

GRASIM

Grasim Industries Limited



Investor Presentation

October 3, 2009

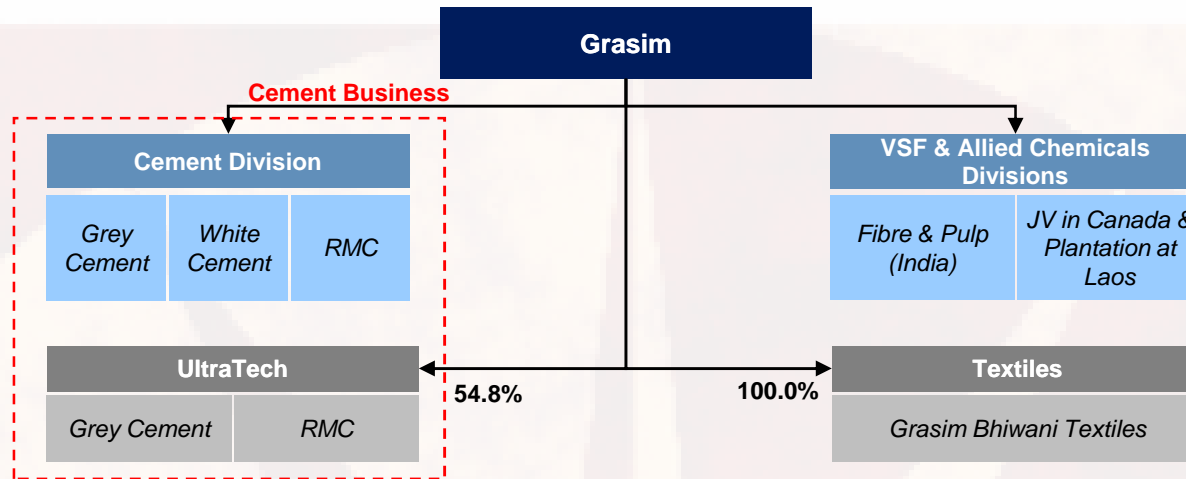
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GRASIM

Current Structure

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Grasim Today – A Combination of Two Global Scale Businesses



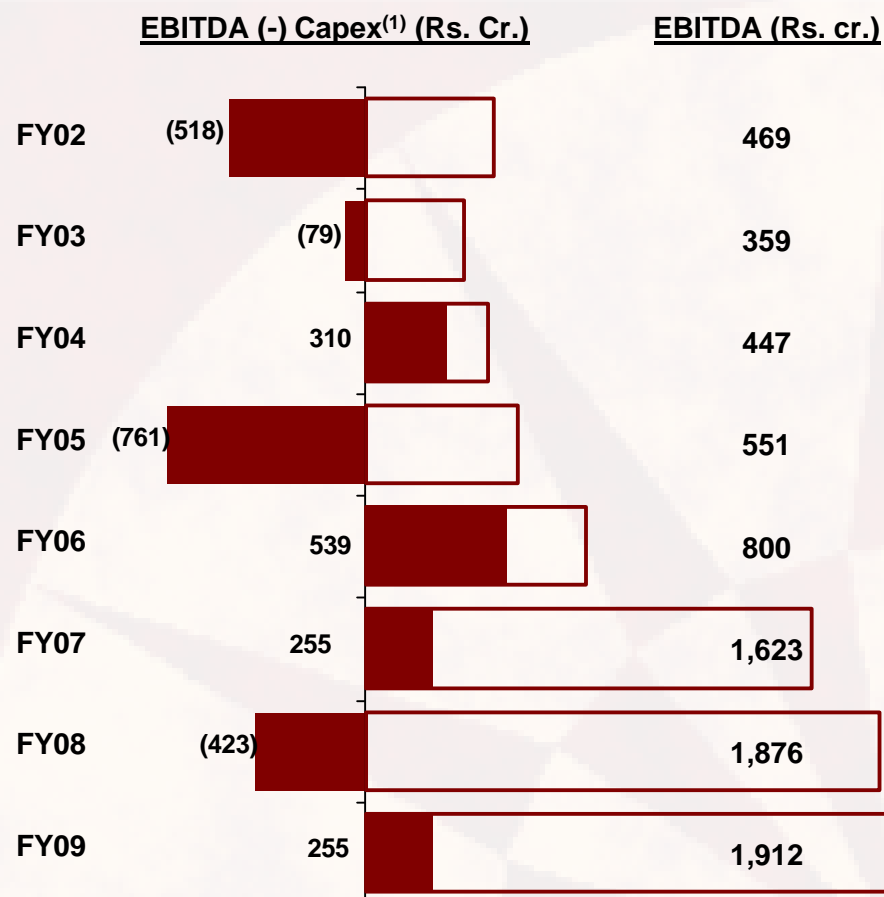
- Largest cement company⁽¹⁾ in India, the second largest cement market in the world
- ~19%⁽²⁾ market share in India
- Capacity expected to reach 49 mtpa this year
- “UltraTech” pre-eminent cement brand across the country
- Business poised for accelerated growth
- Grasim is one of the largest VSF companies in the world with a 10% global market share and the only Indian manufacturer
- Integrated operations with captive raw materials - Pulp (75%) & Caustic Soda (100%)
- Two JVs in Canada for pulp and one in China for VSF
- Amongst the lowest cost producers globally

