

NEW HORIZONS. NEW FRONTIERS.



ANNUAL REPORT 2007-08

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Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.
We live by their values.
Integrity, Commitment, Passion, Seamlessness and Speed

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. Cyril Shroff

Mr. S.G. Subrahmanyam

Mr. Shailendra K. Jain – Whole Time Director

Mr. D.D. Rathi – Whole Time Director

Company Secretary

Mr. Ashok Malu

Statutory Auditors

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

Branch Auditors

M/s Deloitte Haskins & Sells, Mumbai

M/s Vidyarthi & Sons, Gwalior

Solicitors

M/s Mulla & Mulla and Craigie, Blunt & Caroe

M/s Amarchand & Mangaldas & Suresh A. Shroff & Co.

EXECUTIVES

Fibre & Pulp Divisions

Mr. Shailendra K. Jain Business Director

Mr. S.K. Saboo Advisor, Chairman's Office

Mr. S.S. Maru Sr. Executive President, Staple Fibre Division, Nagda

Mr. Vijay Kaul Chief Marketing Officer

Mr. Thomas Varghese Head, Pulp Operations

Mr. S.V. Kulkarni Sr. Executive President, Birla Cellulosic Division, Kharach

Cement Division

Mr. Saurabh Misra Business Head

Mr. O.P. Puranmalka Group Executive President & Chief Marketing Officer

Mr. S.K. Maheshwari Group Executive President & CMO (Manufacturing & Project)

Mr. R.M. Gupta Sr. Executive President, Vikram Cement & Aditya Cement

Mr. D.R. Dhariwal President, Birla White Cement

Mr. Anil Kumar Pillai Executive President & Unit Head, Rajashree Cement

Mr. S. Natarajan Jt. Executive President & Unit Head – Grasim Cement (South)

Mr. M.M. Tiwari Jt. Executive President & Unit Head – Grasim Cement (Rawan)

Mr. Sanjay Agrawal Jt. Executive President & Unit Head – Grasim Cement (Kotputli & Panipat)

Mr. Jagat Singh Rathee Jt. Executive President & Unit Head – Aditya Cement

Vikram Ispat

Mr. S.N. Jajoo Sr. Executive President

Chemical Division

Mr. K.C. Jhanwar Sr. Executive President

Mr. G.K. Tulsian Executive President

Corporate Finance Division

Mr. D.D. Rathi Whole Time Director & CFO

Mr. Sanjeev Bafna President & Dy. Chief Financial Officer

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Website: www.grasim.com / www.adityabirla.com

THE CHAIRMAN'S LETTER TO SHAREHOLDERS



Dear Fellow Shareholders,

India continues on its growth trajectory. Since the year 2003-04, our GDP growth has exceeded 8% year on year. Today we can take justifiable pride in having joined the ranks of the US\$ trillion economies of the world. I do believe India will continue its momentum despite some strong headwinds. For instance inflation – where the Government is trying to pull out all stops to stem it. Additionally we have to contend with the hardening interest rates and the volatility in global financial markets, consequent to the sub prime crises.

That despite these adverse factors enveloping the business environment, India continues to grow is a validation of the inherent fundamental strengths of our economy. This bodes well for your Company.

Your Company's performance has been good. Net consolidated turnover crossed US\$ 4 billion (Rs.16,974 crores), up by 21%, while net profit

(before extra ordinary item) at Rs.2,655 crores reflects an impressive growth of 35%, which is indeed commendable.

A slew of initiatives have been taken by your Company to grow its leadership position in both the Cement and the Viscose Staple Fibre (VSF) businesses. As these are detailed in the Management Discussion and Analysis, I will provide you with a snapshot of steps taken.

In the **VSF business**, we as a Group today enjoy around 24% of the Global market share. We have evolved a unique strategic brand architecture for “Birla Cellulose”, our VSF brand. We have brought in innovative value-added products and have bolstered our share in the non-woven segment. Our Brownfield expansions which began last year in India, Thailand, Indonesia and China are all on track. With this our Viscose Staple Fibre has increased from 569,000 TPA (March 07) to 703,000 TPA (March 08) and is expected to further increase to 752,000 TPA (March 09). We are also in the process of obtaining necessary approvals for further Brownfield and Greenfield expansions in India and Egypt. With these the capacity is expected to increase to 958,000 TPA in the near future.

At all these locations our thrust is on the production of Specialty Fibres for the upper-end of the market as well as the increasing non-woven segment.

In India, the 63,875 TPA capacity expansion at your Company’s plant in Kharach (Gujarat) went on stream. Your Company’s VSF capacity thus stands raised to 333,975 TPA. Additionally, we are in the process of obtaining requisite approvals for the Brownfield expansion at Harihar (31,000 TPA) and Green field project at Vilayat in Gujarat (88,000 TPA). The conversion of the AV Nackawic plant from Paper Grade Pulp to Rayon Grade Pulp is slated for completion in the current financial year.

