



# **Grasim Industries Limited**

**Performance Review – Q1FY04**

**28<sup>th</sup> July 2003**



# Financial Performance – Q1FY04

	(Rs. Crores)	
	<u>Q1FY04</u>	<u>%</u>
<b>Total Revenue</b>	<b>1,174.7</b>	<b>↑ 3</b>
<b>PBIDT</b>	<b>289.3</b>	<b>↑ 14</b>
<b>Interest Charges</b>	<b>39.1</b>	<b>↓ (12)</b>
<b>Gross Profit</b>	<b>250.2</b>	<b>↑ 19</b>
<b>PBT (before E.Items)</b>	<b>183.2</b>	<b>↑ 24</b>
<b>Total Tax Expenses</b>	<b>50.0</b>	<b>↑ 22</b>
<b>Net Profit (before E. Items)</b>	<b>133.2</b>	<b>↑ 24</b>

- Excellent overall performance on all parameters
- Revenues up by 3%
- PBIDT up by 14%
  - Excellent performance of Sponge Iron mitigated weaker performance of VSF due to water shortage
  - Improved performance of all other businesses
- Interest cost reduced further by 12% on account of repayment of high coupon debts
- PBT at Rs. 183.2 Crs. up by 24%
- Total Tax expenses higher by Rs. 9 Crs, up 22%
- Net profit before Exceptional Items up 24%



# Financial Performance – Q1FY04 contd...

(Rs. Crores)

	Q1FY04	Q1FY03	% Chg.
Net Turnover & Operating Income	1,174.7	1,135.5	3
Other Income	21.1	9.3	127
PBIDT	289.3	254.7	14
Interest & Finance Charges	39.1	44.2	(12)
Gross Profit	250.2	210.6	19
PBT (before Exceptional Items)	183.2	148.2	24
Total Tax Expenses	50.0	41.0	22
Profit after Total Taxes but before Exceptional Items	133.2	107.2	24

## Other Highlights

- Proposal for acquisition of L&T Cement business by Grasim approved by Board of Directors of both the Companies
- 12.5 MW Thermal Power Plant at Grasim Cement, South Completed (Project Cost Rs.48 Crs.); Plant under trial run
- VSF production at Nagda (45 days) & Harihar (44 days) plants hampered due to water scarcity
  - Production resumed at both the plants



# Financial Performance

(Rs. Crores)

	<b>Q1FY04</b>	<b>Q1FY03</b>	<b>% Chg.</b>	<b>FY03</b>
<b>Net Turnover &amp; Operating Income</b>	<b>1,174.7</b>	<b>1,135.5</b>	<b>3</b>	<b>4,626.3</b>
<b>Other Income</b>	<b>21.1</b>	<b>9.3</b>	<b>127</b>	<b>115.8</b>
<b>PBIDT</b>	<b>289.3</b>	<b>254.7</b>	<b>14</b>	<b>1,141.7</b>
<b>Interest and Finance Charges</b>	<b>39.1</b>	<b>44.2</b>	<b>(12)</b>	<b>168.4</b>
<b>Gross Profit</b>	<b>250.2</b>	<b>210.6</b>	<b>19</b>	<b>973.3</b>
<b>Depreciation</b>	<b>67.0</b>	<b>62.4</b>	<b>7</b>	<b>254.1</b>
<b>PBT (before Exceptional Items)</b>	<b>183.2</b>	<b>148.2</b>	<b>24</b>	<b>719.1</b>
<b>Current Tax</b>	<b>48.0</b>	<b>34.0</b>	<b>41</b>	<b>192.0</b>
<b>Deferred Tax</b>	<b>2.0</b>	<b>7.0</b>	<b>(71)</b>	<b>(15.0)</b>
<b>Profit after Total Taxes but before Exceptional Items</b>	<b>133.2</b>	<b>107.2</b>	<b>24</b>	<b>542.1</b>



# Financial Performance Summary – Q1FY04

Rs. Crores

	Q1FY04	Q1FY03	% Chg.	FY03
<b><u>Exceptional Items</u></b>				
Loss on sale of Investments / Loss on sale of shares of MRPL			--	(208.6)
Excess provision for taxes for earlier years written back			--	40.0
Employee Separation Cost at other Units	(2.7)	(1.7)	--	(5.9)
<b>Total Exceptional Items</b>	<b>(2.7)</b>	<b>(1.7)</b>	<b>--</b>	<b>(174.5)</b>
<b>Net Profit after Exceptional Items and Total Taxes</b>	<b>130.5</b>	<b>105.5</b>	<b>--</b>	<b>367.6</b>

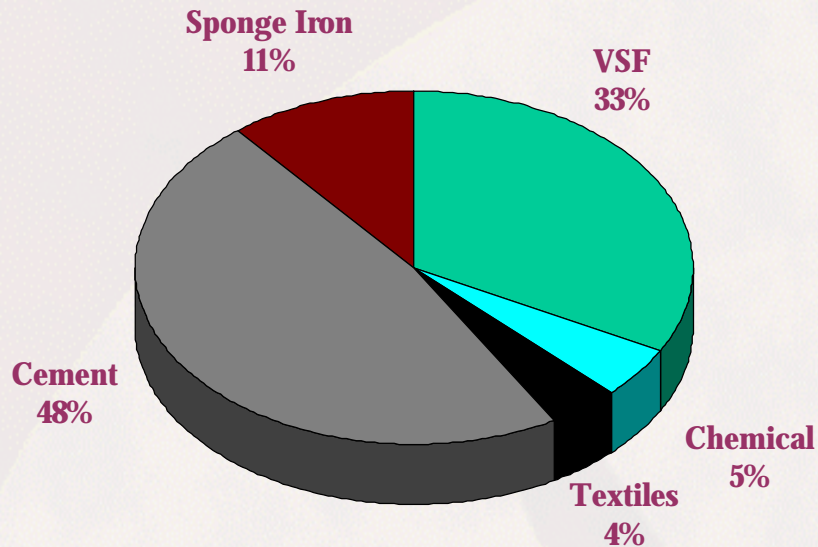
## Earning Per Share (Rs.) Basic and Diluted

	Q1FY04	Q1FY03	% Chg.	FY03
After Total Taxes but before Exceptional Items	14.5	11.7	24	59.1
After Total Taxes and Exceptional Items	14.2	11.5	--	40.1



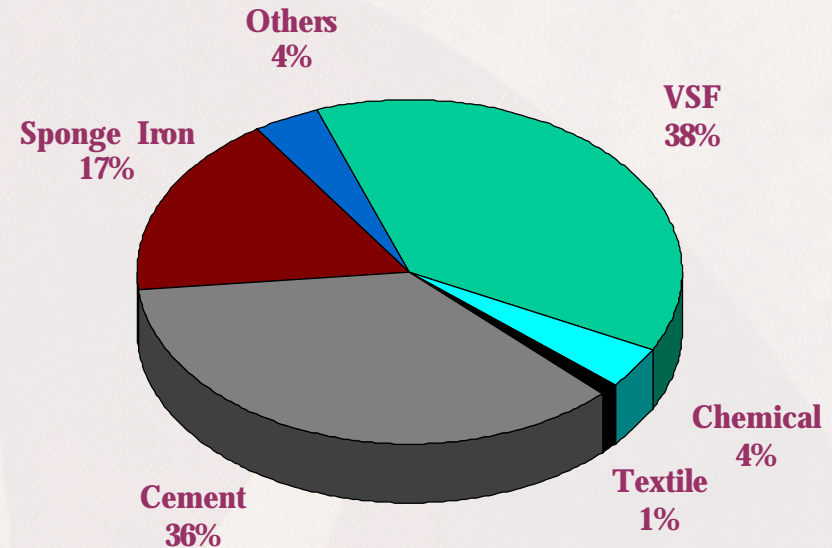
# Segmental Performance Summary – Q1FY04

## Revenue Mix



Q1 FY04 (Rs. 1,174.7 Crs.)

