

"Our goal is to become a US $65 billion Group by 2015 from US $30 billion today. We expect your company to contribute significantly to this growth and earnings."

KUMAR MANGALAM BIRLA

GRASIM INDUSTRIES LIMITED

Performance Update

For the half year ended 30th September, 2010

Mumbai, October 28, 2010

Dear Shareholders,

This was a challenging period for the Company as both its key businesses viz., Viscose Staple Fibre and Cement, were affected by reasons beyond the Company's control. While the performance of VSF business was impacted by the stoppage at Nagda for 55 days on account of water shortage due to the delayed monsoon, the Cement Business witnessed a sharp and unrealistic fall in realisations due to the overhang of oversupply situation and construction activities being affected by monsoon.

Before elaborating on the business wise performance in detail, let me first brief you about the strategic developments.

STRATEGIC INITIATIVES

Restructuring of Cement Business

The restructuring of Cement Business has been completed during the half year with the amalgamation of Samruddhi Cement Ltd. (SCL) with UltraTech Cement Ltd. (UltraTech) w.e.f. 1st July, 2010. Earlier, your Company's cement business was demerged into SCL. The merger has created largest cement company in India creating a platform that will help in pursuing aggressive growth going forward.

Acquisition of Star Cement assets

In last week of September 2010, UltraTech completed acquisition of ETA Star Cement Company LLC with it's assets comprising of 2.3 million TPA clinker facility and grinding units of 2.1 million TPA in UAE, 0.4 million TPA in Bahrain and 0.5 million TPA in Bangladesh. With this acquisition, UltraTech gained direct access to the markets in the Middle East and neighbouring regions.

UltraTech's capacity thus stands augmented to 52 million TPA which makes it the 8th largest cement company in the World.

Accelerating Growth of VSF Business

Expansion plans for VSF business have been realigned to cater to the market requirement of specialty fibres, while ensuring growth in our market share across the spectrum of VSF product range. To this end, the capacity of proposed VSF plant at Vilayat in Gujarat has been revised from 80,000 TPA to 120,000 TPA at capital outlay of Rs.1,690 Crores. The Vilayat plant will cater to the specialty fibre segment and take us higher in the value added product range. Your Company is also planning a brownfield expansion at Harihar (Karnataka) for the commodity fibre segment with a capacity of 36,500 TPA at a cost of Rs.449 Crores. Thus with the proposed expansions, VSF capacity will increase by 49% to half a million tons with the ability to serve the market with the entire range of VSF fibres. Both the projects are slated for commissioning by FY13. Our current expansion plans will ensure that the VSF business is placed on a high growth trajectory for the future.

CONSOLIDATED FINANCIAL PERFORMANCE

Let me now move on to the financial performance of your Company. (Rs. in Crores)

	Half Year		% Change
	2010-11	2009-10	
Net Income from Operations	9,621.9	9,875.2	(3)
Other Income	194.3	135.0	44
PBIDT	2,347.2	3,311.1	(29)
Interest	188.7	165.4	14
Depreciation	539.9	482.3	12
Profit Before Tax Expenses	1,618.7	2,663.3	(39)
Total Tax Expenses	470.6	863.9	(46)
Net Profit After Taxes	1,148.1	1,799.4	(36)
Less: Minority Share	268.3	301.9	(11)
Add: Share in Profit of Associates	18.7	27.3	(32)
Net Profit (Before EO Gain)	898.4	1,524.7	(41)
Net Profit (Recasted)*	1,031.0	1,524.7	(32)

** Without giving impact of demerger of cement business*

Consolidated Results – Highlights

- Consolidated revenue was lower by 3% due to decline in cement realisations.
- Coupled with higher energy and pulp costs, PBIDT declined by 29% from Rs.3,311 Crores in H1FY10 to Rs.2,347 Crores.
- Net Profit (before extraordinary gain) was at Rs.898 Crores as against Rs.1,525 Crores.

