ANNEXURE "B"

REPORT ON MANAGEMENT DISCUSSION AND ANALYSIS

A. INDUSTRY STRUCTURE AND DEVELOPMENT

CEMENT

Indian Cement Industry continues to be the second largest Cement producer in the world with installed capacity of 275.01 Million Tons and producing world-class quality Cement from State-of-the Art technology manufacturing facilities.

The Indian Cement Industry had a growth of only 5% in the year under review as compared to 12% in previous year due to slowdown in the housings sector, prolonged monsoon and delay in execution of infrastructure projects.

Cement Industry achieved the capacity utilization of about 75% as against 85% last year. This has dropped mainly due to substantial addition of capacity during the last three years. Capacity utilization in the Southern Region (where both the cement plants of the Company are situated) saw the highest capacity additions in the last three years and average utilization of 65%.

TYRE

The Indian Tyre Industry is dominated by the organized sector and consists of five major players – MRF, J.K. Tyres, Apollo Tyres, Birla Tyres and Ceat Tyres, who together account for approximately 85% of the industry's turnover. These big five players are present in all product segments except for two wheeler where only Ceat, MRF and Birla Tyres are present. These companies have a presence in all the major segments of the tyre industry – the replacement market, original equipment manufacturers (OEMs) as well as export. Some of the global majors like Bridgestone and Goodyear also have their operations in India. However, they have relatively smaller sized operations today.

Quite unlike the global tyre industry, which is dominated by passenger car radial tyre sales, commercial vehicle tyres' sales constitute 65% of the turnover of the Indian tyre industry. Another point of difference between Indian and the global tyre industry is the extent of radialisation in the commercial vehicle segment. While globally it is around 80%. In India, radials in commercial vehicles hovers around 10-15% which till two years back was at around 5%. As original equipment manufacturers make a move towards embracing radial tyres for their commercial vehicles, radialisation in the truck segment is slowly gaining ground. Keeping these factors in view, radialisation levels in the commercial vehicle segment are expected to be anywhere between 25-30% in the next two years.

In anticipation of the next big radialisation wave, most manufacturers have either installed capacities or announced plans of doing the same, including Apollo, Birla, MRF, Bridgestone, J.K. Tyre and Michelin. Similarly, considering strong demand forecast in the passenger car segment, manufacturers across the board are making investments to maximize capacities.

The Indian Tyre Industry is equipped to meet the demand of the domestic market, besides generating surpluses for export.

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The country has annual production capacity of about 40,000 tons of Viscose Filament Yarn and demand is estimated to be around 55,000 tons annually. The gap is met by imports. Hence there is scope of increasing indigenous production for which Indian industry is taking necessary steps for enhancing their production capacity. The boost in demand is due to high cost of imports and rising prices of competing yarn.

Even the Section being only producer of Transparent Paper in the country, the demand is not increasing effectively. The high cost of production is making this product unviable in the long run. However the production & sales remained stable. The production was maintained according to the size of demand.

SPUN PIPES

The Industry witnessed good demand for Ductile Iron pipes during the year under review. Cast Iron pipes continue to face very stiff competition from Ductile Iron pipes. As the Section is under Suspension of Work since 2nd May 2008, no comments are made under the heads "Opportunities & Threats, Segment wise Performance, Outlook and Risks & Concerns".

HEAVY CHEMICALS

The capacity utilization of Indian Caustic Soda Industry improved to around 80% during the year due to improvement of demand. The demand for the main product Caustic Soda and joint product Chlorine improved during the 3rd quarter and peaked towards the end of the year as imports were lower due to unfavourable price in international market.

Capacity utilization of Sulphuric Acid Plant was normal despite inflow of by-product material from zinc and copper smelters.

As the Section is under suspension of work since 8th December, 2010, no comments are made under the heads Opportunities & Threats, Segment wise Performance, Outlook and Risk & Concerns.

B. OPPORTUNITIES AND THREATS

CEMENT

In order to meet future demand for Cement, Industry has taken up large scale addition in capacity during the last three years and further substantial capacity addition is planned during next two years.

Demand for Cement from sectors such as Roads, Railways, Power Projects is expected to improve as Centre is planning for massive investments during Twelfth Plan. Government has been increasing its budget allocation substantially in High-ways, Roads for Rural Connectivity, mass Housing and urban Developments, etc.

Non-availability of adequate good quality Coal as well as Railway Wagons for transportation are the main threats, considering the continuous increase in Cement Capacity.

