

ANNUAL REPORT 2008 - 2009

Dear Shareholder,

As I look at the numbers in the current maelstrom, whilst our revenues and profits have been impacted across businesses, in relative terms, measured against the competition, we have stood our ground. The litmus test we apply is: if a down-turn of this magnitude were to persist for some time, would we be the last man standing, which means, will we be the industry player least likely to be affected?

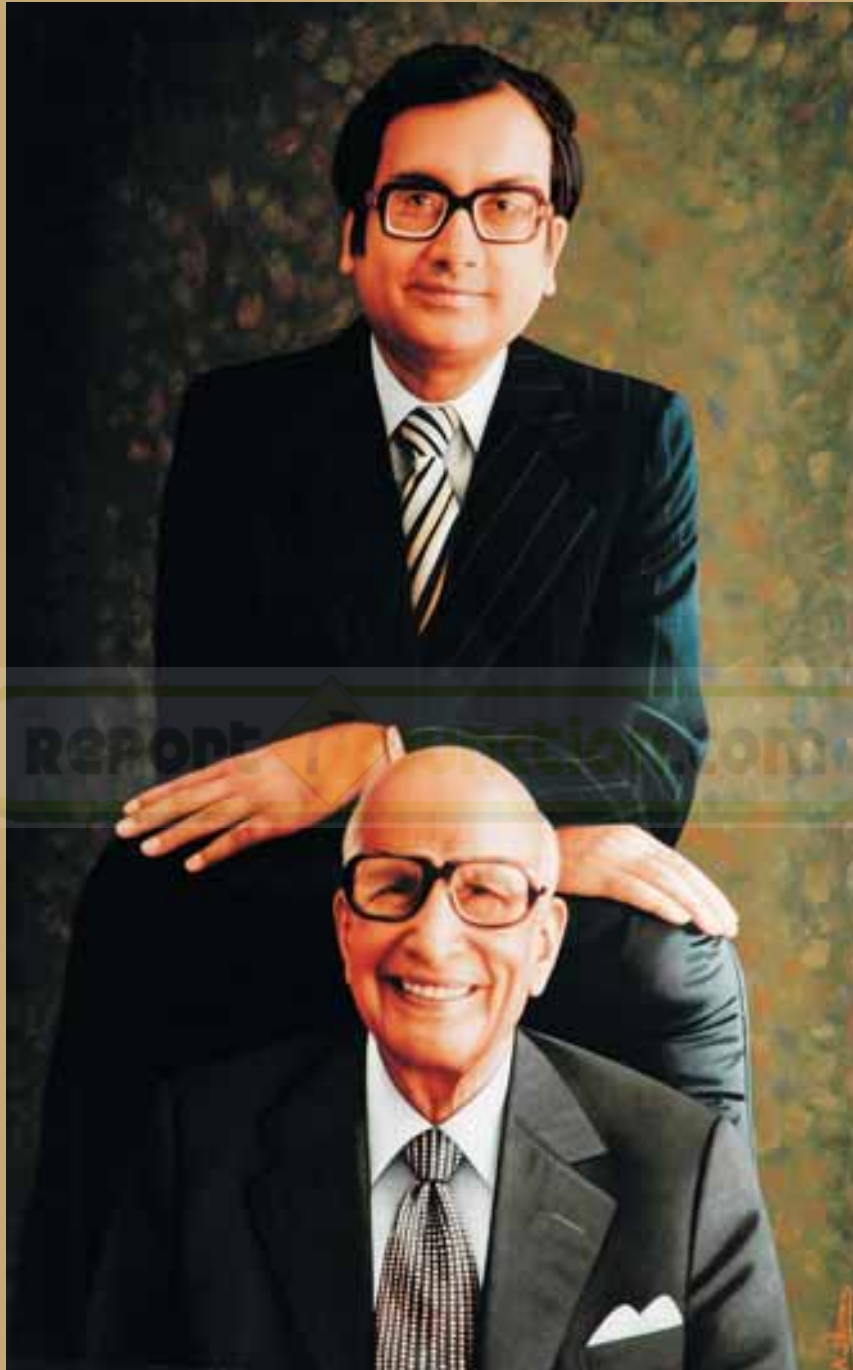
Without doubt, we are facing our toughest challenge, but we will, all the same, be the 'last man standing' once the dust settles down, as the statistics for our various businesses bear out.

