	Software Engineer	1233572	BE(Comp.)	27	3.11	01/11/00	Perfect Paradigm Software, Systems Executive (1.7)
V. Ramanunni	Project Leader	2310368	AMIETE, DST	32	8.0	23/12/96	Frontier Information Technologies, Software Engineer (1.6)
V. Chechzian	Software Engineer	1727663	BE (Ind.Elec)	28	5.7	03/04/00	Bahnam Automotive Centre, Junior Executive (0.10)
Vineet Maheshwari	Software Engineer	1967712	BE(Comp.Sci)	27	4.11	16/08/99	Bombay Stock Exchange, Software Engineer (0.1)
Zakiruddin Surkhi	Software Engineer	1876494	BE(E&C)	29	5.7	15/03/99	Cyrus Technology, Software Engineer (1.6)
Employees located abroad - Employeed for part of the year (salary paid in foreign currency and expressed in Rupees)							
Ashokkumar Arunachalam	Software Engineer	1055333	M.Sc.(Comp.Sci)	28	5.10	09/03/00	Act Triune Pvt.Ltd., Software Engineer (2.9)
Hariharan Chandran	Software Engineer	915535	B.Sc(Phy.), NIIT-DSM	32	8.5	15/04/96	Devidayal Electronics &Wires Ltd., Software Engineer (1.6)
Ketan kumar Vaghela	Account Manager	1940383	BE,MBA(Marketing)	33	8.11	05/07/01	Changepond Technologies, Director, Bus.Development (0.4)
Mukesh Thakker	Software Engineer	479789	BE	32	8.2	1/4/98	Expert Computer System, Software Engineer (2.3)
Rajeev Sinha	Software Engineer	3119766	BE(Comp)	32	7.3	24/06/98	Informatics (India) pvt.Ltd., Software Engineer (1.1)
Rajesh Jha	Software Engineer	186136	B. Tech	27	4.0	16/8/99	JISCO, Junior Manager (2.7)
Rama Kurisetti	Programmer/Analyst	1661268	MBA, M.Sc.	35	6.8	15/08/01	Just Talk, Consultant (0.1)
Rudrapatna Chinmaya	Account Manager	1901132	BE, PGDSM	43	18.11	22/06/01	Info Experts, Sr.Consultant (1.6)
Sadiq Mohammed	Regional Head-Mid West	3687915	MA, PDBA	43	17.11	22/06/01	Info Experts inc., V.P & Managing Consultant (2.1)
Sudhir Hinge	Software Engineer	531394	BE	31	4.9	5/5/99	Orient Technologies, Software Engineer (2.3)
Yogesh Jagtap	Software Engineer	552169	BE	29	7.0	21/09/99	Onward Technologies, Programmer (1.2)
J Prasanna	Software Engineer	1021061	BE	27	5.9	23/02/99	Emco Ltd., Software Engineer (1.1)
Parthasarthi Srinivasa	Software Executive	1595364	BE(Instr.Tech.)	31	4.11	30/06/97	—
Pradeep Java	General Manager (systems & CR)	298375	Dip.Ind.Elect,SA&CP	43	19.6	18/05/98	Computaact Software Services Pvt.Ltd., Project Consultant (1)
Rajendra Manche	Software Engineer	1130166	BS	28	4.8	6/9/01	Paytrust Programmer Analyst (2)
Ruchita Chajjed	Software Engineer	1007505	B.com	26	2.6	17/9/01	GE Capital, Team Leader (2)
Shibu Madhavan	Software Engineer	658248	B.Sc	28	6.6	09/11/98	L.L.Infotech, Project Leader (0.6)
Ketan Momaya	Sales Manager	1272177	BE,M.Tech,PGDM	33	8.6	24/05/01	Siverline Tecnologies Ltd., Marketing Manager (3.5)
Muralidhar Pindikura	Sr. Software Engineer	842809	B.S Engineering	30	7.2	3/12/01	MCI Worldcom, Software Engineer (1.1)
Kaushik Shekhar Das	Engineer -Technical Support	1085984	B.E.(Comp)	28	4.0	6/15/01	Indian Farmars, Asst System Analyst (2.6)
Mohammad Khadeer	Sr. Software Engineer	1026434	M.E.	26	4.10	03/09/01	GSS America Inc., Software Consultant (0.9)
P. Harish	Software Engineer	1274061	BE(Mechanical)	28	5.2	12/03/01	Axial Systems Pvt Ltd., Testing Engineer (0.7)
Pradeep Thomas	Sr. Software Engineer	1040331	BE	28	6.4	03/09/01	Apar Infotech, Programmer Analyst (0.9)
Sharat Solomon	Sr. Software Engineer	264427	BE	29	7.0	08/02/02	CTC Corporation, Team Leader (2.2)
Sunil Kumar	Sr. Software Engineer	1242611	M.Tech	27	4.10	03/09/01	Verizon wireless communications, Analyst (0.8)
V. Sunderrajan	Project Leader	2129476	B.Sc., MMM	25	5.1	17/04/01	Honeywell Pvt Ltd., Software Engineer (1.1)

Notes:

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

Auditors' Report

To the members of Birla Technologies Limited

1. We have audited the attached Balance Sheet of Birla Technologies Limited, as at31st March , 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto, both of which we have signed under reference to this report. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these finanical statements based on our audit.

