



## Grasim Industries

STOCK INFO.	BLOOMBERG
BSE SENSEX: 14,041	GRASIM IN
	REUTERS CODE
S&P CNX: 4,066	GRAS.BO

23 January 2007

Buy

Previous Recommendation: Buy

Rs2,805

Equity Shares (m)	91.7
52-Week Range	2,908/1,392
1,6,12 Rel. Perf. (%)	-1/12/49
M.Cap. (Rs b)	257.2
M.Cap. (US\$ b)	5.8

YEAR	NET SALES	PAT	EPS	EPS	P/E	P/BV	ROE	ROCE	EV/	EV/
END	(RS M)	(RS M)	(RS)	GROWTH (%)	(X)	(X)	(%)	(%)	SALES	EBITDA
03/06A	101,919	10,376	113.2	7.5	24.8	5.3	21.4	20.7	3.3	15.9
03/07E	133,108	19,135	208.7	84.4	13.4	3.9	29.2	36.7	2.5	8.5
03/08E	147,410	21,501	234.5	12.4	12.0	3.0	25.3	32.7	2.3	7.5

- Grasim's 3QFY07 results (standalone) are in line with our estimates. The company reported a PAT of Rs4.1b (v/s our estimate of Rs4b), driven primarily by strong performance in its core businesses (cement & VSF), coupled with higher other income. Consolidated PAT grew 184% YoY to Rs5.6b.
- Revenues grew 38% YoY to Rs22.8b (v/s our estimate of Rs22b), driven by 52% growth in cement revenues (5% volume and 49% realization growth) and 26% growth in VSF revenues (24% realization growth). Sponge iron business witnessed improvement in performance, with revenue growth of 47% (50% volume and 6% realization growth).
- EBITDA grew 109% YoY to Rs6.7b (v/s our estimate of Rs6.5b) leading to a 980bp margin expansion to 29.2%, driven by higher realizations in cement & VSF, and improvement in sponge iron business (PBIDT margins of 12.8% v/s 2.5% in 3QFY06). Margin expansion was restricted by cost push in cement business (higher fuel & freight cost) and chemicals business (impacted by captive power plant shutdown). Margin expansion coupled with higher other income (up 191% YoY to Rs444m) boosted standalone PAT growth to 154%.
- We are upgrading our EPS estimate for FY08 by 1.6% to Rs234.5, to factor in higher VSF realizations. We have lowered our assumption of cement price hike from Rs7.5/bag QoQ in 4QFY07 to Rs5/bag, as we believe that the recent customs duty cut would delay the price hikes by a month. However, the impact of lower hike in cement prices would be diluted by increase in VSF prices.
- With both the core businesses (cement and VSF) in cyclical upturn, Grasim should report impressive earnings growth in FY07. At 12x FY08E EPS and 7.5x EV/EBITDA, we maintain **Buy**.

### QUARTERLY PERFORMANCE (STANDALONE)

(Rs Million)