TYRE

Opportunities

- The national thrust in road infrastructure and construction of expressways and national highways presents a range of opportunities for the tyre industry.
- Early mover advantage in the rapidly growing truck radial segment in India by Birla Tyres where most manufacturers will be adding substantial capacities in FY 2011-12.

Threats

- Continued volatility of raw material prices.
- Currency fluctuation

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Due to increase in cost of inputs, China, the main competitor in India, also increased its export price of VFY. This led to lesser imports and gave an opportunity to Indian manufacturers to augment their realization and deliveries. However, steep increase in price is posing threats for substitution by cheaper fibres in certain segments.

Price increase of T.P. due to steep increase in cost of inputs is posing biggest threat of diversion to cheap imports and other substitutes. The recent regulatory restrictions in usage of plastic may provide an opportunity for increased usage of Transparent Paper.

C. OUTLOOK

CEMENT

Even-though India is the second largest cement producer in the world, the per capita cement consumption is only 143 Kg. as against the world average of about 400 Kg. Hence, there is abundant scope for the growth of Cement Industry.

India has huge potential for cement consumption growth with major emphasis of the Government on infrastructure development and boost to housing sector etc.

TYRE

Fortune of tyre industry is linked to the automobile & transportation sectors. Future looks bright due to various economic fillips by the government, large infrastructure spending and a cautiously positive sentiment.

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VFY demand should grow with increase in textile consumption in India and usage of VFY in various allied applications globally. Besides growth, market trends in China, prices of competing fibres & availability of pulp will largely govern VFY prices.

The outlook of the T.P. business remains positive in view of recent Government notification on the restricted use of plastics. However, the realization will be under pressure due to cheap imports.

D. RISKS AND CONCERNS

CEMENT

Cement Industry is heavily dependent on Coal for its fuel requirement. While Cement capacity is increasing continuously, the allotment of Coal linkages is decreasing. As a result, Cement Industry is depending heavily on the purchase of Coal from open market, e-auction and import of Coal at exorbitant price.

Outward movement of Cement and Inward movement of raw materials like Gypsum and Coal are affected due to erratic supply of wagons.

Though Cement is the most essential infrastructure input, the Tax on Cement is the highest among the items required for building infrastructure.

TYRE

The biggest risk is rising raw material prices specially natural rubber and crude oil prices.

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Rising pulp prices remain a matter of concern for both VFY & T.P. business. The prices of other major inputs for VFY & T.P. production viz. coal, sulphur, caustic soda & employees cost have started rising and are likely to harden, which should push up manufacturing costs leading to a reduction in margins from current level. This is also a subject of concern for this Unit.

E. INTERNAL CONTROL SYSTEM AND THEIR ADEQUACY

The Company has adequate internal control in all areas of its operation through internal and external auditors. The system ensures that all transactions are authorized, recorded and reported correctly. The systems and procedures are reviewed continuously to ensure timely preparation of financial information and safeguarding the assets of the Company.

F. MATERIAL DEVELOPMENT IN HUMAN RESOURCES AND INDUSTRIAL RELATIONS

Industrial relations have been cordial during the year under review except Spun Pipes Section and Hindusthan Heavy Chemicals Section where the factories are under suspension of work since 2nd May, 2008 and 8th December, 2010 respectively. All safety measures of workers and staff members, their training and welfare get high priority at all levels.

G. The Company as a whole had 14,602 persons on its rolls as on 31.3.2011.

H. CAUTION STATEMENT

Statements in this report on Management Discussion and Analysis describing the Company's objectives, projections, estimates, expectations or predictions may be forward looking statements within the meaning of applicable laws or regulations. These statements are based on certain assumptions and reasonable expectation of future events. Actual results could, however, differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations include global and domestic demand-supply conditions, finished goods prices, raw materials cost & availability, changes in Government regulations and tax structure, economic developments within India and the countries with which the Company has business contacts and other factors such as litigation and industrial relations.

Thus, the Company should and need not be held responsible, if, which is not unlikely, the future turns out to be something quite different. Subject to this management disclaimer, this discussion and analysis should be perused.

B. K. Birla — *Chairman*

K. G. Maheshwari
B. P. Bajoria
P. K. Choksey
Amitabha Ghosh
P. K. Mallik
Manjushree Khaitan
— *Directors*

Kolkata,
28th April, 2011

S. K. Patodia
Secretary

K. C. Jain
Whole-time Director