Performance Review – FY2001

30th April, 2001

Financial Performance – Q4/FY2001

(Rs. Crores)

	Q4/FY01	Q4/FY00	% Chg.	FY2000
Net Turnover & Operational Income	1,262.7	1,101.2	15	4,289.7
Other Income	38.1	24.6	55	71.2
PBIDT	278.6	174.5	60	756.3
Interest and Finance Charges	57.8	51.0	13	256.1
Gross Profit	220.9	123.5	79	500.2
Depreciation	63.3	60.5	5	237.0
PBT *(before ESC & E.O. items)*	157.6	63.0	150	263.2
Employee Separation Cost (ESC)	1.0	15.3	(94)	17.8
Profit on transfer of Undertaking	18.4	--	--	--
PBT *(after ESC & E.O. items)*	175.0	47.7	267	245.4
Tax	30.0	--	--	12.3
PAT	145.0	47.7	204	233.1
EPS for the period (Rs.)	15.8	5.20	204	25.4

Performance Highlights – Q4/FY01

- Excellent performance due to improved scenario of Cement, Sponge Iron, Chemicals and stable performance of VSF
- Operating profits higher at Rs.279 crores (up 60%),operating margins higher at 22% (corresponding quarter 16%)
- Interest charges, on comparable basis down by 11%
- Depreciation up 5% due to commissioning of new cement plant in April 2000
- Net profit (excluding profit on sale of undertaking) increased by 165%, despite higher depreciation and taxes.

Financial Performance – FY 2001

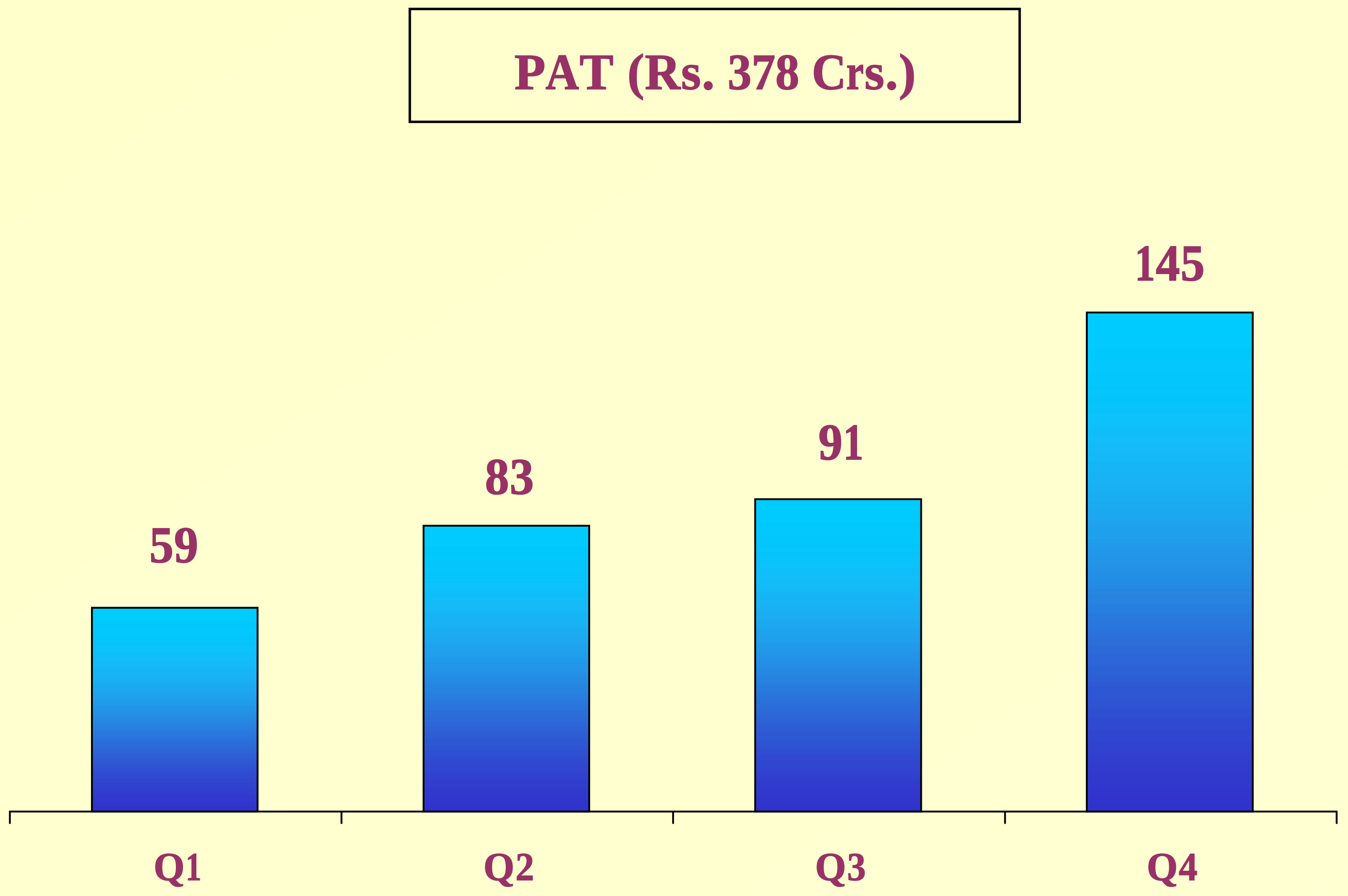
(Rs. Crores)

	Q4/FY01	Q4/FY00	% Chg.	FY2001	FY2000	% Chg.
Net Turnover & Operational Income	1,262.7	1,101.2	15	4,839.8	4,289.7	13
Other Income	38.1	24.6	55	89.7	71.2	26
PBIDT	278.6	174.5	60	911.5	756.3	21
Int. and Fin. Charge	57.8	51.0	13	238.8	256.1	(7)
Gross Profit	220.9	123.5	79	672.7	500.2	35
Depreciation	63.3	60.5	5	251.9	237.0	6
PBT *(before ESC)*	157.6	63.0	150	420.8	263.2	60
Emp. Sep. Cost (ESC)	1.0	15.3	(94)	11.3	17.8	(37)
Profit on transfer of Undertaking	18.4	--	--	18.4	--	--
PBT *(after ESC)*	175.0	47.7	267	427.9	245.4	74
Tax	30.0	--	--	50.0	12.3	306
PAT	145.0	47.7	204	377.9	233.1	62
EPS for the period (Rs)	15.8	5.2	204	41.2	25.4	62

Performance Highlights – FY 2001

- Excellent performance due to improved scenario of VSF, Cement, Sponge Iron and Chemicals
- Operating profits higher at Rs.912 crores(up 21%),operating margins higher at 19% (corresponding year 18%)
- Interest charges, on comparable basis, down by 12% due to continuing impact of debt repayment, debt restructuring and raising of low cost funds
- Depreciation up 6% due to commissioning of new cement plant in April 2000.
- Net profit (excluding profit on sale of undertaking) increased by 54%, despite higher depreciation and taxes.