Y/E MARCH	FY06				FY07				FY06	FY07E
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QE		
<b>Net Sales</b>	<b>15,533</b>	<b>16,492</b>	<b>16,482</b>	<b>18,151</b>	<b>18,770</b>	<b>20,108</b>	<b>22,794</b>	<b>23,668</b>	<b>66,557</b>	<b>85,340</b>
YoY Change (%)	2.4	7.5	5.7	10.5	20.8	21.9	38.3	30.4	6.4	28.2
<b>EBITDA</b>	<b>3,744</b>	<b>3,218</b>	<b>3,191</b>	<b>4,065</b>	<b>5,133</b>	<b>5,322</b>	<b>6,661</b>	<b>7,438</b>	<b>14,218</b>	<b>24,553</b>
Margins (%)	24.1	19.5	19.4	22.4	27.3	26.5	29.2	31.4	21.4	28.8
Depreciation	705	720	733	759	741	756	807	839	2,916	3,142
Interest	265	237	235	236	235	241	240	222	973	938
Other Income	201	308	152	575	375	502	444	351	1,691	1,672
<b>PBT before EO Items</b>	<b>2,975</b>	<b>2,570</b>	<b>2,376</b>	<b>3,645</b>	<b>4,532</b>	<b>4,827</b>	<b>6,058</b>	<b>6,728</b>	<b>12,019</b>	<b>22,145</b>
Extraordinary Inc/(Exp)	454	0	0	0	0	0	0	0	41	0
<b>PBT after EO Items</b>	<b>3,429</b>	<b>2,570</b>	<b>2,376</b>	<b>3,645</b>	<b>4,532</b>	<b>4,827</b>	<b>6,058</b>	<b>6,728</b>	<b>12,060</b>	<b>22,145</b>
Tax	919	693	757	1,019	1,413	1,467	1,942	2,166	3,428	6,987
Rate (%)	26.8	27.0	31.9	28.0	31.2	30.4	32.1	32.2	28.4	31.6
<b>Reported PAT</b>	<b>2,510</b>	<b>1,877</b>	<b>1,619</b>	<b>2,627</b>	<b>3,119</b>	<b>3,360</b>	<b>4,116</b>	<b>4,563</b>	<b>8,632</b>	<b>15,158</b>
<b>Adj. PAT</b>	<b>2,056</b>	<b>1,877</b>	<b>1,619</b>	<b>2,627</b>	<b>3,119</b>	<b>3,360</b>	<b>4,116</b>	<b>4,563</b>	<b>8,591</b>	<b>15,158</b>
YoY Change (%)	-6.2	-14.7	-21.5	-3.3	51.7	79.1	154.3	73.7	-8.7	76.4

E: MOST Estimates

STRONG PERFORMANCE IN CORE BUSINESSES -CEMENT AND VSF (RSM)

	3QFY07	3QFY06	% YOY	2QFY07	% QOQ
<b>Revenue Mix</b>					
Fibre	6,470	5,152	25.6	5,596	15.6
Cement	12,748	8,383	52.1	11,412	11.7
Sponge Iron	1,952	1,329	46.9	1,408	38.7
Chemical	767	930	-17.5	765	0.3
Textile	537	509	5.5	848	-36.7
<b>Total</b>	<b>22,794</b>	<b>16,482</b>	<b>38.3</b>	<b>20,108</b>	<b>13.4</b>
<b>PBIT</b>					
Fibre	2,047	1,076	90.2	1,567	30.7
Cement	3,764	1,339	181.1	3,138	20.0
Sponge Iron	162	-52	-411.5	-33	-595.4
Chemical	135	208	-35.1	48	180.7
Textile	-29	-13	123.1	-1	-
<b>Total</b>	<b>6,079</b>	<b>2,558</b>	<b>137.6</b>	<b>4,718</b>	<b>28.8</b>
<b>EBIT Margins (%)</b>					
	3QFY07	3QFY06	CH. (BP)	2QFY07	CH. (BP)
Fibre	31.6	20.9	1,075	28.0	364
Cement	29.5	16.0	1,355	27.5	203
Sponge Iron	8.3	-3.9	1,221	-2.3	1,062
Chemical	17.6	22.4	-476	6.3	1,131
Textile	-5.4	-2.6	-285	-0.2	-525
Unallocated	-	-	-	-	-
<b>Total</b>	<b>26.7</b>	<b>15.5</b>	<b>1,115</b>	<b>23.5</b>	<b>320</b>

Source: Company/ Motilal Oswal Securities

**Operating performance in line with expectation**

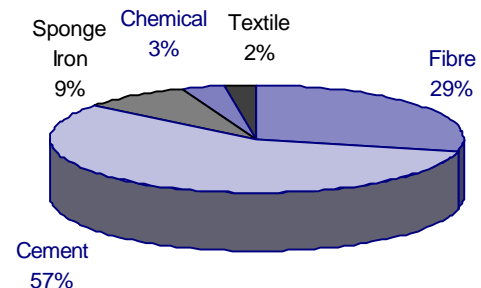
While Grasim’s core businesses – cement and VSF – witnessed robust performance, its sponge iron and chemicals businesses performed better than expected. Operating margins expanded 980bp YoY, driven by higher realizations in cement and VSF, and improvement in sponge iron and chemicals. Margin expansion coupled with higher other income (up 191% YoY to Rs444m) drove 154% growth in PAT to Rs4.1b.

