INDIAN RAYON

ADITYA BIRLA GROUP

PERFORMANCE UPDATE

For the half year ended 30th September 2002

UNAUDITED FINANCIAL RESULTS (PROVISIONAL) FOR THE QUARTER ENDED 30TH SEPTEMBER, 2002

(Rs. in Crores)

FINANCIAL RESULTS	Quarter Ended 30th Sep 2002	Quarter Ended 30th Sep 2001	Change %	Year to Date 2002	Year to Date 2001	Change %	Year Ended 31st Mar' 02 (Audited)
Sales	449.15	403.84		850.61	781.15		1,551.55
Less: Excise Duty	44.18	40.72		80.36	75.90		143.39
Net Sales/Income from Operations	**404.97**	**363.12**	**12%**	**770.25**	**705.25**	**9%**	**1,408.16**
Other Income	7.47	2.04		8.53	4.20		9.53
Total Income	**412.44**	**365.16**	**13%**	**778.78**	**709.45**	**10%**	**1,417.69**
Total Expenditure:							
Decrease/(Increase) in Stock in Trade	(9.70)	(4.37)		(3.42)	(14.23)		6.13
Consumption of Raw Materials, etc.	191.44	166.19		352.06	327.04		646.02
Staff Cost	35.02	31.88		67.41	61.69		119.74
Other Expenditure	118.22	112.19		225.96	227.38		445.20
Interest and Finance Expenses (Net)	9.79	13.34		22.74	24.58		45.53
Profit Before Depreciation, Royalty & Tax	**67.67**	**45.93**	**47%**	**114.03**	**82.99**	**37%**	**155.07**
Royalty to Wholly-owned Subsidiary	2.77	2.32		4.40	4.59		8.79
Depreciation and Amortisation	18.80	18.38		37.31	36.66		73.54
Profit Before Tax and Exceptional Item	**46.10**	**25.23**	**83%**	**72.32**	**41.74**	**73%**	**72.74**
Voluntary Retirement Cost at Textiles	—	(0.22)		(0.42)	(7.58)		
Surplus on Sale of Assets under Disposal	—	—			—		8.91
Profit After Exceptional Item	**46.10**	**25.01**	**84%**	**72.32**	**41.32**	**75%**	**74.07**
Provision for Current Tax	3.17	1.62		4.98	2.65		5.00
Net Profit After Current Tax	**42.93**	**23.39**	**84%**	**67.34**	**38.67**	**74%**	**69.07**
Provision for Deferred Tax	5.20	8.27		14.53	13.64		25.61
Net Profit	**37.73**	**15.12**	**150%**	**52.81**	**25.03**	**111%**	**43.46**
Paid up Equity Share Capital (Face Value of Rs.10 each)	59.88	59.88		59.88	59.88		59.88
Reserves							1,030.91
Basic and Diluted Earning Per Share (Not annualised) (Rs.)							
Before Deferred Tax	7.17	3.91		11.25	6.46		11.53
After Deferred Tax	6.30	2.53		8.82	4.18		7.26
Cash Earning	10.31	6.98		17.48	12.58		23.82
Aggregate of Non-Promoter Shareholding							
Number of Shares				43,750,822	43,747,563		43,747,447
Percentage of Shareholding				73.07%	73.06%		73.06%

(Rs. in Crores)

SEGMENT REPORTING	Quarter Ended 30th Sep' 02	Half Year Ended 30th Sep' 02	Year Ended 31st Mar' 02 (Audited)
Segment Revenue			
Garments	89.06	167.50	349.88
Rayon (including Caustic & Allied Chemicals)	86.42	167.76	232.26
Carbon Black	80.37	156.84	280.64
Insulators	50.22	94.21	197.08
Textiles (Spun Yarn & Fabrics)	85.40	165.63	307.42
Others	13.50	18.36	41.98
Total Segment Revenue	404.97	770.30	1,409.26
Less : Inter segment revenue	—	(0.05)	(1.10)
Net Sales/Income from operation	**404.97**	**770.25**	**1,408.16**
Segment Results (Profit before Interest and Tax - PBIT)			
Garments	0.21	(2.09)	(7.74)
Rayon (Including Caustic & Allied Chemicals)	24.72	45.73	29.61
Carbon Black	13.67	24.62	45.00
Insulators	10.45	19.41	38.68
Textiles (Spun Yarn & Fabrics)	1.42	3.39	11.09
Others	0.72	0.33	0.33
Total Segment Result	51.19	91.39	116.97
Less: Interest and Finance Expenses (Net)	(9.79)	(22.74)	(45.53)
Add: Net of Unallocable Income/(Expenditure)	4.70	3.67	1.30
Profit Before Tax and Exceptional item	**46.10**	**72.32**	**72.74**
Less: Voluntary Retirement Cost at Textiles			(7.58)
Add: Surplus on Sale of Assets under Disposal			8.91
Profit After Exceptional item	**46.10**	**72.32**	**74.07**
Capital Employed		As on	
(Segment assets - Segment liabilities)		30th Sep' 02	31st Mar' 02
Garments		218.38	226.43
Rayon (Including Caustic & Allied Chemicals)		260.04	284.38
Carbon Black		295.55	303.28
Insulators		121.52	138.51
Textiles (Spun Yarn & Fabrics)		169.95	170.36
Others		24.32	39.11
Total Segment Capital Employed		1089.76	1162.07
Add: Unallocated Corporate assets		397.69	370.60
Total Capital Employed		**1487.45**	**1532.67**