(1) Based on consolidated current capacity ; (2) Source: CMA and Industry Data (Apr-Aug, 2009)

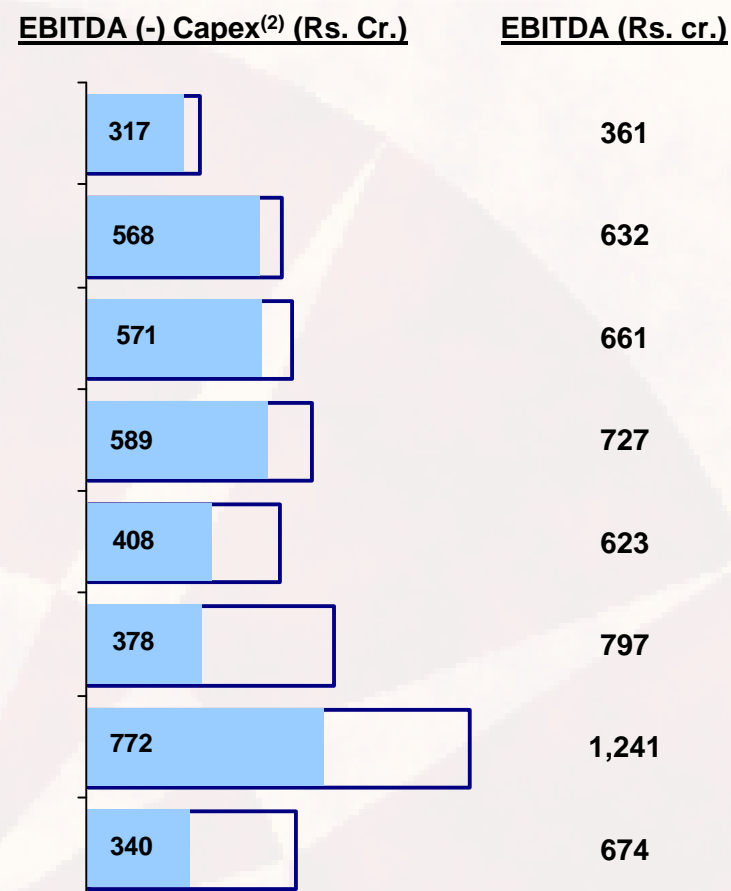
VSF Has Generated Strong Cash Flows To Bolster Cement Investment

Cement (Standalone)

