



ANNUAL REPORT
2004-2005

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GRASIM INDUSTRIES LIMITED





IN HOMAGE TO OUR LEGENDARY LEADERS




GHANSHYAMDAS BIRLA

ADITYA VIKRAM BIRLA

“WE LIVE BY THEIR VALUES”





OUR VISION

To be a premium global conglomerate
with a clear focus on each business.

OUR MISSION

To deliver superior value to our customers,
shareholders, employees and society at large.

OUR VALUES

Integrity
Commitment
Passion
Seamlessness
Speed

ISS CEMENT MEIN
JAAN HAI...



All cements build. But it takes a truly special one to breathe life into a construction. Birla Plus not only comes with the unique quality of strengthening your construction over time, it also has concrete answers to the widest range of modern constructions, ranging from row houses to skyscrapers and dams to flyovers. Constructions that stand tall. For life.

Har Nirmaan Ki Jaan



GRASIM INDUSTRIES LIMITED

BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla, Chairman
 Mrs. Rajashree Birla
 Mr. M. L. Apte
 Mr. B. V. Bhargava
 Mr. R. C. Bhargava
 Mr. Y. P. Gupta
 Mr. S. B. Mathur
 Mr. Cyril Shroff
 Mr. S. G. Subrahmanyam
 Mr. Shailendra K. Jain — Whole Time Director
 Mr. D. D. Rathi — Whole Time Director & CFO

Adviser

Mr. D. P. Mandelia

Company Secretary

Mr. Ashok Malu

Auditors

M/s G. P. Kapadia & Co., Mumbai

EXECUTIVES

Staple Fibre & Pulp Divisions

Mr. Shailendra K. Jain President & Business Head
 Mr. S. K. Saboo Group Executive President
 Mr. S. S. Maru Sr. Executive President,
 Staple Fibre Division, Nagda
 Mr. Thomas Varghese Sr. Executive President, Pulp and
 Grasilene Divisions, Harihar
 Mr. Vijay Kaul Chief Marketing Officer
 Mr. S. V. Kulkarni Executive President,
 Birla Cellulosic Division, Kharach

Cement Divisions

Mr. Saurabh Misra Cement Business Head
 Mr. O. P. Puranmalka Group Executive President &
 Chief Marketing Officer
 Mr. S. K. Maheshwari Sr. Executive President &
 Chief Manufacturing Officer
 Mr. L. N. Rawat Sr. Executive President,
 Rajashree Cement
 Mr. R. M. Gupta Sr. Executive President, Vikram Cement
 & Aditya Cement
 Mr. S. K. Jain Sr. President, Birla White Cement

Vikram Ispat

Mr. H. N. Singh Executive President

Chemical Division

Mr. G. K. Tulsian Executive President
 Mr. Sunil Kulwal Executive President

Textile Divisions

Mr. Vikram D. Rao Group Executive President (Textiles)
 Mr. S. Krishnamoorthy Chief Operating Officer

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REGISTERED OFFICE: Birlagram, Nagda 456 331 (M.P.)

THE CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Fellow Shareholders,

India has become the centripetal force of globalisation. The country is attracting capital and companies at an accelerated pace. In the process, it is rewriting the economics of scores of industry. Consolidation is becoming the order of the day. We welcome this trend sparked by globalisation.

With the resurgence of the industrial sector, propelled by buoyant exports and the brightening of the domestic investment climate, both business optimism and consumer confidence rose. The macro economic performance of our country, in fact, turned out to be stronger than anticipated.

These developments at the macro level bode well for your Company. Each of your Company's businesses has delivered.

Your Company has posted a splendid performance. Net revenues at Rs.6,247 crores reflect a 19 per cent rise vis-à-vis Rs.5,233 crores recorded in the earlier year. Profit before tax and exceptional items at Rs.1,361.4 crores over Rs.1,077.3 crores, up by 26 per cent is indeed impressive.

Your Company attained a consolidated revenue of Rs.9,410 crores, up by 20 per cent and a net profit of Rs.1,012 crores before diminution, mirroring a 33 per cent surge.

The acquisition of UltraTech Cement Limited (UltraTech) reflects our commitment to build a leadership position in Cement. Having said that, I believe, it will take another two years for UltraTech to provide a competitive return.

In the Viscose Staple Fibre business, our vision is to sustain and grow our leadership position. To do so entails securing access to good quality pulp which is vital for the fibre business. As a step in this direction, you will recall that your Company had acquired the Atholville Pulp Mill, located in New Brunswick in 1998, in joint venture with Tembec.