Notes:

1. Under a Scheme of Arrangement filed in Gujarat High Court in terms of Section 391 to 394 of the Companies Act, 1956, the Insulator Business of the Company is proposed to be demerged with effect from 1st August 2002 to Vikram Insulators Pvt. Ltd after obtaining necessary approvals. Pending approval of the scheme, no effect has been given in the accounts of the proposed demerger and the results are prepared as if Insulator Business is part of the company.
2. The Company has entered into a Share Purchase Agreement with Oil and Natural Gas Corporation Limited for sale of 41,012,461 Equity shares of MRPL @ Rs. 2 per share and such sale will be completed only after obtaining the necessary government/statutory approvals. In the event of completion of the sale, the Company will incure a "loss on sale of Investment" of Rs. 56.9 crores, which will be accounted for when the sale is completed.
   "In the event the sale of the aforesaid shares is not completed before end of the current financial year, the Company will determine the decline, other than temporary, in the value of aforesaid shares and, in accordance with past practice, the carrying amount of all long term investment will be adjusted for the decline, other than temporary, at the time of preparation of annual accounts."
3. Previous year figures are regrouped/rearranged wherever necessary.
4. The above results have been taken on record at a meeting of the Board of Directors held on 24th October, 2002 and results for the half year ended 30th September, 2002 have been reviewed by the Auditors of the Company.

24th October 2002
Mumbai

B. L. SHAH
Director

INDIAN RAYON AND INDUSTRIES LIMITED
Regd. Office: Veraval 362266, Gujarat • Web Site: http://www.adityabirla.com

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, the outlook and strategy for its key businesses, going forward.

Splendid performance in a difficult Macro Economic Environment

The economic environment has remained tough, as the hopes of global economic recovery have been belied. In the US, industrial activity has declined. This has had a cascading impact on global markets. Weak capital markets world over also lead to weak consumer sentiments. On the domestic front a near drought after 13 consecutive normal monsoons proved an impediment to growth. These factors affected consumer spending and demand conditions were not favorable.

In such a challenging economic milieu your Company's results are indeed commendable. Revenues and profit have grown substantially, with mixed performance from different businesses. Revenues have grown by 9% to Rs. 770.3 Crores and net profit at Rs. 52.8 Crores is up by 111%.

Focused marketing initiatives, strengthening of efficiencies and margins, besides lower interest charges have been the growth drivers.

Strategic Moves

De-merger of Insulators Division

Your Company is the largest player in Insulators business in India, with a significant competitive advantage in terms of lower cost due to availability of labour and raw materials. To take the Insulators business to new heights both in the domestic markets and globally, it was imperative to develop special high-rated insulators and upgrade the quality and operating efficiencies of your Company's existing products. Such a step would also make the business more profitable. To do so, we have chosen the J.V. route, with NGK as our J.V. partner. NGK the undisputed global leader in this sector has the requisite technology for manufacturing such insulators with mass production machines, besides a strong marketing network world-wide which your Company can leverage.

The Insulators business of the Company is being de-merged to form a Joint Venture with NGK Insulators, Japan and process is underway as scheduled. Both your Company and NGK will have an equal shareholding and Board representation in the J.V. NGK will provide the necessary technical support to your Company starting with the existing products initially. While NGK will be responsible for marketing the products in the export markets, the domestic sales will continue to be handled by your Company.