VSF



Cumulative Capex (FY02 – FY09) – Rs.8,461 cr

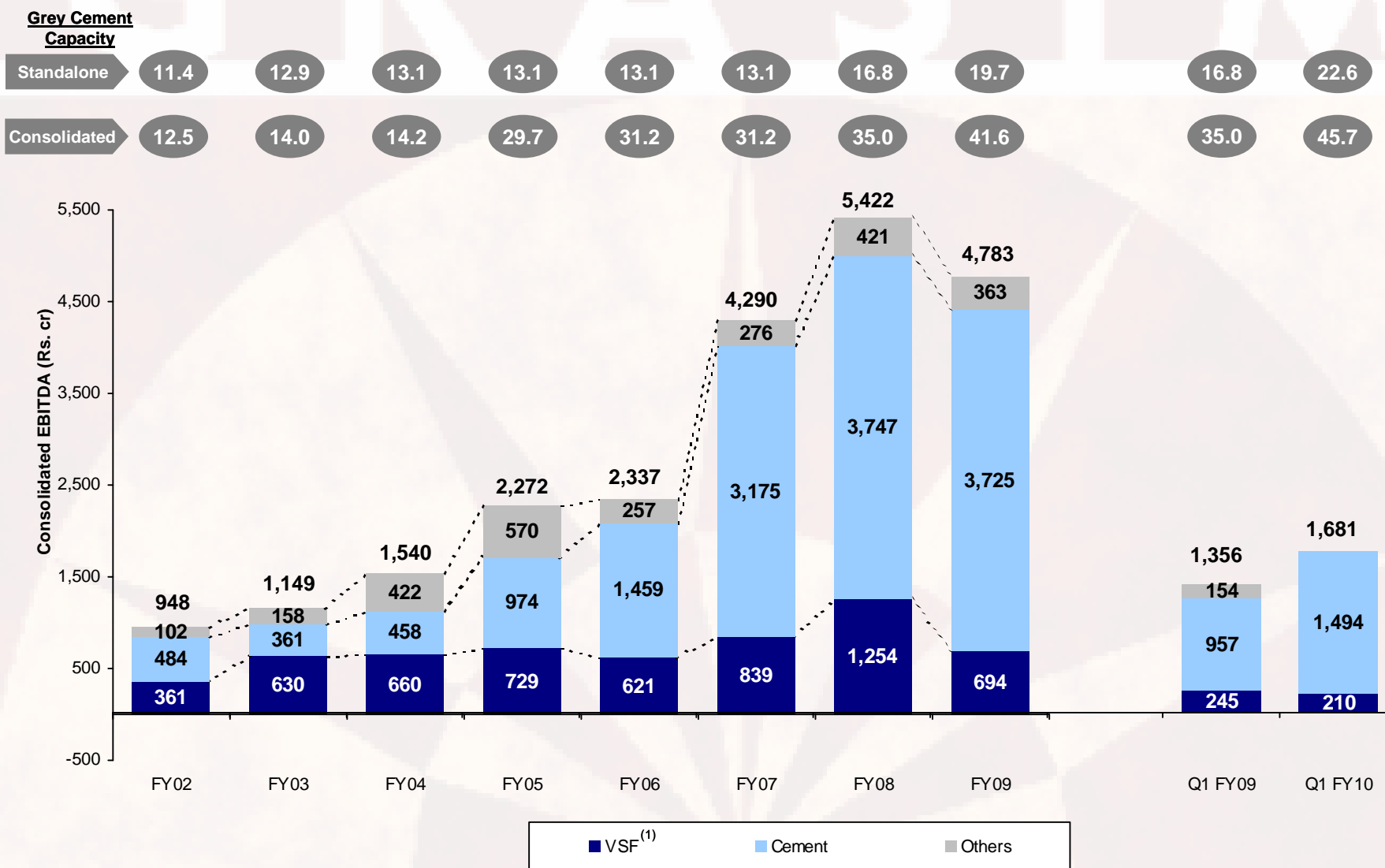


Cumulative Capex (FY02 – FY09) – Rs.1,774 cr

(1) On a standalone basis. Capex for the cement business includes net cash outflow on acquisition of UltraTech and sale of Shree Digvijay Cement.

(2) VSF EBITDA includes Chemicals and Textile business EBITDA. Capex for VSF business includes investment in Joint ventures

Grasim's Profitability Has Multiplied Supported By Cement Growth



(1) VSF EBITDA includes Chemicals and Textile business EBITDA

...To Deliver Exceptional Returns

Grasim's Consolidated Performance over last 10 years

Growth⁽¹⁾ in Grey Cement Capacity: 5.3x

Growth⁽²⁾ in Revenues: 4.1x

Growth⁽²⁾ in EBITDA: 6.4x

Grasim Stock Price Growth⁽³⁾ – 16.9x

Sensex Growth – 4.6x

Growth in Leading Cement Stocks – 5.9x

(1) FY00 – FY10E; (2) FY00 – FY09; (3) From 01-Apr-99 to 1-Oct-09 excluding dividends