On a consolidated basis, Grasim’s revenues grew 46% YoY to Rs36.9b, primarily driven by 53% growth in cement revenues and 39% growth in VSF revenues. Consolidated PAT grew 184% YoY to Rs5.6b.

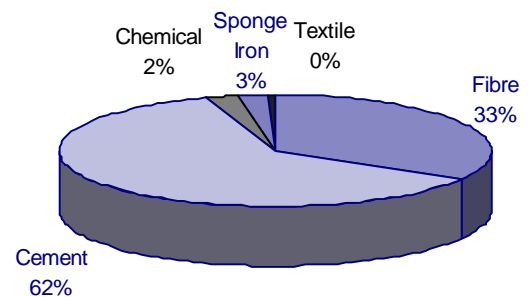
**Cement and VSF businesses drive revenue growth...**

Net sales grew 38% YoY to Rs22.8b, driven by 52% growth in cement revenues (5% volume and 49% realization growth) and 26% growth in VSF revenues (24% realization

REVENUE MIX



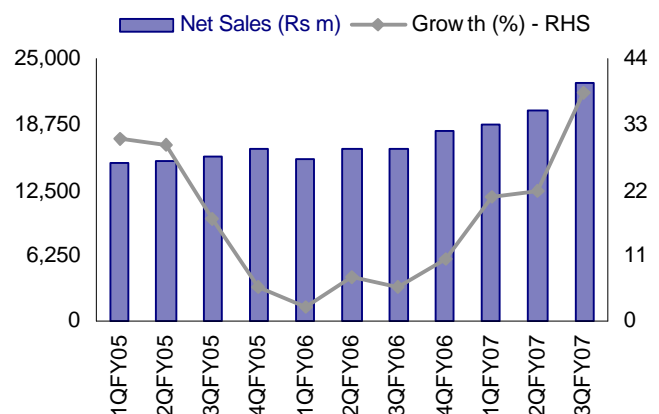
PBIT MIX



Source: Company/Motilal Oswal Securities

growth). Sponge iron business witnessed improvement in performance, with revenue growth of 47% (50% volume and 6% realization growth). However, the chemicals business continued to be impacted due to shutdown of captive power plant, resulting in 17.5% YoY decline in sales (~34% decline in volumes and 11.6% increase in realizations).

TREND IN NET SALES



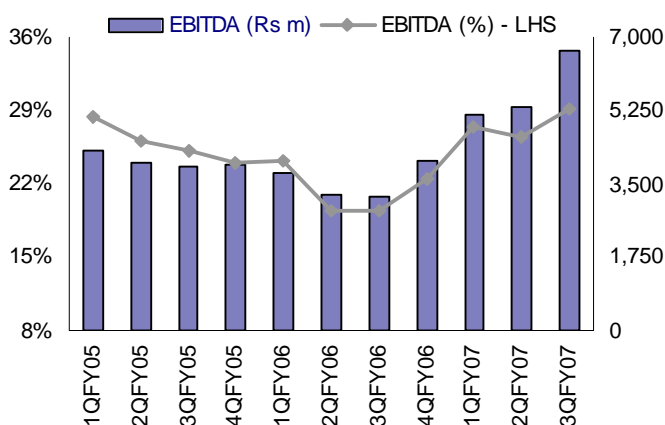
Source: Company/Motilal Oswal Securities

### ...as well as margin expansion

EBITDA grew 109% YoY to Rs6.7b, leading to 980bp margin expansion to 29.2%. Margin expansion was restricted by cost push in cement business (higher fuel & freight cost), VSF business (increase in pulp and caustic soda prices) and chemicals business (impacted by captive power plant shutdown).

