Performance Review – Q3FY02

31st January 2002

Financial Performance – Q3FY02

Rs. Crores

	Q3FY02	Q3FY01	% Chg.	FY01
Net Turnover & Operating Income	1,126.8	1,189.0	(5)	4,839.8
Other Income	21.6	18.2	19	89.7
PBIDT	215.0	225.7	(5)	911.5
Interest and Finance Charges	51.4	59.3	(13)	238.8
Gross Profit	163.6	166.4	(2)	672.7
Depreciation	63.5	63.4	-	251.9
PBT(before Exceptional Items)	100.1	103.0	(3)	420.8
Provision for Current Tax	6.0	10.0	(40)	50.0
Profit after Current Tax	94.1	93.0	1	370.8
Provision for Deferred Tax	14.3	* 7.4	93	$ 30.3
Profit after Total Taxes but before Exceptional Items	79.8	85.6	(7)	340.5

* Originally not provided in Q3FY01 but recast to give effect to appropriate tax liability and to make the results comparable

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

Financial Performance – Q3FY02 (Contd..)

Rs. Crores

	Q3FY02	Q3FY01		FY01
Exceptional Items				
Diminution in value of Investments / Profit on sale of Undertaking	(18.1)	-		18.4
Excess provision for taxes for earlier years written back	68.1	-		
Retrenchment compensation on closure of Mavoor units (final provision)	(36.9)			
Employee Separation Cost at other Units	(3.1)	(2.5)		(11.3)
Net Profit after Exceptional Items and Total Taxes	89.9	83.1		347.6

Earning Per Share (Rs.)

	Q3FY02	Q3FY01	% Chg.	FY01
EPS Basic and Diluted (Before Deferred Tax and Exceptional Items)	10.3	10.1	1	40.4
EPS Basic and Diluted (After Total Taxes but before Exceptional Items)	8.7	9.3	(7)	37.1
EPS Basic and Diluted (After Total Taxes and Exceptional Items)	9.8	9.1		37.9

Performance Highlights – Q3FY02

- Satisfactory Performance, viewed in the context of sluggish domestic and global economic slowdown
  - Both key businesses, namely Cement and Fibre performed well
  - Overall company profitability maintained despite weaker performance of other businesses
- Turnover down by 5% due to lower volumes of VSF,Sponge Iron and curtailed Trading operations
- Declining trend in interest charges maintained; interest cost down by 13%
- Net profit before Exceptional Items and deferred tax marginally up by 1%

Performance Highlights – Q3FY02(Contd..)

- **Exceptional Items**
  - **Exceptional charge of Rs. 58.1 Crs. to current quarter's Profit and Loss account :**
    - **Diminution in value of investment in Birla Technologies Ltd., Subsidiary company — Rs. 18.1 Crs.**
    - **Retrenchment compensation (remaining two third and final provision) of Mavoor units — Rs. 36.9 Crs.**
    - **ESC at other units — Rs. 3.1 Crs.**
  - **Excess provision for taxes of earlier years, no longer required, written back Rs.68.1 Crs.**

Performance Highlights – Q3FY02 (Contd..)

- **Deferred Tax Liability**
  - Provision of Rs. 14.3 Crs. in Q3FY02 made as per AS-22
  - Liability for corresponding Q3FY01 Rs.7.4 Crs. considered for comparison purpose
  - Provision for liability for the past year upto FY01 estimated at Rs. 587 Crs. which, as per AS requirements, will be met out of accumulated Revenue Reserve
  - The deferred tax liability has arisen substantially 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 therefore expected to materialise towards such liability in foreseeable future.

Financial Performance – 9MFY02

Rs. Crores

	9MFY02	9MFY01	% Chg.	FY01
Net Turnover & Operating Income	3,518.2	3,577.1	(2)	4,839.8
Other Income	55.9	51.7	8	89.7
PBIDT	674.0	632.9	6	911.5
Interest and Finance Charges	146.7	181.0	(19)	238.8
Gross Profit	527.3	451.9	17	672.7
Depreciation	188.0	188.6	-	251.9
PBT(before Exceptional Items)	339.3	263.3	29	420.8
Provision for Current Tax	37.0	20.0	85	50.0
Profit after Current Tax	302.3	243.3	24	370.8
Provision for Deferred Tax	33.7	*18.7	80	$ 30.3
Profit after Total Taxes but before Exceptional Items	268.6	224.6	20	340.5

* Originally not provided in 9MFY01 but recast to give effect to appropriate tax liability and to make the results comparable

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

Financial Performance – 9MFY02 (Contd..)

Rs. Crores

	9MFY02	9MFY01		FY01
Exceptional Items				
Diminution in value of Investments / Profit on sale of Undertaking	(18.1)	-		18.4
Excess provision for taxes for earlier years written back	68.1	-		
Loss on closure of Mavoor units				
- Retrenchment compensation (final provision)	(55.3)	-		
- Loss on retirement of fixed assets from active use	(19.0)	-		
Employee Separation Cost at other Units	(20.5)	(10.3)		(11.3)
Net Profit after Exceptional Items and Total Taxes	223.7	214.2		347.6

Earning Per Share (Rs.)

	9MFY02	9MFY01	% Chg.	FY01
EPS Basic and Diluted (Before Deferred Tax and Exceptional Items)	33.0	26.5	24	40.4
EPS Basic and Diluted (After Total Taxes but before Exceptional Items)	29.3	24.5	20	37.1
EPS Basic and Diluted (After Total Taxes and Exceptional Items)	24.4	23.4	4	37.9

Segmental Performance

Segment Revenue

Rs.Crores

	Q3FY02		9M FY02	
	Amount	% to Total	Amount	% to Total
Fibre, Pulp & Chemical	434	38	1,267	36
Cement	498	44	1,536	44
Sponge Iron	74	7	243	7
Textiles	76	7	241	7
Others	45	4	231	6
TOTAL	1,127	100	3,518	100
(Less) : Inter Segment Revenue	(77)		(243)	
Net Sales / Income from operations	1,050		3,275	

Segment Results - PBIT

Rs.Crores

	Q3FY02		9MFY02	
	Amount	% to Total	Amount	% to Total
Fibre, Pulp & Chemical	94	62	236	48
Cement	56	37	244	50
Sponge Iron	7	5	12	3
Textiles	(10)	(7)	(21)	(4)
Others	(3)	(2)	(3)	(1)
	144	95	467	96
Net Unallocable Income/(Exp)	7	5	19	4
TOTAL	151	100	486	100