Quarterly PAT – FY 2001

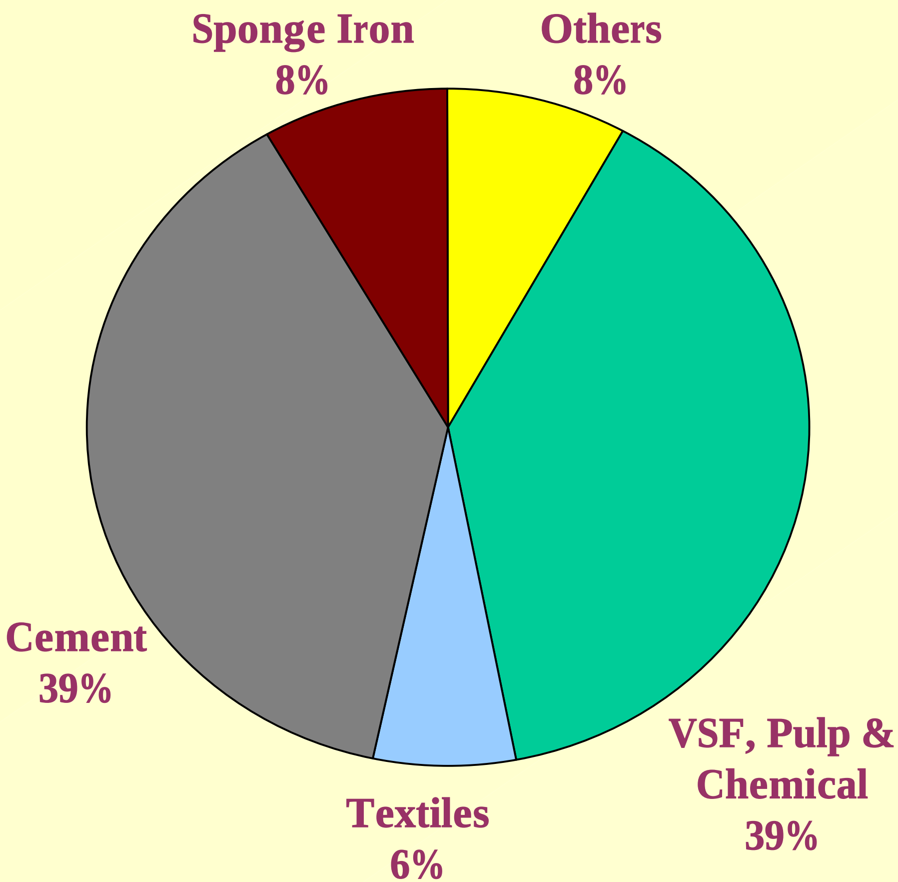


Divisional Turnover

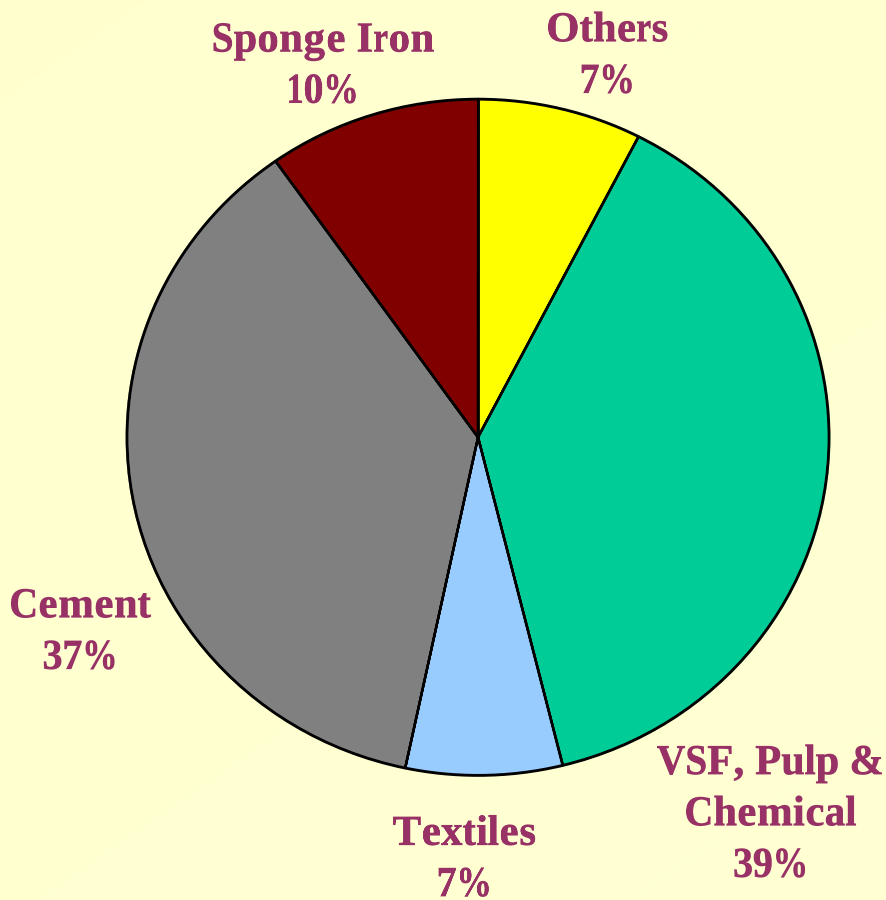
Net Turnover (Rs. Crores)

	Q4/FY2001		Q4/FY2000		FY2001		FY2000	
	Amount	Share %	Amount	Share %	Amount	Share %	Amount	Share %
FIBRE								
VSF	369	29	344	31	1,470	31	1,290	30
Pulp	35	3	32	3	158	3	161	4
	404	32	376	34	1,628	34	1,451	34
Chemical	61	5	50	5	245	5	195	5
	465	37	426	39	1,873	39	1,646	39
CEMENT								
Grey	495	39	384	35	1,719	36	1,461	34
White	35	3	34	3	133	3	121	3
	530	42	418	38	1,852	39	1,582	37
Textiles	69	5	46	4	306	6	301	7
Sponge Iron	98	8	86	8	401	8	418	10
Others	101	8	120	11	390	8	326	7
Total Net Turnover	1,263	100	1,096	100	4,822	100	4,273	100
Total Gross Turnover	1,461		1,298		5,582		4,982	