Margin expansion was driven by higher realizations (up 49%) in cement business, where PBIDT margins improved by 12pp (to 33%); the VSF business saw margin expansion of 10.4pp (to 34.5%), led by 24% improvement in realizations. Also, sponge iron business performance improved (PBIDT margins of 12.8% v/s 2.5% in 3QFY06) due to higher volumes (up 50%) and realizations (up 5.6%).

#### TREND IN EBITDA



Source: Company/Motilal Oswal Securities

Margin expansion coupled with higher other income driven by treasury (up 191% YoY to Rs444m) enabled 154% PAT growth to Rs4.1b. Consolidated PAT for the quarter grew 184% YoY to Rs5.6b, on account of sharp improvement in operating performance of UltraTech Cement (PAT growth of 574% to Rs2.1b) and Shree Digvijay Cement (PAT growth of 189% to Rs184m).

### Segment-wise performance

#### VSF division: price hikes boost realizations and margins

The VSF division's 3QFY07 revenues grew 25.6% YoY to Rs6.5b, primarily driven by a Rs6/Kg (~7.2% QoQ) price

hike at the beginning of the quarter. However, volumes grew by a marginal 1.6% to 67,061 ton, as the company is currently operating at 103% utilization. Strong demand from both domestic and exports segment has enabled the company to increase price during the quarter, for the sixth time in the last six quarters. On account of higher realizations, operating margins improved by 10.4pp YoY to 34.5%, despite 12% increase in pulp prices and 25% increase in caustic soda prices.

#### VSF DIVISION PERFORMANCE

	3QFY07	3QFY06	% YOY	2QFY07	% QOQ
Production (ton)	68,784	61,862	11.2	65,083	5.7
Sales volume (ton)	67,061	66,025	1.6	63,119	6.2
Net Turnover (Rs m)	6,470	5,152	25.6	5,596	15.6
Avg Realiz. (Rs/ton)	90,389	72,816	24.1	83,279	8.5
PBIDT (Rs m)	2,233	1,242	79.8	1,743	28.1
PBIDT Margin (%)	34.5	24.1		31.1	

Source: Company/Motilal Oswal Securities

Demand for VSF is expected to grow based on strong demand from the Indian textile industry post quota. Also, the company is taking initiatives to introduce VSF based non-woven products in the domestic market and is focusing on high-value niche fibers, Modal and Excel. Grasim is enhancing its VSF capacity from the current 266,450 ton to 315,725 ton by FY08. Strong VSF demand supported by firm prices (despite fall in competing fiber prices) augurs well for the VSF business. Margins are likely to remain firm, despite rise in pulp prices, based on Rs2/Kg price increase in January 2007.

#### Cement division: strong realizations on both YoY and QoQ basis

Cement business revenues grew 52% YoY (to Rs12.7b); PBIDT grew 140% YoY (to Rs4.2b), driven by significant improvement in gray cement realizations (up 49% YoY and 3.4% QoQ). While gray cement volumes grew by 5.4% to 3.7m ton, with realizations of Rs2,918/ton, white cement volumes and realizations were up 3.4% and 5.9%, respectively. To a certain extent, the impact of higher realizations was nullified by cost push (in the form of higher fuel and freight cost), resulting in PBIDT margins of 33% (up 12.1pp).

## CEMENT DIVISION PERFORMANCE

	3QFY07	3QFY06	% YOY	2QFY07	% QOQ
<b>A. Grey Cement</b>					
Production (m ton)	3.7	3.49	5.2	3.31	10.9
Sales volume (m ton)	3.7	3.53	5.4	3.38	10.1
Net Turnover (Rs m)	11,755	7,605	54.6	10,496	12.0
Avg Realiz. (Rs/ton)	2,918	1,959	49.0	2,822	3.4
<b>B. White Cement</b>					
Production (ton)	91,722	97,377	-5.8	92,766	-1.1
Sales Volume (ton)	93,571	90,474	3.4	90,253	3.7
Net Turnover (Rs m)	993	778	27.6	916	8.4
Avg Realiz. (Rs/ton)	6,456	6,097	5.9	6,614	-2.4
PBIDT (Rs m)	4,203	1,748	140.4	3,560	18.1
PBIDT Margin (%)	33.0	20.9		31.2	