2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall finanical statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet and the Profit and Loss Account, together with the Notes thereon/attached thereto, give in the prescribed manner, the information required by the Companies Act, 1956, of India (the Act) and also give, respectively, a true and fair view in conformity with the accounting principles generally accepted in India:

   a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and

   b) in the case of the Profit and Loss Account, of the loss for the year ended on that date.

4. 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 have been kept by the Company as required by law so far as appears from our examination of those books and the aforementioned Balance Sheet and Profit and Loss Account are in agreement therewith.

5. In our opinion, these Accounts have been prepared in compliance with the applicable accounting standards referred to in Section 211 (3C) of the Act.

6. On the basis of the written representations received from the Directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March , 2002 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

7. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 dated 7th September, 1988 and issued by the Central Government of India in terms of Section 227 (4A) of the Act and on the basis of such checks as we considered appropriate and according to the information and explanations given to us, we further report that:

   (i) (a) The Company has maintained proper records to show full particulars, including quantitative details and situation, of its fixed assets.

   (b) The fixed assets of the Company have been physically verified by the Management during the year and no discrepancies between the book records and the physical inventory were noted.

   (ii) The fixed assets of the Company have not been revalued during the year.

   (iii) In our opinion, the valuation of unbilled contracts has been fair and proper in accordance with the normally accepted accounting principles in India.

   (iv) In our opinon, the rates of Interest and the terms and conditions of loans, secured or unsecured, taken by the Company during the year, from companies listed in the register maintained under Section 301 of the Act, are prima facie not prejudicial to the interests of the Company. The Company has not taken any loans, secured or unsecured, from the firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, the provisions of Section 370 are not applicable to a Company after the commencement of The Companies (Amendment) Act, 1999, of India.

   (v) The Company has not given any loans, secured or unsecured, to companies, firms or other parties listed in the register maintained under Section 301 of the Act. In terms of sub-section (6) of Section 370 of the Act, the provisions of Section 370 are not applicable to a Company after the commencement of The Companies (Amendment) Act, 1999, of India.

   (vi) Except for loans to employees, the Company has not given any loans and advances in the nature of loans. The employees to whom loans or advances in the nature of loans have been given by the Company are repaying the principal amounts, as stipulated, and are also regular in payment of interest, where applicable.

   (vii) In our opinion, the internal control procedure is commensurate with the size of the Company and the nature of its business, for purchases of plant and machinery, equipment and similar assets.

   (viii) The Company has not purchased goods and materials or sold goods and materials aggregating Rs. 50,000 or more in value, during the year from / to any of the parties listed in the register maintained under Section 301 of the Act. According to the information and explanations given to us, transacations involving sale of services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating Rs. 50,000 or more in value during the year in respect of each party, as explained to us, are not strictly comparable as the services are of specialised nature for which alternative quotations are not available for comparison of the prices charged.

   (ix) The Company has not accepted any deposits from the public during the year.

   (x) In our opinion, the Company's present internal audit system is commensurate with its size and the nature of business.

   (xi) The Company has generally been regular during the year in depositing Provident Fund and Employees' State Insurance dues with the appropriate authorities in India.

   (xii) At the last day of the financial year, there were no amounts, outstanding in respect of undisputed income tax, wealth tax, sales tax, customs duty and excise duty, which were due for more than six months from the date they became payable.

   (xiii) During the course of our examination of the books of account carried out in accordance with the generally accepted auditing practices in India, we have not come across any personal expenses which have been charged to Profit and Loss Account, nor have we been informed of such case by the Management other than those payable under contractual obligations and accepted business practices.

   (xiv) The Company is not a Sick Industrial Company within the meaning of clause (o) of Section 3(1) of the Sick Industrial Companies (Special Provisions) Act, 1985, of India.

   (xv) The nature of services rendered by the Company is such that it does not involve consumption of materials or stores.

   (xvi) Considering the nature of services rendered by the Company and the basis of billings, in our opinion, the Company has a reasonable system of allocating man-hours utilised to the relative jobs; commensurate with its size and the nature of its business.

   (xvii) The other clauses of the Manufacturing and Other Companies (Auditor's Report) Order, 1988 were not applicable to the Company during the year.