We believe that tough times don't last, tough people do. At a time like this, we constantly remind ourselves, that our collective endeavour as an organization is to build businesses for the long haul. In the past too, there have been sharp swings in business cycles - and there will be more of these in the future, though hopefully not of the magnitude and ferociousness we are seeing today. And each time in the past, we have come out of the eye of the storm, we have emerged fitter and stronger.

Here, let me mention the role of our values and beliefs. Our values always guide us, much like the North Star. Our history and heritage as a Group, in one word, stand for trust. Whilst we see a meltdown the world over, not just of economies, but equally of governance, I believe that our demanding standards of governance will set us apart, even more, now, and in the future. Clearly, investors and employees will appreciate and learn to value differentiate between organizations like ours that are honest, ethical, transparent and well-governed, and others, for whom governance is a platitude. This is a huge strength, built over time into our genetic coding. It will always stand us in good stead.

Yours sincerely,
Kumar Mangalam Birla





Mr. G. D. Birla and Mr. Aditya Birla, our founding fathers.

We live by their values.

Integrity, Commitment, Passion, Seamlessness and Speed

THE CHAIRMAN'S LETTER TO SHAREHOLDERS

... contd.



At the business level too, we are on a strong footing. Your Company's consolidated turnover (gross) crossed US\$ 4 billion (Rs.20,432 crores) up by 7% over that of the preceding year. Of this, the Cement business's contribution is 74% and VSF 15%, the two core businesses of your Company. Your Company's consolidated net profit is in excess of US\$ 430 million (Rs.2,187 Crores).

Your Company has taken major initiatives to sustain profitable growth ongoingly. An in-depth presentation of these steps has been detailed in the Management Discussion and Analysis, so I will highlight only the key points.

As part of its strategic growth initiatives, your Company has embarked on a series of expansion projects. In the Cement business, your Company's major projects are nearing completion. Clinkerisation plants at Shambhupura and Kotputli, both in Rajasthan, with a capacity of 3.3 million TPA each, have been commissioned. Additionally, work on the cement mills in Shambhupura (1.5 Million TPA) and Kotputli (3.2 Million TPA) is progressing well and one of the cement mills in Shambhupura with a 1.6 million TPA capacity is already operational.

The 1.3 million TPA split – grinding unit at Dadri in Uttar Pradesh has started, while the one at Aligarh in Uttar Pradesh will go in stream by September 2009.

With thermal power Plants having a total capacity of 144 MW installed, including 23 MW installed in April 2009, the Cement Business' total thermal power generation capacity is now at 268 MW, meeting nearly 80% of the business's total power requirement.

Your Company's capex in Cement during the year was US\$ 289 million (Rs.1,467 crores). An investment of over US\$ 250 million (Rs.1,300 crores) has been earmarked for completion of the current projects and towards modernisation in the coming year.

Consolidated cement capacity will rise further from 41.6 million TPA to 48.8 million TPA upon the completion of all projects under implementation.

In the VSF business, your Company faced a rather tough and challenging year. The global economic crisis severely impaired the textile sector, which in turn had repercussions on your Company's VSF operations. Consequently both volumes and realisations took a hit. Bearing in mind the market dynamics, your Company has put its VSF capacity expansion plans on hold. The conversion of the A.V.Nackawic plant from paper – grade pulp to Rayon – grade pulp has been successfully completed.

In the recent past, market sentiments in the textile sector have shown a positive swing which bodes well for the VSF sector.

Outlook

Your Company will continue to strengthen its leadership position in the Cement and VSF sectors. Substantial increase in capacities, improved cost optimization, higher productivity and strong fundamentals augur well for your Company in the years to come.