Note : Before Employees Separation Cost

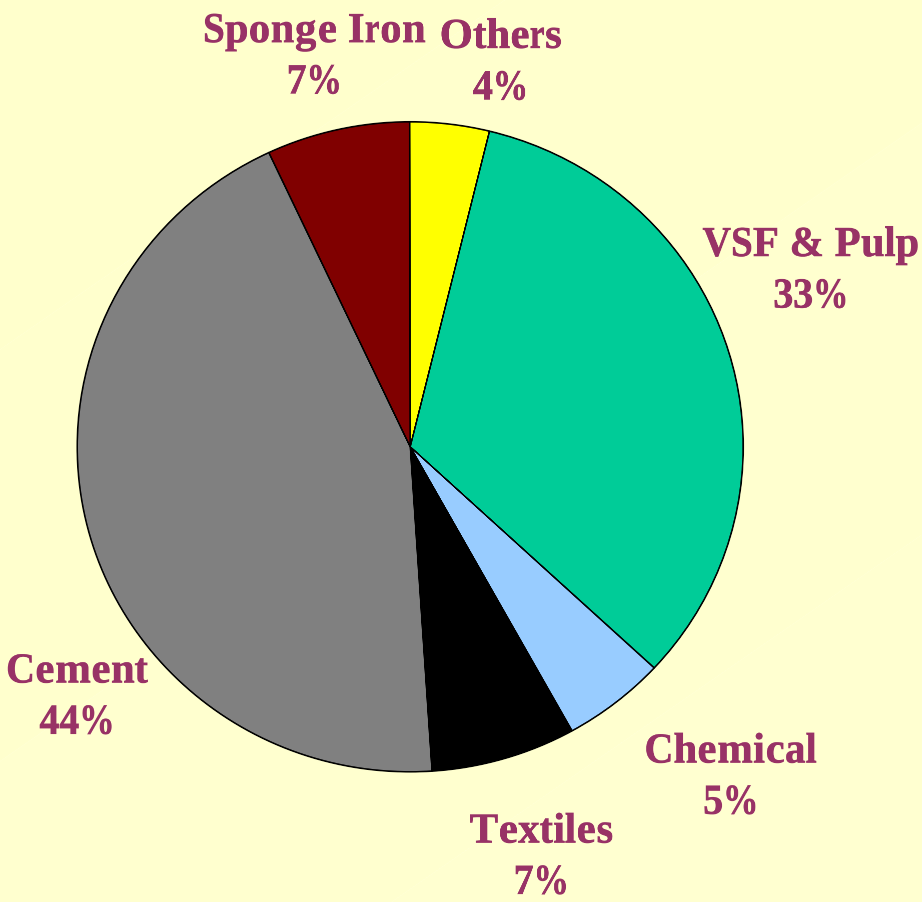
Capital Employed

31st December 01 Rs.Crores

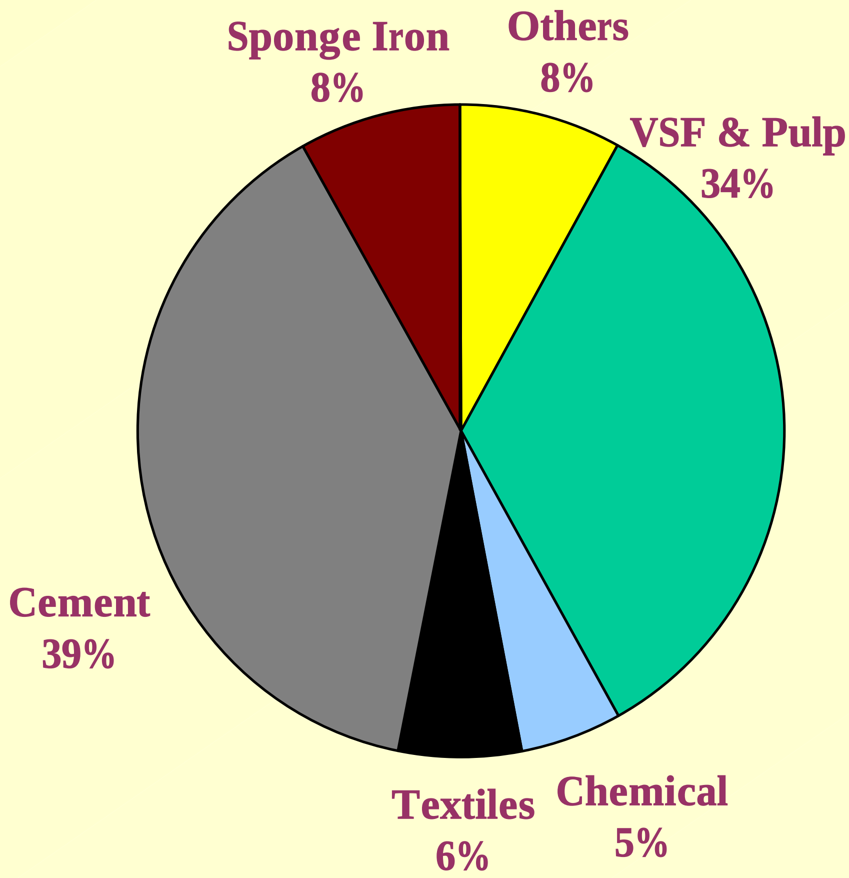
	Amount	% To Total CE	ROCE * 9MFY02 (%)
Fibre & Pulp	835	17	31
Chemicals	238	5	14
Cement	1,985	41	17
Sponge Iron	563	12	3
Textiles	203	4	(13)
Others	13	-	
Unallocated Corporate Capital Employed	1,011	21	
TOTAL CAPITAL EMPLOYED	4,848	100	

