Grasim Industries Limited

Performance Review – FY2002

2 May 2002

Financial Performance –FY02

Rs. Crores

	FY02	FY01	% chg.
Net Turnover & Operating Income	4,386.7	4,471.5	(2)
Other Income	114.6	89.7	28
PBIDT	936.8	911.5	3
Interest and Finance Charges	190.3	238.8	(20)
Gross Profit	746.5	672.7	11
Depreciation	251.7	251.9	-
PBT(before Exceptional Items)	494.8	420.8	18
Current Tax	56.5	50.0	13
Profit after Current Tax	438.3	370.8	18
Deferred Tax	51.5	$ 30.3	70
Profit after Total Taxes but before Exceptional Items	386.8	340.5	14

$ Not charged in FY01 audited accounts, but deducted for comparison purpose

Financial Performance – FY02 (Contd..)

Rs. Crores

	FY02	FY01	
Exceptional Items			
Loss on sale of Investments/ Profit on transfer of Undertaking	(18.1)	18.4	
Excess provision for taxes for earlier years written back	68.1		
Loss on closure of Mavoor units (RC and loss on asset retired)	(74.3)		
Loss on sale of Textile Unit, Gwalior	(31.9)		
Employee Separation Cost at other Units	(27.6)	(11.3)	
Total Exceptional Items	(83.8)	7.1	
Net Profit after Exceptional Items and Total Taxes	303.0	347.6	

Earning Per Share (Rs.) Basic and Diluted

	FY02	FY01	% Chg.
Before Deferred Tax and Exceptional Items	47.8	40.4	18
After Total Taxes but before Exceptional Items	42.2	37.1	14
After Total Taxes and Exceptional Items	33.0	37.9	

Performance Highlights - FY02

- Excellent performance, viewed in the context of sluggish domestic and global economic slowdown
  - Both key businesses, namely Cement and Fibre, performed well
  - Overall company profitability registered good improvement despite weaker performance of other businesses
- Turnover down by 2% due to lower volumes of VSF, Sponge Iron and curtailed trading operations
- Declining trend in interest charges maintained, interest cost down by 20%
  - Average cost of debts going down successively
- Net profit before Exceptional Items and Deferred Tax up by 18%

Performance Highlights - FY02

- Major Business Restructuring done in FY02
  - Stake in Software Business divested
  - Closure of Mavoor Fibre and Pulp Plants
  - Trading operations being discontinued
  - Textile (Fabric) unit at Gwalior sold as a going concern
- Exceptional charge of Rs.152 Crs. to current year's Profit and Loss account on account of business restructuring
  - Business restructuring efforts to augment Company's profitability on recurring basis, eg.
    - Mavoor plant closure to result in recurring saving of Rs.27 Crs. in recurring expenditure (employee cost and fixed overheads)
    - Sale of Gwalior Fabric Unit to curtail operating losses substantially and make fabric operation profitable beginning FY 04
- Rs. 68 Crs of excess provision for taxes of earlier years, no longer required, written back

Performance Highlights - FY02 (Contd..)

- Deferred Tax Adjustment
  - Provision of Rs. 52 Crs. in FY02 made as per AS-22
  - Current year Deferred Tax takes into account revision in Corporate Tax rate proposed by Finance Bill 2002
    - Increase in past charge due to change in rate of tax Rs.17 Crs., provided as part of FY02 Deferred Tax
  - Deferred Tax Adjustment for the past years upto FY01, amounting to Rs. 589 Crs., met out of accumulated Revenue Reserve as per AS-22 requirements
  - The Deferred Tax charge has arisen principally on account of the timing difference between the Depreciation admissible under Income-tax Laws and Accounting Depreciation. Having regard to the normal capital expenditure plans of the Company in the future years, the timing difference is not expected to be reversed.

    No cash outflow expected to materialise towards such Deferred Tax in foreseeable future.

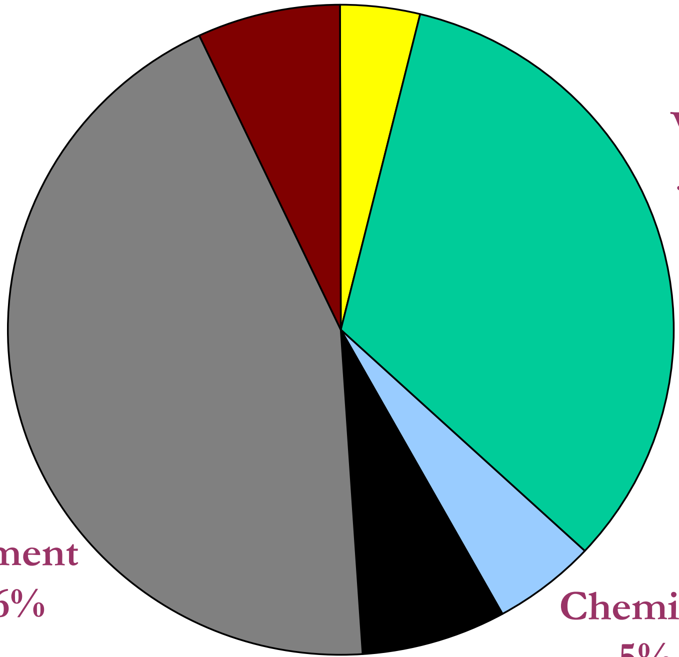
Financial Performance – Q4FY02

Rs. Crores

	Q4FY02	Q4FY01	% Chg.	FY01
Net Turnover & Operating Income	1,111.1	1,156.3	(4)	4,471.5
Other Income	58.8	38.1	54	89.7
PBIDT	262.8	278.6	(6)	911.5
Interest and Finance Charges	43.5	57.8	(25)	238.8
Gross Profit	219.3	220.8	(1)	672.7
Depreciation	63.7	63.3	1	251.9
PBT(before Exceptional Items)	155.6	157.6	(1)	420.8
Current Tax	19.5	30.0	(35)	50.0
Profit after Current Tax	136.1	127.6	7	370.8

- Excellent performance even compared with best performing quarter Q4FY01, despite poor performance of Sponge Iron & Chemicals and higher losses in Textiles

