GRASIM

ADITYA BIRLA GROUP

UNAUDITED FINANCIAL RESULTS
FOR THE THREE MONTHS ENDED 30TH JUNE, 2000

Rs in crores

	Three Months ended 30th June 2000	Three Months ended 30th June 1999	Year ended 31st March 2000 (Audited)
Net Sales / Income from Operations	**1,212.24**	**1,097.92**	**4,310.24**
Other Income	9.69	4.14	50.71
Total expenditure			
- Decrease / (Increase) in Stock	21.54	44.44	(12.61)
- Raw Material Consumed	373.78	310.04	1,317.69
- Payment to & Provision for Employees	74.57	70.44	298.87
- Power & Fuel	184.44	161.07	650.76
- Freight , Handling & Other expenses	131.70	110.27	448.53
- Other Expenditure	247.55	213.52	901.39
Total Expenditure	**1,033.58**	**909.78**	**3,604.63**
Interest	61.28	70.66	256.08
Gross profit	**127.07**	**121.62**	**500.24**
Depreciation	62.26	58.41	236.98
Profit before Employees separation cost and tax	**64.81**	**63.21**	**263.26**
Employees separation cost	1.38	0.50	17.81
Provision for tax	4.00	3.75	12.35
Net Profit	**59.43**	**58.96**	**233.10**
Paid up Equity Share Capital (Face Value Rs. 10 per share)	91.69	91.69	91.69
Reserves excluding Revaluation Reserve			2,684.95
Basic & Diluted EPS for the period (Rupees)	**6.48**	**6.43**	**25.42**

Notes:

1 The Company has commenced commercial production at its 0.93 million ton per annum capacity Cement Plant at Reddipalayam Village, Near Trichy,Tamil Nadu, in mid-April, 2000.

2 The Company had filed separate applications with the State Government of Kerala seeking permission for closure of Pulp and Fibre Plants at Mavoor w.e.f. 30th November, 1999. Vide Order dated 16th October, 1999, the State Government refused permission for closure of the said units against which review petitions have been filed and are pending. Meanwhile, the operations at both plants continue to remain suspended.

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

4 The above results have been taken on record at the meeting of the Board of Directors held on 25th July, 2000.

For and on behalf of Board of Directors

Place : Mumbai
Date : 25 July, 2000

Kumar Mangalam Birla
Chairman

GRASIM INDUSTRIES LIMITED

Regd. Office: Birlagram, Nagda (M.P.)

An Aditya Birla Group Company

Visit us at **www.adityabirla.com**

Grasim Industries Limited reports good performance for Q1 - FY 2001

Net Profit : Rs. 59 Crores
Turnover : Rs. 1212 Crores

(Rs. Crores)

	Quarter ended 30.06.2000 (Unaudited)	Quarter ended 30.06.1999 (Unaudited)	Variation	Year Ended 31.03.2000 (Audited)
Turnover	1212.24	1097.92	10%	4310.24
PBIDT	188.35	192.28	-2%	756.32
Interest	61.28	70.66	-13%	256.08
Gross Profit	127.07	121.62	4%	500.24
Depreciation	62.26	58.41	7%	236.98
Employees' separation cost	1.38	0.50		17.81
Tax	4.00	3.75	7%	12.35
Profit after Tax	59.43	58.96	1%	233.10

Grasim, the flagship company of the Aditya Birla Group, recorded a turnover of Rs. 1212 crores (Rs.1098 crores) for the quarter ended June, 2000, reflecting a 10 percent increase over the corresponding quarter of the previous year. Gross profit too was up at Rs.127 crores (Rs.122 crores).Profit at net level was flat due to higher depreciation charge of new cement plant commissioned in April this year.

Higher production and turnover volumes have been the key contributing factors to the Company's better performance during the quarter. Importantly, the saving in operating costs resulting from ongoing modernization efforts, up-gradation of plants and energy optimization enabled Grasim perform better, despite sluggish trend in cement prices and increased input costs. Besides, the reduction in financing cost due to restructuring of high cost debts also had a positive impact on the Company's bottomline.