* ROCE is based on average capital employed

Net Revenue Mix – Q3FY02

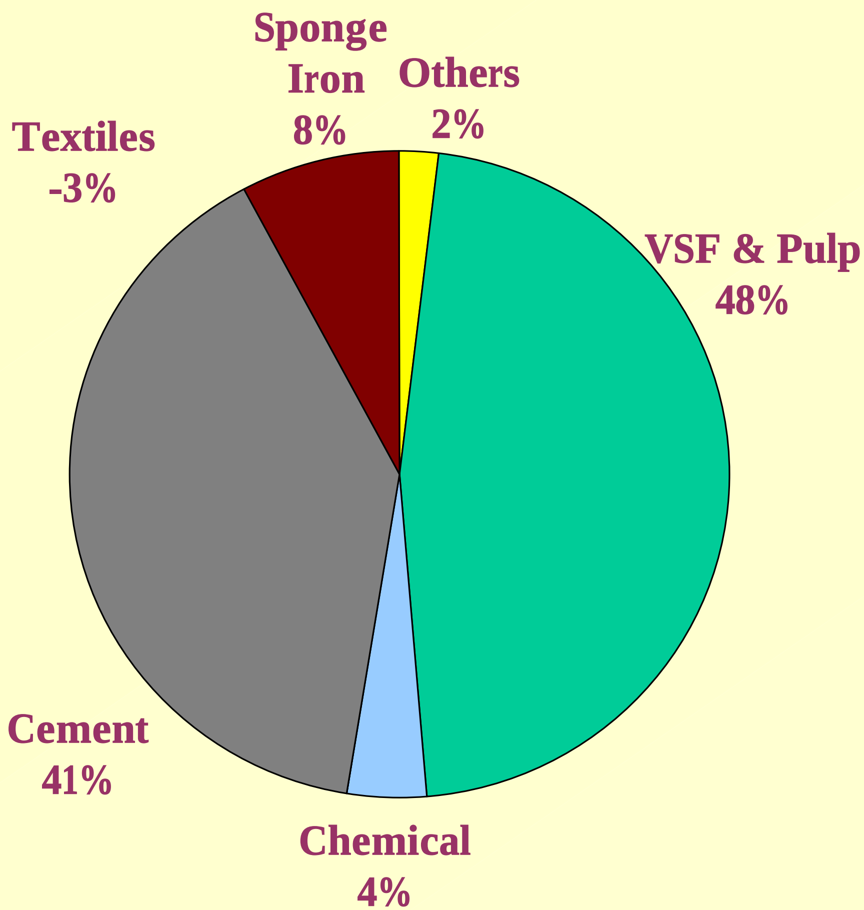


Q3FY02 (Rs. 1,127 Crs.)

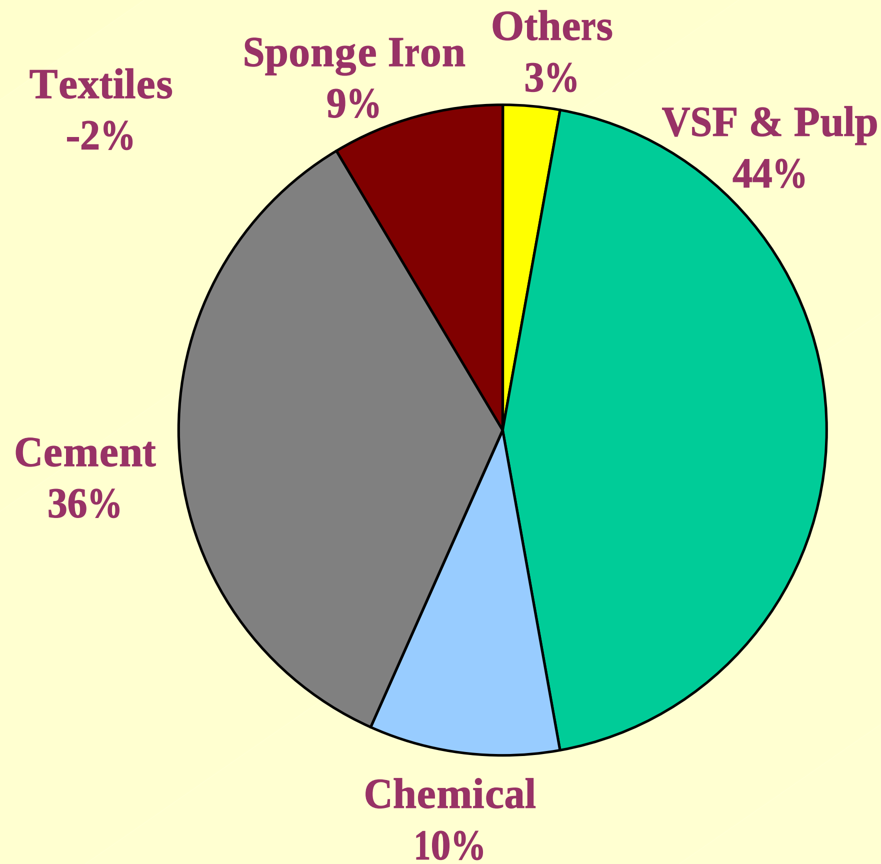


Q3FY01 (Rs.1,189 Crs.)

PBIDT Mix – Q3FY02



Q3FY02 (Rs.215 Crs.)



Q3FY01 (Rs.226 Crs.)

Viscose Staple Fibre

		Q3FY02	Q3FY01	% Chg.	FY01
Capacity	TPA	220,775	220,775	--	220,775
Production	MT	47,231	54,626	(14)	218,847
Sales Volumes	MT	47,122	49,429	(5)	203,854
Net Turnover	Rs.Crs.	337	359	(6)	1,482
Avg. Realisation	Rs./MT	67,210	69,660	(4)	69,733
PBIDT Margin *	%	30	28		29
PBIT *	Rs. Crs.	89	87	3	375
Capital Employed	Rs. Crs.	835	975	(15)	1,009

* Before Employees Separation Cost

Viscose Staple Fibre (Contd..)

Highlights

- Improving trend in sales volumes continues during Q3FY02
  - Sales volume down 5% YOY at 47,122 MT, but reflect a growth of 10% over Q2 levels
  - Strategic pricing efforts and easing of competitive pressure led to sequential growth
  - Deemed Exports up 33% over Q2 levels,but still lower by 7% over Q3FY01 level
- Production matches sales volume,but down 14% YOY
  - Higher production in Q3FY01 due to strategic inventory built up to overcome water shortage
- Realisation down 4% to Rs.67,210/MT, in line with prices of other fibres
- Operating margins improved from 28% to 30%
  - Falling pulp price (down 16%)
  - Closure of Mavoor units
  - Improved operational efficiencies

Viscose Staple Fibre (Contd..)

Highlights (Contd..)

