Performance Review – Q2FY02

31st October 2001

Financial Performance – Q2FY02

Rs. Crores

	Q2FY02	Q2FY01	% Chg.	FY01
Net Turnover & Operating Income	1207.2	1,192.2	1	4,839.8
Other Income	19.7	21.2	(7)	89.7
PBIDT	211.3	218.9	(3)	911.5
Interest and Finance Charges	47.9	60.5	(21)	238.8
Gross Profit	163.4	158.4	3	672.7
Depreciation	61.9	63.0	(2)	251.9
PBT(before ESC & E.O. items)	101.5	95.4	6	420.8
Provision for Current Tax	8.0	6.0	33	50.0
Profit after current tax	93.5	89.4	5	370.8
Provision for Deferred Tax	9.5	* 6.6	-	$ 30.3
Profit after Total Taxes but before Extra Ordinary Items	84.0	82.8	1	340.5

* Originally not provided in Q2FY01 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 purposes

Financial Performance – Q2FY02 (Contd..)

Rs. Crores

	Q2FY02	Q2FY01		FY01
Extraordinary items				
Profit on transfer of Undertaking	-	-		18.4
Loss on closure of Mavoor units				
- Retrenchment compensation	(18.4)			
- Loss on retirement of fixed assets from active use	(19.0)			
Employee Separation Cost at other Units	(15.0)	(6.4)		(11.3)
Net Profit after extra ordinary items and total taxes	31.6	76.4		347.6

Earning Per Share

Rs.

	Q2FY02	Q2FY01	% Chg.	FY01
EPS Basic and Diluted (Before deferred tax and extraordinary items)	10.2	9.8	5	40.4
EPS Basic and Diluted (After total taxes but before extraordinary items)	9.2	9.0	1	37.1
EPS Basic and Diluted (After total taxes and extraordinary items)	3.4	8.3		37.9

Performance Highlights – Q2FY02

- Satisfactory Performance, viewed in the context of sluggish domestic and global economic slowdown
- Driven by strong Cement performance
- Turnover up marginally despite lower VSF and Sponge Iron volumes
- Gross profits at Rs. 163 crores (up 3%)
- Declining trend in interest charges maintained; interest cost down by 21%
- Net profit before extraordinary items and deferred tax increased by 5%

Performance Highlights – Q2FY02(Contd..)

- **Extra Ordinary Items**
  - **Exceptional charge of Rs.52.4 Crs. to current quarter's profit and loss account :**
    - **Retrenchment compensation (one third) and write down in value of mavoor units' Fixed Assets Rs. 37.4 Crs.**
    - **ESC at other units Rs. 15.0 Crs.**
  - **Retrenchment compensation of Rs.36.8 Crs. to be charged in next two quarters, in two equal installments**
  - **Closure of Mavoor Units and ESC to add to Company's financial strength and improve operating profits**
    - **Annual saving from Mavoor plant closure alone Rs.27 Crs.**

Performance Highlights – Q2FY02 (Contd..)

- **Deferred Tax Liability**
  - Provision of Rs. 9.5 Crs. in Q2FY02 made as per AS-22
  - Liability for corresponding Q2FY01 Rs. 6.6 Crs. considered for proper comparison
  - 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 – H1FY02

Rs. Crores

	H1FY02	H1FY01	% Chg.	FY01
Net Turnover & Operating Income	2391.3	2388.0	-	4,839.8
Other Income	34.2	33.5	2	89.7
PBIDT	459.0	407.2	13	911.5
Interest and Finance Charges	95.4	121.8	(22)	238.8
Gross Profit	363.6	285.4	27	672.7
Depreciation	124.5	125.2	(1)	251.9
PBT(before ESC & E.O. items)	239.1	160.2	49	420.8
Provision for Current Tax	31.0	10.0	210	50.0
Profit after current tax	208.1	150.2	39	370.8
Provision for Deferred Tax	19.5	* 11.3	73	$ 30.3
Profit after Total Taxes but before Extra Ordinary Items	188.6	138.9	36	340.5

* Originally not provided in H1FY01 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 purposes

Financial Performance – H1FY02 (Contd..)

Rs. Crores

	H1FY02	H1FY01		FY01
<u>**Extraordinary items**</u>				
Profit on transfer of Undertaking	-	-		18.4
Loss on closure of Mavoor units				
- Retrenchment compensation	(18.4)	-		
- Loss on retirement of fixed assets from active use	(19.0)	-		
Employee Separation Cost at other Units	(17.4)	(7.8)		(11.3)
Net Profit after extra ordinary items and total taxes	133.8	131.1		347.6

Earning Per Share

Rs.

