



# Grasim Industries Limited

## Performance Review – FY06

27<sup>th</sup> April 2006

## Cautionary Statement

*Statements in this “Presentation” describing the Company’s objectives, estimates, expectations or predictions may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.*



# Consolidated Financial Performance – Q4FY06

	<u>Rs. Crs.</u>	<u>% Change</u>
<b>TOTAL REVENUE</b>	2,901	17
<b>PBIDT</b> (including minority share)	725	14
<b>Interest Charges</b>	49	[33]
<b>PBT(\$)</b> (including minority share)	536	79
<b>Total Tax Expenses (*)</b>	127	225
<b>PAT (After Minority Share)</b>	347	39
<b>EPS (Rs.)</b>	37.8	39

- Consolidated revenue up by 17%
- PBIDT higher by 14%
  - VSF business performance improved remarkably ; PBIDT up by 24% YoY
  - Excellent performance from Grasim's Cement Business
  - Excellent performance from Cement Subsidiaries
  - Sponge Iron performance continues to suffer
- PBT up by 79%
- Tax expenses higher by Rs.88 Crs.; In Q4FY05, expenses lower as deferred tax of Rs.103 Crs. written back
- PAT higher by 39%



# Consolidated Financial Performance – FY06

	<u>Rs. Crs.</u>	<u>% Change</u>
<b>TOTAL REVENUE</b>	10,200	10
<b>PBIDT</b> (including minority share)	2,331	3
<b>Interest Charges</b>	212	[25]
<b>PBT</b> (including minority share)	1,563	20
<b>Total Tax Expenses</b>	411	(7)
<b>PAT (After Minority Share)</b>	1,039	18
<b>EPS (Rs.)</b>	113	18

- Consolidated revenue grew by 10%
- PBT higher by 20%, PAT up by 18%
  - Satisfactory performance by VSF business
  - Excellent performance from Grasim's Cement Business
  - UltraTech performance significantly improved
  - Sponge Iron business significantly down
  - Interest expenses down by 25%

# Consolidated Financial Performance

(Rs. Crores)

	Q4FY06	Q4FY05	% Chg.	FY06	FY05	% Chg.
Net Turnover & Op. Income	2,901.4	2,474.8	17	10,200.3	9,314.8	10
Other Income	66.8	88.8	(25)	218.7	222.1	(1)
PBIDT	725.2	637.2	14	2,331.2	2,272.4	3
Interest	48.7	72.5	(33)	212.4	284.6	(25)
Gross Profit	676.5	564.7	20	2,118.8	1,987.8	7
Depreciation	144.8	136.8	6	559.7	556.2	1
Exceptional Items	4.1	(128.1)	--	4.1	(128.1)	--
PBT	535.8	299.8	79	1,563.2	1,303.5	20
Current Tax	158.1	154.2	3	482.6	483.3	--
Deferred Tax	(31.2)	* (115.2)	(73)	(71.2)	\$ (41.2)	73
Total Tax	127.0	39.0	225	411.4	442.1	(7)
PAT	408.9	260.8	57	1,151.8	861.4	34
Minority Share	62.1	11.5	--	113.2	+ 19.0	--
PAT after Minority Share	346.8	249.3	39	1,038.6	880.4	18
Earning Per Share - Basic and Diluted (Rs.)	37.8	27.2	39	113.3	96.0	18

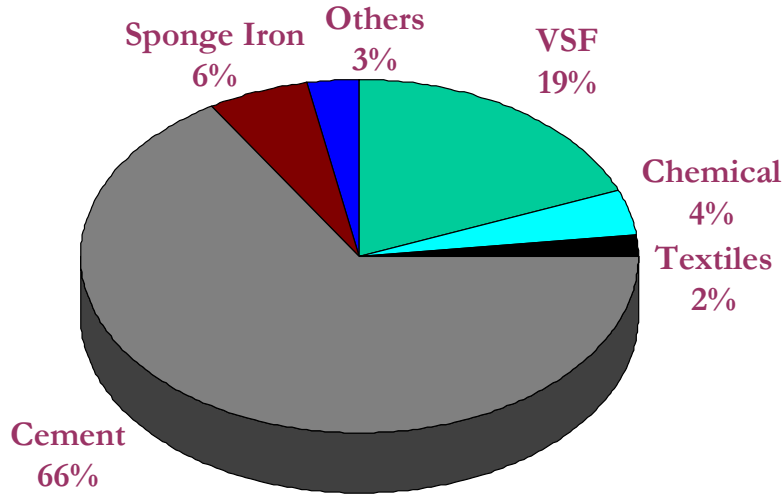
\* Net of adjustments for prior period deferred tax written back Rs.102.8 Crs

\$ Net of adjustments for prior period deferred tax written back and deferred tax assets written off, aggregating to credit of Rs.30 Crs.



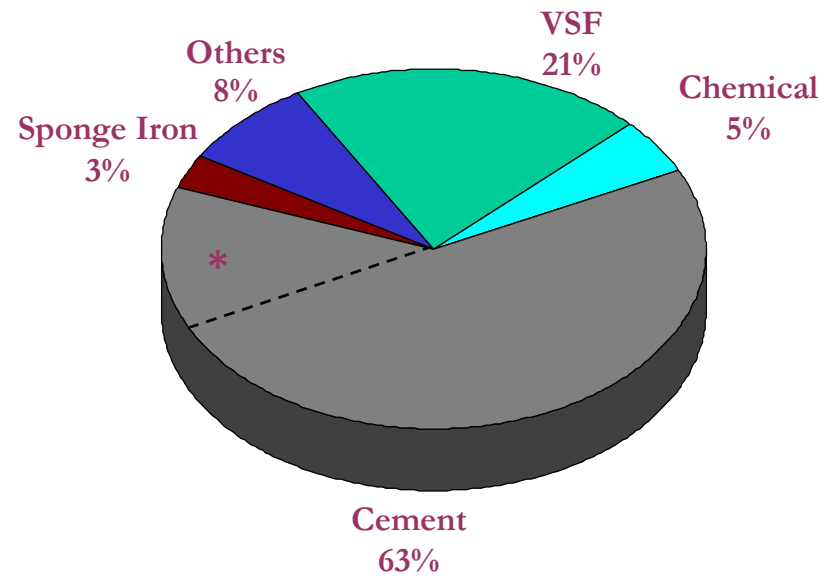
# Consolidated Segmental Performance – FY06

**Revenue Mix**



(Rs.10,200 Crs.)

**PBIDT Mix**



(Rs.2,331 Crs.)

- VSF (incl. Chemical) contributed 23% to Revenue and 26% in PBIDT mix
- Cement contributed 66% to Revenue and 63% in PBIDT mix

(\* Minority Share 13%)



# Standalone Financial Performance – Q4FY06

	<u>Rs. Crs.</u>	<u>% Change</u>	
<b>TOTAL REVENUE</b>	<b>1,815</b>	<b>11</b>	<ul style="list-style-type: none"> <li>● Revenue up by 11%</li> </ul>
<b>PBIDT</b>	<b>464</b>	<b>(3)</b>	<ul style="list-style-type: none"> <li>● PBIDT down by 3%</li> <li>➤ Sponge Iron business performance significantly impacted</li> </ul>
<b>Interest Charges</b>	<b>24</b>	<b>[31]</b>	<ul style="list-style-type: none"> <li>● Stellar performance by cement business</li> <li>● VSF business performance improved remarkably; PBIDT up by 26% YoY</li> </ul>
<b>PBT</b>	<b>369</b>	<b>17</b>	<ul style="list-style-type: none"> <li>● Interest cost down by 31%</li> </ul>
<b>Total Tax Expenses</b>	<b>106</b>	<b>25</b>	<ul style="list-style-type: none"> <li>● Total Tax expenses higher by Rs.21 Crs., in Q4FY05 expenses lower as deferred tax of Rs.52 Crs. written back</li> </ul>
<b>PAT</b>	<b>263</b>	<b>14</b>	<ul style="list-style-type: none"> <li>● PAT up by 14%</li> </ul>
<b>EPS (Rs.)</b>	<b>29</b>	<b>14</b>	

# Standalone Financial Performance – FY06

	<u>Rs. Crs.</u>	<u>% Change</u>
<b>TOTAL REVENUE</b>	6,656	6
<b>PBIDT</b>	1,591	(11)
<b>Interest Charges</b>	97	[30]
<b>PBT</b>	1,206	(7)
<b>Total Tax Expenses</b>	343	(18)
<b>PAT</b>	863	(3)
<b>EPS (Rs.)</b>	94	(3)

- Revenue higher by 6%
- PBIDT down by 11%
  - Though Satisfactory performance by VSF business, contribution lower compared to FY05
  - Sponge Iron business performance significantly impacted
- Adverse effect partly adjusted
  - Cement PBIDT surged by 45%
  - Improved contribution by Chemical business
- Interest cost down by 30%
- Total Tax expenses lower by 18% at Rs.343 Crs.
- Net Profit lower by 3%

# Standalone Financial Performance

(Rs. Crores)

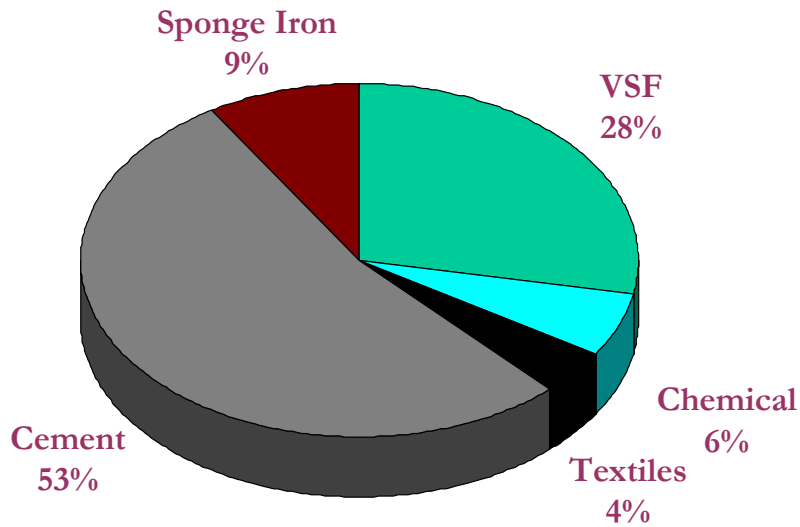
	Q4FY06	Q4FY05	% Chg.	FY06	FY05	% Chg.
Net Turnover & Op. Income	1,815.1	1,642.2	11	6,655.7	6,252.4	6
Other Income	57.5	82.5	(30)	169.1	167.0	1
PBIDT	464.0	478.1	(3)	1,590.9	1,784.7	(11)
Interest	23.5	33.9	(31)	97.4	138.8	(30)
Gross Profit	440.5	444.1	(1)	1,493.5	1,645.9	(9)
Depreciation	75.9	72.4	5	291.6	284.5	2
Exceptional Items (net)	4.1	(57.7)	--	4.1	(57.7)	--
PBT	368.7	314.0	17	1,206.0	1,303.7	(7)
Current Tax	109.8	139.0	(21)	369.8	451.0	(18)
Deferred Tax	(3.8)	* (54.5)	(93)	(27.0)	§ (33.0)	(18)
Total Tax	106.0	84.5	25	342.8	418.0	(18)
PAT	262.7	229.5	14	863.2	885.7	(3)
Earning Per Share - Basic and Diluted (Rs.)	28.7	25.0	14	94.1	96.6	(3)

\* After write back of Rs.51.8 Crs. out of deferred tax of earlier years

§ After write back of Rs.39.1 Crs. out of deferred tax of earlier years

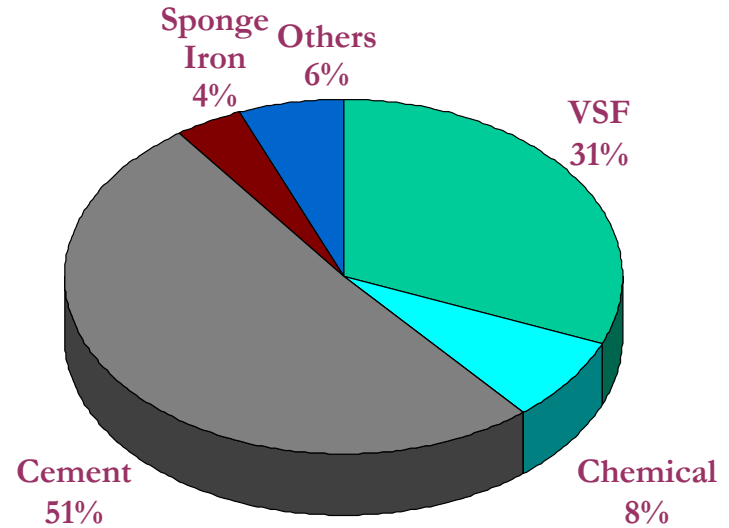
# Standalone Segmental Performance– FY06

Revenue Mix



(Rs.6,656 Crs.)

