

LAST MAN
STANDING



FIRST MAN
FORWARD



ANNUAL REPORT
2011 - 2012

GRASIM INDUSTRIES LIMITED



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



Dear Shareholders,

Almost four years after the greatest financial and economic upheaval since the Great Depression, the global economy is regaining a measure of stability and confidence. But the risks to growth looks unsteady once again, with the problems in the Euro Zone. The IMF projects that the global economic growth will decline from 4% in 2011 to 3.5% in 2012, before picking up to 4% in 2013. The Euro zone shows signs of slipping into a recession again, though that is expected to be offset by around 2% growth in the US and 6% in the emerging and developing economies. The economies of Africa, particularly sub-Saharan Africa, are demonstrating structural improvement. Japan is on the road to normalcy after the twin disasters of the tsunami and the Fukushima nuclear reactor accident. The global supply chains, disrupted by the disasters in Japan and the floods in Thailand, have been restored. The financial condition of the large global corporations is extremely strong, and their cash holdings at an all-time high.

The worst-case scenarios for the global economy have not come to pass. That, in no small measure, is due to the unprecedented stimulus provided by governments and central banks. Europe has also reached a degree of consensus on fiscal reforms. The ECB has also put in

place firewalls to ward off a widespread economic contagion.

Clearly, the road ahead is not yet smooth. The bond, inter-bank and sovereign debt markets in Europe remain jittery. The process of financial deleveraging still has a long way to go. Oil prices remain stubbornly high. Unemployment is proving extremely sticky and concerns about inequality are growing. A major worry is the political gridlock in many major countries, that makes it difficult to strike the right trade-offs between growth and fiscal and monetary restraint.

The Indian economy was quick off the mark in recovering after the 2008 shocks. But the growth momentum has slowed considerably over the past year. GDP growth in the third quarter of FY 2011-12 was 6.1%, down from 8.3% in the corresponding quarter of FY 2010-11. Some of the key indicators are bearish. Gross fixed capital formation has contracted in recent months. Growth in industrial production in the April 2011-February 2012 period slid to 3.5%, compared to 8.1% during the same period last year. Inflation, particularly in food items, remains high. There have been major slippages on the fiscal side. The current account deficit, in the April-December 2011 period widened to 4.0% of GDP, a clear warning sign. On a trade-weighted basis the Rupee depreciated around 8% in the past year. Given the slippage in growth, RBI's decision to ease monetary policy was timely. Even so monetary policy will not be effective unless it is supported by fiscal restraint. India's economy is poised delicately. Recent policies have not taken the economy forward. These have a bearing on your Company's growth and performance.

For the Financial Year 2011-12, your Company's consolidated revenues stood at US\$ 5.3 billion (₹ 25,244 crores) vis-à-vis US\$ 4.7 billion (₹ 21,550 crores) in the previous year. Net profit at US\$ 553 million (₹ 2,647 crores) is higher by 16% (in rupee terms) in comparison to US\$ 501 million (₹ 2,279 crores).

VSF – ramping up capacities

Your Company has completed the acquisition of a one-third stake in Domsjö Fabriker (Sweden). As I had apprised you earlier, this acquisition marks a major milestone for our VSF business, giving us access to quality pulp.

Our efforts to solidly consolidate our pole position in the VSF business in which we enjoy a leadership status globally, continue. Through a Greenfield project at Vilayat (Gujarat) 120,000 tpa and Brownfield expansions at Grasim Harihar (Karnataka) 36,500 tpa and Domsjö Fabriker (Sweden) 45,000 tpa, we intend to beef up our leadership position. These expansion projects will be commissioned during FY-2012-13. Collectively, these projects will ramp up capacities by 50% to an impressive 498 ktpa.

Furthermore, a 180,000 tpa Greenfield plant in Turkey is in planning stage. As a country, Turkey offers enormous potential, given its pre-eminence as a major textile hub. A detailed study and obtaining the requisite approvals to get this project going, is underway.

Cement

We have lined up aggressive growth plans in the Cement sector as well. Brownfield expansions at Chhattisgarh and Karnataka, are expected to become operational by the first quarter of FY-2013-14. With this our total Cement capacity will stand augmented by 10 million tpa, bringing it to a total of 62 million tpa, up by 20%, further bolstering our top of the league status.

Capital Outlays

In the VSF and related Chemicals businesses, your Company's capex stands at US\$ 700 million (₹ 3,700 crores). This is largely towards the Greenfield and Brownfield projects at Harihar and Vilayat.

In the Cement sector, we have provided for a capital outlay of over US\$ 2 billion (₹ 10,400 crores).

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Our plans include setting up of clinkerisation plants at Chhattisgarh and Karnataka, grinding units, captive power plants, bulk packaging terminals, ready-mix concrete plants and enhancing logistics infrastructure besides modernisation.

Outlook

I look upon both the VSF and Cement sector as having great growth potential over the long haul. In the short term in VSF, volatile market conditions, the mushrooming of VSF capacities in China and an abundance of the cotton crop, may lead to some concerns.