## PBIDT Mix



Q1 FY04 (Rs. 289.3 Crs.)

- **Cement and VSF contributed 81% to Revenue (83% in Q1FY03)**
  - **Sponge Iron share increased from 8% in Q1FY03 to 11% in Q1FY04**
- **VSF and Cement contribute 74% to PBIDT against 91% in Q1FY03**
  - **VSF contribution came down to 38% (53% in Q1FY03) due to part closure of plants**
  - **Excellent performance of Sponge Iron – contribution to overall PBIDT improved from 8% to 17% in Q1FY04**



# Segmental Performance Summary – Q1FY04

Rs. Crores

Business	Revenue		PBIT *		Capital Employed \$		ROAvCE (%) (PBIT basis)	
	Q1FY04	Q1FY03	Q1FY04	Q1FY03	Q1FY04	Q1FY03	Q1FY04	Q1FY03
VSF	392.5	419.0	96.7	124.2	826.0	814.1	47.3	60.5
Chemical	53.9	52.7	7.4	4.3	197.6	217.7	14.6	7.9
Cement	572.1	542.9	68.6	61.8	2,009.5	2,036.0	13.9	12.6
Sponge Iron	125.8	87.7	39.6	11.4	484.0	548.7	32.3	8.2
Textile	52.1	53.9	(0.9)	(8.5)	108.5	132.5	(3.4)	(25.8)
Total			211.4	193.2	3,625.6	3,749.0	-	-
Others & Unallocated	-	-	10.9	(0.9)	2,196.1	1,580.6	-	-
Company as a whole	1,174.7	1,135.5	222.3	192.3	5,821.6	5,329.6	15.5	14.3

\* Before employee separation cost

\$ Deferred Tax is treated as part of Capital Employed

- PBIT contribution by VSF down to 43% (65%)
- Capital Employed in Manufacturing Operations - Rs.3,625.6 Crs
  - Of the CE in Manufacturing Operations, 78% is in two main business – Cement and VSF
  - Other CE includes investment in L&T



# Proposal for Acquisition of L&T Cement Business

- **Transaction summary**
- **Summary of Investment and Valuation**
- **Holding pattern/cash outflow**
- **Potential Upside for Grasim**





# Transaction summary

- **Step 1 – Cement Business of L&T to be de-merged into CemCo**
  - **L&T (EngCo) gets 20% holding in CemCo and balance 80% to existing shareholders proportionately**
  - **Grasim proportionately gets 12.6% holding in CemCo and retains current 15.7% holding in L&T (EngCo)**
  - **Appointed date of de-merger – 1<sup>st</sup> April 2003**
- **Step 2A – Grasim buys 8.5% holding in CemCo from L&T (EngCo) – (Outflow Rs.362 Crores)**
- **Step 2B – Grasim sells its stake to Employee foundation/Trusts and exits L&T (EngCo) – (Inflow Rs.470 Crores)**
- **Step 3 – Grasim makes an Open Offer for 30% of CemCo**
  - **Gets management control over CemCo**
  - **Grasim's holding in CemCo, based on full response, increases to 51.1% - (Cash outflow Rs.1,278 Crores)**



# Summary of Investment and Valuation

## ● Summary of Investments in CemCo

Rs. Crs.

Total existing investment in L&T	1,028
Grasim to acquire 8.5% of CemCo from L&T	362
Grasim to make open offer for 30% of CemCo	1,278
Total outflow for 38.5% (8.5% + 30%)	1,640
Inflow on a/c of sale of L&T (Engco) shares to Foundation/Trust	(470)
Net Investment for 51.1% stake	2,199

## ● L&T Cement Business Valuation

Equity Value	4,304
Debts	1,863
Enterprise Value	6,167



# Share holding pattern / Cash outflow

	Existing holding in L&T	HOLDING PATTERN IN CEMCO (%)				Cash Inflow/ (outflow) Rs.Crs.
		On demerger	Buy 8.5% from L&T	Open Offer (30%) * *	Post Open Offer	
<b>Grasim</b>	<b>15.7</b>	<b>12.6</b>	<b>21.1</b>	<b>30.0</b>	<b>51.1</b>	<b>(1,640)</b>
<b>L&amp;T</b>	<b>--</b>	<b>20.0</b>	<b>11.5</b>	<b>--</b>	<b>11.5</b>	<b>362</b>
<b>FIs</b>	<b>40.7</b>	<b>32.6</b>	<b>32.6</b>	<b>(14.5)</b>	<b>18.1</b>	<b>617</b>
<b>Public (incl. GDR)</b>	<b>43.6</b>	<b>34.8</b>	<b>34.8</b>	<b>(15.5)</b>	<b>19.3</b>	<b>661</b>
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>--</b>	<b>100</b>	

*\*\* Assumed 100% participation in Open Offer*

*The purchase price of Rs.171.30 per shares for purchase of equity of CemCo is based on assumed equity capital of Rs.248.67 Crores for CemCo. (24.867 crore shares of Rs.10 each). The Equity capital and Number of equity shares will differ and accordingly the price offered will consequently change proportionately.*



# Potential upside for Grasim

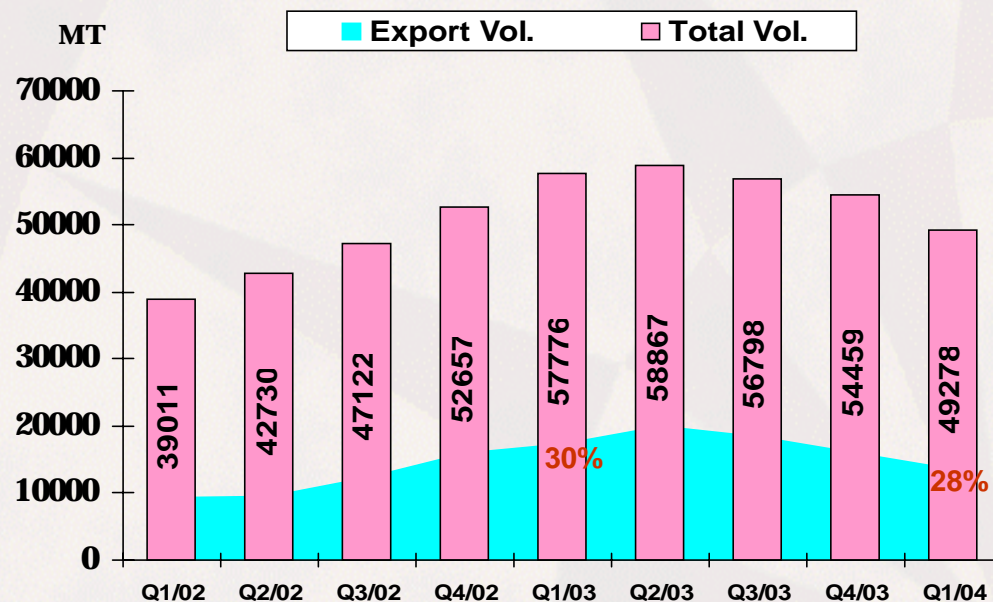
- **Leading force in key growth sector**
- **Grasim to have transitory rights for “L&T Cement” brand upto June 2004 or Effective Date of De-merger, whichever is later**
- **Significant value enhancing potential both, strategic and operational**
- **Complementary capacities from regional point of view**
  - **Synergies likely to result into gain of – Rs.50 Crs to each company**
    - ⇒ **Production from plants with lowest “delivered cost”**
    - ⇒ **Sale to markets nearer to the plants (logistics), reduced lead distance**
    - ⇒ **Economies of scale on procurement**
- **Cemco has considerable scope for upsides in operating margins**
  - **Unrealized sales tax exemptions and deferrals**
  - **Benefits of economies of scale**

