Performance Review – Q1FY02

31st July 01

Financial Performance – Q1FY02

Rs. Crores

	Q1FY02	Q1FY01	% Chg.	FY01
Net Turnover & Operating Income	1,184.2	1,195.9	(1)	4,839.8
Other Income	14.5	12.3	18	89.7
PBIDT	247.7	188.4	31	911.5
Interest and Finance Charges	47.5	61.3	(22)	238.8
Gross Profit	200.2	127.1	58	672.7
Depreciation	62.6	62.3	1	251.9
PBT *(before ESC & E.O. items)*	137.6	64.8	112	420.8
Profit on transfer of Undertaking	-	-	-	(18.4)
Employee Separation Cost (ESC)	2.4	1.4	71	11.3
Provision for Current Tax	23.0	4.0	475	50.0
Provision for Deferred Tax	10.0	$	-	$
Profit after Current & Deferred Tax	102.2	59.4	72	377.9
EPS for the period (Rs.)	11.2	6.5	72	41.2
EPS(Restate for Deferred Tax) (Rs.)	11.2	* 6.0	87	* 37.9

* Restate for deferred tax liability

$ Not provided, Q1FY01 Rs.4.7 Crs. and FY01 Rs.30.3 Crs.

Performance Highlights – Q1FY02

- Excellent performance due to improved scenario of Cement, AND despite poor off take of VSF and curtailed operations of Chemical division
- Turnover marginally down due to lower volume of VSF, curtailed operation of Chemical division and planned reduction of trading activity
- Operating profits higher at Rs.248 crores (up 31%), Operating margins higher at 21% (corresponding quarter 16%)
- Declining trend in interest charges continues; down by 22%
- Net profit before extraordinary items and deferred tax liability increased by 88%, despite higher current tax

Performance Highlights – Q1FY02 (Contd..)

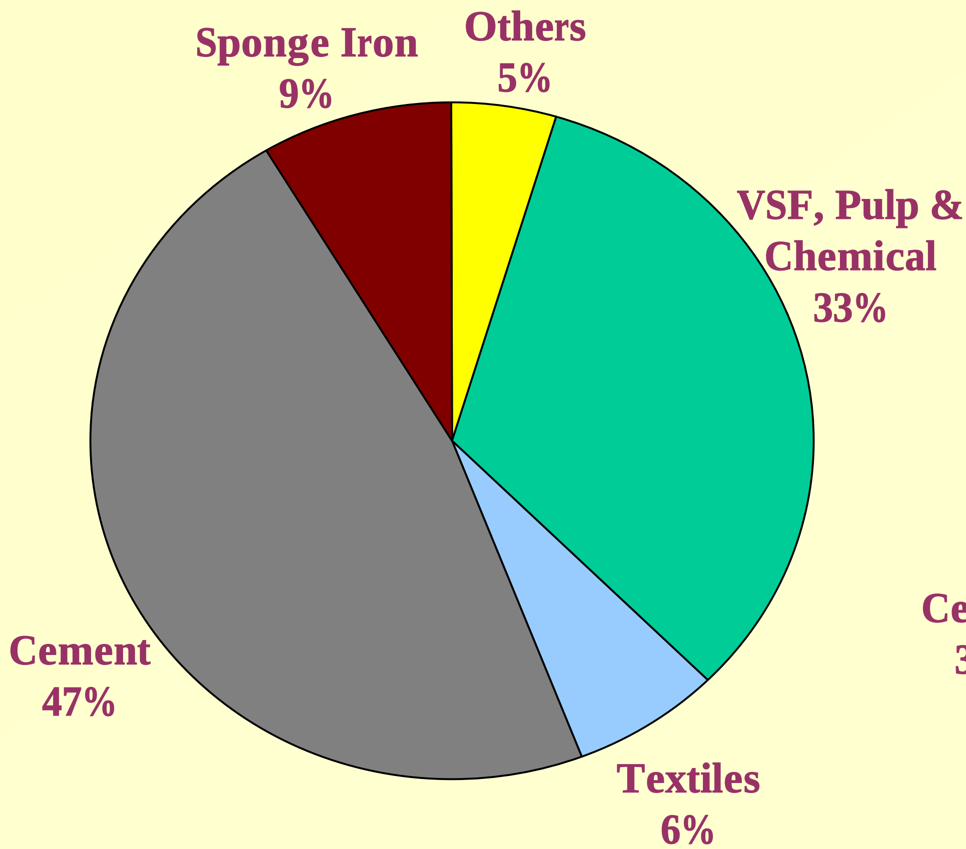
- **Deferred Tax Liability**
  - Provision of Rs. 10 Crs. in Q1FY02 made as per AS-22
  - Liability for corresponding Q1FY01 would have been Rs.4.7 Crs.
  - Provision for liability for the past year upto FY01 estimated at Rs. 587 Crs. which, as per AS requirements, will be met out of accumulated Revenue 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.