PBIDT Mix



(Rs.1,591 Crs.)

- VSF (incl. Chemical) contributed 34% (36%) to Revenue and 39% (40%) in PBIDT mix
- Cement contributed 53% (44%) to Revenue and 51% (31%) in PBIDT mix

## Business Review – Q4FY06

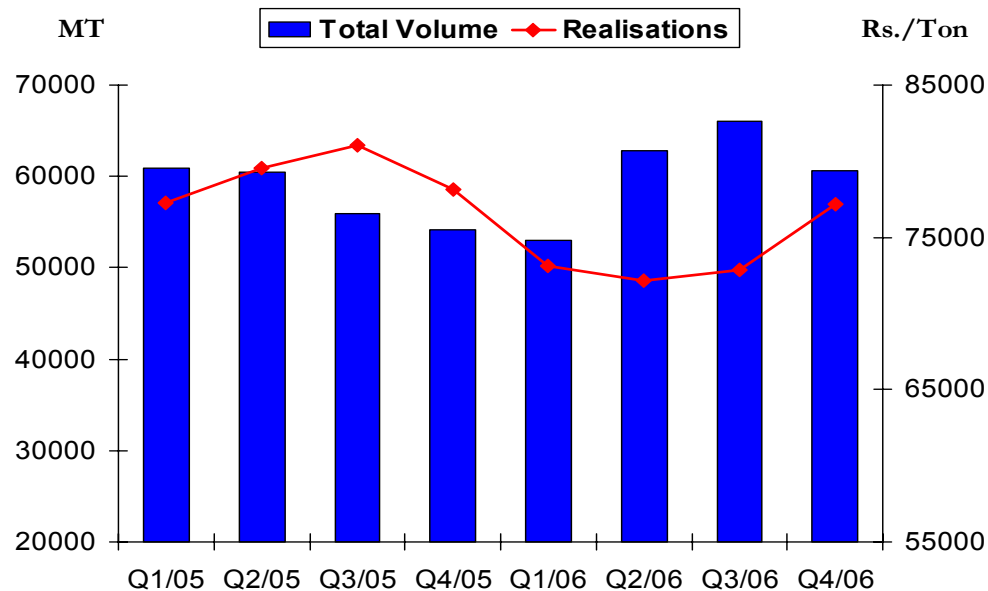
- VSF
- Chemicals
- Cement
- Sponge Iron
- Textiles



# Viscose Staple Fibre : Q4FY06 Highlights

	Q4FY06	Q4FY05	% Chg.
Capacity (TPA)	257,325	253,675	1
Production (MT)	64,606	63,304	2
Sales Volumes (MT)	60,636	54,182	12
Net Turnover (Rs Crs.)	500.7	461.7	8
Realisation (Rs./MT)	77,133	78,178	(1)
PBIDT (Rs. Crs.)	155.7	124.0	26
PBIDT Margin (%)	31.1%	26.9%	--
PBIT (Rs. Crs.)	138.1	109.1	27

- Strong recovery during the quarter
- Capacity utilisation at 100%
- Production up 2%
- Sales volumes up 12% YoY
  - Sharp rise in direct and deemed exports
  - EU and US embargo on Chinese exports
  - Volumes in Q4FY05 were depressed



- Realisations up 6% sequentially
  - Global cotton prices rising gradually
  - Realisations reaching Q4FY05 levels
- Impressive increase in margins
- Operating profits improved considerably - up 26%



# Viscose Staple Fibre : Outlook

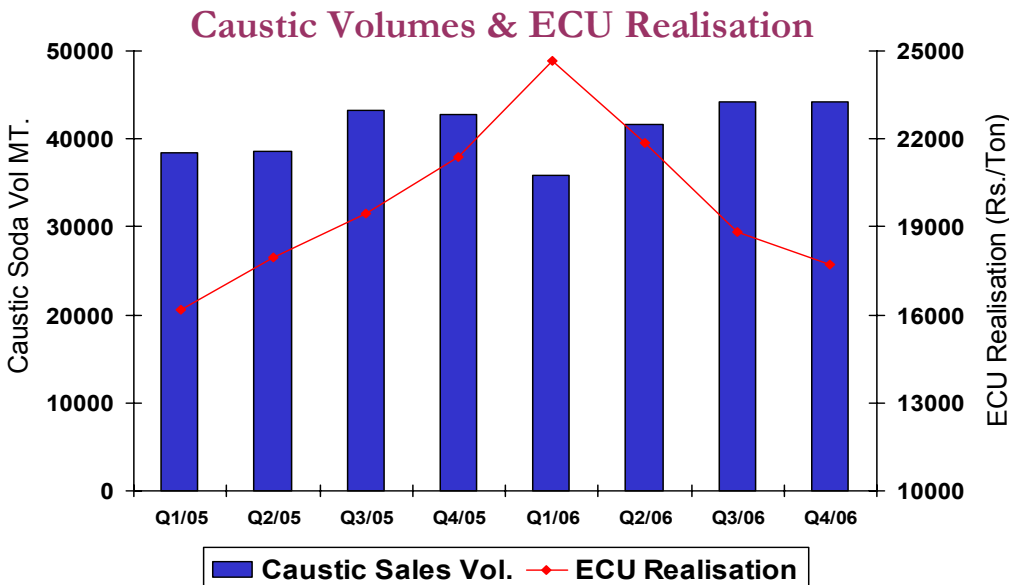
- Demand to sustain at present higher levels
  - Strong demand from India and South Asian Textile hubs
  - Reduction in excise duty on VSF to increase its competitiveness against natural fibres
- Production at Nagda Plant may be impacted in Q1FY07 due to likely water shortage in June
- Margins to sustain at current levels
  - Price outlook stable
  - Prices of Pulp and Coal on an upswing
- Long term outlook remains positive
  - VSF consumption to grow supported by increase in Fabrics and Garments exports
- Backward integration in pulp being strengthened
  - AV Nackwick, Canada started paper grade pulp production
  - Rayon grade pulp production likely to commence from July 07
  - Plantation-cum-Pulp project at Laos progressing as per plan



# Chemical : Q4FY06 Highlights

	Q4FY06	Q4FY05	% Chg
Caustic Capacity (TPA)	190,800	190,800	--
Caustic Production (MT)	42,687	42,165	1
Caustic Sales Volumes (MT)	44,136	42,793	3
Net Turnover (Rs. Crs.)	88.7	102.6	(14)
ECU Realisation (Rs./MT)	17,698	21,364	(17)
PBIDT (Rs. Crs.)	27.1	38.2	(29)
PBIDT Margin (%)	30.5%	37.2%	--
PBIT (Rs. Crs.)	22.6	33.9	(33)

- Sales volume grew by 3%
- ECU realisation lower by 17% in the quarter
  - Lower caustic prices coupled with steep fall in chlorine prices
  - New capacity additions and lower international prices
- Operating margins impacted for the quarter



## Outlook

- Demand outlook positive with continuing growth in end use segments
- Prices expected to stabilise at current levels



# Cement : Q4FY06 Highlights

	Q4FY06	Q4FY05	% Chg.
<b><u>Grey Cement</u></b>			
Capacity (Mn. TPA)	13.12	13.12	--
Production (Mn. MT)	3.78	3.30	15
Sales Volumes (Mn. MT)	* 3.87	3.36	15
Net Turnover (Rs. Crs.)	* @ 898.9	699.4	29
Realisation (Rs./MT)	2,155	1,923	12
<b><u>White Cement</u></b>			
Capacity (TPA)	475,000	475,000	--
Production (MT)	96,260	84,996	13
Sales Volumes (MT)	95,598	84,861	13
Net Turnover (Rs.Crs.)	85.8	66.9	28
Realisation (Rs./MT)	6,117	5,814	5
PBIDT (Rs. Crs.)	265.1	143.3	85
PBIDT Margin (%)	26.9%	18.7%	--
PBIT (Rs. Crs.)	222.9	102.1	118

- Excellent performance
- Impressive capacity utilisation, at 115%
- Sales volume up by 15% on robust demand growth
  - Demand momentum continues, sector up 15% in Q4FY06
  - Outperformed peers in East & South
- Realisation up 12%
  - Price hike across regions
  - Increased freight cost adjusted
- Revenue up by 29% on higher volumes and realisations
- Operating Margins improved from 18.7% to 26.9%
- Operating profit surged by 85% from Rs.143 Crs. to Rs.265 Crs.