Even as the long term outlook for the VSF business remains positive, largely due to the anticipated growth of the textile sector, in the short to medium term the business will be going through a difficult phase due to macro-economic factors beyond our control.

“Even as the long term outlook for the VSF business remains positive, largely due to the anticipated growth of the textile sector, in the short to medium term the business will be going through a difficult phase due to macro-economic factors beyond our control.”

Your Company is the 11th largest global player in the **Cement** sector. Your Company’s aggressive expansion plans will see their fruition in the current financial year. Its capacity at 35 million TPA will be scaled up to 49 million TPA in a year’s timeframe, making it the largest expansion of its kind in the Cement sector in a single year. To cater to the power needs of its Cement Plants, your Company is setting up Thermal Power Plants aggregating 369 MW, out of which 336 MW will be commissioned during the year, taking the total power generation capacity to 503 MW. With this more than 80% of power needs of the Cement Plants will be met through captive sources. We are aggressively growing the Ready-mix concrete business. Today we have 53 RMC plants. These will be nearly doubled to 94 by the end of FY’09

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The outlook for the Cement business continues to be encouraging.

A Capex of over Rs.4,200 crores has been earmarked for growth oriented projects in the VSF and Cement business and modernization over the ensuing two years.

Outlook

As I mentioned we have taken a number of strategic initiatives and pumped in a lot of investments to ensure that your Company remains well-positioned on the path of sustainable growth in revenues and earnings despite the challenges. The overall outlook remains positive.


I believe our people – our human capital is our key resource and we owe a large part of our success to them. We have thought leaders across the Company. A majority of our people tap into each others knowledge-base and collaborate effectively to achieve a shared vision.

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The Aditya Birla Group : In Perspective

We are moving in sync with our vision to be a premium global conglomerate with a clear focus at each business level. Our Group is now a US\$ 28 billion meritocratic Corporation, with a market cap in excess of US\$ 31.5 billion, and a 100,000 strong human capital belonging to 25 nationalities, spanning 20 countries across 5 continents. Our values – Integrity, Commitment, Passion, Seamlessness and Speed bind us all together regardless of geographies and nationalities.

Our HR strategy ongoingly focuses on enhancing stakeholder value through superior organisation and people capability. Today, more than ever before, talent is at a premium, thanks to globalisation and the multi-polar world, both of which afford unique opportunities. At our Group attracting the



best talent and engaging them continues to be a key priority. We have made huge investments in not only attracting but developing and retaining our human capital over the long term.

To arrive at an employee proposition that would draw more talent to our Group, we conducted an indepth research aimed at finding out what is our DNA as an employer and what does our employer brand connote. Apart from trust and admiration for the Group as a professional values-driven organisation, what also emerged strikingly was the fact of our diversity – the number of countries and businesses in which we are engaged, that is an enduring characteristic of our Group.

We have therefore positioned ourselves as an employer that offers “a world of opportunities”, other factors being a given in our case. I am happy to share with you that our employer brand has attracted more than 50 top-notch professionals from India and across the globe. To provide cross-functional, cross-cultural and cross-country agility and learnings, as well as to strengthen our leadership pipeline, more than 100 colleagues from middle management to senior management have been job-rotated.

A Performance Management Centre at our Group’s Headquarters has been set up with dedicated resources to sharpen our high performance culture. This team’s sole responsibility is to assist in Institutionalising world-class performance framework and leadership processes.

As in the past our high-calibre Management talent have been put through our Development Assessment Centres and their professional development plans drawn up. Gyanodaya, our Institute of Management Learning continues to provide a good base for new learnings for our people, and honing competencies. Up until now more than 4,500 colleagues have participated in its programmes.

We had said last year that we would introduce ESOP schemes during the course of the year. In this year, we covered 700 employees under ESOP schemes, a significant move, for the first time in the history of our Group. We will cover many more from now on.

Going forward in the next five years, I see our workforce mix expanding to over 100 nationalities and our senior management team becoming even more global. I visualise a multi-generational workforce able to overcome generational barriers, and effectively, feeding on each one's core offerings of experience, raw energy, risk taking and organisational knowledge. Enhancing our attractiveness as an employer also calls for creating a workspace that accepts and encourages the existence of a sharp sense of individual identity, even within the strong organisational brand and cultural fabric. We want to create top-notch leaders on virtually an assembly-line scale. And lastly, we want to be in that enviable position where the best talent globally wants to join us, just as much as we seek them.