Divisional Turnover - Q1FY02

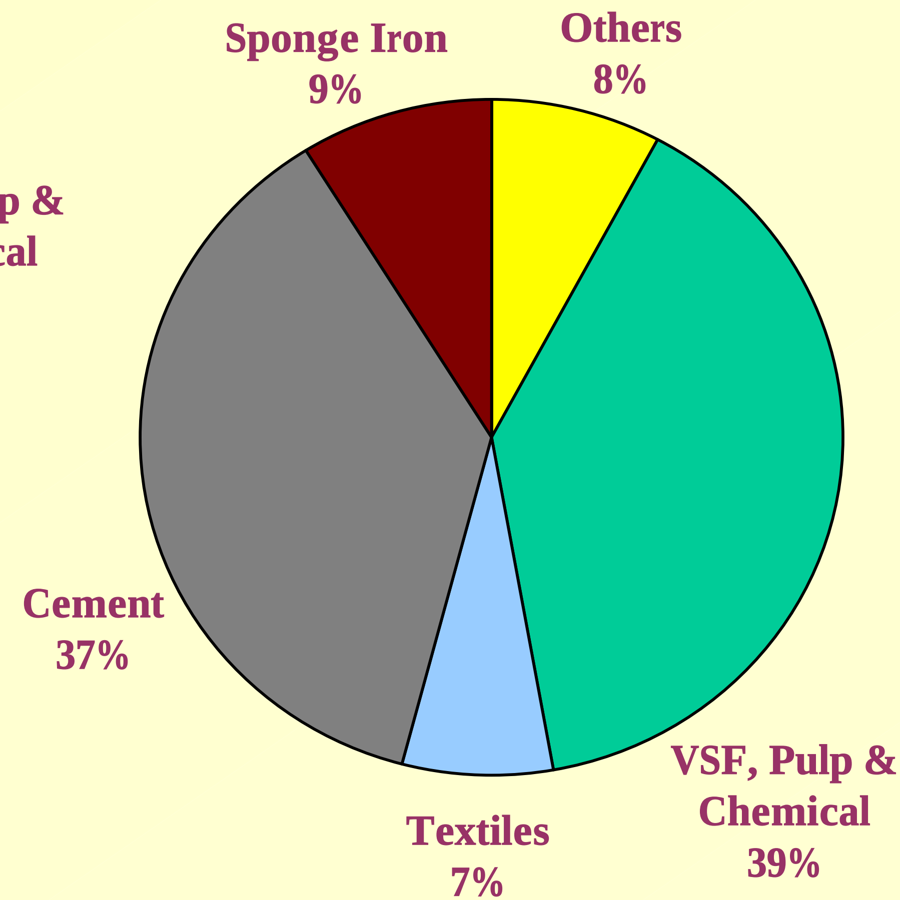
Rs. Crores

Net Turnover	Q1FY02		Q1FY01		FY01	
	Amount	Share %	Amount	Share %	Amount	Share %
FIBRE						
VSF	311	26	370	31	1,470	31
Pulp	32	3	41	3	158	3
	343	29	411	34	1,628	34
Chemical	44	4	61	5	245	5
	387	33	472	39	1,873	39
CEMENT						
Grey	528	45	413	35	1,719	36
White	28	2	27	2	133	3
	556	47	440	37	1,852	39
Textiles	77	6	81	7	306	6
Sponge Iron	101	9	106	9	401	8
Others	55	5	91	8	390	8
Total Net Turnover	1,176	100	1,190	100	4,822	100
Total Gross Turnover	1,349		1,378		5,582	

