



Performance Update

For the half year ended 30th September 2003



UNAUDITED FINANCIAL RESULTS (PROVISIONAL) FOR THE QUARTER ENDED 30TH SEPTEMBER, 2003

(Rs. in Crores)

(Rs. in Crores)

FINANCIAL RESULTS	Quarter Ended 30 th Sept		Year to Date		Year Ended 31 st Mar'03 (Audited)	SEGMENT REPORTING	Quarter Ended 30 th Sept		Year to Date		Year Ended 31 st Mar'03 (Audited)		
	2003	2002	2003	2002			2003	2002	2003	2002			
Sales	465.16	412.92	835.07	814.99	1,594.75	Segment Revenue							
Less: Excise Duty	38.82	39.63	69.74	77.20	150.93	Garments	112.53	90.01	201.72	167.99	327.47		
Net Sales / Income from Operation	426.34	373.29	765.33	737.79	1,443.82	Rayon Yarn (Including Caustic & Allied Chemicals)	96.23	86.62	164.86	167.63	338.01		
Other Income	5.94	6.56	8.78	7.59	10.72	Carbon Black	88.09	81.32	162.81	157.27	327.84		
Total Income	432.28	379.85	774.11	745.38	1,454.54	Insulators (See Note 3)	16.60	16.21	30.05	60.94	63.20		
Total Expenditure:						Textiles (Spun Yarns & Fabrics)	99.75	85.61	186.46	165.88	348.40		
Decrease / (Increase) in Stock in Trade	-3.52	-8.78	-16.66	-3.89	-3.87	Others	12.94	13.52	19.23	18.35	39.17		
Consumption of Raw Materials, etc.	216.16	186.36	389.98	354.06	688.64	Total Segment Revenue	426.14	373.29	765.13	738.06	1,444.09		
Staff Cost	29.69	30.64	57.73	63.12	123.12	Less : Inter segment revenue	0.20		0.20	-0.27	-0.27		
Other Expenditure	111.80	102.20	209.22	203.34	398.34	Net Sales/Income from operation	426.34	373.29	765.33	737.79	1,443.82		
Profit Before Interest, Depreciation, Royalty & Tax	78.15	69.43	133.84	128.75	248.31	Segment Results (Profit before Interest and Tax - PBIT)		{ @ }		{ @ }			
Interest and Finance Expenses	6.73	10.79	14.09	25.41	43.66	Garments	0.09	{2.28}	0.19	-0.35	{2.87}	-2.11	-14.57
Add: Interest Income	2.21	1.88	5.24	3.54	21.98	Rayon Yarn (Including Caustic & Allied Chemicals)	25.44	{27.22}	24.40	37.95	{39.73}	45.41	97.11
Profit Before Depreciation, Royalty & Tax	73.63	60.52	124.99	106.88	226.63	Carbon Black	16.98	{17.60}	13.66	34.35	{34.97}	24.61	58.59
Royalty to Wholly-owned Subsidiary	3.11	2.77	5.46	4.40	8.16	Insulators (See Note 3)	4.59	{4.59}	3.72	8.88	{8.88}	12.68	14.69
Depreciation and Amortisation	22.47	17.85	40.99	36.36	71.74	Textiles (Spun Yarns & Fabrics)	1.13	{1.85}	1.42	1.18	{1.90}	3.39	9.90
Profit Before Tax and Exceptional Items	48.05	39.90	78.54	66.12	146.73	Others	0.85	{0.94}	0.72	1.21	{1.30}	0.53	1.94
Exceptional Items (Refer Note 1)	19.95		19.95		-18.66	Total Segment Result	49.08	{54.48}	44.11	83.22	{89.65}	84.51	167.66
Profit After Exceptional Items	68.00	39.90	98.49	66.12	128.07	Less: Interest and Finance Expenses	-6.73	-10.79	-14.09	-25.41	-43.66		
Provision for Current Tax	15.71	2.87	22.51	4.68	9.00	Add: Interest Income	2.21	1.88	5.24	3.54	21.98		
Provision for Deferred Tax	-1.30	4.65	0.84	13.98	25.22	Add: Net of Unallocable Income / (Expenditure)	3.49	{3.74}	4.70	4.17	{4.42}	3.48	0.75
Tax provision no longer required, written back	—	—	—	—	-11.48	Profit Before Tax and Exceptional items	48.05	39.90	78.54	66.12	146.73		
Net Profit	53.59	32.38	75.14	47.46	105.33	Exceptional Items	19.95		19.95		-18.66		
Paid up Equity Share Capital (Face Value of Rs.10 each)	59.88	59.88	59.88	59.88	59.88	Profit After Exceptional items	68.00	39.90	98.49	66.12	128.07		
Reserves	—	—	—	—	1,110.91	Capital Employed							
Basic and Diluted Earning Per Share (Before Exceptional items) (Rs.)	5.62	5.41	9.22	7.93	20.71	(Segment assets - Segment liabilities)							
Basic and Diluted Earning Per Share (After Exceptional item) (Rs.)	8.95	5.41	12.55	7.93	17.59	Garments	202.81	218.38	200.33				
Aggregate of Non-Promoter Shareholding						Rayon Yarn (Including Caustic & Allied Chemicals)	257.37	260.04	260.90				
Number of Shares			43,747,849	43,750,822	43,752,582	Carbon Black	285.97	295.55	268.80				
Percentage of Shareholding			73.07%	73.07%	73.07%	Insulators (See Note 3)	17.25	# 117.87	4.01				
						Textiles (Spun Yarns & Fabrics)	166.22	169.98	174.88				
						Others	25.14	24.32	21.89				
						Total Segment Capital Employed	954.76	1086.14	930.81				
						Add: Unallocated Corporate assets	553.85	398.64	485.26				
						Total Capital Employed		1508.61	1484.78	1416.07			

As on Demerger date.