I believe our people are our biggest strength. We have further strengthened our endeavour, in these times of a slowdown, to aggressively establish a performance –

“Your Company will continue to strengthen its leadership position in the Cement and VSF sectors. Substantial increase in capacities, improved cost optimization, higher productivity and strong fundamentals augur well for your Company in the years to come.”

oriented culture that rewards better performance and distinguishes the best performers from the others. I would like to acknowledge all of our performers who deliver results.

The Aditya Birla Group: In Perspective

Today, we manage multinational teams – 1,30,000 employees, comprising 30 nationalities, across 25 countries, anchor our US\$ 29.2 billion meritocratic conglomerate. Our values – Integrity, Commitment, Passion, Seamlessness and Speed, is the thread that strings us together.

Post our Group being declared the “Best Employer” in 2007 by the *Hewitt / Economic Times / Wall Street Study*, our brand as an employer continues to grow strongly. More than 8,000 leading professionals from India and globally have teamed up with us.

“Today, we manage multinational teams – 1,30,000 employees, comprising 30 nationalities, across 25 countries, anchor our US\$ 29.2 billion meritocratic conglomerate. Our values – Integrity, Commitment, Passion, Seamlessness and Speed, is the thread that strings us together.”

Our rigorous assessment process, inclusive of Development Assessment Centres, assesses our people early in their career on their potential to hold leadership roles. This way, we have ensured that we have a robust bench strength of talent. We also use short-term secondments and long-term assignments to develop the capability of our people to work across borders. This year over 1,700 colleagues have been job rotated.

Over 80% of our businesses have participated in a compensation benchmarking exercise this year and we have taken significant corrective and proactive measures to stay competitive and attractive. This positioning will further help us to attract and retain the right talent.

We lay great emphasis on continuous learning through our in-house learning university – Gyanodaya. This globally benchmarked institution leverages resources from around the world to meet the development needs of our people. Over a 1,000 executives have taken courses this year. Additionally, more than 14,000 employees spread across the world, from Farmington Hills in USA to Giza in Egypt

to Perth in Australia and Renukoot in Uttar Pradesh have used Gyanodaya's E-learning platform called GVC. GVC prides itself in having a course completion ratio of 90%, which is a world benchmark.

As perhaps many of you may be aware we track the organisational climate every two years. We use the Organisational Health Survey (OHS), as the barometer of employee engagement at work. It is conducted by Gallup. Over 22,000 executives, across 17 businesses, spanning 25 countries and 750 cities/interiors participated in the OHS6. The participation level at 94%, according to Gallup, is a benchmark. 83% of the employees surveyed in the OHS6 said that they are proud to be an employee of the Aditya Birla Group and get professional satisfaction working here. 67% of our management employees have clearly emphasized their confidence in the ability of the leaders at various levels to successfully manage the emerging challenges that the Group is facing. Almost three-fourths of our employees (73%) have stated that they would definitely advocate our Group as a place to build a meaningful career.

"Our biggest strength has been an emotional bonding that our employees have with the Group that makes the paradigm of duty truly boundaryless."

Going forward, I would like to emphasize that the brand of leadership that we seek to build combines the virtues of professionalism with the commanding power of the mind, heart and soul. The mind which has the intellect to perceive the right from the wrong, the heart which has an emotional bond with the organisation that cannot be severed, and a soul that is indomitable. Our biggest strength has been an emotional bonding that our employees have with the Group that makes the paradigm of duty truly boundaryless.