Turnover Mix – FY 2001

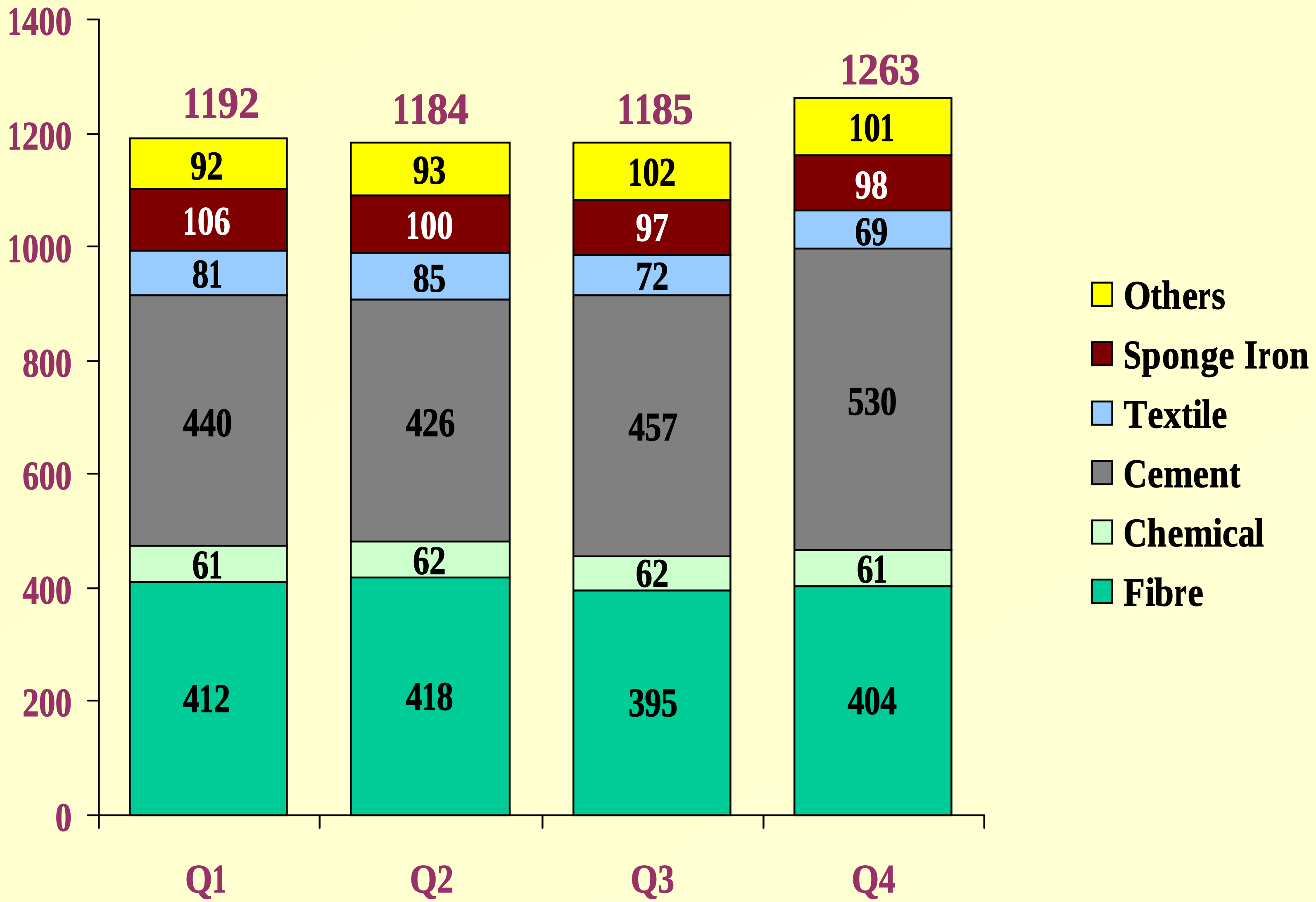


FY 2001 (Rs. 4,822 Crs.)



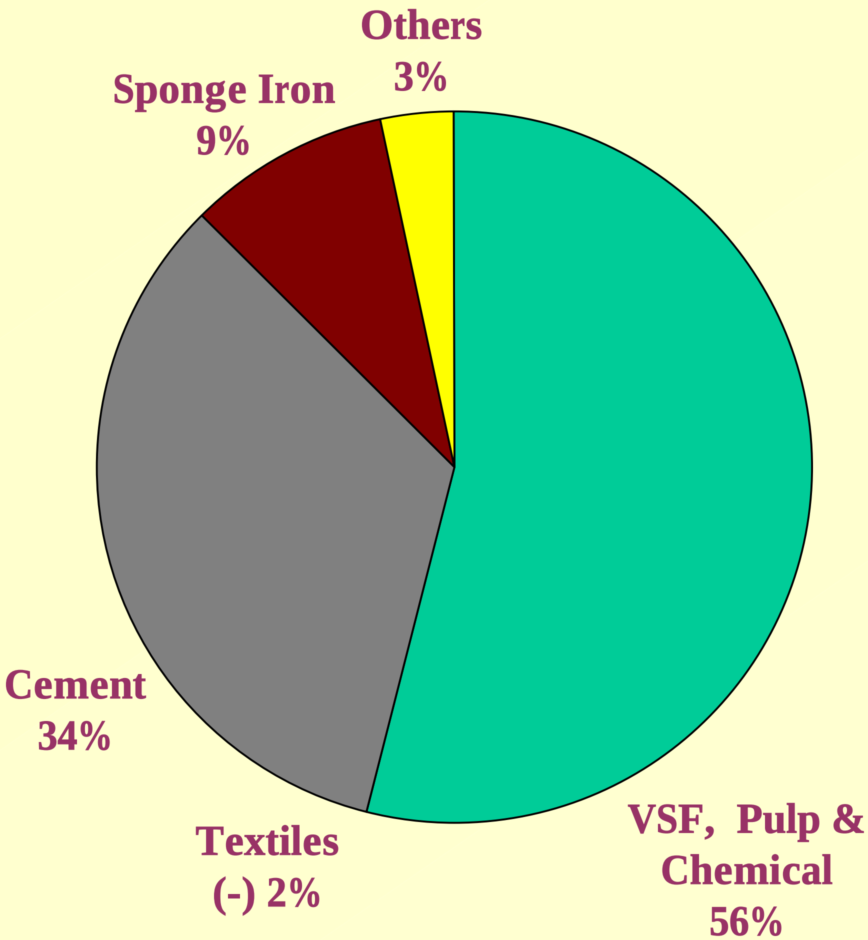
FY 2000 (Rs. 4,273 Crs.)

Divisional Quarterly Turnover – FY 2001

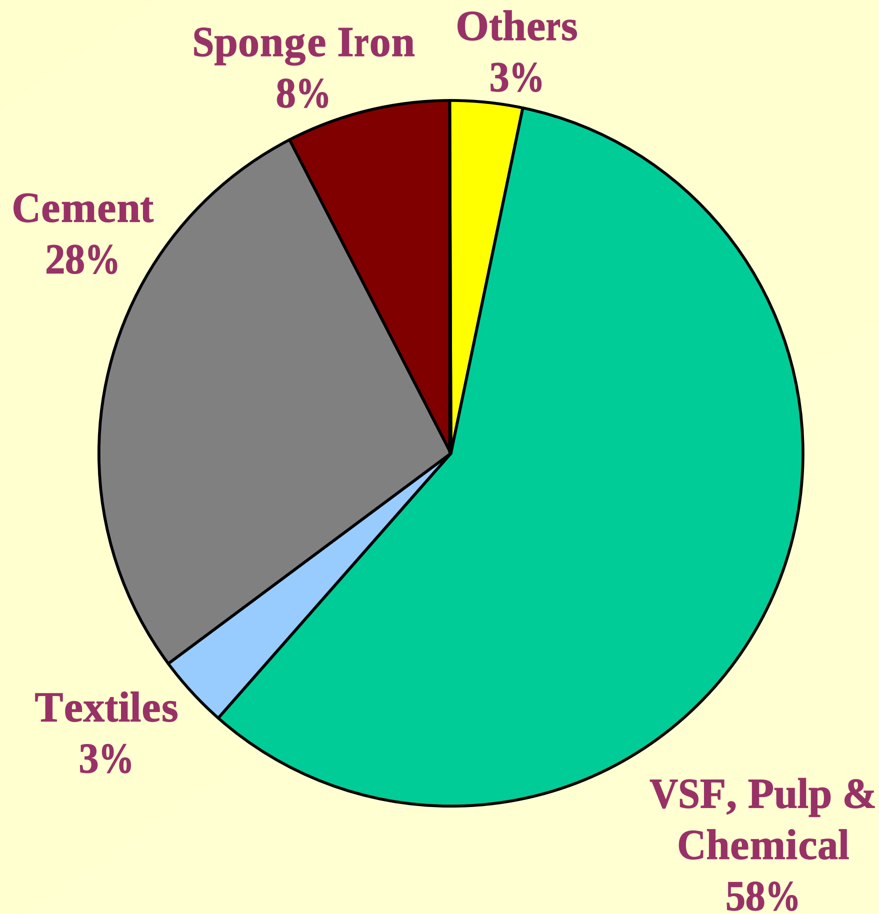


Net Turnover (Rs. 4,822 Crs.)

PBIDT Mix – FY 2001



FY 2001 (Rs. 912 Crs.)



FY 2000 (Rs. 756 Crs.)

Divisional Review
Q4/FY2001 & FY2001

Viscose Staple Fibre

		Q4 FY01	Q4 FY00	% Chg.	FY2001	FY2000	% Chg.
Capacity *	TPA	220,775	220,775	--	220,775	220,775	--
Production	MT	57,245	52,665	9	218,847	188,002	16
Sales Volumes	MT	48,228	52,081	(7)	203,854	192,452	6
Net Turnover	Rs Crs.	369	344	7	1,470	1,290	14
Avg. Realisation	Rs/MT	73,751	64,279	15	69,733	64,484	8
PBIDT Margin**	%	26	30	--	29	31	--

* Excludes installed capacity of Mavoor unit (26,000 TPA), closed since May '99

** Before employees separation cost

Viscose Staple Fibre (Contd..)

