



**Grasim Industries Limited**

**Performance Review – Q2 FY06**

**26<sup>th</sup> October 2005**

## 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 – Q2FY06

	<u>Rs. Crs.</u>	<u>% Change</u>
<b>TOTAL REVENUE</b>	2,328	5
<b>PBIDT</b>	461	(14)
<b>Interest Charges</b>	54	(23)
<b>PBT</b>	270	(16)
<b>Total Tax Expenses</b>	69	(39)
<b>PAT (After Minority Share)</b>	200	(7)
<b>EPS (Rs. per Share)</b>	21.9	(7)

- Q2FY06 turned out to be a challenging quarter
- Consolidated revenue up by 5%
- PBIDT lower by 14%
  - Excellent performance from Grasim's Cement Business and Chemical Business
  - UltraTech Cement performance remained subdued
  - Subdued Performance by VSF business compared to corresponding quarter
  - Sponge Iron performance significantly impacted
- Tax expenses at Rs.69 Crs., lower by 39%
- PAT down by 7%



# Consolidated Financial Performance – H1FY06

	<u>Rs. Crs.</u>	<u>% Change</u>	
<b>TOTAL REVENUE</b>	4,796	7	<ul style="list-style-type: none"> <li>● Consolidated revenue up by 7%</li> </ul>
<b>PBT</b>	718	3	<ul style="list-style-type: none"> <li>● PAT up by 17%</li> </ul>
<b>Total Tax Expenses</b>	188	(38)	<ul style="list-style-type: none"> <li>➤ Excellent performance from Grasim's Cement Business and Chemical Business</li> <li>➤ UTCL performed reasonably</li> <li>➤ Subdued Performance by VSF business compared to corresponding half year</li> </ul>
<b>PAT (After Minority Share)</b>	497	17	<ul style="list-style-type: none"> <li>➤ Sponge Iron performance significantly impacted, particularly in Q2</li> </ul>
<b>EPS (Rs. per Share)</b>	54.1	17	<ul style="list-style-type: none"> <li>➤ Tax expenses at Rs. 188 Crs., lower by 38%</li> </ul>

# Consolidated Financial Performance - Q2FY06

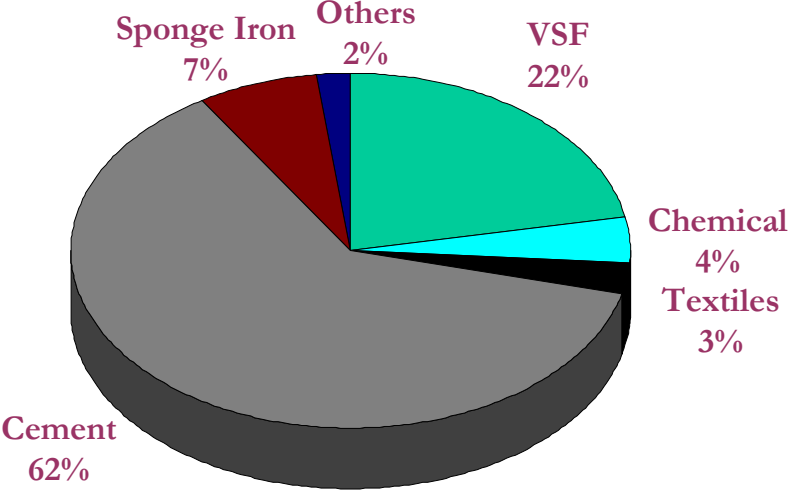
(Rs. Crores)

	Q2FY06	Q2FY05	% Chg.	H1FY06	H1FY05	% Chg.	FY05 (Audited)
Net Turnover & Op. Income	2,327.7	2,221.7	5	4,795.8	4,501.5	7	9,317.3
Other Income	44.7	38.2	17	120.2	89.5	34	217.6
PBIDT	460.9	538.1	(14)	1,101.4	1,122.4	(2)	2,272.3
Interest	53.9	70.4	(23)	110.6	139.2	(21)	284.7
Gross Profit	407.0	467.6	(13)	990.8	983.2	1	1,987.6
Depreciation	137.4	148.3	(7)	272.8	283.1	(4)	556.1
Exceptional Items	--	---	--	--	--	--	(128.1)
PBT	269.6	319.3	(16)	718.0	700.1	3	1,303.4
Current Tax	85.6	110.9	(23)	218.8	229.9	(5)	483.3
Deferred Tax	(16.9)	1.2	--	(30.4)	75.0	--	\$ (41.2)
PAT	200.9	207.2	(3)	529.6	395.2	34	861.3
Minority Share	0.5	+ 8.0	--	33.1	+28.8	--	+ 19.0
PAT after Minority Share	200.4	215.2	(7)	496.5	424.0	17	880.3
Earning Per Share (Rs.) Basic and Diluted	21.9	23.5	(7)	54.1	46.2	17	96.0

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

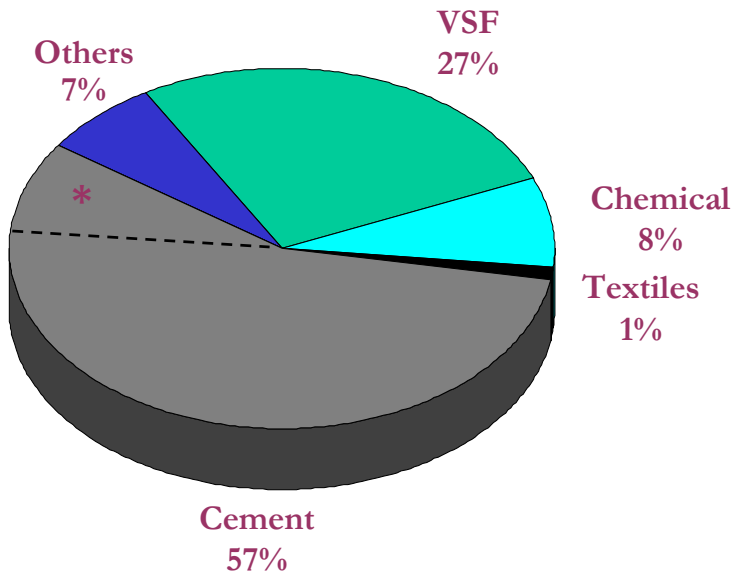
# Consolidated Segmental Performance – Q2FY06

**Revenue Mix**



(Rs.2,328 Crs.)

**PBIDT Mix**



(Rs. 461 Crs.)

- VSF (incl. Chemical) contributed 26% to Revenue and 35% in PBIDT mix
- Cement contributed 62% to Revenue and 57% in PBIDT mix

(\* Minority Share 8%)

## Standalone Financial Performance – Q2FY06

	<u>Rs. Crs.</u>	<u>% Change</u>
<b>TOTAL REVENUE</b>	1,639	7
<b>PBIDT</b>	353	(18)
<b>Interest Charges</b>	24	(35)
<b>PBT</b>	257	(20)
<b>Total Tax Expenses</b>	69	(32)
<b>PAT</b>	188	(15)
<b>EPS (Rs. per Share)</b>	20.5	(15)

- Revenue up by 7%
- PBIDT down by 18%
  - Cement PBIDT up by 30%
  - Stellar performance by Chemical business
  - Subdued performance by VSF business
  - Sponge Iron business suffered
- Interest cost down by 35%
- Total Tax expenses lower at Rs.69 Crs., decrease of 32%
- Net profit lower by 15%

## Standalone Financial Performance – H1FY06

	<u>Rs. Crs.</u>	<u>% change</u>
<b>TOTAL REVENUE</b>	<b>3,192</b>	<b>5</b>
<b>PBIDT</b>	<b>793</b>	<b>(10)</b>
<b>Interest Charges</b>	<b>50</b>	<b>(28)</b>
<b>PBT</b>	<b>600</b>	<b>(10)</b>
<b>Total Tax Expenses</b>	<b>161</b>	<b>(29)</b>
<b>PAT</b>	<b>439</b>	<b>--</b>
<b>EPS (Rs. per Share)</b>	<b>47.8</b>	<b>--</b>

- Revenue up by 5%
- PAT maintained at same level
  - Cement PBIDT up by 20%
  - Stellar performance by Chemical business
  - Subdued performance by VSF business, particularly in Q1
  - Sponge Iron business suffered
  - Interest cost down by 28%
  - Total Tax expenses lower at Rs.161 Crs., decrease of 29%



# Standalone Financial Performance - Q2FY06

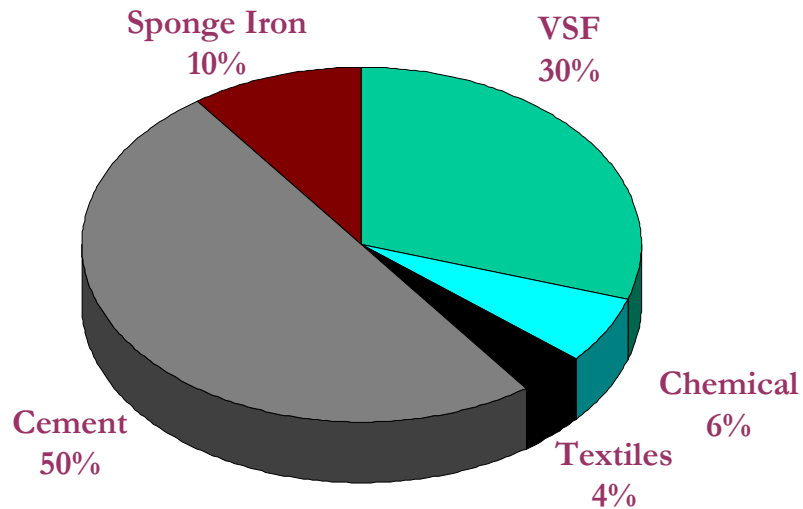
(Rs. Crores)

	Q2FY06	Q2FY05	% Chg.	H1FY06	H1FY05	% Chg.	FY05
Net Turnover & Op. Income	1,639.1	1,533.5	7	3,192.4	3,050.6	5	6,252.4
Other Income	30.8	30.4	1	96.3	46.7	106	167.0
PBIDT	352.7	429.8	(18)	792.5	876.1	(10)	1,784.7
Interest	23.7	36.7	(35)	50.3	69.6	(28)	138.8
Gross Profit	328.9	393.1	(16)	742.2	806.5	(8)	1,645.9
Depreciation	72.0	70.6	2	142.4	140.4	1	284.5
Exceptional Items (net)							(57.7)
PBT	257.0	322.4	(20)	599.8	666.1	(10)	1,303.7
Current Tax	78.6	99.0	(21)	175.9	209.0	(16)	451.0
Deferred Tax	(9.3)	3.5	--	(14.7)	18.0	--	*(33.0)
PAT	187.7	219.9	(15)	438.6	439.1	--	885.7
Earning Per Share (Rs.) Basic and Diluted	20.5	24.0	(15)	47.8	47.9	--	96.6