Net Revenue Mix - FY02

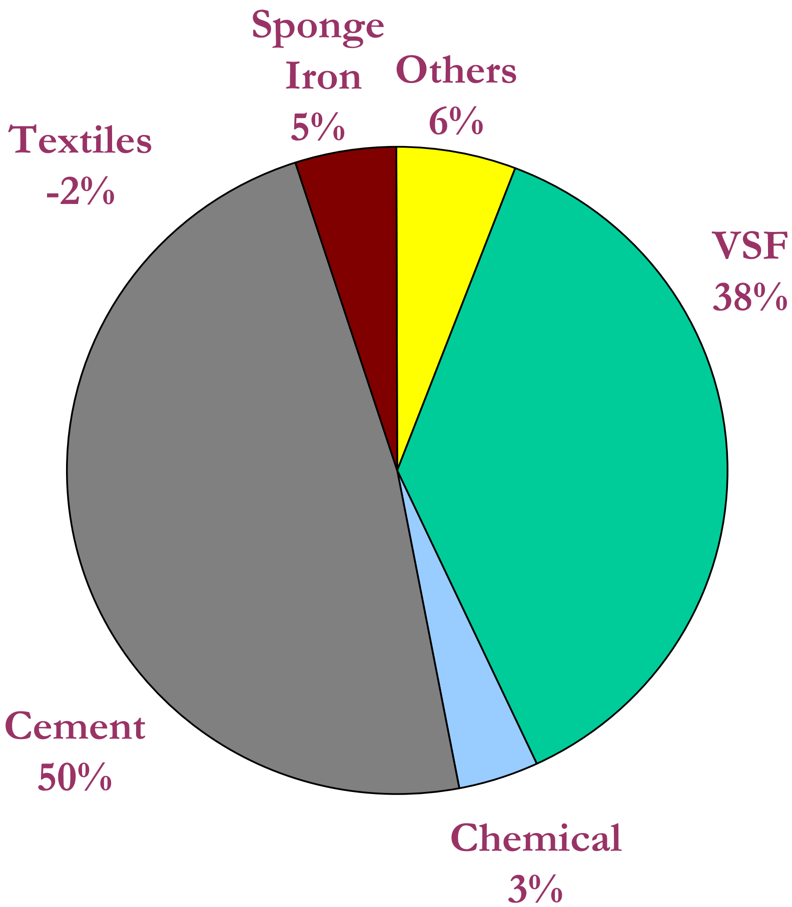


FY02 (Rs. 4,387 Crs.)

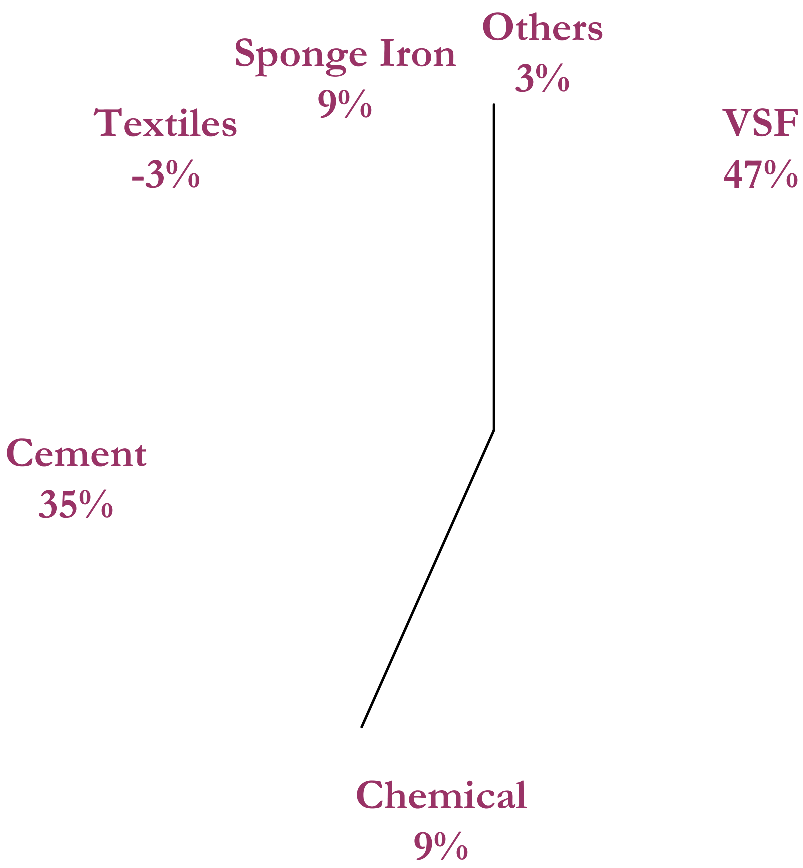
Sponge Iron 9%
Others 8%
VSF 32%
Cement 40%
Textiles 6%
Chemical 5%

FY01 (Rs.4,472 Crs.)

PBIDT Mix - FY02



FY02 (Rs.937 Crs.)



FY01 (Rs.912 Crs.)

Segmental Performance - FY02

Rs. Crores

	Revenue	PBIT	Capital Employed	ROAvCE (%)
Fibre	1,329	306	879	33
Chemical	220	11	228	5
Cement	2,075	339	2,055	17
Sponge Iron	332	12	570	2
Textile	276	(38)	133	(20)
Others	271	-	35	-

Segmental Performance - Q4FY02

Rs. Crores

	Revenue	PBIT	Capital Employed	ROAvCE (%)
Fibre	362	96	879	42
Chemical	57	(14)	228	(24)
Cement	539	95	2,055	19
Sponge Iron	89	-	570	-
Textile	58	(16)	133	(35)
Others	40	3	35	

Viscose Staple Fibre

		FY02	FY01	% Chg.	Q4FY02	Q4FY01	% Chg.
Capacity	TPA	220,775	220,775	-	220,775	220,775	-
Production	MT	176,462	218,847	(19)	57,588	57,245	1
Sales Volumes	MT	181,520	203,854	(11)	52,657	48,228	9
Net Turnover	Rs.Crs.	1,329	1,473	(10)	362	370	(2)
Avg. Realisation	Rs./MT	68,511	69,733	(2)	65,416	73,751	(11)
PBIDT Margin *	%	27	29		30	26	
PBIT *	Rs. Crs.	306	376	(19)	96	83	16
Capital Employed	Rs. Crs.	879	1,042	(16)	879	1,042	(16)
ROAvCE	%	33	39		42	34	

* Before Employees Separation Cost

Viscose Staple Fibre (Contd..)