\* Excludes traded volumes

@ Adjusted for differential in "Freight Paid Sales" for comparison purpose

# Cement : Outlook

- Demand – supply gap narrowed considerably across regions
  - Robust demand growth of 11% in FY06
    - ⇒ Propelled by impressive growth in South (up 18%) and East (up 11%)
  - Low capacity additions in FY06
- Demand outlook positive, expected to grow by 8-9% in the long term
  - Growing demand from housing and infrastructure
  - Industrial investment to provide further impetus
- Industry capacity utilisation to remain at higher levels
  - Capacity additions of 23-25 Mn. Tons expected in next two years
  - Strong demand growth to absorb additional supplies
- Cement prices expected to be maintained
- Grasim to increase production capacity by 1.5 Mn. Tons in FY07
- To embark upon capacity addition through greenfield and brownfield projects



# Cement Capacity Expansion Plan

- Expansion of 8 Mn. TPA at two locations with capacity of 4 Mn. TPA each
- Total capital outlay of Rs.2,475 Crs.
- Greenfield project at Kotputli (Rajasthan) with split grinding unit
  - Capacity 4 Mn. TPA
  - CPP 40 MW
  - Capital Outlay Rs.1,275 Crs.
  - Implementation 21 Months
- Expansion at Sambhupura (Rajasthan) and additional split grinding unit
  - Capacity 4 Mn. TPA
  - CPP 46 MW
  - Capital Outlay Rs.1,200 Crs.
  - Implementation 21 Months



# Sponge Iron : Q4FY06 Highlights

	FY06	FY05	% Chg.
Capacity (TPA)	900,000	900,000	--
Production (MT)	109,073	219,746	(50)
Sales Volumes (MT)	95,949	202,646	(53)
Net Turnover (Rs. Crs.)	109.8	281.3	(61)
Realisation (Rs./MT)	10,885	13,623	(20)
PBIDT (Rs. Crs.)	(5.0)	104.9	--
PBIDT Margin (%)	(4.6%)	37.3%	--
PBIT (Rs. Crs.)	(13.5)	96.5	--

- Production constrained due to poor availability of Natural Gas
- Sales volume declined as a result
- Realisation lower by 20%
  - Weakness in scrap prices due to correction in global steel cycle
- Steep rise in input prices [Iron ore up 60%, Pellets up 40%, Natural Gas up 110%]
- Consequently, sharp erosion of profitability since Q2FY06



# Sponge Iron : Outlook

- Volumes to remain depressed with inadequate Natural Gas supplies
- Profitability to remain under pressure
  - Lower volumes due to gas shortage
  - Further increase in iron ore price by 10% and natural gas price by 25% from April 06
  - Marginal increase in realisations expected with recent recovery in global scrap prices
- Business prospects expected to improve in the long term with adequate gas availability; likely by end of year 2007

# Textiles : Q4FY06 Highlights and Outlook

	Q4 FY06	Q4 FY05	% Chg.
<b>Sales Volumes</b>			
- Fabrics (lac Mtrs.)	35	39	(11)
- Synthetic Yarn (MT)	1,711	1,828	(6)
<b>Net Turnover (Rs. Crs.)</b>	64.8	65.9	(2)
<b>Fabric Realisation (Rs./Mtr.)</b>	100	107	(7)
<b>Synth. Yarn Realisation (Rs./Kg)</b>	119	113	6
<b>PBIDT (Rs. Crs.)</b>	(1.1)	3.1	--
<b>PBIDT Margin (%)</b>	(1.7%)	4.7%	--
<b>PBIT (Rs. Crs.)</b>	(3.1)	(0.5)	--

- **Fabric volumes lower by 11%**
  - Intense competition from unorganised sector
  - Reduced exports due to lower realisation
- **Operating margins down due to increased cost of Captive DG power**
- **Outlook**
  - Growth in RMG exports to increase fabric demand
  - Plans to set up 8 MW thermal power plant to help reduce power costs
  - Plans to modernise the plant to improve profitability



# Capex

# Capex plans

	Capex Plan	Rs. Crores	
		Cash Outflow	
		FY07	FY08
<b>Cement</b>	1,261	829	337
- Power plants (4 Nos, 102 MW, Project Cost Rs.455 Crs.)	386		
- Grinding unit - North (1.3 Mn. MT, Project Cost Rs.137 Crs.)	123		
- De-bottlenecking/Blending	169		
- RMC's	165		
- Modernization	284		
- Other projects	134		
<b>VSF</b>	627	405	209
- Capacity expansion (49,625 Tons, Project Cost Rs.368 Crs.)	328		
- Modernization	299		
<b>Chemical</b>	181	159	12
<b>Textiles</b>	79	71	8
<b>Others</b>	19	19	-
<b>TOTAL</b>	2,167	1,483	565

- Cement Expansion plan of 8 Mn. TPA at total investment of Rs.2,475 Crs.
  - Greenfield project at Kotputli, Rajasthan with split grinding unit, Capacity 4 Mn. TPA, Cost Rs.1,275 Crs.
  - Brownfield project at Sambhupura, Rajasthan with split grinding unit, Capacity 4 Mn. TPA, Cost Rs.1,200 Crs.
- FY06 Capex spent - Rs.412 Crs.
  - Cement Rs.260 Crs., VSF Rs.112 Crs., Others Rs.40 Crs.
- Separate Capex plan of Rs.1,520 Crs. for UltraTech, incl. Rs.810 Crs. for 142 MW thermal power plants and Rs.160 Crs. for RMC's

# **UltraTech Cement Limited (Consolidated)**

## **Performance Review**



# UltraTech : Consolidated Financial Performance – Q4FY06

(unaudited)

(Rs. Crores)

	Q4 FY06	Q4 FY05	% Inc.
Net Turnover & Other Income	* 962.1	741.1	30
PBIDT	226.5	^ 132.3	71
PBIDT Margin (%)	23.7%	18.0%	--
Interest	22.3	27.0	(17)
Depreciation	61.6	52.6	17
PBT	142.6	52.7	170
Impairment of Goodwill	--	76.8	
Current Tax	\$ 47.2	15.3	
Deferred Tax	(26.3)	#(60.2)	
PAT	121.7	20.7	
Minority Share	0.5	0.6	
PAT after Minority share	121.2	20.1	503

# Including write back of old provision of Rs.51 Crs.

^ After additional charge of brand promotion expenses of Rs.12.5 Crs

\$ After credit for deferred tax assets, Rs.20 Crs.

- \* Turnover increased by 30%
- Improvement in margins from 18.0% in Q4FY05 to 23.7% in Q4FY06
  - Increased domestic cement realisation; up 23%
  - Improved profitability from Subsidiary Company
- Operating profit increased by 71%
  - Increased realisations
  - Volumes higher by 9%
  - Despite increase in freight and energy cost
- Interest expenses lower by 17%
- PAT increased from Rs.20 Crs. in FY05 to Rs.121 Crs. in FY06

\* Adjusted for traded volumes and differential in “Freight Paid Sales” for comparison purpose



# UltraTech Consolidated: Highlights














	Q4 FY06	Q4 FY05	FY06	FY05
Capacity (Mn TPA)	17.00	17.00	17.00	17.00
Production (Mn. MT)				
Clinker	0.34	0.40	1.33	2.67
Cement	4.01	3.66	13.71	12.92
Sales volumes (Mn. MT)				
Clinker	0.34	0.35	1.33	2.67
Cement - Domestic	* 3.62	3.29	* 12.20	12.00
- Exports	0.43	0.40	1.52	0.92
	4.39	4.04	15.05	15.59
Realisation (Rs./Ton)				
Cement (Domestic)	\$ 2,206	1,795	\$ 2,000	1,756
Cement (Exports)	2,443	2,316	2,454	2,385
Clinker	1,516	1,529	1,562	1,324

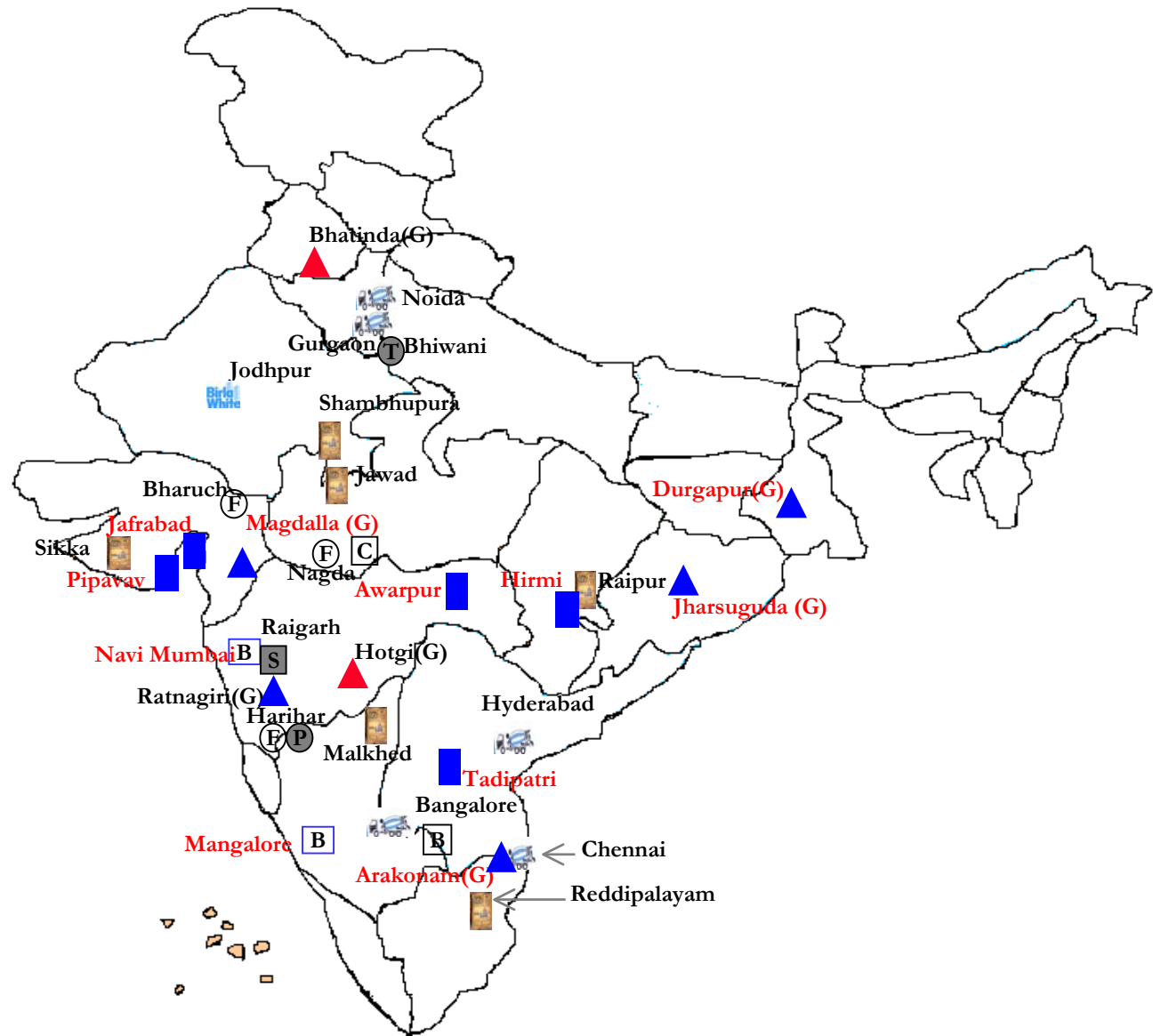
- Capacity utilisation at 88% in FY06 against 92% in FY05
  - Shutdown at Gujarat Cement Works, Kovaya due to floods in Q2FY06
  - Prolonged annual maintenance shutdown at all plants & jetty
- Sales volume at 15.05 Mn. MT in FY06\*, marginally lower
  - Marginal increase in domestic cement volumes
  - Gradual switch over from clinker to cement exports
  - Clinker exports down
- Higher realisation in all segments

\* Excludes traded volumes

\$ Recast for differential in "Freight Paid Sales"