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

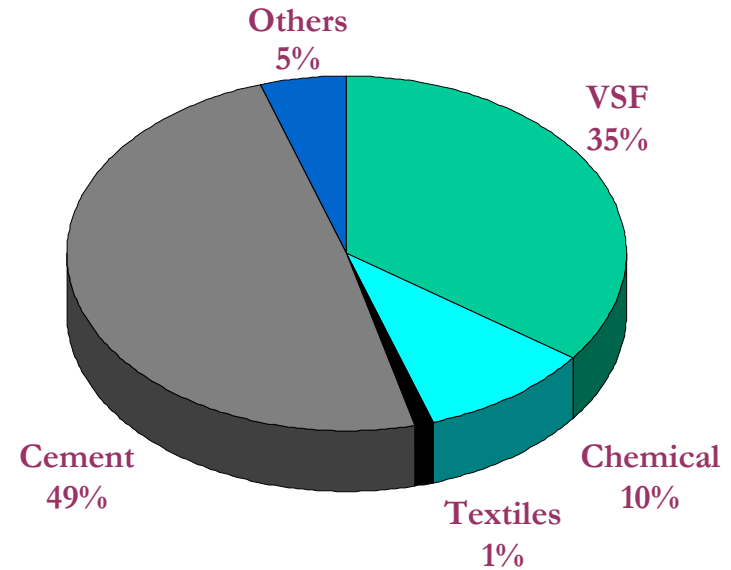
# Standalone Segmental Performance– Q2FY06

Revenue Mix



(Rs.1,639 Crs.)

PBIDT Mix



(Rs.353 Crs.)

- VSF (incl. Chemical) contributed 36% (38%) to Revenue and 45% (46%) in PBIDT mix
- Cement contributed 50% (42%) to Revenue and 49% (31%) in PBIDT mix

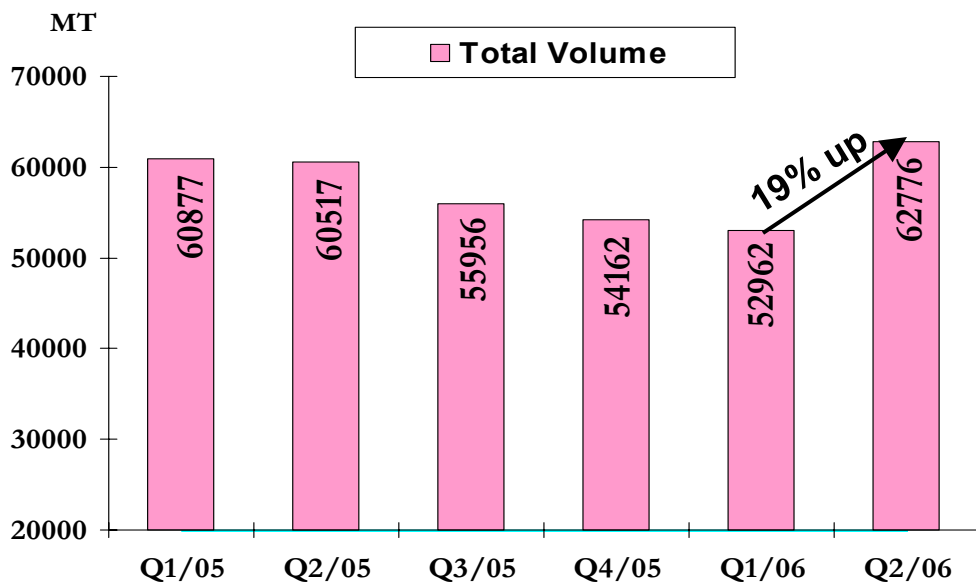


## Business Review – Q2 FY06

- VSF
- Chemicals
- Cement
- Sponge Iron
- Textiles

# Viscose Staple Fibre : Highlights

	Q2FY06	Q2FY05	% Chg.
Capacity (TPA)	253,675	251,850	1
Production (MT)	50,231	61,378	(18)
Sales Volumes (MT)	62,776	60,517	4
Net Turnover (Rs Crs.)	485.1	510.0	(5)
Realisation (Rs./MT)	72,160	79,585	(9)
PBIDT	123.4	178.8	(31)
PBIDT Margin (%)	25.4%	35.0%	--
PBIT (Rs. Crs.)	107.3	164.5	(35)



- **Sales up 4% YoY; up 19% sequentially**
  - EU and US embargo on Chinese exports
  - Focus on exports to growing textile hubs like Pakistan & Bangladesh
- **Conscious scale down in production**
  - Inventory down from 21K Ton to 8K Ton
- **Realisation down 9% YoY**
  - Weak Cotton and global VSF prices
  - Realisation marginally lower than Q1FY06
  - VSF prices appears to be bottoming out
- **Operating margins up on sequential basis**
  - Supported by higher volumes and reduction in pulp and caustic prices
  - Lower than Q2FY05 levels due to weak realisations and higher caustic prices

# Viscose Staple Fibre : Outlook

- Volumes prospects remain positive
  - Embargo on Chinese textile exports to help
  - Closure of Plants in US & Russia due to operations turning unviable
- Price outlook improving; selling price revised upward by Re.1/kg from Oct' 05
- Margins expected to improve
  - Softening pulp prices
  - Caustic prices softening globally
- Long term outlook remains positive
  - Improving prospects for the Indian Textile sector, post MFA era
  - Increased export of Fabrics and Garments to augment VSF consumption
- Focus on increasing fibre exports to key textile hubs like Pakistan & Bangladesh
- Rising share of captive pulp to add strength
- Planning wood pulp plantation at Laos to further integrate the value chain in long term

# Chemical : Highlights and Outlook

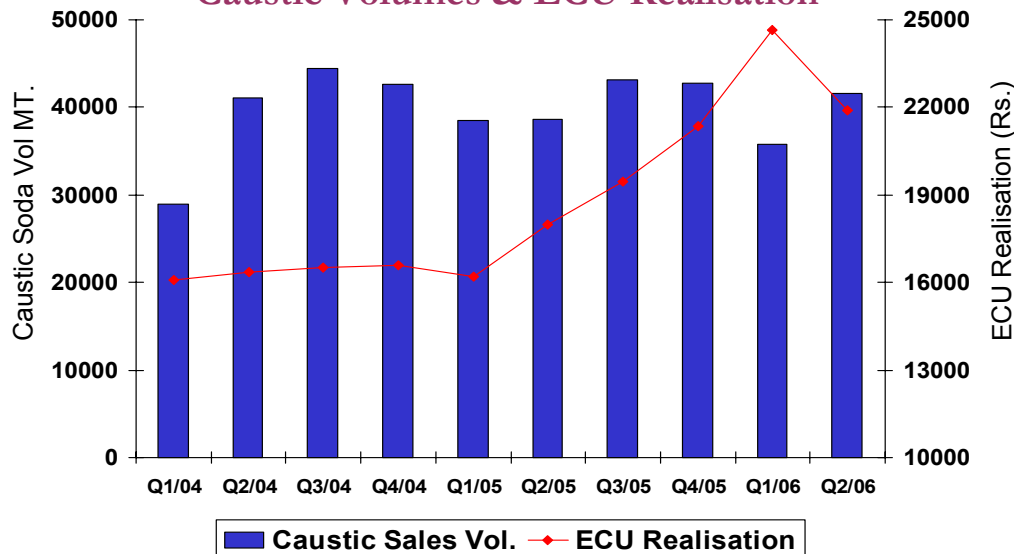
	Q2FY06	Q2FY05	% Chg
Caustic Capacity (TPA)	190,800	190,800	--
Caustic Production (MT)	42,766	38,765	10
Caustic Sales Volumes (MT)	41,585	38,651	8
Net Turnover (Rs. Crs.)	103.9	81.2	28
ECU Realisation (Rs./MT)	21,884	17,979	22
PBIDT	35.4	20.8	70
PBIDT Margin (%)	34.0%	25.6%	--
PBIT (Rs. Crs.)	31.0	16.8	84

- Impressive performance continued
- Sales volume up by 8%
- ECU realisation moved up by 22%
  - Firm international prices on the back of healthy demand
- Operating margins improved sharply on better realisations

## Outlook

- Growth in end use segments to strengthen demand
- Prices expected to decline due to new capacity additions and low Asian prices
- Ongoing capex for converting Mercury cells to Membrane cells to help improve cost efficiency

Caustic Volumes & ECU Realisation



## Cement : Highlights

	Q2FY06	Q2FY05	% Chg.
<b><u>Grey Cement</u></b>			
Capacity (Mn. TPA)	13.12	13.12	--
Production (Mn. MT)	3.21	3.04	6
Sales Volumes (Mn. MT)	*3.25	3.04	7
Net Turnover (Rs. Crs.)	*@681.6	616.0	11
Realisation (Rs./MT)	*@1,927	1,865	3
<b><u>White Cement</u></b>			
Capacity (TPA)	475,000	400,000	19
Production (MT)	87,763	69,506	26
Sales Volumes (MT)	81,557	69,049	18
Net Turnover (Rs.Crs.)	65.9	47.9	38
Realisation (Rs./MT)	5,815	5,594	4
PBIDT	172.5	133.0	30
PBIDT Margin (%)	23.1%	20.0%	--
PBIT (Rs. Crs.)	132.2	93.8	41