Highlights - FY2002

- VSF operations were affected by world wide recessionary conditions during early part of the year
- Sequential growth continued after significant drop in volumes in Q1FY02. Q4FY02 volumes higher by 12% over Q3FY02
- Full year volumes still lower by 11% at 181,519 MT
  - Domestic volumes down 7% on account of recessionary pressures in the textile industry
  - Exports/Deemed export volumes lower by 20% YoY. Global recession and increased price competition from overseas producers with substantial depreciation of Euro/Indonesian Rupiah against US$
- Capacity utilisation down at 80% (FY01 - 99%)
  - Lower demand as well as 54 day closure of Nagda plant during Q1 due to acute water shortage

Viscose Staple Fibre (Contd..)

Highlights (Contd..)

- Operating margins down at 27% despite falling pulp prices and improved internal efficiencies
  - Lower volumes
  - Lower realisation
  - Margins would have been better but for sharp rise in caustic prices and reduced economies of scale

Viscose Staple Fibre (Contd..)

Outlook

- Rising trend in exports/deemed exports and likely further improvement in domestic demand to lead to a normal growth of 4% in volumes
- Reduction in inputs prices, improved plant efficiencies, improved economies of scale and closure of non-viable Mavoor Plant operations to allow margin improvement
- Grasim is focusing on enlarging market to ensure long term growth
  - Positioning VSF at the high end of the market as Fibre for Feel, Comfort and Fashion
  - Product and application development to remain at the fore. Setting up a Research & Application Development Centre at Kharach (Cost Rs. 25 Crores)

Cement

		FY02	FY01	% Chg.	Q4FY02	Q4FY01	% Chg.
Grey Cement							
Capacity	Mn. MT	** 11.36	9.86	5	** 11.36	9.86	5
Production	Mn. MT	9.53	9.10	5	2.48	2.28	8
Sales Volumes	Mn. MT	9.68	9.16	6	2.51	2.36	7
Net Turnover	Rs. Crs.	1,926	1,719	12	495	495	-
Avg Realisation	Rs./MT	1,917	1,846	4	1,861	2,131	(13)
White Cement							
Capacity	TPA	4,00,000	400,000	-	4,00,000	4,00,000	-
Production	MT	2,67,915	251,594	6	78,037	64,928	20
Sales Volumes	MT	2,66,105	251,291	6	79,421	66,039	20
Net Turnover	Rs. Crs.	144	133	8	44	35	25
Avg Realisation	Rs./MT	5,317	5,268	1	5,351	5,278	1
PBIDT Margin *	%	23	17		24	27	
PBIT *	Rs. Crs.	339	190	78	95	109	(13)
Capital Employed	Rs. Crs.	2,055	2,010	2	2,055	2,010	2
ROAvCE	%	17	10		19	24	

* Before Employees Separation Cost

** Capacity increased by 0.5 Mn. MT in June 01 & 1 Mn. MT Bhatinda Grinding unit commissioned in December 2001

Cement (Contd..)

Highlights - FY2002

- Satisfactory performance for the full year
- Sales volumes grew by 6%, against industry growth of 9%
  - Continued strong performance in the North and the South, witnessed sales growth of 11%
    - Stabilised operations at Grasim-South
    - Commissioning of grinding unit at Bhatinda
  - Sales volumes maintained in the East, but declined by 6% in the West
    - Capacity addition by large producers and resultant increased regional supplies
  - Stronger industry growth attributed partly to reconstruction activities in Gujarat, which traditionally accounted for only 3% of Grasim's sales volumes
- Average realisation grew by 4% at Rs.1917/MT, despite weak pricing environment which prevailed during H2-FY02

Cement (Contd..)

Highlights - FY2002 (Contd..)

- Operating margins increased from 17% to 23% in FY02
  - Benefits of improved pricing environment
  - Reduction in fuel and energy costs
- Strategic investments in L&T
  - Grasim acquired 10.05% stake in L&T
    - 2.5 crore shares purchased from Reliance
    - Acquisition price Rs.306.60 per share
    - Aggregate value of investment is Rs.767 crores
  - Investment funded largely through internal generation
  - No significant impact on Grasim's interest cost
  - Alliance to lead to mutual benefits
    - Combined efforts can give leadership in 3 regions (South, West and East)
    - Synergy gain possibilities in different areas of operations

Cement (Contd..)

Outlook

- Market to double in size every 7-8 years at current GDP growth
- Infrastructure and Housing sectors to support demand growth of 8% p.a.
- Infrastructure sector to remain a thrust area
  - Growing emphasis on roads, bridges and urban infrastructure
  - Early completion of the Golden Quadrilateral Project to Boost demand in FY03
  - North-South and East-West corridors to drive growth in the medium term
  - Flyovers, expressways and concretization of roads by state governments to support demand growth on a sustainable basis going forward
- Growth in housing sector to boost demand
  - Changing preference for nuclear families
  - Continuing fiscal incentives and soft real estate prices
  - Improved availability of finance at favourable terms
  - Strengthened rural demand benefiting from stronger agricultural performance

Cement (Contd..)

Outlook (Contd..)

- Gujarat reconstruction activity to strengthen regional consumption
- No significant green field capacities underway, demand-supply balance likely in next 3 years
- Positive outlook for pricing
  - Significant downside to prices unlikely
  - Economic compulsions and rising costs to ensure stable prices
  - Rising trend in annual average prices to continue

Cement (Contd..)

- Grasim will focus on
  - Ensuring dominance in the identified core markets of North, South and Western corridors
  - Increasing share in the profitable regions and growth segments
  - Proactive change in product/market mix to ensure superior realisation
  - Enhanced capital productivity and capacity optimisation
  - Further reduction in energy and distribution costs
  - Realisation of synergy gains, jointly with L&T

Chemical

		FY02	FY01	% Chg.	Q4FY02	Q4FY01	% Chg.
Capacity (Caustic)	MT	160,600	160,600		160,000	160,600	
Production (Caustic)	MT	129,784	131,253	(1)	37,928	33,175	14
Sales Volume(Caustic)	MT	129,051	133,450	(3)	37,968	34,031	12
Net Turnover	Rs. Crs.	219	236	(7)	58	60	(4)
Avg. ECU Realisation	Rs./MT	14,564	15,097	(4)	13,035	14,834	(12)
PBIDT Margin	%	13	33		(19)	26	
PBIT	Rs. Crs.	11	62	(82)	(14)	12	(219)
Capital Employed	Rs. Crs.	228	256	(11)	228	256	(11)
ROAvCE	%	5	23		(24)	18	

Chemical (Contd..)