The table below indicates Grasim's operations:

Products		Q1 FY2001	Q1 FY2000	Variation	FY 2000
Production Volumes –					
Viscose Staple Fibre	M.T.	52395	43013	22%	188002
Cement	MN. M.T.	2.46	2.15	14%	8.40
White Cement	M.T.	53173	55210	-4%	240492
Sponge Iron	M.T.	174312	173029	1%	709094
Sales Volumes –					
Viscose Staple Fibre	M.T.	53308	47152	13%	192452
Cement	MN. M.T.	2.47	2.10	17%	8.42
White Cement	M.T.	52765	53305	-1%	240014
Sponge Iron	M.T.	180489	265464	-32%	822995

REALISATION - Net of Excise Duty (Rupees per tonne)

Products	Q1 FY2001	Q1 FY2000	Variation	FY 2000
Viscose Staple Fibre	66048	63697	4%	64484
Cement	1723	1808	-5%	1784
White Cement	5110	4992	2%	5078
Sponge Iron	5631	4623	22%	5037

VSF Business

Production and Sales volumes during the quarter were higher by 22% and 13% at 52395 MT and 53308 MT respectively. Despite the intense competition faced by this industry from PSF, the division has clocked impressive results.

In addition to stepping up the deemed export market in India, with the availability of VSF of international standard from the VSF plant at Kharach, steps have been initiated for direct export of speciality fibre.

The VSF business will continue to be a major contributor to the Company's earnings.

Cement Business

The capacity utilisation improved during the quarter under review at 108% as compared to 105% in the corresponding quarter of the previous year. The much expected improvement in realisation of cement prices in first quarter of current year unfortunately did not materialize, which impacted margins substantially, despite support from higher volumes. Prices have since started picking up. The general expectation is, these will firm up further post monsoon in line with the volume growth. This will enable the company to improve its operating profits in the ensuing quarters.

Commercial production at Grasim's new 0.93 mn tonne cement plant at Reddipalayam, near Trichy (Tamil Nadu), set up at a cost of Rs. 315 crores, commenced in mid-April. This Plant has already reached a capacity utilisation of 68% and its average capacity utilization is expected to touch 75% in the very first year of operations. This plant is expected to add significantly to the company's market share in the southern states of Tamil Nadu and Kerala.

To increase volume of value added products, work has commenced on its project for setting up of four more Ready Mix Concrete plants at an estimated cost of Rs.32 crores. These plants are slated for completion in the next 12 months time. Plans for setting up a 6 lac TPA capacity grinding unit at Bhatinda have been finalised as well. This project will cost Rs. 83 crores and will be completed in the next 15 months period.

To minimize power cost, the Company is also considering setting up captive power plants at Reddipalayam , Shambhupura and Jawad . A decision on these projects will be taken shortly.

Sponge Iron Business

The capacity utilisation and production levels were maintained during the quarter despite problems faced in the supply of natural gas. In the current quarter, the Company has achieved a normal level of turnover in line with its production. Inventories of finished goods are within the acceptable levels. In the corresponding quarter, turnover volumes were higher because of a substantial reduction in accumulated stocks, which the Company had at that point of time. Realisations recorded a significant jump at Rs. 5631 per MT, which translates into a growth of 22% over the corresponding quarter. This has helped the Company to improve margins in this business.

Chemical Business

Capacity utilization of Caustic Soda during the current quarter was higher at 82% as compared to 76% in the corresponding quarter. Sales volumes too were higher by 12% at 34607 MT while realisations improved by 20% during this quarter, adding substantively to the operating profits.

Outlook

Given Grasim's expanded capacities, a continual stress on operational excellence and expected improvement in cement prices, the prospects for Grasim continue to be excellent.

Board Of Directors of Grasim Industries Limited, in its meeting held today, has inducted two independent Directors, viz., Mr. R.C. Bhargava, Ex-Chairman and Managing Director of Maruti Udyog Limited and Mr. Cyril Shroff, Legal luminary and Managing Partner of leading solicitor firm, M/s. Amarchand & Mangaldas & Suresh A Shroff & Co.