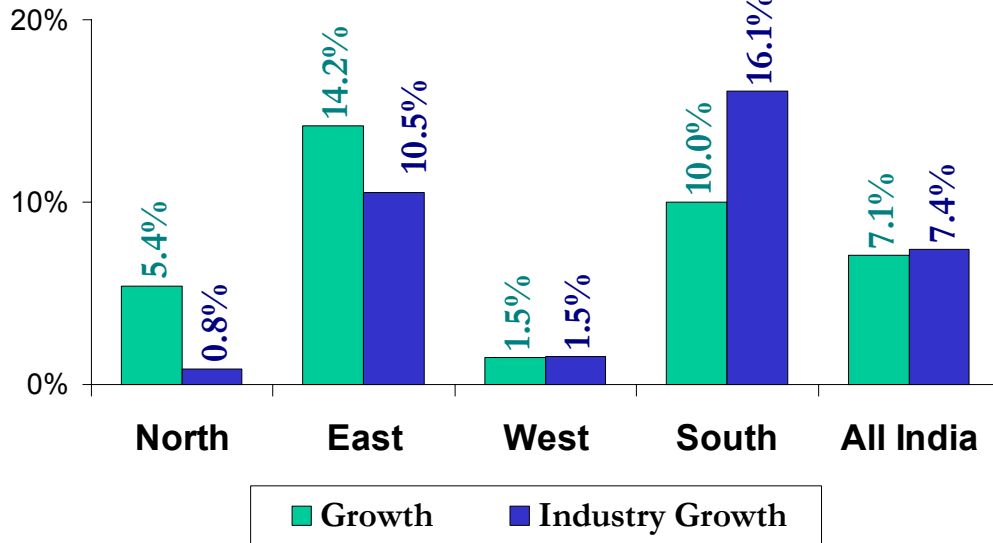
\* Adjusted for 0.2 Mn. MT of traded volumes

@ Adjusted for differential in freight paid sales for comparison purpose

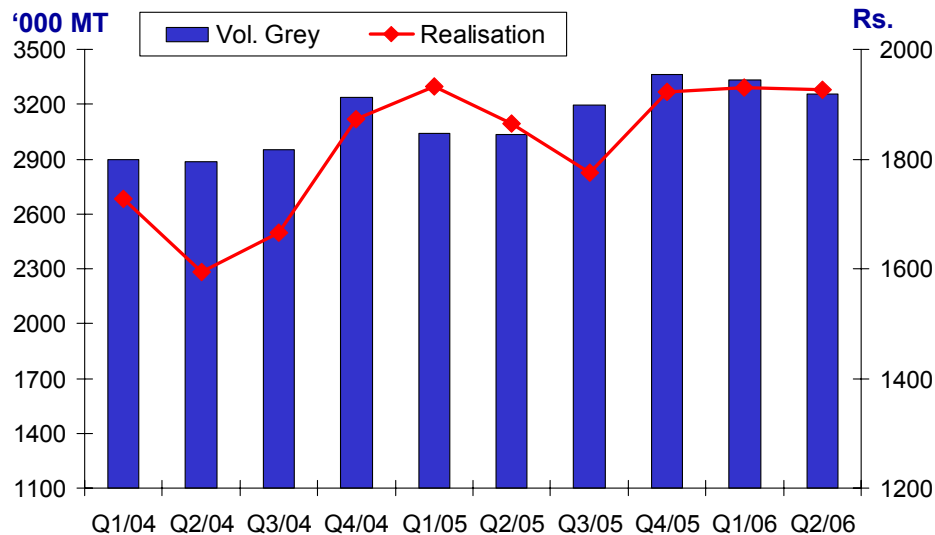
- Excellent performance
- Capacity utilisation impressive at 98%
- Sales volumes up 7% YoY
  - Outperformed the industry in North and East
  - Strong growth of 10% in the South
- Turnover up by 11%
- Realisations improved by 3% YoY
  - Improved realisations across markets
  - Stable pricing environment even during the monsoon
- Revenue improved as a result

# Cement : Highlights contd..

Q2FY06 – Zone wise Growth



Grey Cement Sales volume and Realisation /Tonne



## ● White Cement

- Volumes up 18% on back of healthy domestic demand and increased market share
- Revenues increased by 38% helped by volumes and increase in value added products

● Margins improved from 20% to 23% on increased realisations

● Operating profit increased by 30%



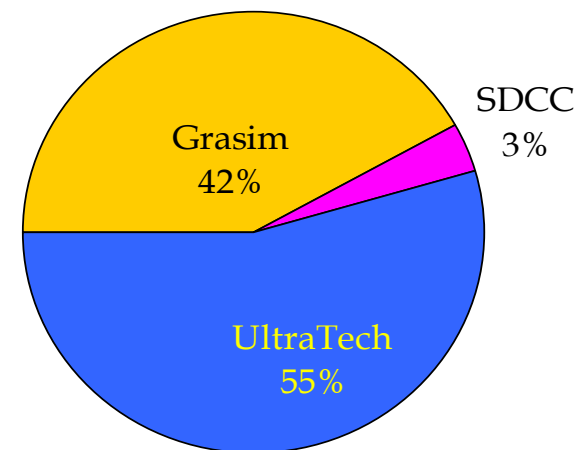
## Cement : Outlook

- Strong demand growth of 10% during H1FY06
  - Turnaround in the south; demand up 21% YoY
  - East continues to grow buoyantly, up by 17%
- Demand outlook positive, expected to grow by 8%
  - Buoyant demand from housing segment
  - Continued thrust on infrastructure
  - Unfolding of capex cycle to provide further impetus
- Demand growth higher than incremental supply
  - Capacity growth to be about 4-5% p.a. for two years
- Tightening of demand supply gap to yield better prices
- Grasim to increase production by 1.5 Mn. MT over next 2 years

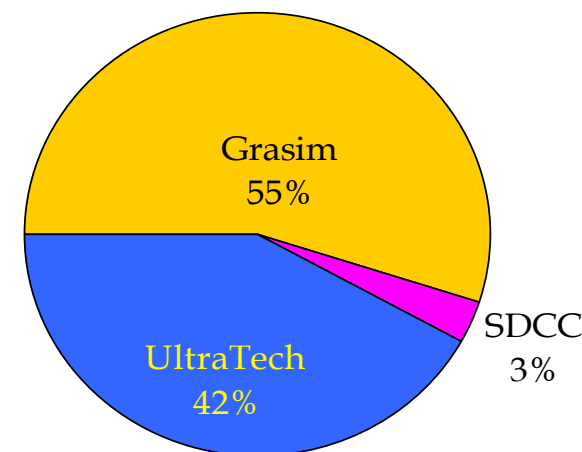
# Cement Consolidated : Highlights

	Q2FY06	Q2FY05	FY05
<b>Cement</b>			
Capacity (Mn. TPA)	31.2	31.2	31.2
Production (Mn. MT)			
Clinker	0.3	0.8	3.1
Cement	6.1	5.8	26.1
	6.4	6.6	29.2
Sales Volumes (Mn. MT)			
Clinker	0.3	0.8	3.1
Cement	6.2	5.9	26.3
	6.5	6.7	29.4
Revenue (Rs. Crs.)			
Clinker	41	117	410
Cement	1,216	1,095	4,803
Others	106	85	441
	1,363	1,297	5,654
*PBIDT (Rs. Crs.)	267	227	974
*Capital Employed (Rs. Crs.)	6,814	7,003	6,888

\* Including Minority Share



Cement Capacity - 31.2 Mn. Ton



Revenue (Q2FY06) - Rs.1,363 Crs.

## Sponge Iron : Highlights

	Q2FY06	Q2FY05	% Chg.
Capacity (TPA)	900,000	900,000	--
Production (MT)	125,944	202,976	(38)
Sales Volumes (MT)	140,275	189,959	(26)
Net Turnover (Rs. Crs.)	170.4	227.5	(25)
Realisation (Rs./MT)	11,956	11,763	2
PBIDT	0.4	73.7	--
PBIDT Margin (%)	0.2%	32.4%	--
PBIT (Rs. Crs.)	(8.2)	65.1	--

- Business suffered on adverse macro developments
- Production severely impacted by disruptions in Natural Gas supplies
- Sales volume declined as a result
- Realisation up marginally amidst volatile global scrap prices
- Operating margins impacted on lower volumes and higher input costs
  - Steep rise in Iron Ore prices by 60% YoY; up 30% sequentially
  - Pellet prices up by 70% YoY
  - Natural Gas prices up by 110% YoY
  - Higher use of expensive alternate feedstock due to Natural Gas shortage



## Sponge Iron : Outlook

- Volumes likely to improve in H2FY06
  - Natural gas supply getting restored though still lower from earlier levels
  - Steel sector outlook positive
- Profitability to remain under pressure in ensuing quarters due to increased input cost, though expected to be higher than Q2FY06 levels
- Significant improvement can be expected with adequate gas availability; likely by early 2007

# Textiles : Highlights and Outlook

	Q2 FY06	Q2 FY05	% Chg.
<b>Sales Volumes</b>			
- Fabrics (lac Mtrs.)	45	48	(6)
- Synthetic Yarn (MT)	1,591	1,600	(1)
<b>Net Turnover (Rs. Crs.)</b>	70.7	75.5	(6)
<b>Fabric Realisation (Rs./Mtr.)</b>	110	109	1
<b>Synth. Yarn Realisation (Rs./Kg)</b>	121	127	(5)
<b>PBIDT</b>	3.4	5.0	(32)
<b>PBIDT Margin (%)</b>	4.8%	6.6%	--
<b>PBIT (Rs. Crs.)</b>	1.9	1.8	--

- Fabric volumes down 6%
  - Withdrawal from export markets due to lower realisations
- Fabric realisations up 1%
- Outlook
  - Demand from RMG segment to grow
  - New product launch to improve volumes

*Grasim*  
SUITING  
the power of fashion



ANDAAZ ZARA HAT KE!