@ Indicates the restated PBIT without considering the impact of additional depreciation for better comparison.

Notes:

- 1 During the quarter, on disposal of its holding in Indo Gulf Fertilizers Ltd., the Company has earned capital gains of Rs.19.95 crores, which has been shown as Exceptional Item. Considering the exceptional nature of gain, at the time of preparation of annual accounts, the company may consider whether such gains be used for providing for contingencies, if any.
- 2 a) The Company has revised its estimate of useful lives of office computers, vehicles and furniture & fixtures w.e.f. 1st April 2003. Consequently, additional depreciation of Rs.4.62 crores has been charged to Profit & Loss Account for the quarter ended 30th September 2003.
- b) On "Accounting Standard -26 for Intangible assets" becoming mandatory from 1st April 2003, intangible assets namely Trade Mark/Brands are required to be amortised upto 10 years as against amortisation being done by the Company for such assets over 15 years till 31.3.2003. In accordance with the transitional provision of this Accounting Standard, Rs. 8.60 crores (Net of taxes) being the difference of the amount amortisable over amount already amortised pertaining to these assets, has been charged to the opening balance of General Reserve.
- c) Had these changes not been made, the profit (net of taxes) for the quarter and for the half year would have been higher by Rs.3.65 crores and Rs.4.30 crores respectively.
- 3 The results for the quarter are strictly not comparable with those for the quarter ended 30.9.02 as the Insulator Business of the Company was demerged with effect from 1st August 2002. The Company has acquired domestic marketing rights of Insulator in February 2003, on formation of Joint Venture with NGK Insulators Limited, Japan.
- 4 At the beginning of the quarter, there was one investor complaint pending. During the quarter ended 30th September 2003, three investor complaints were received and all these four complaints have been resolved. At the end of quarter, no investor complaints were pending.
- 5 Previous year's/period's 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 21st October 2003. The Auditors of the Company have carried out limited review of the results for the three months and six months period ended 30th September 2003.

Place: Mumbai
Date: 21st October 2003

B. L. SHAH
Director

INDIAN RAYON AND INDUSTRIES LIMITED
Regd. Office: Veraval 362266, Gujarat • Web Site: <http://www.indiayabirla.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 half of the current financial year and the outlook and strategy of its businesses, going forward.

IMPROVED PERFORMANCE IN A DYNAMIC ENVIRONMENT

After a weak phase in the last two years, the Indian economy has been on an upswing. A good monsoon after a near drought in the previous year has buoyed agriculture and industrial sector activities, leading to a revival in consumer sentiment, and consequently, a higher demand for goods and services. The manufacturing sector has witnessed a strong recovery with the Index of Industrial Production for the first four months growing by 5.6%. With continued growth in the services sector, the overall impact on the economy is positive. However, a few structural impediments in the economy impacted the business performance during the first quarter. The 50-day strike against excise and Value Added Tax by the organized sector affected the textiles industry, while the strike by transporters impaired dispatches across the businesses.

Indian Rayon has focused on improving product mix and quality, intensified marketing efforts and proactive cost management. The various initiatives and efforts in the respective business segments have enabled the Company to post a good performance. Revenues have grown by 3.7% to Rs. 765.3 crores. Profit before tax and exceptional item is up by 18.8% to Rs. 78.5 crores. Net profit has soared by 58.3% YOY to Rs. 75.1 crores, including an exceptional gain of Rs. 20.0 crores on the sale of Indo Gulf Fertilizers Ltd. (IGFL) shares.

Before I share the performance of individual businesses, let me take you through the strategic acquisition of TransWorks, a leading BPO company.

STRATEGIC MOVE: ENTRY INTO BPO BUSINESS

The growth in Business Process Outsourcing (BPO) is driven by the need of MNCs to reduce costs, with advancements in technology making it possible to locate services in optimal global locations. India, with its large pool of low cost English speaking graduates, has emerged as a leading destination for BPO business. The Indian BPO sector has been growing at a 60% clip annually and is believed to have crossed the US\$ 2.5 billion mark.

The Aditya Birla Group with its strong financial depth, professional excellence and strong relationships with potential BPO customers has the intrinsic capability to build a large scale BPO business. Indian Rayon, a strong

player in knowledge and services sectors, has got a running start into the fast-growing BPO sector with the acquisition of a 100% stake in TransWorks in July 2003. The transaction is for a total cost of Rs. 58.8 crores, with an additional outlay of Rs. 10 crores linked to performance milestones.

TransWorks is a leading BPO company, and has a current revenue rate of USD 1 million per month. With expertise in customer care, transaction processing and financial accounting processing, TransWorks has a ready customer base of several Fortune 100 companies. It has scaleable infrastructure comprising 800 seats and 1,389 people with delivery centers at Mumbai and Bangalore. TransWorks is the first company in the world to be certified to the COPC-2000® Standard (Release 3.2), (Customer Operation Performance Centre).

With this acquisition, Indian Rayon aspires to become a leading BPO player by providing superior, distinctive and dependable services to the customers and in the process generate superior returns for the shareholders. This acquisition will also strengthen our knowledge and services sector portfolio and supports our existing interest in IT sector. TransWorks is performing well in Indian Rayon's fold and is on the growth trajectory.