Mumbai
July 25, 2000

Performance Review – Q1/FY2001

25th July 2000

Grasim Industries Limited

- Flagship company of the Aditya Birla Group
- Dominant presence in core sectors

  Fibre

  Cement

  Sponge Iron

Financial Performance – Q1/FY2001

Rs. Crores

	Q1/FY01	Q1/FY00	% Change	FY 2000
NET TURNOVER / OPERATIONAL INCOME	1,212.2	1,097.9	10%	4,310.2
OTHER INCOME	9.7	4.1	137%	50.7
PBIDT	188.4	192.3	(-)2%	756.3
INTEREST	61.3	70.7	(-)13%	256.1
GROSS PROFIT	127.1	121.6	5%	500.2
DEPRECIATION	62.3	58.4	7%	237.0
PBT(before employee separation cost)	64.8	63.2	3%	263.3
EMPLOYEE SEPARATION COST	1.4	0.5	180%	17.8
PBT(after employee separation cost)	63.4	62.7	1%	245.5
TAX	4.0	3.8	5%	12.4
PAT	59.4	58.9	1%	233.1
EPS for the period (Rs.)	6.5	6.4	1%	25.4

Performance Highlights

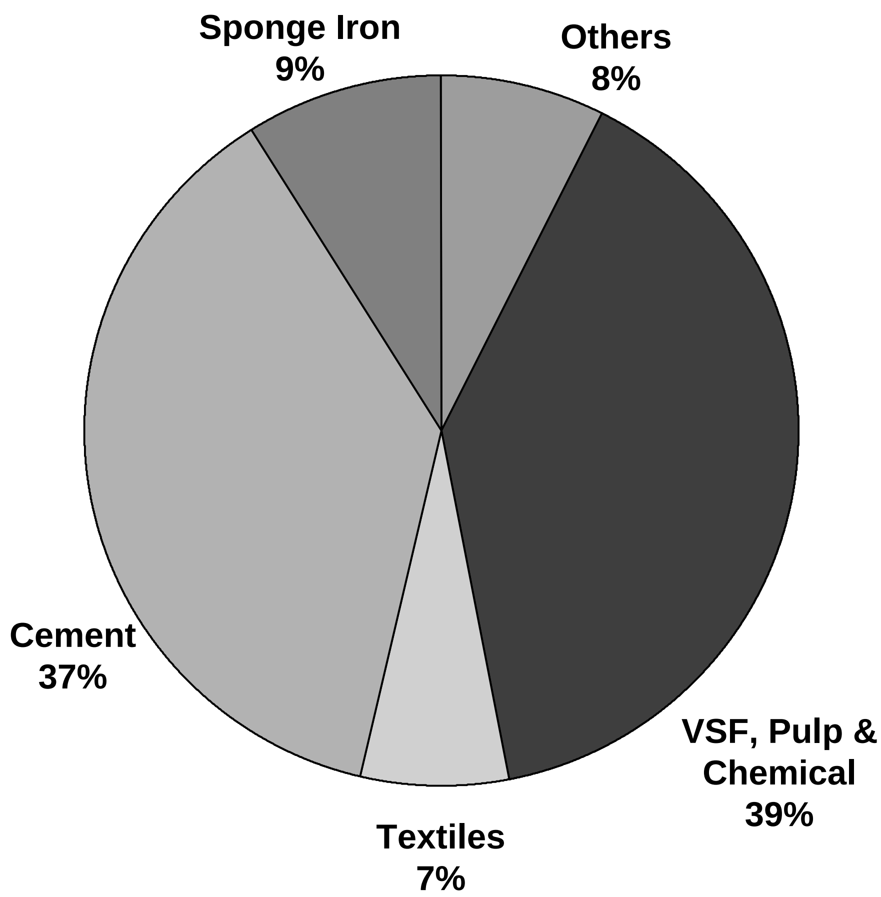
- Good performance despite challenging environment in Cement and Textile sectors
- Net profit maintained flat at Rs.59 crores (QoQ), despite lower margins
  - Overall operating margin declined from 18% to 16% due to poor cement realisation, lower fabric volumes and rise in input costs
- Interest charges down 13% QoQ due to debt repayment as well as debt restructuring
- Depreciation up 7% over Q1/FY00 due to commissioning of new cement plant during April 2000
- Other income up from Rs.4.1 crores to Rs.9.7 crores
  - Interim dividend income of over Rs.2 crores
  - Interest on surplus funds invested (ICD, etc) – Rs. 4 crores
- Represents operating receipt/recuring income only
- Net Profit growth is impressive at 23% compared to Q4/FY00