Best regards,

Yours sincerely,



Kumar Mangalam Birla

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. Arun Kanti Dasgupta
 Mr. Cyril Shroff
 Mr. S.G. Subrahmanyan
 Mr. D.D. Rathi (Co-opted w.e.f. 1st June, 2009)*
 Mr. Shailendra K. Jain – Whole-Time Director

Chief Financial Officer

Mr. D.D. Rathi (upto 19th May, 2009)
 Mr. Adesh Gupta

Company Secretary

Mr. Ashok Malu

Statutory Auditors

M/s G.P. Kapadia & Co., Mumbai
 M/s Deloitte Haskins & Sells, Mumbai

Branch Auditor

M/s Vidyarthi & Sons, Gwalior

Solicitors

M/s Amarchand & Mangaldas & Suresh A. Shroff & Co.
 M/s Mulla & Mulla and Craigie, Blunt & Caroe

* Whole-Time Director till 31st May, 2009

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. S. Srinivasan Sr. Executive President,
 Pulp & Fibre Business
 Mr. S.V. Kulkarni Sr. Executive President,
 Birla Cellulosic Division, Kharach

Cement Division

Mr. S. Misra Business Head
 Mr. O.P. Puranmalka Business Head (Marketing)
 Mr. Ratan K. Shah Business Head
 (Manufacturing & Project)
 Mr. R.M. Gupta Sr. Executive President, Vikram Cement
 Mr. D.R. Dhariwal President, Birla White Cement
 Mr. Anil Kumar Pillai Executive President & Unit Head –
 Rajashree Cement
 Mr. S. Natarajan Executive President & Unit Head –
 Grasim Cement (South)
 Mr. M.M. Tiwari Executive President & Unit Head –
 Grasim Cement (Rawan)
 Mr. B.B. Joshi Executive President & Unit Head –
 Aditya Cement
 Mr. Sanjay Agrawal Jt. Executive President & Unit Head –
 Grasim Cement (Kotputli)

Chemical Division

Mr. K.C. Jhanwar Sr. Executive President
 Mr. G.K. Tulsian Executive President

Corporate Finance Division

Mr. S.N. Jajoo Sr. Executive President (On deputation
 to Vikram Sponge Iron Limited)
 Mr. Sanjeev Bafna President & Dy. Chief Financial Officer
 Mr. Pavan K. Jain Executive President

Contents	
Financial Highlights	6
Management Discussion and Analysis	8
Report on Corporate Governance	17
Shareholder Information	28
Social Report	37
Environment Report	41
Directors' Report	43
Auditors' Report	54
Balance Sheet	58
Profit and Loss Account	59
Schedules forming part of Accounts	60
Cash Flow Statement	89
Statement Relating to Subsidiary Companies	90
Auditors' Report on Consolidated Financial Statement	91
Consolidated Balance Sheet	92
Consolidated Profit and Loss Account	93
Schedules forming part of Consolidated Financial Statements	94
Consolidated Cash Flow Statement	109

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www.grasim.com/www.adityabirla.com

FINANCIAL HIGHLIGHTS

Year →	Unit	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03	2001-02	2000-01	1999-00
Production											
Viscose Staple Fibre	Tonnes	232745	279901	246833	228981	247952	221005	224610	176462	218847	188002
Grey Cement	Mn. Tonnes	16.32	15.36	14.42	13.83	12.44	11.85	11.09	9.53	9.10	8.40
Ready Mix Concrete	Mn. Cu. Mtrs.	2.43	1.95	1.42	1.07	1.08	0.83	0.61	0.32	0.10	0.07
White Cement	Tonnes	441118	407882	364649	350174	315368	310578	310163	267915	251594	240492
Sponge Iron	Tonnes	420156	562000	525183	505825	780341	687272	612879	559567	663998	709094
Turnover											
Viscose Staple Fibre	Tonnes	238463	269781	250725	242399	231533	229110	227900	181520	203854	192452
Grey Cement	Mn. Tonnes	16.54	@15.54	@14.52	@13.99	12.63	11.96	11.16	9.68	9.16	8.42
Ready Mix Concrete	Mn. Cu. Mtrs.	2.43	1.95	1.42	1.07	1.08	0.83	0.61	0.32	0.10	0.07
White Cement	Tonnes	438394	396295	367167	347500	311454	314819	305223	266105	251291	240014
Sponge Iron	Tonnes	423414	557187	571127	478291	772799	676921	612425	562334	673852	822996