# Plant Locations– Grasim & its subsidiaries

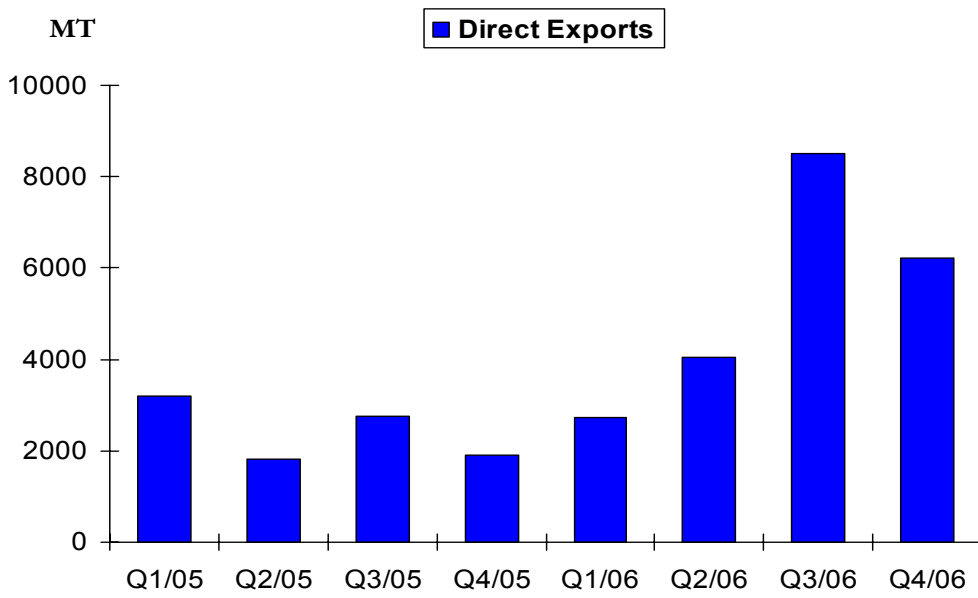
-  Grey cement plants
-  Grinding Units (G)
-  UltraTech Cement Plants
-  UltraTech Grinding Units (G)
-  UltraTech Bulk Cement Terminals
-  Fibre plants
-  Pulp plant
-  Chemical plant
-  Textiles units
-  Grey cement plants / Grinding Units (G)
-  Ready-mix Concrete plants
-  Bulk Cement Terminal
-  Sponge Iron plant



Not to scale

# Viscose Staple Fibre : FY 06 Highlights

	FY06	FY05	% Chg.
Capacity (TPA)	257,325	253,675	1
Production (MT)	228,981	247,952	(8)
Sales Volumes (MT)	242,399	231,533	5
Net Turnover (Rs Crs.)	1,918.8	1,956.4	(2)
Realisation (Rs./MT)	73,786	79,008	(7)
PBIDT (Rs. Crs.)	495.0	610.8	(19)
PBIDT Margin (%)	25.8%	31.2%	--
PBIT (Rs. Crs.)	429.6	553.6	(22)



- Satisfactory performance amidst structural changes
  - Abolition of MFA impacted volumes initially due to uncertainty associated with its impact
  - Reduction in import duty & DEPB incentive
- Conscious scale down in production during first half to liquidate inventory
- Highest ever sales volumes; up 5% YoY
  - Volumes picked up post August '05
  - Strong domestic demand
  - Higher VSF exports to South Asian countries
- Realisation down 7% YoY
  - Bumper cotton crop for 2<sup>nd</sup> year in a row suppressing global VSF prices
  - Reduction in VSF import duty and DEPB incentive
- Operating margins impacted due to lower realisations and higher caustic prices

# Chemical : FY06 Highlights and Outlook

	FY06	FY05	% Chg
Caustic Capacity (TPA)	190,800	190,800	--
Caustic Production (MT)	165,509	161,966	2
Caustic Sales Volumes (MT)	165,853	163,111	2
Net Turnover (Rs. Crs.)	385.0	350.9	10
ECU Realisation (Rs./MT)	20,594	18,836	9
PBIDT (Rs. Crs.)	125.1	104.0	20
PBIDT Margin (%)	32.5%	29.6%	--
PBIT (Rs. Crs.)	107.5	87.0	24

- Marginal increase in production and volumes
- ECU realisation up 9%
  - Higher caustic prices during first half in line with global trends
  - Subsequent fall in prices
- Operating margins improved on the back of better realisations

## Outlook

- Demand outlook positive with continuing growth in end use segments
- Prices expected to stabilise at current levels



# Cement : FY06 Highlights

	FY06	FY05	% Chg.
<b><u>Grey Cement</u></b>			
Capacity (Mn. TPA)	13.12	13.12	--
Production (Mn. MT)	13.83	12.44	11
Sales Volumes (Mn. MT)	* 13.99	12.63	11
Net Turnover (Rs. Crs.)	*@3,009.6	2,577.8	17
Realisation (Rs./MT)	1,987	1,874	6
<b><u>White Cement</u></b>			
Capacity (TPA)	475,000	475,000	--
Production (MT)	350,174	315,368	11
Sales Volumes (MT)	347,500	311,454	12
Net Turnover (Rs.Crs.)	291.8	220.2	33
Realisation (Rs./MT)	5,984	5,612	7
PBIDT (Rs. Crs.)	799.6	551.4	45
PBIDT Margin (%)	24.2%	19.7%	--
PBIT (Rs. Crs.)	636.4	393.1	62

- High capacity utilisation, at 105%
- Record sales volume fuelled by higher demand; up 11%
  - Outperformed the sector in North and East
  - Strong growth in South
- Realisations improved by 6%
  - Higher prices across regions
- Increased volumes and prices boosted revenues by 17%
- White Cement
  - Volumes up 12%
  - Revenue up 33% with increased contribution from value added products and higher realisations

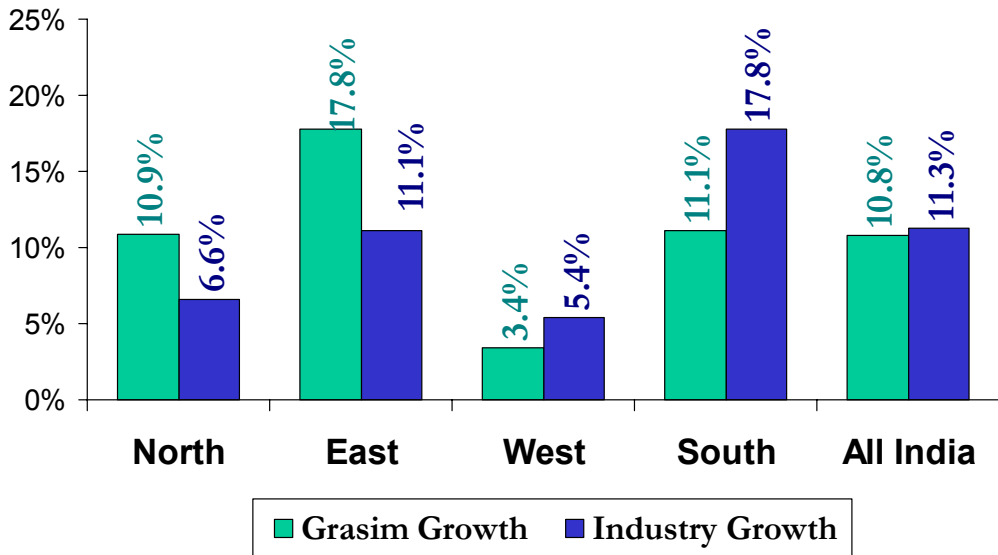
\* Excludes traded volumes

@ Adjusted for differential in "Freight Paid Sales" for comparison purpose



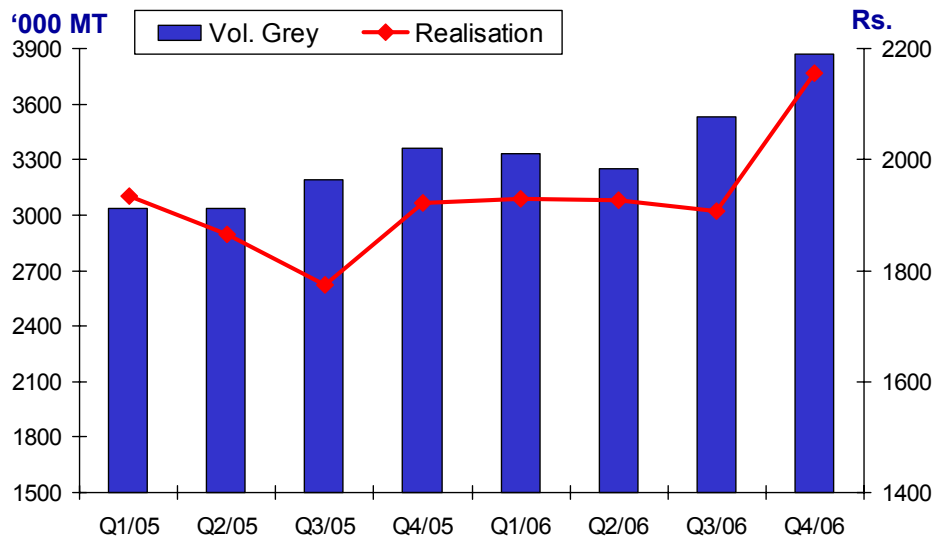
# Cement : FY06 Highlights contd..

FY06 – Zone wise Growth



- Margins improved considerably from 19.7% to 24.2% on increased realisation
- Operating profit up 45% buoyed by higher volumes and better realisations
- Focus on optimising rail-road mix to minimise impact of recent road freight increase

Grey Cement Sales volume and Realisation /Tonne





# Sponge Iron : FY06 Highlights

	FY06	FY05	% Chg.
Capacity (TPA)	900,000	900,000	--
Production (MT)	505,805	780,341	(35)
Sales Volumes (MT)	478,291	772,799	(38)
Net Turnover (Rs. Crs.)	633.6	1,021.4	(38)
Realisation (Rs./MT)	12,323	12,774	(4)
PBIDT (Rs. Crs.)	67.9	389.7	(83)
PBIDT Margin (%)	10.7%	38.2%	--
PBIT (Rs. Crs.)	33.7	355.2	(91)

- Production constrained due to poor availability of Natural Gas
  - Disruptions in Natural Gas supplies during Q2FY06
- Sales volume declined as a result
- Realisation lower by 4%
  - Weakness in scrap prices due to correction in global steel cycle
- Steep rise in input prices [Iron ore up 50%, Pellets up 65%, Natural Gas up 60%]
- Consequently, sharp decline in profitability

# Textiles : FY06 Highlights and Outlook

	FY06	FY05	% Chg.
<b>Sales Volumes</b>			
- Fabrics (lac Mtrs.)	134	154	(13)
- Synthetic Yarn (MT)	6,610	6,265	6
<b>Net Turnover (Rs. Crs.)</b>	236.9	249.9	(5)
<b>Fabric Realisation (Rs./Mtr.)</b>	105	104	--
<b>Synth. Yarn Realisation (Rs./Kg)</b>	121	121	--
<b>PBIDT (Rs. Crs.)</b>	3.4	11.9	(71)
<b>PBIDT Margin (%)</b>	1.4%	4.8%	--
<b>PBIT (Rs. Crs.)</b>	(3.0)	(0.5)	--

- **Fabric volumes lower by 13%**
  - Intense competition from unorganised sector
  - Reduced exports due to lower realisation
- **Operating margins down due to increased cost of Captive DG power**
- **Outlook**
  - Growth in RMG exports to increase fabric demand
  - Plans to set up 8 MW thermal power plant to help reduce power costs
  - Plans to modernise the plant to improve profitability





# UltraTech: Consolidated Financial Performance - FY06

(unaudited)

(Rs. Crores)

	FY06	FY05	% Inc.
Net Turnover & Other Income	*3,052.5	2,702.9	13
PBIDT	607.3	^ 378.9	60
PBIDT Margin (%)	20.1%	14.1%	--
Interest	90.2	109.3	(18)
Depreciation	236.1	\$ 229.5	--
PBT	281.0	40.1	--
Impairment of Goodwill		76.8	
Current Tax	111.1	32.5	
Deferred Tax	(43.2)	#(36.9)	
PAT	213.1	(32.4)	--
Minority Share	1.7	2.0	
PAT after Minority share	211.4	(34.4)	--

- \* Turnover higher by 13%
- Operating margins improved from 14.1% in FY05 to 20.1% in FY06
  - Higher domestic and exports realisation
  - Substantial increase in cement exports
  - Improved profitability from Subsidiary Company
- Energy cost increased by 6% on higher Naptha prices
- Interest expenses lower by 18%

\* Adjusted for traded volumes and differential in "Freight Paid Sales" for comparison purpose

\$ includes Rs.18.3 Crs. relating to earlier years

^ After additional charge of brand promotion expenses of Rs.25 Crs.