- Mavoor Pulp & Fibre plants closed down effective 1st July, 01
  - ➢ Exceptional loss provided in accounts
    - ⇨ Entire Retrenchment Compensation (RC) of Rs.55.3 Crores charged to Profit and Loss account in Q2 and Q3
    - ⇨ Write-down in value of fixed assets retired from active use - Rs. 19 Crs. provided in Q2 FY02
  - ➢ Employees strength goes down by 2300 - about 11% of total employee strength of the Company
  - ➢ Annual savings of Rs.27 Crores in recurring expenditure (employee cost and fixed overheads) from July 01 onwards
    - ⇨ Cash outflow of Rs.55 Crs. on RC will be recouped in two years
    - ⇨ Closure helping augment operating profits of fibre business

Viscose Staple Fibre (Contd..)

Outlook

- Profitability will be driven by volumes, contingent to revival in global economy
- Reduction in input prices and improvement in plant efficiencies to enable protection of margins despite pressure on realisation
- Pulp prices showing a declining trend at $500 /MT compared with peak level of $ 750/MT in Q4FY01, $650/MT in Q1FY02 and $540/MT Q2FY02
- Towards ensuring long term growth, Grasim will focus on enlarging its domestic market through
  - Positioning VSF at the high end of the market as the 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 with trend - setters for new applications

Chemical

		Q3FY02	Q3FY01	% Chg.	FY01
Capacity (Caustic)	MT	160,600	160,600	-	160,600
Production (Caustic)	MT	36,619	32,663	12	131,253
Sales Volume(Caustic)	MT	36,355	32,766	11	133,450
Avg. ECU Realisation	Rs./MT	13,552	15,727	(14)	15,097
Net Turnover	Rs. Crs.	58	62	(6)	245
PBIDT Margin	%	16	35	-	32
PBIT	Rs. Crs.	5	17	(72)	62
Capital Employed	Rs. Crs.	238	264	(10)	249

Highlights

- Capacity utilisation higher at 91%
- ECU realisation down by 14% due to lower realisation of ancillary products
- Margin down at 16% due to lower realisation and higher power cost

Chemical (Contd..)

Outlook

- Caustic Soda demand expected to remain stable at current level
- Realisations under pressure in line with international prices, Subdued prices of by-products too
- Operations continue 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

Cement

		Q3FY02	Q3FY01	% Chg.	FY01
Grey Cement					
Capacity	Mn. MT	** 10.36	9.86		9.86
Production	Mn. MT	2.26	2.20	3	9.10
Sales Volumes	Mn. MT	2.40	2.21	9	9.16
Net Turnover	Rs. Crs.	457	417	10	1,719
Avg Realisation	Rs./MT	1,828	1,837	-	1,894
White Cement					
Capacity	TPA	400,000	400,000		400,000
Production	MT	73,189	71,817	2	251,594
Sales Volumes	MT	71,053	72,143	(2)	251,291
Net Turnover	Rs. Crs.	39	39	-	133
Avg Realisation	Rs./MT	5,429	5,392	1	5,268
PBIDT Margin *	%	18	18		17
PBIT *	Rs. Crs.	56	50	12	190
Capital Employed	Rs. Crs.	1,985	1,956	1	1,963

* Before Employees Separation Cost

** Capacity increased by 0.5 Mn MT in June 01

Cement (Contd..)

Highlights

- Sales volume up 9%, lower than industry average
  - Industry demand up 12% on improved post monsoon offtake, continued re-construction activities in Gujarat and higher exports
  - Sales volume up 22% in North, 9% in East, 1% in South, but down in West by 7%
  - Capacity addition by large producers and resultant increase in regional supplies restricted Grasim's despatch growth
- Average realisations remained stable at Rs.1828/MT
  - Realisations up in North (4%) but down in South (7%)
- Operating margin maintained at 18%
- Grinding unit at Bhatinda commissioned in Dec. 2001

Cement (Contd..)

Outlook

- Long term outlook is encouraging
  - **Demand expected to grow 7-8% annually, over next 3 years**
    - Expected GDP growth of 6% per annum
    - Growth in housing sector to boost demand
      - Fiscal incentives for private housing continues
      - Liberal housing finance available at Favorable terms
      - Increased Rural demand expected to sustain with normal monsoon
      - Changing preference towards nuclear families
    - Renewed focus on road sector by the Government
      - Golden Quadrilateral Project 6000 Kms of road by 2003
      - North-South and East-West corridors with 7000 Kms of expressway by 2007
      - Flyovers, expressways and concretisation of roads by State Govts. to augment further demand
  - **Demand supply imbalance will narrow**
    - No significant fresh green field capacities
    - Capacity additions thru debottlenecking

Cement (Contd..)

Outlook (Contd..)

- Short term outlook – positive
  - Demand growth to continue in next two quarters
    - ⇨ Scheduled construction of Road projects and Reconstruction activity in Gujarat to boost demand
    - ⇨ Better agriculture performance will also stimulate rural demand
  - Short term supply pressure may continue
    - ⇨ Present capacity utilisation offers room for increased supplies
    - ⇨ De-bottlenecking to add fresh capacities
    - ⇨ Capacity utilisation expected to improve only gradually, with expected pick-up in demand
  - Significant downside in prices unlikely
    - ⇨ Economic compulsions - sharp rise in mfg. costs
    - ⇨ Acquisition valuations assume higher price levels
    - ⇨ Inadequate return even at current price levels

Cement (Contd..)

- Grasim will focus on
  - Strengthening of market position
    - ⇨ Identified core markets : North, Western corridor and South
    - ⇨ Increasing market share in the profitable regions/segments
      - ➲ Grinding unit in Bhatinda
      - ➲ Strategic alliance
    - ⇨ Improve realisation through change in product/market mix
  - Improvement in capital productivity
    - ⇨ 2.8 Mn TPA to be added by end FY03 through de-bottlenecking and change in product mix
  - Continuous cost reduction and capacity optimisation
    - ⇨ Cut distribution costs through better logistics
    - ⇨ Lower production costs through change in fuel mix

Strategic Investment in L&T

- A Positive Step Towards Further Strengthening of Cement Business

Strategic Investments in L&T

- **Grasim acquires 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**
- **Investments funded largely through internal generation**
- **Mr.Kumar Mangalam Birla and Mrs.Rajashree Birla inducted on the L&T Board**