Turnover Mix – Q1FY02

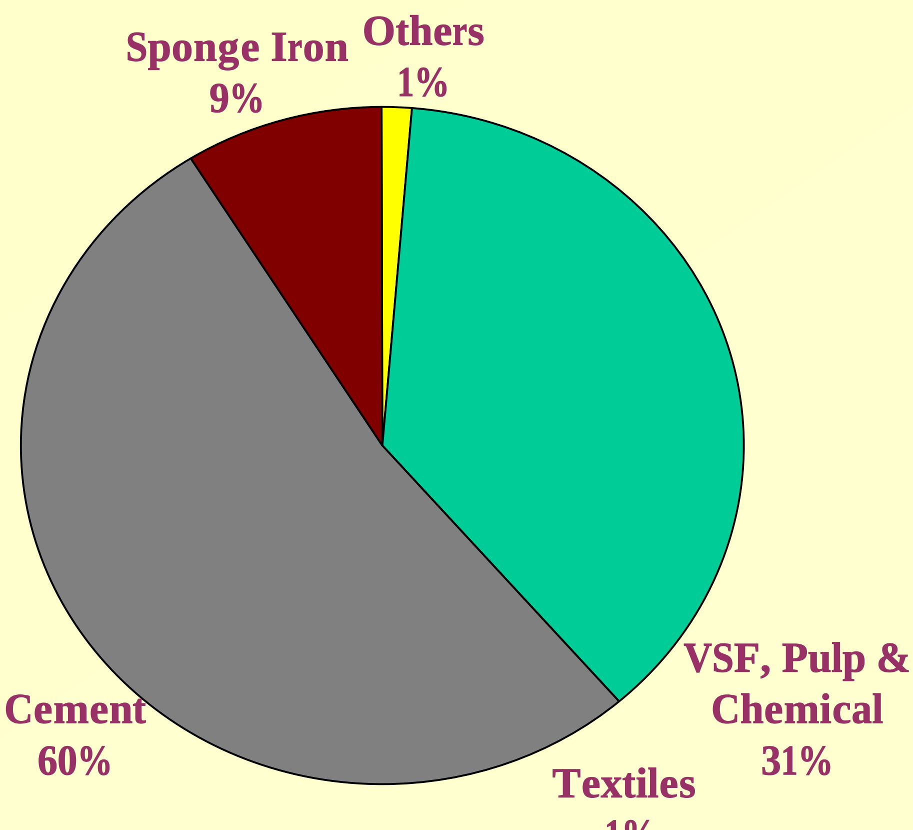


Q1FY02 (Rs. 1,176 Crs.)

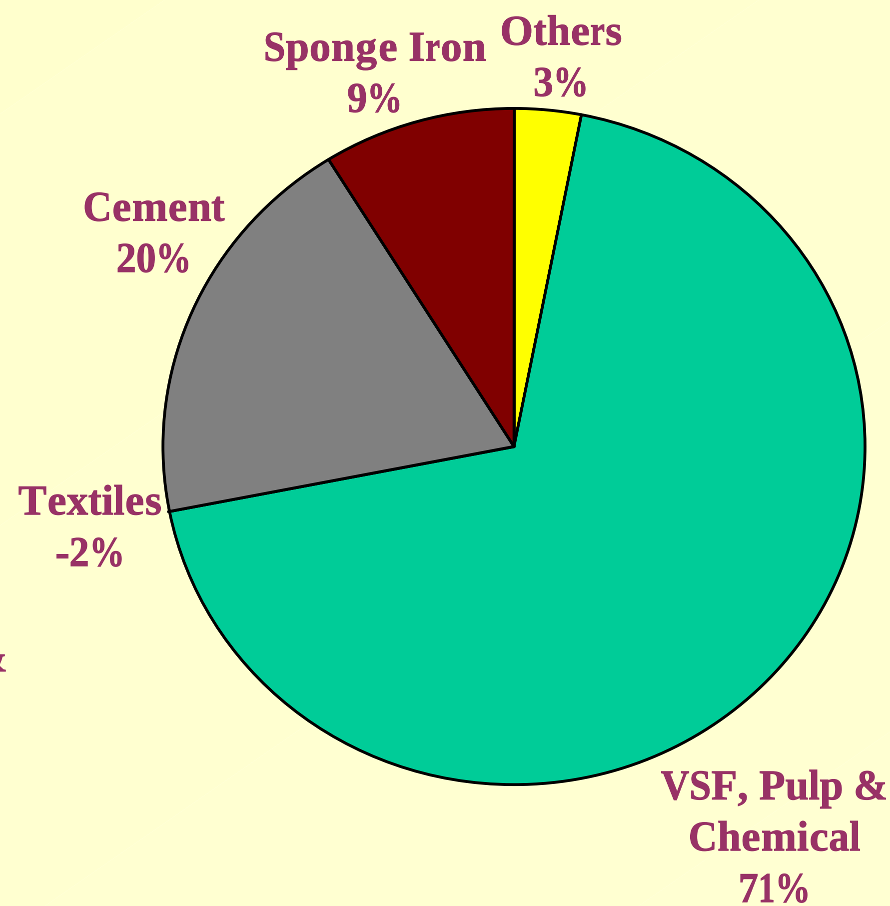


Q1FY01 (Rs.1,190 Crs.)

PBIDT Mix – Q1FY02



Q1FY02 (Rs.248 Crs.)



Q1FY01 (Rs.188 Crs.)

Viscose Staple Fibre

		Q1FY02	Q1FY01	% Chg.	FY01
Capacity	TPA	220,775	220,775		220,775
Production	MT	32,757	52,395	(37)	218,847
Sales Volumes	MT	39,011	53,308	(27)	203,854
Net Turnover	Rs.Crs.	311	370	(16)	1,470
Avg. Realisation	Rs./MT	72,590	66,048	10	69,733
PBIDT Margin *	%	22	31		29

* Before employees separation cost

Viscose Staple Fibre (Contd..)