Neeraj Gupta
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

Place: Mumbai
Date: 3rd May , 2002

Balance Sheet as at 31st March, 2002

Particulars	Schedule	Rs.	As at 31st March, 2002 Rs.	As at 31st March, 2001 Rs.
SOURCES OF FUNDS				
Shareholders' Funds				
Capital	A	98,003,500		98,003,500
Reserves and Surplus	B	195,076,544		195,076,544
			293,080,044	293,080,044
Loan Funds				
Secured Loans	C		120,602,788	—
Unsecured Loans	D		35,100,000	83,025,000
			448,782,832	376,105,044
APPLICATION OF FUNDS				
Fixed Assets				
Gross Block	E	284,694,720		264,122,542
Less: Depreciation		53,329,818		3,901,634
Net Block		231,364,902		260,220,908
Capital Work in Progress		—		9,878,919
			231,364,902	270,099,827
Current Assets, Loans and Advances				
Inventories	F	4,753,000		2,842,000
Sundry Debtors	G	57,129,013		86,393,779
Cash and Bank Balances	H	1,039,187		5,612,773
Loans and Advances	I	18,372,021		21,795,887
		81,293,221		116,644,439
Less : Current Liabilities and Provisions	J			
Liabilities		45,766,348		34,211,573
Provisions		53,981,142		2,507,518
		99,747,490		36,719,091
Net Current Assets			(18,454,269)	79,925,348
Profit and Loss Account			235,872,199	26,079,869
			448,782,832	376,105,044
Notes to Accounts	Q			

Schedules referred to herein form an integral part of the Balance Sheet.

This is the Balance Sheet referred to in our report of even date.

Neeraj Gupta
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

For and on behalf of the Board of Directors

O. P. Chechani, VP & CFO
Ashok Sand, Manager & CEO
Adesh Gupta, Director
Santrupt Misra, Director

Mumbai
3rd May, 2002

Mumbai
2nd May,2002

Profit and Loss Account for the year ended 31st March, 2002

Particulars	Schedule	For the year ended 31st March 2002 Rs.	18th August,2000 to 31st March, 2001 Rs.
INCOME			
Sales		292,344,995	59,982,285
Other Income	K	6,811,333	308,603
Increase in Work-in-Progress	L	1,911,000	1,394,000
		301,067,328	61,684,888
EXPENDITURE			
Software Development Expenses	M	249,421,381	44,477,554
Selling, General and Administrative Expenses	N	148,386,748	37,350,746
Interest and Finance charges	O	13,513,985	1,551,823
Depreciation/ Amortisation		49,443,165	3,901,634
		460,765,279	87,281,757
Loss before Extraordinary item and Taxation		159,697,951	25,596,869
Extraordinary item	P	50,094,379	—
Loss before Taxation		209,792,330	25,596,869
Provision for Income Tax (Refer Note 3 on Schedule Q) (Including Wealth Tax Rs. Nil, Previous Period Rs. 58,000)		—	483,000
Loss after Taxation		209,792,330	26,079,869
Add: Loss brought forward from previous period		26,079,869	—
Profit and Loss Account balance carried to Balance Sheet		235,872,199	26,079,869
Loss per Share (Basic)		21.41	15.96
Notes to Accounts	Q		

Schedules referred to herein form an integral part of the Profit and Loss Account.

This is the Profit & Loss Account referred to in our report of even date.

Neeraj Gupta
Partner
For and on behalf of
Price Waterhouse
Chartered Accountants

For and on behalf of the Board of Directors

O. P. Chechani, VP & CFO
Ashok Sand, Manager & CEO
Adesh Gupta, Director
Santrupt Misra, Director

Mumbai
3rd May, 2002

Mumbai
2nd May,2002

Schedules annexed to and forming part of the Balance Sheet as at 31st March, 2002

Particulars	As at 31st March, 2002 Rs.	As at 31st March, 2001 Rs.
SCHEDULE A		
Capital		
Authorised :		
12,000,000 Equity Shares of Rs. 10 each	120,000,000	120,000,000
Issued and Subscribed		
9,800,350 Equity Shares of Rs. 10 each, fully paid-up	98,003,500	98,003,500
	98,003,500	98,003,500

Notes:

1. Of the above
   a) 9,800,000 Equity Shares of Rs.10 each, fully paid-up were issued for consideration other than cash, on acquisition of the Software Services Division of Grasim Industries Limited.
   b) 9,791,000 Equity Shares of Rs. 10 each, fully paid-up are held by PSI Data Systems Limited, the holding Company.
2) PSI Data Systems Limited has become the holding Company with effect from February 6, 2002, consequent to the transfer of Equity Shares held by Grasim Industries Limited in its favour.