Both Businesses Are Now Poised For Accelerated Growth

VSF

- Strengthen low cost manufacturing position by further integration
- Enhance profitability by moving up the value chain
- Greenfield project at Vilayat (Guj.) at a cost of Rs. 1,000 cr being pursued

Cement

- Current expansion projects of ~15 mtpa nearing completion
- Indian cement industry: World's second largest and one of fastest growing
- Require new capacity of ~25 mtpa over the next 5 years (~\$3 bn) to maintain our share
- Aim: Grow faster than the market

The next phase of cement growth will, therefore, require restructuring to provide greater financial flexibility and align interests of all stakeholders

GRASIM

Proposed Restructuring

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Restructuring Objectives

Continue Strong Parentage & Grasim Sponsorship Of The Cement Business

Create Platform That Enhances Financial Flexibility To Pursue Next Stage Of Growth

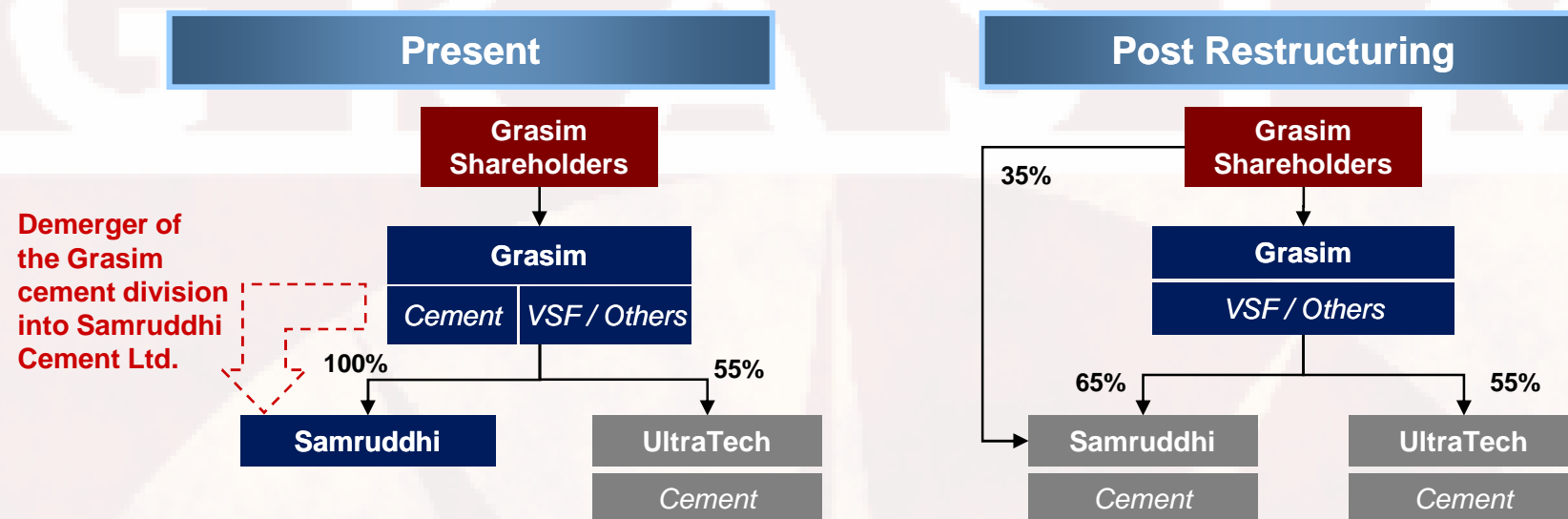
Provide Shareholders With Direct Exposure To Pure-play Cement Business

Lay The Foundation For Cement Consolidation To Align The Interest Of All Stakeholders

Thereby

Maximize Shareholder Value

Proposed Restructuring



Cement Assets Moving To Samruddhi

▪ Grey cement	Capacity - 25.7 mtpa (including grinding mills of 3.1 mtpa to be operational in Q3-FY10)
▪ White cement	Capacity - 0.6 mtpa.
▪ Ready-mix concrete	36 plants - 6.8 million cubic metres
▪ Thermal Power Plants	268 MW
▪ Investments	Harish Cement Limited (100%) Bhaskarpara Coal Company Limited (47%)
▪ Limestone mining leases	Including under development mines
▪ Exclusion	Investment in UltraTech