Profit & Loss Account											Rs. in Crores
Net Sales		10804	10215	8572	6653	6229	5213	4606	4372	4453	4273
Other Income		350	378	282	220	187	229	133	129	108	88
PBIDT		2847	3424	2619	1597	1785	1504	1136	909	900	739
Interest		142	107	112	103	139	154	169	190	239	257
Gross Profit (PBDT)		2705	3317	2507	1494	1646	1350	967	719	661	482
Depreciation		457	353	318	292	285	273	254	252	252	237
Profit before Tax, Exceptional & Extra Ordinary Items		2248	2964	2189	1202	1361	1077	713	467	409	245
Exceptional Items		-	46	37	4	-57	-	-168	-6	-	-
Profit before Tax & Extra Ordinary Items		2248	3010	2226	1206	1304	1077	545	461	409	245
Current Tax		342	952	692	370	451	291	192	57	50	12
Deferred Tax		258	10	-2	-27	-33	7	-15	52	-	-
Net Profit before Extra Ordinary Items		1648	2048	1536	863	886	779	368	353	359	233
Extra Ordinary Items		-	185	-	-	-	-	-	-50	18	-
Net Profit		1648	2233	1536	863	886	779	368	303	378	233
Equity Dividend (including CTD)		316	316	287	209	167	145	103	83	81	72

Balance Sheet											Rs. in Crores
Gross Fixed Assets (incl. CWIP) *		12277	10615	7974	6416	6052	5802	5594	5371	5311	5206
Net Fixed Assets (incl. CWIP)*		8305	7050	4593	3307	3204	3213	3264	3263	3303	3401
Investments		4609	4081	4275	3482	2982	2541	1796	1416	682	683
Net Current Assets		820	815	892	753	745	549	613	733	991	967
		13734	11946	9760	7542	6931	6303	5673	5412	4976	5052
Share Capital		92	92	92	92	92	92	92	92	92	92
Employee Stock Options Outstanding		10	5	-	-	-	-	-	-	-	-
Reserves & Surplus *		9372	8040	6134	4886	4232	3514	2879	2615	2395	2685
Net Worth		9474	8137	6226	4978	4324	3606	2971	2707	2486	2777
Deferred Tax Balance **		865	607	583	584	599	632	626	641	589	-
Loan Funds		3395	3202	2951	1980	2008	2065	2076	2065	1900	2275
		13734	11946	9760	7542	6931	6303	5673	5412	4976	5052
* Excluding Revaluation Reserve		3	4	4	4	5	5	6	7	18	20

Ratios & Statistics											
PBIDT Margin	(%)	25.5	32.3	29.6	23.2	27.8	27.6	24.0	20.2	19.7	16.9
Interest Cover											
(PBIDT – Current Tax/Interest) [^]	(x)	11.7	14.5	15.7	11.9	9.6	7.9	5.6	4.4	3.5	2.6
Debt Equity Ratio	(x)	0.36	0.39	0.47	0.40	0.46	0.57	0.70	0.76	0.76	0.82
Dividend per Share	Rs./Share	30.00	30.00	27.50	20.00	16.00	14.00	10.00	9.00	8.00	7.00
Basic Earnings per Share [§]	Rs./Share	179.7	218.3	163.5	93.7	102.9	85.0	58.5	39.2	39.2	25.4
Book Value per Share	Rs./Share	1033	887	679	543	472	393	324	295	271	303
No. of Equity Shareholders	No.	168801	162411	168671	164847	174831	191770	242359	263549	279207	298232
No. of Employees	No.	13492	13200	15023	15156	15363	15971	16648	16912	21473	23345