Highlights – FY 2001

- Capacity utilisation at record high of 99% (FY2000 - 84%)
- Sales volumes up 6%, at 203,854 tonnes
  - Higher volumes of Deemed Exports
  - Higher volumes of Value Added Dyed VSF
  - Development of new end use applications
- Realisation up 8% from Rs.64/Kg to 70/Kg
- Global pulp prices remained high at US$ 720/MT, up 25%YoY
- Higher realisation could partially absorb increased input cost of Pulp and Caustic Soda
- Operating margins down as a result – from 31% to 29%
- Operating profits however higher by 5%, at Rs.425 Crs. (Rs.406 Crs.), due higher volumes and better operating efficiency

Viscose Staple Fibre (Contd..)

Outlook

- Demand expected to grow at 4% to 5% p.a.
- Increase production possible from the current installed capacity through technical innovation
- Despite imminent stoppage of Nagda Plant in first quarter. Turnover expected to be maintained at full level as sufficient stock built-up
- Pulp prices showing a declining trend (Currently US$ 650)
- Operations at Mavoor remain suspended
  - Plans to hive-off of the units thru a Scheme of Arrangement
- Towards ensuring long term growth, Grasim will focus on enlarging use of VSF through
  - Positioning VSF at the high end of the market as a Fibre for Feel, Comfort and Fashion
  - Branding “Birla Viscose” to create awareness in the value chain and promote VSF as an Eco-friendly Fibre.
  - Product and application development
  - Strategic alliance partnership with trend - setters for new applications

Cement

		Q4/FY01	Q4/FY00	% Chg.	FY2001	FY2000	% Chg.
Grey Cement							
Capacity	Mn. MT	* 9.10	8.20	11	* 9.10	8.20	11
Production	Mn. MT	2.28	2.48	(8)	9.10	8.40	8
Sales Volumes	Mn. MT	2.36	2.49	(5)	9.16	8.42	9
Net Turnover	Rs. Crs.	495	384	29	1,719	1,461	18
Avg Realisation	Rs./MT	2,146	1,723	25	1,894	1,784	6
White Cement							
Capacity	TPA	$ 360,000	360,000	--	$ 360,000	360,000	--
Production	MT	64,928	66,535	(2)	251,594	240,492	5
Sales Volumes	MT	66,039	67,648	(2)	251,291	240,014	5
Net Turnover	Rs. Crs.	35	34	2	133	121	10
Avg Realisation	Rs./MT	5,278	5,172	2	5,268	5,078	4
PBIDT Margin	%	27	11	--	17	13	--

* Year end capacity 9.86 Mn. MT

$ Year end capacity 4 Lac MT

Cement (Contd..)

Highlights – FY 2001

- Capacity utilisation at 100%
- Sales volume grew by 9%, outperforming the industry growth
  - Sales volumes up – South 35 %, East 16 % and West 6 %
    - Concerted marketing efforts and improved logistics
    - Better penetration into new Southern market following commissioning of the new plant
- Average realisation up by 6% at Rs.1,894/MT reflecting better price environment prevailing across regions, notably during Second Half
- Operating margins improved from 13% to 17%
- Lower distribution cost
- Capacity increased to 9.86 Mn MT by year end

Cement (Contd..)

Outlook

- Long term outlook is encouraging, demand to grow 7-8% p.a. over 3 years
  - Expected GDP growth of 6 – 6.5% per annum
  - Renewed focus on infrastructure sector by the Government
    - Thrust on road sector re-iterated in Union Budget - Plan outlay for road sector up 93% to Rs.8,730 Crs.
    - Golden Quadrilateral project - 1200 Kms under implementation
    - North-East and South-West corridor project - 7000 kms of expressway underway
  - Strong growth in housing sector to boost demand further
    - Fiscal incentives for private housing continues
    - Changing preference towards nuclear families
    - Rural demand to pickup with normal monsoon

Cement (Contd..)

Outlook *(Contd..)*

Short term outlook – equally positive

- Demand growth should recover in FY02
- Significant downside in prices unlikely
  - Manufacturing costs have gone up significantly
  - Recent acquisitions valuations assume higher price levels
  - Inadequate return even at current price level

Cement (Contd..)

- Grasim will focus on
  - Identified core markets – North, Western corridor and South
  - Increasing market share in profitable segments/regions
    - Grinding unit at Bhatinda underway
  - Improve realisation thru
    - Change in product mix
    - Change in market mix
      - Better penetration into new markets of South and North
      - Improve presence in profitable retail markets
    - Focus on value added products-New RMCs being set up
  - Continuous cost reduction and optimisation of capacities
    - Cut distribution cost thru better logistics
    - Bring down operational costs thru
      - Change in fuel mix
      - Increase proportion of thermal power
    - Reduce per ton capital costs significantly - 3.3 Mn tons to be added in next 18 months thru change in product mix and debottlenecking

Textiles

		Q4/FY01	Q4/FY00	% Chg.	FY2001	FY2000	% Chg.
Fabric							
Capacity (244 looms)	Lac Mtrs.	45	45	--	180	180	--
Production	Lac Mtrs.	46	43	7	167	177	(6)
Purchases	Lac Mtrs.	3	2	50	11	14	(21)
Sales Volume	Lac Mtrs.	48	29	66	187	176	6
Net Turnover	Rs. Crs.	37	23	61	165	163	1
Avg. Realisation	Rs./ Mtrs.	77	79	(3)	88	93	(5)
Synthetic Yarn							
Capacity(34656 Spndl.)	MT	2,250	2250	--	9,698	9,000	--
Production	MT	2,441	2,703	(10)	9,898	10,737	(8)
Sales Volumes	MT	2,363	2,310	2	10,132	10,850	(7)
Net Turnover	Rs. Crs.	24	17	41	109	109	--
Avg. Realisation	Rs./Kg.	103	104	(1)	107	103	4
Worsted Yarn							
Capacity (8832 Spndl.)	MT	1,250	1,250	--	1,250	1,250	--
Production	MT	267	318	(16)	1,132	1,197	(5)
Sales Volumes	MT	244	274	(11)	1,216	1,171	4
Net Turnover	Rs. Crs.	7	7	--	33	29	12
Avg. Realisation	Rs./Kg.	283	259	9	265	248	7

Textiles (Contd..)

		Q4/FY01	Q4/FY00	% Chg.	FY2001	FY2000	% Chg.
Divisional Revenue	Rs.Crs.	69	46	51	306	301	2
PBIDT Margin*	%	(16)	(18)	--	(7)	8	--

* Before employees separation cost

Highlights

- Divisional performance remained subdued
- Fabrics (54% of revenue) remained under pressure
  - Sluggish market condition
  - Intense price competition and inflow of spurious materials
  - Increased cheap imports
- Lower fabric realisation, higher promotional charges as well as sharp rise in input costs (fibre, yarn, power & fuel and labour) dragged margins down from 8% to negative.

Textiles (Contd..)

Outlook *(Contd..)*

- Fabric volumes and prices to remain under pressure
  - Over capacity, commoditisation of suiting fabrics market and gradual shift towards ready-to-wear products
  - Price competition from unorganised sector and cheaper imports
- Grasim to focus on
  - Improve market share and strengthen distribution network
    - Flagship brands re-launched recently
  - Move up the value chain to ensure higher realisation and overcome competition
  - Improve efficiencies including downsizing of weaving section and rightsizing of work force
    - No. of hands reduced in FY2001 - 423Nos.
    - No. of looms reduced in April 2000 - 34 Nos.