FINANCIAL HIGHLIGHTS

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

Rs. Crores

Particulars	1H FY'04	1H FY'03	% Change
Net Sales and Income from Operations	765.3	737.8	3.7
Other Income	8.8	7.6	15.7
PBDIT	133.8	128.7	4.0
Net Interest	8.9	21.9	(59.5)
Royalty	5.4	4.4	24.1
Depreciation	41.0	36.3	12.7
Profit Before Tax	78.5	66.1	18.8
Exceptional Item (gain on sale of IGFL shares)	20.0	—	—
Provision for Current Tax	22.5	4.7	381.0
Provision for Deferred Tax	0.8	14.0	(94.0)
Net Profit	75.1	47.4	58.3
EPS* for the period (Rs.) (Annualised)	18.4	15.9	16.3

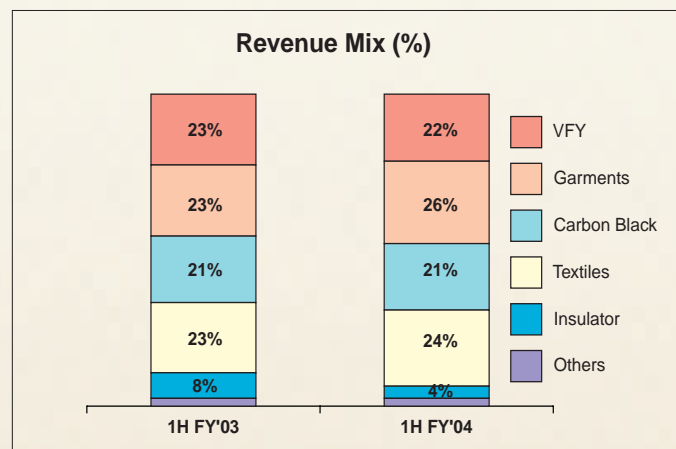
* before exceptional items

Note: The insulator business was de-merged w.e.f. 1st August 2002 and therefore only four months performance of total insulator business is included in the first half of the previous year. Subsequent to de-merger Indian Rayon reacquired domestic marketing rights w.e.f. 5th February 2003. Thus the first half of the current fiscal includes performance of domestic marketing alone.

Net revenues at Rs. 765.3 crores during the first half of the current financial year are up 3.7% from Rs. 737.8 crores in the corresponding first half.

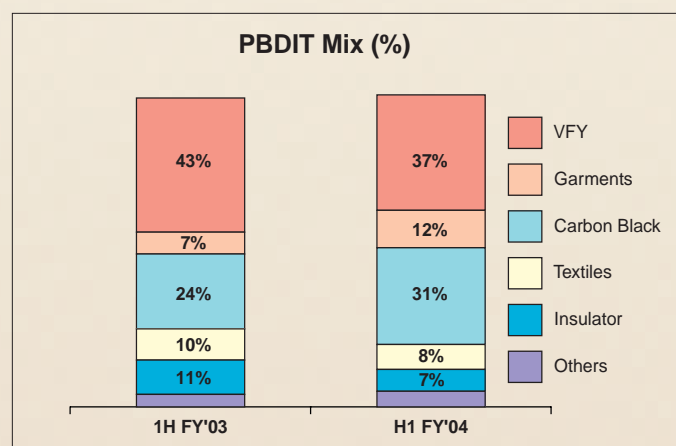
- Weaver's strike in first quarter has resulted in lower dispatches for VFY business and thereby sales revenues declined by 1.7%.
- Garments sales registered a growth of 20.1% with higher volumes possible with better performance of fashion and popular brands.
- Carbon black revenues have grown by 3.5% on the back of higher realization, although sales volumes were affected by the transporters strike.
- Textiles revenues were higher by 12.6% due to higher realization with increasing input costs.

The revenue mix indicates that VFY share has declined marginally from 23% to 22%, while the garments business has increased its share in total revenues from 23% to 26%.



Other income is higher by 15.7% to Rs. 8.8 crores due to higher income from higher surplus funds.

The Company has registered a growth of 4.0% in operating profits at Rs. 133.8 crores with mixed performance of the businesses.



Interest expenses at Rs. 14.1 crores were lower by 44.5% due to repayment of debentures to the tune of Rs. 142 crores since July-2002. Interest income was higher at Rs. 5.2 crores as against Rs. 3.5 crores due to return on higher surplus funds. Net interest expense is thus lower by 59.5% at Rs. 8.9 crores.

Depreciation for the first half grew by 12.7% to Rs. 41.0 crores. The Company has decided to provide higher depreciation on fast depreciating items like - office computers, vehicles and furniture and fixtures, than the rates prescribed under The Companies Act, resulting in additional depreciation of Rs. 4.6 crores. An additional amortization of Rs. 2.1 crores has been made on account of "Accounting Standard -26 for Intangible assets" becoming mandatory. Besides, Rs. 8.6 crores (net of taxes), being the difference of the amount amortizable and amount already amortized on Trade Mark/Brands, has been charged to the opening balance of General Reserve.

The Company's current tax provision stands at Rs. 22.5 crores and deferred tax provision at Rs. 0.8 crores as against the total provision of Rs. 18.7 crores in the corresponding first half. In the previous year tax provisions were lower as the company was under MAT liability.

The net profit of your Company has registered a growth of 58.3% to Rs. 75.1 crores.