Particulars	As at 31st March, 2002 Rs.	As at 31st March, 2001 Rs.
SCHEDULE B		
Reserves and Surplus		
Share Premium		
As per last Balance Sheet	195,076,544	195,076,544
	195,076,544	195,076,544
SCHEDULE C		
Secured Loans		
From a Bank:		
Term Loan	50,000,000	—
Working Capital Demand Loan	67,000,000	—
Cash Credit Account	3,602,788	—
(Term loan is secured by first charge on fixed assets, pending registration with the appropriate authorities. Working Capital Demand Loan and Cash Credit Borrowings is secured against sundry debtors.)	120,602,788	—
SCHEDULE D		
Unsecured Loans		
Inter Corporate Deposits	35,100,000	83,025,000
(Repayable within one year Rs. 35,100,000, Previous Period Rs. 83,025,000)		
	35,100,000	83,025,000

Schedules annexed to and forming part of the Balance Sheet as at 31st March, 2002

Particulars	As at 31st March 2002 Rs.	As at 31st March, 2001 Rs.
SCHEDULE F		
Inventories		
[Refer Note 2(b) on Schedule Q]		
Work-in-progress (Unbilled Contracts)	4,753,000	2,842,000
	4,753,000	2,842,000
SCHEDULE G		
Sundry Debtors		
Unsecured		
Debts Outstanding for a period over Six Months		
— Considered Good	8,969,164	10,222,525
— Considered Doubtful	17,830,981	10,993,069
Others		
— Considered Good	48,159,849	76,171,254
	74,959,994	97,386,848
Less : Provision for doubtful debts	(17,830,981)	(10,993,069)
	57,129,013	86,393,779
SCHEDULE H		
Cash and Bank Balances		
Cash on Hand	15,102	63,283
Balances with Scheduled Banks		
— in Current Accounts	610,320	190,641
— in Exchange Earners Foreign Currency Account	96,788	641,461
(US$ 1,996, UK Pound Nil; Previous Period US$ 12,313, UK Pound 894)		
Balances with Non Scheduled Banks in Current Account		
Bank of America, USA (US$ 6,108; Previous Period US$ 78,801)	296,261	3,658,728
HSBC Bank, UK (UK Pound 300; Previous Period UK Pound 15,973)	20,716	1,058,660
	1,039,187	5,612,773
Maximum Balance held during the year with non scheduled Bank		
— Bank of America, USA (US$ 221,821; Previous Period US$ 181,037)	10,580,862	8,405,526
— HSBC Bank, UK (UK Pound 144,172; Previous Period UK Pound 159,678)	9,968,085	10,105,244

SCHEDULE E

Fixed Assets

[Refer Note 2(a) on Schedule Q]

Rs.

Particulars	Gross Block				Depreciation/ Amortisation				Net Book Value	
	As at March 31, 2001	Additions during the year	Deduction during the year	As at March 31, 2002	As at March 31, 2001	For the year	Written back during the Year	Up to March 31, 2002	As at March 31, 2002	As at March 31, 2001
Goodwill	53,587,533	—	—	53,587,533	1,786,251	10,717,506	—	12,503,757	41,083,776	51,801,282
Software Products	75,010,000	—	—	75,010,000	—	25,003,333	—	25,003,333	50,006,667	75,010,000
Leasehold Land *	16,053,200	—	—	16,053,200	41,374	248,244	—	289,618	15,763,582	16,011,826
Office Building	62,460,000	—	—	62,460,000	169,683	1,018,098	—	1,187,781	61,272,219	62,290,317
Plant and Machinery	31,382,103	4,524,686	—	35,906,789	1,507,119	9,638,746	—	11,145,865	24,760,924	29,874,984
Office Equipment	6,471,789	1,922,463	—	8,394,252	67,744	495,680	—	563,424	7,830,828	6,404,045
Furniture and Fixtures	12,933,841	14,329,503	—	27,263,344	230,186	1,655,102	—	1,885,288	25,378,056	12,703,655
Vehicles	6,224,076	—	204,474	6,019,602	99,277	666,456	14,981	750,752	5,268,850	6,124,799
Total	264,122,542	20,776,652	204,474	284,694,720	3,901,634	49,443,165	14,981	53,329,818	231,364,902	260,220,908
Capital Work-in-Progress [Including capital advance Rs. Nil (Previous Period Rs. 6,139,803)]									—	9,878,919
									231,364,902	270,099,827
Previous Year	—	264,122,542	—	264,122,542	—	3,901,634	—	3,901,634	260,220,908	

* Pending transfer of title in the name of the Company.