# **Business Review – Q1FY04**



# Viscose Staple Fibre : Highlights

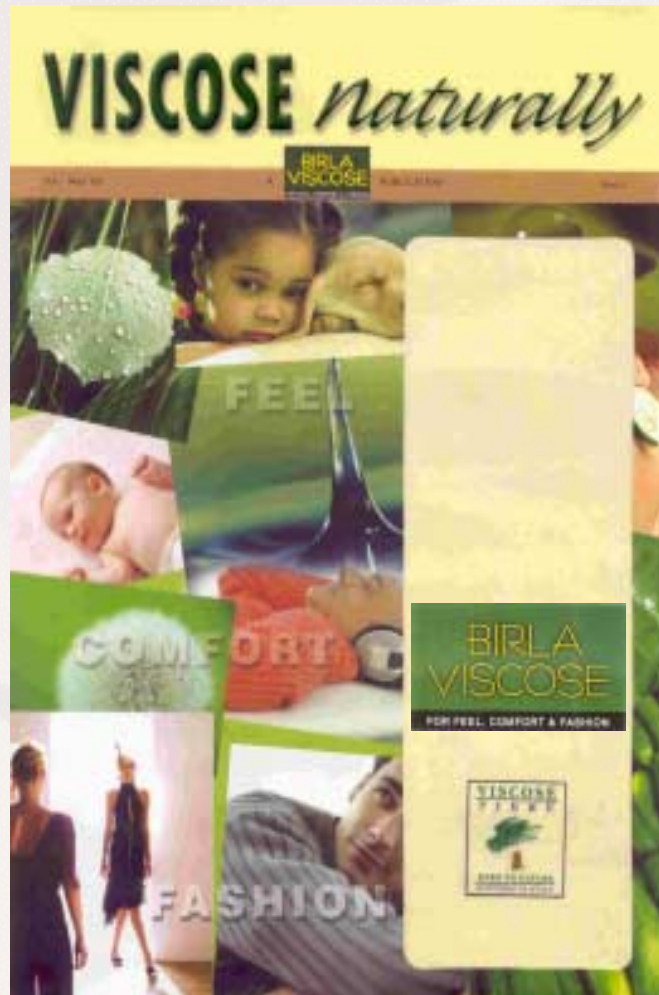
	Q1FY04	Q1FY03	% Chg.
Capacity (TPA)	220,775	220,775	-
Production (MT)	39,169	45,458	(14)
Sales Volumes (MT)	49,278	57,776	(15)
Net Turnover (Rs Crs.)	392.3	418.9	(6)
Realisation (Rs./MT)	72,700	66,457	9
PBIDT Margin <sup>1</sup> (%)	28	32	-
PBIT <sup>1</sup> (Rs. Crs.)	96.7	124.2	(22)



(1) Before Employee Separation Costs

- Performance impacted due to water shortage
  - Capacity Utilisation at 71% (82%)
- Sales volume down 15%
  - Due to non availability of product
- Realisation up by 9%
  - In line with competing fibre
  - Increase in pulp prices could be passed on
- Operating margin down from 32% to 28%
  - Reduced economies of scale
  - Higher input costs

# Viscose Staple Fibre : Outlook



- Domestic demand to remain positive. Deemed Export volumes are also expected to improve
- Margins set to recover despite an expected fall in realisation
  - Decline in Pulp prices to neutralize fall in realisation
  - Cost pressures to be off set partially by enhanced efficiencies
- Height of captive reservoirs in Nagda increased to give additional water availability for 45 days operation
- Grasim will remain focused on market enlargement for long term growth
  - Product and Application development efforts to remain at the fore
  - De-bottlenecking opportunities being explored



# Viscose Staple Fibre : Summary

		<b>Q1FY04</b>	<b>Q1FY03</b>	<b>% Chg.</b>	<b>FY03</b>	<b>FY02</b>	<b>% Chg.</b>
<b>Capacity</b>	<b>TPA</b>	<b>220,775</b>	<b>220,775</b>	<b>-</b>	<b>220,775</b>	<b>220,775</b>	<b>-</b>
<b>Production</b>	<b>MT</b>	<b>39,169</b>	<b>45,458</b>	<b>(14)</b>	<b>224,610</b>	<b>176,462</b>	<b>27</b>
<b>Sales Volumes</b>	<b>MT</b>	<b>49,278</b>	<b>57,776</b>	<b>(15)</b>	<b>227,900</b>	<b>181,520</b>	<b>26</b>
<b>Net Turnover</b>	<b>Rs. Crs.</b>	<b>392.3</b>	<b>418.9</b>	<b>(6)</b>	<b>1,642.8</b>	<b>1,328.5</b>	<b>24</b>
<b>Avg. Realisation</b>	<b>Rs./MT</b>	<b>72,700</b>	<b>66,457</b>	<b>9</b>	<b>67,921</b>	<b>68,511</b>	<b>(1)</b>
<b>PBIDT *</b>	<b>Rs. Crs.</b>	<b>109.3</b>	<b>135.8</b>	<b>(20)</b>	<b>591.6</b>	<b>354.1</b>	<b>67</b>
<b>PBIDT Margin *</b>	<b>%</b>	<b>28</b>	<b>32</b>	<b>-</b>	<b>36</b>	<b>27</b>	<b>-</b>
<b>PBIT *</b>	<b>Rs. Crs.</b>	<b>96.7</b>	<b>124.2</b>	<b>(22)</b>	<b>543.8</b>	<b>305.8</b>	<b>78</b>
<b>Capital Employed</b>	<b>Rs. Crs.</b>	<b>826</b>	<b>814</b>	<b>1</b>	<b>851</b>	<b>879</b>	<b>(3)</b>
<b>ROAvCE(PBIT basis)</b>	<b>%</b>	<b>47</b>	<b>60</b>	<b>-</b>	<b>65</b>	<b>33</b>	<b>-</b>

\* Before Employees Separation Cost





# Cement : Highlights

	Q1FY04	Q1FY03	% Chg.
<b><u>Grey Cement</u></b>			
Capacity (Mn TPA)	@ 12.92	11.37	14
Production (Mn MT)	2.91	2.80	4
Sales Volumes (Mn MT)	2.90	2.77	5
Net Turnover (Rs. Crs.)	528.4	504.9	5
Realisation (Rs./MT)	1,728	1,736	-
<b><u>White Cement</u></b>			
Capacity (TPA)	400,000	400,000	--
Production (MT)	67,576	63,956	6
Sales Volumes MT)	68,943	62,595	10
Net Turnover (Rs.Crs.)	42.2	36.5	16
Realisation (Rs./MT)	5,561	5,588	-
PBIDT Margin <sup>1</sup> (%)	18.5	17.6	--
PBIT <sup>1</sup> (Rs. Crs.)	68.6	61.8	11