Rationale

- Cement - a growth area for Grasim
- Greenfield expansion not an ideal option, given current industry surplus scenario, Strategic Alliance is therefore a better option
- L&T, Ideal Strategic Investment
  - Largest cement company with 16 Mn.MT Capacity - 12% market share
  - Strong brand equity and premium pricing
  - Best bet on infrastructure being the largest Engg. & Construction player in India and a leading player in Asia
  - Has been exploring partnership in cement business for quite some time
- Alliance to lead to mutual benefits
  - Combined efforts can give leadership in 3 regions (South, West and East)
  - Cross branding efforts can lead to logistic gains of around Rs. 40 crores p.a. to each company
  - Synergy gain possibilities in other areas as well
- No significant impact on Grasim's interest burden and/or other income

Only marginal impact on Grasim financials

- Debt/Equity

- FY02	0.6x without L&T Equity investment
- FY02	0.7x with L&T Equity investment
- FY03	0.5x with L&T Equity investment

- Interest Cover

- FY02	4.6x without L&T investment
- FY02	4.2x with L&T investment
- FY03	4.5x with L&T investment

- Likely impact on “interest charges” and “income on surplus funds (Net of tax) ” due to this investment

- FY02	Rs.12 Crores
- FY03	Rs.30 Crores

Textiles

		Q3FY02	Q3FY01	% Chg.	FY01
Divisional Turnover	Rs.Crs.	74	72	3	306
PBIDT Margin*	%	(8)	(5)		(7)
PBIT *	Rs. Crs.	(10)	(8)	(22)	(41)
Capital Employed	Rs. Crs.	203	230	(12)	231

* Before Employees Separation Cost

Highlights

- Divisional turnover marginally up by 3%
- Fabric (65% of revenue) remained under pressure
  - Sluggish market conditions
  - Increased price competition and inflow of spurious materials
  - Cheaper imports
- Operating margins negative due to sharp rise in input costs and lower yarn volumes/realisation

Textiles (Contd..)

Outlook (Contd..)

- Remains challenging due to
  - Gradual commoditisation of fabric market
  - Generic slowdown in demand with shift in consumer preference towards readymades
  - Pricing pressures from low cost power-loom and medium sized producers
- Grasim to focus on
  - Move up value chain for higher realisation and overcome competition
  - Retailing efforts and strengthening of distribution network
  - Improve efficiencies, including rightsizing of workforce
    - No. of hands reduced in 9MFY02 - 193 Nos.
    - No. of hands reduced in FY01 - 423 Nos.

Sponge Iron

		Q3FY02	Q3FY01	% Chg.	FY01
Capacity	TPA	900,000	900,000		900,000
Production	MT	137,629	164,397	(16)	663,998
Sales Volumes	MT	129,438	165,495	(22)	673,852
Net Turnover	Rs. Crs.	74	97	(23)	401
Avg Realisation	Rs./MT	5,401	5,695	(5)	5,733
PBIDT Margin	%	22	21		21
PBIT	Rs. Crs.	7	11	(37)	47
Capital Employed	Rs. Crs.	563	635	(11)	656

Sponge Iron (Contd..)

Highlights

- Capacity utilisation down from 73% to 61%
  - Continued restricted Natural Gas supplies from GAIL
  - Usage of Naphtha still not viable due to prohibitive costs
  - Planned shutdown of 8 days in Q3FY02
- Sales volumes lower by 22%
  - Negative growth in the domestic steel industry
  - Increased competition with re-entry of a large producer into merchant supply market
- Average realisation down by 5%
- Operating margin up marginally to 22%, due to higher operating income and improved production efficiencies

Sponge Iron (Contd..)

Outlook

- Demand to pick-up only with recovery in the domestic and global economies
- Global scrap prices to remain stable at current levels
- Domestic realisation may come under pressure due to return of major players into merchant supply market
- Natural gas supply and prices to remain a concern
  - ➢ Any abnormal increase in Natural gas price could adversely impact profitability and margin
- Grasim will focus on
  - ➢ Asset sweating
  - ➢ Leveraging strategic advantages of location and product flexibility
  - ➢ Ongoing cost reduction measures

Capex Plan

Rs. Crores

	Amount	Capex FY02	Capex FY03	Completion Schedule
A New Projects :				
- Cement Grinding Unit at Bhatinda (1 Mn MT) (Total Cost Rs.83 Crs.)	* 59	59	--	Q3 FY02 (commissioned)
- Ready Mix Concrete 3 Plants (745,200 M^3)(Total Cost Rs.28 Crs.)	* 15	15	--	Q2FY02 (commissioned)
- Cement Capacity Expansion				
- Debottlenecking/Blending	63	25	38	Q2 FY03
- Power Plants (Cement units)				
- AC 23 MW	92	25	67	Q3 FY03
- South 12.5 MW	47	8	39	Q3 FY03
Sub Total (A)	276	132	144	

* Net of amount spent till FY 01

Capex Plan (Contd..)

Rs. Crores

	Amount	Capex	
		FY02	FY03
B <u>Modernisation :</u>			
- VSF	60	44	16
- Cement	142	103	36
- Other units	35	25	10
Sub Total (B)	237	172	62
C Other Capex	65	10	43
Total (A + B + C)	578	314	249

Profitability & Financial Snapshot

Profitability Snapshot

		FY99	FY00	FY01	9MFY02
Gross Turnover	Rs. Crs.	4,325	4,982	5,582	4,032
Net Turnover	Rs. Crs.	3,757	4,273	4,822	3,503
PBIDT	Rs. Crs.	678	756	912	674
PBIDT Margin	%	18.1	17.7	18.9	19.2
PBDT	Rs. Crs.	386	500	673	527
PAT (before deferred tax)	Rs. Crs.	168	251	371	302
PAT Margin	%	4.5	5.9	7.7	8.6
EPS	Rs.	20.1	27.4	40.4	* 33.0
CEPS	Rs.	45.2	53.2	67.9	* 53.5
DPS	Rs.	6.75	7.0	8.0	N.A.
Interest Cover	Ratio	2.3	2.9	3.7	4.3
After current & deferred tax					
PAT $	Rs. Crs.		168	340	269
EPS	Rs.		18.3	37.1	29.3