Divisional Turnover – Q1/FY2001

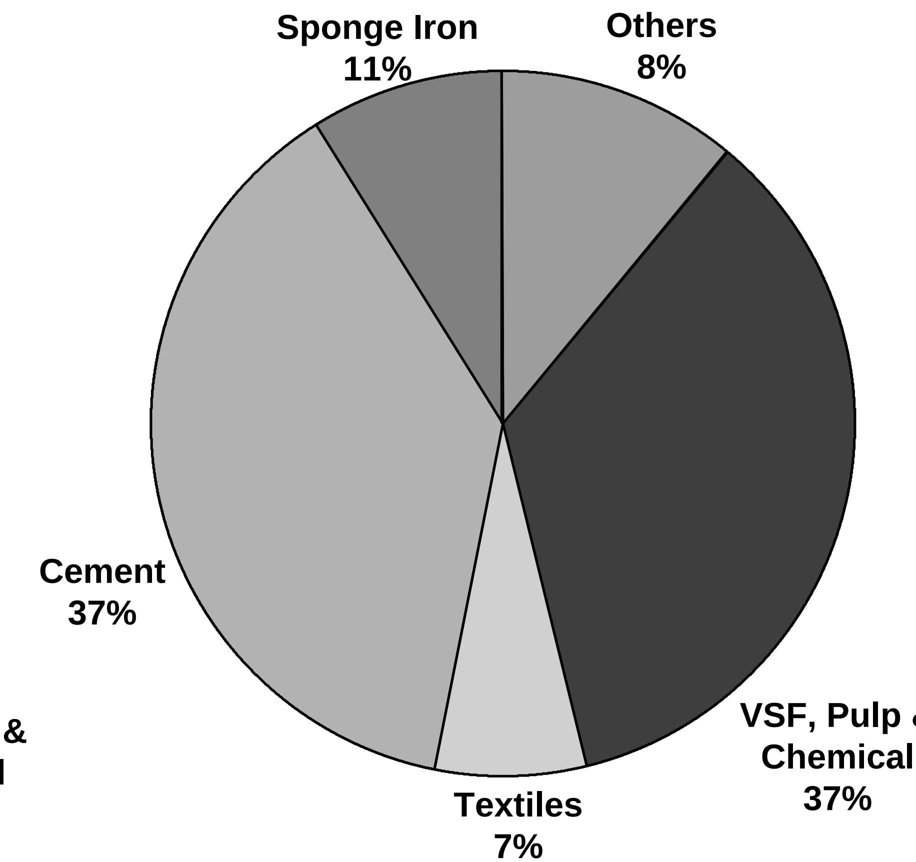
Rs. Crores

NET TURNOVER	Q1-FY2001		Q1-FY2000		FY2000	
	Amount	% Share	Amount	% Share	Amount	% Share
FIBRE						
Viscose Staple Fibre	370	31	310	28	1,290	30
Pulp	42	3	53	5	161	4
Chemicals	61	5	44	4	195	5
	473	39	407	37	1,646	39
CEMENT						
Grey Cement	426	35	378	35	1,461	34
White Cement	27	2	27	2	121	3
	453	37	405	37	1,572	37
TEXTILE (YARN AND FABRIC)	81	7	76	7	301	7
SPONGE IRON	106	9	124	11	418	10
OTHERS	91	8	81	8	325	8
Total	1,204	100	1,093	100	4,273	100
GROSS TURNOVER	1,391		1,266		4,982	

Revenue Mix – Q1/FY 2001



Q1 FY 2001 (Rs. 1204 Crs.)



Q1 FY 2000 (Rs.1093 Crs.)

Business Review

Viscose Staple Fibre

		Q1 FY2001	Q1 FY2000	% Change	FY2000
Capacity (year end) *	TPA	220,775	220,775		220,775
Production	MT	52,395	43,013	22%	188002
Sales Volumes	MT	53,308	47,152	13%	192,451
Net Turnover	Rs.Crs.	370	310	19%	1,290
Avg. Realisation	Rs. / MT	66,048	63,697	4%	64,484
PBIDT Margin	%	31%	31%		30%

* *Excludes installed capacity of Mavoor unit (26000 TPA), closed since May ’99*

Viscose Staple Fibre (Contd.)

Highlights

- Capacity utilisation at record high levels of 95%
- Sales volumes up 13%
  - Quantum jump in deemed export volumes and improved export of specialty fibres
  - Improved domestic demand
  - Aggressive marketing and promotional efforts
  - Value added technical service to PV yarn manufacturers
- Realisation up 4% YoY from Rs.63.7/Kg to Rs.66/Kg
- Operating margins maintained despite higher pulp prices

Viscose Staple Fibre (Contd.)