# Capex

## Capex under implementation

	Capex plan	Rs. Crores	
		Cash Outflow FY06	FY07
<b>Cement</b>	951	457	437
- Power plants (3 Nos, 77MW)	330	114	160
- Grinding unit in North (1.3 Mn. MT)	115	50	65
- De-bottlenecking/Blending	144	49	94
- Modernization	362	244	118
<b>VSF</b>	533	214	319
- Capacity expansion (58,775 Tons)	374	82	292
- Modernization	159	132	27
<b>Sponge Iron</b>	29	29	-
<b>Chemical</b>	178	99	79
<b>Others</b>	13	11	2
<b>TOTAL</b>	1,704	810	837

- H1 FY06 Capex spent - Rs.175 Crs
  - Cement Rs.103 Crs., VSF Rs.58 Crs., Others Rs.14 Crs.
- Separate Capex plan of Rs.987 Crs. for UltraTech [ incl. Rs.540 Crs. for 92 MW thermal power plant]



# Financial Highlights



## Profitability Snapshot - Standalone

<i>(Figures in Rs. Crores)</i>	FY99	FY04	FY05	H1 FY06
Gross Turnover	4,325	6,130	7,201	3,663
Net Turnover	3,757	5,213	6,229	3,169
PBIDT	674	1,504	1,785	793
PBIDT Margin (%)	17.9%	28.9%	28.7%	25.0%
Int. & Fin. Charges	292	154	139	50
PBDT	381	1,350	1,646	742
Total Tax Expenses	67	298	# 418	161
PAT	* 105	779	886	439
EPS (Rs.)	* 12.5	85.0	96.6	47.8
CEPS (Rs.)	44.7	115.5	130.3	61.8
DPS (Rs.)	6.8	14.0	16.0	--
Interest Cover (x)	2.3	7.9	9.6	12.3

- In last completed FY05, compared to FY99
  - PBIDT has gone up 2.6 times
  - PAT has multiplied by 8 times; CAGR of 43%
  - Over 7 times growth in market cap. Rs.102 Bn. (US\$ 2.3 Bn.)
- EPS improved significantly from Rs.13\* in FY99 to Rs.97 in FY05

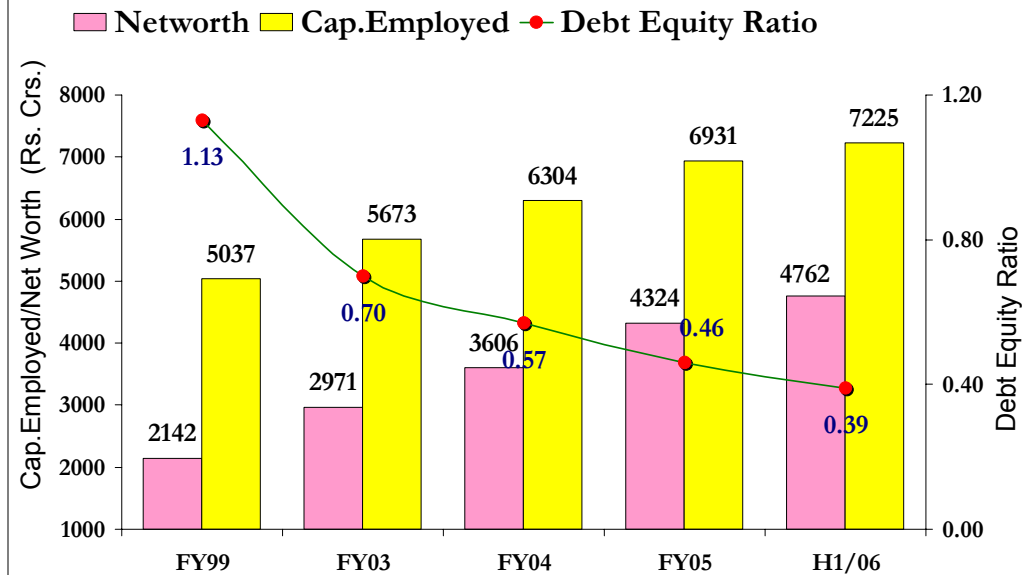
\* Adjusted for deferred Tax

# Including deferred tax / adjustment of past years

# Financial Snapshot - Standalone

(Figures in Rs. Crores)	FY99	FY04	FY05	H1 FY06
Gross Block	4,937	5,802	6,052	6,190
Net Block	3,354	3,213	3,204	3,219
Cement Subs. Investments	56	2,333	2,362	2,357
Other Investments	624	409	939	1,238
Net Current Assets	1,003	349	426	411
Capital Employed	5,037	6,304	6,931	7,225
Net Worth	2,142	3,606	4,324	4,762
Debts	2,421	2,065	2,008	1,878
Deferred Tax	474	633	599	585
Debt: Equity (x)	1.13	0.57	0.46	0.39
Book Value (Rs.)	234	393	472	519
ROAvCE (PBIT Basis)(%) #	10.1	20.9	23.1	18.8
RONW (%)#	5.3	23.7	23.7	19.3

# Exceptional items eliminated in calculation of ROAvCE/RONW



- Book Value – from Rs.234 in FY99 to Rs.519 per share in H1FY06
- # Real standalone return in H1FY06 excluding investment in cement subsidiaries
  - ROCE (%) 28.6%
  - RONW (%) 40.2%

# Consolidated Balance Sheet

<i>(Figures in Rs. Crores)</i>	FY04	FY05	H1FY06
Gross Block	10,702	11,317	11,570
Net Block	6,394	6,300	6,316
Goodwill	2,037	1,958	1,958
Investments	270	769	1,070
Net Current Assets	475	674	596
<b>Capital Employed</b>	<b>9,176</b>	<b>9,701</b>	<b>9,938</b>
Net Worth	3,348	4,086	4,544
Minority Interest	515	500	534
Debts	4,108	3,936	3,712
Deferred Tax	1,205	1,179	1,149
Debt: Equity ** (x)	1.06	0.86	0.73
Book Value (Rs.)	365	446	496
ROAvCE (PBIT Basis)(%) <sup>#</sup>	15.2	18.5	17.3
RONW (%) <sup>#*</sup>	23.1	26.1	23.0

\* Excluding Minority Share

# Exceptional items eliminated in calculation of ROAvCE/RONW

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

**UltraTech Cement Limited (Consolidated)**  
**Performance Review – Q2FY06**

# UltraTech Consolidated Financial Performance-Q2FY06

	(Rs. Crores)			
	Q2 FY06	Q2 FY05	% Inc.	FY05
Net Turnover & Other Income	* 580.2	596.2	(3)	2,700.3
PBIDT	78.5	90.6	(13)	378.9
PBIDT Margin (%)	13.7%	15.3%	--	14.1%
Interest	22.6	26.6	(15)	109.3
Depreciation	54.0	\$ 66.7	(19)	\$ 229.5
Impairment of Goodwill	--	--		76.8
PBT	1.9	(2.7)	--	(36.7)
Current Tax	6.9	12.1	(43)	32.5
Deferred Tax	(7.7)	(2.3)	--	#(36.9)
PAT	2.7	(12.4)	--	(32.4)
Minority Share	0.5	0.4	--	2.0
PAT after Minority share	2.2	(12.8)	--	(34.4)

\$ Depreciation includes Rs.18.3 Crs. related to earlier years

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

- Performance impacted by
    - Flood in key markets of Western and Central India
    - Shutdown at Gujarat Cement Works, Kovaya due to floods
    - Annual maintenance shutdown at all plants & jetty
  - Operating margins down from 15% in Q2FY05 to 14% in Q2FY06
    - Lower volumes
    - Increase in energy cost by 10%
    - Higher maintenance cost in Q2FY06
  - Reduction in interest cost by 15%
- \* Turnover (adjusted for traded volumes and differential in freight paid sales) down by 3%

# UltraTech Consolidated: Q2FY06 Highlights

	Q2FY06	Q2FY05	FY05
<b>Capacity (Mn TPA)</b>			
Clinker	15.50	15.50	15.50
Grinding	17.00	17.00	17.00
<b>Production (Mn. MT)</b>			
Clinker	0.22	0.72	2.68
Cement	2.71	2.63	12.92
<b>Sales volumes (Mn. MT)</b>			
Clinker	0.22	0.72	2.68
Cement - Domestic	2.47	2.55	11.99
- Exports	0.26	0.11	0.92
	2.95	3.38	15.59
<b>Realisation (Rs./Ton)</b>			
Clinker	1,572	1,391	1,324
Cement (Domestic)	\$ 1,910	1,787	1,756

- Sales volume at 2.95 Mn. MT \*
  - Lower domestic volumes and clinker exports
- Cement realisation up by 7%
- Export prices continue to be firm, likely to sustain during the year
  - Clinker realisation up by 13%
  - Current FOB prices: Cement US\$ 45/ton, Clinker US\$ 37/ton

\* Excludes 0.2 Mn. MT of traded goods

\$ Recasted for differential in freight paid sales

# UltraTech Outlook

- Capex plan of Rs.987 Crs. (including captive power plant of Rs.540 Crs.)
- Cost and efficiency improvement
  - Power cost reduction
    - ⇒ Lignite based TPP at Gujarat plant, by July 2007
    - ⇒ Co-Generation plant at APCW
    - ⇒ Measures for interim reduction of power cost at Gujarat plant
  - Fuel cost reduction
    - ⇒ Bidding for captive coal and lignite mines
    - ⇒ Use of alternate fuel - Petcoke
  - Logistics Cost reduction
- Realisation of synergy gains