On the demerger of Cement business of Grasim into SCL, Grasim's shareholders were allotted equity shares of SCL, enabling them to have a direct participation in SCL. On the merger of SCL with UltraTech w.e.f. 1st July 2010, the erstwhile cement division of Grasim now forms part of UltraTech. Grasim's shareholders held 35% in SCL and on the issue of UltraTech shares in lieu of SCL shares, they now hold 19.1% share in UltraTech. As a result, the pro-rata profit belonging to them has been reduced from Net Profit as minority share from SCL in the 1st quarter and UltraTech from the 2nd quarter. If added back for better comparison, the Net Profit for the first half works out to Rs.1,031 Crores.

STANDALONE FINANCIAL PERFORMANCE

On standalone basis, your Company has recorded a better performance. Revenues have increased by 8%. The Net Profit on comparable basis is higher by 16%.

(Rs. in Crores)

	Half Year ended			
	30.09.10	30.09.09*		% Change (Over restated)
		(Restated)	(As Reported)	
Net Revenue	1,927.0	1,781.6	6,113.7	8
PBIDT	786.6	722.6	2,106.6	9
Net Profit (Before EO Gain)	503.5	432.8	1,204.8	16

** The reported results are not comparable since the Cement business has been demerged. Hence, the restated numbers have been given above excluding the results of the Cement business for better comparison.*

BUSINESSWISE PERFORMANCE

CEMENT

		Half Year		% Change
		2010-11	2009-10	
Grey Cement				
Capacity	Mn. TPA	51.75	45.65	13
- Domestic		48.75	45.65	7
- Star Cement		3.00	—	—
Production	Mn. MT	18.53	17.79	4
Sales Volumes $	Mn. MT			
- Cement		18.80	17.76	6
- Clinker		0.68	1.19	(42)
Realisation	Rs. / MT			
- Cement		3,237	3,679	(12)
- Clinker		1,567	1,906	(18)

		Half Year		% Change
		2010-11	2009-10	
White Cement				
Production	MT	242,138	237,875	2
Sales Volumes $$	MT	256,548	235,882	9
Realisation	Rs. / MT	8,372	8,081	4
Net Divisional Revenue	**Rs. Crores**	**7,258.1**	**7,675.9**	**(5)**
- Cement		6,818.1	7,304.1	(7)
- White Cement		440.0	371.8	18
PBIDT	**Rs. Crores**	**1,567.1**	**2,673.9**	**(41)**
PBIDT Margin	**%**	**21.3**	**34.7**	**—**

Cement business results do not include Star Cement operations as its acquisition was completed in September'10 end

$ Includes captive consumption for RMC

$$ Includes captive consumption for value added products

Performance Review

Cement sales volumes grew by 6%. The volume growth has been subdued in line with the industry dispatch growth. This was largely on account of seasonal impact of better monsoons during the year vis-à-vis last year, affecting construction activity. Cement prices declined across India due to overcapacity and seasonal impact of lower demand during monsoons. The fall was more pronounced in Southern and Western India, as compared to Northern and Eastern India.

However, white cement division continued its robust performance with revenue growth of 18% supported by both higher prices and volumes and growth in value added products.

Capex Plan

In line with its strategy to scale up its presence in the cement sector, brownfield expansions aggregating to 9.2 million TPA at Chhattisgarh and Karnataka units with related grinding units and bulk terminals are on the anvil. Capex of Rs.5,600 Crores has been earmarked for the same. Ordering of major equipment has been completed.

An additional capex of Rs.4,500 Crores has been allocated for the ongoing projects which includes augmentation of the grinding and evacuation facility, logistics infrastructure, captive thermal power plant, modernization and completion of existing projects.

Outlook

Industry demand is likely to grow by over 10% in long term. The increase in consumption, both on account of Government and private spending together with a revival in the corporate capex cycle, will bolster the demand. Good monsoons across the country augur well too.

With strong demand growth, the margins are likely to return back to normalcy gradually by FY13. Your Company's focus on higher volume growth, better logistics support together with cost efficiency, should help in improving performance.