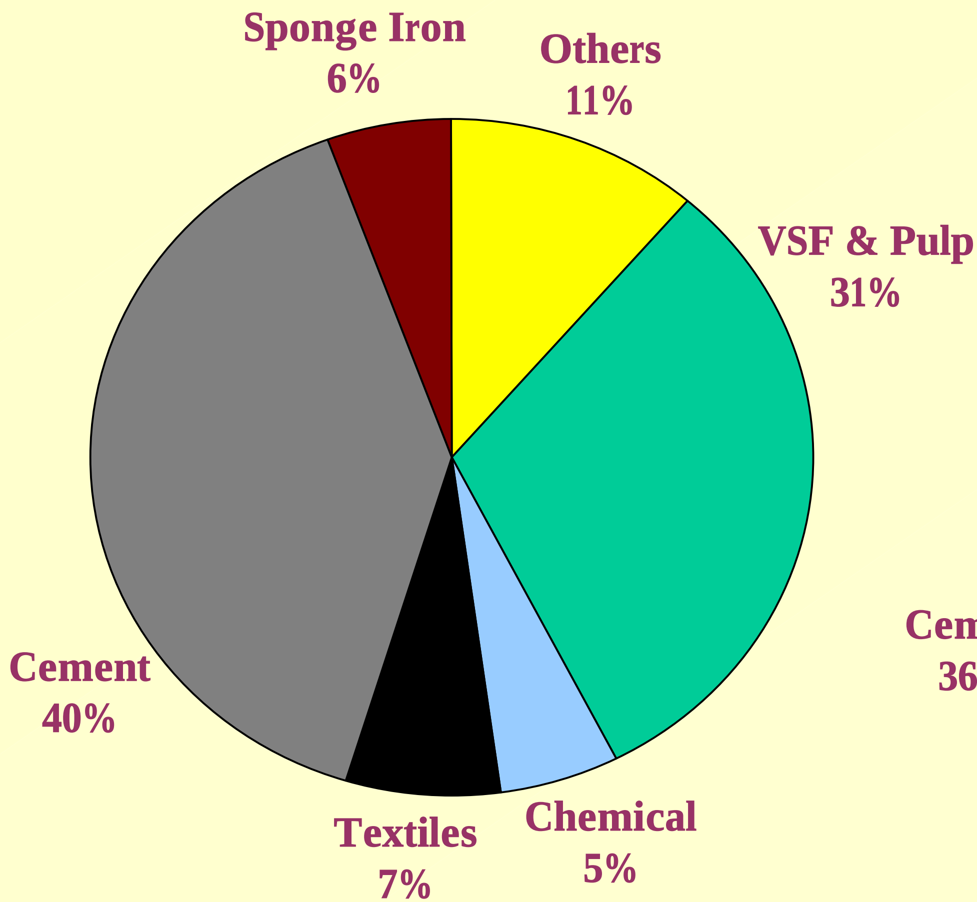
	H1FY02	H1FY01	% Chg.	FY01
EPS Basic and Diluted (Before deferred tax and extraordinary items)	22.7	16.4	39	40.4
EPS Basic and Diluted (After total taxes but before extraordinary items)	20.6	15.2	36	37.1
EPS Basic and Diluted (After total taxes and extraordinary items)	14.6	14.3		37.9