Outlook

- Outlook remains positive
  - Profitability will depend on ability to pass-on rise in global pulp prices
  - Global pulp prices up from US$500-550 levels in Q1/FY00 to US$650- 680/MT in Q1/FY01
- Grasim will continue to focus on
  - Thrust on application development
  - Aggressive, segmented marketing for better field penetration
  - Concerted efforts to strengthen direct and deemed exports
  - Continued focus on technical service to customers

Cement

		Q1/FY01	Q1/ FY00	% Change	FY 2000
Grey Cement					
Capacity	Mn TPA	9.10	8.20	11%	8.20
Production	Mn MT	2.46	2.15	14%	8.40
Sales Volumes	Mn MT	2.47	2.10	17%	8.42
Turnover	Rs. Crs.	426	378	13%	1,461
Net Realisation	Rs./MT	1,723	1,808	-5%	1,784
White Cement					
Capacity	TPA	360,000	360,000		360,000
Production	MT	53,173	55,210	-4%	240,492
Sales Volumes	MT	52,765	53,305	-1%	240,014
Turnover	Rs. Crs.	27	27		121
Net Realisation	Rs./MT	5,110	4,992	2%	5,078
PBIDT Margin (%)		8%	16%		13%

Cement (Contd..)

Highlights

- **Commercial production at South Plant started in Mid- April**
  - Capacity utilisation already at 68% in June 2000
  - Plant utilisation targetted at 75% in first full year operations
- **Aggregate capacity utilisation improved from 105% to 108%**
- **Sales volumes up 17.3%, against industry growth of 5.3%**
  - Upturn in rural and housing demand
  - Volume growth in South (39%) and West(28%) due to commissioning of South plant
  - Penetration into new markets
  - Renewed thrust on retail and rural sectors
  - Concerted marketing efforts and to improve logistic
- **Average realisation down 5% at Rs.1,723/MT**
  - Sharp fall in prices in the West (down 11%) and South (down 9%)
  - South and West together account for 45% of volumes
- **PBIDT margin declined from 16% to 8% despite higher volumes**

Cement (Contd.)

Outlook

- Industry prospects remain positive
  - GDP growth estimated to be around 6% to 6.5% over next 3 years
  - Renewed focus on infrastructure sector by the Government
  - Expected strong growth in housing sector
  - Cement demand expected to grow 10% annually over next 3 years
- Grasim is well positioned to capitalise on emerging opportunities
  - Strong presence in three fast growth zones
  - Excellent productivity and competitive cost structure
- Grasim will focus on
  - Increasing market share in profitable segments/regions
    - Grinding Unit at Bhatinda underway
  - Better penetration into newer markets
  - Improving presence in the retail segment
  - Enhancing margins thru reduction in distribution and operating costs
    - Exploring possibility of increasing captive power to optimise power cost
  - Value added products (RMC) – additional plants being setup

Textiles

Operational Data		Q1 FY2001	Q1 FY 2000	% Change	FY2000
<u>Fabric</u>					
Capacity	Lac Mtr.	144	180	-20%	180
Production	Lac Mtr.	33	42	-21%	176
Sales Volume	Lac Mtr.	44	44	-	176
Turnover	Rs. Crs.	38	42	-10%	163
Realisation	Rs./Mtr.	86	97	-11%	93
<u>Synthetic Yarn</u>					
Capacity (43988 Spndl.)	MT	7400	7400	-	7400
Production	MT	2286	1717	33%	7370
Sales Volume	MT	2291	1889	21%	7391
Turnover	Rs.Crs.	33	27	22%	109
Realisation	Rs./Kg.	144	145	-1%	147
<u>Worsted Yarn</u>					
Capacity (883 Spndl.)	MT	1250	1250	-	1250
Production	MT	302	302	-	1197
Sales Volume	MT	376	290	30%	1171
Turnover	Rs.Crs.	10	6	67%	29
Realisation	Rs./Kg.	257	209	23%	246
Divisional Revenue	Rs. Crs	81	76	7%	301
PBDIT Margin	%	(-) 7%	15%		7%

Textiles (contd.)