BUSINESS REVIEW AND OUTLOOK

Operationally, businesses have strived to perform better despite the challenges in the first quarter. Optimum utilization of assets and initiatives in each business has helped to post improved performance as detailed below:

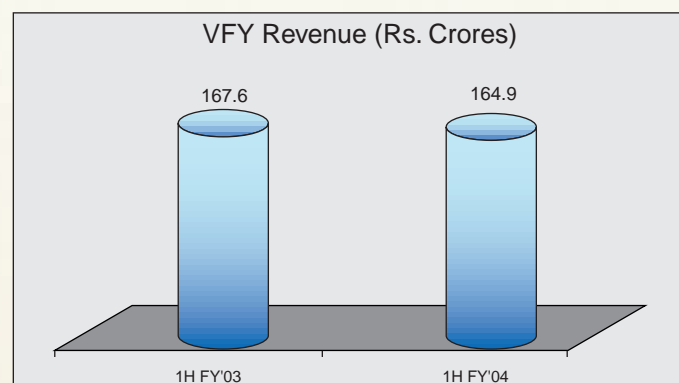
Viscose Filament Yarn (VFY)

Particulars	1H FY'04	1H FY'03	% Change
Production (Tonnes)	7,993	8,012	(0.2)
Sales Volumes (Tonnes)	7,718	8,078	(4.5)
VFY Net Realisation (Rs./Kg)	182	179	1.6
Net Sales (Rs. Crores)	164.9	167.6	(1.7)
- VFY	140.5	144.7	(2.9)
- Caustic Soda and Chlorine	24.4	22.9	6.3
Operating Profits (Rs. Crores)	49.3	55.5	(11.2)

Operational Review

The VFY business suffered as the weavers strike affected dispatches in the first quarter, which however normalized in

the second quarter. Asset sweating efforts led to capacity utilization being maintained high at 106.6%. With aggressive marketing efforts additional stock has been liquidated in the second quarter, as a result the fall in sales volume could be contained to 4.5% at 7,718 tonnes. With improved quality of products, realizations improved by 1.6% despite the pressure in domestic market to have import price parity. VFY revenues were therefore lower by just 2.9%, at Rs. 140.5 crores. The Chlor Alkali segment recorded higher volumes and improved realizations with favorable market



conditions and grew revenues by 6.3% to Rs. 24.4 crores. The Divisional revenue fall was limited to 1.7% at Rs. 164.9 crores, YoY.

Operating margins have decreased from 33.1% to 29.9% due to higher wood pulp prices and higher power cost because of planned shutdown of power plant. The cumulative impact of higher costs has lowered the operating profits by 11.2% to Rs. 49.3 crores.

Outlook

With stable fashion trends, demand for VFY/ VFY-based products continue to provide a favorable business environment. However, pricing is subjected to import price parity and stock held by the industry. The Division continues to focus on increasing realizations by moving up the value chain with improved product mix and quality levels. Enhancing the brand equity of “Ray One” in the market remains a key driver. To ensure sustainable growth, a Rs. 70.1 cores capex plan is underway. In the scheme, in the first phase, Continuous Spinning Yarn (CSY) capacity is being doubled from 912 tonnes to 1,825 tonnes and total production capacity will go up to 16,000 tonnes per annum. The benefit of capex plans shall accrue in the next fiscal. These efforts will ensure reasonable growth in margins, volumes and continue to generate consistent cash flows from the business.