Schedules annexed to and forming part of the Balance Sheet as at 31st March, 2002

Particulars	As at 31st March, 2002 Rs.	As at 31st March, 2001 Rs.
SCHEDULE I		
Loans and Advances		
(Unsecured, Considered Good)		
Advances Recoverable in Cash or in Kind or for Value to be Received	7,446,482	12,774,302
Deposits with Government Authorities	64,700	64,700
Other Deposits	8,877,151	8,797,625
Advance Income Tax (Net of Provision)	1,983,688	159,260
	18,372,021	21,795,887
SCHEDULE J		
Current Liabilities and Provisions		
Liabilities		
Sundry Creditors		
- Other than Small Scale Industrial Undertakings	37,202,437	25,101,641
Unearned Revenue	2,328,030	—
Other Liabilities	6,235,881	9,109,932
	45,766,348	34,211,573
Provisions		
Retirement Benefits [Refer Note 2(c) on Schedule Q]		
- Gratuity	1,089,601	760,359
- Leave Encashment	2,767,003	1,689,159
Custom duty on equipment and interest thereon on non-fulfillment of export obligation (Refer Note on Schedule P)	50,094,379	—
Wealth Tax	30,159	58,000
	53,981,142	2,507,518
	99,747,490	36,719,091

Schedules annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2002

	For the year ended 31st March, 2002	Aug 18, 2000 to 31st March, 2001
SCHEDULE K		
Other Income		
Exchange Rate Difference (Net)	1,863,755	—
Compensation on breach of contracts by employees	1,193,502	212,000
Provision for performance bonus no longer required written back	3,754,076	—
Others	—	96,603
	6,811,333	308,603
SCHEDULE L		
Increase in Work-in-Progress		
Closing Balance:	4,753,000	2,842,000
Opening Balance:	2,842,000	1,448,000
	1,911,000	1,394,000
SCHEDULE M		
Software Development Expenses		
Salaries and Allowances	218,258,287	37,898,894
Travelling and Conveyance	4,004,833	1,528,083
Insurance	10,538,509	2,257,505
Repairs and Maintenance	336,080	54,442
Training	351,299	228,585
Cost of Licence	3,298,323	—
Visa Charges	7,403,425	1,653,764
Others	5,230,625	856,281
	249,421,381	44,477,554

Schedules annexed to and forming part of the Profit and Loss Account for the year ended 31st March, 2002

Particulars		For the year ended 31st March, 2002 Rs.	Aug 18, 2000 to 31st March, 2001 Rs.
SCHEDULE N			
Selling, General and Administrative Expenses			
Salaries and Allowances		74,543,395	11,132,904
Contribution to Provident and Other Funds		3,202,553	492,081
Staff Welfare		868,422	268,298
Commission		4,381,512	1,010,640
Electricity Charges		3,631,874	485,715
Repairs and Maintenance - Plant and Machinery		795,842	234,658
Advertisement and Business Promotion		1,341,454	722,368
Insurance		2,007,738	332,346
Rent		14,517,248	2,316,552
Printing and Stationery		805,032	222,346
Communication		7,568,351	1,378,394
Travelling and Conveyance		10,092,467	2,889,204
Legal and Professional fees		6,188,115	1,972,903
Bad Debts		2,181,842	104,225
Provision for Doubtful Debts		7,906,542	10,993,069
Rates and Taxes		508,357	—
Recruitment Expenses		1,526,918	1,123,221
Auditors' Remuneration			
- As Auditors	350,000		150,000
- As Tax Auditors	75,000		70,000
- Other Matters	100,000	525,000	220,000
Exchange Rate Difference (Net)		—	539,139
Miscellaneous		5,794,086	912,683
		148,386,748	37,350,746
SCHEDULE O			
Interest and Finance charges			
Interest on:			
Term Loan		3,938,356	—
Working Capital Demand Loan		4,492,644	227,899
Inter-corporate Deposit		3,809,113	1,193,518
Cash Credit Limit		120,399	—
Others		88,889	—
		12,449,401	1,421,417
Bank charges		1,064,584	130,406
		13,513,985	1,551,823
SCHEDULE P			
Extraordinary item			
Custom duty on equipment and interest thereon on non-fulfillment of export obligation		50,094,379	—
		50,094,379	—

Note:

The Company had availed the benefit of concessional duty during the year 1993 aggregating Rs. 86,716,726 on import of equipment as per the provisions of the Import Export Policy 1992-1997. The Company had to meet export obligation of USD 14,376,708 by 31st March, 2002 (including extended period), failing which the above duty will have to be paid together with simple interest @24% per annum from the date of purchase to the payment of custom duty. The Company has fulfilled export obligation USD 11,745,079 upto 31st March, 2002. The proportionate custom duty on unfulfilled export obligation together with interest payable thereon Rs. 50,094,379 has been provided for.

Notes forming part of the Balance Sheet as at 31st March, 2002 and Profit and Loss Account for the year ended 31st March 2002

SCHEDULE Q

NOTES TO ACCOUNTS

1. These Accounts have been prepared under historical cost convention, on accrual basis and comply with the Accounting Standards referred to in Section 211(3C) of The Companies Act, 1956, of India (the Act).

2. Significant Accounting Policies

a) Fixed Assets and Depreciation

Fixed assets are stated at cost of acquisition less accumulated depreciation.