# Including write back of old provision of Rs.19.9 Crs.



**Thank You**



**Grasim Industries Limited**

**Annexure**

# Index of Annexure

	<u>Page Nos.</u>
▪ Consolidated Profitability and Financial snapshot (3 yrs.)	37-38
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# Profitability Snapshot - Consolidated

<i>(Figures in Rs. Crores)</i>	FY04	FY05	FY06
Gross Turnover	9,189	10,776	11,688
Net Turnover	7,782	9,292	10,165
PBIDT	1,909	2,272	2,331
PBIDT Margin (%)	16.4%	24.5%	22.9%
Int. & Fin. Charges	313	285	212
PBDT	1,596	1,988	2,119
Total Tax Expenses	286	# 442	411
PAT (After Minority Share)	761	880	1,039
EPS (Rs.)	83.0	96.0	113.3
ROAvCE (PBIT Basis)(%) \$	15.2	18.5	18.3
RONW (%) \$	23.1	26.1	23.0
Interest Cover (x)	5.1	6.3	8.7

# Including deferred tax / adjustment of past years

\$ Exceptional items eliminated in calculation of ROAvCE/RONW



# Financial Snapshot - Consolidated

<i>(Figures in Rs. Crores)</i>	FY04	FY05	FY06
Gross Block	10,702	11,317	11,932
Net Block	6,394	6,299	6,419
Goodwill	2,037	1,958	1,958
Investments	270	769	1,352
Net Current Assets	475	673	612
<b>Capital Employed</b>	<b>9,176</b>	<b>9,699</b>	<b>10,341</b>
Net Worth	3,348	4,086	4,926
Minority Interest	515	500	613
Debts	4,108	3,934	3,683
Deferred Tax	1,205	1,179	1,119
Debt: Equity (x)	1.06	0.86	0.66
Book Value (Rs.)	365	446	537

- Strong consolidated Balance Sheet as well
- Leveraging in real term even lower, to be viewed in the context of
  - Cash surplus
  - Debts include long term interest free State Sales-tax Loans

# Profitability Snapshot - Standalone

<i>(Figures in Rs. Crores)</i>	FY99	FY04	FY05	FY06
Gross Turnover	4,325	6,130	7,201	7,607
Net Turnover	3,757	5,213	6,229	6,620
PBIDT	674	1,504	1,785	1,591
PBIDT Margin (%)	17.9%	28.9%	28.7%	24.0%
Int. & Fin. Charges	292	154	139	97
PBDT	381	1,350	1,646	1,494
Total Tax Expenses	67	298	# 418	343
PAT	* 105	779	886	863
EPS (Rs.)	* 12.5	85.0	96.6	94.1
CEPS (Rs.)	44.7	115.5	130.3	122.6
DPS (Rs.)	6.8	14.0	16.0	--
ROAvCE (PBIT Basis)(%) \$	10.1	20.9	23.1	18.5
RONW (%) \$	5.3	23.7	23.7	18.4
Interest Cover (x)	2.3	7.9	9.6	12.5

- EPS improved significantly from Rs.13\* in FY99 to Rs.94 in FY06
- Over 12 times growth in market cap. Rs.188 Bn. (US\$ 4.2 Bn.) since FY99

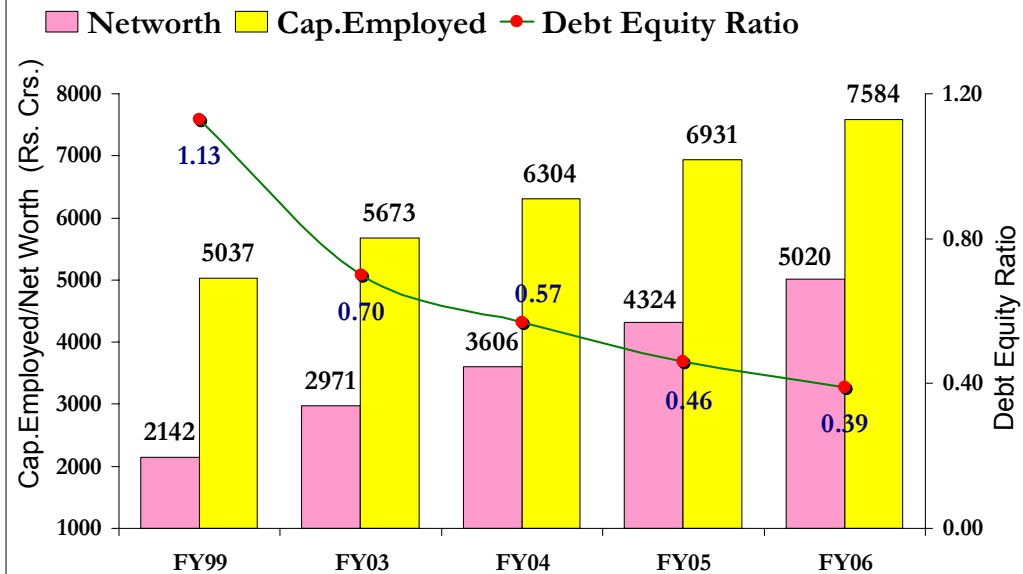
\* Adjusted for deferred Tax

# Including deferred tax / adjustment of past years

\$ Exceptional items eliminated in calculation of ROAvCE/ROA

# Financial Snapshot - Standalone

<i>(Figures in Rs. Crores)</i>	FY99	FY04	FY05	FY06
Gross Block	4,937	5,802	6,052	6,417
Net Block	3,354	3,213	3,204	3,307
Cement Subs. Investments	56	2,333	2,362	2,352
Other Investments	624	409	939	1,422
Net Current Assets	1,003	349	426	503
<b>Capital Employed</b>	<b>5,037</b>	<b>6,304</b>	<b>6,931</b>	<b>7,584</b>
Net Worth	2,142	3,606	4,324	5,020
Debts	2,421	2,065	2,008	1,980
Deferred Tax	474	633	599	584
Debt: Equity (x)	1.13	0.57	0.46	0.39
Book Value (Rs.)	234	393	472	547



- **Book Value – from Rs.234 in FY99 to Rs.547 per share in FY06**

- **# Real standalone return in FY06 excluding investment in cement subsidiaries**

- ROCE (%) **27.7%**

- RONW (%) **37.0%**

# Segmental Performance-Q4FY06

## Standalone

(Rs. Crores)

Business	Revenue		PBIDT		PBIDT Margin (%)		PBIT		Capital Employed		ROAvCE (%) (PBIT basis)	
	Q4FY06	Q4FY05	Q4FY06	Q4FY05	Q4FY06	Q4FY05	Q4FY06	Q4FY05	Q4FY06	Q4FY05	Q4FY06	Q4FY05
VSF	501.5	462.0	155.7	124.0	31.1	26.9	138.1	109.1	999	1,027	58.4	49.9
Chemical	89.4	103.0	27.1	38.2	30.5	37.2	22.6	33.9	211	213	45.6	66.2
Cement	1,085.5	767.9	265.1	143.3	26.9	18.7	222.9	102.1	2,079	2,132	44.8	20.0
Sponge Iron	111.0	281.3	(5.0)	104.9	(4.6)	37.3	(13.5)	96.5	530	512	(10.4)	77.3
Textile	67.6	69.3	(1.1)	3.1	(1.7)	4.7	(3.1)	0.5	93	101	(13.0)	1.9
Direct Operations			441.8	413.5			367.0	342.1	3,912	3,985	39.2	36.7
Cement subsidiaries									2,232	2,215		
Company as a whole	@ 1,815.1	@ 1,642.2	464.0	478.1	25.7	29.2	388.1	405.6	7,584	6,931	22.1	24.9

## Consolidated

VSF	513.2	471.3	153.8	124.1	30.0	26.2	135.8	109.0	1,026	1,055	55.8	48.5
Cement \$	2,096.4	1,550.4	506.6	282.8	24.2	18.3	406.0	187.3	6,911	6,886	24.3	10.9
Company as a whole <sup>\$</sup>	2,901.4	2,474.8	725.2	637.2	25.1	25.8	580.4	500.5	10,341	9,699	24.0	21.6

@ Net of Inter and Intra segment sales

\$ including minority share

# Segmental Performance-FY06

## Standalone

(Rs. Crores)

Business	Revenue		PBIDT		PBIDT Margin (%)		PBIT		Capital Employed		ROAvCE (%) (PBIT basis)	
	FY06	FY05	FY06	FY05	FY06	FY05	FY06	FY05	FY06	FY05	FY06	FY05
VSF	1,935.4	1,962.7	495.0	610.8	25.8	31.2	429.6	553.6	999	1,027	45.4	63.3
Chemical	386.4	351.8	125.1	104.0	32.5	29.6	107.5	87.0	211	213	54.2	42.5
Cement	3,607.6	2,803.9	799.6	551.4	24.2	19.7	636.4	393.1	2,079	2,132	32.0	19.2
Sponge Iron	634.8	1,021.5	67.9	389.7	10.7	38.2	33.7	355.2	530	512	6.5	71.2
Textile	247.1	260.3	3.4	11.9	1.4	4.8	(3.0)	(0.5)	93	101	(3.20)	(0.4)
Direct Operations			1,491.0	1,667.8			1,204.2	1,388.4	3,912	3,985	32.1	37.3
Cement subsidiaries									2,232	2,215		
Company as a whole	@6,655.7	@ 6,252.4	1,590.9	1,784.7	24.0	28.7	1,299.2	1,500.1	7,584	6,931	18.5	23.1

## Consolidated

VSF	1,990.0	2,009.3	492.8	612.9	25.0	30.6	425.9	554.6	1,026	1,055	43.8	61.7
Cement \$	6,863.8	5,652.3	1,466.1	973.6	21.4	17.2	1,078.7	578.7	6,911	6,886	16.1	8.4
Company as a whole <sup>\$</sup>	10,200.3	9,314.8	2,331.2	2,272.4	22.9	24.5	1,771.4	1,716.1	10,341	9,699	18.3	18.5