Profitability numbers are before Exceptional Items

* For the period

$ Deferred tax liability adjusted in FY00 and FY01 for comparison

Financial Snapshot

		FY99	FY00	FY00 (R)*	FY01	FY01 (R)*
Gross Block	Rs.Crs.	4,937	5,206	5,206	5,312	5,312
Net Block	Rs.Crs.	3,354	3,401	3,401	3,303	3,303
Equity	Rs.Crs.	91.7	91.7	91.7	91.7	91.7
Net Worth	Rs.Crs.	2,616	2,777	2,220	3,075	2,488
Avg.Capital Employed	Rs.Crs.	4,572	4,759	4,244	4,815	4,243
Debt : Equity **	Ratio	0.93	0.82	1.02	0.62	0.76
Book Value	Rs.	285	303	242	335	271
ROCE (PBIT basis)	%	10.1	10.5	11.8	$ 13.5	$ 15.3
RONW	%	6.6	8.6	6.9	$ 12.3	$ 14.0

* Restated for deferred tax liability

** 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

Plant Locations

(F) Fibre plants

(P) Pulp plants

(C) Chemical plant

(T) Textiles units

Grey cement plants / Grinding Units (G)

White cement plant

Ready-mix Concrete plant

(B) Bulk Cement Terminal

(S) Sponge Iron plant

Not to scale

Production Data (MT)

	Q3FY02			Q3FY01			FY01		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
VSF	220,775	47,231	86	220,775	54,626	99	220,775	218,847	99
Pulp	58,000	18,629	128	58,000	18,472	127	58,000	69,729	120
Caustic Soda	160,600	36,619	91	160,600	32,663	81	160,600	131,253	82
Grey Cement*	10.36	2.26	87	9.86	2.20	97	9.86	9.10	100
White Cement	400,000	73,189	73	400,000	71,817	80	400,000	251,594	70
Sponge Iron	900,000	137,629	61	900,000	164,397	73	900,000	663,998	74

* Grey Cement numbers are in Mn. MT.

Divisional Turnover – Qty & Realisation

Product	Quantity (MT)			Realisation (Rs. /MT)		
	Q3 FY02	Q3 FY01	FY01	Q3 FY02	Q3 FY01	FY01
VSF	47,122	49,429	203,854	67,210	69,660	69,733
Pulp	18,123	17,741	70,148	20,500	22,500	22,487
Caustic Soda *	36,355	32,766	133,450	13,552	15,727	15,097
Grey Cement **	2.40	2.21	9.16	1,828	1,837	1,894
White Cement	71,053	72,143	251,291	5,429	5,392	5,268
Sponge Iron	129,438	165,495	673,852	5,401	5,695	5,733

* ECU realisation in case of Caustic Soda

* * Grey Cement numbers are in Mn. MT.

Textiles - Fabric & Yarn Data

		Q3FY02	Q3FY01	% Chg.	FY01
Fabric					
Capacity (222 looms)	Lac Mtrs.	184	184	-	184
Production	Lac Mtrs.	43	47	(9)	167
Purchases	Lac Mtrs.	1	3	(64)	11
Sales Volume	Lac Mtrs.	47	44	7	187
Net Turnover	Rs. Crs.	48	42	14	165
Avg. Realisation	Rs./ Mtr.	102	95	7	88
Synthetic Yarn					
Capacity(34656 Spndl.)	MT	9,000	9,000	-	9,000
Production	MT	1,757	2296	(23)	9,898
Sales Volumes	MT	1,854	1982	(6)	10,132
Net Turnover	Rs. Crs.	20	23	(14)	109
Avg. Realisation	Rs./Kg.	107	115	(7)	107
Worsted Yarn					
Capacity (8832 Spndl.)	MT	1250	1,250		1,250
Production	MT	216	265	(18)	1,132
Sales Volumes	MT	234	261	(10)	1,216
Net Turnover	Rs. Crs.	6	7	(15)	33
Avg. Realisation	Rs./Kg.	261	274	(5)	265

Thank You

Press Release Mumbai, 31st January, 2002

THE ADITYA BIRLA GROUP'S
GRASIM INDUSTRIES LIMITED
REPORTS Q3– FY 2002 RESULTS

Profit after Current Tax for nine months : Rs. 302 Crores, up by 24%
Profit after Current Tax for the Quarter : Rs. 94 Crores, up by 1%

(Rs. Crores)

	Quarter Ended (Un-audited)		9-Months Ended (Un-audited)	
	31.12.2001	31.12.2000	31.12.2001	31.12.2000
Net Turnover	**1126.8**	**1189.0**	**3518.2**	**3577.1**
PBIDT	**215.0**	**225.7**	**674.0**	**632.9**
Gross Profit	**163.6**	**166.4**	**527.2**	**451.9**
Profit before Taxes and Exceptional Items	**100.1**	**103.0**	**339.3**	**263.3**
Profit after Current Tax	**94.1**	**93.0**	**302.3**	**243.3**
Net Profit after total Taxes but before Exceptional Items	**79.9**	**85.6**	**268.6**	**224.6**
Exceptional items				
Excess provision for income tax of earlier years written back	68.1		68.1	
Provision for diminution in value of long term investment	(-) 18.1		(-) 18.1	
Loss on closure of Mavoor Plants (Retrenchment compensation and Loss on retirement of fixed assets)	(-) 36.9		(-) 74.3	
Employees' separation cost	(-) 3.1	(-)2.5	(-) 20.5	(-) 10.3
Net Profit after Total Taxes and Exceptional Items	**89.9**	**83.1**	**223.7**	**214.3**

Grasim, the flagship Company of the Aditya Birla Group, has posted a marginal rise in Profit (after current tax) at Rs.94 crores for the quarter ended 31st December, 2001, vis-à-vis Rs.93 crores achieved in the corresponding quarter of the previous year, despite a 5% decline in turnover. Net profit for the quarter, after total taxes and provisioning for exceptional items, at Rs.90 crores, has registered an increase of 8% over the corresponding quarter of the previous year. The Company has been able to uphold its performance during the quarter due to the improved performance of its Cement and Fibre businesses. The decline in interest costs by 13% over the corresponding quarter of the previous year has had a positive impact on the Company's bottom line as well.

The overall performance for the nine month period shows a sharp increase of 24% in the Net profit after current taxes.

The economic slowdown has constrained the working of the Company's Chemicals, Textiles and Sponge Iron businesses during the quarter under review. This was, however, largely offset by the enhanced performance of its Cement business, coupled with ongoing cost optimization measures in all of its businesses.

EXCEPTIONAL ITEMS

An exceptional charge of Rs.37 crores has been provided for payment to the employees of its Fibre and Pulp plants at Mavoor, which have since been shut down. Additionally, as part of its effort towards manpower rationalization, a sum of Rs.3 crores has been paid towards VRS at its other plants.