VISCOSE STAPLE FIBRE (VSF)

	Unit	Half Year		% Change
		2010-11	2009-10	
Capacity	TPA	333,975	333,975	—
Production	Tons	139,130	139,021	—
Sales Volume	Tons	134,790	141,411	(5)
Net Divisional Revenue	Rs. Crores	1,711.6	1,567.1	9
Average Realisation	Rs./Ton	117,186	101,558	15
PBIDT	Rs. Crores	577.1	552.1	5
PBIDT Margin	%	33.6	35.0	—

Performance Review

The year started with the VSF demand displaying signs of weakening with the inventory build up in the value chain and continued Euro zone uncertainty. The weakness was reversed during the 2nd quarter as cotton shortage further deteriorated owing to damage of crops in Pakistan due to floods. This resulted in improved sentiments for VSF leading to higher realisations. Realisation was up by 15% on YoY basis. Despite lower volumes and higher pulp prices which have now stabilized at the higher level, Standalone PBIDT was higher by 5%. Better performance from the Company's Pulp JVs in Canada resulted in augmenting performance at the consolidated level.

Outlook

VSF demand should grow with increase in textiles consumption in India and usage of VSF in various allied applications like non woven etc. globally. Besides growth, trends in China, prices of competing fibres and pulp will largely govern VSF prices. The Company would continue to focus on market enlargement through product innovation and application development.

CHEMICAL

	Unit	Half Year		% Change
		2010-11	2009-10	
Caustic Soda				
- Capacity	TPA	258,000	258,000	—
- Production	Tons	108,937	109,216	—
- Sales Volume	Tons	105,975	108,964	(3)
Net Divisional Revenue	Rs. Crores	238.7	251.5	(5)
ECU Realisation	Rs./Ton	18,907	19,751	(4)
PBIDT	Rs. Crores	63.4	71.8	(12)
PBIDT Margin	%	26.5	28.5	—

Performance Review

The Chemical business was also impacted due to plant shutdown given the water shortage. ECU realization declined by 4% due to lower caustic prices.

Outlook

The demand outlook for caustic is positive with the increased off-take from Aluminium industry. Prices of caustic soda may see an uptrend with a gradual increase in the capacity utilization. A caustic plant of 182,500 TPA and captive power plant is being planned at Vilayat for captive use at an investment of Rs.772 Crores.

SUMMARY

The long term prospects of the Company remain positive with its leadership position in both Cement and VSF businesses, focus on profitable growth and strong fundamentals. Besides, the substantial increase in capacities, improved cost optimization and higher productivity bode well for the Company in the years to come. Therefore, the Company is positive that its long term journey to growth and profitability will not be hampered by the challenging period gone by.

Before signing off, I wish you and your family a happy and prosperous Diwali and New Year.

Yours sincerely,



Adesh Gupta
Whole Time Director & Chief Financial Officer

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Cautionary Statement

Statements in this "Performance Update" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities laws and regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include Global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in the Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.