**Shree Digvijay Cement Company Limited (SDCC)**  
**Results for Quarter ended 30<sup>th</sup> Sep 2006**














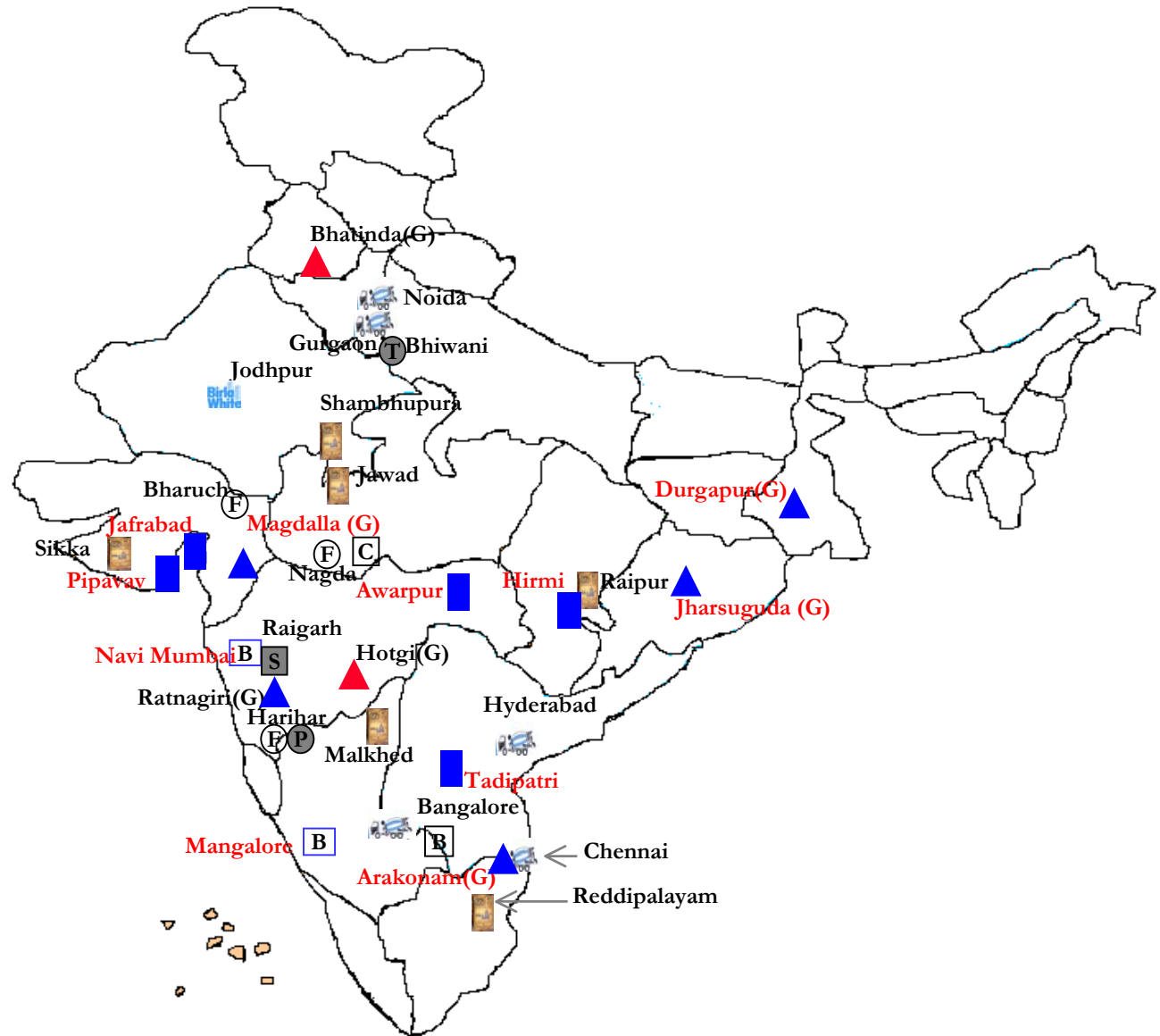
## SDCC Financial Performance - Q2FY06

	(Rs. Crores)		
(Lac MT)	Q2 FY06	Q2 FY05	% Chg.
Cement Production	1.87	1.41	} (4)
Clinker Production	0.36	0.92	
Sales Volumes			
- Cement	1.94	1.41	} (1)
- Clinker	0.36	0.92	
Realisation (Rs./MT)-Cement	1,742	1,739	--
Realisation (Rs./MT)-Clinker	1,267	1,217	4
Net Revenues	44.4	41.1	8
PBIDT	9.4	4.1	128
PBIDT Margin	21.2%	10.1%	--
Interest	1.1	0.3	--
Depreciation	1.6	1.7	(7)
Profit before EIs	6.7	2.1	219
Exceptional Write backs	6.6	(0.9)	
Profit after EIs	13.3	1.2	--

- Capacity utilisation at 83%
- Focus on maximising Cement volumes; up 37%
- Revenue up 8%
- Better sales mix helped improve margins and operating profit
- Profit before EI tripled, though from a lower base

# 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*



**Thank You**

## Segmental & Business Performance Summary

- Q2/H1FY06 Consolidated performance
- Q2/H1FY06 Standalone performance
- VSF Summary
- Chemical Summary
- Cement Summary
- Sponge Iron Summary
- Textiles Summary
- Production Data
- Segmental Turnover & Realisations

# Consolidated Financial Performance - Q2FY06

(Rs. Crores)

	Q2FY06	Q2FY05	% Chg.	H1FY06	H1FY05	% Chg.	FY05 (Audited)
Net Turnover & Op. Income	2,327.7	2,221.7	5	4,795.8	4,501.5	7	9,317.3
Other Income	44.7	38.2	17	120.2	89.5	34	217.6
PBIDT	460.9	538.1	(14)	1,101.4	1,122.4	(2)	2,272.3
Interest	53.9	70.4	(23)	110.6	139.2	(21)	284.7
Gross Profit	407.0	467.6	(13)	990.8	983.2	1	1,987.6
Depreciation	137.4	148.3	(7)	272.8	283.1	(4)	556.1
Exceptional Items	-	-	-	-	-	-	(128.1)
PBT	269.6	319.3	(16)	718.0	700.1	3	1,303.4
Current Tax	85.6	110.9	(23)	218.8	229.9	(5)	483.3
Deferred Tax	(16.9)	1.2	--	(30.4)	75.0	--	\$ (41.2)
PAT	200.9	207.2	(3)	529.6	395.2	34	861.3
Minority Share	0.5	+ 8.0	--	33.1	+28.8	--	+ 19.0
PAT after Share	200.4	215.2	(7)	496.5	424.0	17	880.3
Earning Per Share (Rs.) Basic and Diluted	21.9	23.5	(7)	54.1	46.2	17	96.0

\$ 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 – Q2FY06

Rs. Crores

Business	Revenue	PBIDT	PBIDT Margin (%)	PBIT	Capital Employed	ROAvCE (%) (PBIT basis)
VSF	513.7	123.3	24.0	106.9	979	44.9
Chemical	104.1	35.4	34.0	31.0	201	61.8
Cement	1,445.3	267.0	18.5	171.5	6,814	10.2
Sponge Iron	170.4	0.4	0.2	(8.2)	479	(6.7)
Textile	73.7	3.4	4.8	1.9	106	7.5
Company (Including Minority Share)	2,327.7	460.9	19.8	323.6	9,938	13.6
				Interest		54.0
				Profit Before Tax		269.6
				Total Tax Expenses		68.7
				PAT (Incl. minority share)		200.9
				Minority Share		0.5
				PAT (Net of minority share)		200.4
				RONW		18.6%

# Consolidated Segmental Performance – H1FY06

Rs. Crores

Business	Revenue	PBIDT	PBIDT Margin (%)	PBIT	Capital Employed	ROAvCE (%) (PBIT basis)
VSF	947.3	214.4	22.6	182.5	979	38.4
Chemical	203.6	72.9	35.8	64.1	201	63.9
Cement	3,092.2	636.5	20.6	445.5	6,814	13.3
Sponge Iron	390.8	69.5	17.8	52.5	479	21.3
Textile	126.4	4.3	3.5	1.3	106	2.6
<b>Company (Including Minority Share)</b>	<b>4,795.8</b>	<b>1,101.4</b>	<b>23.0</b>	<b>828.6</b>	<b>9,938</b>	<b>17.3</b>
				<b>Interest</b>		<b>110.6</b>
				<b>Profit Before Tax</b>		<b>718.0</b>
				<b>Total Tax Expenses</b>		<b>188.4</b>
				<b>PAT (Incl. minority share)</b>		<b>529.6</b>
				<b>Minority Share</b>		<b>33.1</b>
				<b>PAT (Net of minority share)</b>		<b>496.5</b>
				<b>RONW</b>		<b>23.0%</b>

# Standalone Financial Performance - Q2FY06

(Rs. Crores)

	Q2FY06	Q2FY05	% Chg.	H1FY06	H1FY05	% Chg.	FY05
Net Turnover & Op. Income	1,639.1	1,533.5	7	3,192.4	3,050.6	5	6,252.4
Other Income	30.8	30.4	1	96.3	46.7	106	167.0
PBIDT	352.7	429.8	(18)	792.5	876.1	(10)	1,784.7
Interest	23.7	36.7	(35)	50.3	69.6	(28)	138.8
Gross Profit	328.9	393.1	(16)	742.2	806.5	(8)	1,645.9
Depreciation	72.0	70.6	2	142.4	140.4	1	284.5
Exceptional Items (net)	--	--	--	--	--	--	(57.7)
PBT	257.0	322.4	(20)	599.8	666.1	(10)	1,303.7
Current Tax	78.6	99.0	(21)	175.9	209.0	(16)	451.0
Deferred Tax	(9.3)	3.5	--	(14.7)	18.0	--	*(33.0)
PAT	187.7	219.9	(15)	438.6	439.1	--	885.7
Earning Per Share (Rs.) Basic and Diluted	20.5	24.0	(15)	47.8	47.9	--	96.6

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



# Standalone Segmental Performance –Q2FY06

(Rs. Crores)

Business	Revenue		PBIDT		PBIDT Margin (%)		PBIT		Capital Employed		ROAvCE (%) (PBIT basis)	
	Q2FY06	Q2FY05	Q2FY06	Q2FY05	Q2FY06	Q2FY05	Q2FY06	Q2FY05	Q2FY06	Q2FY05	Q2FY06	Q2FY05
VSF	499.8	515.7	123.4	178.8	25.4	35.0	107.3	164.5	952	852	46.3	82.4
Chemical	104.1	81.4	35.4	20.8	34.0	25.6	31.0	16.8	201	204	61.8	33.6
Cement	825.5	665.2	172.5	133.0	23.1	20.0	132.3	93.8	2,113	2,109	25.9	18.5
Sponge Iron	170.4	227.5	0.4	73.7	0.2	32.4	(8.2)	65.1	479	446	(6.7)	56.5
Textile	73.7	77.7	3.4	5.0	4.8	6.6	1.9	1.8	106	108	7.5	6.5
Direct Operations			335.1	411.3			264.3	342.0	3,851	3,719	28.1	38.0
Cement subsidiaries									2,215	2,270		
Company as a whole	@1,639.1	@1,533.5	352.7	429.8	21.8	28.2	280.7	359.1	7,224	7,171	16.3	21.3

@ Net of Inter and Intra segment sales

# Standalone Segmental Performance-H1FY06

(Rs. Crores)

Business	Revenue		PBIDT		PBIDT Margin (%)		PBIT		Capital Employed		ROAvCE (%) (PBIT basis)	
	H1FY06	H1FY05	H1FY06	H1FY05	H1FY06	H1FY05	H1FY06	H1FY05	H1FY06	H1FY05	H1FY06	H1FY05
VSF	918.1	1,011.1	215.1	326.1	23.8	32.4	184.0	298.5	952	852	39.7	74.8
Chemical	203.6	153.8	72.9	32.8	35.8	21.3	64.1	24.4	201	204	63.9	24.4
Cement	1627.3	1,347.6	359.7	299.4	23.8	22.3	279.6	221.5	2,113	2,109	27.4	21.8
Sponge Iron	390.8	477.5	69.5	185.3	17.8	38.8	52.5	168.0	479	446	21.3	72.9
Textile	126.4	130.1	4.3	7.2	3.5	5.8	1.3	0.7	106	108	2.6	1.2
Direct Operations			721.5	850.8			581.5	713.1	3,851	3,719	30.9	39.6
Cement subsidiaries									2,215	2,270		
Company as a whole	@3,192.4	@3,050.6	792.5	876.1	25.0	28.9	650.1	735.7	7,224	7,171	18.8	22.0