Restructuring Details

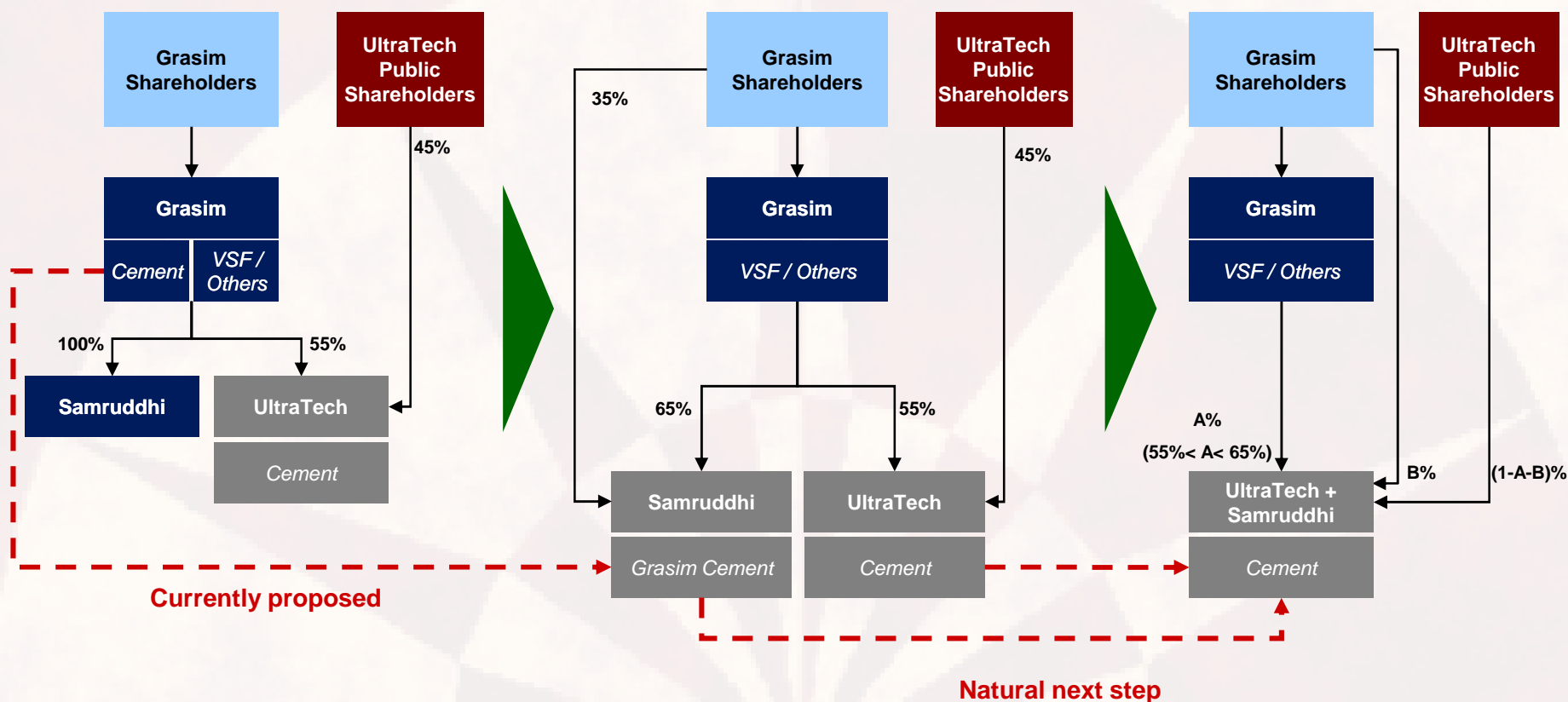
- The cement division of Grasim is proposed to be de-merged into Samruddhi
- Appointed Date for the demerger would be 1st Oct 2009
- Grasim shareholders to receive 1 equity share of Rs. 5 each of Samruddhi for each equity share held in Grasim in addition to their holding in Grasim
 - Grasim shareholder (new shares on demerger) 9.17 cr 35%
 - Grasim (existing holding) 17.00 cr 65%
 - Total 26.17 cr 100%
- Even after restructuring, economic ownership of Grasim's cement division would remain unchanged with Grasim's shareholders
- A report on the share entitlement ratio has been obtained from Ernst & Young Pvt. Ltd. and DSP Merrill Lynch Ltd. has provided a fairness opinion
- The demerger would be compliant with section 2(19AA) of the Income Tax Act
- Upon effectiveness of the demerger, Samruddhi is proposed to be listed
- Timeline: Expect to complete by Q4-FY10