Highlights –

- Capacity utilisation down at 59% due to closure of Nagda Plant for part of the current quarter
- Plant operations resumed June 01 end
- Sales volumes down 27 %, at 39,011 MT due to adverse market conditions (lower demand)
- Realisation up 10% from Rs.66/Kg to 72.5/Kg
- Operating margin down – from 31% to 22%
  - Spread of fixed overheads on lower volume
  - Higher input cost (Pulp cost up 11%,Caustic Soda cost up 42%)

Viscose Staple Fibre (Contd..)

Outlook

- Demand expected to pick-up in remaining quarters
- Pulp prices showing a declining trend at US$ 650/MT from the peak level of 750/MT in Q4FY01
- 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

Viscose Staple Fibre-Closure of Mavoor Plant

- Closure agreement signed with labour unions in July 01
- Effective date of closure - 1st July 01
- Normal wages to be paid only upto 30th June
- Impact
  - One time extraordinary loss in annual accounts for FY02
    - Retrenchment compensation of Rs. 58 Crores
    - Estimated loss on realisation/ valuation of fixed assets retired form active use - Rs. 19 Crs.
  - No. of employee strength to go down by 2300 - about 11% of total employee strength of the Company
  - Annual savings of Rs.27 Crs. in recurring expenditure (employee cost and fixed overheads) from July 01 onwards

Cement

		Q1FY02	Q1FY01	% Chg.	FY01
<u>Grey Cement</u>					
Capacity	Mn. MT	* 10.36	9.10		** 9.86
Production	Mn. MT	2.57	2.46	4	9.10
Sales Volumes	Mn. MT	2.55	2.47	3	9.16
Net Turnover	Rs. Crs.	528	413	28	1,719
Avg Realisation	Rs./MT	2,046	1,646	24	1,894
<u>White Cement</u>					
Capacity	TPA	400,000	360,000		** 400,000
Production	MT	54,211	53,173	2	251,594
Sales Volumes	MT	53,502	52,765	1	251,291
Net Turnover	Rs. Crs.	28	27	4	133
Avg Realisation	Rs./MT	5,251	5,110	3	5,268
PBIDT Margin	%	27	8		17

* Capacity increased by 0.5 Mn.MT in June 01

** Capacity as on 31.03.01

Cement (Contd..)

Highlights –

- Capacity utilisation at 99%
- Sales volume grew by 3%
  - Sales volumes up in South 22% and East 9%; but down in West 6% and North 2%
    - ⇨ Better penetration into new Southern market
- Average realisation up by 24% at Rs.2,046/MT reflecting better price environment prevailing across regions
- Operating margin improved substantially from 8% to 27%

Cement (Contd..)

Outlook

- Long term outlook is encouraging, demand to grow 7-8% annually, over next 3 years
  - Expected GDP growth of 6% per annum
  - Renewed focus on infrastructure sector by the Government
    - Thrust on road sector re-iterated in Union Budget - Plan outlay for road sector up 93% to Rs.8,730 Crs.
    - Golden Quadrilateral project - 6000 Kms Road Project; To be completed by Year 03
    - North-South and East-West corridor project - 7000 Kms of expressway underway; To be completed by Year 07
  - Growth in housing sector to boost demand further
    - Rural demand to pickup with normal monsoon
    - Fiscal incentives for private housing continues
    - Changing preference towards nuclear families

Cement (Contd..)

Outlook *(Contd..)*

Short term outlook – equally positive

- Demand growth should recover in second half of FY02
  - Normal Monsoon to enhance rural demand
- Significant downside in prices unlikely
  - Manufacturing costs have gone up significantly
  - Recent acquisitions valuations assume higher price levels
  - Inadequate return even at current price level

Cement (Contd..)

- Grasim will focus on
  - Identified core markets – North, Western corridor and South
  - Increasing market share in profitable segments/regions
    - Grinding unit at Bhatinda underway
  - Improve realisation thru
    - Change in product mix
    - Change in market mix
      - Better penetration into new markets of South and North
      - Improve presence in profitable retail markets
    - Focus on value added products - New RMCs being set up
  - Continuous cost reduction and optimisation of capacities
    - Cut distribution cost thru better logistics
    - Bring down operational costs thru
      - Change in fuel mix
      - Increase proportion of thermal power
    - Reduce per ton capital cost significantly - 2.8 Mn tons to be added in next 18 months thru change in product mix and debottlenecking

Textiles

		Q1FY02	Q1FY01	% Chg.	FY01
Divisional Revenue	Rs.Crs.	77	81	(5)	306
PBIDT Margin*	%	(2)	(6)		(7)

* Before employees separation cost

Highlights

- Divisional performance remained subdued
- Fabrics (64% of revenue) remained under pressure
  - Sluggish market condition
  - Intense price competition and inflow of spurious materials
  - Increased cheap imports
- Operating margins remain negative due to higher promotional charges, sharp rise in input costs (fibre, yarn, power & fuel and labour) and lower volumes of synthetic & worsted yarn

Textiles (Contd..)