@ Net of Inter and Intra segment sales

## Viscose Staple Fibre : Summary

		Q2 FY06	Q2 FY05	% Chg.	H1 FY06	H1 FY05	% Chg.	FY05
Capacity	TPA	253,675	251,850	1	253,675	251,850	1	@ 253,675
Production	MT	50,231	61,378	(18)	102,513	121,090	(15)	247,952
Sales Volumes	MT	62,776	60,517	4	115,732	121,394	(5)	231,533
Net Turnover	Rs. Crs.	485.1	510.0	(5)	902.9	1,005.0	(10)	1,956.4
Avg. Realisation	Rs./MT	72,160	79,585	(9)	72,587	78,428	(7)	79,008
PBIDT	Rs. Crs.	123.4	178.8	(31)	215.1	326.1	(34)	610.8
PBIDT Margin	%	25.4%	35.0%	--	23.8%	32.4%	--	31.2%
PBIT	Rs. Crs.	107.3	164.5	(35)	184.0	298.5	(38)	553.6
Capital Employed	Rs. Crs.	952	852	12	952	852	12	1,027
ROAvCE(PBIT basis)	%	46.3%	82.4%	--	39.7%	74.8%	--	63.3%

@ Capacity increased during Q4FY05

## Chemical : Summary

		Q2 FY06	Q2 FY05	% Chg.	H1 FY06	H1 FY05	% Chg.	FY05
Capacity (Caustic)	MT	190,800	190,800	--	190,800	190,800	--	190,800
Production (Caustic)	MT	42,766	38,765	10	78,783	77,083	2	161,966
Sales Volume(Caustic)	MT	41,585	38,651	8	77,434	77,148	--	163,111
Net Turnover	Rs. Crs.	103.9	81.2	28	203.2	153.5	32	350.9
Avg. ECU Realisation	Rs./MT	21,884	17,979	22	23,178	17,078	36	18,836
<b>PBIDT</b>	Rs. Crs.	<b>35.4</b>	<b>20.8</b>	<b>70</b>	<b>72.9</b>	<b>32.8</b>	<b>122</b>	<b>104.0</b>
PBIDT Margin	%	34.0%	25.6%	--	35.8%	21.3%	--	29.6%
PBIT	Rs. Crs.	31.0	16.8	84	64.1	24.4	163	87.0
Capital Employed	Rs. Crs.	201	204	(1)	201	204	(1)	213
ROAvCE (PBIT basis)	%	61.8%	33.6%	--	63.9%	24.4%	--	42.5%

# Cement : Summary

		Q2 FY06	Q2 FY05	% Chg.	H1 FY06	H1 FY05	% Chg.	FY05
<b><u>Grey Cement</u></b>								
Capacity	Mn. MT	13.12	13.12	--	13.12	13.12	--	13.12
Production	Mn. MT	3.21	3.04	6	6.56	6.03	9	12.44
Sales Volumes	Mn. MT	* 3.25	3.04	7	* 6.59	6.08	8	12.63
Net Turnover	Rs. Crs.	* @ 681.6	616.0	11	* @ 1,380.1	1,254.5	10	2,577.8
Avg. Realisation	Rs./MT	* @ 1,927	1,865	3	* @ 1,931	1,899	2	1,874
<b><u>White Cement</u></b>								
Capacity	TPA	475,000	400,000	19	475,000	400,000	19	#475,000
Production	MT	87,763	69,506	26	166,537	142,734	17	315,368
Sales Volumes	MT	81,557	69,049	18	161,428	139,901	15	311,454
Net Turnover	Rs. Crs.	65.9	47.9	38	128.2	90.2	42	220.2
Avg. Realisation	Rs./MT	5,815	5,594	4	5,842	5,276	11	5,612
PBIDT	Rs. Crs.	172.5	133.0	30	359.7	299.4	20	551.4
PBIDT Margin	%	23.1%	20.0%	--	23.8%	22.3%	--	19.7%
PBIT	Rs. Crs.	132.2	93.8	41	279.6	221.5	26	393.1
Capital Employed	Rs. Crs.	2,113	2,109	--	2,113	2,109	--	2,132
ROAvCE (PBIT basis)	%	25.9%	18.5%	--	27.4%	21.8%	--	19.2%

\* Adjusted for 0.2 Mn. MT of traded volumes

@ Adjusted for differential in freight paid sales for comparison purpose

# Capacity increased during Q4FY05

## Sponge Iron : Summary

		Q2 FY06	Q2 FY05	% Chg.	H1 FY06	H1 FY05	% Chg.	FY05
Capacity	TPA	900,000	900,000	--	900,000	900,000	--	900,000
Production	MT	125,944	202,976	(38)	305,760	379,908	(20)	780,341
Sales Volumes	MT	140,275	189,959	(26)	283,902	373,418	(24)	772,799
Net Turnover	Rs. Crs.	170.4	227.5	(25)	390.8	477.4	(18)	1,021.4
Avg. Realisation	Rs./MT	11,956	11,763	2	13,027	12,161	7	12,774
PBIDT	Rs. Crs.	0.4	73.7	(100)	69.5	185.3	(62)	389.7
PBIDT Margin	%	0.2%	32.4%	--	17.8%	38.8%	--	38.2%
PBIT	Rs. Crs.	(8.2)	65.1	--	52.5	168.0	(69)	355.2
Capital Employed	Rs. Crs.	479	446	7	479	446	7	512
ROAvCE (PBIT basis)	%	(6.7)	56.5%	--	21.3%	72.9%		71.2%



# Textiles : Summary

		Q2 FY06	Q2 FY05	% Chg.	H1 FY06	H1 FY05	% Chg.	FY05
Net Turnover	Rs. Crs.	70.7	75.5	(6)	121.2	124.7	(3)	249.9
PBIDT	Rs. Crs.	3.4	5.0	(32)	4.3	7.2	(40)	11.9
PBIDT Margin	%	4.8%	6.6%	--	3.5%	5.8%	--	4.8%
PBIT	Rs. Crs.	1.9	1.8	--	1.3	0.7	--	(0.5)
Capital Employed	Rs. Crs.	106	108	(2)	106	108	(2)	101
ROAvCE (PBIT basis)	%	7.5%	6.5%	--	2.6%	1.2%	--	(0.4)%



# Production Data (MT)

	Q2FY06			Q2FY05			FY05		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
VSF	253,675	50,231	79	251,850	61,378	97	@ 253,675	247,952	98
Caustic Soda	190,800	42,766	90	190,800	38,765	81	190,800	161,966	85
Grey Cement *	13.12	3.21	98	13.12	3.04	93	13.12	12.44	95
White Cement	475,000	87,763	74	400,000	69,506	70	@ 475,000	315,368	75
Sponge Iron	900,000	125,944	56	900,000	202,976	90	900,000	780,341	87

@ Capacity increased during Q4FY05

\* Grey Cement numbers are in Mn. MT



## Divisional Turnover (Qty.) & Realisation

Product	Quantity (MT)			Realisation (Rs. /MT)		
	Q2FY06	Q2FY05	FY05	Q2FY06	Q2FY05	FY05
VSF	62,776	60,517	231,533	72,160	79,585	79,008
Caustic Soda *	41,585	38,651	163,111	21,884	17,979	18,836
Grey Cement * *	3.25	3.04	12.63	1,927	1,865	1,874
White Cement	81,557	69,049	311,454	5,815	5,594	5,612
Sponge Iron	140,275	189,959	772,799	11,956	11,763	12,774

\* ECU Realisation

\*\* Numbers are in Mn. MT.



**GRASIM, THE ADITYA BIRLA GROUP'S FLAGSHIP COMPANY**  
RESULTS FOR Q2 FY 2006

**Consolidated Financial Performance:**

	Rs. Crores					
	Q2 FY06	Q2 FY05	% Change	H1 FY06	H1 FY05	% Change
<b>Net Revenue</b>	<b>2,327.7</b>	<b>2,221.7</b>	<b>4.8</b>	<b>4,795.8</b>	<b>4,501.5</b>	<b>6.5</b>
<b>Gross Profit</b>	<b>407.0</b>	<b>467.6</b>	<b>(13.0)</b>	<b>990.8</b>	<b>983.2</b>	<b>0.8</b>
Depreciation	137.4	148.3	(7.4)	272.8	283.1	(3.7)
Total Tax Expenses	68.7	112.1	(38.7)	188.4	304.9	(38.2)
<b>Profit after Taxes</b>	<b>200.9</b>	<b>207.2</b>	<b>(3.0)</b>	<b>529.6</b>	<b>395.2</b>	<b>34.0</b>
<b>Less: Minority Share</b>	<b>0.5</b>	<b>(8.0)</b>	<b>-</b>	<b>33.1</b>	<b>(28.8)</b>	<b>-</b>
<b>Net Profit</b>	<b>200.4</b>	<b>215.2</b>	<b>(6.9)</b>	<b>496.5</b>	<b>424.0</b>	<b>17.1</b>
<b>EPS (Rs.)</b>	<b>21.9</b>	<b>23.5</b>	<b>(6.9)</b>	<b>54.1</b>	<b>46.2</b>	<b>17.1</b>

Grasim, the flagship Company of the Aditya Birla Group, has posted good performance during the quarter ended 30<sup>th</sup> September 2005. Consolidated revenues were Rs.2,328 crores (Rs.2,222 crores). Net profit was Rs.200 crores (Rs.215 crores).

Two factors have had an adverse impact on the Q2 performance - firstly, the subdued performance by its Sponge Iron business due to the non-availability of natural gas and high feedstock cost, and secondly, the floods in Gujarat which affected its subsidiary, UltraTech Cement Limited, in a major way. This was partially mitigated by the excellent performance of Grasim's Cement and Chemical businesses.

However, the Company has posted an improved performance for the first six months of the current financial year, with the Net profit rising by 17% to Rs.497 crores (Rs.424 crores).

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

The Company's stand-alone results for the quarter have been satisfactory, despite the downturn faced by two of its major businesses, viz., Viscose Staple Fibre and Sponge Iron. Revenues for the quarter were at Rs.1,639 crores (Rs.1,534 crores) while Net profit for the same period was at Rs.188 crores (Rs.220 crores).

The Company has been able to maintain its performance for the first half of the current year, despite the challenges faced by its two major businesses. While Revenues were higher by 5% at Rs.3,192 crores (Rs.3,051 crores), Net profit was maintained at Rs.439 crores (Rs.439 crores).