Divisional Turnover - Q2FY02

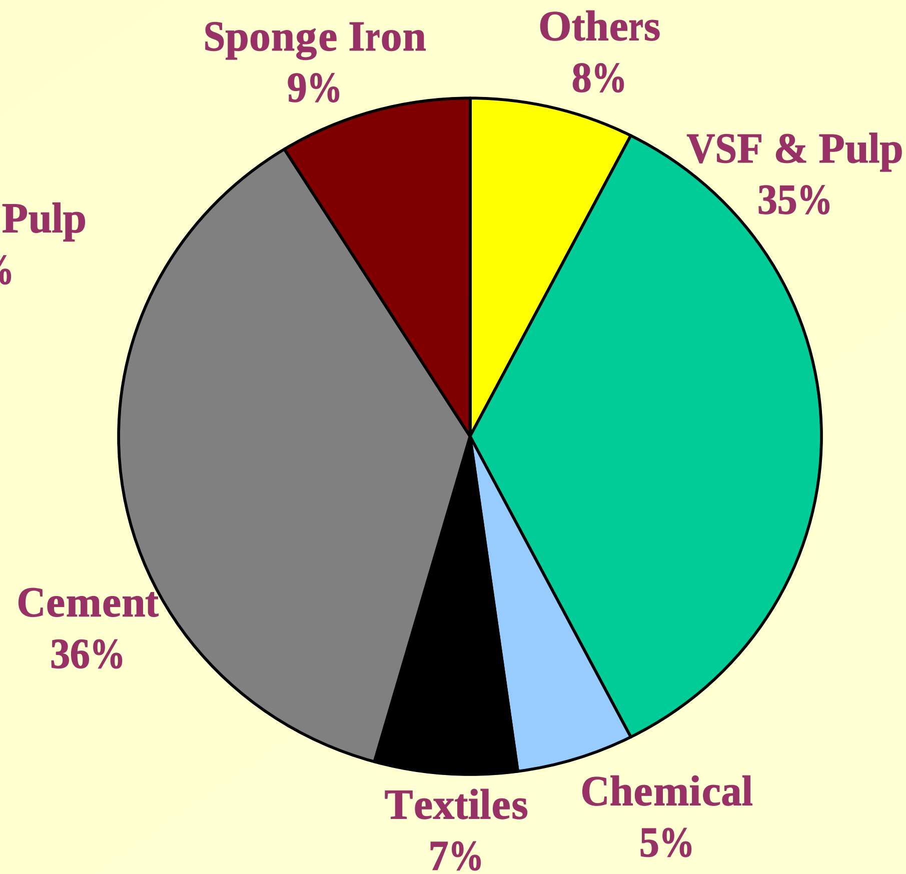
Rs. Crores

Net Turnover	Q2FY02		Q2FY01		FY01	
	Amount	Share %	Amount	Share %	Amount	Share %
FIBRE						
VSF	321	26	376	32	1,470	31
Pulp	57	5	42	3	158	3
	378	31	418	35	1,628	34
Chemical	62	5	62	5	245	5
	440	36	480	40	1,873	39
CEMENT						
Grey	446	37	394	33	1,719	36
White	32	3	32	3	133	3
	478	40	426	36	1,852	39
Textiles	84	7	85	7	306	6
Sponge Iron	67	6	100	9	401	8
Others	138	11	93	8	390	8
Total Net Turnover	1,207	100	1,184	100	4,822	100
Total Gross Turnover	1,378		1,369		5,582	

Net Turnover Mix – Q2FY02

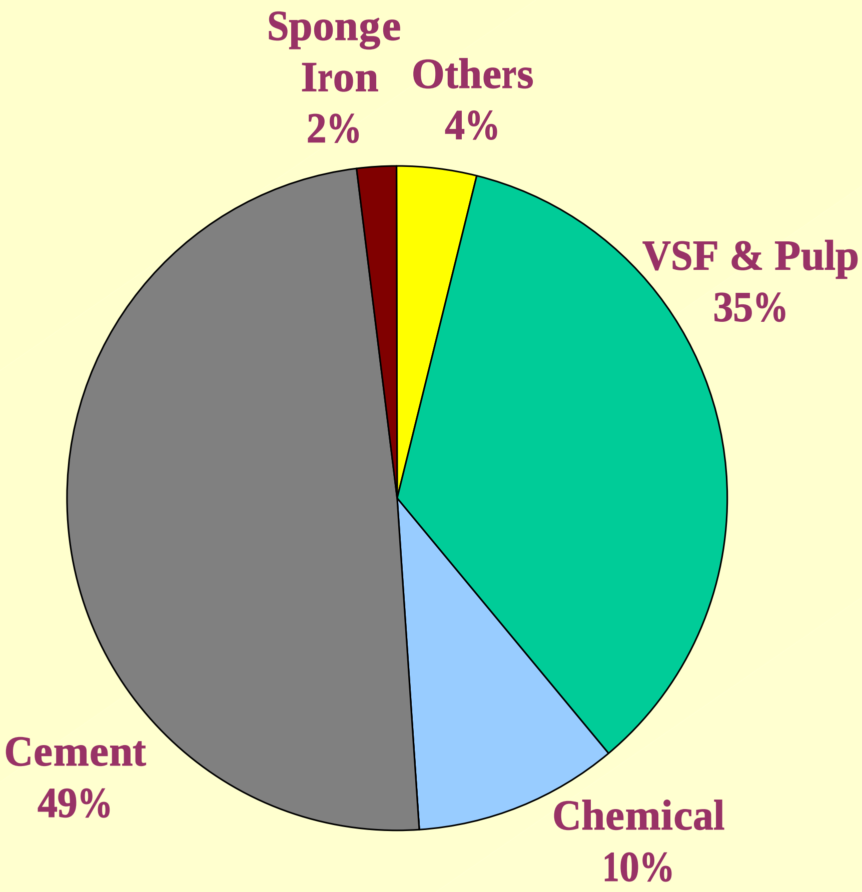


Q2FY02 (Rs. 1,207 Crs.)

