



GRASIM INDUSTRIES LIMITED

ANNUAL REPORT  
2014 - 2015

**BIG**  
IN YOUR  
**LIFE**



AMONG GLOBAL LEADERS  
IN CEMENT AND  
NO. 1 IN INDIA



## Mr. Aditya Vikram Birla

Our legendary leader. His ideals guide us.

Integrity, Commitment, Passion, Seamlessness and Speed.



## Dr. Sarala Birla

was an iconic humanitarian.

A highly progressive person, she was way ahead of the times.

An educationist, a philanthropist, a patron of the arts,

Dr. Sarala Birla was an exemplar of all that is best in mankind.

Her legacy of values will be cherished forever.

**Dear Shareholders,****The global scenario**

The year 2014-15 continued to be a challenging year. The global economy growth was 3.4%, unchanged over the previous year. The world's largest economy, the US saw better growth, while the countries in the Euro zone registered marginal growth. There was a marked slowdown in China, and Japan witnessed near stagnation.

The key factors that affected the global economy included a steep decline in oil and commodity prices, and monetary easing by central banks in the US, EU and Japan. The global financial markets experienced heightened volatility, largely due to expectations of a tightening of monetary policy by the US Federal Reserve. The impasse on resolving the debt crisis in Greece added to the uncertainty. Geopolitical risks compounded the situation.

The IMF has projected economic growth at 3.3% in 2015, marginally lower than the growth recorded in 2014.

**The domestic scenario**

Among all the developing economies, India was a notable exception, with growth increasing to 7.3% in 2014.



Agriculture recorded a growth of only 0.2%, given the subnormal monsoon. This was compensated by a more vigorous manufacturing sector, which grew at 7.1% in FY 2014-15, compared to 5.3% in FY 2013-14. Headline inflation fell sharply to 5%.

On the external front, India's vulnerability has reduced with the current account deficit contained at below 2% of GDP and a relatively stable currency. The monetary policy through the year was largely accommodative.

A slew of initiatives reinforced the positive macro factors. One must particularly mention the deregulation of diesel prices, reforms in the coal and mineral sectors, measures to boost FDI, and faster environmental clearances. The buoyant investor sentiment was manifest in capital inflows of \$ 73 billion. As infrastructure projects get off the ground, the prospects for a revival of the capital investment cycle seem very strong.

### Your Company performance

Your Company has posted a consolidated turnover of \$ 5.4 billion (₹ 32,847 Crore) and an EBIDTA at \$ 930 million (₹ 5,683 Crore).

### Pulp & Fibre

Facing extremely challenging market conditions, fuelled by huge global over capacity and disruptive pricing by the Chinese players, our Pulp & Fibre business attained revenues of \$ 1.1 billion (₹ 6,643 Crore) with EBIDTA of \$ 75 million (₹ 459 Crore).

The Greenfield plant at Vilayat has been commissioned which has resulted into an increase in capacity from 378K TPA to 498K TPA.

Continued strong operational improvements and far more stringent & higher quality standards have brought Birla Viscose at par with the best in its class.

---

*Facing extremely  
challenging market  
conditions, fuelled by huge  
global over capacity and  
disruptive pricing by the  
chinese players, our pulp  
& fibre business attained  
revenues of \$ 1.1 billion  
(₹ 6,643 Crore) with  
EBIDTA of \$ 75 million  
(₹ 459 Crore).*

---

---

*The proposed merger of ABCIL – one of our Group companies with Grasim, announced earlier is a forward step to consolidate our Chemicals business. It will consolidate Aditya Birla Group's Chlor – Alkali business into Grasim and strengthen its existing portfolio of viscose staple fibre, caustic soda and allied chemicals at standalone level. The merger will enable the geographical diversification for Grasim through the addition of ABCIL's manufacturing facilities spread across the country.*

---

The business saw a 15% surge in speciality fibres sales and this has also resulted in drawing several premium customers to our products. The Company has also started manufacturing fire retardant fibre. The launch of LIVA brand in India and the formation of LAPF (LIVA Accredited Partner Forum) has brought the business closer to the customers and created a pull for fabrics from our fibres from key brands and customers.

### **Cement**

With the acquisition of the Gujarat assets of Jaypee Cement Corporation and the commissioning of Greenfield and Brownfield expansions, UltraTech's cement capacity has risen to 63 million tons from 57 million tons in the previous year.

With the addition of 73 MW to our power capacity, our total power capacity stands raised to 754 MW. The Company bid successfully for the Bicharpur coal mines having coal reserves of 29.12 million metric tons. This will accord fuel security for nearly 10% of our existing coal requirements.

Despite the subdued demand, UltraTech attained revenues of \$ 4 billion (₹ 24,349 Crore), a growth of 12% and a healthy EBITDA margin of 19% at \$ 781 million (₹ 4,776 Crore).

### **Merger of Aditya Birla Chemicals (India) Limited (ABCIL) with Grasim**

The proposed merger of ABCIL – one of our Group companies with Grasim, announced earlier is a forward step to consolidate our Chemicals business. It will consolidate Aditya Birla Group's Chlor – Alkali business into Grasim and strengthen its existing portfolio of viscose staple fibre, caustic soda and allied chemicals at standalone level. The merger will enable the geographical diversification for Grasim through the addition of ABCIL's manufacturing

facilities spread across the country. It also enables the business to capitalise growth opportunities by bringing in operational and financial synergies, backed by Grasim's strength. The consolidation is in line with our Group's philosophy to unify similar business in one company.