Sponge Iron

		Q4/FY01	Q4/FY00	% Chg.	FY2001	FY2000	% Chg.
Capacity	TPA	900,000	900,000	--	900,000	900,000	--
Production	TPA	154,281	170,366	(9)	663,998	709,094	(6)
Sales Volumes	MT	164,081	162,104	1	673,852	822,995	(18)
Net Turnover	Rs. Crs.	98	86	14	401	418	(4)
Avg Realisation	Rs./MT	5,765	5,311	9	5,733	5,037	14
PBIDT Margin	%	23	13	--	21	13	--

Sponge Iron (Contd..)

Highlights – FY 2001

- Operating profits up 52% despite lower volumes
- Operating margins improved from 13% last year to 21%, on higher realisation and improved production efficiencies
- Capacity utilisation down from 79% to 74%
  - Continued restricted Natural Gas supplies from GAIL
  - Use of Naptha discontinued since July due to prohibitive costs
- Sales volumes matched production. But is lower by 18% YoY due to sale of accumulated stock last year
- Average realisation up by 14%
  - Improved demand and better steel sector performance
  - Reduced competition in the domestic market

Sponge Iron (Contd..)

Outlook

- To benefit from upturn in steel sector and stable scrap prices
  - Global scrap prices expected to remain stable at current levels
  - Domestic demand outlook remains stable
- Natural gas supply to remain a constraint
  - Any abnormal increase in Natural gas price could adversely impact profitability and margin
- Grasim will focus on
  - Asset sweating
  - Leveraging on strategic advantages of location and product flexibility
  - Ongoing cost reduction measures

Caustic Soda

		Q4/FY01	Q4/FY00	% Chg.	FY2001	FY2000	% Chg.
Capacity	MT	160,600	160,600	--	160,600	160,600	--
Production	MT	33,175	32,592	2	131,253	135,260	(3)
Net Turnover	MT	34,031	30,287	12	133,450	134,021	--
Avg Realisation	Rs./MT	13,151	9,524	38	11,085	9,261	20
Net Turnover	Rs./Crs.	61	50	21	245	195	26
PBIDT Margin	%	30	25	--	32	17	--

Highlights – FY 2001

- Operating profits more than doubled
- Realisation improved in line with international caustic prices
- Improved margins due to improved realisation and cost control
- Contribution from ancillary products (Chlorine and Hydrochloric Acid) also improved due to higher realisation

	FY01	FY00	%Chg.
Chlorine – Realisation (Rs./MT)	4,754	3,054	56
Hcl – Realisation (Rs./MT)	4,235	996	325

- Operations will be curtailed to 50% in Q1/FY02 due to water shortage

Capex Plan – FY 2002

(Rs. Crores)

	Budget	To be Spent in FY02	To be Spent in FY03	Completion Schedule
● **Expenditure :**				
A **New Projects :**				
- Cement Grinding Unit at Bhatinda (1 Mn MT) (Total Cost Rs.83 Crs.)	* 58	58	--	Q3/FY02
- Ready Mix Concrete 3 Plants ($180,000\ M^3$) (Total Cost Rs.25 Crs.)	* 10	10	--	
- Cement Capacity Expansion - Debottlenecking (1.1 Mn. MT)	72	39	33	Q2/FY03
- Power Plants (Cement units)				
- AC 23 MW	92	50	42	Q3/FY03
- South 12.5 MW (Total Cost Rs.54 Crs.)	* 46	23	23	Q3/FY03
Sub Total (A)	278	180	98	

* Net of amount spent till FY 01

Capex Plan – FY 2002 (Contd..)

(Rs. Crores)

	Budget	To be spent in		Completion Schedule
		FY02	FY03	
B <u>Normal Modernisation :</u>				
- VSF	46	40	6	
- Cement	199	173	21	
- Others	23	23		
Sub Total (B)	268	236	27	
Total (A + B)	546	416	125	
● <u>Financing :</u>				
Debt (Already raised)		35		
Internal Accruals / New Debts		381	125	
Total		416	125	

Profitability & Financial Snapshot (FY1999 – FY2001)

Profitability (FY 1999 – FY 2001)

		FY 1999	FY2000	FY2001
Gross Turnover	Rs. Crs.	4,325	4,982	5,582
Net Turnover	Rs. Crs.	3,757	4,273	4,822
PBIDT	Rs. Crs.	678	756	912
PBIDT Margin	%	18.1	17.7	18.9
PBDT	Rs. Crs.	386	500	673
PAT **	Rs. Crs.	164	233	378
PAT Margin	%	4.3	5.5	7.8
EPS	Rs.	19.6	25.4	41.2
CEPS	Rs.	44.7	51.3	68.7
DPS	Rs.	6.75	7.0	
Interest Cover	Ratio	2.3	2.9	3.7

* * After employee separation cost

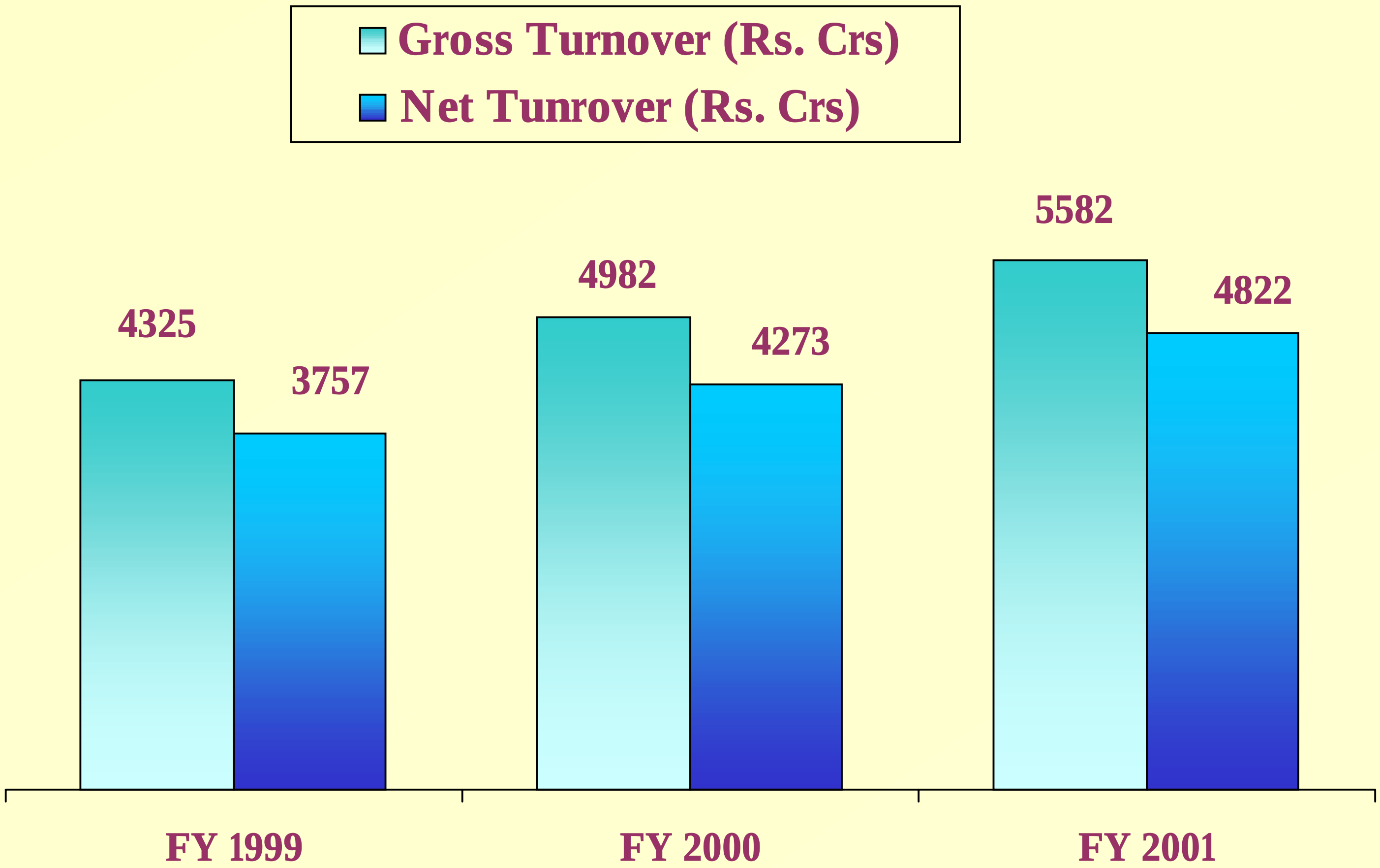
Financial Snapshot (FY 1999 – FY 2001)