Assets acquired from Grasim Industries Limited are depreciated on straight-line method over their remaining useful life at the following rates:

Plant and Machinery	16.21 % to 30.70%
Office Equipment	6.39%
Furniture and Fixtures including electrical installation	7.85% to 11.31%
Vehicles	10.99%

Depreciation on other assets is provided on a pro-rata basis on straight-line method at the higher of the rates prescribed in Schedule XIV to the Act and the rates based on the useful lives of assets, if different from that implied by the applicable Schedule XIV rates.

Assets costing less than Rs. 10,000 are depreciated fully in the year of purchase.

Leasehold land is amortized proportionately over the unexpired period of lease.

Goodwill is amortized equally over five years.

Software Products are amortized equally over three years.

b) Inventories

Work- In- Progress is valued at lower of unbilled cost and the related unbilled amounts. Provision is made for unrealizable cost in excess of contract values.

c) Retirement Benefits

Gratuity and leave encashment provision is accounted on an actuarial valuation basis.

d) Foreign Currency Transactions

Transactions in foreign currencies are accounted for at the exchange rates prevalent on the date of transactions. Current assets and current liabilities are converted at the period-end exchange rates and both gains/ losses are recognized.

Transactions pertaining to overseas branches have been converted as under:

- Profit and Loss items at the average exchange rate for the period.
- Fixed assets at exchange rates prevailing on the dates of additions. Deletions and Depreciation are accounted for at the same exchange rate at which these the respective assets were originally translated.
- Other current assets and liabilities are converted at exchange rates prevailing at the end of the period.

e) Revenue Recognition

a) Revenue from fixed-price contracts is recognized on the basis of completed milestones as specified in the contracts. Revenue from software developed on a time-and-materials basis is recognized as per the terms of specific contracts.

b) In the case of Software developed by the Company and supplied to the customer the revenue is recognized as follows:

- Revenue pertaining to the delivery of the product is recognized at the time the license to use is made over to the customer.
- Revenue pertaining to the implementation of the Software is recognized after implementation.

f) Deferred Taxation

Considering the loss incurred by the Company upto the year ended 31st March, 2002, and based on the Management's estimates of losses in foreseeable future, deferred tax assets have not been recognized in these Accounts.

3. Provision for taxation of Rs. Nil (Previous Period Rs. 425,000) represents taxes payable on income arising from the Company's overseas branch in United Kingdom.

4. Managerial Remuneration under Section 198 of the Act, paid to the manager, included in Selling, general and administration Expenses (Schedule N):

Particulars	For year ended 31st March, 2002 (Rs.)	August 18, 2000 to 31st March, 2001 (Rs.)
Salary and Allowances	2,880,000	222,247
Perquisites and Incentive	156,575	14,103
Contributions to Provident Fund	144,000	10,258
Total	3,180,575	246,608

The above remuneration is in accordance with the approval of the Central Government received vide its letter No.1/162/2001 - CL.VII dated September 28, 2001.

5. Estimated amount of contracts (net of advances) remaining to be executed on Capital Account not provided for Rs. Nil (Previous Period Rs. 16,904,331).

6. Quantitative details:

The Company is engaged in the development of computer software. The production and sale of such software cannot be expressed in any generic units. Hence it is not possible to give the quantitative details of sales and the information as required under paragraphs 3, 4C and 4D of part II of Schedule VI of the Act.

7. Earnings in Foreign Currency

	For year ended 31st March, 2002 (Rs.)	August 18, 2000 to 31st March, 2001 (Rs.)
F.O.B. Value of Exports		
- Softwares	272,286,803	56,347,235
8. Expenditure in Foreign Currency		
-Software Development	270,725,354	47,231,770

9. Segmental Reporting:

Primary Segment:

In accordance with the requirements of Accounting Standard 17 *Segment Reporting* the Company has determined its business segment as rendering of Software Services. Since 100% of the Company's business is from Software Services, there are no other primary reportable segments. Thus the segment revenue, segment result, total carrying amount of segment assets, total carrying amount of segment liabilities, total cost incurred to acquire segments assets, the total amount of charge for depreciation and amortisation during the year are all as reflected in the Financial Statements for the year ended March 31, 2002 and as on that date.

Secondary Segments (By Geography):

Particulars	North America Rs.	Europe Rs.	India Rs.	Others Rs.	Total Rs.
Revenue from external customers	172,516,547	93,645,000	20,056,500	6,126,948	292,344,995
Segment Assets	30,283,545	27,015,760	254,011,925	1,346,894	312,658,124
Addition to Fixed Assets during the Year	187,615	1,469,179	19,119,858	—	20,776,652

10. The previous year figures in Profit and Loss account are for the period August 18, 2000 to March 31, 2001 and are, therefore, not strictly comparable with that of the Current year.

11. Figures for the previous period ended March 31, 2001, wherever necessary, have been regrouped, rearranged to confirm to those of the current year.