Highlights - FY2002

- Mixed Q4 performance
  - Improved demand for chlorine necessitated higher production. Caustic volumes thus grew by 12% YoY in Q4FY02
  - ECU realisation under pressure, dragged operating margins substantially
  - Higher Electricity duty/Cess imposed by the State Government
  - Margin fall is despite improvement in Chlorine prices, notably towards end of the quarter
- Subdued performance for the full year
  - Sales volume down marginally - due to lower production and reduced captive demand from Nagda
  - 4% lower ECU realisation, lower volumes and Higher Electricity duty/Cess dragged profitability

Chemical (Contd..)

Outlook

- Caustic Soda demand expected to remain stable at current level
- ECU realisation to remain stable at current levels
  - Caustic realisation under pressure in line with international prices
  - Hcl and Chlorine prices firming up due to improved demand
- Operations to be at reasonable operating profit
- Grasim to focus on
  - Optimum utilisation of the plant capacity
  - Development of ancillary products for more value addition and improved realisation
  - Exports of Chlorine, Hcl and PAC

Textiles

		FY02	FY01	% Chg.	Q4FY02	Q4FY01	% Chg.
Divisional Turnover	Rs.Crs.	268	265	1	57	56	2
PBIDT Margin*	%	(8)	(9)	-	(21)	(19)	-
PBIT *	Rs. Crs.	(38)	(41)	(8)	(16)	(16)	-
Capital Employed	Rs. Crs.	133	235	(43)	133	235	(43)
ROAvCE	%	(20)	(17)		(35)	(25)	

* Before Employees Separation Cost

Highlights - FY2002

- Textile divisions remained under pressure even in FY02
  - Volumes curtailed, prices under pressure and operations remained at losses
- Business restructuring carried out - Textile unit at Gwalior sold
  - Business consists of fabric unit at Gwalior, composite unit at Bhiwani and spinning unit at Malanpur
  - Fabric business has been operating at loss in recent years, needed restructuring

Textiles (Contd..)

- Gwalior unit has been a key drag on business performance
  - Gwalior unit lost Rs.27 crores at PBIDT level, against operating profit of other units at Rs.7 crores
  - Pressure was expected to continue with rising wage bill and inefficient operations
- Gwalior unit sold as a going concern - exit to cost Rs.32 crores
  - Undertaking having book value of Rs.14 crores transferred for Rs.1 lac
  - Negative consideration of Rs.15 crores
  - Employee strength to go down by 1220, accounts for 30% of work-force at textiles business and over 6% of work-force of the Company

- Textile business going forward
  - Fabric business will be consolidated at one location - Bhiwani
  - Grasim and Graviera brands as well as their sub-brands and extensions will be manufactured at Bhiwani
  - Improved economies of scale and reduced labour costs to bring down production costs and enable business turnaround

Sponge Iron

		FY02	FY01	% Chg.	Q4FY02	Q4FY01	% Chg.
Capacity	TPA	900,000	900,000	-	900,000	900,000	-
Production	MT	559,567	663,998	(16)	128,628	154,281	(17)
Sales Volumes	MT	562,334	673,852	(17)	156,999	164,081	(4)
Net Turnover	Rs. Crs.	332	401	(17)	89	98	(9)
Avg Realisation	Rs./MT	5,606	5,733	(2)	5,225	5,765	(9)
PBIDT Margin	%	15	21		10	23	
PBIT	Rs. Crs.	12	47	(75)	-	13	(100)
Capital Employed	Rs. Crs.	570	657	(13)	570	657	(13)
ROAvCE	%	2	7		-	8	

Sponge Iron (Contd..)

Highlights - FY2002

- Full year performance remained under pressure
  - Continued restricted Natural Gas Supplies from GAIL dragged plant utilisation from 74% to 62%
  - Usage of Naptha not viable due to prohibitive cost
- Sales volumes down by 17%
  - Lower production due to poor availability of Natural Gas
- Average realisation down by 2%
  - Increased competition with re-entry of large gas based producers into merchant supply market
- Margins down from 21% to 15%
  - Spread of fixed overheads over lower volumes

Sponge Iron (Contd..)

Outlook

- Natural gas availability and prices continues to be main area of concern going forward
- Demand outlook positive with steel sector showing early signs of recovery
- Rising global scrap prices and upwards revision of customs duty on scrap likely to support domestic prices at higher levels
- Grasim will focus on
  - Assets sweating
  - Leveraging strategic advantage of location and product flexibility
  - Further tightening of cost structure

Capex Plan

Rs. Crores

	Total Amt	Capex		Completion Schedule
		FY03	FY04	
A New Projects :				
- Cement Capacity Expansion				
- Debottlenecking/Blending	78	67	11	Q2 FY03
- Power Plants (Cement units)				
- Rajasthan 23 MW	71	71		Dec. - 02
- Tamil Nadu 12.5 MW	39	25	13	Feb. - 03
- Fibre Application Development and Speciality Fibre development	52	25	17	FY05
Sub Total (A)	240	188	41	

Capex Plan (Contd..)

Rs. Crores

	Total Amt	Capex	
		FY03	FY04
B Modernisation :			
- VSF	52	46	6
- Cement	156	122	33
- Chemical	18	18	-
- Textile	9	9	-
- Other units	5	5	-
C Other Capex	52	40	12
Total (A + B + C)	531	427	92

- FY 02 Capex - Rs.260 Crores
  - Cement 211
  - Fibre 31
  - Textile 7
  - Others 11

Profitability & Financial Snapshot

Profitability Snapshot

		FY99	FY00	FY01	FY02
Gross Turnover	Rs. Crs.	3,897	4,646	5,184	5,070
Net Turnover	Rs. Crs.	3,354	3,962	4,453	4,372
PBIDT	Rs. Crs.	678	756	912	937
PBIDT Margin	%	20.2	19.0	20.5	21.4
PBDT	Rs. Crs.	386	500	673	747
PAT (before deferred tax)	Rs. Crs.	168	251	371	438
PAT Margin	%	5.0	6.3	8.3	10.0
EPS	Rs.	20.1	27.4	40.4	47.8
CEPS	Rs.	45.2	53.2	67.9	75.2
DPS	Rs.	6.75	7.0	8.0	9.0
Interest Cover	Ratio	2.3	2.9	3.7	4.6
<u>After current & deferred tax</u>					
PAT $	Rs. Crs.		168	340	387
EPS	Rs.		18.3	37.1	42.2