In a Court convened extraordinary general meeting, shareholders and creditors have already approved the de-merger plan. We are in the process of obtaining regulatory approvals for the de-merger and the formation of the J.V. On completion of de-merger two months results of Insulators Business, which are included in the half-year statement, will be excluded.

Sale of MRPL Shares

Given our intent to exit from our joint venture in MRPL, your Company has entered into a Share Purchase Agreement with Oil and Natural Gas Corporation Limited (ONGC) for the sale of 41,012,461 Equity Shares of MRPL @ Rs.2 per share. The sale will be completed only after obtaining the necessary government / statutory approvals. Your Company will incur a “loss of Rs.56.9 Crores on the sale of investments” which will be accounted for only after the process is over.

Financial Highlights

I would take you through the financial performance in quantitative terms first and then shall dwell on the respective business segments in depth.

Rs. Crores	1H FY'03	1H FY'02	% Change
Net Sales and Income from Operations	770.3	705.2	9
Other Income	8.5	4.2	102
Total Expenditure	646.5	606.4	7
Net Interest	22.7	24.6	(8)
Depreciation	37.3	36.7	2
Profit Before Tax	72.3	41.7	73
Exceptional Items (Net)	—	(0.4)	—
Provision for Current Tax	5.0	2.6	92
Provision for Deferred Tax	14.5	13.7	6
Net Profit	52.8	25.0	111
EPS (Rs.) (Annualised)	17.6	8.4	111

Highlights

Net revenues at Rs.770.3 Crores have gone up by 9% YoY during the first half of the current financial year (1HFY'03) on the back of a positive growth of all the businesses with the exception of the Garments sector.

- As the Garments business faced weak consumer sentiments, its contribution came under pressure. However, the business has retained its market leadership with net revenues at Rs. 167.5 Crores, which is lower by 6%.
- VFY business achieved a record level of plant utilization along with the highest ever first quality yarn production. This has led to higher realizations and enhanced revenues at Rs. 167.8 Crores, up by 16%.
- The recovery in the auto sector demand, aggressive marketing and higher exports facilitated growth in the Carbon Black business, enabling it to push higher volumes. Revenues at Rs. 156.8 Crores soared by 17% over the corresponding period in the previous year.
- In the Insulators business higher sales volumes, a larger share of high value products and improved realizations have grown the sales by a significant 31% to Rs. 94.2 Crores.
- In Textiles business, increased exports resulted in a marginal growth of 4% in revenues to Rs. 165.6 Crores.

Other Income doubled from Rs. 4.2 Crores to Rs. 8.5 Crores, largely on account of dividend income. This dividend income of Rs. 5.2 Crores has been accounted for fully, during the first half as per accounting Standard 25, up until last year, we used to spread the dividend income, over the year on a prorata basis.

Net interest has decreased from Rs. 24.6 Crores to Rs. 22.7 Crores. Interest expenses have declined from Rs.31.5 Crores to Rs. 26.2 Crores due to debt repayments and lower working capital borrowings. Debentures of Rs.59.3 Crores were repaid in July-02. The lower interest rates in the economy also helped. The interest income is lower at Rs. 3.5 Crores vis-à-vis Rs.6.9 Crores, as Rs. 2.6 Crores of interest on IT refunds was received last year.

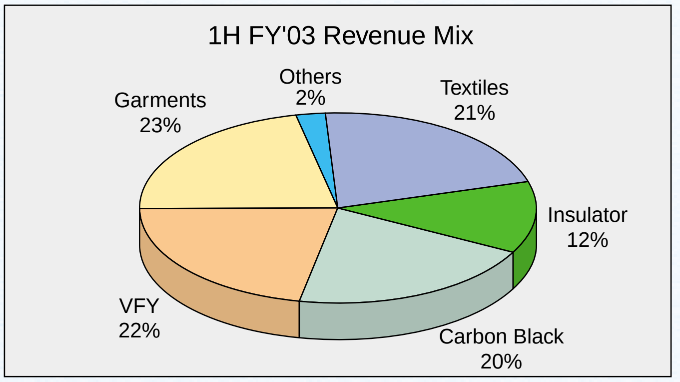
Pre tax profits have risen from Rs.41.3 Crores in 1HFY'02 to Rs.72.3 Crores in 1HFY'03, posting an excellent growth of 73%. This reflects an improved operating performance, higher other income and lower interest charges during the period.

Current tax for the period stands at Rs. 5.0 Crores. A provision of Rs.14.5 Crores has been made towards deferred tax liability.