## Outlook

The outlook for the VSF sector remains challenging in the near term, given the overcapacity in the sector and the sharp reduction in prices of Polyester and Cotton. Our new plant at Vilayat, which has higher share of speciality products, will improve the product mix and profitability. The focus on cost optimisation continues relentlessly.

In the Chemical business, the Company will benefit from additional volumes on the merger of ABCIL and the ramping up of Epoxy operations.

The demand for Cement is expected to improve as it is linked with the GDP. The key drivers will be the revival of infrastructure projects supplemented by regulatory reforms and improvement in the demand for housing with the softening of interest rates. UltraTech, with its existing and proposed capacity, is well placed to benefit from the accelerated growth in the sector.

Grasim is well-poised to benefit from the expected upturn in the economy given its leadership position in all its businesses and large investments for growth.

## To our teams

I would like to acknowledge the contribution of our teams in India and across the world. I believe, it is our people, who underpin everything else. They are the ultimate reason why we meet with success, in the face of all odds, year after year. Their commitment and dedication is beyond words.

---

*Grasim is well-poised to benefit from the expected upturn in the economy given its leadership position in all its businesses and large investments for growth.*

---

---

*We have had a good year at the Group level. Our Group's consolidated revenue crossed the Rupees 2.5 trillion mark, setting a new milestone.*

---

### The Aditya Birla Group: In perspective

We have had a good year at the Group level. Our Group's consolidated revenue crossed the ₹ 2.5 trillion mark, setting a new milestone. We are up 9% over the last year. In dollar terms as well, regardless of the ups and downs in foreign currency, we reported revenues of \$ 41 billion, an 8% rise. Over 50% of our Group's revenues flow in from our global operations.

I believe, that the bottom line and the cash in the till is a greater parameter to gauge performance rather than simply revenues. On this score too, we have done well.

Our EBIDTA in Rupee terms is an impressive ₹ 322 billion, again over 9% vis-à-vis FY14. In dollar terms, we achieved an EBIDTA of \$ 5.25 billion, reflecting an 8% rise over that of the last year.

I deeply believe that building our future can only be possible by building more leaders and through people development processes. Towards this, our endeavours continue to deliver results. Two of our programmes deserve a special mention. **"Cutting Edge"** – our leadership programme targeted at developing P&L leaders and **"Turning Point"** – aimed at building cost centre leaders and unit heads, have proved very promising. Over 70 talented managers have graduated from these programmes and have taken on leadership roles at senior levels.

At the same time, our senior leaders are being actively encouraged to take on cross business roles to gain multi-sectoral experience.

We have a bench strength of over 250 youngsters who joined us 5 years ago as Group Management Trainees, and Leadership Associate Programme (Lead) and Leadership Programme for Experienced (Leap) members, have demonstrated great potential and grown significantly. Some of them are already in

key positions. I hope to see many of them occupy positions of critical importance in our businesses in the near future. As part of our globalisation agenda we have also been recruiting both interns and Lead and Leap participants from renowned International Business Schools.

Similarly, our **GMLP** – Global Manufacturing Leadership Programme, aimed at reinforcing our technical and manufacturing strength is paying a rich dividend. The Aditya Birla Group is being increasingly viewed as the most aspirational place for manufacturing professionals in India.

Our focus on gender diversity and creating enabling policies and programmes to ensure that we provide a conducive, encouraging and an equitable place for women to thrive and excel is gaining momentum. We have launched “Spring Board”, the accelerated women’s leadership development programme, designed for high calibre women managers. Currently, we have more than 150 women positioned at middle management and senior management levels.

**Gyanodaya**, our in-house world-class university, has aligned with the best-in-class global business schools, professors and consultants among others. Many of our best talent is also enlisted for short-term courses at these institutions. Such a cross pollination and stoking of the intellect enables us move with the times and are continuously learning.

### **Ranked No. 1 in the Nielsen Corporate Image Monitor**

We are humbled that for the third year running, our Group has been ranked No.1 in the Nielsen Corporate Image Monitor 2014-15. We have emerged as ‘Best in Class’ across most of the pillars. This is a remarkable vote of confidence by the stakeholder constituency in our leadership teams. It is a testament to our “Group brand, governance standards, transparency,

---

*Our focus on gender diversity and creating enabling policies and programmes to ensure that we provide a conducive, encouraging and an equitable place for women to thrive and excel is gaining momentum.*

---

---

*We are humbled that for the third year running, our Group has been ranked No.1 in the Nielsen Corporate Image Monitor 2014-15. We have emerged as 'Best in Class' across most of the pillars.*

---

customer primacy and CSR engagement. The six pillars of Corporate Image on which organisations are engaged comprise of Vision and Leadership, Product & Service quality, Workplace Management, Financial Performance, Operating style and Social responsibility". Nielsen's Corporate Image Monitor measures the reputation of the 42 leading companies in India across sectors (based on the Bombay Stock Exchange list and the Economic Times Ranked Top 50 Companies) and "the findings serve as an important indicator of the strength of the corporate brand".

### **In sum**

We are gearing to ensure that we have the right talent at the right time and at the right place for each of our businesses. Additionally, enhancing customer centricity and excellence capability by developing customer value propositions that are unmatched, stepping up the focus on R&D to increase the share of value-added products across businesses, are our focus areas. The thrust on digitisation across our business processes and using analytics and big data continue. These are our steps towards accelerating top-line and bottom-line growth and enhancing stakeholder value.

Yours sincerely,



Kumar Mangalam Birla