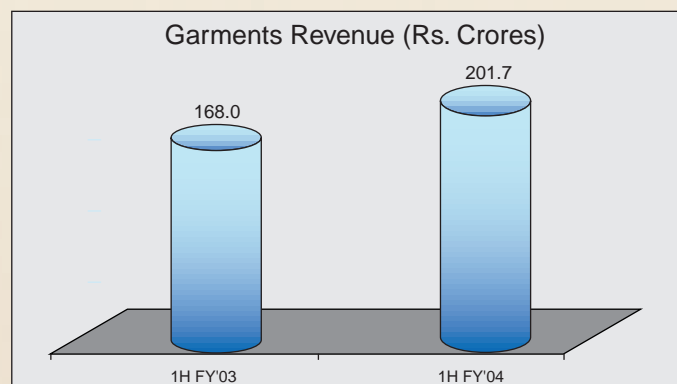
Garments

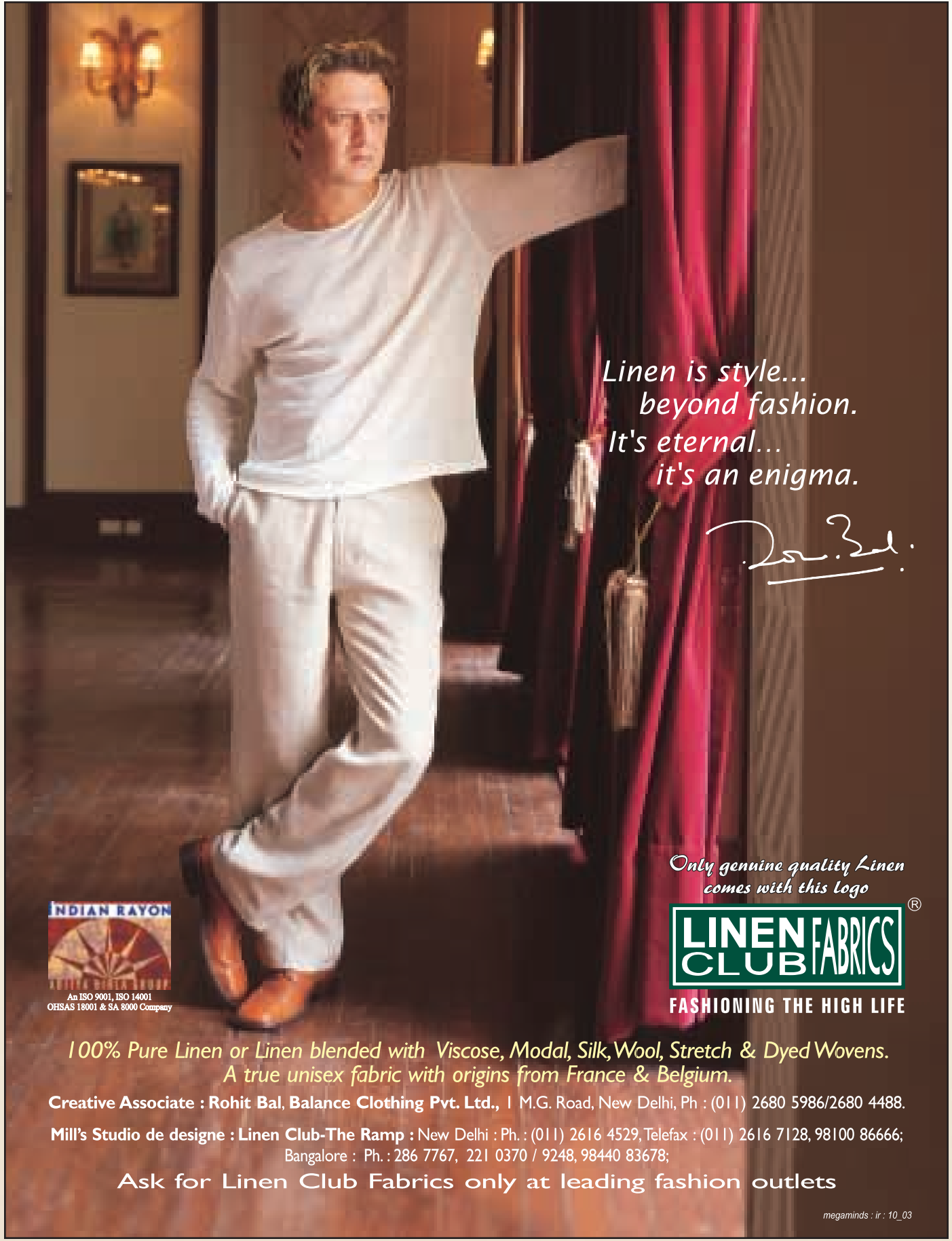
Particulars	1H FY'04	1H FY'03	% Change
Volumes (Lacs Pieces)	38.2	30.8	24.0
Net Sales (Rs. Crores)	201.7	168.0	20.1
Operating Profit before Advertisement and Royalty (Rs. Crores)	37.2	28.1	32.8
Operating Margin Before Advertisement and Royalty (%)	18.5	16.7	—
Advertisement Expenses (Rs. Crores)	20.8	18.5	12.5
Royalty Expenses (Rs. Crores)	5.4	4.4	24.5
Divisional Operating Profit (Rs. Crores)	11.0	5.2	112.1

Operational Review

The Garments Division has reported an improved performance, with the strengthening of consumer sentiments, a partial benefit of the festive season, and the revamp strategy for Peter England yielding positive results. The business faced intense competition in the market in terms of merchandise, advertisement and retail. This improved performance is on the back of higher volumes, maintaining market leadership and across the board cost control efforts.

The business has recorded a 24% growth in volumes with resurgence of brands in the domestic market and healthy growth in exports. Product innovation and introduction of products at lower price point under the “Peter England” brand has elicited positive response in the popular segment. Power brands - Louis Philippe, Van Heusen and Allen Solly, have maintained market leadership. Innovative collections were introduced such as “Rieveria” and “Gods & Kings” under Louis Philippe; “Metals” and “Strikes” under Van Heusen; and “Peppermint” and “Show time” under Allen Solly. Suits under Louis Philippe and Van Heusen brands and Allen Solly Women’s Wear continue to grow. SF jeans have been nationally rolled out. To enhance customer reach, retail space has been expanded to 2.32-lac sq/ft. and our retail formats ‘Planet Fashion’ have been increased to 39 stores and ‘Trouser Town’ to 9 stores.