Best regards,

29th April, 2008

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Yours sincerely,



Kumar Mangalam Birla

FINANCIAL HIGHLIGHTS

Year →	Unit	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00	1998-99
Production											
Viscose Staple Fibre	Tonnes	279901	246833	228981	247952	221005	224610	176462	218847	188002	164355
Grey Cement	Mn. Tonnes	15.36	14.42	13.83	12.44	11.85	11.09	9.53	9.10	8.40	5.82
Ready Mix Concrete	Mn. Cu. Mtrs	1.95	1.42	1.07	1.08	0.83	0.61	0.32	0.10	0.07	0.01
White Cement	Tonnes	407882	364649	350174	315368	310578	310163	267915	251594	240492	131979
Sponge Iron	Tonnes	562000	525183	505825	780341	687272	612879	559567	663998	709094	670231
Turnover											
Viscose Staple Fibre	Tonnes	269781	250725	242399	231533	229110	227900	181520	203854	192452	164130
Grey Cement	Mn. Tonnes	@15.54	@14.52	@ 13.99	12.63	11.96	11.16	9.68	9.16	8.42	5.88
Ready Mix Concrete	Mn. Cu. Mtrs	1.95	1.42	1.07	1.08	0.83	0.61	0.32	0.10	0.07	0.01
White Cement	Tonnes	396295	367167	347500	311454	314819	305223	266105	251291	240014	133660
Sponge Iron	Tonnes	557187	571127	478291	772799	676921	612425	562334	673852	822996	565682

Profit & Loss Account											Rs. in Crores
Net Sales		10215	8572	6653	6229	5213	4606	4372	4453	4273	3757
Other Income		378	282	220	187	229	133	129	108	88	110
PBIDT		3424	2619	1597	1785	1504	1136	909	900	739	674
Interest		107	112	103	139	154	169	190	239	257	292
Gross Profit (PBDT)		3317	2507	1494	1646	1350	967	719	661	482	382
Depreciation		353	318	292	285	273	254	252	252	237	210
Profit before Tax, Exceptional & Extra Ordinary Items											
Exceptional Items		46	37	4	-57	-	-168	-6	-	-	-
Profit before Tax & Extra Ordinary Items		3010	2226	1206	1304	1077	545	461	409	245	172
Current Tax		952	692	370	451	291	192	57	50	12	8
Deferred Tax		10	-2	-27	-33	7	-15	52	-	-	-
Net Profit before Extra Ordinary Items		2048	1536	863	886	779	368	353	359	233	164
Extra Ordinary Items		185	-	-	-	-	-	-50	18	-	-
Net Profit		2233	1536	863	886	779	368	303	378	233	164
Equity Dividend (including CTD)		316	287	209	167	145	103	83	81	72	63

Balance Sheet											Rs. in Crores
Gross Fixed Assets (incl. CWIP) *		10615	7974	6416	6052	5802	5594	5371	5311	5206	4937
Net Fixed Assets *		7050	4593	3307	3204	3213	3264	3263	3303	3401	3354
Investments		4081	4275	3482	2982	2541	1796	1416	682	683	680
Net Current Assets		815	892	753	745	549	613	733	991	967	1002
		11946	9760	7542	6931	6303	5673	5412	4976	5052	5037
Share Capital		92	92	92	92	92	92	92	92	92	92
Employee Stock Options Outstanding		5	-	-	-	-	-	-	-	-	-
Reserves & Surplus *		8040	6134	4886	4232	3514	2879	2615	2395	2685	2524
Net Worth		8137	6226	4978	4324	3606	2971	2707	2486	2777	2616
Deferred Tax Balance **		607	583	584	599	632	626	641	589	-	-
Loan Funds		3202	2951	1980	2008	2065	2076	2065	1900	2275	2421
		11946	9760	7542	6931	6303	5673	5412	4976	5052	5037
* Excluding Revaluation Reserve		4	4	4	5	5	6	7	18	20	22

Ratios & Statistics											
PBIDT Margin	(%)	32.3	29.6	23.2	27.8	27.6	24.0	20.2	19.7	16.9	17.4
Interest Cover (PBIDT-Tax/Interest) (x)	(x)	23.1	17.2	11.9	9.6	7.9	5.6	4.5	3.6	2.8	2.3
Debt Equity Ratio	(x)	0.39	0.47	0.40	0.46	0.57	0.70	0.76	0.76	0.82	0.93
Dividend per Share	Rs./ Share	30.00	27.50	20.00	16.00	14.00	10.00	9.00	8.00	7.00	6.75
Basic Earning per Share \$	Rs./ Share	223	168	94	97	85	40	38	39	25	18
Book Value per Share	Rs./ Share	887	679	543	472	393	324	295	271	303	285
No. of Equity Shareholders	No.	162411	168671	164847	174831	191770	242359	263549	279207	298232	199083
No. of Employees	No.	13200	15023	15156	15363	15971	16648	16912	21473	23345	24407

** Prior to FY01 Deferred Tax provisioning was not required, consequently reserves include Deferred Tax

@ Excludes traded volumes

\$ Excluding extra ordinary items