12. Refer Annexure for additional information pursuant to Part IV of Schedule VI to the Act.

Signatures to Schedules A to Q forming part of the Balance Sheet as at March 31, 2002 and Profit and Loss Account for the Year ended March 31, 2002.

Neeraj Gupta Partner			For and on behalf of the Board of Directors	
For and on behalf of Price Waterhouse Chartered Accountants	O. P. Chechani VP & CFO	Ashok Sand Manager & CEO	Adesh Gupta Director	Santrupt Misra Director
Mumbai 3rd May, 2002				Mumbai 2nd May,2002

Additional Information pursuant to Part IV of Schedule VI to The Act. Balance Sheet Abstract and Company's General Business Profile.

I Registration Details

Registration No.	128315
State Code	11
Balance Sheet Date	31-3-2002

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

Public Issue	NIL
Rights Issue	NIL
Bonus Issue	NIL
Private Placement	NIL

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

Total Liabilities	255,450
Total Assets	312,658
Sources of Funds	
Paid-up Capital	98,004
Reserves and Surplus	195,077
Secured Loans	120,603
Unsecured Loans	35,100
Application of Funds	
Net Fixed Assets	231,365
Investments	NIL
Net Current Assets	(18,454)
Miscellaneous Expenditure	NIL
Accumulated Losses	235,872

IV Performance of Company (Amount in Rs. Thousands)

Turnover	292,345
Total Expenditure	510,860
Profit /(Loss) Before Tax	(209,792)
Profit /(Loss) After Tax	(209,792)
Earning Per Share * (in Rs.)	(21.41)
Dividend Rate %	N I L

Loss for the year : Rs. 209,792,330

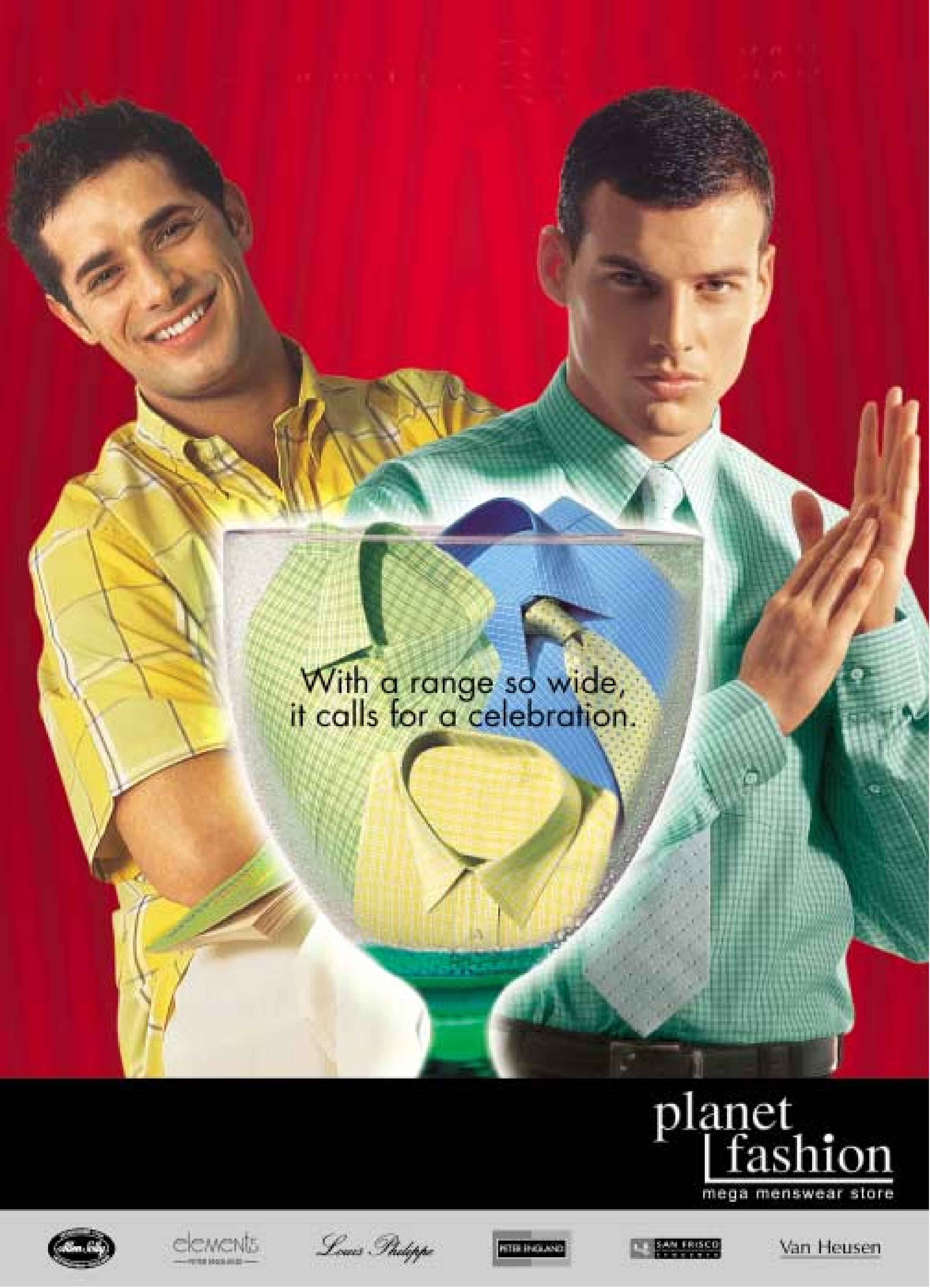
Weighted Average Number of Equity Shares outstanding during the year : 9,800,350
Nominal Value of Equity Share : Rs. 10

