INDIAN RAYON AND INDUSTRIES LIMITED

Performance Update

For the half year ended 30th September, 2001

UNAUDITED FINANCIAL RESULTS (PROVISIONAL)
FOR THE QUARTER ENDED 30TH SEPTEMBER, 2001

(Rs. in Crores)

	Quarter Ended 30th Sept.			Half Year Ended 30th Sept.			For the Year ended 31st March, 2001 (Audited)
	2001	2000	% Change	2001	2000	% Change	
Sales	403.84	392.28	3%	781.15	735.66	6%	1,525.95
Less: Excise Duty	40.72	28.85		75.90	52.84		109.76
Net Sales/Income from Operations	363.12	363.43	0%	705.25	682.82	3%	1,416.19
Other Income	8.60	6.75		15.99	15.88		31.73
Total Income	371.72	370.18		721.24	698.70		1,447.92
Total Expenditure:							
(Increase)/Decrease in Stock in Trade	(4.37)	(6.10)		(14.23)	(16.04)		(6.45)
Consumption of Raw Materials, etc.	166.19	169.31		327.04	327.60		648.28
Staff Cost	32.10	31.56		62.11	60.59		118.51
Other Expenditure	116.54	116.68		231.97	217.24		457.38
Interest and Other Finance Expenses	15.45	20.18		31.49	40.08		74.69
Profit Before Depreciation, Royalty & Tax	45.81	38.55	19%	82.86	69.23	20%	155.51
Royalty to Wholly-owned Subsidiary	2.42	2.29		4.88	4.15		8.26
Depreciation and Amortisation	18.38	17.64		36.66	35.85		73.08
Profit Before Tax	25.01	18.62	34%	41.32	29.23	41%	74.17
Provision for Current Tax	1.62	1.44		2.65	2.22		5.65
Net Profit After Current Tax	23.39	17.18	36%	38.67	27.01	43%	68.52
Provision for Deferred Tax (Refer Note - 2)	8.27	5.80		13.64	8.08		
Net Profit	15.12	11.38	33%	25.03	18.93	32%	68.52
Paid up Equity Share Capital (Face Value of Rs. 10 each)	59.88	59.88		59.88	59.88		59.88
Reserves Excluding Revaluation Reserve	-	-		-	-		1,082.79
Basic and Diluted Earning Per Share (Not annualised) (Rs.)							
Before Deferred Tax	3.91	2.87		6.46	4.51		11.44
After Deferred Tax	2.53	1.90		4.18	3.16		-
Cash Earning	6.98	5.81		12.58	10.50		23.65
Aggregate of Non-Promoter Shareholding							
Number of Shares				43,747,563	45,202,583		43,903,555
Percentage of Shareholding				73.07%	75.50%		73.34%

Notes:

1 PSI Data Systems Ltd. in which the Company has acquired 70.35% of its equity share capital (including 20% through open offer) at a price of Rs. 186.80 per share aggregating to Rs. 99.22 crores, has become subsidiary of the Company with effect from 24th October, 2001.

2 As per Accounting Standard 22 relating to "Accounting for Taxes on Income"(made mandatory during the year) the Company has made provision for deferred tax liability. The cumulative deferred tax liability of Rs. 76.14 crores upto 31st March, 2001 will be adjusted against the revenue reserves at the time of preparing the annual accounts. However, for better comparison, corresponding quarter and half yearly figures of previous period have been recasted.

3 A fire took place on 4th September, 2001 at one of the godowns of Madura Garments at Bangalore destroying finished goods etc. As against the loss of Rs. 3.50 crores, the Company expects to receive insurance claim atleast to the extent of Rs. 3.25 crores (included in other income).

4 As disposal of assets in respect of "Sea Water Magnesia Business" are still to be completed, net surplus as may eventually arise (amount presently not ascertainable) will be accounted at the year end/completion thereof. The management does not expect any deficit on final disposal.

5 Previous year/period figures are regrouped/rearranged wherever necessary.

6 The above results have been taken on record at a meeting of the Board of Directors held on 30th October, 2001 and results for the half year ended 30th September, 2001 have been reviewed by the Auditors of the Company.

For and on behalf of Board of Directors

Place: Mumbai
Date: 30th October, 2001.

B.L.SHAH
Director

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An Aditya Birla Group Company

Dear Shareholders,

It gives me great pleasure to share with you the performance of your Company for the first six months of the current financial year and the outlook for its key businesses going forward.