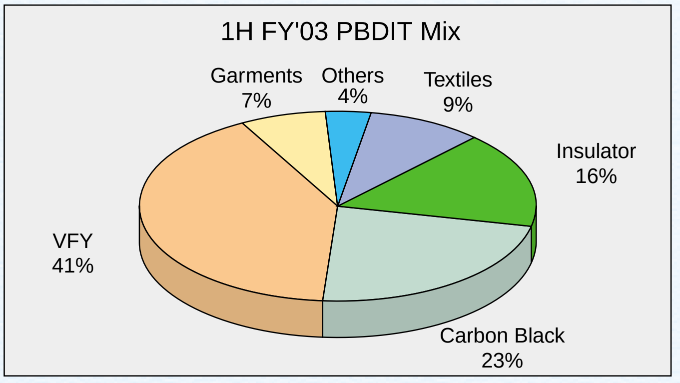
Thus the net profit of your Company is Rs.52.8 Crores in 1HFY'03, which is 111% higher as compared to the corresponding period of the last year.

Business Review and Outlook

Operationally, it has been a very rewarding period for your Company. As mentioned earlier asset sweating, optimizing efficiencies and increasing market penetration has paid off.



The growth momentum has been sustained as you read in the highlights. From the pie chart you will notice the revenue mix. Garments has contributed 23%, VFY – 22%, Carbon Black – 20%, Insulators – 12% and Textiles – 21% to the total revenue.



In line with the growth in revenue, Operating Profits have improved significantly by 27% to Rs. 136.7 Crores with better profitability of VFY, Carbon Black and Insulators. VFY has emerged as the single largest contributor with a 41 percent contribution to operating profits. The rise would have been greater but for the decline in the profitability of Garments and Textiles divisions in a difficult market.

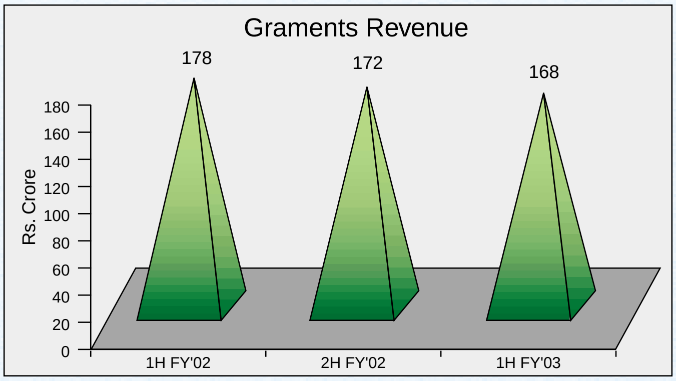
I would now like to brief you on the performance of individual business segments.

Garments

	1H FY'03	1H FY'02	% Change
Volumes (Lac Pieces)	30.8	35.9	(14)
Net Turnover (Rs.Crores)	167.5	178.2	(6)
Operating Profit before Advertisement and Royalty (Rs. Crores)	28.1	37.0	(24)
Operating Margin Before Advertisement and Royalty (%)	16.8	20.7	
Advertisement Expenses (Rs. Crores)	18.5	24.4	(24)
Royalty Expenses (Rs. Crores)	4.4	4.6	(4)
Divisional Operating Profit (Rs. Crores)	5.2	8.0	(35)

Operational Review

Branded apparels faced an extremely difficult market with weak consumer sentiments remaining pronounced. At the same time competition intensified in the domestic market with the mushrooming of number of local labels and an over supply in the market. Competitive pressures were felt across the price bands and were more prominent in low priced popular segments like Peter England. This resulted in heavy discounting, calling for advertisement support for both gestating and gestated brands. Regardless, volumes declined by 14% to 30.8 lac pieces as trade continued to downstock.



The revenue fall was contained to 6% only at Rs. 167.5 Crores, reflecting the rising share of high value added products, the benefits of new product launches and sustained leadership in premium brands. Contract Exports business was maintained with new customers in Europe coming in and from existing customers. Branded exports, remained sluggish as in the previous half year due to poor recovery in those markets.

Operating margins were down from 20.7% to 16.8% in accordance with lower volumes and fall in revenue.

Advertisement expenses, which had been growing year on year, were curtailed by 24% from Rs 24.4 Crores to Rs 18.5 Crores. This was despite the fact that the new initiatives launched during the period required initial support. This has been made possible by effective media planning and buying and curtailing expenditure on popular brands. Thus the advertisement expenses are now only 11.1% of revenue against 13.7% in the corresponding period.