Source: Company/Motilal Oswal Securities

Grasim is likely to have muted volume growth of around 4-5% until its new capacity comes on-stream (in October 2007). Cement prices are likely to remain firm, resulting in strong operating performance for the company. Also, Grasim is taking initiatives to control cost by improving the rail-road mix, increasing blending and setting-up captive power plants.

### Sponge iron division: strong volume growth

The sponge iron division witnessed improvement in performance, led by strong volume growth of 50% (to 1,47,339 ton) and 5.6% YoY improvement in realizations (to Rs12,344/ton). Adjusted for low value non-moving stock sold during the quarter, actual realizations were higher by 12%. Higher prices led to higher volumes, driven by higher use of alternate fuels like naphtha and propane. As a result, PBIDT margins for the division improved by 10.3pp to 12.8%.

## SPONGE IRON DIVISION PERFORMANCE

	3QFY07	3QFY06	% YoY	2QFY07	% QoQ
Production (ton)	116,996	90,972	28.6	113,567	3.0
Sales Volume (ton)	147,339	98,440	49.7	110,933	32.8
Net Turnover (Rs m)	1,952	1,329	46.9	1,408	38.7
Avg Realiz. (Rs/ton)	12,344	11,694	5.6	12,354	-0.1
PBIDT (Rs m)	250	33	657.6	54	363.0
PBIDT Margin (%)	12.8	2.5		3.8	

Source: Company/Motilal Oswal Securities

Grasim's sponge iron business is likely to continue performing poorly, as its operating cost per ton is much higher due to poor raw material linkages. Although sponge iron realizations are expected to remain stable, due to inflated cost structure, Grasim's sponge iron division will continue to operate at break-even levels.

### Mega expansion plan in cement, with a capital outlay of Rs63.4b

Grasim has announced a capex of Rs63.6b in cement (Rs36.6b in Grasim and Rs27b in Cemco) to expand its cement capacity by 13.5m ton, set up captive power plant and modernize and de-bottleneck all plants. Post-expansion, Grasim's standalone capacity will increase from 14m ton to 23.5m ton (single largest capacity) by the end-FY08. On a consolidated basis, the AV Birla group will have a direct control of 46m ton of capacity.

### Revising estimates upwards

We are upgrading our consolidated EPS estimate for FY08 by 1.6% to Rs234.5, to factor in higher VSF realizations. We have lowered our cement price hike assumption from Rs7.5/bag QoQ in 4QFY07 to Rs5/bag, as we believe that the recent customs duty cut would delay the price hikes by a month. However, the impact of lower cement price hikes would be diluted by an increase in VSF prices. Therefore, we are keeping our FY07 EPS estimate intact.

### Valuation and view

With outlook on both of its core businesses (cement and VSF) being positive, Grasim should report impressive earnings growth in FY07. Being the largest cement player, Grasim would be biggest beneficiary of any further price increase in cement prices. Valuations at 12x FY08E EPS and 7.5x EV/EBITDA are attractive for the largest cement player in the industry. We are revising our price target to Rs3,050 (~13x FY08E EPS), in line with earnings upgrade. **Maintain Buy.**

## Grasim Industries: an investment profile

### Company description

Grasim is a diversified company, with cement and VSF being its core businesses, accounting for 60.4% and 23.1% of FY06 revenue. Its other businesses include sponge iron, chemicals and textiles. The acquisition of UltraTech Cement, the cement division of L&T, by Grasim catapulted it to number one position in the Indian cement industry, with total capacity under control of 31m ton.