Macro Environment Not Conducive

As you are aware, the Indian economy is going through a tough phase. The slump, on the industrial front has led to an erosion of consumer confidence. Deepening recessionary pressures in the U.S, which have impacted the global economy, have further compounded the problem. Its spill over impact on the Global economy as a whole cannot be underscored.

Moving over to your company's performance, your company reports a growth of 3% in revenues. While this may seem modest, we are delighted to record a net profit of Rs. 38.6 crores (before deferred taxes), up by an impressive 43% year on year. However, consequent to the provision of Rs. 13.6 crores made on account of the newly introduced deferred tax, the net profit for the half-year stands at Rs.25.0 crores. We would like to clarify that the deferred tax provision is only a book entry involving no financial outgo immediately. The actual liability will arise only in future depending on the profitability of the company and other tax incentives available to it.

Your management's focus on strengthening efficiencies and margins, besides lower interest charges, helped in attaining such an encouraging result during this period.

This performance assumes greater significance considering the extremely challenging environment that prevailed in the economy and accros key businesses of your Company. In such a milieu, I do hope you find the results impressive.

Financial Highlights

Before I dwell upon the performance of individual businesses and their outlook, I would like to brief you on the details of financial performance for the period under review.

Rs. Crores	*1HFY'02*	*1HFY'01*	**Change**
Net Sales and Income from Operations	705.3	682.8	3%
Other Income	16.0	15.9	1%
Total Expenditure	611.8	593.5	3%
Interest	31.5	40.1	(-)21%
Depreciation	36.7	35.9	2%
Profit Before Tax	41.3	29.2	42%
Provision for Current Tax	2.7	2.2	20%
Provision for Deferred Tax	13.6	8.1	70%
Net Profit	25.0	18.9	32%
EPS for the period (Rs.)	8.3	6.3	32%

Highlights

Let me elaborate on the financial highlights of your Company before focussing on the divisional performance.

- Net revenues at Rs.705.3 crores have gone up by 3% YoY during the first half of the current financial year (1HFY'02) on the back of positive growth from Garments, Rayon and Carbon Black.
    - Garment clocked in net revenues of Rs. 178.2 crores showing a rise of 9% on YoY basis in spite of weak consumer sentiments.
    - Benefiting from higher export volumes and realisations, Rayon division too registered an impressive revenue growth of 18% at Rs.145.1 crores.
    - Carbon Black business is up by 11% with revenues of Rs.133.8 crores. Better realisations compensated the volume loss.
    - In the Insulator business, sales have declined by 9% due to the sluggish off-take in exports on the back of higher realisations emanating from a change in product mix towards higher value products.
    - In Textiles, performance was affected consequent to the prolonged global recession.
- Other income includes Rs.3.25 crores accruing out of an insurance claim, pertaining to the fire at Madura Garments warehouse in September 2001. Investment income otherwise has reduced since we have invested our surplus funds in the Life Insurance venture.

- Interest charges are substantially lowered from Rs.40.1 crores to Rs.31.5 crores as a result of part repayment of debt, restructuring of high coupon debentures and the benefit of lower interest rates.

- Reflecting improved operating performance and lower interest charges, pre tax profits have risen from Rs.29.2 crores in 1HFY'01 to Rs.41.3 crores in 1HFY'02 – showing a excellent growth of 42%.

- As per the Accounting Standard 22 relating to " Accounting for Taxes on income" your Company has made a provision of Rs.13.6 crores towards deferred tax liability. The cumulative deferred tax liability of Rs. 76.1 crores up to 31st March 2001 will be adjusted against the Revenue reserves, at the time of preparing the annual account. For the purpose of comparison, the corresponding figure of the previous period has been recasted.

- Your company has thus reported a net profit of Rs.25.0 crores in 1HFY'02, which is 32% higher compared to corresponding period of the last year.

Another Milestone Year, Strategically

It was another milestone year for your Company, strategically. Your Company decided to foray into the high growth software sector, as part of a well crafted strategy to balance business portfolio through its presence in the Service and Branded sectors. This also gives an opportunity to deploy surplus funds in growth-oriented businesses since our traditional businesses, which are generating profits, provide limited growth opportunities. In this regard as you know, your company acquired Madura Garments in early 2000 and forayed into the insurance sector through the setting up of a joint venture last year. Given that in the service sector the software business offers high growth potential, your company decided to acquire PSI Data Systems Limited.