		FY 1999	FY2000	FY2001
Gross Block	Rs. Crs.	4,937	5,206	5,312
Net Block	Rs. Crs.	3,354	3,401	3,303
Equity	Rs. Crs.	* 91.7	91.7	91.7
Net Worth	Rs. Crs.	2,616	2,777	3,080
Avg. Capital Employed	Rs. Crs.	4,572	4,759	4,817
Debt : Equity **	Ratio	0.93	0.82	0.62
Book Value	Rs.	285	303	336
ROCE (PBIT basis)	%	10.1	10.5	13.8
RONW	%	6.6	8.6	12.9

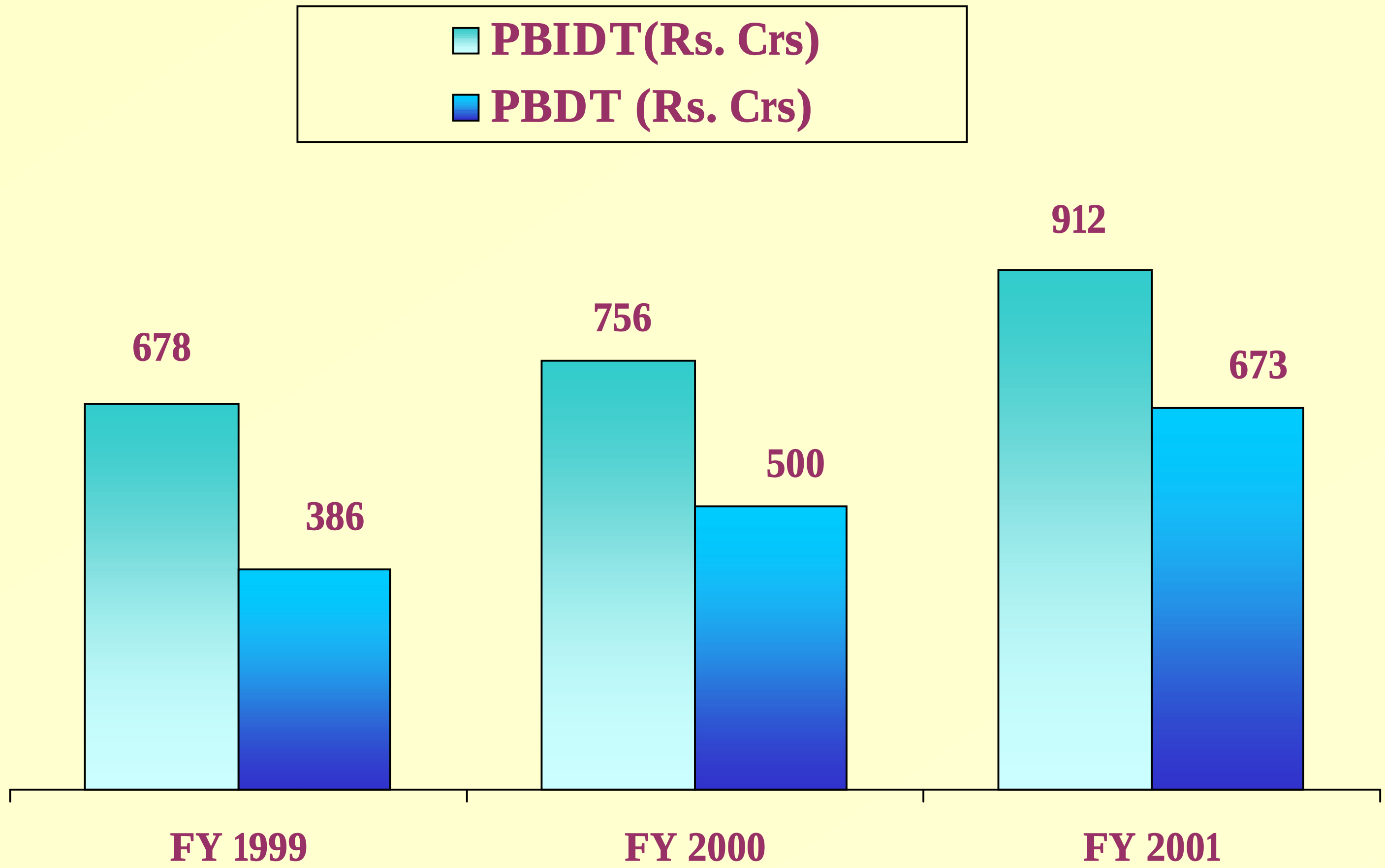
* Capital expanded under scheme of merger of Indian Rayon's Cement Business

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

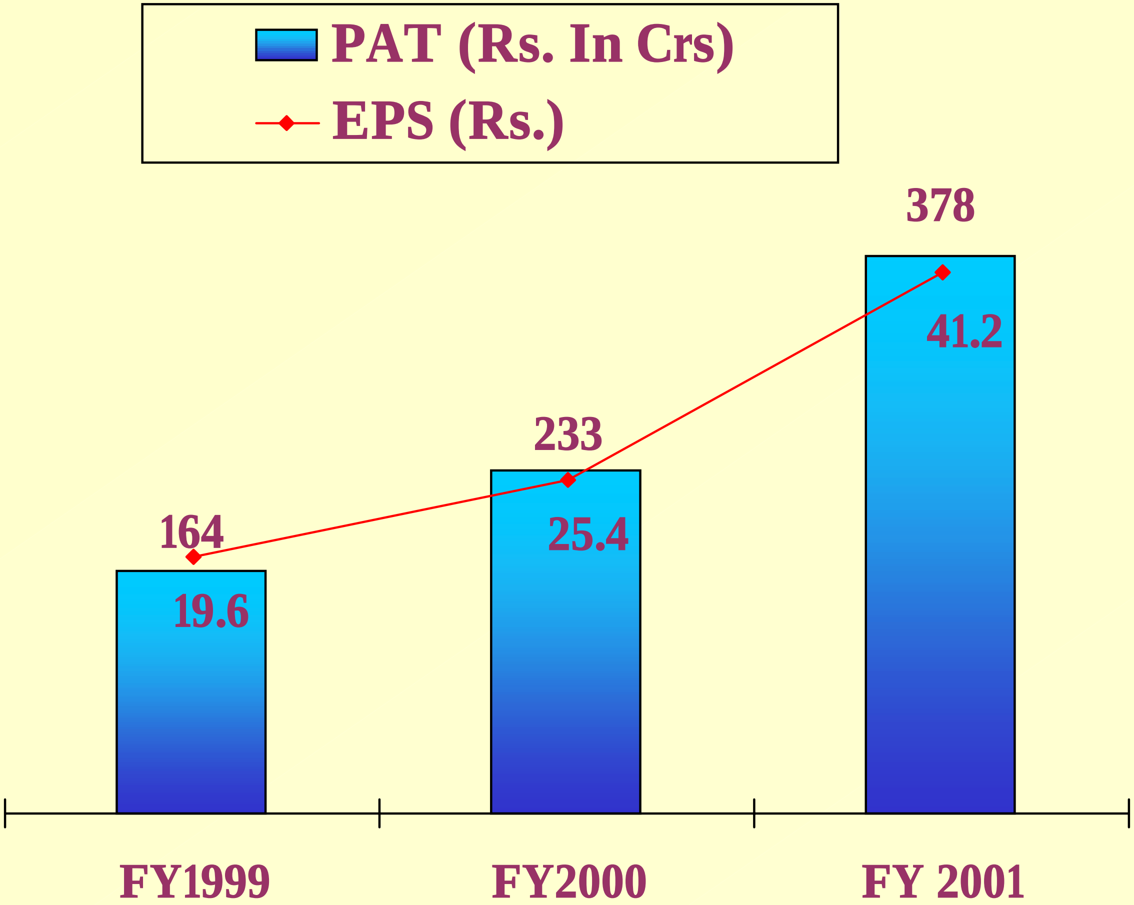
Turnover (FY1999 – FY2001)