Desired Next Step - Consolidation of Grasim Cement In A Single Entity

Present

Post Demerger

Desired Next Step



A Win-Win Proposition

- ✓ **Preserves the essential strengths and benefits of the current structure**
 - *Continuation of Grasim's parentage*
 - *Economic interest of shareholders remains the same*
 - *Grasim will continue to consolidate the cement business results in its accounts*
- ✓ **Enhances financial flexibility in both of the key businesses of Grasim - VSF and Cement - to undertake significant growth plans**
- ✓ **Creates a pure-play cement entity**
 - *Grasim shareholders given additional shares to participate directly*
- ✓ **If the consolidation of cement businesses materializes, it will align interests of all stakeholders**

Key Financials - Standalone Profit & Loss Account

(In Rs. Cr.)	FY08			FY09			Q1 - FY10		
	Cement	VSF & Others	Total	Cement	VSF & Others	Total	Cement	VSF & Others	Total
Net Revenues	5,956	4,369	10,325	6,995	3,945	10,940	2,146	933	3,079
EBITDA	1,876	1,548	3,424	1,911	935	2,846	740	207	947
Margins	32%	35%	33%	27%	24%	26%	34%	22%	31%
Depreciation	199	154	353	282	175	457	96	41	137
EBIT	1,677	1,394	3,071	1,629	760	2,389	644	166	810
Capital Employed	5,459	6,490	11,949	6,715	7,022	13,737	6,751	7,752	14,503

However, consolidated accounts –

- (1) Cement business will continue to be fully consolidated in Grasim*
- (2) Will largely remain unchanged except for increase in minority interest*

Key Financials – Standalone Balance Sheet

(In Rs. Cr.)	As at 30-Jun-09			As at 30-Sep-09 (Provisional)
	Grasim (Pre-demerger)	VSF & Others	Cement Division	Cement Division
Net Fixed Assets	8,206	1,662	6,544	6,593
Investments				
- UltraTech	2,551	2,551	-	-
- Other Strategic Investments	964	964	0.1	0.7
- Liquid Investments	2,561	2,561	-	-
Net Working Capital	221	85	136	298
Capital Employed	14,503	7,823	6,680	6,892
Less: Debt	3,212	944	2,268	2,125
Less: Deferred Tax	946	227	719	785
Shareholders Funds	10,345	6,652	3,693	3,982

Key Advisors

Advisors

DSP Merrill Lynch Limited
Enam Securities Private Limited

Fairness Opinion to Grasim

DSP Merrill Lynch Limited

Legal Advisors

Amarchand & Mangaldas & Suresh A. Shroff & Co

Report On Share Entitlement Ratio

Ernst & Young Private Limited

Tax Advisors

Soli Dastur & Co.
Bansi S. Mehta & Co.



GRASIM TO DEMERGE CEMENT BUSINESS

GRASIM's SHAREHOLDERS TO PARTICIPATE DIRECTLY IN A NEW SUBSIDIARY

CREATES PLATFORM FOR POTENTIAL CONSOLIDATION

Rs.1000 CRORES GREENFIELD VSF PROJECT, CAPACITY TO GO UP BY 25%

The Boards of Directors of Grasim Industries Limited ("Grasim") and Samruddhi Cement Limited, a wholly owned subsidiary of Grasim ("Samruddhi"), in their respective meetings held today, approved a proposal to demerge the cement business of Grasim into Samruddhi.

Samruddhi will issue 1 (one) new equity share to Grasim shareholders for every equity share they hold in Grasim, in addition to their existing Grasim shares. On completion of the demerger, Grasim shareholders will directly hold 35% of Samruddhi, and Grasim's stake will be diluted to 65%. Samruddhi is proposed to be listed after the Scheme is made effective.

As a separate matter, Samruddhi has resolved to pursue onward consolidation of the cement business and to that intent, it has decided to make a formal consolidation proposal to the Board of Directors of UltraTech Cement Limited.