Your Company picked up a 50.35% stake in PSI from Groupe Bulls S.A., France and an additional 20% stake through an open offer, in line with regulatory requirements. Your Company has invested a sum of Rs.99.2 crores towards the 70.35% stake in PSI, which was funded through internal accruals. The acquisition process was completed in October 2001 and your Company has effected the necessary changes in the composition of the Board

Business Review and Outlook

Operationally, it has been a rewarding time for your Company. All of its key businesses have demonstrated notable improvements in asset utilization, internal efficiencies and market performance.

I would now like to brief you on the performance of individual business segments.

Garments

	1HFY'02	*1HFY'01*	*Change*
Sales Volumes (Lac Pcs)			
- Shirts	27.5	25.0	10%
- Trousers	6.9	6.0	15%
Net Turnover (Rs. Crores)	178.2	164.1	9%
Operating Profit * (Rs. Crores)	37.4	30.4	23%
OPM *	21%	19%	
Advertisement Expenses (Rs. Crores)	24.4	18.6	31%
Royalty (Rs. Crores)	4.9	4.1	20%
Operating Profit after Advt. Expenses & Royalty (Rs. Crores)	8.1	7.7	5%

* *Operating Profit before Advertising expenses*

Operational Review

Madura Garments, the garments division of your company, has recorded continued strong performance. Sales volumes grew by 10%, benefiting from a 10% YoY rise in Shirt volumes at 27.5 Lac Pieces and 15% higher Trouser volumes. We attribute this to the excellent performance of your Company's brands in the respective price segments and the rapid expansion of its distribution channels. Importantly, the quick growth of "*Peter England*" and its sub-brand "*Elements*" has contributed significantly towards the positive growth in a weak market environment.

To ensure that Peter England's leadership in the popular segment of the market stands further enhanced, the division embarked on a slew of measures. These included ploughing of substantial resources into the brand towards re-igniting growth through launching of new collections such as "*English Cottons*", expansion of showrooms in large and smaller towns as well as extension of the brand in the trouser segment.

Louis Phillipe, Van Heusen and Allen Solley, our prestigious fashion brands, saw growth far ahead of the industry averages. The focus on design and innovation and the resultant launch of Allen Solley "Indigo Dyed, Doctored Denim" collections, the Louis Phillipe "Harvest" and Van Heusen "Stretch Trousers" collections have contributed significantly towards brand salience. The rapid expansion of the distribution network including the opening of new "Planet Fashions" (3 in India and 2 in the Middle East) and Trouser Towns (one each in Mumbai and Delhi) also boosted performance.

Despite the sluggish demand due to the recession, the negative impact of the levy of excise duty on garments and the delayed festive season, the division has put up a commendable performance. The Diwali festival will happen in November as against October last year. This has resulted in the postponement of seasonal festival purchases by over a month. While it may boost sales during the 2HFY'02, industry growth rates for the first half have been affected.

Reflecting higher volumes and prices with the passing of the additional costs arising out of imposition of excise duty, gross revenues grew by 19% to Rs. 195.2 crores. Net revenues however are up only by 9% to 178.2 crores, due to the impact of fresh excise charges in 1HFY'02. Exports have been extremely encouraging. While branded exports doubled to Rs.10.0 crores, Contract exports rose by 40% YoY to Rs.18.5 crores in 1HFY'02. The revenues could have been higher but for a fire at the Company's main warehouse at Bangalore in September 2001.

Your division's operating margins ascended from 19% to 21% due to an all-round operational improvement in sourcing, manufacturing, distribution and marketing coupled with the benefits of cost reduction efforts and efficient supply chain management. To ensure sustainable volume in today's challenging business environment, your Company had to incur higher promotional charges. Advertisement expenses at Rs.24.4 crores, are higher by 31%. Operating profits after advertisement and royalty charges have grown slightly from Rs. 7.7 crores to Rs. 8.1 crores.

Outlook

The long-term outlook for this business remains exciting due to the changing consumer preference of ready-made garments, life styles and better purchasing power. Along with it, the proliferation of brands and emergence of organized retailing, is expected to yield an average 15% annual growth in industry volumes over the next three to five years. In the short-term, growth may be affected by weakening customer sentiment emanating from the current recession

To grow in revenues and earnings, our intent is to leverage the equity of our brands, strengthen the distribution and shore up on our design development capabilities. Raising the service levels, a high decibel media blitz for the forthcoming festive season is on the anvil. Additionally we will capitalise our exports, riding on the recent acquisition of global brand rights and our excellent relationship with quality conscious global customers.