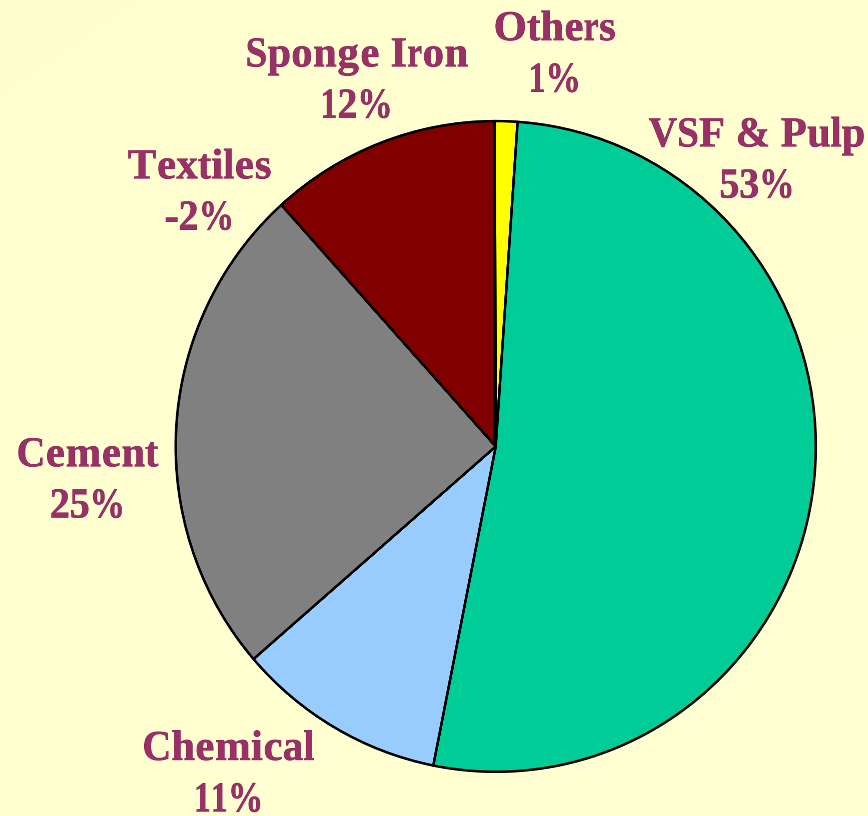


Q2FY01 (Rs.1,184 Crs.)

PBIDT Mix – Q2FY02



Q2FY02 (Rs.211 Crs.)



Q2FY01 (Rs.219 Crs.)

Viscose Staple Fibre

		Q2FY02	Q2FY01	% Chg.	FY01
Capacity	TPA	220,775	220,775	--	220,775
Production	MT	38,886	54,581	(29)	218,847
Sales Volumes	MT	42,730	52,889	(19)	203,854
Net Turnover	Rs.Crs.	321	376	(15)	1,470
Avg. Realisation	Rs./MT	70,034	68,472	2	69,733
PBIDT Margin *	%	23	31		29

* Before employees separation cost

Viscose Staple Fibre (Contd..)

Highlights

- Capacity utilisation down at 70%, due to lower demand
- Sales volumes down 19% to 42,730 MT
  - ➢ Lower exports of VSF based yarn by 57% (exports of 100% polyester yarn also down by 75%)
  - ➢ Decline in domestic sales
    - ⇨ Domestic textile market impacted due to reduced exports of textile fabric / made ups, slowdown of global economy in general and of US in particular
    - ⇨ Spindlage vacated on account of lower exports of textile goods mainly utilised by spinners for production of low cost Polyester & Cotton yarns
- Sales volume improved in Q2 over Q1 by 10%
- Operating margin down – from 31% to 23%
  - ➢ Reduced economies of scale due to lower volume
  - ➢ Higher input cost, Caustic Soda cost up 41%

Viscose Staple Fibre (Contd..)

Highlights (Contd..)

- Mavoor Pulp & Fibre plants closed down effective 1st July, 01
  - Extraordinary loss to be provided in accounts
    - Retrenchment compensation (RC) of Rs. 55 Crores (charge to profit and loss account in three equal instalments beginning Q2)
    - Write-down in value of fixed assets retired from active use - Rs. 19 Crs. provided in Q2
  - 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 will help augment operating profits of fibre business

Viscose Staple Fibre (Contd..)

Outlook

- The current situation of low pulp prices, lower VSF and Yarn realisation being experienced now in international markets similar to what was experienced three years ago
- Recovery in current low cycle likely to get extended due to recent world wide disturbances.Difficult overall conditions may continue over next two quarters
- Pulp prices showing a declining trend at $ 540/MT from the peak level of $ 750/MT in Q4FY01 and $650/MT in Q1FY02

  Decrease in pulp prices to part compensate for decrease in VSF prices effected to bring it in line with prices of other fibres

Viscose Staple Fibre (Contd..)

Outlook (Contd..)

- Towards ensuring long term growth, Grasim will focus on enlarging use of VSF 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

Cement

		Q2FY02	Q2FY01	% Chg.	FY01
Grey Cement					
Capacity	Mn. MT	10.36	9.10		** 9.86
Production	Mn. MT	2.22	2.15	3	9.10
Sales Volumes	Mn. MT	2.22	2.13	4	9.16
Net Turnover	Rs. Crs.	446	394	13	1,719
Avg Realisation	Rs./MT	1,946	1,795	8	1,894
White Cement					
Capacity	TPA	400,000	360,000		** 400,000
Production	MT	62,478	61,676	1	251,594
Sales Volumes	MT	62,129	60,344	3	251,291
Net Turnover	Rs. Crs.	32	32	0	133
Avg Realisation	Rs./MT	5,174	5,313	(-)3	5,268
PBIDT Margin *	%	22	13		17

* Before employees separation cost

** Capacity as on 31.03.01

Cement (Contd..)