All Profitability numbers and EPS are before Exceptional Items

$ Deferred tax adjusted in FY00 and FY01 for comparison

Financial Snapshot

		FY99	FY00	FY01	FY02
Gross Block	Rs.Crs.	4,937	5,206	5,312	5,371
Net Block	Rs.Crs.	3,354	3,401	3,303	3,263
Equity	Rs.Crs.	91.7	91.7	91.7	91.7
Net Worth	Rs.Crs.	2,616	2,777	3,075	2,707
Net Worth + Deferred Tax	Rs.Crs.	2,616	2,777	3,075	3,347
Avg.Capital Employed	Rs.Crs.	4,572	4,759	4,815	5,106
Debt : Equity **	Ratio	0.93	0.82	0.62	0.62
Book Value	Rs.	285	303	335	365
ROAvCE (PBIT basis)	%	10.1	10.5	$ 13.5	$ 12.9
RONW	%	6.6	8.6	$ 12.3	$ 12.8

Ratios worked out ignoring deferred tax provisioning

** Both Long Term and Short Term debts considered in debts

$ Profit/Loss on sale/closure of undertaking and exceptional write back eliminated in calculation of ROCE/RONW

Focus And Strategy

- Focus
  - Deliver enhanced value to shareholders on a sustained basis
  - Value creation and not asset creation alone
- Strategy
  - Focus on core businesses – VSF and Cement
  - No unrelated diversification / Investments
  - Improve asset utilisation through market expansion and better penetration
  - Improve margins through better efficiency and stringent cost control

Cement will be driver of growth going forward

Subsidiary Company and Grasim's Consolidated Financial Statement (CFS)

Subsidiary Company – Shree Digvijay Cement FY02

- Financial Performance

Rs. Crores

		Jan to Mar.02 (Quarter)	Jan to Mar.01	April 01 to March 02 (12 Months)	Year ended Sept.01 (Audited)
Capacity	MT	10,75,000	10,75,000	10,75,000	10,75,000
Production	MT	2,35,958	171405	7,35,434	6,40,822
Turnover volume	MT	2,27,909	176490	7,66,969	6,77,372
Realisation (NCR)	Rs./MT	1,445	1704	1,637	1,653

Net TO & Other Income	42.84	42.37	180.73	177.73
PBIDT	3.93	* 2.59	15.54	9.71
Interest	4.36	7.66	31.52	34.42
Depreciation	2.26	1.99	8.30	7.57
PBT	(2.69)	* (7.06)	(24.28)	(32.28)
Net Profit / (Loss)	(2.69)	* (7.06)	(24.28)	(32.28)
Deferred Tax Assets	2.19	NA	8.75	NA
PAT	(0.50)		(15.53)	

* After adjusting exceptional loss of Rs.4.8 Crores due to earthquake damage

Subsidiary Company - Shree Digvijay Cement Co.

- Operating Margin 8.6%
- Return on Capital Employed
  - PBIDT/CE 11.5%
  - PBIT/CE 5.3%
- Higher Net Loss attributable to very high interest burden, due to higher debts and high interest rates
- Revival Package being worked out with Lenders and State Government
  - Reduction in interest rate
  - Restructuring of loans
  - Deferment of Sales Tax for a period of 5 years from Oct 2000 – approx Rs.90 Crores. Repayment in next 5 yrs beginning Oct, 2005
  - Exemption from Electricity Duty on Captive power considering it as "Pipe Line Case" retrospectively from Oct 2000 – approx Rs.40 Crores
  - Permission to handle commercial cargo at its Captive Jetty at Sikka
  - Rationalisation of work force
- Status - matter is under consideration of the State Government

Grasim – Consolidated Financial - FY02

Profitability | Rs. Crs.

	GRASIM	GRASIM CFS	Variation
Net Turnover & other Income	4,386.7	4,540.7	154.0
PBIDT	936.8	948.5	11.7
Interest	190.3	217.5	27.2
Depreciation	251.7	260.3	8.6
PBT (before Exception Items & Taxes)	494.8	470.7	(24.1)
Profit after current taxes	438.3	414.2	(24.1)
Profit after current and deferred tax (Before Exceptional Items)	386.8	371.3	(15.5)

- Net Worth will be impacted by Rs. 105 Crs.
  (Including consolidation of minority interest in losses)
- Resultant Goodwill (on the date of acquisition) - Rs. 87 Crs.
- Nominal impact on EPS, ROCE and RONW due to consolidation

Plant Locations

F Fibre plants

P Pulp plant

C Chemical plant

T Textiles units

Grey cement plants / Grinding Units (G)

White cement plant

Ready-mix Concrete plants

B Bulk Cement Terminal

S Sponge Iron plant

Not to scale

Production (MT)

	FY02			FY01			Q4FY02			Q4FY01		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
VSF	2,20,775	1,76,462	80	220,775	218,847	99	2,20,775	57,588	104	2,20,775	57,245	104
Pulp	70,000	71,251	102	58,000	69,729	120	70,000	15,948	91	58,000	14,643	101
Caustic Soda	1,60,600	1,29,784	81	160,600	131,253	82	1,60,600	37,928	94	1,60,600	33,175	83
Grey Cement*	# 11.36	9.53	92	9.86	9.10	100	# 11.36	2.48	109	9.86	2.28	100
White Cement	4,00,000	2,67,915	67	400,000	251,594	70	4,00,000	78,037	78	4,00,000	64,928	72
Sponge Iron	9,00,000	5,59,567	62	900,000	663,998	74	9,00,000	1,28,628	57	9,00,000	1,54,281	69

* Grey Cement numbers are in Mn. MT.

Capacity increased by 0.5 Mn. MT in June 01 & 1 Mn. MT Bhatinda Grinding unit commissioned in December 2001

Turnover – Qty & Realisation

Product	Quantity (MT)				Realisation (Rs. /MT)			
	FY02	FY01	Q4 FY02	Q4 FY01	FY02	FY01	Q4 FY02	Q4 FY01
VSF	181,520	203,854	52,657	48,228	68,511	69,733	65,416	73,751
Pulp	71,396	70,148	16,123	15,316	22,327	22,487	20,500	22,500
Caustic Soda *	129,050	133,450	37,968	34,031	14,564	15,097	13,035	14,834
Grey Cement **	9.68	9.16	2.51	2.36	1,917	1,846	1,861	2,131
White Cement	266,105	251,291	79,421	66,039	5,317	5,268	5,351	5,278
Sponge Iron	562,334	673,852	156,999	164,081	5,606	5,733	5,225	5,765

* ECU realisation in case of Caustic Soda

* * Grey Cement numbers are in Mn. MT.