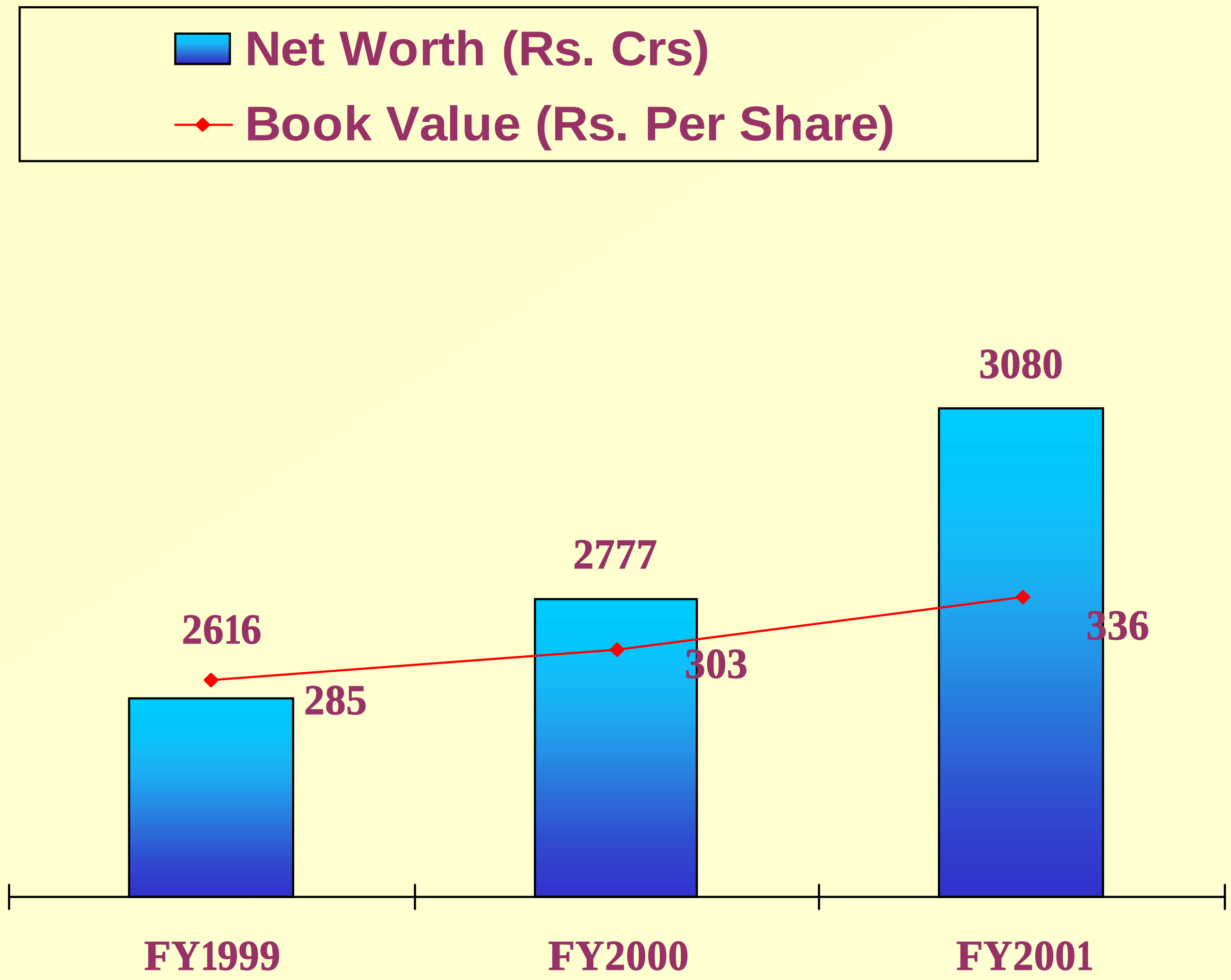
Profitability (FY1999 – FY2001)



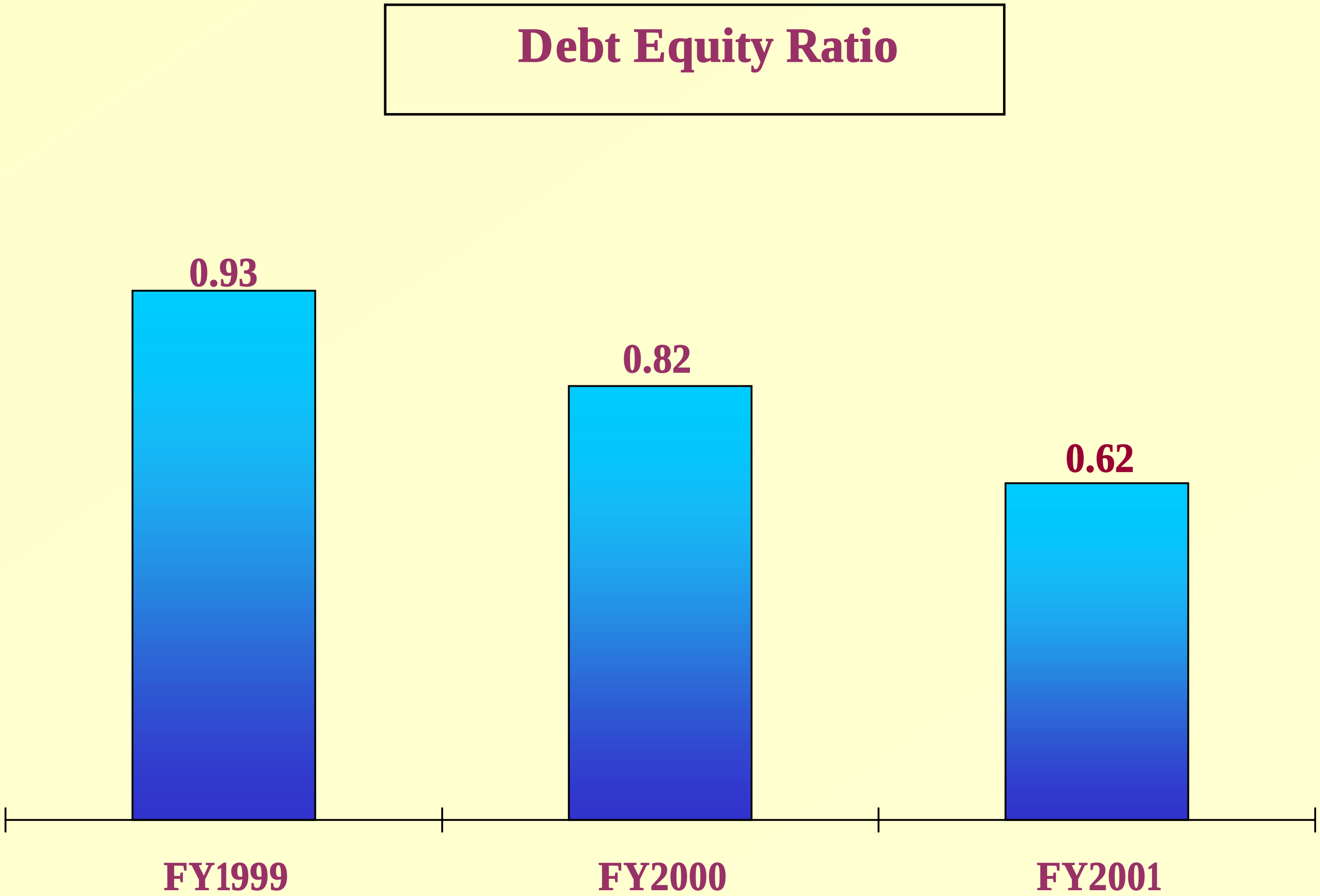
Profitability (FY1999 – FY2001)