Highlights

- Capacity utilisation at 86% (94%)
- Sales volume grew by 4% against industry average of 7%
  - New Capacities released into the market by different producers
  - Progressive upgradation of different lines by Grasim, as part of debottlenecking programme
  - No major industry growth in the main markets of Rajasthan, West M.P. and West U.P. which were effected by drought last year
- Average realisation up 8% at Rs.1,946/MT reflecting better price environment prevailing across regions
- Operating margin improved substantially from 13% to 22%
  - Improved realisation coupled with saving in power, fuel and distribution costs
- Four RMC plants with aggregate capacity of 1 Mn. cubic meters commissioned during the first half

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**
      - **Rural demand to pickup with normal monsoon**
      - **Changing preference towards nuclear families**
    - **Renewed focus on road sector by the Government**
      - **Golden Quadrilateral Project 6000 Kms of road to be completed by 2003**
      - **North-South and East-West corridors with 7000 Kms of expressway by 2007**
      - **Construction of flyovers, expressways and concretisation of roads by State Govt. 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 should pickup in the second half of FY02
    - 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 in next 15 months 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

Textiles

		Q2FY02	Q2FY01	% Chg.	FY01
Divisional Revenue	Rs.Crs.	84	85	(1)	306
PBIDT Margin*	%	(1)	(4)		(7)

* Before employees separation cost

Highlights

- Divisional performance shows modest improvement
- Fabric (65% of revenue) remained under pressure
  - Sluggish market conditions
  - Increased price competition and inflow of spurious materials
  - Cheaper imports
- Improved realisation enabled reduction in losses
  - Newly cast brand image and identity
  - Upward positioning of product in the value chain
- Operating margins still remain negative due to higher promotional charges, sharp rise in input costs and lower yarn volumes

Textiles (Contd..)

Outlook (Contd..)

- Remains challenging due to
  - Gradual commoditation 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
  - Leverage newly cast image and design development efforts to position brands as contemporary
  - Move up value chain to ensure higher realisation and overcome competition
  - Retailing efforts and strengthening of distribution network
  - Improve efficiencies, including rightsizing of workforce
    - ⇨ No. of hands reduced in H1FY02 - 134 Nos.
    - ⇨ No. of hands reduced in FY01 - 423 Nos.

Sponge Iron

		Q2FY02	Q2FY01	% Chg.	FY01
Capacity	TPA	900,000	900,000		900,000
Production	TPA	126,817	171,008	(26)	663,998
Sales Volumes	MT	110,680	163,786	(32)	673,852
Net Turnover	Rs. Crs.	67	100	(33)	401
Avg Realisation	Rs./MT	5,939	5,847	2	5,733
PBIDT Margin	%	6	25		21

Sponge Iron (Contd..)

Highlights

- Capacity utilisation down from 76% to 56%
  - Continued restricted Natural Gas supplies from GAIL
  - Usage of Naphtha still not viable due to prohibitive costs
  - Planned shutdown (22 days) for preventive maintenance
- Sales volumes lower by 32%
  - Negative growth in the domestic steel industry
  - Increased competition with re-entry of a large producer into merchant supply market
- Average realisation marginally up by 2%
- Operating margin down from 25% to 6%, due to lower volumes and higher maintenance cost

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

Chemical

		Q2FY02	Q2FY01	% Chg.	FY01
Capacity (Caustic)	MT	160,600	160,600		160,600
Production (Caustic)	MT	33,287	32,522	2	131,253
Sales Volume(Caustic)	MT	34,139	32,046	7	133,450
Realisation					
Caustic Soda	Rs./MT	13,562	10,348	31	11,085
Chlorine	Rs./MT	3,234	6,259	(48)	4,754
HCL	Rs./MT	640	5,512	(88)	4,235
Net Turnover	Rs. Crs.	62	62		245
PBIDT Margin	%	35	39		32

Highlights

- Capacity utilisation marginally higher, at 83%
- Realisation improved for main product, Caustic Soda, but down for ancillary products.
- Contribution from ancillary products down due to lower realisation
- Margin down at 35% due to increase in cost

Chemical (Contd..)

Outlook

- Caustic Soda demand expected to remain stable at current level
- Realisations under pressure in line with international prices

Capex Plan

Rs. Crores

	Amount	To be Spent in		Completion Schedule
		FY02	FY03	
●**Expenditure :**				
A **New Projects :**				
- Cement Grinding Unit at Bhatinda (1 Mn MT) (Total Cost Rs.83 Crs.)	* 59	59	--	Q3 FY02
- Ready Mix Concrete 3 Plants (745,200 M^3) (Total Cost Rs.28 Crs.)	* 15	15	--	FY02
- Cement Capacity Expansion				
- Debottlenecking / Blending	82	39	43	Q2 FY03
- Power Plants (Cement units)				
- AC 23 MW	92	35	57	Q3 FY03
- South 12.5 MW	46	12	34	Q3 FY03
Sub Total (A)	294	160	134	

* Net of amount spent till FY 01

Capex Plan (Contd..)