@ Net of Inter and Intra segment sales

\$ including minority share

# Viscose Staple Fibre : Summary

		Q4 FY06	Q4 FY05	% Chg.	FY06	FY05	% Chg.
Capacity	TPA	257,325	253,675	1	257,325	253,675	1
Production	MT	64,606	63,304	2	228,981	247,952	(8)
Sales Volumes	MT	60,636	54,182	12	242,399	231,533	5
Net Turnover	Rs. Crs.	500.7	461.7	8	1,918.8	1,956.4	(2)
Avg. Realisation	Rs./MT	77,133	78,178	(1)	73,786	79,008	(7)
PBIDT	Rs. Crs.	155.7	124.0	26	495.0	610.8	(19)
PBIDT Margin	%	31.1%	26.9%	--	25.8%	31.2%	--
PBIT	Rs. Crs.	138.1	109.1	27	429.6	553.6	(22)
Capital Employed	Rs. Crs.	999	1,027	(3)	999	1,027	(3)
ROAvCE(PBIT basis)	%	58.4%	49.9%	--	45.4%	63.3%	--

# Chemical : Summary

		Q4 FY06	Q4 FY05	% Chg.	FY06	FY05	% Chg.
Capacity (Caustic)	MT	190,800	190,800	--	190,800	190,800	--
Production (Caustic)	MT	42,687	42,165	1	165,509	161,966	2
Sales Volume(Caustic)	MT	44,136	42,793	3	165,853	163,111	2
Net Turnover	Rs. Crs.	88.7	102.6	(14)	385.0	350.9	10
Avg. ECU Realisation	Rs./MT	17,698	21,364	(17)	20,594	18,836	9
PBIDT	Rs. Crs.	27.1	38.2	(29)	125.1	104.0	20
PBIDT Margin	%	30.5%	37.2%	--	32.5%	29.6%	--
PBIT	Rs. Crs.	22.6	33.9	(33)	107.5	87.0	24
Capital Employed	Rs. Crs.	211	213	(1)	211	213	(1)
ROAvCE (PBIT basis)	%	45.6%	66.2%	--	54.2%	42.5%	--

# Cement : Summary

		Q4 FY06	Q4 FY05	% Chg.	FY06	FY05	% Chg.
<b><u>Grey Cement</u></b>							
Capacity	Mn. MT	13.12	13.12	--	13.12	13.12	--
Production	Mn. MT	3.78	3.30	15	13.83	12.44	11
Sales Volumes	Mn. MT	* 3.87	3.36	15	* 13.99	12.63	11
Net Turnover	Rs. Crs.	* @ 898.9	699.4	29	* @ 3,009.6	2,577.8	17
Avg. Realisation	Rs./MT	2,155	1,923	12	1,987	1,874	6
<b><u>White Cement</u></b>							
Capacity	TPA	475,000	475,000	--	475,000	475,000	--
Production	MT	96,260	84,996	13	350,174	315,368	11
Sales Volumes	MT	95,598	84,861	13	347,500	311,454	12
Net Turnover	Rs. Crs.	85.8	66.9	28	291.8	220.2	33
Avg. Realisation	Rs./MT	6,117	5,814	5	5,984	5,612	7
PBIDT	Rs. Crs.	265.1	143.3	85	799.6	551.4	45
PBIDT Margin	%	26.9%	18.7%	--	24.2%	19.7%	
PBIT	Rs. Crs.	222.9	102.1	118	636.4	393.1	62
Capital Employed	Rs. Crs.	2,079	2,132	(2)	2,079	2,132	(2)
ROAvCE (PBIT basis)	%	44.8%	20.0%	--	32.0%	19.2%	--

\* Excludes traded volumes

@ Adjusted for differential in "Freight Paid Sales" for comparison purpose



# Sponge Iron : Summary

		Q4 FY06	Q4 FY05	% Chg.	FY06	FY05	% Chg.
Capacity	TPA	900,000	900,000	--	900,000	900,000	--
Production	MT	109,073	219,746	(50)	505,805	780,341	(35)
Sales Volumes	MT	95,949	202,646	(53)	478,291	772,799	(38)
Net Turnover	Rs. Crs.	109.8	281.3	(61)	633.6	1,021.4	(38)
Avg. Realisation	Rs./MT	10,885	13,623	(20)	12,323	12,774	(4)
PBIDT	Rs. Crs.	(5.0)	104.9	--	67.8	389.7	(83)
PBIDT Margin	%	(4.6%)	37.3%	--	10.7%	38.2%	--
PBIT	Rs. Crs.	(13.5)	96.5	--	33.7	355.2	(91)
Capital Employed	Rs. Crs.	530	512	4	530	512	4
ROAvCE (PBIT basis)	%	(10.4)%	77.3%	--	6.5%	71.2%	--

# Textiles : Summary

		Q4 FY06	Q4 FY05	% Chg.	FY06	FY05	% Chg.
Net Turnover	Rs. Crs.	64.8	65.9	(2)	236.9	249.9	(5)
PBIDT	Rs. Crs.	(1.1)	3.1	--	3.4	11.9	(71)
PBIDT Margin	%	(1.7%)	4.7%	--	1.4%	4.8%	--
PBIT	Rs. Crs.	(3.1)	0.5		(3.0)	(0.5)	--
Capital Employed	Rs. Crs.	93	101	(9)	92	101	(9)
ROAvCE (PBIT basis)	%	(13.0)%	1.9%	--	(3.2)%	(0.4)%	--

# Production Data (MT)

	Q4FY06			Q4FY05			FY06			FY05		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
VSF	257,325	64,606	100	253,675	63,304	100	# 257,325	228981	90	@ 253,675	247,952	98
Caustic Soda	190,800	42,687	89	190,800	42,165	88	190,800	165,509	87	190,800	161,966	85
Grey Cement *	13.12	3.78	115	13.12	3.30	101	13.12	13.83	105	13.12	12.44	95
White Cement	475,000	96,260	81	475,000	84,996	72	475,000	350,174	74	@ 475,000	315,368	75
Sponge Iron	900,000	109,073	48	900,000	219,746	98	900,000	505,805	56	900,000	780,341	87

@ Capacity increased during Q4FY05

# Capacity increased during Q3FY06

\* Grey Cement numbers are in Mn. MT

# Divisional Turnover (Qty.) & Realisation

Product	Quantity (MT)				Realisation (Rs. /MT)			
	Q4FY06	Q4FY05	FY06	FY05	Q4FY06	Q4FY05	FY06	FY05
VSF	60,636	54,182	242,399	231,533	77,133	78,178	73,786	79,008
Caustic Soda *	44,136	42,793	165,853	163,111	17,698	21,364	20,594	18,836
Grey Cement **	3.87	3.36	13.99	12.63	2,155	1,923	1,987	1,874
White Cement	95,598	84,861	347,501	311,454	6,117	5,814	5,984	5,612
Sponge Iron	95,949	202,646	478,291	772,799	10,885	13,623	12,323	12,774

\* ECU Realisation

\*\* Numbers are in Mn. MT.



# UltraTech : Consolidated Financial Performance

(unaudited)

(Rs. Crores)

	Q4 FY06	Q4 FY05	% Inc.	FY06	FY05	% Inc.
Net Turnover & Other Income	* 962.1	741.1	30	* 3,052.5	2,702.9	13
PBIDT	226.5	132.3	71	607.3	378.9	60
PBIDT Margin (%)	23.7%	18.0%	--	20.1%	14.1%	--
Interest	22.3	27.0	(17)	90.2	109.3	(18)
Depreciation	61.6	52.6	17	236.1	\$ 229.5	(5)
PBT	142.6	52.7	170	281.0	40.1	601
Impairment of Goodwill	--	76.8	--	--	76.8	--
Current Tax	47.2	15.3	208	111.1	32.5	242
Deferred Tax	(26.3)	# (60.2)	--	(43.2)	## (36.9)	--
PAT	121.7	20.7		213.1	(32.4)	
Minority Share	0.5	0.6	--	1.7	2.0	--
PAT after Minority share	121.2	20.1	503	211.4	(34.4)	--
Earning Per Share, Basic and Diluted (Rs.)	9.7	1.6	--	17.0	(2.8)	--

\* Adjusted for traded volumes and differential in "Freight Paid Sales" for comparison purpose

\$ FY05 depreciation includes Rs.18.3 Crs. relating to earlier years

# Net of adjustments for prior period deferred tax written back Rs.51 Crs

## Net of adjustments for prior period deferred tax written back and deferred tax assets written off, aggregating to credit of Rs.19.9 Crs.



**GRASIM, THE ADITYA BIRLA GROUP'S FLAGSHIP COMPANY**  
**REPORTS EXCELLENT PERFORMANCE FOR Q4FY 2006**

**Net Profit after Tax at Rs. 347 Crs., up by 39%**

**Proposes 200% Dividend**

**Consolidated Financial Performance:**

	Rs. Crores					
	Q4 FY06	Q4 FY05	% Change	FY06	FY05	% Change
<b>Net Revenue</b>	<b>2,901.4</b>	<b>2,474.7</b>	<b>17.2</b>	<b>10,200.3</b>	<b>9,314.8</b>	<b>9.5</b>
<b>Gross Profit</b>	<b>676.5</b>	<b>564.7</b>	<b>19.8</b>	<b>2,118.8</b>	<b>1,987.8</b>	<b>6.6</b>
Depreciation	144.8	136.8	5.8	559.8	556.2	0.6
Total Tax Expenses	127.0	39.1	225.0	411.4	442.1	(6.9)
<b>Profit after Taxes</b>	<b>408.9</b>	<b>260.8</b>	<b>56.8</b>	<b>1,151.8</b>	<b>861.4</b>	<b>33.7</b>
<b>Less: Minority Share</b>	<b>62.1</b>	<b>11.5</b>		<b>113.2</b>	<b>(19.0)</b>	
<b>Net Profit</b>	<b>346.8</b>	<b>249.3</b>	<b>39.1</b>	<b>1,038.6</b>	<b>880.4</b>	<b>18.0</b>
<b>EPS (Rs.)</b>	<b>37.8</b>	<b>27.2</b>	<b>39.1</b>	<b>113.3</b>	<b>96.0</b>	<b>18.0</b>

Grasim, the flagship Company of the Aditya Birla Group, has posted excellent performance for the quarter 31<sup>st</sup> March 2006. Consolidated revenues soared by 17% from Rs.2,475 crores to Rs.2,901 crores. Net Profit rose appreciably by 39% from Rs.249 crores to Rs.347 crores. The Cement business of Grasim and its subsidiaries contributed significantly to the superior performance during the quarter. The performance of Viscose Staple Fibre business too showed a remarkable improvement. The Sponge Iron business, however, continued to be constrained on account of phenomenal rise in input costs.

The results for FY 2006 vis-à-vis FY 2005 have been equally impressive. Consolidated revenues at Rs.10,200 crores reflected a 10% increase over the corresponding year. Net Profit after tax too rose handsomely by 18% at Rs.1,039 crores. Superior performance from its Cement business, cost optimization and a substantially reduced interest burden fuelled Grasim's growth in revenues and earnings during the year. But for the setback in the Sponge Iron business, Grasim's performance would have been much better.

**Grasim's Stand-alone Financial Performance**

On a stand-alone basis too, Grasim has performed very well during Q4FY06. An excellent performance from its Cement business and improved performance from its Chemical business resulted in Revenues being higher by 11% at Rs.1,815 crores. Effective fund management led to a sharp decline in interest costs, which at Rs.24 crores was lower by 31%. Net Profit for the quarter was up by 14% at Rs.263 crores, despite the weak performance of its Sponge Iron business.