Highlights

- Better yarn performance due to increased exports
- Fabrics (accounts for 50% of revenue) remained under pressure
  - Intense price competition from un-organised sector units
  - Inflow of spurious materials
  - Increased imports
  - Sluggish market conditions
- Lower fabric volumes, higher promotional and input (fibre and wages) costs dragged margin from 15% to Negative

Textiles (contd.)

Outlook

- Remains challenging
  - Overcapacity, commoditisation of suiting fabrics market and gradual shift towards ready-to-wear products
  - Continued price competition from unorganised sector
- Grasim will focus on improving efficiency and leveraging brand equity for stable returns
  - Improve market share
  - Strengthen brand equity and distribution network
  - Focus on product innovation and design development
  - Move up the value chain for better price realisation and to overcome competition from smaller producers
  - Downsizing of weaving section and rightsizing of work force
  - Increase working capital turns and loom efficiency

Sponge Iron

		Q1 FY2001	Q1 FY 2000	% Change	FY2000
Capacity	TPA	900,000	900,000		900,000
Production	TPA	174,312	173,029	1%	709,094
Sales Volumes	MT	180,489	265,464 *	-32%	822,995
Net Turnover	Rs. Crores	106	124 *	-14%	418
Avg.Realisation	Rs. / MT	5,631	4,623	22%	5,037
PBIDT Margin	%	16%	12%		13%

* Includes additional turnover due to sale of accumulated inventory

Sponge Iron (Contd.)

Highlights

- Overall performance remained satisfactory
- Capacity utilisation at 77%
  - Restricted supplies from GAIL
- Q1/FY01 sales matched production volumes. QoQ decline is due to higher turnover achieved last year through sale of accumulated inventories.
- Average realisation up by 22%
  - Improved demand and better steel sector performance
  - Reduced competition in the domestic market
  - Global steel scrap prices Stable at higher level
- PBIDT margins improved from 12% to 16% despite substantial rise in input costs

Sponge Iron (Contd.)

Outlook

- Strong sectoral outlook
  - Domestic demand outlook remains firm
  - Competition to remain subdued
  - Global scrap prices to stabilise around current levels
  - Gas based producers at an advantage due to increasing acceptance for Electric Arc Furnace in steel making
- Grasim will focus on
  - Asset sweating
  - Leveraging on strategic advantages
    - Product flexibility: HBI/DRI (DRI Component to be increased - FY 99-18%, FY 00-44%, Target 67% by FY 02)
    - Locational advantages
  - Ongoing cost reduction measures
    - Further reduction in iron oxide consumption ratio
    - Increase iron ore – pellet ratio
    - Reduce energy costs further
  - Strategies to ensure stable and adequate supply of natural gas

Caustic Soda

(Rs. Crores)

		Q1 FY2001	Q1 FY2000	% Change	FY2000
Capacity -	MT	1,60,600	1,60,600		1,60,600
Production	MT	32,893	30,495	8%	1,35,260
Turnover	MT	34,607	30,866	12%	1,34,021
Realisation	(Rs. PMT)	10,265	8,575	20%	9261
Net Turnover	Rs. Crs.	61	44	39%	195
PBIDT Margin	%	28	8	-	17

Highlights

- Improved volume and realisation due to better demand and reduced competition
- Improved divisional margins due to higher volumes, improved realisation and cost control
- Contribution from ancillary products (Chlorine and Hydrochloric acid) also improved due to higher realisation

	Q1/FY01	Q1/FY00	%Change
Chlorine -Turnover (MT)	22,957	20,428	12%
Chlorine – Realisation(Rs./PMT)	4,993	2,771	80%
HCl-Turnover (MT)	6,351	7,142	-11%
HCl - Realisation(Rs./PMT)	4,119	766	438%

Capex Plans

(Rs. Crores)

		Cost	Spending in		Completion
			FY 01	FY 02	Schedule
1	**Projects** :				
	- Cement Grinding Unit at Bhatinda Punjab (6,00,000 tpa)	83	40	43	15 Months
	- Ready Mix Concrete 4 plants - 240000 M^3	32	32	-	12 Months
	- Cement South Plant(Balance Expenses)	18	18		
2	**Normal Modenisation** –	110	110		Current Financial year
		243	200	43	

- **Financing - FY2001** :

	Rs. Crs.
Debt (Already raised) - 10.75% NCD(5 Yrs. Bullet)	120
Internal Accruals	80
	200