Mr. Kumar Mangalam Birla, Aditya Birla Group Chairman said "This is part of Grasim's continuing efforts to improve shareholder value, in keeping with its record of outperforming both Sensex and its Peers over the past 10 years. The restructuring move announced today is designed to ensure Grasim's majority stake in, and continued support to, the rapidly growing Cement Business; while simultaneously, providing Grasim shareholders direct participation in the pure play cement company."

Mr. Adesh Gupta, Whole Time Director and Chief Financial Officer, Grasim, added "Whilst Grasim's commitment to fund necessary capital for the growth of cement business remains unabated, the demerger opens up new choices for financing growth in the cement business in addition to continued parentage of Grasim, as also strengthening its other businesses."

The Restructuring Scheme

According to the restructuring proposal approved by both the Boards, the demerger is proposed to be undertaken through a Court approved Scheme of Arrangement under Sections 391 to 394 of the Companies Act, 1956. The appointed date for the transaction is 1st October 2009.

Under the Scheme, Grasim will transfer its cement businesses, including related businesses/ investments but excluding its investment in UltraTech, to Samruddhi. In consideration, Samruddhi will issue one equity share of Rs. 5/- face value each credited as fully paid-up to the shareholders of Grasim for every equity share they hold in Grasim as of the Record Date.

Upon effectiveness of the Scheme, Samruddhi will be held approximately 65% by Grasim and the balance 35% will be held directly by the Shareholders of Grasim. Samruddhi is proposed to be listed.

Commenting on the rationale for the proposed restructuring, Mr. Birla added "The Board considered various other options before concluding and approving the structure. It reaffirmed its continuing interest in the cement business and hence wanted to consider only those restructuring proposals which ensured continued control and strategic interest."

Mr. Gupta elaborated that the other options which were considered, include –

- (i) a demerger into an independent company (vertical split), which might have given more direct holding to Grasim shareholders but would have resulted in loss of Grasim's strategic interest;
- (ii) merger of UltraTech with Grasim which would not have created a pure play cement company; and
- (iii) transfer of the cement business to a 100% subsidiary which would not have given Grasim shareholders a direct holding.

Ernst & Young has submitted a report on share entitlement ratio, whilst DSP Merrill Lynch has provided a fairness opinion to the Board of Grasim.

Timing of restructuring and its objectives

Grasim is at an inflexion point. The strategy of using VSF's cash flows to grow cement has succeeded and cement today accounts for over 67% of current Grasim's standalone EBITDA as compared to only 30% in FY04. The Board, therefore, considered that the cement business be restructured in a manner that meets with all of the following objectives viz.

- protect and maximize value to shareholders,
- creation of a pure play cement operation,
- opening up new financing options for its growth,
- create platform for potential eventual consolidation,
- provide direct exposure to Grasim's shareholders,
- least possible transaction costs.

Cement Sector opportunities very promising

India is the second largest Cement Market in the World, even though its per capita consumption is just one-eighth of China. The long term outlook is promising, even though a surplus caused by new cement capacities is likely to put pressure on margins over the immediate term.

Continuing business of Grasim

Grasim is setting up a Greenfield VSF plant at Vilayat, Gujarat for an estimated investment of Rs. 1000 crores. The capacity of this plant would be about 80,000 tpa, increasing Grasim's total capacity by about 25%. Commercial production is expected to commence in FY 13. Most of the requisite permissions for the plant have been received. This will reinforce Grasim's position as a world leader in VSF.

Grasim will continue to invest in VSF and other businesses, as further opportunities unfold.

Advisors to the restructuring

DSP Merrill Lynch Limited and Enam Securities Private Limited acted as advisors.

DSP Merrill Lynch Limited provided a fairness opinion to the Board of Grasim.

Amarchand & Mangaldas and Suresh A. Shroff & Company acted as Legal Advisors.

Ernst & Young Private Limited submitted a report on the share entitlement ratio.

The proposed Scheme of Arrangement will be subject to the approvals of the High Court of Judicature at Madhya Pradesh, Indore Bench and the High Court of Gujarat at Ahmedabad. The restructuring will further be subject to various statutory approvals, including those from the shareholders and the lenders / creditors.

This Press Release is being jointly released by Grasim and Samruddhi.

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