### Key investment argument

- Being the largest player, with total capacity of 31m ton (existing capacity) under control and highest organic growth visibility, Grasim would be the biggest beneficiary of any further increase in cement prices.
- Global leader in VSF business, with backward integration in pulp, experiencing robust demand in both global and domestic markets.

### Key investment risks

- Cement sector is likely to add huge capacities in coming year, which could result in significant softening in cement prices.
- Softening in prices of competing fibers (cotton & PSF) could put pressure on VSF prices.

#### COMPARATIVE VALUATIONS

		GRASIM	ACC	GACL
P/E (x)	FY07E	13.4	17.3	14.4
	FY08E	12.0	13.1	11.2
P/BV (x)	FY07E	3.9	6.2	6.7
	FY08E	3.0	4.5	4.9
EV/Sales (x)	FY07E	2.5	3.3	3.8
	FY08E	2.3	2.7	3.1
EV/EBITDA (x)	FY07E	8.5	12.1	10.1
	FY08E	7.5	8.5	7.3

#### SHAREHOLDING PATTERN (%)

	DEC.06	SEP.06	DEC.05
Promoter	25.1	25.1	25.0
Domestic Inst	20.9	22.3	23.6
Foreign	37.8	36.1	34.5
Others	16.2	16.5	16.9

### Recent development

- Doubling VSF capacity in Chinese JV from 30,000 tpa to 60,000 tpa by December 2007.

### Valuation and view

- The stock quotes at 12x FY08E EPS and 7.5x EV/EBITDA.
- Grasim will be one of the biggest beneficiaries of the current upturn in cement prices. We expect the company to continue posting robust earnings growth. We maintain **Buy** with target price of Rs3,050 (~13x FY08E EPS).

### Sector view

- Volume expected to grow by 9-10%, driven by continuous momentum in housing and infrastructure projects.
- Improved demand-supply dynamics due to limited capacity addition in previous years. However, greenfield capacity addition could disturb the tight demand-supply scenario.
- Near-term outlook for the sector remains positive but longer-term prospects will be determined by the sector's allocation of cash flow.

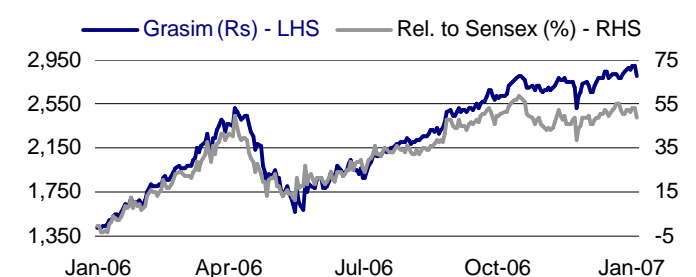
#### EPS: MOST FORECAST VS CONSENSUS (RS)