Rs. Crores

	Amount	To be spent in	
		FY02	FY03
B Normal Modernisation :			
- VSF	60	53	7
- Cement	178	141	32
- Others	54	26	21
Sub Total (B)	292	220	60
Total (A + B)	586	380	194
● **Financing :**			
Debt (Already raised)		160	--
Internal Accruals / New Debts		220	194
Total		380	194

Profitability & Financial Snapshot
FY99 – H1/FY02

Profitability Snapshot

		FY99	FY00	FY01	H1FY02
Gross Turnover	Rs. Crs.	4,325	4,982	5,582	2,729
Net Turnover	Rs. Crs.	3,757	4,273	4,822	2,382
PBIDT	Rs. Crs.	678	756	912	459
PBIDT Margin	%	18.1	17.7	18.9	19.3
PBDT	Rs. Crs.	386	500	673	364
PAT (before deferred tax)	Rs. Crs.	168	251	371	208
PAT Margin	%	4.5	5.9	7.7	8.7
EPS	Rs.	20.0	27.4	40.4	* 22.7
CEPS	Rs.	45.0	53.2	67.9	* 36.3
DPS	Rs.	6.75	7.0	8.0	NA
Interest Cover	Ratio	2.3	2.9	3.7	4.5
After current & deferred tax					
PAT $	Rs. Crs.		168	340	189
EPS	Rs.		18.3	37.1	* 20.6

Profitability numbers are before ESC and Extra Ordinary Items

* For the period

$ Deferred tax liability adjusted in FY00 and FY01 and H1FY02 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

* Restate for deferred tax liability

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

$ Profit/Loss on sale/closure of undertaking 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

GRASIM

ADITYA BIRLA GROUP

Thank You

Production Data (MT)

	Q2FY02			Q2FY01			FY01		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
VSF *	220,775	38,886	70	220,775	54,581	99	220,775	218,847	99
Pulp	58,000	18,407	127	58,000	18,470	127	58,000	69,729	120
Caustic Soda	160,600	33,287	83	160,600	32,522	81	1,60,600	131,253	82
Grey Cement **	10.36	2.22	86	9.10	2.15	94	# 9.86	9.10	100
White Cement	400,000	62,478	62	360,000	61,676	69	# 4,00,000	251,594	70
Sponge Iron	900,000	126,817	56	900,000	171,008	76	900,000	663,998	74

* Excluding installed capacity of Fibre (26,000TPA) and Pulp (72,000 TPA) at Mavoor, closed since May 99.

* * Grey Cement numbers are in Mn. MT.

\# Capacity as on 31-03-01

Divisional Turnover – Qty & Realisation

Product	Quantity (MT)			Realisation (Rs. / MT)		
	Q2 FY02	Q2 FY01	FY01	Q2 FY02	Q2 FY01	FY01
VSF *	42,730	52,889	203,854	70,034	68,472	69,733
Pulp *	23,731	18,686	70,148	24,000	22,500	22,487
Caustic Soda	34,139	32,046	133,450	13,562	10,348	11,085
Grey Cement**	2.22	2.13	9.16	1,946	1,795	1,894
White Cement	62,129	60,344	251,291	5,174	5,313	5,268
Sponge Iron	110,680	163,786	673,852	5,939	5,847	5,733

* Excluding installed capacity of Fibre (26,000 TPA) and Pulp (72,000 TPA) at Mavoor, closed since May 99.

** Grey Cement numbers are in Mn. MT.

Textiles - Fabric & Yarn Data

		Q2FY02	Q2FY01	% Chg.	FY01
Fabric					
Capacity (222 looms)	Lac Mtrs.	184	184		184
Production	Lac Mtrs.	41	41	-	167
Purchases	Lac Mtrs.	2	2	-	11
Sales Volume	Lac Mtrs.	53	51	4	187
Net Turnover	Rs. Crs.	55	48	15	165
Avg. Realisation	Rs./ Mtrs.	104	93	12	88
Synthetic Yarn					
Capacity(34656 Spndl.)	MT	9,000	9,000		9,000
Production	MT	2,188	2,419	(10)	9,898
Sales Volumes	MT	2,064	2,627	(21)	10,132
Net Turnover	Rs. Crs.	21	29	(28)	109
Avg. Realisation	Rs./Kg.	104	109	(5)	107
Worsted Yarn					
Capacity (8832 Spndl.)	MT	1,250	1,250		1,250
Production	MT	283	299	(5)	1,132
Sales Volumes	MT	262	333	(21)	1,216
Net Turnover	Rs. Crs.	8	9	(11)	33
Avg. Realisation	Rs./Kg.	294	262	12	265

Press Release

Mumbai, 31st October,2001

ADITYA BIRLA GROUP'S
GRASIM INDUSTRIES LIMITED
REPORTS SATISFACTORY PERFORMANCE FOR Q2 – FY 2002

Net Profit after Current Tax: Rs.94 Crores, Up by 5%

(Rs. crores)