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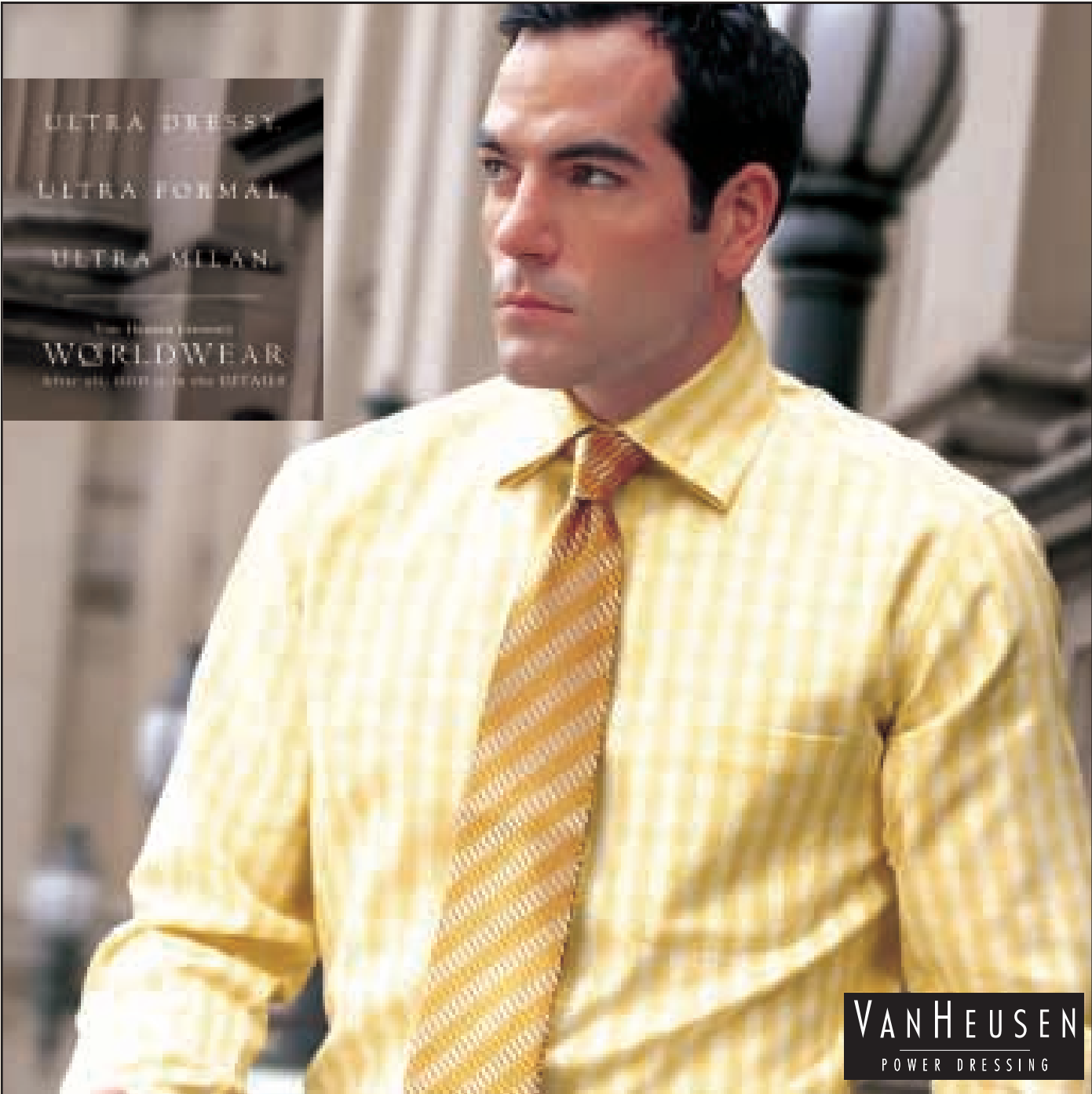
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Revenues at Rs. 201.7 crores are up 20%. This growth is a shade lower than volume growth, on account of a changing product mix as lower-priced products in the popular segment, have increased their share. The Company continues to maintain a premium in the fashion brands segment. The contract and branded exports, which contribute about 16% to the Division's revenues, have also performed well during the period, registering a sales growth of 23%.

Operating margins before advertisement and royalty have gone up from 16.7% to 18.5% on the back of higher volumes, better prices and tight control over costs. Efficient supply chain management and control over inventory and dormancy with the help of SAP, strengthened margins.

Advertisement expenses have been controlled with focused spending and effective media buying despite new launches and festive season spending. As a percentage of sales, advertisement spend has come down from 11.0% to 10.3%. Royalty payments were higher at Rs. 5.4 crores as against Rs. 4.4 crores in line with higher sales volumes. These initiatives and operating efficiencies have led to a surge in operating profit, which has more than doubled from Rs. 5.2 crores to Rs. 11.0 crores.

Outlook

The Garments sector is showing a revival trend - the rural markets have benefited from good monsoons, and urban sentiments are gaining buoyancy with an upswing in the economy leading to enhanced purchasing power of consumers. With increasing brand consciousness, the upper end of the segment is doing well with, whereas the mid segment has a level playing field with rationalization of excise duty anomaly. Indian Rayon is well positioned to capture growth opportunities. However, the competitive dynamics are changing with new entrants and global players setting shops in India.

In this competitive scenario the Company will continue to ensure leadership and dominance of power brands by providing a full wardrobe solution to consumers, focus on new launches and expanding retail reach. The Peter England brand is being reinforced as a "Mega Brand" in the popular segment, which will help in growing revenues and profits. The endeavor to sweat assets and derive benefit from a balanced portfolio of gestated and gestating brands shall drive performance. The cost management initiatives and focus on contract and branded exports shall further help improve profitability. Moreover, the removal of quota and other trade barriers is an opportunity as well as a threat.

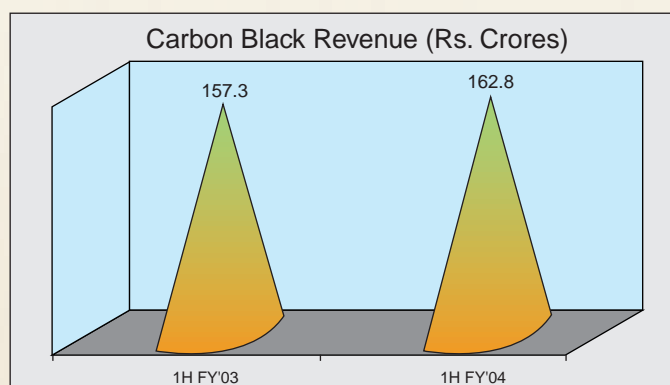
The Division is geared to reap the benefits with improvement in quality of merchandise and global sourcing possibilities. We believe all these efforts will help in registering long-term growth.

Carbon Black

Particulars	1H FY'04	1H FY'03	% Change
Production (Tonnes)	54,670	55,869	(2.1)
Sales Volumes (Tonnes)	55,087	56,783	(3.0)
Realisation (Rs./Ton)	29,555	27,697	6.7
Net Sales (Rs. Crores)	162.8	157.3	3.5
Operating Profits (Rs. Crores)	41.6	31.1	33.5

Operational Review

The Carbon Black business has witnessed improved profitability. Production was lower by 2.1% at 54,670 tonnes due to an annual maintenance shut down at Gummidipoondi plant. Sales volumes were lower by 3.0% at 55,087 tonnes as the transporters strike impaired sales volumes in the first quarter. This was covered to a large extent in the second quarter on the back of increased demand from the Auto/ Tyre sector. However, with realization recording a growth of 6.7%, in line with higher CBFS (Carbon Black Feed Stock) prices, helped revenue to grow by 3.5% to Rs.162.8 crores.