Financial Snapshot (FY1999 – FY2001)



Financial Snapshot (FY1999 – FY2001)

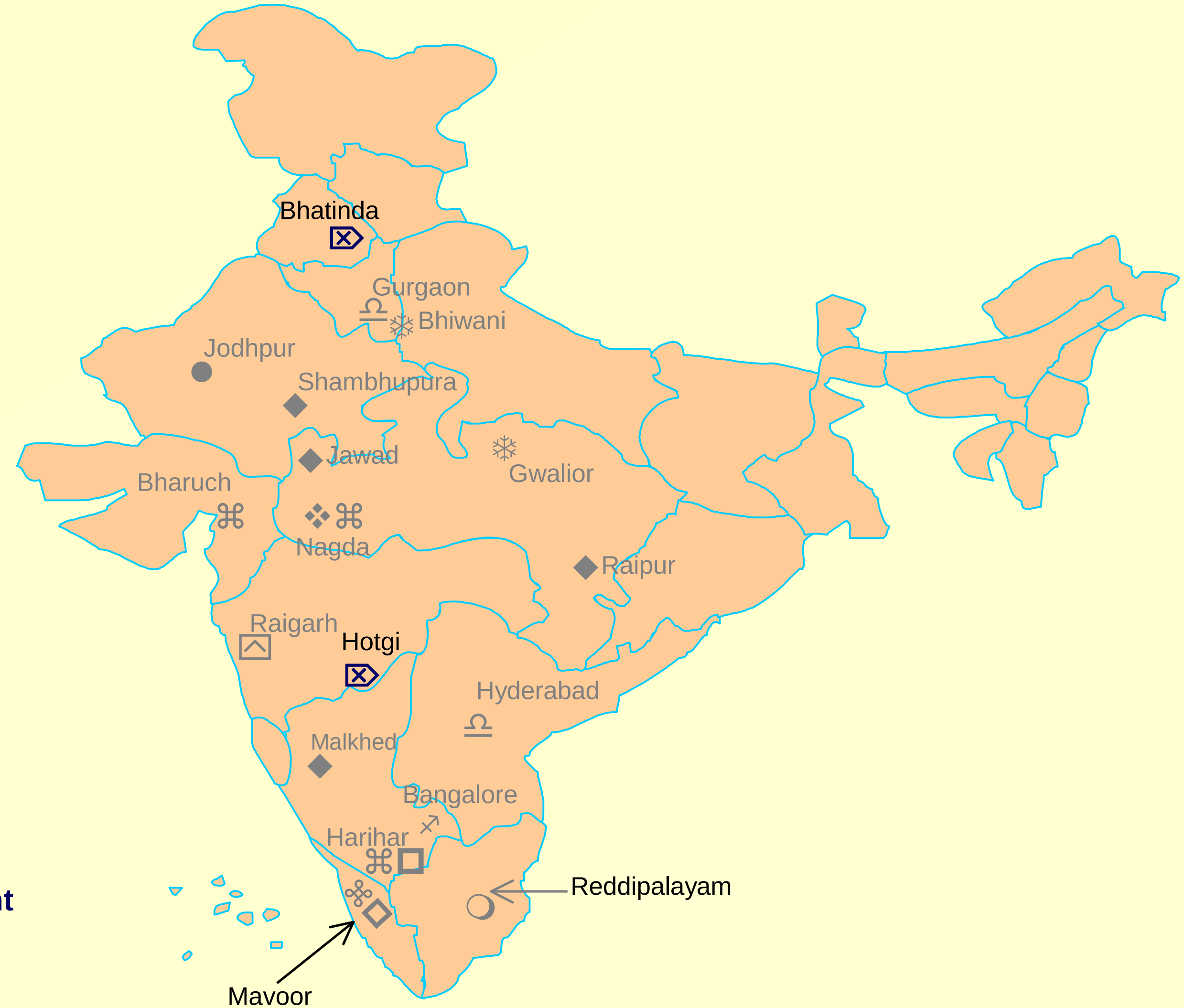


Focus And Strategy

- 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,
supported by stable earnings from VSF

Plant Locations



⌘ **Fibre plants**

◘ **Pulp plants**

❖ **Chemical plant**

❄ **Textiles units**

◆ **Grey cement plants**

● **White cement plant**

○ **New cement plant**

♎ **Ready-mix Concrete plant**

♐ **Cement bulk terminal**

⌦ **Cement grinding units**

⍓ **Sponge Iron plant**

Not to scale

Thank You

Production Data (MT)

	Q4 - FY2001			Q4 - FY2000			FY 2001			FY2000		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
VSF *	220,775	57,245	104	220,775	52,665	95	220,775	218,847	99	220,775	188,002	84
Pulp	58,000	14,643	101	58000	14,674	101	58,000	69,729	120	58,000	73,283	109
Chemical	160,600	33,175	83	160,600	32,592	81	1,60,600	131,253	82	1,60,600	135,260	84
Grey Cement **	# 9 .10	2.28	100	8.20	2.48	121	# 9.10	9.10	100	8.20	8.40	102
White Cement	$ 360,000	64,928	72	360,000	66,535	74	$ 360,000	251,594	70	360,000	240,492	67
Sponge Iron	900,000	154,281	69	900,000	170,366	76	900,000	663,998	74	900,000	709,094	79

* Excluding installed capacity of Fibre (26,000TPA) and Pulp (72,000 TPA) at Mavoor, closed since May, 1999.

* * Grey Cement numbers are in Mn. MT.

Year end capacity 9.86 Mn. MT

$ Year end capacity 4 Lac MT

Divisional Turnover – Qty & Realisation

Product	Quantity (MT)				Realisation (Rs. /MT)			
	Q4 FY 01	Q4 FY 00	FY 2001	FY 2000	Q4 FY 01	Q4 FY 00	FY2001	FY2000
VSF *	48,228	52,081	203,854	192,452	73,751	64,279	69,733	64,484
Pulp *	15,316	15,207	70,148	74,429	22,500	21,000	22,500	21,551
Chemical	34,031	30,287	133,450	134,021	13,151	9,524	11,085	9,261
Grey Cement**	2.36	2.49	9.16	8.42	2,146	1,723	1,894	1,784
White Cement	66,039	67,648	251,291	240,014	5,278	5,172	5,268	5,078
Sponge Iron	164,081	162,104	673,852	822,995	5,765	5,311	5,733	5,037

* Excluding installed capacity of Fibre (26,000 TPA) and Pulp (72,000 TPA) at Mavoor, closed since May, 1999.

** Grey Cement numbers are in Mn. MT.