@ Capacity expanded in last financial year end by 1.55 Mn. MT

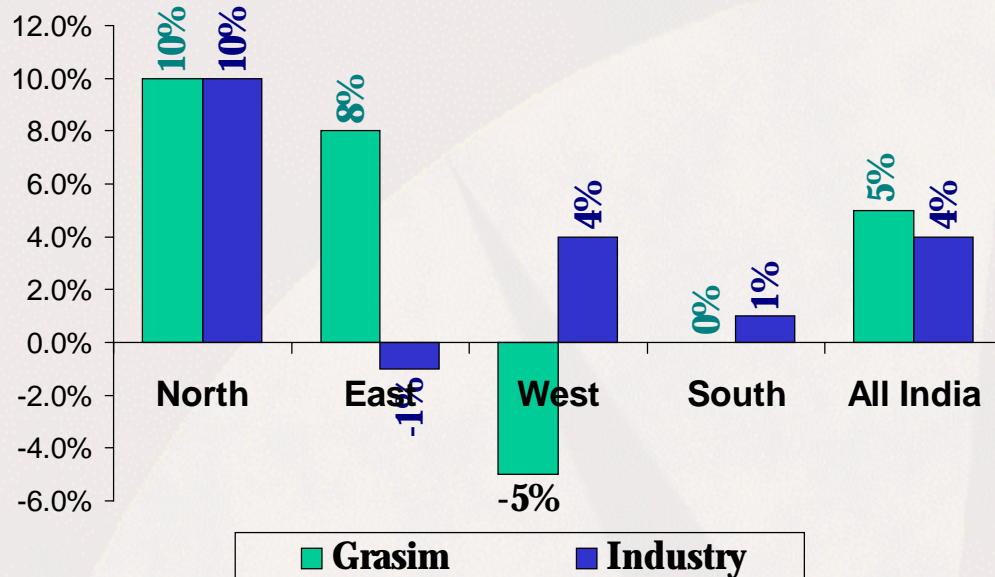
1 Before Employee Separation Costs

- **Volume growth in line with the industry**
  - Volumes at 2.90 Mn MT, up by 5%
  - Performance improved YoY in North and East
  - Marginal improvement in South
  - Volumes declined in West
    - ⇒ Realignment of markets
- **Revenue up 5%**
  - Higher volumes
- **Average realisation for the quarter marginally lower**
- **White Cement :**
  - Sales volume up 10% resulting in improved market share
  - Realisation marginally down
  - Higher power costs due to DG breakdown
  - Higher use of alternate fuels



# Cement : Highlights contd..

**Q1FY04 -Zone wise growth – Grasim and Industry**



- **Improved production efficiencies**

- Increased thru put from existing lines, supported by change in product mix to blended cement

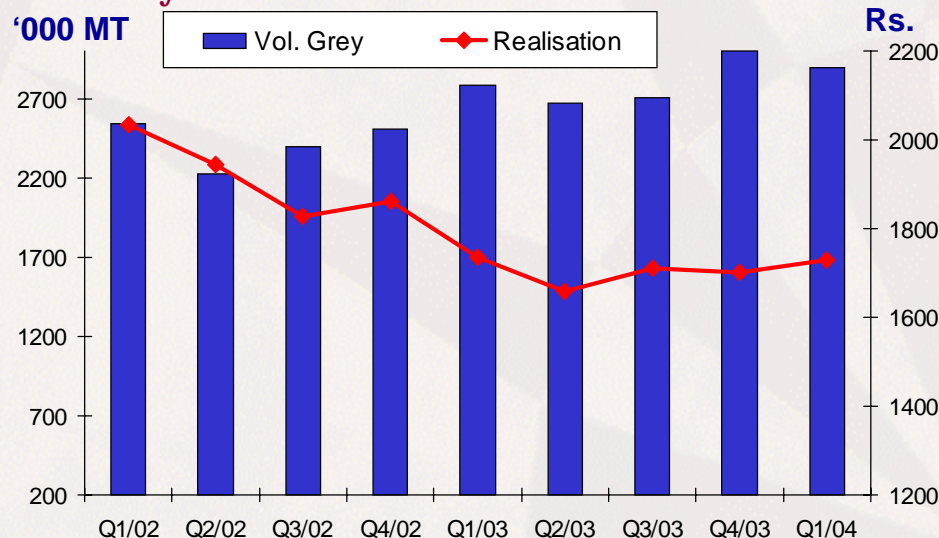
- ⇒ Increased share of Blended cement – up from 28% to 44%

- Use of alternate fuels helped reducing fuel cost by 4%

- Power consumption lower by 2 units/MT

- **Operating margin improved as a result – up from 17.6% to 18.5%**

**Grey Cement Sales Vol. and Realisation /Ton**





# Cement: Outlook

- **Industry outlook to remain challenging in the short term**
- **Demand growth will be around 8% in medium term**
  - **Growth in housing demand remains strong, augurs well to cement consumption**
  - **Infrastructure remains a thrust area**
- **Demand Supply equilibrium likely to be by FY06/FY07**
  - **Revival of dormant capacities and de-bottlenecking/blending to result in regular rise in supplies**
  - **North & East could see equilibrium by FY05**
  - **Balance likely only by FY07 in South & West**
- **Pricing likely to improve**
  - **Overall good monsoon across all regions**
  - **Economic compulsions and rising costs**



# Cement : Outlook (Contd.)

Grasim : Plant Wise Installed Capacity (Mn. MT)	
Rajashree Cement, Malkhed & Grinding Unit Hotgi	4.00
Vikram Cement, Jawad & Bhatinda Grinding Unit	4.20
Grasim Cement, Raipur	2.06
Aditya Cement, Shambhupura	1.50
Cement Division South, Reddipalayam	1.16
<b>TOTAL</b>	<b>12.92</b>

## ● Grasim will focus on

- Smooth transition of L&T brand to Grasim
- Realise synergy gains with Cemco
- Enhance capital productivity
- Changing product/market mix to ensure superior realisation
- Reducing energy costs thru use of alternate fuel and setting up TPP
- Controlling and reducing distribution cost thru logistic planning and tie ups





# Cement : Summary

		Q1FY04	Q1FY03	% Chg.	FY03	FY02	% Chg.
<b><u>Grey Cement</u></b>							
Capacity	Mn. MT	@ 12.92	11.37	14	@ 12.92	# 11.37	14
Production	Mn. MT	2.91	2.80	4	11.09	9.53	16
Sales Volumes	Mn. MT	2.90	2.78	4	11.16	9.68	15
Net Turnover	Rs. Crs.	528.4	504.9	5	2,002.3	1,926.3	4
Avg Realisation	Rs./MT	1,728	1,736	-	1,690	1,917	(12)
<b><u>White Cement</u></b>							
Capacity	TPA	400,000	400,000	-	400,000	400,000	-
Production	MT	67,576	63,956	6	310,163	267,915	16
Sales Volumes	MT	68,943	62,595	10	305,223	266,105	15
Net Turnover	Rs. Crs.	42.2	36.5	16	180.3	143.6	26
Avg Realisation	Rs./MT	5,561	5,588	-	5,534	5,317	4
PBIDT *	Rs. Crs.	105.4	95.4	11	360.2	469.0	(23)
PBIDT Margin *	%	18.5	17.6	-	16.5	22.7	-
PBIT *	Rs. Crs.	68.6	61.8	11	222.0	338.7	(34)
Capital Employed	Rs. Crs.	2009	2,036	(1)	2,088	2,055	2
ROAvCE (PBIT basis)	%	14	13	-	11	17	-

\* Before Employees Separation Cost

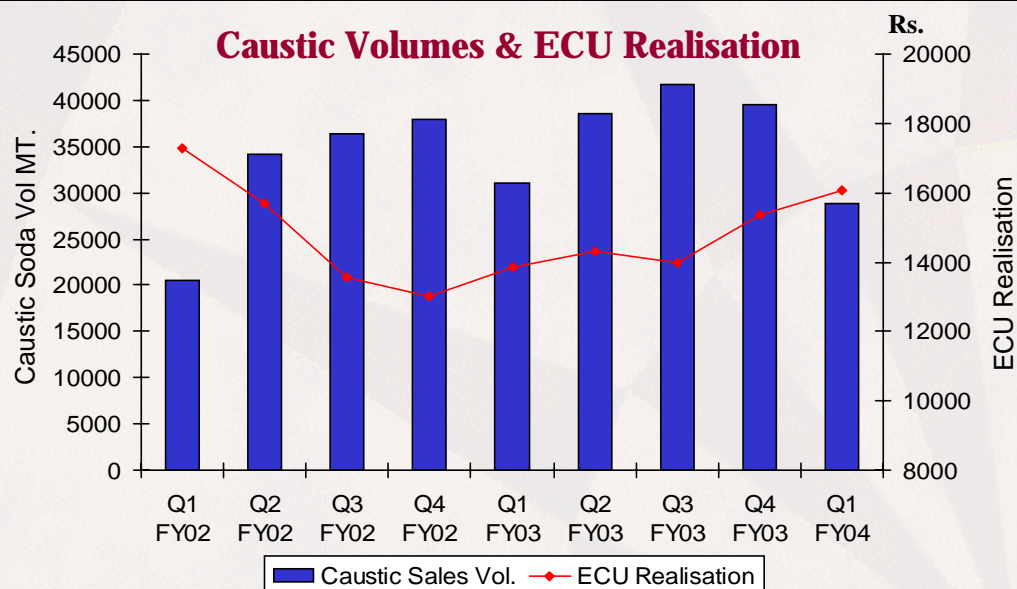
# 1 Mn MT Bhatinda Grinding Unit commissioned in December 2001