	Quarter Ended 30.09.2001 (Un-audited)	Quarter Ended 30.09.2000 (Un-audited)	Variation %
Net Turnover	**1207.2**	**1192.2**	**1.3**
Gross Profit	**163.4**	**158.4**	**3.2**
Profit before Taxes and Extraordinary Items	**101.5**	**95.4**	**6.4**
Profit after Current Tax	**93.5**	**89.4**	**4.6**
Net Profit after total Taxes but before Extraordinary Items	**84.0**	**82.8**	**1.4**
Extraordinary items			
Loss on closure of Mavoor Plant - (Retrenchment Compensation/ Loss on Retirement of Fixed Assets)	(-) 37.4	-	
Employees' separation cost	(-) 15.0	(-)6.4	
Net Profit after Total Taxes and Extraordinary Items	31.6	**76.4**	

Grasim, the flagship Company of the Aditya Birla Group, has maintained its turnover at Rs.1207 crores (Rs.1192 crores) for the quarter ended September 2001. Gross profit is up by 3% at Rs.163 crores. The economic slowdown has adversely affected growth in the Fibre and Sponge iron sectors. But for this, Grasim's performance would have been much better.

Profit after provision for current taxes is higher by 5%, at Rs. 94 Crs., vis-à-vis that of Rs. 89 Crs. achieved in the corresponding quarter of the previous year. Superior performance from its Cement business, cost optimization and a substantially reduced interest burden helped Grasim post a positive bottomline.

EXTRAORDINARY ITEMS

As part of its restructuring, Grasim has shut down its Mavoor Plants. Consequently, the Company has provided for an extraordinary charge of Rs.37 crores towards payment to the 2300 employees and write down in the value of fixed assets retired from active use.

As part of its endeavours towards manpower rationalization, a sum of Rs.15 crores has been paid towards VRS at its other plants.

These actions would add to the Company's financial strength and improve its operating profits. The closure of Mavoor plants alone would result in savings in recurring expenditure on employees and other standing charges to the tune of Rs.27 crores annually.

OPERATIONS

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

Production Volumes-		**Q2 FY2002**	**Q2 FY2001**	**Variation**
Viscose Staple Fibre	M.T.	38886	54581	-29%
Cement	Mn. MT.	2.22	2.15	3%
White Cement	M.T.	62478	61676	1%
Sponge Iron	M.T.	126817	171008	-26%
Caustic Soda	M.T.	33287	32522	2%
Sales Volumes-				
Viscose Staple Fibre	M.T.	42730	52889	-19%
Cement	Mn. MT.	2.22	2.13	4%
White Cement	M.T.	62129	60344	3%
Sponge Iron	M.T.	110680	163786	-32%
Caustic Soda	M.T.	34139	32046	7%

NET REALISATION (Rupees per tonne)

	Q2 FY2002	**Q2 FY2001**	**Variation**
Viscose Staple Fibre	70034	68472	2%
Cement	1946	1795	8%
White Cement	5174	5313	-3%
Sponge Iron	5939	5847	2%
Caustic Soda	13562	10348	31%

Cement Business

Cement business's operational performance has been impressive. Production at 2.22 million metric tonnes and sales volumes at 2.22 million metric tonnes have risen by 3% and 4% respectively, over the corresponding quarter of the previous year. Realisations rose by 8% as compared to the corresponding quarter of last 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 these, Grasim is implementing various plans entailing a capital outlay of Rs.530 Crores as indicated:

- Four Ready Mix Concrete Plants, of an aggregate capacity of 1 million cubic meters, have already been commissioned at Hyderabad, Chennai, Noida and Bangalore.
- A one million tonne capacity Cement Grinding Unit at Bhatinda to manufacture blended cement will be commissioned in the third quarter of this year.
- Two Power Plants of 23 MW and 12.5 MW at Aditya Cement and Grasim (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 1 million MT so far. A further capacity addition of 1.80 million MT is expected in the next 15 months.

On completion of these projects, Grasim's cement manufacturing capacity will stand raised to 13.16 million tonnes by December, 2002, an increase of 33% over the capacity as on March, 2001.

A substantial part of the capex will be met from internal accruals. During the first half of the current year, Grasim has spent Rs. 119 crores on the above projects.

The Company's Cement business expects to sustain its growth in revenues and earnings. This optimism stems from the renewed focus on the infrastructure sector by the Government and the anticipated strong growth in the housing sector which would positively fuel the Cement sector.

VSF Business

Capacity utilisation at the Company's VSF plants has been considerably lower, at 70% vis-à-vis 99% in the corresponding quarter of last year This has been primarily due to the inventory built up last year in anticipation of water shortage at Nagda plant and weak sales volumes.

A recession in the domestic textiles market and the global slowdown of the textiles sector has adversely affected VSF sales which at 42730 MT are lower by 19% over the corresponding quarter of the previous year. While realisations were maintained, the operating margins were low due to the increase in the cost of certain inputs. However, Sales Volumes in Q2 were higher by 10% as compared to Q1 of this year.

To ensure growth, going forward, the VSF Division is exploring ways of expanding its markets through increased use of VSF in different textile and apparel segments. Alongside, Grasim has been fostering "Business Partner Relationships" with leading manufacturers of branded products. These proactive measures should fuel growth in this sector.