Internal efficiencies and service levels will be a priority going forward. The benefits of “Project Spark”, and SAP-ERP implementation which will bring in superior stock turnout and lower costs, will make a difference. Cost reduction measures and effecting internal efficiencies will be a priority too.

Simultaneously, towards sustainable growth in the medium term, we will explore entry into new segments, which offer profitable growth opportunities. We are in the process of launching blazers and jackets in multiple brands and price segments. Test-marketing brands in the women’s formal wear segment is to commence shortly.

Our strategy going forward is to remain focused on fashion leadership, brand dominance, retail expansion, supply chain efficiency and human resource development. We are confident that these measures will ensure profitable growth and will create value in future.

Viscose Filament Yarn (VFY)

	1HFY’02	***1HFY’01***	***Change***
Capacity (TPA)	15,000	15,000	-
Production (Tonnes)	7,773	7,753	0%
Total Sales Volumes (Tonnes)	7,997	7,277	10%
- Domestic	6,367	6,387	0%
- Exports	1,630	890	83%
VFY Realisation (Rs./Kg.)	159	144	10%
Turnover (Rs. Crores)	145.1	122.8	18%
- VFY	126.9	105.1	21%
- Chemical	18.2	17.7	3%
PBDIT (Rs. Crores)	35.4	30.9	15%
Operating Margin – Divisional	24%	25%	
– VFY	18%	14%	

Operational Review

Despite the tough environment in the domestic and export markets, the VFY division posted a strong performance. Divisional revenues have gone up 18% YoY to Rs.145.1 crores in 1HFY'02. This is on the back of a 10% growth in sales volumes, which in turn attributed due to an impressive export performance. Export volumes have gone up 83% YoY to 1,630 tonnes benefiting from deeper penetration into the existing markets as well as a successful entry into new markets. A renewed thrust on product quality, superior customer services and benefits of aggressive marketing have led to a substantial increase in export volumes. Domestic volumes have been maintained at 6,367 tonnes, largely because of aggressive marketing and promotional efforts supported by improved quality and distribution network.

Aided by a positive change in the market mix, the rising share of first quality yarn and a change in product mix in favour of value added products; the average realization has grown by 10% from Rs.144/Kg. to Rs.159/Kg. With higher volume and realisation, VFY revenues have risen from Rs.105.1 crores to 126.9 crores, reflecting a growth of 21% YoY.

Your company's chemical business has reported a stable performance. It registered a 3% higher revenues at Rs.18.2 crores, helping the overall business revenues grow by 18% to Rs.145.1 crores in 1HFY'02.

Importantly, business margins have improved from 14% to 18%, on account of improved realisation and tightened cost structure.

Outlook

While the domestic outlook for the VFY sector remains challenging, given the matured demand and continuing competition from cheaper substitute products, topped by the declining fortunes of the textiles sector, exports offer much hope. We expect exports to drive VFY performance even during 2HFY'02.

We also have to reckon with the fact that even after the upturn in the economy is achieved, short-term pressures may continue and that competition will intensify. To offset this pressure, there will be greater need to concentrate on exports. Export prospects remain attractive due to the growing demand in the global markets, as well as the ongoing positive change in fashion trends and above all, the closure and consolidation of VFY capacities in the overseas markets. Given the successful penetration of your company's products into the export markets and growing brand equity, your company is poised to benefit from the favourable change in the global industry environment.

In the forecast environment, your Company's strategy for growth would be to increase its market share through continued focus on product quality and customer service. Simultaneously, deeper penetration into existing export markets and successful entry into new markets will remain a key area. While doing so, we will concentrate our energies on enhancing profitability through improved yield, consumption norms and reduced costs. This will be achieved through better shop floor management practices and premium pricing in core markets. These measures coupled with other revenue enhancing measures like increasing share of first quality, knotless and sliced yarns should improve profitability and strengthen earnings in future.