Outlook *(Contd..)*

- Fabric volumes and prices to remain under pressure
  - Over capacity, commoditisation of suiting fabrics market and gradual shift towards ready-to-wear products
  - Price competition from unorganised sector and cheaper imports
- Grasim to focus on
  - Improve market share and strengthen distribution network
  - Move up the value chain to ensure higher realisation and overcome competition
  - Improve efficiencies including downsizing of weaving section and rightsizing of work force
    - ⇨ No. of hands reduced in Q1FY02 - 111 Nos.
    - ⇨ No. of hands reduced in FY01 - 423 Nos.

Sponge Iron

		Q1FY02	Q1FY01	% Chg.	FY01
Capacity	TPA	900,000	900,000		900,000
Production	TPA	166,493	174,312	(4)	663,998
Sales Volumes	MT	165,217	180,489	(8)	673,852
Net Turnover	Rs. Crs.	101	106	(4)	401
Avg Realisation	Rs./MT	5,907	5,631	5	5,733
PBIDT Margin	%	21	16		21

Sponge Iron (Contd..)

Highlights –

- Capacity utilisation marginally down from 77% to 74%
  - Continued restricted Natural Gas supplies from GAIL
  - Use of Naptha discontinued since July 00 due to prohibitive costs
- Sales volumes lower by 8%
- Average realisation up by 5%
  - Improved demand
  - Reduced competition in the domestic market
- Operating margin improved from 16% to 21%
- Operating profit up 23% despite lower volume

Sponge Iron (Contd..)

Outlook

- 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 to remain a constraint
  - 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

Caustic Soda

		Q1FY02	Q1FY01	% Chg.	FY01
Capacity	MT	160,600	160,600		160,600
Production	MT	21,950	32,893	(33)	131,253
Net Turnover	MT	20,588	34,607	(41)	133,450
Avg Realisation	Rs./MT	15,139	10,265	47	11,085
Net Turnover	Rs. Crs.	44	61	(27)	245
PBIDT Margin	%	18	28		32

Highlights –

- Capacity utilisation scaled down to 55% due to water shortage
- Realisation improved in line with improved market conditions
- Margin down at 18% mainly due to spread of fixed overheads on lower volumes

  Operating profit down 54% from Rs.17 Crs. in Q1FY01 to Rs.8 Crs. in Q1FY02 due to the same reason
- Performance expected to be better in remaining quarters
- Contribution from ancillary products down due to lower realisation

	Q1FY02	Q1FY01	%Chg.
Chlorine – Realisation (Rs./MT)	2,780	4,993	(44)
Hcl – Realisation (Rs./MT)	697	4,119	(83)

Capex Plan – FY02

Rs. Crores

	Amount	To be Spent in FY02	To be Spent in FY03	Completion Schedule
● **Expenditure :**				
A **New Projects :**				
- Cement Grinding Unit at Bhatinda (1 Mn MT) (Total Cost Rs.83 Crs.)	* 59	59	--	Q3 FY02
- Ready Mix Concrete 3 Plants ($745,200\ M^3$) (Total Cost Rs.28 Crs.)	* 15	15	--	Q1-Q2 FY02
- Cement Capacity Expansion				
- Debottlenecking / Blending	82	42	40	Q2 FY03
- Power Plants (Cement units)				
- AC 23 MW	92	50	42	Q3 FY03
- South 12.5 MW (Total Cost Rs.54 Crs.)	* 46	23	23	Q3 FY03
Sub Total (A)	294	189	105	

* Net of amount spent till FY 01

Capex Plan – FY02 (Contd..)

Rs. Crores

	Amount	To be spent in	
		FY02	FY03
B <u>Normal Modernisation :</u>			
- VSF	60	53	7
- Cement	178	153	20
- Others	54	30	17
Sub Total (B)	292	236	44
Total (A + B)	586	425	149
● <u>Financing :</u>			
Debt (Already raised)		160	--
Internal Accruals / New Debts		265	149
Total		425	149

Profitability & Financial Snapshot FY99 – FY01

Profitability FY99 –FY01

		FY99	FY00	FY01
Gross Turnover	Rs. Crs.	4,325	4,982	5,582
Net Turnover	Rs. Crs.	3,757	4,273	4,822
PBIDT	Rs. Crs.	678	756	912
PBIDT Margin	%	18.1	17.7	18.9
PBDT	Rs. Crs.	386	500	673
PAT (before deferred tax) **	Rs. Crs.	164	233	378
PAT Margin	%	4.3	5.5	7.8
EPS	Rs.	19.6	25.4	41.2
CEPS	Rs.	44.7	51.3	68.7
DPS	Rs.	6.75	7.0	8.0
Interest Cover	Ratio	2.3	2.9	3.7
<u>After current & deferred tax</u>				
PAT ** $	Rs. Crs.		149.6	347.6
EPS	Rs.		16.3	37.9