@ Capacity expanded in last financial year end by 1.55 Mn. MT



# Chemical

	Q1FY04	Q1FY03	% Chg
Caustic Capacity (TPA)	@190,800	160,600	19
Caustic Production (MT)	27,184	30,505	(11)
Caustic Sales Volumes (MT)	28,886	30,987	(7)
Net Turnover (Rs Crs.)	53.5	52.3	2
ECU Realisation (Rs./MT)	16,087	13,845	16
PBIDT Margin <sup>1</sup> (%)	21	16	-
PBIT <sup>1</sup> (Rs. Crs.)	7.4	4.3	71



(1) Before Employee Separation Costs

@ Capacity expanded in Q4FY03

## Highlights

- Capacity utilization declined to 57%
  - Water shortage impacted operations
- Sales volumes down by 7%
  - Lower production of VSF at Nagda
- Margin improved to 21%
  - ECU realisation up 16%
    - ⇒ Higher Caustic, Hcl and Chlorine prices
  - Increased volume of ancillary product on account of exports

## Outlook

- ECU realisation expected to be stable
- Margins to remain stable as a result
- Grasim to focus on
  - Optimum utilisation of the resources
  - Exports of Chlorine, Hcl and PAC
  - Cost optimization



# Chemical : Summary

		<b>Q1FY04</b>	<b>Q1FY03</b>	<b>% Chg.</b>	<b>FY03</b>	<b>FY02</b>	<b>% Chg.</b>
<b>Capacity (Caustic)</b>	<b>MT</b>	<b>@ 190,800</b>	<b>160,600</b>	<b>19</b>	<b>@ 190,800</b>	<b>160,600</b>	<b>19</b>
<b>Production (Caustic)</b>	<b>MT</b>	<b>27,184</b>	<b>30,505</b>	<b>(11)</b>	<b>151,445</b>	<b>129,784</b>	<b>17</b>
<b>Sales Volume(Caustic)</b>	<b>MT</b>	<b>28,886</b>	<b>30,987</b>	<b>(7)</b>	<b>150,825</b>	<b>129,051</b>	<b>17</b>
<b>Net Turnover</b>	<b>Rs. Crs.</b>	<b>53.5</b>	<b>52.3</b>	<b>2</b>	<b>255.9</b>	<b>219.3</b>	<b>17</b>
<b>Avg. ECU Realisation</b>	<b>Rs./MT</b>	<b>16,087</b>	<b>13,845</b>	<b>16</b>	<b>14,402</b>	<b>14,564</b>	<b>(1)</b>
<b>PBIDT *</b>	<b>Rs. Crs.</b>	<b>11.5</b>	<b>8.5</b>	<b>36</b>	<b>54.3</b>	<b>27.7</b>	<b>96</b>
<b>PBIDT Margin *</b>	<b>%</b>	<b>21</b>	<b>16</b>	<b>-</b>	<b>21</b>	<b>13</b>	<b>--</b>
<b>PBIT *</b>	<b>Rs. Crs.</b>	<b>7.4</b>	<b>4.3</b>	<b>71</b>	<b>38.4</b>	<b>11.4</b>	<b>236</b>
<b>Capital Employed</b>	<b>Rs. Crs.</b>	<b>198</b>	<b>218</b>	<b>(9)</b>	<b>211</b>	<b>228</b>	<b>(7)</b>
<b>ROAvCE (PBIT basis)</b>	<b>%</b>	<b>15</b>	<b>8</b>	<b>-</b>	<b>18</b>	<b>5</b>	<b>--</b>

\* Before Employee Separation Cost

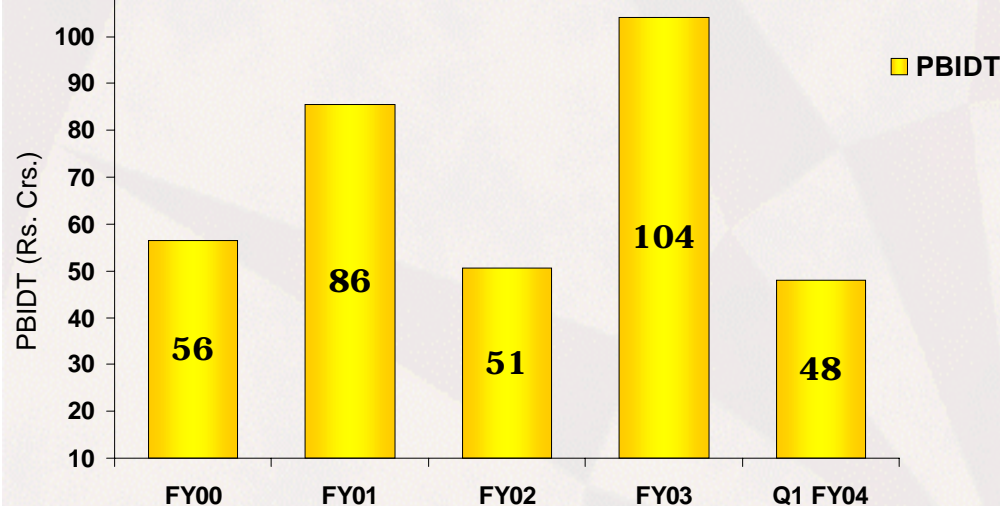
@ Capacity expanded in Q4FY03



# Sponge Iron

	Q1FY04	Q1FY03	% Chg.
Capacity (TPA)	900,000	900,000	-
Production (MT)	159,741	142,464	12
Sales Volumes (MT)	156,531	140,070	12
Net Turnover (Rs Crs.)	125.8	87.7	43
Realisation (Rs./MT)	7,811	5,908	32
PBIDT <sup>1</sup> Margin (%)	38	24	-
PBIT <sup>1</sup> (Rs. Crs.)	39.6	11.4	248

**TOTAL PBIDT IN LAST 4&1/4 YRS – Rs.345 Crs.**



## STRATEGY OF ASSET SWEATING PAYS OFF

(1) Before Employee Separation Costs

### Highlights

- Consistent improved performance in last 5 quarters
- Capacity utilisation up from 63% to 71%
  - Higher realisations enabled use of Naptha
  - Sales volume up by 12% as a result
- Average realisation increased by 32%
  - Good demand from steel industry
  - Rising global scrap prices
- Margins up from 24% to 38%
  - Improved prices and Economies of scale

### Outlook

- Positive outlook for demand and prices
  - Global scrap prices likely to stabilise at current levels due to turn around in steel sector
- Natural Gas availability and its price remains a concern
- Grasim will remain focused on assets sweating. No significant capex in last 4 years





# Sponge Iron : Summary

		Q1FY04	Q1FY03	% Chg.	FY03	FY02	% Chg.
Capacity	TPA	900,000	900,000	--	900,000	900,000	--
Production	MT	159,741	142,464	12	612,879	559,567	10
Sales Volumes	MT	156,531	140,070	12	612,425	562,334	9
Net Turnover	Rs. Crs.	125.8	87.7	43	405.9	331.6	22
Avg Realisation	Rs./MT	7,811	5,908	32	6,379	5,606	14
PBIDT *	Rs. Crs.	48.3	21.0	130	103.6	50.6	105
PBIDT Margin *	%	38	24	-	26	15	--
PBIT *	Rs. Crs.	39.6	11.4	248	66.6	11.9	461
Capital Employed	Rs. Crs.	484	549	(12)	498	570	(13)
ROAvCE (PBIT basis)	%	32	8	-	13	2	--