Carbon Black

	1HFY'02	***1HFY'01***	***Change***
Capacity (TPA)	110,000	110,000	-
Production (Tonnes)	43,374	44,321	(-) 2%
Total Sales Volumes (Tonnes)	43,390	46,214	(-) 6%
- Domestic	35,842	38,295	(-) 6%
- Exports	7,548	7,919	(-) 5%
Average Realisation (Rs./Tonne)	30,839	26,148	18%
Turnover (Rs. Crores)	133.8	120.8	11%
PBDIT (Rs. Crores)	28.6	24.2	18%
OPM (%)	21%	20%	
Operating Profit (Rs./Tonnes)	6,596	5,236	26%

Operational Review

The Carbon Black business has reported satisfactory performance, despite the pressures faced by the automobiles and tyre sectors, locally and globally. Production has been maintained. The Chennai plant, which is cost efficient, operated at full capacity, while production adjustments were made at Renukoot. Domestic sales volumes declined by 6% from 38,295 tonnes to 35,842 tonnes. Exports at 7,548 tonnes are marginally lower vis-a-vis 7,919 tonnes achieved in the earlier year. Reflecting these, the aggregate sales volumes fell by 6% to 43,390 tonnes in 1HFY'02. The fall would have been steeper but for aggressive marketing efforts in the domestic markets and entrenchment into export markets.

Average realisation has gone up 18% YoY to Rs. 30,839 / Tonne in 1HFY'02. Such an increase in the prevailing environment is on account of the rising Carbon Black Feed Stock (CBFS) prices during the second half of the last fiscal, which were borne by customers, and firm price trends that prevailed throughout the first half of current fiscal. Factoring these, divisional revenues have gone up 11% from Rs.120.8 crores to Rs.133.8 crores in 1HFY'02. Divisional margins have also improved from 20% to 21% as a result lower energy costs, better waste heat recovery and improved logistics management.

Outlook

The outlook for the Carbon Black business in the short term is challenging. The listless state of global economies, more pronounced in the US, may adversely influence the automobile sector. The domestic automobile sector is unlikely to be different. Thus, demand for tyres is likely to be under stress in the immediate future. Margins will face pressure as well. The weakening trend in global CBFS prices, which will have a positive impact on the margins of domestic producers, is the only solace.

To spark growth, your Company will strive to raise volumes by increasing the share of exports and reducing dependence on the automobile sector. We are already working on the development of new carbon black grades for novel applications at our research institute – *"Aditya Birla Institute of Fundamental Research"*, which is recognised by Department of Scientific & Industrial Research. On the exports front, our coastal location places us at an advantage and will aid us in the beefing up of exports.

The unmatchable product quality and customer service backed up by a competitive pricing strategy will be our growth levers too. Our relaunched brand *"BIRLA CARBON"* will help enlarge market base complimented by web enabled online businesses. Through these steps, we are hopeful of increasing volumes

Simultaneously, we will focus on better realisations and further tighten costs. The planned introduction of new grades, the rising share of value-added products and the benefits of changing the export-domestic mix will enable a healthy increase in realisations. Improving consumption norms and tightening of distribution costs are ongoing. These measures, in our view, will enable us overcome the industry pressures and post a superior performance.

Insulators

	1HFY'02	***1HFY'01***	***Change***
Capacity (TPA)	34,000	34,000	
Production (Tonnes)	12,559	12,074	4%
Sales Volumes (Tonnes)	9,966	11,712	(-) 15%
- Domestic	6,657	6,667	0%
- Exports	3,309	5,045	(-) 34%
Realisation (Rs./Tonne)	72,446	67,536	7%
Turnover (Rs. Crores)	72.2	79.1	(-) 9%
PBDIT (Rs. Crores)	16.1	10.6	52%
OPM (%)	22%	13%	
Operating Profit (Rs./Tonne)	16,155	9,051	78%

Operational Review

Despite demand pressures in the domestic and exports markets, the Insulator division has demonstrated significant improvement in its performance and profitability during the first half of the current financial year. This is indeed commendable.

Sales volumes declined by 15% from 11,712 tonnes to 9,966 tonnes as exports fell by nearly 34% to 3,309 tonnes in 1HFY'02. Delayed shipments and inspection of goods produced against firm orders by the customers as well as reduced demand from the OEMs and rising competition in the export markets resulted in this decline. Domestic sales volumes have been maintained at around 6,657 tonnes even as the present resource crunch, on-going restructuring of SEBs, delayed new transmission and rural electrification programmes, and the relative slackness in demand from the Original Equipment Manufacturers (OEMs) constricted your company's business.