UNAUDITED CONSOLIDATED FINANCIAL RESULTS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2010

Rs. in Crores

	Three Months Ended 30th Sept. '10	Three Months Ended 30th Sept. '09	Six Months Ended 30th Sept. '10	Six Months Ended 30th Sept. '09	Year Ended 31st Mar. '10 (Audited)
Net Sales / Income from Operations	**4,438.97**	**4,674.39**	**9,494.16**	**9,757.62**	**19,933.36**
Other Operating Income	64.46	67.06	127.77	117.56	261.35
Total Operating Income	**4,503.43**	**4,741.45**	**9,621.93**	**9,875.18**	**20,194.71**
Expenditure :					
- Decrease / (Increase) in stock in trade and work in progress	(23.07)	(115.88)	(163.14)	(59.12)	(22.02)
- Raw Material Consumed	952.58	820.67	1,956.59	1,767.47	3,624.49
- Purchases of Finished Goods	35.71	41.70	64.66	71.67	139.23
- Payment to and Provision for Employees	309.92	254.54	586.25	514.83	1,064.65
- Power and Fuel Cost	981.34	824.32	2,003.65	1,682.61	3,522.36
- Freight and Handling Expenses	684.69	653.66	1,473.95	1,320.66	2,749.13
- Depreciation	272.73	242.35	539.89	482.34	994.71
- Other Expenditure	776.71	714.64	1,547.10	1,401.00	3,068.16
Total Expenditure	**3,990.61**	**3,436.00**	**8,008.95**	**7,181.46**	**15,140.71**
Profit from Operations before Other Income and Interest	**512.82**	**1,305.45**	**1,612.98**	**2,693.72**	**5,054.00**
Other Income	98.01	82.58	194.34	135.01	273.56
Profit Before Interest and Tax	**610.83**	**1,388.03**	**1,807.32**	**2,828.73**	**5,327.56**
Interest	97.43	83.12	188.66	165.44	334.55
Profit from Ordinary Activities before Tax	**513.40**	**1,304.91**	**1,618.66**	**2,663.29**	**4,993.01**
Tax Expense	150.75	423.07	470.60	863.94	1,570.48
Net Profit from Ordinary Activities after Tax	**362.65**	**881.84**	**1,148.06**	**1,799.35**	**3,422.53**
Extraordinary Item :					
Profit (Net of Tax) on Sale of Sponge Iron unit	—	—	—	336.07	336.07
Net Profit (before profit of Associates and adjustment for Minority Interest)	**362.65**	**881.84**	**1,148.06**	**2,135.42**	**3,758.60**
Add : Share in Profit of Associates	7.49	10.66	18.66	27.26	51.05
Less : Minority Share	46.78	111.73	268.30	301.88	714.12
Net Profit	**323.36**	**780.77**	**898.42**	**1,860.80**	**3,095.53**
Paid up Equity Share Capital (Face Value Rs. 10 per share)	91.70	91.69	91.70	91.69	91.70
Reserves					12,382.66

Rs. in Crores

	Three Months Ended 30th Sept. '10	Three Months Ended 30th Sept. '09	Six Months Ended 30th Sept. '10	Six Months Ended 30th Sept. '09	Year Ended 31st Mar. '10 (Audited)
Basic EPS for the period before Extraordinary Item (Rs.)	35.26	85.15	97.98	166.29	300.94
Diluted EPS for the period before Extraordinary Item (Rs.)	35.25	85.13	97.94	166.26	300.83
Basic EPS for the period after Extraordinary Item (Rs.)	35.26	85.15	97.98	202.95	337.60
Diluted EPS for the period after Extraordinary Item (Rs.)	35.25	85.13	97.94	202.90	337.47
Total Public Shareholding					
- Number of Shares (000's)	58,219	58,824	58,219	58,824	58,401
- Percentage of Shareholding	63.50%	64.17%	63.50%	64.17%	63.70%
Promoter & promoter group shareholding					
a) Pledged / Encumbered					
- Number of Shares (000's)	–	–	–	–	–
- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	–	–	–	–	–
- Percentage of Shares (as a % of the total share capital of the Company)	–	–	–	–	–
b) Non-encumbered					
- Number of Shares (000's)	23,381	23,089	23,381	23,089	23,381
- Percentage of Shares (as a % of the total shareholding of promoter and promoter group)	100.00%	100.00%	100.00%	100.00%	100.00%
- Percentage of Shares (as a % of the total share capital of the Company)	25.50%	25.19%	25.50%	25.19%	25.50%