In the Cement sector, given the huge gaps in infrastructure and the Government's intent to bridge them through a sharp focus on infrastructure in the 12th Five-Year plan, my outlook in the long term is buoyant. That said, the surplus capacity scenario that exists today may continue for the next 3 years. In the present context, high input costs, rising energy and freight costs coupled with volatile prices, are challenges that we have to grapple with proactively.

Let me conclude on an optimistic note, more so when I look at the quantum leap in the capacities of your Company's key businesses. Your Company with its strong fundamentals, is all set to attain new milestones in its growth trajectory.

To our teams

I thank of all our teams for their solid performance, undiluted commitment and laser sharp focus on delivering results.

The Aditya Birla Group in perspective

Despite a choppy global economy, our Group turned in a solid performance in FY 2011-12, anchored by our 133,000 strong workforce comprising 42 nationalities spanning 36 countries. Our consolidated revenues were a little over 40 billion dollars, reflecting a 14% growth.

It is my abiding belief that our people are the single most important enablers from every perspective. It is with a sense of deep pride that I share with you the fact that our continuous investment in the people area has paid rich dividends. Our Group has been ranked fourth in the Global Top Companies for Leaders and first in Asia Pacific in the Top Companies for Leaders' 2011 study conducted by Aon Hewitt, Fortune and the RBL Group. 470 companies worldwide participated in this study. This recognition is personally heartening for me, given that we have competed against the best of breed global companies.

I personally am convinced that we are now forging ahead on the people front. Our dedicated efforts in enhancing the quality of life of our employees and their families, continues unabated.

Our Talent Management and Leadership Development processes have been further enhanced, to meet our very specific talent requirements, with many more employees being included. To mention a few, launched:

- a Global Manufacturing Leadership Program to induct lateral recruits and fortify our technical talent in our Units.
- a Continuing Education Policy to support managers in acquiring higher specialist education for skills upgradation while they continue to be in their jobs.
- "Cutting Edge", the accelerated P&L Leadership development Program, to enable function leaders to transition to P&L roles.
- And over 30,000 touch points to our learners through multiple learning formats. With these the number of people being targeted for honing competencies and developing skills has risen many times over. This is in sync with our "World of Opportunities" proposition. The customization of these learning programmes is far sharper this year on.

In the VSF and related Chemicals businesses, your Company's capex stands at US\$ 700 million (~ 3,700 crores). This is largely towards the Greenfield and Brownfield projects at Harihar and Vilayat.

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Beyond Business

Given that our employees have a desire to contribute to the larger community, including those of their colleagues who need support, we are setting up a new trust called the "World Of Opportunities Foundation", through which our employees can contribute to supporting the higher education of children in need.

Last Man Standing-First Man Forward

And finally let me add that over the years, we have through determined and deliberate effort come to be in this position of being the 'Last Man Standing', almost across each of our businesses. And when we do face a downturn today, from our position of strength, the message I want to convey is that, the last man standing has the best chance at being the first man forward. The first man forward to consolidate market positions, to show superior performance in each industry and get a few steps ahead of competition.

Yours sincerely,



Kumar Mangalam Birla

BOARD OF DIRECTORS

Mr. Kumar Mangalam Birla - Chairman
 Mrs. Rajashree Birla
 Mr. M.L. Apte
 Mr. B.V. Bhargava
 Mr. R.C. Bhargava
 Mr. A. K. Dasgupta (upto 21st June, 2012)
 Mr. Cyril Shroff
 Dr. Thomas M. Connelly
 Mr. Shailendra K. Jain
 Mr. N. Mohan Raj (w.e.f. 21st June, 2012)
 Mr. D.D. Rathi
 Mr. K.K. Maheshwari, Managing Director
 Mr. Adesh Gupta, Whole-Time Director

Chief Financial Officer

Mr. Adesh Gupta

Company Secretary

Mr. Ashok Malu

Statutory Auditors

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

Branch Auditors

M/s. Vidyarthi & Sons, Gwalior

Solicitors

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

EXECUTIVES**Fibre & Pulp Business**

Mr. K.K. Maheshwari Business Director
 Mr. S.K. Saboo Group Advisor,
 Chairman's Office
 Dr. Prakash Maheshwari Group Executive President,
 Chief Operating Officer (India)
 & Head (Projects)
 Mr. Vijay Kaul Group Executive President
 (Marketing) & Head-Pulp
 Operations
 Mr. Vinod Tiwari Chief Operating Officer
 (Pulp Operations)
 Dr. Aspi Patel Chief Technology Officer
 Mr. Rajeev Gopal Chief Marketing Officer
 Dr. Raju Mistry Chief People Officer

Cement Business

Mr. O.P. Puranmalka Business Head
 Mr. R.K. Shah Group Executive President &
 CMO (Mfg. & Projects)
 Mr. S.N. Jajoo Chief Marketing Officer
 Mr. K.C. Birla Sr. Executive President (Finance)
 Mr. C. B. Tiwari Chief People Officer

Chemical Business

Mr. Lalit Naik Business Head
 Mr. K.C. Jhanwar Group Executive President
 Mr. G.K. Tulsian Executive President
 Mr. Gerard Dcunha Chief People Officer