While these measures have affected the Company's profits during the quarter, in the long run, Grasim would stand to benefit immensely. The closure of its Mavoor plants alone translates into savings in recurring expenditure on employees and other standing charges to the tune of Rs.27 crores annually.

The write-off towards exceptional items aggregates Rs.58 crores in Q3FY02. Similarly, the Company has written back the excess provision for taxation no longer required, amounting to Rs.68 crores, in view of favourable appeal decisions. As these items are exceptional and non-recurring in nature, the same have been disclosed separately below the line, so that the result for the current period and corresponding period is comparable.

OPERATIONS

The table below indicates Grasim's operations during the quarter:

Production Volumes-		**Q3FY2002**	**Q3 FY2001**	**Variation**
Viscose Staple Fibre	M.T.	47231	54626	-14%
Cement	Mn. MT.	2.26	2.20	3%
White Cement	M.T.	73189	71817	2%
Sponge Iron	M.T.	137629	164397	-16%
Caustic Soda	M.T.	36619	32663	12%
Sales Volumes-				
Viscose Staple Fibre	M.T.	47122	49429	-5%
Cement	Mn. MT.	2.40	2.21	9%
White Cement	M.T.	71053	72143	-2%
Sponge Iron	M.T.	129438	165495	-22%
Caustic Soda	M.T.	36355	32766	11%

NET REALISATION (Rupees per tonne)

	Q3 FY2002	**Q3FY2001**	**Variation**
Viscose Staple Fibre	67210	69660	-4%
Cement	1828	1837	--
White Cement	5429	5392	1%
Sponge Iron	5401	5695	-5%
Caustic Soda (ECU)	13552	15727	-14%

Cement Business

The Cement business has recorded an improved performance. Production at 2.26 million metric tonnes and sales volumes at 2.40 million metric tonnes are up by 3% and 9% respectively, over the corresponding quarter of the previous year.

As a part of its long term strategy and towards superior sustainable performance, Grasim has initiated several measures to increase productivity, optimise costs and expand its markets aggressively. Towards this end, the Company commissioned, in December, 2001 its one million tonne Cement Grinding Unit at Bhatinda to manufacture blended cement at a cost of Rs.83 crores. This will enable the Company to consolidate its position in the northern sectors of the Country. In addition, the Company is implementing various plans at a capex of Rs.337 crores, as indicated:

- Two Power Plants of 23 MW and 12.5 MW at Aditya Cement and Grasim Cement (South) respectively are expected to be operational by December 2002.
- Modernization of plants and capacity expansion through debottlenecking – which is ongoing- has resulted in capacity enhancement of 0.5 million MT so far. A further capacity addition of 2.8 million MT is expected by end FY 2003.

On implementation of these projects, Grasim's cement manufacturing capacity will go up to 13.15 million tones, which will be an increase of 33% over the capacity as on March, 2001.

Grasim has so far invested Rs.86 crores on these projects.

Given the renewed focus on the infrastructure sector by the Government and the anticipated strong growth in the housing sector, the long term outlook of its cement business is encouraging.

As part of its ongoing endeavours to enhance shareholder value, and towards consolidation of its position, the Company has acquired a 10% stake in L & T. Currently, both these Companies are exploring ways to leverage upon the synergies that stem from such a relationship.

VSF Business

Capacity utilisation at the Company's VSF plants has been lower, at 86% vis-à-vis 99% in the corresponding quarter of the last year. The increased capacity utilization in the corresponding quarter is attributable to the Company's building up of its inventory last year in anticipation of a water shortage at its Nagda plant. The recession in the domestic textiles market and the global slowdown of the textiles sector have adversely impacted sales. However, as a result of the Company's efforts towards finding increased application of the product, both production and turnover volumes improved during the last month of the quarter. The operating margins of the business registered an improvement consequent to decline in Pulp prices during the quarter.

To ensure sustainable performance, the VSF business will continue to focus unrelentingly on market expansion through a multi pronged strategy. To generate a higher demand for its superior VSF in the premium market, the Company is aggressively positioning it as "the fibre for feel, comfort and fashion." Besides intensifying its efforts relating to both product and application development, the Company is pursuing strategic alliances with leading fabric industry trend setters. This will result in novel product applications in the clothing and hosiery sectors.

The Company is also promoting its product as an eco-friendly fibre. Further, to create an awareness in the value chain, it is uniquely positioning the brand as. "Birla Viscose".

Chemical Business

Despite higher capacity utilization, increased production and sales volumes, the Chemicals division's operating performance has been lower. A steep fall in international prices of Caustic Soda and ancillary products in turn adversely affected realizations. A rise in power costs further impaired the results. The Company aims to focus on optimum utilization of the plant capacity and development of ancillary products for more value addition and better realization, so as to maintain the operation at profitable level.

Textiles Business

In Fabrics, sales rose marginally compared to the corresponding quarter of the last financial year. The Textiles sector continues to be sluggish with intense price competition from the unorganized sector and cheaper imports. The division has posted negative returns due to higher input costs and lower realization.

To improve upon the situation, the focus on moving up the value chain, strengthening retail distribution network, reducing overheads by right sizing its work force and other cost cutting measures, will be ongoing.

Sponge Iron Business

The capacity utilisation of the plant was significantly lower at 61% as compared to 73% in the corresponding quarter largely due to the planned shut down and the steep fall in the supply of natural gas. A negative growth in the domestic steel industry coupled with the return of one of the Sponge Iron majors into the merchant supply market impinged sales volumes of this division which were lower by 22% as compared to the corresponding quarter.

OUTLOOK

Despite various factors affecting the economy, Grasim has recorded a good performance during the quarter. Grasim's inherent strength, strong fundamentals, a continual stress on operational excellence, cost optimisation measures, effective financial management, continuous restructuring of business processes, aided by an expected improvement in the cement sector should augur well for the Company in the years to come. Grasim's overall outlook continues to be positive.