Rs. in Crores

	Three Months Ended 30th Sept. '10	Three Months Ended 30th Sept. '09	Six Months Ended 30th Sept. '10	Six Months Ended 30th Sept. '09	Year Ended 31st Mar. '10 (Audited)
1. SEGMENT REVENUE					
a Viscose Staple Fibre and Wood Pulp	1,017.61	937.82	1,985.23	1,744.14	3,940.18
b Cement - Grey, White and Allied Products	3,284.51	3,614.49	7,258.14	7,675.90	15,474.91
c Sponge Iron *	–	–	–	110.77	110.77
d Chemicals - Caustic Soda and Allied Chemicals	120.04	131.28	238.67	251.46	492.80
e Textiles - Fabric and Yarn	117.87	101.71	211.22	174.28	350.60
f Others #	0.25	0.22	0.47	0.45	0.88
TOTAL	4,540.28	4,785.52	9,693.73	9,957.00	20,370.14
(Less) : Inter Segment Revenue	(36.85)	(44.07)	(71.80)	(81.82)	(175.43)
Total Operating Income	**4,503.43**	**4,741.45**	**9,621.93**	**9,875.18**	**20,194.71**
2. SEGMENT RESULTS					
a Viscose Staple Fibre and Wood Pulp	284.66	321.66	565.60	459.74	1,194.79
b Cement - Grey,White and Allied Products	225.86	972.80	1,057.22	2,260.35	3,907.67
c Sponge Iron *	–	–	–	(43.90)	(43.90)
d Chemicals - Caustic Soda and Allied Chemicals	23.70	27.81	46.35	56.03	92.80
e Textiles - Fabric and Yarn	4.59	4.49	8.58	7.73	15.46
f Others #	0.48	2.77	0.87	2.97	3.71
TOTAL	539.29	1,329.53	1,678.62	2,742.92	5,170.53
Add / (Less) :					
Interest	(97.43)	(83.12)	(188.66)	(165.44)	(334.55)
Net Unallocable Income / (Expenditure)	71.54	58.50	128.70	85.81	157.03
Profit before Extraordinary Item and Tax Expenses	**513.40**	**1,304.91**	**1,618.66**	**2,663.29**	**4,993.01**
3. CAPITAL EMPLOYED					
a Viscose Staple Fibre and Wood Pulp	2,468.22	2,208.52	2,468.22	2,208.52	2,415.39
b Cement - Grey, White and Allied Products	16,123.81	14,784.75	16,123.81	14,784.75	14,329.71
c Sponge Iron *	–	–	–	–	–
d Chemicals - Caustic Soda and Allied Chemicals	422.20	395.66	422.20	395.66	408.58
e Textiles - Fabric and Yarn	182.43	176.90	182.43	176.90	175.76
f Others #	25.44	24.16	25.44	24.16	24.72
TOTAL	19,222.10	17,589.99	19,222.10	17,589.99	17,354.16
Unallocated Corporate Capital Employed	6,714.82	4,635.51	6,714.82	4,635.51	6,530.25
TOTAL CAPITAL EMPLOYED	**25,936.92**	**22,225.50**	**25,936.92**	**22,225.50**	**23,884.41**

* Sponge Iron unit has been sold w.e.f. 22nd May, 2009.

Others' segment represents insignificant business segments not separately reportable

NOTES

1. Samruddhi Cement Limited (SCL), a subsidiary of the Company, into which the erstwhile Cement Business of the Company was demerged w.e.f. 1st October, 2009 has been amalgamated with UltraTech Cement Ltd. (UltraTech), another subsidiary of the Company, w.e.f. 1st July, 2010. Accordingly, the shareholders of SCL have been issued shares by UltraTech in lieu of shares of SCL. As a result, the shareholders of the Company have direct participation in UltraTech and also shareholding of the Company in UltraTech stand increased to 60.34%. The Net Profit (after Minority Share) for the quarter and half year ended 30th September, 2010 is therefore not strictly comparable with that of the corresponding periods of the previous year.

2. UltraTech's wholly-owned subsidiary 'UltraTech Cement Middle East Investments Limited', has completed the acquisition of ETA Star Cement (Star) and has acquired management control of its operations in the UAE, Bahrain and Bangladesh.

3. The operations at the Company's Viscose Staple Fibre Plant at Nagda which were suspended in the previous quarter (from 31st May, 2010) on account of water shortage, have been resumed fully with effect from 26th July, 2010. The Chemical plant at Nagda, which was operating at lower capacity during the above period, has also resumed normal operations.