## **Dividend**

The Board of Directors has recommended a dividend of 200% (last year: 160%). Additionally, the Company will absorb Corporate Tax on Dividend (CTD) @ 14.025%. The total payout on this account (inclusive of CTD) would be Rs.209 crores (Rs.167 crores), an increase of 25% over the dividend paid in the previous year.

## **Highlights of Grasim's operations:**

		Q4FY06	Q4FY05	% Change	FY 2006	FY 2005	% Change
<b>Production -</b>							
Viscose Staple Fibre	M.T.	64,606	63,304	2%	228,981	247,952	-8%
Cement	Mn. M.T.	3.78	3.30	15%	13.83	12.44	11%
White Cement	M.T.	96,260	84,996	13%	350,174	315,368	11%
Sponge Iron	M.T.	109,073	219,746	-50%	505,805	780,341	-35%
Caustic Soda	M.T.	42,687	42,165	1%	165,509	161,966	2%
<b>Sales Volumes -</b>							
Viscose Staple Fibre	M.T.	60,636	54,182	12%	242,399	231,533	5%
Cement	Mn. M.T.	3.87	3.36	15%	13.99	12.63	11%
White Cement	M.T.	95,598	84,861	13%	347,500	311,454	12%
Sponge Iron	M.T.	95,949	202,646	-53%	478,291	772,799	-38%
Caustic Soda	M.T.	44,136	42,793	3%	165,853	163,111	2%
<b>Net Realisation -</b>							
Viscose Staple Fibre	Rs./M.T.	77,133	78,178	-1%	73,786	79,008	-7%
Cement	Rs./M.T.	2,155	1,923	12%	1,987	1,874	6%
White Cement	Rs./M.T.	6,117	5,814	5%	5,984	5,612	7%
Sponge Iron	Rs./M.T.	10,885	13,623	-20%	12,323	12,774	-4%
Chemical Products	Rs./M.T.	17,698	21,364	-17%	20,594	18,836	9%

## **Viscose Staple Fibre (VSF) Business**

The VSF business' performance has been good. Despite the record global cotton crop for the second consecutive year and disturbances in European markets post-quota abolition, the business recorded its highest ever sales volumes of 242,399 tons. This was made possible due to a healthy domestic demand and higher VSF exports to South Asian countries. The Company took a conscious decision to scale down its production with a view to liquidating inventory. As a result, Production was lower by 8% at 228,981 tons. Realisations were lower at Rs.73,786 per ton, reflecting the lower prices of cotton and VSF globally.

Q4FY06 reflected a bounce back in VSF segment. Production was higher by 2% at 64,606 tons. Sales volumes grew significantly by 12% at 60,636 tons owing to the sharp rise in direct and deemed exports. On a sequential basis, realizations recorded a healthy growth of 6%.

A total capital outlay of over Rs.627 crores towards capacity expansion and modernization at its VSF plants has been planned. This will increase VSF capacity gradually to 306,950 tons per annum from its current level of 257,325 tons. The total expansion is expected to be completed by FY08.

Production of paper grade pulp at the newly acquired St. Anne Nackawic Pulp Mill has commenced as per schedule. Production of Rayon grade pulp is expected to commence in the 2nd quarter of FY08. This would help in augmenting the supply of quality pulp.

The integrated plantation-cum-pulp plant planned by the Company at Laos is on track. The Company would be able to source its requirement of quality pulp in adequate quantities upon implementation of this project.

The Company's Fibre production at Nagda may be impacted in the 1st quarter of FY07 due to poor monsoons in the last year. As a pro-active step to meet the requirement of its customers, the Company is shoring up its inventory by running all its plants beyond their rated capacity. As a long-term measure, Grasim is also putting up a captive reservoir at its Nagda plant which shall help in sustaining its operations for about 45 days.

The strong demand emanating for VSF, both in India and other South Asian countries bodes well for the business. On the realization front too, things appear positive on the back of the expected recovery in global cotton prices. The outlook for the business continues to be good.

## **Cement Business**

The Cement business posted an excellent performance, propelled by strong growth in demand and realisations. Higher capacity utilisation, increased sales volumes and better realizations translated into improvement in operating margins and increased profitability.

Production at 13.83 Mn. tons and Sales volumes at 13.99 Mn. tons were higher by 11% over the corresponding year. Realisations too rose by 6% at Rs.1,987 per ton. Reduced power consumption, increase in blended cement ratio and better economies of scale contributed in no small measure to the business.

The performance of Cement business during Q4FY06 has been outstanding. Capacity utilisation was an impressive 115%. The robust demand growth pushed up volumes by 15%. Realisations surged by 12% at Rs.2,155 per ton.

The White Cement business too performed very well during the year. Production and Sales volumes were higher by 11% and 12% respectively. Realisations too were higher by 7%.

## **Cement Subsidiaries**

The performance of UltraTech Cement Limited (UltraTech), a subsidiary, during the year was noteworthy. It achieved a cement sale of 13.72 Mn. tons and clinker sale of 1.33 Mn. tons. Domestic cement realizations clocked a healthy growth of 14% at Rs.2,000 per ton.

Shree Digvijay Cement Company Limited, another subsidiary, too has reported a significant improvement in its performance, with production, sales volumes and realisations being higher over the corresponding year.

## **Cement Capex plan**

The Company has firmed up plans to expand its capacity by 8 Mn. TPA by:

- setting up a Greenfield cement plant at Kotputli in Rajasthan, with a split grinding unit, of a total capacity of 4 Mn. TPA;
- expanding its capacity at Shambhupura in Rajasthan and adding a split grinding unit, of a total capacity of 4 Mn. TPA.

This would entail an investment of approximately Rs.2475 crores, which includes the cost of setting up of thermal power plants at both these places. This expansion would enable the Company cater to the increasing demand in the northern region.

Additionally, the Company plans to invest around Rs.1,261 crores over the next 2 years on modernization, de-bottlenecking, setting up of grinding unit at Dadri, RMCs and captive power plants. This will enhance Company's competitive edge further.

UltraTech has lined up plans for a capex of Rs.1,520 crores, largely towards setting up of a new power plant, de-bottlenecking and modernization. The amount will be spent over the next 3years.

**The Company's Cement business** expects to sustain its growth in revenues and earnings. This optimism stems from the increased spending on infrastructure sector by the Government and the strong growth in housing sector, both of which would positively fuel the Cement sector.

### **Sponge Iron Business**

The performance of the Sponge Iron business remained under severe pressure during the year. Production was constrained due to non-availability of natural gas. Sales volumes, as a result, declined. Operating margins were squeezed due to a steep increase in the prices of inputs, viz., natural gas, iron ore and pellets.

The Company will place increased emphasis on optimum utilisation of plant capacity and enhance volumes. The availability of natural gas and its pricing, however, will continue to remain an area of concern in the short to medium term.

### **Chemical Business**

The Chemical business recorded an improvement over the previous year. Both Production and Sales were up by 2%, while Realizations amplified by 9% at Rs.20,594 per ton.

Plans are afoot to convert the remaining Caustic soda plant based on mercury cell technology into new energy efficient membrane cell technology at a cost of Rs.148 crores. The converted plant is expected to go on stream by Q3FY07.

The Company's thrust will continue to be on optimum utilization of the plant capacity. The outlook on price is stable due to improved demand from end user sectors.

### **Outlook**

Given Grasim's inherent strength, cost optimization measures, capacity expansion plans, strategic planning and effective financial management, the prospects for the Company continue to be positive.

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## **Grasim Industries Limited**

Regd. Office: Birlagram, Nagda – 456 331 (M.P.)

Corporate Office: 'A' wing, 2<sup>nd</sup> Floor, Aditya Birla Centre, S K Ahire Marg, Worli, Mumbai – 400 030

[www.grasim.com](http://www.grasim.com) or [www.adityabirla.com](http://www.adityabirla.com)



**AUDITED FINANCIAL RESULTS  
FOR THE YEAR ENDED 31st MARCH 2006**

**I. CONSOLIDATED RESULTS :**

Rs in Crores

	Nine Months ended 31st December 2005	Three Months ended 31st March 2006	Three Months ended 31st March 2005	Full Year ended 31st March 2006 ( Audited )	Full Year ended 31st March 2005 ( Audited )
<b>Net Sales / Income from Operations</b>	<b>7,298.92</b>	<b>2,901.40</b>	<b>2,474.76</b>	<b>10,200.32</b>	<b>9,314.82</b>
Other Income	149.76	66.83	88.76	216.59	222.06
Expenditure :					
- Decrease / ( Increase ) in Stock	(17.28)	21.83	(52.90)	4.55	(122.14)
- Raw Material Consumed	1,630.00	582.44	626.36	2,212.44	2,235.40
- Purchases of Finished Goods	74.06	35.87	13.36	109.93	56.20
- Payment to & Provision for Employees	396.10	146.69	127.82	542.79	509.25
- Power & Fuel	1,558.59	570.74	509.27	2,129.33	2,056.31
- Freight , Handling & Other Expenses	1,077.62	474.51	310.64	1,552.13	1,104.08
- Other Expenditure	1,123.59	411.00	391.77	1,534.59	1,425.41
<b>Total Expenditure</b>	<b>5,842.68</b>	<b>2,243.08</b>	<b>1,926.32</b>	<b>8,085.76</b>	<b>7,264.51</b>
Interest	163.64	48.69	72.45	212.33	284.57
<b>Gross Profit</b>	<b>1,442.36</b>	<b>676.46</b>	<b>564.75</b>	<b>2,118.82</b>	<b>1,987.80</b>
Depreciation	414.98	144.77	136.81	559.75	556.24
<b>Profit before Exceptional Items and Tax Expense</b>	<b>1,027.38</b>	<b>531.69</b>	<b>427.94</b>	<b>1,559.07</b>	<b>1,431.56</b>
Surplus on pre-payment of sales tax loan	-	4.13	34.35	4.13	34.35
Impairment of Goodwill	-	-	(162.45)	-	(162.45)
<b>Profit before Tax Expense</b>	<b>1,027.38</b>	<b>535.82</b>	<b>299.84</b>	<b>1,563.20</b>	<b>1,303.46</b>
Provision for Current Tax	(324.44)	(158.12)	(154.23)	(482.56)	(483.27)
Provision for Deferred Tax	40.02	31.16	115.17	71.18	41.21
<b>Net Profit</b>	<b>742.96</b>	<b>408.86</b>	<b>260.78</b>	<b>1,151.82</b>	<b>861.40</b>
Less : Minority Share	51.12	62.10	11.50	113.22	(15.18)
Less: Pre-acquisition Profit / (Loss)	-	-	-	-	(3.85)
<b>Net Profit ( After Minority's Share )</b>	<b>691.84</b>	<b>346.76</b>	<b>249.28</b>	<b>1,038.60</b>	<b>880.43</b>
Paid up Equity Share Capital (Face Value Rs. 10 per share)	91.69	91.69	91.69	91.69	91.69
Reserves excluding Revaluation Reserve				4,745.00	3,946.75
<b>Basic &amp; Diluted EPS for the period ( Rupees )</b>	<b>75.45</b>	<b>37.82</b>	<b>27.19</b>	<b>113.27</b>	<b>96.02</b>