Royalty of Rs.4.4 Crores is payable to your Company's wholly owned subsidiary and is lower in line with lower volumes. Thus, Divisional operating profit declined from Rs 8.0 Crores to Rs 5.2 Crores.

To enrich its market leadership, to grow and to improve operating efficiencies in the light of tougher environment the Division has launched a slew of initiatives. These will lead to future gains. The Allen Solly "Women's Wear" range, test marketed earlier has been extended nationally in September 2002. A new range of international quality suits introduced in the Louis Philippe and Van Heusen brands is receiving encouraging consumer response. A test market in jeans under the San Frisco brand has been kick started in Bangalore. Peter England has successfully brought in a novel range of knitwear T-shirts under the Elements sub-brand. To keep the brands afresh, several new collections were rung in. Among these are "ColourMax" under Louis Philippe, "Corporate Cocktail" and "Worldwear" under the Van Heusen brand. "Purista", "Dazzlers" and "Satin Trousers" under Peter England. We believe these initiatives have substantial potential in the coming years.

To improve upon its operating efficiency, the division opted for the ERP initiative (SAP R3 – Apparel and Footwear solution) in July. This is well in line with the original time plan, and will yield benefits in terms of better control on business and faster response time in the ensuing quarters. These measures should improve operating efficiencies.

The investments made in the brands, have paid off well in establishing the brand equity in the market. This has been reaffirmed by the recent ORG MARG, poll whereby, Allen Solly has been voted, the 'Indian Consumers' 'Choicest Brand' a clear indication of our customer-focused approach. All our key brands were also rated amongst top brands, in men's wear in the same survey.

Outlook

The long-term outlook for this business remains positive due to the changing consumer preference for 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 10-15% annual growth in industry volumes over the next three to five years. In the short-term, growth may be affected by weak customer sentiment

To grow in revenues and earnings, your Company' focus is on consumer responsiveness, continuous innovation, expanding the retail reach and on leveraging the strong brands. The thrust will be on improving profitability of the core brands while building new businesses like womenswear, suits and jeans to maximsie synergy and leverage the brand names profitably. In addition, Contract Exports is estimated to grow.

To ensure that our share of dedicated space remains strong, retail expansion through Planet Fashions and Trouser Towns will be ongoing. Added emphasis is being accorded to improve the shopping experience in the stores through better stock management (for which SAP will certainly help in the "back-end" operations), sleeker visual merchandising and greater investment in the training of the shop staff. In addition, we will continue to expand our business in the Middle East, Bangladesh and Sri Lanka.

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.

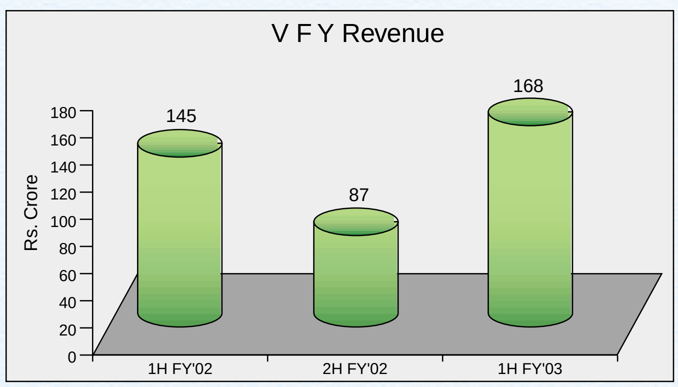
Viscose Filament Yarn (VFY)

	1H FY'03	1H FY'02	Change (%)
Installed Capacity (TPA)	15,000	15,000	
Production (Tonnes)	8,012	7,773	3
Sales Volumes (Tonnes)	8,078	7,997	1
VFY Net Realisation (Rs./Kg)	180	159	13
Net Turnover (Rs. Crores)	167.8	145.1	16
- VFY	145.1	126.9	14
-Caustic Soda and Chlorine	22.7	18.2	25
Divisional Operating Margin(%)	33.3	24.2	

Operational Review

Changing fashion trends and innovative usage of Viscose Filament Yarn has had a very salutary effect on your Company. Naturally the Division en-chased this opportunity, and is back on track. Your Company's endeavour to improve productivity and quality levels has resulted in enhanced capacity utilization and betterment in first quality yarn to the level of 67%. This has enabled it to re-establish its leadership position.

To establish its distinctiveness and to bolster the product delivery among key customer-segments the VFY division re-launched its products, branding it "RAY ONE". This brand symbolizes consistent quality, strength and reliability and customer service. It will help in targeting premium customers and realizing premium pricing. Along side the Division has introduced high modulus yarn.