Operating margins grew from 19.9% to 25.5%. Though the CBFS prices were volatile, proactive management of CBFS purchases helped lowering input costs. Besides, the benefit of lower costs CBFS – purchased earlier, is reflected in the current period. Higher energy sales also led to growth in operating profits. Additional capacities of 4,000 tonnes and 6,000 tonnes have been created at Gummidipoondi and Renukoot plant respectively through de-bottlenecking.

Outlook

The outlook for the Carbon Black business is encouraging with the Auto and Tyre sectors registering a strong growth. The buoyancy in the automobile sector continues with improved agricultural and manufacturing activities, leading

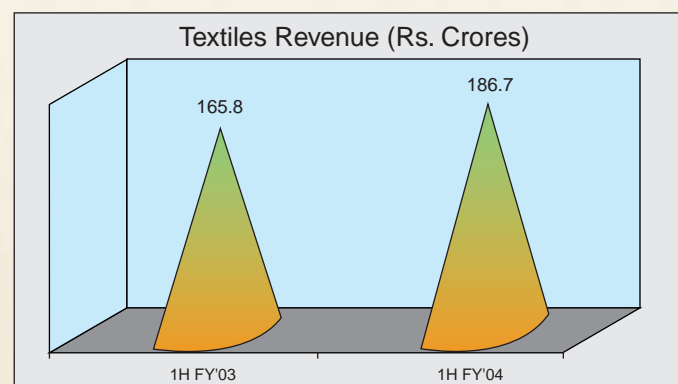
to a healthy growth for commercial vehicles. With automobile majors setting up operations in India, this is expected to lead to an increased demand for automotive tyres. This augurs well for the Carbon Black business.

The Business plans to cater to the growing demand by increasing volumes through Rs. 60 Crore brown-field expansion to double capacity at Gummidipoondi plant. This will take the total capacity to 1,60,000 TPA. Expansion is progressing well and commercial production is expected to commence by the end of the fiscal year. Marketing efforts are on to increase domestic volumes and higher exports to neighboring countries. However, domestic realizations are likely to come under pressure on account of maintaining import price parity while volatility in CBFS prices in line with crude oil prices may impact margins. The business will ride on higher volumes for growth.

Textiles

Particulars	1H FY'04	1H FY'03	% Change
Net Sales (Rs. Crores)	186.7	165.8	12.6
Operating Profits (Rs. Crores)	10.7	12.9	(17.4)

Operational Review and Outlook



In the Textile business, our primary focus segments are flax and worsted yarns. We are the market leaders in flax yarn and linen fabrics. Our retailing of linen fabrics is eliciting a positive response. In the worsted yarn segment the performance has been impaired by higher wool prices, the impact of higher price could only partly be passed on to the customers. In the synthetic segment, we are a marginal player and are concentrating on exports to maximize the profits. During the first half revenues of the Division were higher by 12.6% at Rs. 186.7 crores. The appreciating rupee has impacted the profitability, as exports constitute about 50% of revenues. Operating profits for the business were lower by 17.4% at Rs. 10.7 crores with rising input costs. The outlook for the business remains

challenging. We expect the flax yarn and linen fabrics retailing to grow profitability. Worsted Yarn segment profitability will be affected by wool prices.

Insulator – Domestic Marketing

After the de-merger of Insulators business from the 1st Aug-02, Indian Rayon reacquired domestic marketing rights from 5th Feb-2003. Revenue from domestic marketing was Rs. 30.1 crores and operating profit was Rs. 8.9 crores during the first half of the year. The outlook for the business remains positive with power sector reforms and the benefit of sourcing of high value added products from the joint venture.

SUBSIDIARIES AND JOINT VENTURE'S (JV'S)

The operations of subsidiaries and JV's of the company are doing well.

In the life insurance business, Birla Sun Life Insurance Company Ltd. is the 2nd largest private insurance player in the country. The company has attained a leadership position in Group Insurance Business and Unit Linked products, attributable to the increased customer reach combined with innovative and competitive products. The income from premium for the first half of the year was Rs. 100.8 crores as against Rs. 33.2 crores in the corresponding period. During the first half Indian Rayon has infused Rs. 37 crores towards equity capital and the total investment in insurance business has reached Rs. 171.7 crores.

In the insulators business, Birla-NGK Insulators Pvt. Ltd, our JV post de-merger, has started showing improvement in yield. Efforts are on to better quality to International Electro Chemical (IEC) standards. With lower technical rejections, an overall better performance is underway. Its revenue for the first half was Rs. 76.9 crores. A brown-field expansion at Halol is underway to enhance the capacity by 8,000 tonnes by second quarter of next fiscal. A total of Rs. 56.7 crores is earmarked for spending on the expansion and modernization initiatives.

The software business, PSI Data Systems Ltd. and its wholly owned subsidiary Birla Technologies Ltd., has been given a new focus with strategic steps by discontinuing loss-making lines, concentrating on selected accounts and tie-ups and curtailment of SGA (Selling and General Administration) expenses. Segments such as Banking, Insurance and ERP practices had been identified for growth and these have already started showing results. The business has reported a 16.3% growth in revenue to Rs. 43.5 crores during the first half of the current year. Controlling SGA expenses and improving manpower utilization from 65% to 80%

have curtailed operating losses. Operating losses are much lower at Rs. 4.5 crores as against Rs. 9.2 crores in the corresponding half-year. The business is targeting to break-even at EBITDA level in the fourth quarter.