	MOST FORECAST	CONSENSUS FORECAST	VARIATION (%)
FY07	208.7	183.4	13.8
FY08	234.5	222.5	5.4

#### TARGET PRICE AND RECOMMENDATION

CURRENT PRICE (RS)	TARGET PRICE (RS)	UPSIDE (%)	RECO.
2,805	3,050	8.7	Buy

#### STOCK PERFORMANCE (1 YEAR)





CONSOLIDATED INCOME STATEMENT						(Rs Million)				
Y/E MARCH	2005	2006	2007E	2008E	2009E					
<b>Net Sales</b>	<b>92,917</b>	<b>101,919</b>	<b>133,108</b>	<b>147,410</b>	<b>157,277</b>					
Change (%)	23.8	9.7	30.6	10.7	6.7					
Total Expenditure	72,645	81,138	94,055	10,939	110,730					
<b>EBITDA</b>	<b>20,272</b>	<b>20,781</b>	<b>39,054</b>	<b>45,471</b>	<b>46,547</b>					
Margin (%)	21.8	20.4	29.3	30.8	29.6					
Depreciation	5,562	5,631	5,372	6,584	7,672					
<b>EBIT</b>	<b>14,709</b>	<b>15,150</b>	<b>33,682</b>	<b>38,888</b>	<b>38,875</b>					
Int. and Finance Charges	2,846	2,122	1,888	1,831	1,830					
Other Income - Rec.	2,452	2,524	2,072	1,777	1,846					
<b>PBT &amp; EO items</b>	<b>14,316</b>	<b>15,552</b>	<b>33,866</b>	<b>38,834</b>	<b>38,892</b>					
Change (%)	36.4	8.6	117.8	11.7	0.1					
Extra Ordinary items	-1,281	41	0	0	0					
<b>PBT but after EO items</b>	<b>13,035</b>	<b>15,593</b>	<b>33,866</b>	<b>38,834</b>	<b>38,892</b>					
Tax	4,421	4,027	10,925	12,657	12,697					
Tax Rate (%)	33.9	25.8	32.3	32.6	32.6					
<b>Reported PAT</b>	<b>8,614</b>	<b>11,566</b>	<b>22,941</b>	<b>26,176</b>	<b>26,194</b>					
<b>PAT Adj for EO items</b>	<b>9,461</b>	<b>11,536</b>	<b>22,941</b>	<b>26,176</b>	<b>26,194</b>					
Change (%)	22.0	2.19	98.9	11.1	0.1					
Margin (%)	10.2	11.3	17.2	17.8	16.7					
Less: Minority Interest	-190	1,160	3,806	4,676	5,117					
<b>Consolidated PAT</b>	<b>9,651</b>	<b>10,376</b>	<b>19,135</b>	<b>21,501</b>	<b>21,077</b>					
Change (%)	26.9	7.5	84.4	12.4	-2.0					

RATIOS					
Y/E MARCH	2005	2006	2007E	2008E	2009E
<b>Basic (Rs)</b>					
<b>EPS</b>	<b>105.3</b>	<b>113.2</b>	<b>208.7</b>	<b>234.5</b>	<b>229.9</b>
Cash EPS	162.0	172.3	272.8	309.9	282.8
BV/Share	445.7	527.7	713.5	925.3	1132.4
DPS	16.5	20.0	20.0	20.0	20.0
Payout (%)	18.3	18.4	9.1	8.0	8.0
<b>Valuation (x)</b>					
P/E		24.8	13.4	12.0	12.2
Cash P/E		16.3	10.3	9.1	9.9
P/BV		5.3	3.9	3.0	2.5
EV/Sales		3.3	2.5	2.3	2.0
EV/ EBITDA		15.9	8.5	7.5	7.0
Dividend Yield (%)		0.7	0.7	0.7	0.7
<b>Return Ratios (%)</b>					
RoE	23.6	21.4	29.2	25.3	20.3
RoCE	21.4	20.7	36.7	32.7	30.8
<b>Working Capital Ratios</b>					
Debtor (Days)	28	21	27	26	26
Asset Turnover (x)	1.0	1.0	1.1	1.0	1.0
<b>Leverage Ratio</b>					
Debt/Equity (x)	1.0	0.8	0.5	0.5	0.3