GRASIM

ADITYA BIRLA GROUP

Thank You

Press Release Mumbai, 2nd May, 2002

GRASIM, the ADITYA BIRLA GROUP's FLAGSHIP COMPANY
REPORTS EXCELLENT PERFORMANCE FOR FY 2002

Profit after Current Tax for FY 2002 : Rs. 438 Crores, up by 18%

(Rs. Crores)

	Financial Year ended 31.03.2002 (Audited)	Financial Year ended 31.03.2001 (Audited)	Variation (%)
Net Turnover	**4386.6**	4471.5	(-) 1.9
PBIDT	**936.8**	911.5	2.8
Interest	**190.3**	238.8	(-) 20.3
Gross Profit	**746.5**	672.7	11.0
Depreciation	**251.7**	251.9	-
Profit before Taxes and Exceptional Items	**494.8**	420.8	17.6
Provision for Current Tax	**56.5**	50.0	13.0
Profit after Current Tax but before Exceptional Items	**438.3**	**370.8**	**18.2**
Provision for Deferred Tax	**51.5**	#	
Net Profit after total taxes but before Exceptional Items	**386.8**	#	

Exceptional items			
- Excess provision for income tax of earlier years written back	68.1	--	
- Loss on sale of investment/ Profit on sale of Undertaking	(-) 18.1	18.4	
- Loss on closure of Mavoor Plants	(-) 74.3	--	
- Loss on sale of Textile Division, Gwalior	(-) 31.9	--	
- Employees' separation cost	(-) 27.6	(-) 11.3	
Net Profit after Total Taxes and Exceptional Items	**303.0**	**# 377.9**	

Deferred tax not provided in FY 01, as AS-22 was not applicable in that year. To that extent, the figures are not comparable.

Grasim, the flagship Company of the Aditya Birla Group, has posted excellent results for the financial year ended 31st March 2002. Net Profit (after current tax) at Rs.438 Crores for the financial year 2002, is higher by 18% over the previous year.

Three major factors have contributed to Grasim's improved performance. These are, firstly, growth in turnover volumes along with higher realization in cement; secondly, improvement in operational efficiency resulting from ongoing modernization efforts, plant up-gradation and energy optimization; and thirdly, reduction in financing cost through reduction/substitution of high cost debts coupled with effective working capital management.

The economic slowdown has constrained the working of the Company's Chemical, Textiles and Sponge Iron businesses during the year under review. This was offset by the enhanced performance of the Cement business.

To rationalize its manpower, the Company has offered a VRS. A total of 1004 persons have opted for voluntary retirement. They were paid Rs.28 Crores besides their regular retirement benefits.

Q4 FY 02 PERFORMANCE

(Rs. Crores)

	Quarter ended 31.3.2002	Quarter ended 31.3.2001	Variation (%)
Net Turnover	**1111.1**	1156.3	(-) 3.9
PBIDT	**262.8**	278.6	(-) 5.7
Interest	**43.5**	57.8	(-) 24.7
Gross Profit	**219.3**	220.8	(-) 0.7
Depreciation	**63.7**	63.2	0.8
Profit before Taxes and Exceptional Items	**155.6**	157.6	(-) 1.3
Provision for Current Tax	**19.5**	30.0	(-) 35.0
Profit after Current Tax but before Exceptional Items	**136.1**	**127.6**	**6.7**

When compared on a quarter to quarter basis, the Q4 results have also been quite satisfactory. Net profit after current taxes, but before exceptional items, was at Rs.136 Crores, which is higher by 7%, despite impact of losses sustained in textile business and under performance of Sponge Iron and Chemical businesses.

Exceptional Items

This year has witnessed a series of restructuring, which have impacted the bottom line on a one-time basis, but it is important to bear in mind that these will result in recurring savings year after year and enhance the Company's financial strength from a long term perspective.

The Company has had to make provision for three exceptional items, viz., the shut down of Mavoor plants, disposal of the Gwalior unit and divestment of shares of Birla Technologies Ltd..

A charge of Rs.55 Crores has been provided for payment made to the 2300 employees at its Mavoor Plants, which have been shut down, and an obsolescence charge of Rs.19 Crores towards value of fixed assets retired from active use at these plants. Importantly, the closure of its Mavoor plants translates into savings in recurring expenditure on employees and other standing charges to the tune of Rs.27 Crores annually.

Consequent to the disposal of its loss making Textile unit at Gwalior, the Company has provided for an exceptional charge of Rs.32 crores, accounting for loss on sale of the undertaking and payment of a negative consideration to the buyer. This will help mitigate the losses of its Textile Division.

The Company has written back the excess provision for taxation no longer required, amounting to Rs.68 Crores.

As these items are exceptional and non-recurring in nature, these have been indicated separately below the line, so that the result for the current period and corresponding period is comparable.

Dividend

The Board of Directors has, at its meeting held today, recommended a dividend of 90% (Last year : 88%, inclusive of Corporate Tax on Dividend) aggregating Rs.82.5 Crores (Rs.80.8 Crores).

The tables below highlight Grasim's operations:

PRODUCTION/TURNOVER

Products		**FY 2002**	**FY 2001**	**Variation**
Production –				
Viscose Staple Fibre	M.T.	176462	218847	(-) 19%
Cement	Mn. M.T.	9.53	9.10	5%
White Cement	M.T.	267915	251594	6%
Sponge Iron	M.T.	559567	663998	(-) 16%
Caustic Soda	M.T.	129784	131253	(-) 1%
Sales Volumes –				
Viscose Staple Fibre	M.T.	181520	203854	(-) 11%
Cement	Mn. M.T.	9.68	9.16	6%
White Cement	M.T.	266105	251291	6%
Sponge Iron	M.T.	562334	673852	(-) 17%
Caustic Soda	M.T.	129051	133450	(-) 3%

NET REALISATION

Products		**FY 2002**	**FY 2001**	**Variation**
Viscose Staple Fibre	Rs./M.T.	68511	69733	(-) 2%
Cement	Rs./M.T.	1917	1846	4%
White Cement	Rs./M.T.	5317	5268	1%
Sponge Iron	Rs./M.T.	5606	5733	(-) 2%
Caustic Soda (ECU)	Rs./M.T.	14564	15097	(-) 4%

Cement Business

The Cement business has bettered its performance. Production at 9.53 Mn. MT and sales volumes at 9.68 Mn. MT are up by 5% and 6% respectively, over the previous year. Capacity utilisation in the cement plants during the year stood at 92%.