* For the period

* * After employee separation cost

$ Deferred tax liability adjusted in FY00 and FY01

Financial Snapshot (FY99 – FY01)

		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	13.8	15.7
RONW	%	6.6	8.6	6.9	12.9	14.8

* Restate for deferred tax liability

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

Focus And Strategy

- Focus
  - Deliver enhanced value to shareholders on a sustained basis
  - Value creation and not asset creation alone
- Strategy
  - Focus on core businesses – VSF and Cement
  - No unrelated diversification / Investments
  - Improve asset utilisation through market expansion and better penetration
  - Improve margins through better efficiency and stringent cost control

Cement will be driver of growth going forward, supported by stable earnings from VSF

Plant Locations

- 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

Thank You

Production Data (MT)

	Q1FY02			Q1FY01			FY01		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
VSF *	220,775	32,757	59	220,775	52,395	95	220,775	218,847	99
Pulp	58,000	18,267	126	58,000	18,143	125	58,000	69,729	120
Chemical	160,600	21,950	55	160,600	32,893	82	1,60,600	131,253	82
Grey Cement **	$ 10.36	2.57	99	9.10	2.46	108	# 9.86	9.10	100
White Cement	400,000	54,211	54	360,000	53,173	59	# 4,00,000	251,594	70
Sponge Iron	900,000	1,66,493	74	900,000	174,312	77	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

$ Capacity increased by 0.5 Mn. MT in June01

Divisional Turnover – Qty & Realisation

Product	Quantity (MT)			Realisation (Rs. / MT)		
	Q1 FY02	Q1 FY01	FY01	Q1 FY02	Q1 FY01	FY01
VSF *	39,011	53,308	203,854	72,590	66,048	69,733
Pulp *	13,419	18,405	70,148	23,914	22,450	22,500
Chemical	20,588	34,607	133,450	15,139	10,265	11,085
Grey Cement**	2.55	2.47	9.16	2,046	1,646	1,894
White Cement	53,502	52,765	251,291	5,251	5,110	5,268
Sponge Iron	165,217	180,489	673,852	5,907	5,631	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

		Q1FY02	Q1FY01	% Chg.	FY01
<u>Fabric</u>					
Capacity (244 looms)	Lac Mtrs.	184	184		184
Production	Lac Mtrs.	41	33	24	167
Purchases	Lac Mtrs.	3	2	50	11
Sales Volume	Lac Mtrs.	44	44	-	187
Net Turnover	Rs. Crs.	43	38	13	165
Avg. Realisation	Rs./ Mtrs.	97	86	13	88
<u>Synthetic Yarn</u>					
Capacity(34656 Spndl.)	MT	9,000	9,000		9,000
Production	MT	2,375	2,742	(13)	9,898
Sales Volumes	MT	2,435	3,160	(23)	10,132
Net Turnover	Rs. Crs.	26	33	(21)	109
Avg. Realisation	Rs./Kg.	108	105	3	107
<u>Worsted Yarn</u>					
Capacity (8832 Spndl.)	MT	1,250	1,250		1,250
Production	MT	279	302	(8)	1,132
Sales Volumes	MT	274	378	(28)	1,216
Net Turnover	Rs. Crs.	8	10	20	33
Avg. Realisation	Rs./Kg.	287	257	12	265

Press Release **Mumbai, 31st July,2001**

THE ADITYA BIRLA GROUP'S
FLAGSHIP COMPANY
GRASIM INDUSTRIES LIMITED
REPORTS EXCELLENT PERFORMANCE
FOR Q1 – FY 2002

Net Profit before Deferred Tax: Rs.112 Crores, up by 89%

(Rs. crores)

	Quarter Ended 30.06.2001 (Un-audited)	Quarter Ended 30.06.2000 (Un-audited)	Variation %	Year Ended 31.03.2001 (Audited)
Net Turnover	1184.2	1195.9	-1.2	4839.8
PBIDT	247.7	188.4	31.5	911.5
Interest	47.5	61.3	-22.5	238.8
Gross Profit	200.2	127.1	57.5	672.7
Depreciation	62.6	62.3	0.5	251.9
Profit before extraordinary items and taxes	137.6	64.8	112.3	420.8
Employees' separation cost	2.4	1.4	70.3	11.3
Profit on sale of Undertaking	-	-	-	18.4
Provision for Current Tax	23.0	4.0	475.0	50.0
Net Profit before Deferred Tax	112.2	59.4	88.9	377.9
Provision for Deferred Tax	10.0	*	*	*
Net Profit after Current and Deferred Taxes	102.2	*	*	*

(* Not considered)

Grasim, the flagship Company of the Aditya Birla Group, has reported a turnover of Rs.1184 crores (Rs.1196 crores) for the quarter ended June, 2001. Gross profit was up by 58% at Rs.200 crores. Profit after provision for employee separation cost and current taxes was up by 89% at Rs.112 crores (Rs.59 crores), even after factoring the substantially higher provision for current taxes.