@ Excludes traded volumes with subsidiaries

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

[^] Includes interest capitalised

[§] Excluding exceptional/extra ordinary items

FINANCIAL HIGHLIGHTS - CONSOLIDATED

Year →	Unit	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Production								
Viscose Staple Fibre	Tonnes	232745	279901	246833	228981	247952	221005	224610
Grey Cement	Mn. Tonnes	32.18	31.22	29.98	28.43	26.13	12.60	11.91
Ready Mix Concrete	Mn. Cu. Mtrs.	3.85	2.84	1.57	1.07	1.08	0.83	0.61
White Cement	Tonnes	441118	407882	364649	350174	315368	310578	310163
Sponge Iron	Tonnes	420156	562000	525183	505825	780341	687272	612879
Turnover								
Viscose Staple Fibre	Tonnes	238463	269781	250725	242399	231533	229110	227900
Grey Cement	Mn. Tonnes	32.65	31.45	30.06	28.60	26.31	12.71	11.98
Clinker	Mn. Tonnes	2.57	2.13	2.50	1.46	2.93	0.15	0.21
Ready Mix Concrete	Mn. Cu. Mtrs.	3.85	2.84	1.57	1.07	1.08	0.83	0.61
White Cement	Tonnes	438394	396295	367167	347500	311454	314819	305223
Sponge Iron	Tonnes	423414	557187	571127	478291	772799	676921	612425

	Rs. in Crores							
Profit & Loss Account								
Net Sales	18404	16973	14069	10224	9292	5490	4890	
Other Income	453	463	318	268	245	247	139	
PBIDT	4783	5422	4290	2337	2272	1540	1149	
Interest	310	222	229	219	284	195	213	
Gross Profit (PBDT)	4473	5200	4061	2118	1988	1345	936	
Depreciation	866	670	610	563	556	306	285	
Profit before Tax, Exceptional & Extra Ordinary Items	3607	4530	3451	1555	1432	1039	651	
Exceptional Items	-	46	-	4	-129	1	-169	
Profit before Tax & Extra Ordinary Items	3607	4576	3451	1559	1303	1040	482	
Current Tax	551	1473	1097	434	483	291	192	
Deferred Tax	441	-7	-5	-32	-41	11	-29	
Net Profit before Extra Ordinary Items	2615	3110	2359	1157	861	738	319	
Extra Ordinary Items	-	236	-	-	-	-	-	
Net Profit before Minority Interest	2615	3346	2359	1157	861	738	319	
Less: Minority Interest	444	457	392	116	-19	-	-	
Add: Share in Profit/(Loss) of Associate	16	2	-0.4	-	-	-	-	
Net Profit after Minority Interest	2187	2891	1967	1041	880	738	319	

	Rs. in Crores							
Balance Sheet								
Gross Fixed Assets (incl. CWIP) *	21041	19258	14481	11927	11312	6333	6061	
Net Fixed Assets (incl. CWIP)*	14215	12918	8468	6411	6294	3549	3596	
Investments	3563	1661	2272	1352	769	2342	1609	
Goodwill	2001	1991	1844	1773	1958	122	120	
Deferred Tax Assets	-	-	-	4	3	32	35	
Net Current Assets	966	609	859	652	674	366	439	
	20745	17179	13443	10192	9698	6411	5799	
Equity Share Capital	92	92	92	92	92	92	92	
Other Share Capital	45	29	6	43	43	42	42	
Employee Stock Options Outstanding	12	6	-	-	-	-	-	
Reserves & Surplus *	11418	9048	6460	4698	3947	3224	2630	
Net Worth	11567	9175	6558	4833	4082	3358	2764	
Minority Interest	1670	1269	859	514	500	-	-	
Deferred Tax Liability	1592	1158	1153	1162	1182	634	627	
Loan Funds	5916	5577	4873	3683	3934	2419	2408	
	20745	17179	13443	10192	9698	6411	5799	
* Excluding Revaluation Reserve	3	4	4	4	5	5	6	