Chemical Business

The Chemical Division has posted improved results during the quarter under review. While capacity utilisation was marginally higher, sales volumes recorded a growth of around 7% as compared to the corresponding quarter of the previous year. Though realisations for its main product Caustic Soda, improved by 31%, there was a marked decline in realisations of ancillary products like Chlorine and Hydrochloric Acid.

Sponge Iron Business

The capacity utilisation of the plant was 56% as compared to 76% in the corresponding quarter, largely due to the annual planned shut down and the steep fall in supply of natural gas. The recession in the Automobile and Consumer goods sectors, return of one of the Sponge Iron majors into the merchant supply market, coupled with the imposition of anti-dumping duty on Hot Rolled Coil by U.S.A. took its toll on the sales volumes of this division. Despite these adverse conditions plaguing the industry, the division was able to marginally improve its realisations during the quarter.

OUTLOOK

Given Grasim's inherent strength, a continual stress on operational excellence, cost optimisation measures, effective financial management, continuous restructuring of business processes and the expected improvement in the cement sector, the prospects for the Company continue to be good.

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

UNAUDITED FINANCIAL RESULTS
FOR THE THREE MONTHS ENDED 30TH SEPTEMBER, 2001

Rs in crores

	Three Months Ended 30th September 2001	Three Months Ended 30th September 2000	Six Months Ended 30th September 2001	Six Months Ended 30th September 2000	Year ended 31st March 2001 (Audited)
Net Sales / Income from Operations	1,207.17	1,192.15	2,391.34	2,388.03	4,839.74
Other Income	19.70	21.24	34.24	33.48	89.71
Total Expenditure					
- Decrease / (Increase) in Stock	79.01	(47.76)	37.89	(26.22)	(62.65)
- Raw Material Consumed	315.39	387.79	632.84	763.38	1,569.77
- Purchases of Finished Goods	57.47	103.13	181.99	180.07	310.49
- Payment to & Provision for Employees	83.67	81.94	166.33	156.79	313.28
- Power & Fuel	181.04	183.99	359.46	368.26	725.04
- Freight , Handling & Other expenses	133.09	114.27	269.77	248.79	480.47
- Other Expenditure	165.93	171.15	318.33	323.21	681.56
Total Expenditure	**1,015.60**	**994.51**	**1,966.61**	**2,014.28**	**4,017.96**
Interest	47.85	60.49	95.37	121.77	238.78
Gross profit	**163.42**	**158.39**	**363.60**	**285.46**	**672.71**
Depreciation	61.87	62.97	124.46	125.23	251.90
Profit before Extra Ordinary Items and Tax Expense	**101.55**	**95.42**	**239.14**	**160.23**	**420.81**
Profit on Sale of Undertaking					18.44
Loss on Closure of Mavoor Units					
- Retrenchment Compensation	(18.43)		(18.43)		
- Write Down of Fixed Assets on Retirement from active use	(19.01)		(19.01)		
Employees separation cost	(15.03)	(6.45)	(17.38)	(7.83)	(11.35)
Profit before Tax Expense	**49.08**	**88.97**	**184.32**	**152.40**	**427.90**
Provision for Current Tax	(8.00)	(6.00)	(31.00)	(10.00)	(50.00)
Net Profit before Deferred Tax	**41.08**	**82.97**	**153.32**	**142.40**	**377.90**
Provision for Deferred Tax	(9.45)	(6.60)	(19.45)	(11.30)	**@**
Net Profit	**31.63**	**76.37**	**133.87**	**131.10**	**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)	**3.45**	**8.33**	**14.60**	**14.30**	**41.21**
Basic & Diluted EPS for the period (Rupees) - before EO Items	**9.17**	**9.03**	**20.58**	**15.15**	**40.44**
Aggregate of Non-Promoter Shareholding					
- Number of Shares			72984805		
- Percentage of Shareholding			79.62%		

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 half year ended 30th September 2001. No provision for Deferred Tax Liability was required to be made in the corresponding quarter and half year ended 30th September 2000 as the said AS 22 was then not applicable. However , the figures of corresponding quarter / half year 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/provided one-third of this amount i.e. Rs. 18.43 Crs. in this quarter and balance two-third will be charged/provided in next two quarters equally. The retrenchment compensation is one-time extraordinary charge and has been shown separately.
As per Accounting Standard 10 , fixed assets of the said Mavoor Units which are retired from active use, are valued at lower of its "Net Book Value and Net Realizable Value".
The difference between "Net Book Value" and "Net Realizable Value" , being estimated loss on write down of such fixed assets on such retirement amounts to Rs. 19.01 Crs. and the same has been charged/provided in this quarter. This loss is a one-time extraordinary non-cash item and has been disclosed 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 Previous period's figures have been regrouped / rearranged wherever necessary to conform to this period's classification.

5 The Auditors of the Company have carried out "Limited Review" of the financial results for six months ended on 30th September 2001 in terms of clause 41 of the Listing Agreement with stock exchanges.

6 The above results have been taken on record at the meeting of the Board of Directors held on 31st October, 2001.

For and on behalf of Board of Directors

Place : Mumbai
Date : 31st October, 2001

Kumar Mangalam Birla
Chairman