4. a. Pursuant to Clause 41 of the Listing Agreement, the Company has opted to publish Consolidated Financial Results. The Standalone Financial Results are available at the Company's websites: www.grasim.com and www.adityabirla.com.

   b. Key numbers of Stand-alone Financial Results of the Company for the quarter and half year ended 30th September, 2010 are as under:

Rs. in Crores

	Quarter Ended			Half Year Ended		
	30th Sept'10	30th Sept'09*		30th Sept'10	30th Sept'09*	
		Reported	Restated		Reported	Restated
Total Operating Income	962.51	3,024.13	959.92	1,926.98	6,113.71	1,782.35
Profit from Ordinary Activities before Tax	370.45	972.88	425.01	676.26	1,735.63	623.32
Profit from Ordinary Activities after Tax	279.62	674.25	294.83	503.45	1,204.77	432.78

* **The reported numbers for the quarter and half year ended 30th September, 2009 are not comparable as the same includes results of the Sponge Iron and Cement Businesses of the Company, sold / demerged during the financial year 2009-10, effective from 22nd May, 2009 and 1st October, 2009 respectively. For better comparison the restated results for the quarter and half year ended 30th September, 2009 have also been given excluding the results of the Sponge Iron and Cement Businesses.**

5. a) During the quarter, the Company has allotted 1,441 fully paid up equity shares of Rs.10 each upon exercise of stock options granted under the Employee Stock Options Scheme, 2006 (ESOS-2006).

   b) On 30th August, 2010, the Company has granted 71,297 stock options to certain eligible Officers / Whole Time Directors of the Company as per ESOS - 2006.

6. Statement of Assets and Liabilities as on 30th September, 2010:

Rs. in Crores

Particulars	Consolidated (Unaudited)	
	30th Sept'10	30th Sept'09*
SOURCES OF FUNDS		
Shareholders' Funds:		
Share Capital	91.70	91.69
Other Share Capital	36.03	36.94
Employee Stock Option Outstanding	14.15	13.71
Reserves and Surplus	13,239.34	13,253.92
Minority Interest	3,970.75	1,943.08
Loan Funds	6,567.11	5,082.54
Deferred Tax Liabilities (Net)	2,017.84	1,803.62
TOTAL	**25,936.92**	**22,225.50**
APPLICATION OF FUNDS		
Fixed Assets	15,458.18	14,149.44
Investments	6,631.94	4,618.82
Goodwill	2,389.34	2,000.98
Current Assets:		
Inventories	2,888.29	2,111.68
Sundry Debtors	1,177.80	903.12
Cash and Bank Balances	451.63	355.38
Loans and Advances	1,427.86	1,495.44
Less: Current Liabilities and Provisions		
Current Liabilities	3,642.14	2,919.42
Provisions	845.98	489.94
Net Current Assets:	1,457.46	1,456.26
TOTAL	**25,936.92**	**22,225.50**

* Not reviewed by the Statutory Auditors

7. Previous period's figures have been regrouped / rearranged wherever necessary to conform to the current period's classification.

8. The status of investors' complaints is as under :

   Opening - 0, Received - 10, Resolved - 10, Closing – 0

9. The above Unaudited financial results for the quarter and half year ended 30th September, 2010 have been reviewed by the Audit Committee of the Board and approved by the Board of Directors at their respective meetings held on 28th October, 2010. The limited review, as required under Clause 41 of the Listing Agreement, has been completed by the auditors of the Company and the related report is being submitted to the concerned Stock Exchanges.

For and on behalf of Board of Directors

Place : Mumbai
Date : 28th October, 2010

Adesh Gupta
Whole-Time Director & CFO

Birla Cellulose Fibres from nature | kara Skincare on the go. | UltraTech CEMENT The Engineer's Choice | Birla White THE WHITEST WHITE CEMENT My kind of design | Birla White WALLCARE White Cement Based Putty | GRAVIERA Feel of life | Grasim FOR THE ONLY MADE

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