During the year, the Company has commissioned 4 Ready Mix Concrete Plants of an aggregate capacity of 1 million cubic meters, at Hyderabad, Chennai, Noida and Bangalore. A one million tonne Cement Grinding Unit at Bhatinda has been set up as well. This has enabled the Company to consolidate its position in the lucrative northern sectors of the Country.

In addition, the Company is implementing various plans at a capex of Rs.344 Crores , as indicated :

- Two Power Plants of 23 MW and 12.5 MW at Aditya Cement (Rajasthan) and Grasim Cement (Tamilnadu) respectively which are expected to be operational by December 2002.

- Ongoing modernization of plants and capacity expansion through de-bottlenecking – has resulted in capacity enhancement of 0.5 Mn. MT so far. A further capacity addition of 1.8 Mn. MT is expected by end FY 2003. On implementation of these projects, Grasim's cement manufacturing capacity will go up to 13.2 Mn. MT.

The renewed focus on the infrastructure sector by the Government and the expected strong growth in the housing sector should enable the cement business to maintain its performance in the ensuing years.

VSF Business

Capacity utilization at the Company's VSF plants has been lower, at 80% compared to 99% in the corresponding previous year. The year under review was a challenging one, both in terms of operations and market conditions. The water shortage at Nagda, the overall recession worldwide coupled with the global and domestic slowdown of the textiles sector have affected the performance of VSF. The average realization down by 2% over the last financial year is in line with the trend of falling prices of competing fibres. This revenue loss was however, largely offset by declining pulp prices.

Consequent to the Company's efforts of enlarging the product usage given its inherent strengths, and expanding the markets, its business has seen sequential growth in the past three quarters of the current year, with the fourth quarter touching the average of the previous financial year. This strategy will be fortified to enable the Company improve upon its performance.

With the global recession receding, the Company expects demand for VSF to pick up significantly. As Grasim is the largest and lowest cost superior quality producer of VSF, it stands to gain. The Company is fully geared to capitalize on the expected upturn in demand in the local as well as export market. The outlook for VSF, therefore is positive.

Chemical Business

The Chemical business has been affected by the steep fall in international prices of caustic soda and ancillary products along with rising power costs largely due to the levy of Energy Development Cess on captive generation. Production and sales volumes, therefore, have been slightly lower than that of the previous year. To maintain operations at optimum level and improve profitability, the Company aims to focus on maximum utilization of the plant capacity and development of ancillary products for more value addition and better realization.

Textile Business

The Textile business continues to be sluggish with intense price competition from the low cost power-looms and medium size producers from the unorganized sector. Cheaper imports further compound the issue. The division has posted negative returns due to higher input costs and lower realization.

With the disposal of Grasim's Textile Division, Gwalior, the Company will now manufacture both of its premium brands, "Grasim" and "Graviera" at a single location in Bhiwani. This is a strategic step to bring in better synergies, which will help the Company to considerably reduce its fixed costs. It will also substantially bring down the value of the current assets, thus improving the position of its fabric business, in terms of economy of scale and operation.

Sponge Iron Business

The capacity utilization of the plant was significantly lower at 62% as compared to 74% in the corresponding last year due to disruption in natural gas supplies. The division's turnover is in line with production and has been satisfactory. A major concern will continue to be the availability of Natural Gas and its pricing in the domestic market. The outlook for sponge iron industry in the domestic market, given the increase in global scrap prices and signs of revival shown by the steel industry, is stable.

Outlook

Despite various factors affecting the economy, Grasim has recorded a good performance during the year. Grasim's inherent strength, strong fundamentals, a continual stress on operational excellence, cost optimization measures, effective financial management, continuous restructuring of business processes, aided by an expected improvement in the cement sector bode well for the Company. Grasim is poised for a significant growth in the years ahead and its overall outlook continues to be positive.

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www.adityabirla.com

AUDITED FINANCIAL RESULTS
FOR THE YEAR ENDED ON 31st MARCH , 2002

Rs in crores

	Three Months Ended 31st March 2002	Three Months Ended 31st March 2001	Year ended 31st March 2002 (Audited)	Year ended 31st March 2001 (Audited)
Net Sales / Income from Operations	1,111.10	1,156.32	4,386.64	4,471.48
Other Income	58.76	38.06	114.62	89.71
Total Expenditure				
- Decrease / (Increase) in Stock	23.07	(6.40)	95.42	(67.36)
- Raw Material Consumed	271.64	324.42	996.15	1,237.05
- Purchases of Finished Goods	30.61	45.28	245.71	297.25
- Payment to & Provision for Employees	83.40	81.83	321.87	312.57
- Power & Fuel	195.67	165.40	739.28	720.19
- Freight , Handling & Other expenses	115.20	118.13	510.56	480.47
- Other Expenditure	187.47	187.15	655.49	669.53
Total Expenditure	**907.06**	**915.81**	**3,564.48**	**3,649.70**
Interest	43.51	57.76	190.25	238.78
Gross profit	**219.29**	**220.81**	**746.53**	**672.71**
Depreciation	63.72	63.26	251.70	251.90
Profit before Exceptional Items and Tax Expense	**155.57**	**157.55**	**494.83**	**420.81**
Profit on Sale of Undertaking		18.44		18.44
Excess Provision for Income Tax of earlier years written-back	-	-	68.11	
Loss on Sale of Subsidiary	-		(18.11)	
Loss on Closure of Mavoor Units				
- Retrenchment Compensation	(0.03)		(55.33)	
- Write Down of Fixed Assets on Retirement from active use	-		(19.01)	
Loss on Sale of Textile Unit	(31.93)		(31.93)	
Employees separation cost	(7.08)	(1.03)	(27.60)	(11.35)
Profit before Tax Expense	**116.53**	**174.96**	**410.96**	**427.90**
Provision for Current Tax	(19.50)	(30.00)	(56.50)	(50.00)
Net Profit before Deferred Tax	**97.03**	**144.96**	**354.46**	**377.90**
Deferred Tax	(17.80)	(11.60)	(51.50)	@
Net Profit	**79.23**	**133.36**	**302.96**	**377.90**
Paid up Equity Share Capital (Face Value Rs. 10 per share)	91.69	91.69	91.69	91.69
Reserves excluding Revaluation Reserve			2,615.19	2,394.55
Basic & Diluted EPS for the period (Rupees)	**8.64**	**14.54**	**33.04**	**41.21**
Basic & Diluted EPS for the period (Rupees) - before Exceptional Items & Deferred Tax	**14.84**	**13.91**	**47.81**	**40.44**
Aggregate of Non-Promoter Shareholding				
- Number of Shares			72951240	
- Percentage of Shareholding			79.58%	