\* Before Employees Separation Cost



# Textiles

	Q1 FY04	Q1 FY03	% Chg.
<b>Sales Volumes</b>			
- Fabrics (lac Mtrs.)	32	29	10
- Synthetic Yarn (MT)	1,728	1,949	(11)
<b>Net Turnover (Rs Crs.)</b>	49.2	52.5	(6)
<b>Fabric Realisation (Rs./Mtr)</b>	99	103	(4)
<b>Synth. Yarn Realisation (Rs./Kg)</b>	116	105	10
<b>PBIDT Margin<sup>1</sup> (%)</b>	5	(10)	-
<b>PBIT<sup>1</sup> (Rs. Crs.)</b>	(0.9)	(8.5)	89

(1) Before Employee Separation Costs



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## Highlights

- **Restructuring benefits showing up**
  - **Positive PBIDT**
  - **Fabric sales volume up 10%**
  - **Focusing on premium synthetic segment**
- **Re-positioning of brands**
  - **Grasim - Everyday Fashion Wear at premium segment**
  - **Graviera - Value for Money brand in the mid segment**

## Outlook

- **Consolidation of manufacturing operations, controlled volumes and repositioning of the brand will enable business to turnaround**
- **Product development will be at the fore**



# Textiles : Summary

		<b>Q1FY04</b>	<b>Q1FY03</b>	<b>% Chg.</b>	<b>FY03</b>	<b>FY02</b>	<b>% Chg.</b>
<b>Net Turnover</b>	<b>Rs. Crs.</b>	<b>49.2</b>	<b>52.5</b>	<b>(6)</b>	<b>220.4</b>	<b>268.2</b>	<b>(18)</b>
<b>PBIDT *</b>	<b>Rs. Crs.</b>	<b>2.5</b>	<b>(5.4)</b>	<b>147</b>	<b>(8.4)</b>	<b>(20.6)</b>	<b>59</b>
<b>PBIDT Margin *</b>	<b>%</b>	<b>5.0</b>	<b>(10.0)</b>	<b>-</b>	<b>(4)</b>	<b>(8)</b>	<b>--</b>
<b>PBIT *</b>	<b>Rs. Crs.</b>	<b>(0.9)</b>	<b>(8.5)</b>	<b>89</b>	<b>(22.1)</b>	<b>(37.7)</b>	<b>41</b>
<b>Capital Employed</b>	<b>Rs. Crs.</b>	<b>108</b>	<b>133</b>	<b>(18)</b>	<b>109</b>	<b>133</b>	<b>(18)</b>
<b>ROAvCE (PBIT basis)</b>	<b>%</b>	<b>(3)</b>	<b>(26)</b>	<b>-</b>	<b>(18)</b>	<b>(20)</b>	

*\* Before Employees Separation Cost*

# Capex and Financial Highlights



# Capex Plan

Rs. Crores

	Capex planned	Cash Outflow		Completion Schedule
		FY04	FY05	
<b>Cement</b>				
- De-bottlenecking/Blending	64	38	27	FY05
- Power Plants	44	31	13	FY04
- Normal modernisation	197	118	79	
<b>Total Cement</b>	<b>305</b>	<b>187</b>	<b>119</b>	
<b>VSF</b>				
- Application Dev. Centre & Capacity expansion	58	44	14	FY05
- Normal Modernisation	106	83	16	
<b>Total VSF</b>	<b>164</b>	<b>127</b>	<b>30</b>	
<b>Chemical</b>	<b>18</b>	<b>18</b>	<b>-</b>	
<b>Textiles, Sponge Iron &amp; Others</b>	<b>24</b>	<b>16</b>	<b>8</b>	
<b>TOTAL</b>	<b>511</b>	<b>348</b>	<b>157</b>	

- Q1 FY04 Capex Rs.44 Crores
  - Cement Rs.33 Crores, Fibre Rs.10 Crores, Others Rs.1 Crore
- Cement Capex plan revised to align it with planned investment in L&T Cement Business



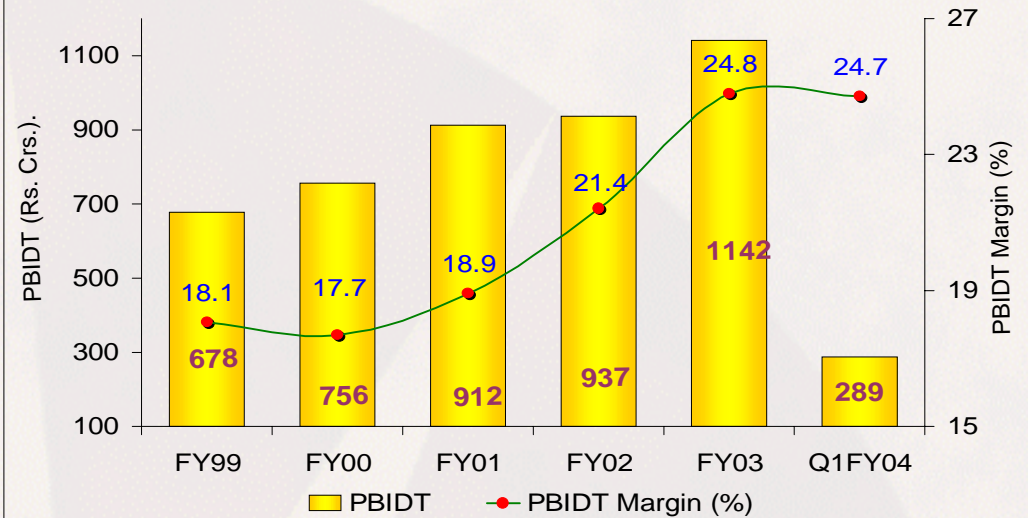
# Profitability Snapshot

<i>(Figures in Rs. Crores)</i>	FY01	FY02	FY03	Q1FY04
Gross Turnover	5,184	5,070	5,412	1,372
Net Turnover	4,453	4,372	4,609	1,170
PBIDT	912	937	1,142	289
PBIDT Margin (%)	20.5	21.4	24.8	24.7
Int. & Fin. Charges	239	190	168	39
PBDT	673	747	973	250
<i>(Before Deferred Tax)</i>				
PAT	371	438	527	135
PAT Margin (%)	8.3	10.0	11.4	11.6
EPS (Rs.)	40.4	47.8	57.5	14.7
CEPS (Rs.)	67.9	75.3	85.2	22.1
DPS (Rs.)	8.0	9.0	10.0	--
<i>(After Total Tax)</i>				
PAT <sup>§</sup>	341	387	542	133
EPS (Rs.)	37.1	42.2	59.1	14.5
Interest Cover (x)	3.6	4.6	5.6	6.1

All Profitability numbers and EPS are before Exceptional Items

§ Figures for FY01 have been restated for Deferred Tax provision to make them comparable