Financial Highlights

PROFITABILITY (FY 1998 – Q1/FY2001)

Rs Crores

		FY 1998	FY 1999	FY 2000	Q1FY01
GROSS TURNOVER	Rs. Crs.	4,022.6	4,325.1	4,982.3	1,390.7
NET TURNOVER	Rs. Crs.	3,499.8	3,756.9	4,272.7	1,204.3
PBIDT	Rs. Crs.	698.5	673.8	756.3	188.3
PBIDT Margin	%	20.0	17.9	17.7	15.6
PBDT	Rs. Crs.	442.8	381.5	500.2	127.1
PAT	Rs. Crs.	230.8	163.8	233.2	59.4
PAT Margin	%	7.0	4.3	5.5	5.0
EPS (Rs.)	Rs.	31.9	19.6	25.4	25.9 *
CEPS (Rs.)	Rs.	55.0	44.7	51.3	53.1 *
DPS (Rs.)	Rs.	6.75	6.75	7.00 *	NA
Interest Cover	Ratio	2.7	2.3	2.9	3.0

* Annualised

FINANCIAL SNAPSHOT (FY1998 – FY2000)

Rs Crores

		FY 1998	FY 1999	FY 2000
GROSS BLOCK	Rs. Crs.	3,549	4,704	4,911
EQUITY	Rs. Crs.	72.3	91.7*	91.7
NET WORTH	Rs. Crs.	2,316	2,616	2,777
CAPITAL EMPLOYED	Rs. Crs.	4,249	4,781	4,737
DEBT : EQUITY	Ratio	0.92	0.93	0.82
BOOK VALUE	Rs.	320	285	303
ROCE	%	12.5%	9.7%	10.6%
RONW	%	10.0%	6.3%	8.4%

** Capital expanded under scheme of merger of IRIL' s Cement Business*

Strategy Going Forward

- Focus on core businesses
  - VSF and Cement
  - No unrelated diversification / investments
- Improve asset utilisation through
  - Expansion of key markets
  - Better penetration into new markets
  - Leveraging existing brand and distribution assets
- Improve margins through focus on value added products, better efficiency and stringent cost control

Plant Locations

Fibre plants
Pulp plants
Chemical plant
Textiles units
Grey cement plants
● White cement plant
New cement plant
Ready-mix Concrete plant
Cement bulk terminal
Sponge Iron plant

Not to scale

Thank You

Annexures

PRODUCTION DATA (MT*) – Q1 on Q1

	Q1/FY 2001			Q1/FY 2000			FY 2000		
	Capacity TPA	Production	%	Capacity TPA	Production	%	Capacity TPA	Production	%
Viscose Fibre	2,20,775*	52,395	95%	2,20,775*	43014	74%	2,20,775*	188,002	84%
Pulp	58,000*	18,143	125%	58,000*	22034	94%	58,000*	73,283	109%
Chemical	1,60,600	32,893	82%	1,60,600	30495	76%	1,60,000	135,260	84%
Grey Cement **	9.10	2.46	108%	8.20	2.15	105%	8.20	8.40	102%
White Cement	3,60,000	53,173	59%	360,000	55210	61%	3,60,000	240,492	67%
Sponge Iron	900,000	174,312	77%	9,00,000	173029	77%	9,00,000	709,094	79%

* Excludes installed capacity of Fibre (26000 TPA) and Pulp (72000 TPA) at Mavoor, closed since May '99

** Grey Cement numbers are in Mn.MT

DIVISIONAL TURNOVER - QTY AND REALISATION (Q1 on Q1)

Products	Quantity (MT)*			Realisation (Rs./MT)		
	FY 2001 Q1	FY 2000 Q1	FY 2000	FY 2001 Q1	FY 2000 Q1	FY 2000
Viscose Fibre	53,308	47152	1,92,451	66,048	63,697	64,484
Pulp	18,405	23421	74,429	22,450	22,750	21,551
Chemical	34,607	30866	1,34,021	10,265	8,575	9,261
Grey Cement's	2.47	2.10	8.42	1,723	1,808	1,784
White Cement's	52,765	53305	2,40,014	5,078	4,965	5,052
Sponge Iron	180,489	265464	8,22,995	5,631	4,623	5,037

* *Grey cement volumes are in Mn MT*