Given the need to further fortify our pulp operations, we have signed a Framework Agreement with the Province of New Brunswick for the acquisition of the St. Anne Nackawic Pulp Mill, in partnership again with Tembec. At present, the St. Anne Nackawic Pulp Mill, is a paper grade pulp mill. Our intent is to convert it to a product mix of paper, dissolving and specialty pulps. The Mill's current capacity is 2.6 lacs tpa of paper grade pulp. After conversion, it would be geared to produce 1.4 lacs tpa of dissolving grade pulp.

To become self sufficient in pulp, we are exploring the setting up of green field pulp plants globally. This strategy is consistent with our strategy of reinforcing our competitive edge in the cellulosic man-made fibre sector, through setting up of fully integrated operations, virtually from the 'Forest to the Fabric' stage.

I would now like to give you a snapshot of our business sectors and the roadmap for growth, going forward.

Viscose Staple Fibre (VSF)

Your Company's leadership position in the VSF sector remains unassailable, with a global market share well over 12 per cent.

Our future thrust is on enhancing capacities, to meet the anticipated rise in demand post MFA abolition. We are confident of leveraging our quality and expertise in this changing scenario and gain a greater pie of the market.

With the Textile Research and Application Development Centre at Kharach, now fully operational, the business will concentrate on ushering in increasingly value-added products. From the application development lab to roll out, we are working towards crunching time to proactively respond to the changing market place.

Extending our presence in the specialty fibre markets, with non-woven fibres, Modal and Excel, new brands, will fuel the growth of VSF. The business profitability may however suffer in the short term due to steep rise in cost of key inputs and pressure of competitive fibre prices.

Let me add that the Chemicals business is set to strengthen as demand for the VSF sector and other end-users is on the upswing.

Cement

In Cement, your Company will continue to expand its footprint and enhance its market share through a user-centred product-mix. Capacity expansion, through debottlenecking, reining in on costs on the back of the captive thermal power plants as also use of alternative fuels and leveraging synergies with UltraTech – are all steps engineered to ensure that the Cement business has major gains.

The Government's renewed impetus to infrastructure development, a buoyant housing sector and the rapid industrial growth that is becoming more evident, are indeed encouraging.

I believe your Company's Cement business is poised for higher growth.

Sponge Iron

The steel sector has been on a high growth trajectory for over two years. Its continuing upward climb augurs well for our Sponge Iron business. Its performance has been exemplary. It has helped buoy the earnings. The outlook for your Company's Sponge Iron business continues to be positive though its sustainability will depend on global and domestic steel scenario.

Outlook

As in the past, VSF and Cement, which are your Company's core businesses, contributing to 75 per cent of revenues and 65 per cent of operating profit, will be the growth drivers. The Chemical and Sponge Iron businesses will play a very supportive role in boosting earnings.

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Unrelenting sweating of the assets, a tight rein on costs, extremely prudent financial management, the leadership position that its key business segments enjoy and above all, its strong fundamentals, in my view, have a collective propitious impact on your Company's future. We can all look forward to a period fixated on growth.

I would like to take this opportunity to place on record, your Board and my personal appreciation of the dedication and uncompromising commitment of an overwhelming majority of your Company's employees. They have enabled us build a culture of meritocracy.

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The Aditya Birla Group : In Perspective

I am pleased to share that much of the consolidation that we had embarked upon is now behind us. Going forward, our accent is on accelerated growth as we stand at an inflection point. In each of our major businesses, scaling up of capacities and services will be necessary. Our road-map includes exploring further acquisitions and leveraging upon both greenfield and brownfield opportunities. Our plans are well under way.

To take Hindalco's strategic stake in Indal to its logical conclusion, all of the businesses of that Company have been merged into Hindalco, with the exception of its foil business at Kollur.

With the completion of the brown-field expansion in the Copper business, its capacity stands doubled from 250,000 tpa to 500,000 tpa. When fully ramped-up, it will elevate Hindalco into the league of the Top-10 Copper producers in the world. It also positions Birla Copper as the world's single largest Copper Smelter in one location.

The completion of the acquisition of UltraTech (the erstwhile Cement business of Larsen & Toubro), has positioned the Group to the 9th largest Cement player in the world. By the turn of the decade, significant additional capacities will also be added.

Our Carbon Black Plant in Egypt has become the largest producer in the world. In China, at the Liaoning Carbon Black Plant, we are scaling up the capacity significantly. Today, we are the fourth largest Carbon Black player in the world, and we hope to rise in the rank.

In essence, our vision as a Group is to be a premium global conglomerate with a clear focus on each business. Our focus is both top-line and bottom-line growth and not growth for the mere sake of growth.

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Focus on People

Being essentially a meritocracy and a people's organization, our attention in the people area remains unwavering. We are enhancing the quality and the pace of the institutionalization of our systems and processes. These now embrace the entire life cycle of the employees' engagement with the organization. Several new initiatives have been taken towards the well-being of our employees, particularly in the area of healthcare, education of their children and other critical aspects that can have a significant bearing on his or her performance.