Notes:

@ 1 As per the Accounting Standard 22 (AS 22) relating to " Accounting for Taxes on Income" which has become mandatory from 1st April 2001, Company has provided Deferred Tax for the current quarter and year ended 31st March, 2002. No provision for Deferred Tax Liability was required to be made in the corresponding quarter and year ended 31st March 2001 as the said AS 22 was then not applicable. However , the figures of corresponding quarter of last year have been recast to give effect to the appropriate Deferred tax and to make the results comparable. Such adjustment has not been reflected in the year ended 31st March, 2001 column , which remains as per audited accounts.
As per AS 22, cumulative net deferred tax liability upto 31st March 2001 works out to Rs. 589 crs. and the same is met out of the revenue reserves.
The Deferred Tax Liability has arisen substantially on account of the timing difference between the Depreciation admissible under Income Tax Laws and Accounting Depreciation. Though, provision is being made in accordance with the AS 22, having regard to the normal capital expenditure which the company is expected to make in the future years, the timing difference is not expected to be reversed and no cash outgo is expected to materialise towards such balance in foreseeable future.

2 The Company has entered into a Memorandum of Settlement effective 1st July 2001 with the Workers' and Staff Unions of its Pulp and Fibre Units situated at Mavoor (Kerala) for closure of both these units. Retrenchment Compensation to the employees in terms of the settlement is Rs. 55.30 Crores. The retrenchment compensation is one-time exceptional charge and has been shown separately.
Consequent to the closure , the saving in "recurring expenditure on employees and other standing charges" is estimated at Rs. 27 Crs. annually.

3 The Company had filed a Scheme of Arrangement under Section 391/394 of the Companies Act , 1956 in the High Court of Madhya Pradesh in October,2000 inter alia providing for sale/transfer of assets of the Mavoor Units, which is pending for disposal.

4 The Company has sold its entire holdings of 97,91,350 equity shares in Birla Technologies Limited, its subsidiary at Rs. 11.50 per equity share. The resultant loss of 18.11 Crores has been charged to Profit& Loss Account.

5 The Company has sold, as on the closing 31st March 2002, its textiles manufacturing units/undertakings at Gwalior as a going concern at a consideration for Rs.1 lac, pursuant to the resolution of its shareholders passed by Postal Ballot on 27th April 2002.TheCompany has also agreed to pay Rs.15 Crores to Purchasers for taking over of certain liabilities including the employees' liabilities. The total resultant loss of Rs.31.93Crores has been charged to Profit and Loss Account and shown under exceptional item.

6 The Board of Directors have recommended a dividend of Rs. 9.00 per share aggregating to Rs. 82.50 Crores.

Cont. on Page 2

Cont. from Page 1

7 **Segments Reporting:**

Rs. in Crores

		Three Months Ended 31st March 2002	Year ended 31st March 2002 (Audited)
1. SEGMENT REVENUE			
a	Fibre & Pulp	361.59	1,328.83
b	Chemicals	57.13	219.93
c	Cement	538.80	2,074.85
d	Sponge Iron	89.19	331.66
e	Textiles	58.13	276.12
f	Others	39.94	270.68
	TOTAL	1,144.78	4,502.07
(Less) : Inter Segment Revenue		(33.68)	(115.43)
	Net Sales / Income from Operations	**1,111.10**	**4,386.64**
2. SEGMENT RESULTS			
a	Fibre & Pulp	95.90	305.89
b	Chemicals	(14.09)	11.42
c	Cement	94.81	338.67
d	Sponge Iron	(0.38)	11.86
e	Textiles	(16.47)	(37.71)
f	Others	3.22	0.22
	TOTAL	162.99	630.35
Add / (Less) :			
	Interest	**(43.51)**	**(190.25)**
	Net Unallocable Income / (Expenditure)	36.09	54.73
Profit before Exceptional Items and Tax Expense		**155.57**	**494.83**
	Excess Provision for Income Tax of earlier years written-back	-	68.11
	Loss on Sale of Subsidiary	-	(18.11)
	(Loss) on Closure of Mavoor Units		
	- Retrenchment Compensation	(0.03)	(55.33)
	- Loss on Retirement of Fixed Assets from Active Use	-	(19.01)
	Loss on Sale of Textile Unit	(31.93)	(31.93)
	Employee Separation Cost	(7.08)	(27.60)
	Profit Before Tax Expenses	**116.53**	**410.96**
3. CAPITAL EMPLOYED			
a	Fibre & Pulp	879.24	879.24
b	Chemicals	227.51	227.51
c	Cement	2,055.10	2,055.10
d	Sponge Iron	570.38	570.38
e	Textiles	133.13	133.13
f	Others	35.15	35.15
	TOTAL	3,900.51	3,900.51
g	Unallocated Corporate Capital Employed	1,518.93	1,518.93
	TOTAL CAPITAL EMPLOYED	**5,419.44**	**5,419.44**

8. Segments have been identified in line with the Accounting Standard on Segment Reporting (AS 17), taking into account the organisational structure as well as the differential risks and returns of these segments. Details of products included in each of the above segments are as under :

Fibre & Pulp - Viscose Staple Fibre & Rayon Grade Pulp
Chemicals - Caustic Soda & Allied Chemicals
Cement - Grey & White Cement
Sponge Iron - Sponge Iron
Textiles - Fabrics & Yarn

9. Segment Results are before provision for Employee Separation Cost as under :

Rs. in Crores

	Q4-FY2002	**FY2002**
Fibre & Pulp	5.47	9.10
Chemical	1.61	1.63
Cement	-	13.49
Textiles	-	3.38

10 Previous period's figures have been regrouped / rearranged wherever necessary to conform to this period's classification.

11 The above results have been taken on record at the meeting of the Board of Directors held on 2nd May, 2002.

For and on behalf of Board of Directors

Place : Mumbai
Date : 2nd May, 2002

Kumar Mangalam Birla
Chairman