The VFY business has posted an excellent performance with record production, sales and profits. The plant has operated with 106.8% capacity utilization and production has grown 3% to 8,012 tonnes. Sales volumes are marginally up to 8,078 tonnes. The thrust on quality has resulted in a larger share of 1st quality yarn.

Bringing in superior quality has led to an improvement in average realization by 13% to Rs.180 per Kg. Chlorine realization has improved as well with market trends, bolstering revenues by 16% to Rs. 167.8 Crores.

Operating Margins are up significantly from 24.2% to 33.3%, due to higher capacity utilization/ better economies of scale, larger share of first quality yarn, overall superior realization, tight control over cost and working capital, enhanced shop floor efficiencies, improved working of Chlor Alkali and stable power plant operations.

Outlook

The short-term outlook for the division is positive with changing fashion trends and innovative usages of VFY based products. In the long run the opportunities to fill the void created by rationalization of VFY capacities in several countries are there. Remaining cost competitive in global markets and the ability to penetrate successfully in the exports market will be a challenge for your Company. Direct exports of VFY as well as export by the textile industry of the articles made from VFY – is the route your Company proposes to take to successfully grapple with it.

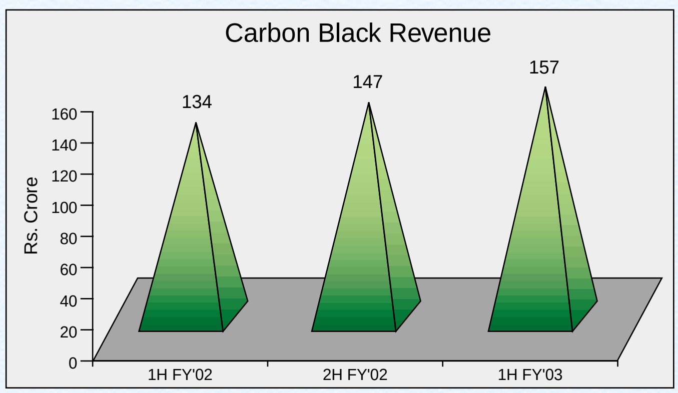
The higher cost of water due to lower rains in the region, rising wood pulp prices and threat of imports from China are areas of concern. Your Company's strategy will be to increase the share of first quality yarn further along with improving overall quality levels. The cost structure will be further tightened with improvements in shop floor efficiency, increasing the capacity of desalination plant to overcome the water crisis and upscaling manpower productivity. On the whole, the division will strive to sustain its performance in the foreseeable future.

Carbon Black

	1H FY'03	1H FY'02	Change (%)
Installed Capacity (TPA)	110,000	110,000	
Production (Tonnes)	55,869	43,374	29
Sales Volumes (Tonnes)	56,783	43,390	31
Realisation (Rs./Ton)	27,621	30,834	(10)
Net Turnover (Rs. Crores)	156.8	133.8	17
Divisional Operating Margins (%)	19.9	21.0	

Operational Review

The Carbon Black Business has reported superior performance with a surge in revenues and margins. An upturn in the auto and tyre sectors, aggressive marketing efforts and proactive pricing strategy have facilitated growth. Leveraging the locational advantage of its Chennai plant, the Division's exports volumes stood enhanced. To improve profitability, initatives were taken for maximum utilisation of production capacity at both the plants, exploring indigenous CBFS, higher utilisation of waste heat by converting it to power and selling to the Grid besides maintaining high quality standards.



The plant utilization was at 101.6%, while production was higher by 29% YoY from 43,374 tonnes to 55,869 tonnes, the highest ever. Similarly, Sales volumes were up by 31% from 43,390 tonnes to 56,783 tonnes. Export volumes were up by 43%. Against the volume growth of 31% Revenues have grown by 17% only to Rs.156.8 Crores due to lower realization. The average realization fell by 10% to Rs. 27,621 per tonne. Carbon Black realization was lower, as the benefit of lower CBFS costs – purchased earlier - were passed on to the customers in the domestic market, as CBFS procurement and manufacture has a lag effect.

The operating margins have marginally declined to 19.9% from 21.0%, because of lower realization and increasing costs. It could be contained because of higher sales volume, a changed sales mix and the benefits accruing from waste heat recovery. A tighter control over input cost and overheads also contributed positively.