### PBIDT & PBIDT Margin



- **Benefit of Business and financial restructuring over last 4 years**

- **PBIDT soared from Rs.678 Crs in FY99 to Rs.1,142 Crs in FY03**

- **PBIDT margin improved from 18.1% in FY99 to 24.8% in FY03**

- **EPS improved significantly from Rs.20 in FY99 to Rs.59 per share in FY03**



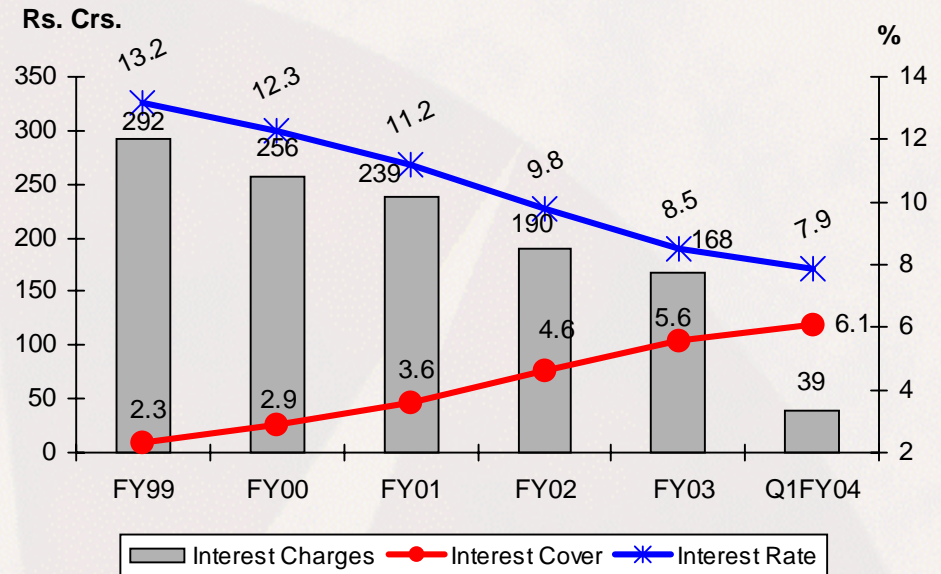
# Profitability Snapshot

<i>(Figures in Rs. Crores)</i>	FY01	FY02	FY03	Q1FY04
<b>Gross Turnover</b>	<b>5,184</b>	<b>5,070</b>	<b>5,412</b>	<b>1,372</b>
<b>Net Turnover</b>	<b>4,453</b>	<b>4,372</b>	<b>4,609</b>	<b>1,170</b>
<b>PBIDT</b>	<b>912</b>	<b>937</b>	<b>1,142</b>	<b>289</b>
<b>PBIDT Margin (%)</b>	<b>20.5</b>	<b>21.4</b>	<b>24.8</b>	<b>24.7</b>
<b>Int. &amp; Fin. Charges</b>	<b>239</b>	<b>190</b>	<b>168</b>	<b>39</b>
<b>PBDT</b>	<b>673</b>	<b>747</b>	<b>973</b>	<b>250</b>
<b>(Before Deferred Tax)</b>				
<b>PAT</b>	<b>371</b>	<b>438</b>	<b>527</b>	<b>135</b>
<b>PAT Margin (%)</b>	<b>8.3</b>	<b>10.0</b>	<b>11.4</b>	<b>11.6</b>
<b>EPS (Rs.)</b>	<b>40.4</b>	<b>47.8</b>	<b>57.5</b>	<b>14.7</b>
<b>CEPS (Rs.)</b>	<b>67.9</b>	<b>75.3</b>	<b>85.2</b>	<b>22.1</b>
<b>DPS (Rs.)</b>	<b>8.0</b>	<b>9.0</b>	<b>10.0</b>	<b>--</b>
<b>(After Total Tax)</b>				
<b>PAT<sup>§</sup></b>	<b>341</b>	<b>387</b>	<b>542</b>	<b>133</b>
<b>EPS (Rs.)</b>	<b>37.1</b>	<b>42.2</b>	<b>59.1</b>	<b>14.5</b>
<b>Interest Cover (x)</b>	<b>3.6</b>	<b>4.6</b>	<b>5.6</b>	<b>6.2</b>

All Profitability numbers and EPS are before Exceptional Items

§ Figures for FY01 have been restated for Deferred Tax provision to make them comparable

**Interest charges - Interest Cover - Interest Rate**



● **Interest and Finance charges reduced from Rs.292 Crs in FY99 to Rs.168 Crs in FY03**

➤ **Restructuring of high cost debts, bringing down the interest cost progressively**

➤ **Interest Cover improved from 2.3 x in FY99 to 5.6 x in FY03**

➤ **Av. Interest rate reduced from 13.2% in FY99 to 8.6% in FY03**



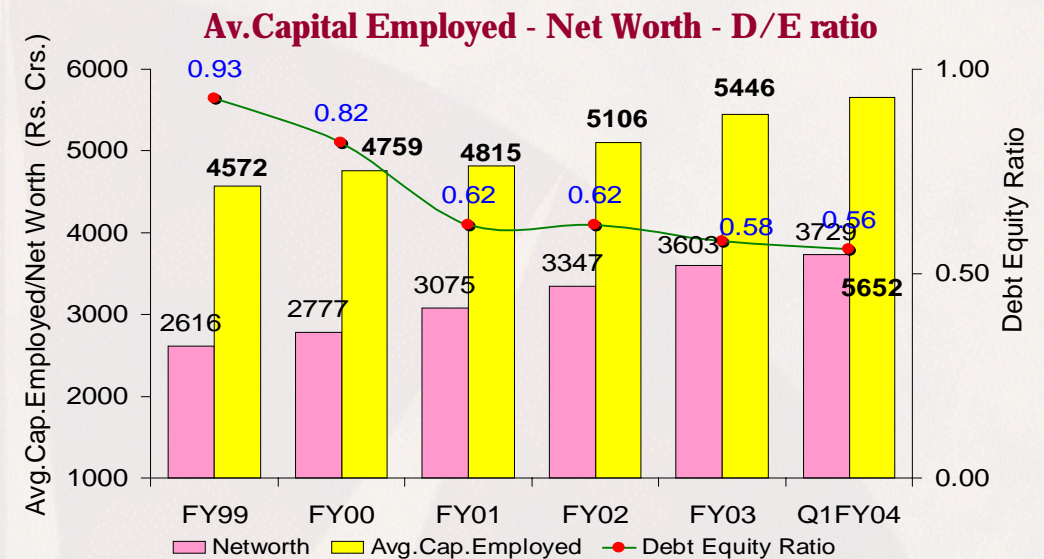
# Financial Snapshot

<i>(Figures in Rs. Crores)</i>	FY00	FY01	FY02	FY03
<b>Gross Block</b>	<b>5,206</b>	<b>5,311</b>	<b>5,371</b>	<b>5,600</b>
<b>Net Block</b>	<b>3,401</b>	<b>3,303</b>	<b>3,263</b>	<b>3,270</b>
<b>Net Current Assets</b>	<b>967</b>	<b>991</b>	<b>733</b>	<b>613</b>
<b>Equity</b>	<b>92</b>	<b>92</b>	<b>92</b>	<b>92</b>
<b>Net Worth</b>	<b>2,777</b>	<b>3,075</b>	<b>2,707</b>	<b>2,977</b>
<b>Net Worth + Deferred Tax</b>	<b>2,777</b>	<b>3,075</b>	<b>3,347</b>	<b>3,603</b>
<b>Av.Capital Employed</b>	<b>4,759</b>	<b>4,815</b>	<b>5,106</b>	<b>5,446</b>
<b>Debt: Equity ** (x)</b>	<b>0.82</b>	<b>0.62</b>	<b>0.62</b>	<b>0.58</b>
<b>Book Value (Rs.)</b>	<b>303</b>	<b>335</b>	<b>365</b>	<b>393</b>
<b>ROAvCE (PBIT Basis) (%)</b>	<b>10.5</b>	<b>13.5</b>	<b>12.9</b>	<b>16.2</b>
<b>RONW (%)</b>	<b>8.6</b>	<b>12.3</b>	<b>12.8</b>	<b>15.0</b>

*Ratios worked out considering deferred tax as part of Net Worth*

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

*\$ Exceptional items eliminated in calculation of ROAvCE/RONW*



- **Strong Balance Sheet – Investment in L&T mainly thru internal generations**
- **Book Value – from Rs.285 in FY99 to Rs.392 per share in FY03**
- **Debt/Equity ratio improved from 0.93 x in FY99 to 0.58 x in FY03**