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

UNAUDITED FINANCIAL RESULTS
FOR THE THREE MONTHS ENDED 31st DECEMBER, 2001

Rs in crores

	Three Months Ended 31st December 2001	Three Months Ended 31st December 2000	Nine Months Ended 31st December 2001	Nine Months Ended 31st December 2000	Year ended 31st March 2001 (Audited)
Net Sales / Income from Operations	1,126.82	1,189.03	3,518.16	3,577.06	4,839.74
Other Income	21.62	18.17	55.86	51.65	89.71
Total Expenditure					
- Decrease / (Increase) in Stock	34.46	(34.73)	72.35	(60.95)	(62.65)
- Raw Material Consumed	325.57	401.55	958.41	1,164.93	1,569.77
- Purchases of Finished Goods	33.11	71.90	215.10	251.97	310.49
- Payment to & Provision for Employees	72.78	74.53	239.11	231.32	313.28
- Power & Fuel	184.15	186.53	543.61	554.79	725.04
- Freight , Handling & Other expenses	125.59	113.55	395.36	362.34	480.47
- Other Expenditure	157.77	168.18	476.10	491.39	681.56
Total Expenditure	**933.43**	**981.51**	**2,900.04**	**2,995.79**	**4,017.96**
Interest	51.37	59.25	146.74	181.02	238.78
Gross profit	**163.64**	**166.44**	**527.24**	**451.90**	**672.71**
Depreciation	63.52	63.41	187.98	188.64	251.90
Profit before Exceptional Items and Tax Expense	**100.12**	**103.03**	**339.26**	**263.26**	**420.81**
Profit on Sale of Undertaking					18.44
Excess Provision for Income Tax of earlier years written-back	68.11	-	68.11	-	
Provision for diminution in value of Long Term Investment	(18.11)		(18.11)		
Loss on Closure of Mavoor Units					
- Retrenchment Compensation	(36.87)		(55.30)	-	
- Write Down of Fixed Assets on Retirement from active use	-		(19.01)	-	
Employees separation cost	(3.14)	(2.49)	(20.52)	(10.32)	(11.35)
Profit before Tax Expense	**110.11**	**100.54**	**294.43**	**252.94**	**427.90**
Provision for Current Tax	(6.00)	(10.00)	(37.00)	(20.00)	(50.00)
Net Profit before Deferred Tax	**104.11**	**90.54**	**257.43**	**232.94**	**377.90**
Provision for Deferred Tax	(14.25)	(7.40)	(33.70)	(18.70)	@
Net Profit	**89.86**	**83.14**	**223.73**	**214.24**	**377.90**
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					2,983.71
Basic & Diluted EPS for the period (Rupees)	**9.80**	**9.07**	**24.40**	**23.37**	**41.21**
Basic & Diluted EPS for the period (Rupees) - before Exceptional Items	**8.71**	**9.34**	**29.29**	**24.49**	**40.44**

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 Liability for the current quarter and nine months ended 31st December 2001. No provision for Deferred Tax Liability was required to be made in the corresponding quarter and nine months ended 31st December 2000 as the said AS 22 was then not applicable. However , the figures of corresponding quarter / nine months of last year have been recast to give effect to the appropriate deferred tax liability and to make the results comparable.
   As per AS 22, cumulative net deferred tax liability upto 31st March 2001 works out to Rs. 587 crs. and the same will be met out of the revenue reserves. This adjustment has not been reflected in the year ended 31st March 2001 column , which remains as per audited accounts.
   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 liability 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 Crs. Company has charged the balance unprovided amount of Rs. 36.87 Crs. in this quarter. 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. During the Quarter the Company has made a strategic investment of Rs.766.50 Crores in 2.50 Crores shares of Larsen &Toubro Ltd. at Rs.306.60 per share. This constitutes 10.05% of Larsen & Toubro Ltd.'s paid-up share capital.

5. The Board of Directors in its meeting on 31.01.2002 has decided to sell its entire holding in its subsidiary Birla Technologies Limited at Rs. 11.50 per share. The resultant loss of Rs. 18.11 Crores has been provided as diminution in value of Long Term Investment.

6. The Company has commenced commercial production at its 1 million ton per annum capacity Cement Split Grinding Plant at Bhatinda, Punjab, in mid-December, 2001.

Cont. on Page 2

Cont. from Page 1

7 **Segments Reporting:**

Rs. in Crores

		Three Months Ended 31st December 2001	Nine Months Ended 31st December 2001
1. SEGMENT REVENUE			
a	Fibre & Pulp	374.78	1,101.25
b	Chemicals	58.44	166.17
c	Cement	498.47	1,536.08
d	Sponge Iron	74.21	242.47
e	Textiles	76.28	241.45
f	Others	44.64	230.74
	TOTAL	1,126.82	3,518.16
(Less) : Inter Segment Revenue		(76.44)	(242.62)
	Net Sales / Income from Operations	**1,050.38**	**3,275.54**
2. SEGMENT RESULTS			
a	Fibre & Pulp	89.38	209.99
b	Chemicals	4.90	25.51
c	Cement	55.94	243.86
d	Sponge Iron	6.73	12.24
e	Textiles	(10.21)	(21.24)
f	Others	(2.51)	(3.00)
	TOTAL	144.23	467.36
Add / (Less) :			
	Interest	**(51.37)**	**(146.74)**
	Net Unallocable Income / (Expenditure)	7.26	18.64
Profit before Exceptional Items and Tax Expense		**100.12**	**339.26**
	Excess Provision for Income Tax of earlier years written-back	68.11	68.11
	Provision for diminution in value of Long Term Investment	(18.11)	(18.11)
	(Loss) on Closure of Mavoor Units		
	- Retrenchment Compensation	(36.87)	(55.30)
	- Loss on Retirement of Fixed Assets from Active Use	-	(19.01)
	Employee Separation Cost	(3.14)	(20.52)
	Profit Before Tax Expenses	**110.11**	**294.43**
3. CAPITAL EMPLOYED			
a	Fibre & Pulp	834.88	834.88
b	Chemicals	238.23	238.23
c	Cement	1,984.45	1,984.45
d	Sponge Iron	563.04	563.04
e	Textiles	203.44	203.44
f	Others	13.22	13.22
	TOTAL	3,837.26	3,837.26
g	Unallocated Corporate Capital Employed	1,010.50	1,010.50
	TOTAL CAPITAL EMPLOYED	**4,847.76**	**4,847.76**

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

	Q3-FY2002	9M-FY2002
Fibre & Pulp	0.89	3.55
Chemical	0.02	0.02
Cement	1.75	14.13
Textiles	0.48	2.82

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 31st January, 2002.

For and on behalf of Board of Directors

Place : Mumbai
Date : 31st January , 2002

Kumar Mangalam Birla
Chairman