The coveted 'Deming Quality Control Award for Operations Business Units' has been bestowed upon Hi-Tech Carbon, Gummidipoondi (Tamil Nadu). It is the second Indian company to be named for this Award. This Award is a validation of your Company's quality standards.

Outlook

The outlook for the Carbon Black is promising, as the auto/tyre sector recovery will improve demand conditions. Higher tyre exports from India will also improve demand for carbon black. In line with increasing crude oil prices - which has inched up sharply in the recent months to the levels of US 30 $ per barrel - CBFS cost may rise.To grow its market share, your Company will continue its focus on quality, customer satisfaction, strengthening its position in both the tyre and non-tyre segments. With regard to the latter, intensive R&D efforts are on, at your Company' Research Centre in Gummidipoondi. Besides capitalizing on the domestic market as a long-term strategy, we will also continue to focus, on exports, leveraging our locational advantage.

Insulators

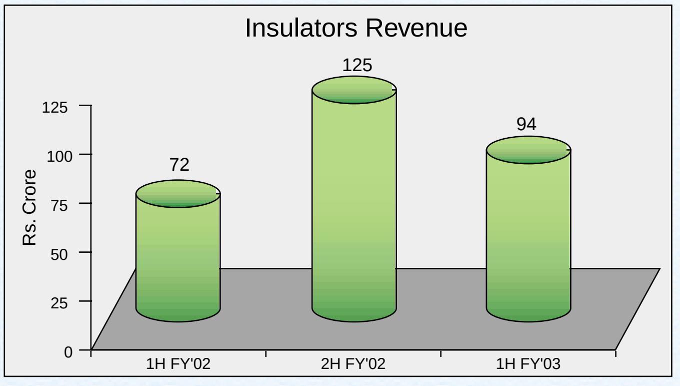
	1H FY'03	1H FY'02	Change (%)
Installed Capacity (TPA)	34,000	34,000	
Production (Tonnes)	11,771	12,559	(6)
Sales Volumes (Tonnes)	12,122	9,966	22
Realisation (Rs./Ton)	77,718	72,416	7
Net Turnover (Rs. Crores)	94.2	72.2	31
Divisional Operating Margins (%)	23.6	22.2	

Operational Review

The Insulator Division has turned in a very smart performance with better realization from high end products and enhanced sales volumes.

Sales volumes have soared 22% from 9,966 tonnes to 12,122 tonnes during the 1H FY'03. Production has marginally fallen by 6% to 11,771 tonnes, given your Company's policy to produce only against firm orders. Both Domestic and exports sales volumes are up by 14% and 32% respectively. Domestic sales have gone up with the domestic power sector gaining momentum coupled with an improved product mix. Exports have been higher with a larger share of value added products.

The Company has taken steps to improve the quality of the products, improving yields, cutting costs and becoming consumer focused. New/ higher rating products are given



impetus with commercial production of Line Post Insulators and trial/tests of other high-end products underway.

Divisional revenues, at Rs. 94.2 Crores are higher by 31% vis a vis. Rs.72.2 Crores. The impact of improved product mix is also reflected in the average realization, which has increased by 7%, with higher increase on exports front. Average realization has increased from Rs. 72,416 /Tonne to Rs.77,718 /Tonne in 1H FY'03.

Divisional operating margins have increased from 22.2% to 23.6% during the 1H FY'03. This has been possible with improvement in operating efficiencies and larger share of high value products.

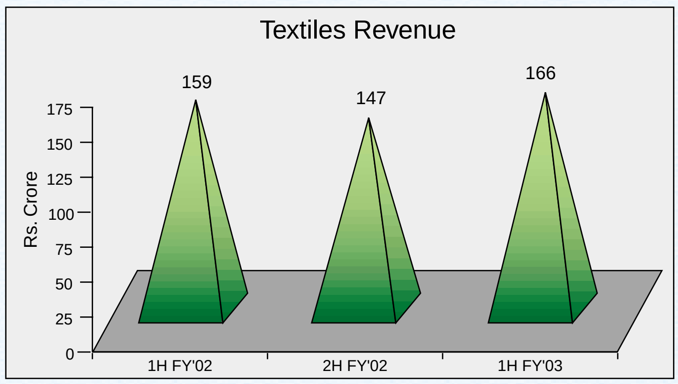
With the recent restructuring of SEB's taking place and due importance being accorded to power sector by the government, Insulator business met an improved environment. Demand conditions have bettered in the domestic market, albeit modestly, with increased activity in Transmission & Distribution sector. Though the market conditions were not very attractive in the lower end product categories, low cost producers for distribution items have mushroomed in recent times. Your Company has been able to pitch itself as a reliable supplier of quality products and producer of high-end insulators. Export demand for high value high rating products has been encouraging. To seize such an opportunity, the Company has further intensified its thrust on high value products and improving yield. The proposed JV with NGK is a step in this direction.