Textile Business

Mr. Thomas Varghese Chief Executive Officer
 Mr. S. Krishnamoorthy President

Corporate Finance Division

Mr. Pavan K. Jain Executive President

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Registered Office: Birlagram, Nagda 456 331 (M.P.)
www.grasim.com/www.adityabirla.com

Year —>	Unit	2011-12	2010-11	2009-10	2008-09	2007-08	2006-07	2005-06	2004-05	2003-04	2002-03
Production											
Grey Cement	Mn. Tons	42.11	39.67	37.02	32.18	31.22	29.98	28.43	26.13	12.60	11.91
Ready-Mix Concrete	Mn. Cu. Mtrs.	4.84	4.39	3.87	3.85	2.84	1.57	1.07	1.08	0.83	0.61
White Cement	Lac Tons	5.67	5.41	5.14	4.41	4.08	3.65	3.50	3.15	3.11	3.10
Viscose Staple Fibre	Tons	321085	305087	302092	232745	279901	246833	228981	247952	221005	224610
Caustic Soda	Tons	260326	242037	229801	207226	188537	136685	165509	161966	157541	151445
Sponge Iron ^	Tons	—	—	77069	420156	562000	525183	505825	780341	687272	612879
Turnover *											
Grey Cement (Incl. Clinker)	Mn. Tons	43.96	41.56	39.58	34.96	33.58	32.56	30.06	29.24	12.86	12.19
Ready-Mix Concrete	Mn. Cu. Mtrs.	4.84	4.39	3.87	3.85	2.84	1.57	1.07	1.08	0.83	0.61
White Cement	Lac Tons	5.55	5.47	5.09	4.38	3.96	3.67	3.48	3.11	3.15	3.05
Viscose Staple Fibre	Tons	306917	305072	308431	238463	269781	250725	242399	231533	229110	227900
Caustic Soda	Tons	265816	241365	229876	207520	187356	137830	165853	163111	156967	150825
Sponge Iron ^	Tons	—	—	75427	423414	557187	571127	478291	772799	676921	612425
^ Sold on 22nd May, 2009											
* Including Captive Consumption											
Profit and Loss Account											
		2011-12									
		(USD Million)									
		(in Crore)									
Revenue from Operations (Net)											
Cement	4016	19236	15941	15475	13512	11792	9940	6938	5652	2549	2352
Viscose Staple Fibre	1045	5007	4824	3940	2915	3456	2706	1990	2009	1808	1685
Chemicals	162	777	542	493	523	418	319	386	352	295	257
Sponge Iron	—	—	—	111	1008	951	756	635	1021	639	406
Textiles	101	484	419	351	318	295	271	247	260	242	229
Others (Mainly Telecom) **	—	—	—	1	431	438	327	234	180	106	82
Inter-segment Elimination	-54	-260	-176	-175	-210	-208	-177	-156	-160	-129	-104
Total Net Revenue	5270	25244	21550	20195	18496	17141	14142	10275	9315	5510	4908
PBIDT											
Cement	894	4283	3345	4706	3686	3747	3175	1459	974	458	361
Viscose Staple Fibre	266	1274	1628	1339	521	1109	754	493	613	572	586
Chemicals	34	161	124	125	155	138	81	125	104	74	53
Sponge Iron	—	—	—	-39	135	160	85	74	390	254	104
Textiles	8	39	28	24	15	7	5	3	12	13	-9
Others/Unallocated/ Inter-segment Elimination	118	563	270	168	267	261	191	182	180	171	57
Total PBIDT	1320	6320	5395	6322	4779	5422	4290	2337	2272	1543	1151
Interest	66	314	407	334	307	222	229	219	284	196	213
Gross Profit (PBDT)	1254	6006	4988	5988	4472	5200	4061	2118	1988	1347	938
Depreciation	241	1154	1139	995	865	670	610	563	556	308	287
Profit before Tax, Exceptional and Extraordinary Items	1013	4852	3849	4993	3607	4530	3451	1555	1432	1039	651
Exceptional Items (EI)	—	—	—	—	—	46	—	4	-129	1	-169
Profit before Tax and Extraordinary Items	1013	4852	3849	4993	3607	4576	3451	1559	1303	1040	482
Total Tax Expenses	276	1321	954	1570	992	1466	1092	402	442	302	163
Net Profit before Extraordinary Items	737	3531	2895	3423	2615	3110	2359	1157	861	738	319
Extraordinary Items (EO)	—	—	—	336	—	236	—	—	—	—	—
Net Profit before Minority Interest	737	3531	2895	3759	2615	3346	2359	1157	861	738	319
Less: Minority Interest	197	947	660	714	444	457	392	116	-19	—	—
Add: Share in Profit/(Loss) of Associate**	13	63	44	51	16	2	-0.4	—	—	—	—
Net Profit	553	2647	2279	3096	2187	2891	1967	1041	880	738	319

**Results of Idea Cellular Limited was consolidated as 'Joint Venture' till 31st December, 2009 and thereafter as an 'Associate'.

Note 1 - 1 USD = INR 47.90