## Highlights of Grasim's operations:

		Q2FY06	Q2FY05	% Change	FY 2005
<b>Production -</b>					
Viscose Staple Fibre	M.T.	50,231	61,378	-18%	2,47,952
Cement	Mn. M.T.	3.21	3.04	6%	12.44
White Cement	M.T.	87,763	69,506	26%	3,15,368
Sponge Iron	M.T.	1,25,944	202,976	-38%	7,80,341
Caustic Soda	M.T.	42,766	38,765	10%	1,61,966
<b>Sales Volumes -</b>					
Viscose Staple Fibre	M.T.	62,776	60,517	4%	2,31,533
Cement	Mn. M.T.	3.25	3.04	7%	12.63
White Cement	M.T.	81,557	69,049	18%	3,11,454
Sponge Iron	M.T.	1,40,275	189,959	-26%	7,72,799
Caustic Soda	M.T.	41,585	38,651	8%	1,63,111
<b>Net Realisation -</b>					
Viscose Staple Fibre	Rs./M.T.	72,160	79,585	-9%	79,008
Cement	Rs./M.T.	1,927	1,865	3%	1,874
White Cement	Rs./M.T.	5,815	5,594	4%	5,612
Sponge Iron	Rs./M.T.	11,956	11,763	2%	12,774
Chemical Products	Rs./M.T.	21,884	17,979	22%	18,836

*(Cement numbers are excluding traded goods)*

## VSF Business

The Company took a conscious decision of scaling down its production, primarily to reduce inventory. This, coupled with the closure of the Nagda plant for 8 days due to delayed monsoons, resulted in capacity utilization being lower at 79% as against 97% in the corresponding quarter. Sales volumes were, however, up by 4% YoY. Realisations were down by 9% due to depressed cotton prices. Margins were under pressure as input costs, particularly chemicals and sulphur, registered a sharp rise.

However, the current quarter's performance has shown good improvement over the immediately preceding first quarter of the current year, reflecting a healthy recovery. A sharp recovery in domestic demand and improved direct exports resulted in a healthy growth of 19% in sales volumes and higher operating margins. VSF business is expected to perform better in the second half of the current year.

Going forward, the Company's thrust will be on value added new products and application development. The Company's Research & Application Centre at Kharach (Gujarat) will foster the development of new applications and value added products, which is expected to translate into increased demand for VSF.

A total capital outlay of over Rs.533 crores towards capacity expansion and modernization at its VSF plants has been planned. This will increase VSF capacity to 3,12,450 tons per annum from its current level of 2,53,675 tons.

As a pro-active step towards becoming self-sufficient in pulp and thereby reinforcing its competitive edge in the cellulosic manmade fibre sector, the Company, along with the overseas group companies, plans to set up fully integrated operations at Laos. To this end, the Company would develop plantations over the next 7 years. The plantation cost would be around US\$ 50 mn. (Rs.226 crores), to be spent over a period of 7 years. The Company's investment in the project, over a period of 7 years, would be to the tune of US\$ 26 mn. (Rs.118 crores) by way of equity participation.

The pulp plant is proposed to be set up in 6<sup>th</sup> and 7<sup>th</sup> year, at an estimated outlay of US\$ 300 mn. (Rs.1357 crores), which will be funded by a mix of debt and equity. The Company's outlay at that stage will be US\$ 38 mn. (Rs.172 crores).

This backward integration measure would enable procuring quality wood pulp in adequate quantities and strengthen its VSF Business.

The outlook for the VSF business remains positive due to the expected increase in demand, post MFA abolition, planned VSF capacity expansion and augmenting of captive pulp supply through global plants.

### **Cement Business**

Grey Cement business achieved a higher capacity utilization of 98% as against 93% in the corresponding quarter. Higher volumes and realizations also contributed to the improved performance of the Business during the quarter. Sales volumes were up by 7% at 3.25 Mn. tons, while realizations were higher by 3% at Rs.1927 per ton.

The Company has envisaged a total capital outlay of around Rs.951 crores towards modernization, capacity expansion, de-bottlenecking and an increased power plant capacity.

#### **Cement Subsidiaries:**

UltraTech Cement Limited achieved a cement sale of 2.7 Mn. tons and clinker sale of 0.2 Mn. tons, of the aggregate amount of Rs.581crores. Realizations were up by 7% at Rs.1910 per ton. Its performance during the quarter was affected due to the floods at the Company's plant in Gujarat and the planned shutdown for maintenance at each of its production lines and jetty. Due to the change in product mix from clinker to cement for the export market, cement exports more than doubled from 1.17 lac tons to 2.51 lac tons.

A capex of Rs.987 crores, largely towards setting up of a new power plant, de-bottlenecking and modernization, has been allocated.

Grasim's another subsidiary, Shree Digvijay Cement Company Limited's performance on all the three major parameters, viz., Production, Sales volumes and Realisations has been encouraging.

Given the Government's renewed focus and efforts towards the development of the infrastructure sector at a faster pace and the continued strong growth in housing sector, the long-term outlook of Grasim's Cement business promises to be buoyant.

## Sponge Iron Business

The performance of the Sponge Iron business was seriously constrained due to a steep escalation in the cost of production by more than 50%, arising out of disruption in supply of natural gas, use of alternate fuels and a steep rise in key input costs, viz., natural gas, iron ore, pellets, etc.

Average availability of natural gas during Q2 remained poor on account of the devastating fire at ONGC's Mumbai High Terminal, which badly damaged their Gas generating station and platforms. As a result of this, the gas supply from GAIL was disrupted resulting in production being down by 38% at 1,25,944 tons.

Sales volumes were lower by 26% at 1,40,275 tons. Realizations, however, rose marginally by 2% over the corresponding quarter, at Rs.11,956 per ton, due to the scrap prices ruling high during the first two months of the quarter. Operating margins continued to face a squeeze, as input costs rose steeply.

The performance of the business in the 2<sup>nd</sup> half is expected to be better due to a partial improvement in the supply of gas.

The long-term outlook for the Sponge Iron Business is positive, considering the healthy growth in steel demand globally. On the realization front too, things look better, fuelled by the firm global scrap prices. The Company's thrust will continue to be on optimum utilization of plant capacity and asset sweating. The availability of natural gas, which will remain an area of concern in the short-term, is expected to improve by early 2007, as the Dahej-Uran gas pipeline is expected to be commissioned by then.

## Chemical Business

The Chemical business put up yet another good performance during the quarter. Production and Sales volumes were up by 10% and 8% respectively. Realisations soared by 22% over the corresponding quarter, at Rs.21,884 per ton, due to higher international caustic prices and firm chlorine and HCL prices. Operating margins appreciated handsomely.

The Company plans to convert its remaining mercury cell based capacity into membrane cell involving a total capital outlay of Rs.148 crores. Improved productivity and reduction in power costs will be the major benefits.

The Company will continue its focus on optimum resource utilization and development of ancillary products, leading into enhanced growth and profitability.

## Outlook

Grasim's strong fundamentals, its unrelenting focus on operational excellence, cost optimization, effective financial management, continuous restructuring of business processes, together with the expected improvement in the cement sector, augur well for the Company. The prospects for Grasim continue to be bright.

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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)

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**UNAUDITED FINANCIAL RESULTS  
FOR THE QUARTER ENDED 30th SEPTEMBER 2005**

Rs in Crores

**I. CONSOLIDATED RESULTS :**

	Three Months Ended 30th September 2005	Three Months Ended 30th September 2004	Six Months Ended 30th September 2005	Six Months Ended 30th September 2004	Full Year Ended 31st March 2005 ( Audited )
<b>Net Sales / Income from Operations</b>	<b>2,327.65</b>	<b>2,221.72</b>	<b>4,795.76</b>	<b>4,501.45</b>	<b>9,317.27</b>
Other Income	44.69	38.18	120.19	89.50	217.64
Expenditure :					
- Decrease / ( Increase ) in Stock	44.42	(65.63)	(15.26)	(79.17)	(122.14)
- Raw Material Consumed	520.42	539.12	1,097.96	1,048.11	2,235.35
- Purchases of Finished Goods	32.55	18.37	45.71	28.92	56.20
- Payment to & Provision for Employees	134.93	126.19	257.95	260.32	550.41
- Power & Fuel	484.09	515.52	997.53	1,008.15	2,014.79
- Freight , Handling & Other Expenses	314.19	250.55	687.18	516.96	1,104.04
- Other Expenditure	380.80	337.72	743.47	685.21	1,423.97
<b>Total Expenditure</b>	<b>1,911.40</b>	<b>1,721.84</b>	<b>3,814.54</b>	<b>3,468.50</b>	<b>7,262.62</b>
Interest	53.95	70.42	110.60	139.21	284.67
<b>Gross Profit</b>	<b>406.99</b>	<b>467.64</b>	<b>990.81</b>	<b>983.24</b>	<b>1,987.62</b>
Depreciation	137.35	148.36	272.76	283.16	556.13
<b>Profit before Exceptional Items and Tax Expense</b>	<b>269.64</b>	<b>319.28</b>	<b>718.05</b>	<b>700.08</b>	<b>1,431.49</b>
Surplus on pre-payment of sales tax loan	-	-	-	-	34.35
Impairment of Goodwill	-	-	-	-	(162.45)
<b>Profit before Tax Expense</b>	<b>269.64</b>	<b>319.28</b>	<b>718.05</b>	<b>700.08</b>	<b>1,303.39</b>
Provision for Current Tax	(85.63)	(110.87)	(218.85)	(229.89)	(483.27)
Provision for Deferred Tax	16.91	(1.23)	30.41	(74.97)	41.18
<b>Net Profit</b>	<b>200.92</b>	<b>207.18</b>	<b>529.61</b>	<b>395.22</b>	<b>861.30</b>
Less : Minority Share	0.50	(7.80)	33.11	(24.91)	(15.18)
Less: Pre-acquisition Profit / (Loss)	-	(0.23)	-	(3.85)	(3.85)
<b>Net Profit ( After Minority's Share )</b>	<b>200.42</b>	<b>215.21</b>	<b>496.50</b>	<b>423.98</b>	<b>880.33</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					3,946.56
<b>Basic &amp; Diluted EPS for the period ( Rupees )</b>	<b>21.86</b>	<b>23.47</b>	<b>54.15</b>	<b>46.24</b>	<b>96.01</b>