➤ **Net debt reduced from Rs.2,421 Crs to Rs.2,076 Crs**



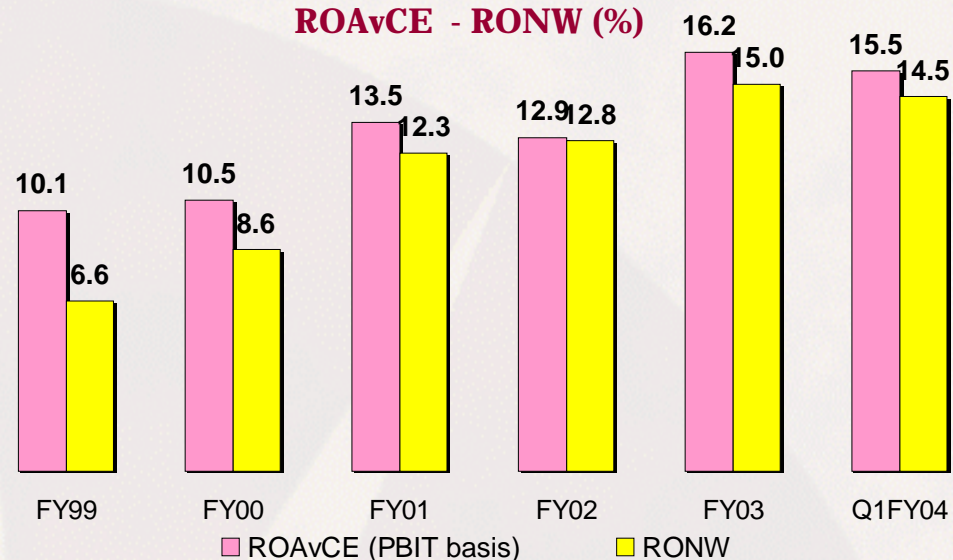


# Financial Snapshot

<i>(Figures in Rs. Crores)</i>	FY00	FY01	FY02	FY03
<b>Gross Block</b>	<b>5,206</b>	<b>5,311</b>	<b>5,371</b>	<b>5,600</b>
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<b>Net Worth</b>	<b>2,777</b>	<b>3,075</b>	<b>2,707</b>	<b>2,977</b>
<b>Net Worth + Deferred Tax</b>	<b>2,777</b>	<b>3,075</b>	<b>3,347</b>	<b>3,603</b>
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<b>ROAvCE (PBIT Basis) (%)</b>	<b>10.5</b>	<b>\$ 13.5</b>	<b>\$ 12.9</b>	<b>\$ 16.2</b>
<b>RONW (%)</b>	<b>8.6</b>	<b>\$ 12.3</b>	<b>\$ 12.8</b>	<b>\$ 15.0</b>

*Ratios worked out considering deferred tax as part of Net Worth  
 \*\* Both Long Term and Short Term debts considered in debts  
 \$ Exceptional items eliminated in calculation of ROAvCE/RONW*

**ROAvCE - RONW (%)**



- Balance Sheet reflect the focused capital allocation strategy – majority investment in Cement
- ROAv.CE improved from 10.1% in FY99 to 16.2% in FY03 despite lower return from increased strategic investment
- RONW more than doubled from 6.6% in FY99 to 15.0% in FY03
- Net Current Assets reduced from Rs.1,002 Crs in FY99 to Rs.613 Crs in FY03



# Subsidiary company - Shree Digvijay

(Figures in Rs. Crs.)	Q3FY03 (30.06.03)	Q3FY02 (30.06.02)	% Chg
Capacity (Mn TPA)	1.08	1.08	--
Production (Mn MT)	0.21	0.25	(16)
Sales Volumes (Mn MT)	0.20	0.24	(17)
NCR (Rs./MT)	1,378	1,515	(9)
Net Revenues	39.3	51.4	(23)
Other Income	0.6	1.7	(65)
PBIDT	1.9	7.1	(73)
Interest	7.8	9.5	(17)
Depreciation	2.2	2.5	(13)
PBT before E.I.	(8.1)	(4.8)	69
Tax adj. & Deff. Tax Assets	2.9	1.1	164
Exceptional Item	0.2	--	--
PAT after E.I.	(5.0)	(3.7)	35

## ● April – June 03 Quarter Performance

➤ Capacity utilisation at 77% (93%)

⇒ Production at 0.21 MnMT down 16%

➤ Operation continued to be at cash loss due to depressed pricing environment

## ● Grasim's Investment

➤ Equity Investment - Rs. 56.4 Crs

➤ Inter Corporate Deposit - Rs 65.2 Crs

➤ Total investment till date - Rs.121.6 Crs

## ● Borrowed funds and Net Current Assets Rs. Crores

Secured Loans	129
Unsecured Loans @	101
Total Debts	230

@ Incl. ICD of Grasim

Current Assets	51
Current Liabilities	127
Net Current Assets	(76)



# Focus And Strategy

## *Focus*

- Deliver enhanced value to shareholders on a sustained basis

## *Strategy*

- Focus on main businesses – VSF and Cement
- Improve asset utilisation through market expansion and better penetration
- Improve margins through better efficiency and stringent cost control

**Cement will be key growth driver going forward**



**Thank You**



# Divisional Turnover - Qty & Realisation

Product	Quantity (MT)			Realisation (Rs. /MT)		
	Q1FY04	Q1FY03	FY03	Q1FY04	Q1FY03	FY03
VSF	49,278	57,776	227,900	72,700	66,457	67,921
Pulp	7,035	15,922	70,126	22,123	19,658	20,191
Caustic Soda *	28,886	30,987	150,825	16,087	13,845	14,402
Grey Cement * *	2.90	2.77	11.16	1,728	1,736	1,690
White Cement	68,943	62,595	305,223	5,561	5,588	5,534
Sponge Iron	156,531	140,070	612,425	7,811	5,908	6,379

\* ECU Realisation

\*\* Numbers are in Mn. MT.



# Production Data (MT)










	Q1FY04			Q1FY03			FY03		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
<b>VSF</b>	<b>220,775</b>	<b>39,169</b>	<b>71</b>	<b>220,775</b>	<b>45,458</b>	<b>82</b>	<b>220,775</b>	<b>224,610</b>	<b>102</b>
<b>Pulp</b>	<b>70,000</b>	<b>8,405</b>	<b>48</b>	<b>70,000</b>	<b>18,642</b>	<b>107</b>	<b>70,000</b>	<b>70,495</b>	<b>101</b>
<b>Caustic Soda</b>	<b>190,800</b>	<b>27,184</b>	<b>57</b>	<b>160,600</b>	<b>30,505</b>	<b>76</b>	<b>190,800</b>	<b>151,445</b>	<b>90</b>
<b>Grey Cement *</b>	<b>@ 12.92</b>	<b>2.91</b>	<b>90</b>	<b>11.37</b>	<b>2.80</b>	<b>99</b>	<b>12.92</b>	<b>11.09</b>	<b>98</b>
<b>White Cement</b>	<b>400,000</b>	<b>67,576</b>	<b>68</b>	<b>400,000</b>	<b>63,956</b>	<b>64</b>	<b>400,000</b>	<b>310,163</b>	<b>78</b>
<b>Sponge Iron</b>	<b>900,000</b>	<b>159,741</b>	<b>71</b>	<b>900,000</b>	<b>142,464</b>	<b>63</b>	<b>900,000</b>	<b>612,879</b>	<b>68</b>

\* Grey Cement numbers are in Mn. MT

@ Capacity expanded in last financial year end by 1.55 Mn. MT



# Plant Locations

-  **Fibre plants**
-  **Pulp plant**
-  **Chemical plant**
-  **Textiles units**
-  **Grey cement plants / Grinding Units (G)**
-  **White cement plant**
-  **Ready-mix Concrete plants**
-  **Bulk Cement Terminal**
-  **Sponge Iron plant**

*Not to scale*