Ratios & Statistics								
PBIDT Margin	(%)	25.4	31.1	29.8	22.3	23.8	26.8	22.8
Interest Cover								
(PBIDT - Current Tax/Interest)^	(x)	10.6	13.1	13.3	8.7	6.3	6.4	4.5
ROACE (PBIDT/Avg. CE)	(%)	20.7	31.0	31.1	17.8	21.3	20.2	15.3
RONW (PAT/Avg. NW) ⁵	(%)	21.1	33.2	34.5	23.3	27.1	24.1	18.2
Debt Equity Ratio	(x)	0.45	0.53	0.66	0.69	0.86	0.72	0.87
Basic Earnings per Share ⁵	Rs./Share	238.5	284.5	214.6	113.1	110.0	80.4	53.2
Book Value per Share	Rs./Share	1262	1001	715	527	445	366	301

^ Includes interest capitalised

§ Excluding exceptional/extra ordinary items

MANAGEMENT DISCUSSION & ANALYSIS

OVERVIEW

The unprecedented and dramatic changes in global macro-economic environment in the financial year 2008-09 (FY09) had its impact on the Indian economy. The year started with a high inflation rate leading to tightening in credit which affected industry. During the second half of FY09, the economy experienced a sharp slowdown in activity, liquidity squeeze and a dip in confidence levels, in line with the global conditions. With a weak second half, when industrial production nearly stagnated and exports declined, India's GDP growth in FY09 has declined to 6.7%, as per the latest CSO estimates. Weak demand conditions were also reflected in the wholesale-level inflation approaching closer to zero by the end of the year.

However, there have been some positive factors. International energy prices have eased considerably. Prompt counter-cyclical measures from policy makers, in the form of interest rate cuts and fiscal stimuli, will moderate the effect of global factors on demand going forward.

Tough macro-economic conditions had a bearing on your Company. Spiralling input cost in the first half, global economic meltdown and reduction in consumer spending in the second half led to decline in profitability.

CONSOLIDATED FINANCIAL PERFORMANCE

Consolidated Net Turnover at Rs.18,404 Crores increased by 8% mainly attributable to higher volumes in Cement business. Cash profit (excluding exceptional/extraordinary gains) registered a growth of 6% from Rs.3,729 Crores in FY08 to Rs.3,938 Crores in FY09 due to lower current tax. Substantial increase in input and energy costs, across all the businesses coupled with increased depreciation and interest expenses, led to decline in Consolidated Profit after Tax (excluding exceptional/extraordinary gains) from Rs.2,609 Crores in FY08 to Rs.2,187 Crores in FY09.

The performance of individual business segments and their outlook for the future are highlighted in subsequent paragraphs.

BUSINESS PERFORMANCE REVIEW

Cement

	Unit	FY09	FY08	% Change
GREY CEMENT				
Installed Capacity	Mn. TPA	# 19.65	16.75	17
Production	Mn. Tonnes	16.32	15.36	6
Sales Volume [§]	Mn. Tonnes	16.54	* 15.54	6
Average Realisation	Rs./Tonne	3,415	3,192	7
RMC				
Installed Capacity	Mn. Cu. Mtrs.	6.66	5.59	19
Sales Volumes	Mn. Cu. Mtrs.	2.43	1.95	24
Average Realisation	Rs./Cu. Mtrs.	2,804	2,731	3
WHITE CEMENT				
Installed Capacity	TPA	## 560,000	475,000	18
Production	Tonnes	441,118	407,882	8
Sales Volumes ^{§§}	Tonnes	438,394	396,295	11
Average Realisation	Rs./Tonne	7,922	6,902	15
WALL CARE PUTTY				
Installed Capacity	TPA	200,000	200,000	-
Sales Volumes	Tonnes	159,880	113,965	40
Average Realisation	Rs./Tonne	19,698	20,143	(2)
NET DIVISIONAL REVENUE	Rs. Crores	6,994.7	*5,921.8	18
DIVISIONAL PBIDT	Rs. Crores	1,912.3	1,876.3	2
DIVISIONAL PBIDT MARGINS	%	27.3	31.7	-

includes 1.6 million TPA cement mill commissioned in March 09

Increase in capacity by 85,000 TPA through debottlenecking during Q4FY09

* Excludes traded volumes

§ Includes captive consumption for RMC

§§ Includes captive consumption for Wall Care Putty