Outlook

The outlook for the insulators business is promising and is closely related to the developments in the power sector. The power sector has estimated adding of 1,00,000 MW of additional power capacity. The associated transmission and distribution infrastructure will bring in significant investments. To cut T&D losses "Transmission Highways" are planned, which will generate demand further for insulators. The overall mode of reforms in the power sector is a move in the positive direction. However, growth projections have been impaired by impending SEB's restructuring and other issues, which need to be addressed.

Our intent is to strengthen our domestic market share with a renewed focus on value added products, namely, equipment porcelain and high-end transmission products. Global markets also offer exciting opportunities for high rating products. Your Company's overall strategy shall be to leverage synergies from the NGK tie-up, to improve quality, yield and share of high value-high rating products in the total basket.

Textiles



Operational Review

In the Textile business, market conditions remain challenging with demand pressures and rising input costs. The Company's Specific thrust on exports and value added products in linen and worsted segments is helping it to perform better.

In volume terms, the total sales of yarn increased by 6% to 7,726 tonnes and revenues grew by 4% to Rs. 165.6 Crores. Export performance at Rs.85.4 Crores, with 28% rise is noteworthy.

Operating margins have declined to 7.8% as higher input cost could be passed only partially to customers. The impact would have been higher but for the benefits of flax modernization-which has started accruing in the second quarter, coupled with the strategy to shift from PV fabrics to linen fabric and thrust on Flame Retardant and Technical Fabric.

Outlook

The outlook for the business remains challenging in the context of weak demand, continuing pricing pressure impacting the margins. Your Company's strategy going forward will be to encash its niche presence in Linen. It will focus on Linen as the "Fabric of the Future", and will work to change the mindsets of consumers from regarding linen as a 'Fashion wear fabric" to a 'Regular Wear' one. Towards this end, the Company's retail presence is being increased and brand-building efforts are underway to grow the market. Value added worsted products and dyed yarns are other focus areas. Efforts to explore newer markets to bolster exports will be beefed up.

Conclusion

In essence, your Company has posted an excellent performance.

Going forward, the performance of all the businesses is expected to improve. Garments should benefit, with its entry into new segments, novel collections planned and its thrust on retail sector, these will push volumes and profits. VFY will ride on its focus on improved quality, the new brand image and changing fashion trends. Carbon Black should derive mileage from the recovery in the auto sector. In the Insulators Business, the yield and the share of high value products will be raised with technology from NGK. In Textiles Business, increased exports and a thrust on linen/ worsted segments should fetch positive results, though cost increase shall be an area of concern.

With the improvement in economic environment the business potential is encouraging. Thus the overall outlook for the Company is positive and we are once again optimistic of better results, going forward.

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
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Mumbai, 30th October, 2002

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.


As long as a Louis Philippe suit exists,
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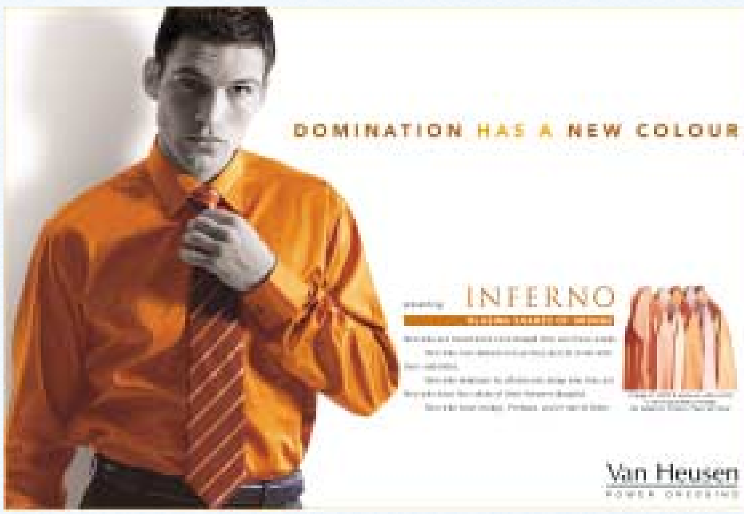
Louis Philippe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