CONSOLIDATED BALANCE SHEET						(Rs Million)				
Y/E MARCH	2005	2006	2007E	2008E	2009E					
Equity Share Capital	917	917	917	917	917					
Reserves	39,943	47,459	64,508	83,923	102,914					
<b>Net Worth</b>	<b>40,859</b>	<b>48,376</b>	<b>65,425</b>	<b>84,840</b>	<b>103,831</b>					
Loans	39,339	36,833	31,882	39,500	28,500					
Deferred liabilities	11,793	11,583	11,451	12,092	12,775					
Minority Interest	5,002	5,136	8,942	13,617	18,734					
<b>Capital Employed</b>	<b>96,993</b>	<b>101,927</b>	<b>117,700</b>	<b>150,049</b>	<b>163,840</b>					
Gross Block	111,116	114,836	127,965	159,890	175,760					
Less: Accum. Deprn.	50,181	55,160	54,323	60,094	67,766					
<b>Net Fixed Assets</b>	<b>60,935</b>	<b>59,676</b>	<b>73,641</b>	<b>99,796</b>	<b>107,994</b>					
Capital WIP	2,053	4,480	5,815	7,370	2,500					
Investments	7,690	13,521	14,005	18,692	28,469					
Goodwill	19,577	17,728	17,728	17,728	17,728					
<b>Curr. Assets</b>	<b>23,971</b>	<b>26,185</b>	<b>33,049</b>	<b>36,207</b>	<b>39,784</b>					
Inventory	10,567	11,645	13,418	14,878	15,857					
Account Receivables	7,232	5,908	9,903	10,406	11,142					
Cash and Bank Balance	1,635	2,374	2,528	3,216	4,555					
Others	4,537	6,259	7,200	7,706	8,230					
<b>Curr. Liability &amp; Prov.</b>	<b>17,233</b>	<b>19,663</b>	<b>26,539</b>	<b>29,744</b>	<b>32,634</b>					
Account Payables	8,982	11,382	20,181	22,176	23,563					
Other Liabilities	5,209	5,003	2,661	2,740	2,768					
Provisions	3,043	3,277	3,698	4,828	6,303					
<b>Net Current Assets</b>	<b>6,738</b>	<b>6,523</b>	<b>6,510</b>	<b>6,463</b>	<b>7,150</b>					
<b>Appl. of Funds</b>	<b>96,993</b>	<b>101,927</b>	<b>117,700</b>	<b>150,049</b>	<b>163,840</b>					

CONSOLIDATED CASH FLOW STATEMENT						(Rs Million)				
Y/E MARCH	2005	2006	2007E	2008E	2009E					
OP/(Loss) before Tax	25,274	20,914	42,860	50,147	51,664					
Interest/Dividends Recd.	2,452	2,524	2,072	1,777	1,846					
Direct Taxes Paid	1,047	-4,237	-11,057	-12,017	-12,014					
(Inc)/Dec in WC	-1,881	954	167	735	652					
<b>CF from Operations</b>	<b>26,892</b>	<b>20,155</b>	<b>34,042</b>	<b>40,643</b>	<b>42,148</b>					
EO Items	1,281	-41	0	0	0					
<b>CF from Op. incl EO</b>	<b>25,611</b>	<b>20,197</b>	<b>34,042</b>	<b>40,643</b>	<b>42,148</b>					
(inc)/dec in FA	-36,368	-6,798	-20,672	-34,293	-11,000					
(Pur)/Sale of Investments	-1,861	-3,981	-485	-4,687	-9,777					
<b>CF from Investments</b>	<b>-38,229</b>	<b>-10,780</b>	<b>-21,157</b>	<b>-38,980</b>	<b>-20,777</b>					
Issue of Shares	-2,128	-1,929	-3,806	-4,676	-5,117					
(Inc)/Dec in Debt	18,687	-2,506	-4,951	7,618	-11,000					
Interest Paid	-2,846	-2,122	-1,888	-1,831	-1,830					
Dividend Paid	-1,735	-2,121	-2,086	-2,086	-2,086					
<b>CF from Fin. Activity</b>	<b>11,978</b>	<b>-8,678</b>	<b>-12,730</b>	<b>-975</b>	<b>-20,033</b>					
<b>Inc/Dec of Cash</b>	<b>-640</b>	<b>739</b>	<b>154</b>	<b>688</b>	<b>1,338</b>					
Add: Beginning Balance	2,275	1,635	2,374	2,528	3,216					
<b>Closing Balance</b>	<b>1,635</b>	<b>2,374</b>	<b>2,528</b>	<b>3,216</b>	<b>4,555</b>					

E: MOST Estimates

**N O T E S**



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**Disclosure of Interest Statement**

**Grasim Industries**

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|---|----|
| 1. Analyst ownership of the stock                       | No |
| 2. Group/Directors ownership of the stock               | No |
| 3. Broking relationship with company covered            | No |
| 4. Investment Banking relationship with company covered | No |

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