Restructuring of high cost debts coupled with effective fund management saw interest costs lower at Rs.48 crores, 22% down vis-à-vis Rs.61 crores in the corresponding quarter of the previous year which has also had a positive impact on the bottom line.

***Provision for Deferred Taxes Liabilities**

In line with Accounting Standard (AS) 22, which has been introduced from 1st April 2001 and pertaining to "Accounting for Taxes on Income", Grasim has provided for Rs.10 crores as Deferred Tax liability for the current quarter. A similar provision for the deferred tax liability for the corresponding period of the previous year would have been Rs.4.70 crores. Considering this aspect, Net Profits is up by 87%.

OPERATIONS

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

Products		Q1 FY2002	Q1 FY2001	Variation	FY 2001
Production Volumes-					
Viscose Staple Fibre	M.T.	32757	52395	-37.48%	218847
Cement	MN. M.T.	2.57	2.46	4.47%	9.10
White Cement	M.T.	54211	53173	1.95%	251594
Sponge Iron	M.T.	166493	174312	-4.49%	663998
Sales Volumes-					
Viscose Staple Fibre	M.T.	39011	53308	-26.82%	203854
Cement	MN. M.T.	2.55	2.47	3.24%	9.16
White Cement	M.T.	53502	52765	1.40%	251291
Sponge Iron	M.T.	165217	180489	-8.46%	673852

REALISATION – Net of Excise Duty (Rupees per tonne)

Products	Q1 FY2002	Q1 FY2001	Variation	FY 2001
Viscose Staple Fibre	72590	66048	9.90%	69733
Cement	2046	1646	24.30%	1894
White Cement	5251	5110	2.76%	5268
Sponge Iron	5907	5631	4.90%	5733

Cement Business

The Cement Business has registered an impressive growth of 24% in realizations vis-à-vis the comparable quarter of the previous year. Production at 2.57 million metric tonnes and Sales volumes at 2.55 million metric tones have risen. Realisations, stronger at Rs.2046 per MT, have been the major contributing factor in the enhanced operating margin of this business.

To grow its cement business and to sustain its market share, Grasim has planned a total capital expenditure of Rs.530 crores. This is inclusive of:

- setting up of four Ready Mix Concrete Plants, of which three have been already commissioned at Hyderabad, Chennai and Noida respectively. The fourth RMC plant at Bangalore is slated for completion in the second quarter of FY 2002.
- a one million tonne capacity Cement Grinding Unit at Bhatinda manufacturing blended cement will also be up and running in the third quarter of this year.
- two Power Plants of 23 MW and 12.5 MW at Aditya Cement and Grasim (South) respectively, which are expected to be operational by the third quarter of next financial year.
- modernization processes and capacity expansion through debottlenecking – which is ongoing.

During the first quarter of the current fiscal, the Company has invested Rs.50 crores on above growth and expansion plans of its Cement business.

A substantial part of the capex is to be met through internal accruals.

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

As informed by the Company earlier, due to the acute water shortage, its Fibre plant at Nagda had to be shut down during the months of May and June. With the onset of monsoon towards end June, the operations were resumed. Consequently, the capacity utilisation of the VSF plant during the quarter has been considerably lower, at 59% vis-à-vis 95% in the corresponding period last year. However, during this critical period also, the division continued to fulfill its customers' needs from the inventory built up last year.

The global slow down of the Textiles sector has had an adverse impact on sales, which at 39,011 MT are lower by 27%. The fall in operating margin was partially offset by an increase in realisations, which were up by 10% over the corresponding quarter of the last year. The decline in global pulp prices has had a positive effect on the performance of this business.

To generate a higher demand for its superior quality VSF in terms of its feel, comfort and hygiene, and towards supplies to exporters, the Fibre division has intensified its efforts relating to application development. To boost the demand for VSF, the division is also aggressively promoting Business Partner relationships with leading manufacturers of branded products.

Closure of Mavoor Plants

The Company has entered into a Memorandum of Settlement on 7th July, 2001 with all the workers' and staff unions at its Pulp unit and Fibre unit situated at Mavoor, Kerala, for the closure of both these units. The settlement has been effective from 30th June,2001. The Company is paying approximately Rs.58 crores as retrenchment compensation besides other terminal benefits, to its permanent employees, around 2300 persons.

Consequent to the closure, Company will not incur "recurring expenditure on employees and other standing charges" amounting to Rs.27 crores annually.