Divisional revenues, at Rs.72.2 crores are lower by 9% vis a vis. 79.1 crores. Your Company has reported a 7% rise in average realisation at Rs.72,446/Tonne in 1HFY'02, reflecting a shift in the product mix in favour of value added high rating products as well as increasing share of high realisation exports markets.

Importantly, divisional margins have jumped impressively from 13% to 22% in 1HFY'02.This has been primarily because of a significant improvement in recoveries, better efficiencies apart from the positive change in product mix towards high realisation products. Overall profits rose, which is a notable achievement considering the prevailing conditions.

Outlook

The immediate term outlook for the sector is challenging. Our concern stems from the sluggish demand arising out of the poor state of the SEBs, and the state of the domestic and global economy.

In the long term, the outlook seems promising. Our optimism is based on the policy measures announced by the Government and its continuing thrust on revamping and upgrading of Transmission and Distribution systems. The planned national power highway and rural electrification programme will fortify domestic demand. Long-term export prospects are also encouraging as European insulator manufacturers are scaling down production faced with rising costs, especially labour. Global demand is expected to amplify with the increasing inflow of multilateral funds into electrification programmes in the developing nations. In light of these factors we expect superior performance of the insulator business in the medium to long term.

Keeping in mind the long-term prospects and need to overcome immediate term pressures, our focus will be on strengthening efficiencies and lowering rejections to ensure sustained growth in profitability. This will also enable us overcome immediate pressures in the sector.

To overcome competitive pressures and bring in superior volumes, our stress will be on the higher end of the insulator market like equipment porcelains and high rating transmission products. While doing so, we will continue to grow in the lucrative export markets by leveraging our existing relationship with OEMs and getting into new export markets successfully. In this manner, growth in revenues and earnings will be assured.

Textiles

The Textile division was adversely affected by the general economic slowdown. Flax and Synthetic Yarn segments suffered the most with lower volumes and realisations. Exports, which were the thrust area of the division, have been constrained heavily due to the global slowdown resulting in pressure on margins and volumes in an already falling domestic market.

On an encouraging note, the worsted segment was the main contributor to the division, largely from the pronounced emphasis on high value speciality and intermediary products wool top. This enabled it to achieve 26% higher volumes. However, the same has been masked by a disappointing performance of the flax and synthetic segments, volumes of which declined by 22% and 1% respectively. The revenues from the other segments were lower due to the planned downsizing of the less profitable synthetic fabrics. Consequent to these and lower export revenues (down 23% YoY), divisional revenues are lower by 8% to Rs. 159.2 crores in 1HFY'02. Divisional margins slided from 13% to 10% in 1HFY'02 on account of lower economies of scale and subdued realisation.

Going forward, we see continuing pressures on demand and margins. Even in the current environment, we expect strong performance of the worsted segment. Our priority will be on high value speciality yarns, wool top and blended yarns. While ensuring higher volumes, productivity improvements through debottlenecking, removal of imbalances and scaling down of the less profitable synthetic operations, is the route we have chosen as we the move ahead. These, coupled with ongoing improvements in operating efficiencies, cost reduction and better working management will enable us sail through the difficult time and emerge stronger for profitable growth in future.

Conclusion

In sum, all our businesses except Textiles have performed well.

Going forward, the Garments business will grow both in terms of top and bottom line. The VFY business will continue its strong contribution benefiting from enhanced focus on exports and the Insulator business will boost operating profits. The Carbon Black business, however will be closely dependent on global developments in the auto and petroleum product sectors. Finally, we will endeavour to improve the performance of Textiles through cost reduction efforts even under the adverse industry and economic environment.

Despite the expectation of continuing pressures in the domestic economy and prolonged recession in the global markets, we are confident of superior growth.

Our strong fundamentals, our competitive advantages benefiting from strong competitive advantages and a relentless focus on strengthening quality and customer service, optimising costs and the accent on sweating our assets and profitability will see us through.

Before I end, I would like to take this opportunity to record our sincere appreciation for the support extended to us. I look forward to your continued commitment even in future.

Wish you and your family a very happy Diwali and a prosperous New Year ahead.

Yours sincerely,

Adesh Gupta
President and Chief Financial Officer

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Mumbai, 30th October, 2001

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. The actual results could differ materially from those expressed or implied. The important factors that could make a difference to the Company's operations include the global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in 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.

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