**II. STANDALONE RESULTS :**

	Three Months Ended 30th September 2005	Three Months Ended 30th September 2004	Six Months Ended 30th September 2005	Six Months Ended 30th September 2004	Full Year ended 31st March 2005 ( Audited )
<b>Net Sales / Income from Operations</b>	<b>1,639.10</b>	<b>1,533.50</b>	<b>3,192.38</b>	<b>3,050.58</b>	<b>6,252.42</b>
Other Income	30.83	30.44	96.32	46.70	167.03
Expenditure :					
- Decrease / ( Increase ) in Stock	68.44	(26.16)	25.55	(22.50)	(100.67)
- Raw Material Consumed	442.47	458.42	911.79	880.19	1,869.33
- Purchases of Finished Goods	63.02	12.83	91.15	22.52	49.02
- Payment to & Provision for Employees	104.21	93.53	200.59	185.31	382.64
- Power & Fuel	259.76	261.77	509.67	500.15	1,031.34
- Freight , Handling & Other Expenses	169.53	140.26	349.71	280.04	586.06
- Other Expenditure	209.85	193.54	407.73	375.46	817.04
<b>Total Expenditure</b>	<b>1,317.28</b>	<b>1,134.19</b>	<b>2,496.19</b>	<b>2,221.17</b>	<b>4,634.76</b>
Interest	23.74	36.70	50.27	69.59	138.76
<b>Gross Profit</b>	<b>328.91</b>	<b>393.05</b>	<b>742.24</b>	<b>806.52</b>	<b>1,645.93</b>
Depreciation	71.96	70.61	142.44	140.41	284.57
<b>Profit before Exceptional Items and Tax Expense</b>	<b>256.95</b>	<b>322.44</b>	<b>599.80</b>	<b>666.11</b>	<b>1,361.36</b>
Surplus on pre-payment of sales tax loan	-	-	-	-	34.35
Provision for diminution in value of investment and loans	-	-	-	-	(92.00)
<b>Profit before Tax Expense</b>	<b>256.95</b>	<b>322.44</b>	<b>599.80</b>	<b>666.11</b>	<b>1,303.71</b>
Provision for Current Tax	(78.60)	(99.00)	(175.90)	(209.00)	(451.00)
Provision for Deferred Tax	9.30	(3.50)	14.70	(18.00)	33.00
<b>Net Profit</b>	<b>187.65</b>	<b>219.94</b>	<b>438.60</b>	<b>439.11</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					4,231.96
<b>Basic &amp; Diluted EPS for the period ( Rupees )</b>	<b>20.47</b>	<b>23.99</b>	<b>47.84</b>	<b>47.89</b>	<b>96.60</b>

**Aggregate of Non-Promoter Shareholding**

- Number of Shares		68776304	71562947	71541071
- Percentage of Shareholding		75.02%	78.06%	78.04%

## III. SEGMENT REPORTING - CONSOLIDATED

Rs. in Crores

	Three Months ended 30th September 2005	Three Months ended 30th September 2004	Six Months ended 30th September 2005	Six Months ended 30th September 2004	Full Year ended 31st March 2005 ( Audited )
<b>1. SEGMENT REVENUE</b>					
a Fibre & Pulp	513.70	528.17	947.26	1,035.46	2,009.25
b Cement	1,445.31	1,297.12	3,092.16	2,696.37	5,654.12
c Sponge Iron	170.38	227.51	390.84	477.46	1,021.48
d Chemicals	104.10	81.36	203.56	153.83	351.76
e Textiles	73.65	77.68	126.44	130.10	260.25
f Others	54.83	43.86	109.34	77.72	180.81
<b>TOTAL</b>	<b>2,361.97</b>	<b>2,255.70</b>	<b>4,869.60</b>	<b>4,570.94</b>	<b>9,477.67</b>
(Less) : Inter Segment Revenue	(34.32)	(33.98)	(73.84)	(69.49)	(160.40)
<b>Net Sales / Income from Operations</b>	<b>2,327.65</b>	<b>2,221.72</b>	<b>4,795.76</b>	<b>4,501.45</b>	<b>9,317.27</b>
<b>2. SEGMENT RESULTS</b>					
a Fibre & Pulp	106.90	164.29	182.52	298.63	554.60
b Cement	171.48	119.00	445.52	314.58	578.67
c Sponge Iron	-8.24	65.10	52.46	167.97	355.17
d Chemicals	30.99	16.81	64.13	24.38	86.98
e Textiles	1.91	1.75	1.33	0.67	(0.46)
f Others	8.82	5.27	17.50	10.09	29.45
<b>TOTAL</b>	<b>311.86</b>	<b>372.22</b>	<b>763.46</b>	<b>816.32</b>	<b>1,604.41</b>
Add / (Less) :					
Interest	(53.95)	(70.42)	(110.60)	(139.21)	(284.67)
Net Unallocable Income / (Expenditure)	11.73	17.48	65.19	22.97	111.75
<b>Profit before Exceptional Items and Tax Expense</b>	<b>269.64</b>	<b>319.28</b>	<b>718.05</b>	<b>700.08</b>	<b>1,431.49</b>
Surplus on pre-payment of sales tax loan	-	-	-	-	34.35
Impairment of Goodwill	-	-	-	-	(162.45)
<b>Profit Before Tax Expense</b>	<b>269.64</b>	<b>319.28</b>	<b>718.05</b>	<b>700.08</b>	<b>1,303.39</b>
<b>3. CAPITAL EMPLOYED</b>					
a Fibre & Pulp			979.45	875.23	1,054.62
b Cement			6,814.43	7,003.21	6,887.92
c Sponge Iron			478.55	445.76	511.68
d Chemicals			200.68	203.80	212.65
e Textiles			105.59	108.35	101.37
f Others			347.78	354.45	364.86
<b>TOTAL</b>			<b>8,926.48</b>	<b>8,990.80</b>	<b>9,133.10</b>
g Unallocated Corporate Capital Employed			1,011.89	1,017.51	567.98
<b>TOTAL CAPITAL EMPLOYED</b>			<b>9,938.37</b>	<b>10,008.31</b>	<b>9,701.08</b>

## IV. SEGMENT REPORTING - STANDALONE

	Three Months ended 30th September 2005	Three Months ended 30th September 2004	Six Months ended 30th September 2005	Six Months ended 30th September 2004	Full Year ended 31st March 2005 ( Audited )
<b>1. SEGMENT REVENUE</b>					
a Fibre & Pulp	499.84	515.71	918.12	1,011.13	1,962.70
b Cement	825.45	665.22	1,627.26	1,347.55	2,803.92
c Sponge Iron	170.38	227.51	390.84	477.46	1,021.48
d Chemicals	104.10	81.36	203.56	153.83	351.76
e Textiles	73.65	77.68	126.44	130.10	260.25
<b>TOTAL</b>	<b>1,673.42</b>	<b>1,567.48</b>	<b>3,266.22</b>	<b>3,120.07</b>	<b>6,400.11</b>
(Less) : Inter Segment Revenue	(34.32)	(33.98)	(73.84)	(69.49)	(147.69)
<b>Net Sales / Income from Operations</b>	<b>1,639.10</b>	<b>1,533.50</b>	<b>3,192.38</b>	<b>3,050.58</b>	<b>6,252.42</b>
<b>2. SEGMENT RESULTS</b>					
a Fibre & Pulp	107.31	164.45	183.98	298.51	553.58
b Cement	132.25	93.83	279.56	221.49	393.09
c Sponge Iron	(8.24)	65.10	52.46	167.97	355.17
d Chemicals	30.99	16.81	64.13	24.38	86.98
e Textiles	1.91	1.75	1.33	0.67	(0.46)
f Others	(0.03)	(0.28)	(1.35)	(0.29)	0.01
<b>TOTAL</b>	<b>264.19</b>	<b>341.66</b>	<b>580.11</b>	<b>712.73</b>	<b>1,388.37</b>
Add / (Less) :					
Interest	(23.74)	(36.70)	(50.27)	(69.59)	(138.76)
Net Unallocable Income / (Expenditure)	16.50	17.48	69.96	22.97	111.75
<b>Profit before Exceptional Items and Tax Expense</b>	<b>256.95</b>	<b>322.44</b>	<b>599.80</b>	<b>666.11</b>	<b>1,361.36</b>
Surplus on pre-payment of sales tax loan	-	-	-	-	34.35
Provision for diminution in value of investment and loans	-	-	-	-	(92.00)
<b>Profit Before Tax Expense</b>	<b>256.95</b>	<b>322.44</b>	<b>599.80</b>	<b>666.11</b>	<b>1,303.71</b>
<b>3. CAPITAL EMPLOYED</b>					
a Fibre & Pulp			951.71	851.86	1,026.77
b Cement			2,112.70	2,109.09	2,132.02
c Sponge Iron			478.55	445.76	511.69
d Chemicals			200.68	203.80	212.65
e Textiles			105.59	108.35	101.37
f Others			1.53	2.13	3.14
<b>TOTAL</b>			<b>3,850.76</b>	<b>3,720.99</b>	<b>3,987.64</b>
g Unallocated Corporate Capital Employed			3,378.81	3,455.14	2,948.55
<b>TOTAL CAPITAL EMPLOYED</b>			<b>7,229.57</b>	<b>7,176.13</b>	<b>6,936.19</b>

**V. NOTES**

- 1 Consolidated Financial Results have been prepared in accordance with Accounting Standard on Consolidated Financial Statements (AS-21) and Accounting Standard on Financial Reporting of Interest in Joint Ventures (AS-27) issued by the Institute of Chartered Accountants of India.
- 2 The operations at the Company's Viscose Staple Fibre plant at Nagda were suspended for eight days and Chemical plant at Nagda operated at about sixty percent of its capacity for twelve days during the quarter ended 30th September, 2005, due to water shortage.
- 3 The workers of Company's one of the Viscose Staple Fibre plant, at Harihar in Karnataka, have gone on strike since 17th October, 2005. Consequently manufacturing activities at the above plant are suspended. The turnover of this plant constitutes about 15% of the Fibre and Pulp business and 4.75% of total turnover of the Company.
- 4 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)
- 5 During the quarter, total three investor complaints were received, all of which have been attended by the Company. No complaints were pending at the beginning and at the end of the quarter.
- 6 Previous period's figures have been regrouped / rearranged wherever necessary to conform to this period's classification.
- 7 The above results have been reviewed by the Audit Committee, and have been taken on record at the meeting of the Board of Directors held on 26th October, 2005. The limited review, as required under Clause 41 of Listing Agreement has been completed by the auditors of the Company and the related report is being submitted to the concerned Stock Exchanges.

For and on behalf of Board of Directors

Place : Mumbai  
Date : 26<sup>th</sup> October, 2005

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

**GRASIM INDUSTRIES LIMITED**

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

*An Aditya Birla Group Company*

**www.grasim.com or www.adityabirla.com**