V Generic Names of Principal Products/Services of Company
(as per monetary terms)

Item Code No. (ITC Code)	NOT APPLICABLE
Product Description	COMPUTER SOFTWARE

For and on behalf of the Board of Directors

Mumbai	O. P. Chechani	Ashok Sand	Adesh Gupta	Santrupt Misra
2nd May, 2002	VP & CFO	Manager & CEO	Director	Director

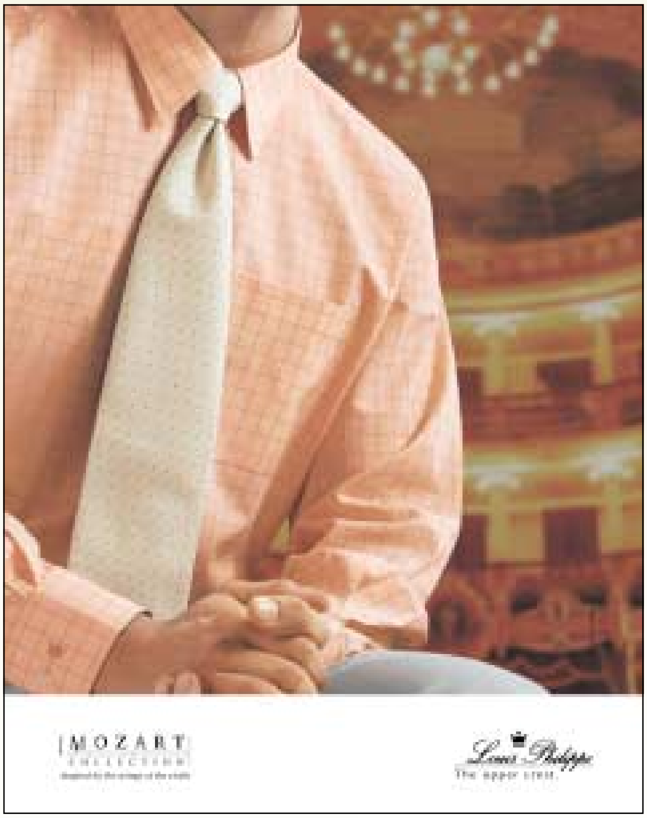

With a range so wide,
it calls for a celebration.
planet
fashion
mega menswear store
elements
Louis Philippe
PETER ENGLAND
SAN FRISCO
Van Heusen


Allen Solly introduces
workwear for women
friday
dressing from
Allen Solly

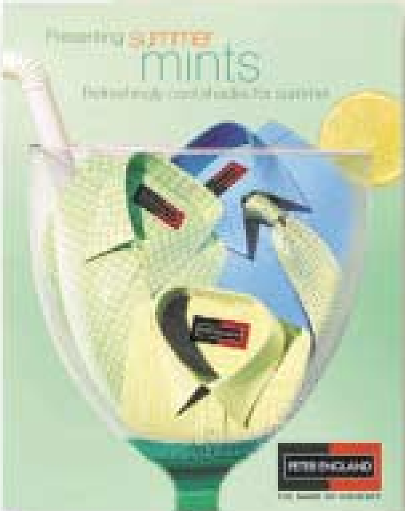

Not since the days of the fig leaf
has man worn anything so striking.
Unlike the minimalist clothes of the past, the Louis Philippe suit is more elaborate. Indeed, it has almost fifty critical elements crafted into the suit. For instance, the lapel is delicately rolled around the edges. The result? The suit falls like a gentle cloud over your torso. Understandably, with a suit so exceptional, anonymity comes at a premium.
Louis Philippe
Luxury suits


TROUSER TOWN PRESENTS
THE LIGHTER SIDE OF SUMMER


Van Heusen presents
WORLDWEAR
After all, God is in the Details
Van Heusen
POWER DRESSING


MOZART
COLLECTION
Louis Philippe
The upper crest.


Colours.
Borrowed from life.


Presenting summer
mints
PETER ENGLAND