**II. STANDALONE RESULTS :**

	Nine Months ended 31st December 2005	Three Months Ended 31st March 2006	Three Months Ended 31st March 2005	Full Year ended 31st March 2006 ( Audited )	Full Year ended 31st March 2005 ( Audited )
<b>Net Sales / Income from Operations</b>	<b>4,840.58</b>	<b>1,815.09</b>	<b>1,642.17</b>	<b>6,655.67</b>	<b>6,252.42</b>
Other Income	111.56	57.51	82.48	169.07	167.03
Expenditure :					
- Decrease / ( Increase ) in Stock	51.87	(8.38)	(42.39)	43.49	(100.67)
- Raw Material Consumed	1,345.49	477.19	515.32	1,822.68	1,869.33
- Purchases of Finished Goods	159.50	80.65	13.48	240.15	49.02
- Payment to & Provision for Employees	303.83	103.80	101.35	407.63	382.64
- Power & Fuel	787.62	287.19	256.89	1,074.81	1,031.34
- Freight , Handling & Other Expenses	532.81	217.21	159.92	750.02	586.06
- Other Expenditure	644.19	250.91	242.02	895.10	817.04
<b>Total Expenditure</b>	<b>3,825.31</b>	<b>1,408.57</b>	<b>1,246.59</b>	<b>5,233.88</b>	<b>4,634.76</b>
Interest	73.76	23.56	33.94	97.32	138.76
<b>Gross Profit</b>	<b>1,053.07</b>	<b>440.47</b>	<b>444.12</b>	<b>1,493.54</b>	<b>1,645.93</b>
Depreciation	215.70	75.94	72.45	291.64	284.57
<b>Profit before Exceptional Items and Tax Expense</b>	<b>837.37</b>	<b>364.53</b>	<b>371.67</b>	<b>1,201.90</b>	<b>1,361.36</b>
Surplus on pre-payment of sales tax loan	-	4.13	34.35	4.13	34.35
Provision for diminution in value of investment and loans	-	-	(92.00)	-	(92.00)
<b>Profit before Tax Expense</b>	<b>837.37</b>	<b>368.66</b>	<b>314.02</b>	<b>1,206.03</b>	<b>1,303.71</b>
Provision for Current Tax	(260.10)	(109.72)	(139.00)	(369.82)	(451.00)
Provision for Deferred Tax	23.20	3.80	54.50	27.00	33.00
<b>Net Profit</b>	<b>600.47</b>	<b>262.74</b>	<b>229.52</b>	<b>863.21</b>	<b>885.71</b>
Paid up Equity Share Capital (Face Value Rs. 10 per share)	91.69	91.69	91.69	91.69	91.69
Reserves excluding Revaluation Reserve				4,886.11	4,231.96
<b>Basic &amp; Diluted EPS for the period ( Rupees )</b>	<b>65.49</b>	<b>28.66</b>	<b>25.03</b>	<b>94.14</b>	<b>96.60</b>

<b>Aggregate of Non-Promoter Shareholding</b>					
- Number of Shares				68775490	71541071
- Percentage of Shareholding				75.02%	78.04%

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III. SEGMENT REPORTING - CONSOLIDATED

		Rs. in Crores				
		Nine Months ended 31st December 2005	Three Months ended 31st March 2006	Three Months ended 31st March 2005	Full Year ended 31st March 2006 ( Audited )	Full Year ended 31st March 2005 ( Audited )
<b>1. SEGMENT REVENUE</b>						
a	Fibre & Pulp	1,476.89	513.16	471.26	1,990.05	2,009.25
b	Cement	4,767.36	2,096.40	1,550.37	6,863.76	5,652.33
c	Sponge Iron	523.77	111.01	281.29	634.78	1,021.48
d	Chemicals	296.93	89.42	103.02	386.35	351.76
e	Textiles	179.57	67.57	69.25	247.14	260.25
f	Others	170.09	63.72	53.47	233.81	180.15
	<b>TOTAL</b>	<b>7,414.61</b>	<b>2,941.28</b>	<b>2,528.66</b>	<b>10,355.89</b>	<b>9,475.22</b>
	(Less) : Inter Segment Revenue	(115.69)	(39.88)	(53.90)	(155.57)	(160.40)
	<b>Net Sales / Income from Operations</b>	<b>7,298.92</b>	<b>2,901.40</b>	<b>2,474.76</b>	<b>10,200.32</b>	<b>9,314.82</b>
<b>2. SEGMENT RESULTS</b>						
a	Fibre & Pulp	290.19	135.75	109.00	425.94	554.60
b	Cement	672.73	406.00	187.29	1,078.73	578.67
c	Sponge Iron	47.23	(13.54)	96.46	33.69	355.17
d	Chemicals	84.90	22.61	33.88	107.51	86.98
e	Textiles	0.06	(3.10)	0.49	(3.04)	(0.46)
f	Others	25.43	13.63	9.73	39.06	29.42
	<b>TOTAL</b>	<b>1,120.54</b>	<b>561.35</b>	<b>436.85</b>	<b>1,681.89</b>	<b>1,604.38</b>
	Add / (Less) :					
	Interest	(163.64)	(48.69)	(72.45)	(212.33)	(284.57)
	Net Unallocable Income / (Expenditure)	70.48	19.03	63.54	89.51	111.75
	<b>Profit before Exceptional Items and Tax Expense</b>	<b>1,027.38</b>	<b>531.69</b>	<b>427.94</b>	<b>1,559.07</b>	<b>1,431.56</b>
	Surplus on pre-payment of sales tax loan	-	4.13	34.35	4.13	34.35
	Impairment of Goodwill	-	-	(162.45)	-	(162.45)
	<b>Profit Before Tax Expense</b>	<b>1,027.38</b>	<b>535.82</b>	<b>299.84</b>	<b>1,563.20</b>	<b>1,303.46</b>
<b>3. CAPITAL EMPLOYED</b>						
a	Fibre & Pulp	930.17			1,025.97	1,054.62
b	Cement	6,812.70			6,911.04	6,885.97
c	Sponge Iron	523.07			530.19	511.68
d	Chemicals	188.59			210.75	212.65
e	Textiles	100.02			92.55	101.37
f	Others	339.49			339.93	365.06
	<b>TOTAL</b>	<b>8,894.04</b>			<b>9,110.43</b>	<b>9,131.35</b>
g	Unallocated Corporate Capital Employed	1,333.36			1,189.21	567.98
	<b>TOTAL CAPITAL EMPLOYED</b>	<b>10,227.40</b>			<b>10,299.64</b>	<b>9,699.33</b>

IV. SEGMENT REPORTING - STANDALONE

		Nine Months ended 31st December 2005	Three Months ended 31st March 2006	Three Months ended 31st March 2005	Full Year ended 31st March 2006 ( Audited )	Full Year ended 31st March 2005 ( Audited )
<b>1. SEGMENT REVENUE</b>						
a	Fibre & Pulp	1,433.88	501.49	461.95	1,935.37	1,962.70
b	Cement	2,522.12	1,085.48	767.85	3,607.60	2,803.92
c	Sponge Iron	523.77	111.01	281.29	634.78	1,021.48
d	Chemicals	296.93	89.42	103.02	386.35	351.76
e	Textiles	179.57	67.57	69.25	247.14	260.25
	<b>TOTAL</b>	<b>4,956.27</b>	<b>1,854.97</b>	<b>1,683.36</b>	<b>6,811.24</b>	<b>6,400.11</b>
	(Less) : Inter Segment Revenue	(115.69)	(39.88)	(41.19)	(155.57)	(147.69)
	<b>Net Sales / Income from Operations</b>	<b>4,840.58</b>	<b>1,815.09</b>	<b>1,642.17</b>	<b>6,655.67</b>	<b>6,252.42</b>
<b>2. SEGMENT RESULTS</b>						
a	Fibre & Pulp	291.57	138.05	109.09	429.62	553.58
b	Cement	413.47	222.93	102.10	636.40	393.09
c	Sponge Iron	47.23	(13.54)	96.46	33.69	355.17
d	Chemicals	84.90	22.61	33.88	107.51	86.98
e	Textiles	0.06	(3.10)	0.49	(3.04)	(0.46)
f	Others	(1.35)	(0.04)	0.05	(1.39)	0.01
	<b>TOTAL</b>	<b>835.88</b>	<b>366.91</b>	<b>342.07</b>	<b>1,202.79</b>	<b>1,388.37</b>
	Add / (Less) :					
	Interest	(73.76)	(23.56)	(33.94)	(97.32)	(138.76)
	Net Unallocable Income / (Expenditure)	75.25	21.18	63.54	96.43	111.75
	<b>Profit before Exceptional Items and Tax Expense</b>	<b>837.37</b>	<b>364.53</b>	<b>371.67</b>	<b>1,201.90</b>	<b>1,361.36</b>
	Surplus on pre-payment of sales tax loan	-	4.13	34.35	4.13	34.35
	Provision for diminution in value of investment and loans	-	-	(92.00)	-	(92.00)
	<b>Profit Before Tax Expense</b>	<b>837.37</b>	<b>368.66</b>	<b>314.02</b>	<b>1,206.03</b>	<b>1,303.71</b>
<b>3. CAPITAL EMPLOYED</b>						
a	Fibre & Pulp	902.63			999.03	1,026.77
b	Cement	2,055.31			2,079.08	2,132.02
c	Sponge Iron	523.07			530.19	511.69
d	Chemicals	188.59			210.75	212.65
e	Textiles	100.02			92.55	101.37
f	Others	1.49			1.12	3.14
	<b>TOTAL</b>	<b>3,771.11</b>			<b>3,912.72</b>	<b>3,987.64</b>
g	Unallocated Corporate Capital Employed	3,691.08			3,633.40	2,948.55
	<b>TOTAL CAPITAL EMPLOYED</b>	<b>7,462.19</b>			<b>7,546.12</b>	<b>6,936.19</b>

**V. NOTES**

- 1 Consolidated Results have been prepared in accordance with Accounting Standard on Consolidated Financial Statement: (AS-21), Accounting Standard on Accounting for Investments in Associates in Consolidated Financial Statements (AS-23) and Accounting Standard on Financial Reporting of Interest in Joint Ventures (AS-27) issued by the Institute of Chartered Accountants of India.
- 2 Segments have been identified in line with the Accounting Standard on Segment Reporting (AS-17), taking into account the organisational structure as well as differential risks and return of these segments. Details of products included in each of the above segments are as under:  
Fibre & Pulp - Viscose Staple Fibre & Rayon Grade Pulp  
Cement - Grey & White Cement  
Sponge Iron - Sponge Iron  
Chemicals - Caustic Soda & Allied Chemicals  
Textiles - Fabric & Yarn  
Others - Mainly Telecom (in consolidated results)
- 3 No investor complaints were pending at the beginning of the quarter. During the quarter, total nine complaints were received, out of which eight complaints have been attended by the Company and one complaint was pending at the end of the quarter
- 4 Previous period's figures have been regrouped / rearranged wherever necessary to conform to the current period's classification
- 5 The Board of Directors has recommended a dividend of Rs. 20 per share aggregating to Rs. 209.06 Crores (including Dividend Tax)
- 6 The above audited results for the year ended 31st March 2006 have been reviewed by the Audit Committee of the Board and approved by the Board of Directors at the meeting held on 27th April, 2006

For and on behalf of Board of Directors

Place : Mumbai  
Date : 27<sup>th</sup> April, 2006

**D. D. Rathi**  
Whole-time Director

**GRASIM INDUSTRIES LIMITED**

Regd. Office: Birlagram, Nagda (M.P.)

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