Chemical Business

As reported earlier, the operations at Chemical plant at Nagda were drastically curtailed during the quarter, due to the water shortage. This has led to a reduced capacity utilisation at 55% as compared to 82% during the corresponding quarter last year. Operating margins registered a fall. With the arrival of the monsoons, the Chemical plant's operations were resumed at its normal level.

The impact on the first quarter's profitability from the Chemical business is expected to be largely neutralized through a much better performance in the remaining quarters of the financial year.

Sponge Iron Business

The Division's realizations have been up by around 5%. In spite of the fall in production and sales volumes due to the constraint in the supply of Natural Gas, the Sponge Iron business has improved its operating performance.

OUTLOOK

Given Grasim's inherent strength, strong fundamentals, its ongoing cost optimisation measures, business restructuring processes, coupled with the correction in cement prices, the Company's outlook for the year continues to be positive.

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

Rs in crores

	Three Months Ended 30th June 2001	**Three Months Ended 30th June 2000**	**Year ended 31st March 2001 (Audited)**
Net Sales / Income from Operations	**1,184.17**	**1,195.88**	**4,839.74**
Other Income	14.54	12.24	89.71
Total Expenditure			
- Decrease / (Increase) in Stock	(41.12)	21.54	(62.65)
- Raw Material Consumed	317.45	375.59	1,569.77
- Purchases of Finished Goods	124.52	76.94	310.49
- Payment to & Provision for Employees	82.66	74.85	313.28
- Power & Fuel	178.42	184.27	725.04
- Freight , Handling & Other expenses	136.68	134.52	480.47
- Other Expenditure	152.40	152.06	681.56
Total Expenditure	**951.01**	**1,019.77**	**4,017.96**
Interest	47.52	61.28	238.78
Gross profit	**200.18**	**127.07**	**672.71**
Depreciation	62.59	62.26	251.90
Profit before Extra Ordinary Items and Tax	**137.59**	**64.81**	**420.81**
Profit on Sale of Undertaking			18.44
Employees separation cost	(2.35)	(1.38)	(11.35)
Profit before Tax Expense	**135.24**	**63.43**	**427.90**
Provision for Current Tax	(23.00)	(4.00)	(50.00)
Net Profit before Deferred Tax	**112.24**	**59.43**	**377.90**
Provision for Deferred Tax (Refer Note 2)	(10.00)	@	@
Net Profit	**102.24**	**59.43**	**377.90**
Paid up Equity Share Capital (Face Value Rs. 10 per share)	91.69	91.69	91.69
Reserves excluding Revaluation Reserve			2,983.71
Basic & Diluted EPS for the period (Rupees)	**11.15**	**6.48**	**41.21**
Basic & Diluted EPS for the period (Rupees) - before Deferred Tax	**12.24**	**6.48**	**41.21**

Notes:

1 The Operations at the Company's Staple Fibre Plant at Nagda were suspended and that of Chemical Plant were substantially curtailed from 1st week of May,2001 due to acute water shortage at Nagda. With the onset of monsoon and availability of water, Company has resumed normal operations at both these plants in last week of June-2001.

@ 2 As per the Accounting Standard 22 (AS 22) relating to " Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, which has become mandatory from 1st April 2001, Company has provided Rs. 10 Crs. as Deferred Tax Liability for the current quarter ended 30th June 2001. No provision for Deferred Tax Liability was required to be made in the corresponding quarter ended 30th June 2000 as the said AS 22 was then not applicable.The provision for Deferred Taxes on comparable basis for the corresponding quarter would have been Rs. 4.70 Crs.
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.

3 Subsequent to the close of the quarter ended 30th June , 2001 , the Company has entered into a Memorandum of Settlement on 7th July, 2001 with the Workers' and Staff Unions of its Pulp Unit and Fibre Unit situated at Mavoor, Kerala, for the closure of both these units effective 1st July ,2001.Liability for retrenchment compensation payable to the workers in terms of the said settlement is Rs. 58 Crs.
As per Accounting Standard 10 , fixed assets of the said Mavoor Units which are retired from active use , are to be valued at lower of its "Net Book Value and Net Realizable Value" and the amount required to be written-off in respect of such fixed assets is estimated at Rs. 19 Crs.
Consequent to the closure, the saving in "recurring expenditure on employees and other standing charges" is estimated at Rs. 27 Crs. annually.

4 The Company has 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 and the same is under consideration of the Court.

5 Previous quarter / year's figures have been regrouped / rearranged wherever necessary to confirm to this quarter's classification.

6

For and on behalf of Board of Directors

Place : Mumbai
Date : 31 July, 2001

Kumar Mangalam Birla
Chairman

GRASIM INDUSTRIES LIMITED
Regd. Office: Birlagram, Nagda (M.P.)

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