In the BPO business, TransWorks is progressing well, with a current revenue run rate of US\$ 1 million per month. Its capacity is being doubled at 1600 seats by fourth quarter with a capex of Rs. 24 crores. The outlook for the business is promising with a strong growth in BPO Industry. However, the business is preparing for meeting future challenges of increasing share of non-voice business and taming attrition rates.

CONCLUSION

During the first half the company has performed well across all segments with growth in revenues and profits. Going forward the performance of the businesses is expected to improve, as:

- VFY, the traditional contributor will continue to deliver sustainable profits on the back of increased capacity and focus on high value added products.
- The garment business is geared to encash the opportunities in the new business environment with focus on power brands and the new initiatives and successful revamping strategy of the popular brands.
- Carbon black will continue to grow in revenue as the expansion program will cater to the rise in demand spurred from the automobile sector and continuous cost management will ensure profit maximization.
- In Textile business we will focus in niche area of Linen and Worsted Yarn Segments.

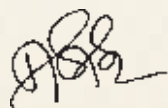
- The Insulator business will benefit with technology from NGK, Japan and Capex plan will enhance capacity and improve quality and yield.
- Insurance, software and BPO businesses through our subsidiaries shall provide growth momentum to the company in the long run.

Indian Rayon enjoys leadership in all its existing and new business and our well-crafted plans are expected to make the company a strong conglomerate with a balanced portfolio of manufacturing, brands and services. The overall outlook for the company is positive and we foresee better performance going ahead.

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 prosperous New Year ahead.

Yours sincerely,



Adesh Gupta

President and Chief Financial Officer

92, Sakhar Bhavan, 230, Nariman Point, Mumbai - 400 021

Phone No. 2204 5004 Fax No. 2204 3686

E-Mail: irilcfo@adityabirla.com

Mumbai, 6th November, 2003.

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.

Dear Shareholders,

We invite your attention to the following: -

(A) Dematerialisation of Shares

If you are holding shares in physical form, we suggest you to dematerialize your holding, which will help in reducing avoidable problems, which are otherwise associated with the scrip-based system of trading like bad deliveries, fraudulent transfers, fake certificates, thefts in postal transit etc. At the same time, shares held in demat form offer several advantages like exemption from payment of stamp duty, elimination of concept of market lot, elimination of bad deliveries, reduction in transaction costs and improved liquidity.

(B) Electronic Clearing Service (ECS) Facility

As the Company is providing the facility of credit of dividend through ECS, we suggest that if you are holding shares in physical form and are desirous of availing the said facility of Electronic Clearing of Dividend, you are requested to fill in the ECS form. If you have already furnished ECS mandate to the Company, you need not furnish the ECS mandate form afresh unless there is a change in the ECS mandate.

In respect of Electronic share accounts, you are requested to notify/update your ECS details to respective Depository Participant/s so that credit of dividend through ECS may be effected directly in your bank account(s), wherever such facility is available.

(C) Consolidation of Shares

If you are holding shares in identical order/name(s) in physical form in more than one folio, we request you to inform the details of such folios and forward the Share Certificates to the Company for consolidating your shareholding in one folio. The Share Certificate(s) will be returned to you after making requisite changes thereon.

(D) Transfer of funds to Investor Education & Protection Fund (IEPF)

Pursuant to the provisions of Section 205C of the Companies Act, 1956, the amount of dividend which has remained unclaimed and unpaid for a period of 7 years from the date it became due for payment is required to be transferred to the Investor Education & Protection Fund (IEPF) constituted by the Central Government. Accordingly, the amount of dividend for the Financial Year 1996-97 and onwards which remain unclaimed and unpaid as aforesaid shall be transferred to the IEPF and no claims shall lie against the IEPF or the Company in respect of such amounts. Therefore, if you have not encashed your dividend warrants for the above years, you are requested, in your own interest, to write to the Company immediately. The due dates of funds to be transferred are detailed below: -

Financial Year	Due Dates
1996-97	25.08.2004
1997-98	17.09.2005
1998-99	27.10.2006
1999-00	05.07.2007
2000-01	20.07.2008
2001-02	25.08.2009
2002-03	29.08.2010

(E) Share / Debenture Certificates

Please check that for all the securities held by you in the Company in physical form, you possess the respective share / debenture certificate(s). In case the same is / are not available with you, please do write to us, so that we can advise you further course of action in the matter.

If you require any clarification/assistance in the matter, please do write to: Secretarial Department, Veraval – 362 266. Gujarat.
E-mail: irilsecretarial@adityabirla.com

Thanking you,

Yours faithfully,

For **INDIAN RAYON AND INDUSTRIES LIMITED**



Devendra Bhandari
Company Secretary

ALLEN SOLLY'S
10th ANNIVERSARY
IN INDIA

Showtime

10 YEARS • 3 COLORS
NOW IN 1 COLLECTION

friday
dressing from

ESTABLISHED 1744
Allen Solly
NOTTINGHAM • ENGLAND

FROM
Louis Philippe
The upper crest.

The soft, luxurious Gods & Kings shirt from Louis Philippe is crafted out of the world's finest cotton. Drop in at your nearest showroom and catch a glimpse of the divine.

Book-Post

If undelivered please return to :
Indian Rayon And Industries Limited
 Share Department
 Regd. Office : Veraval 362 266, Gujarat.
www.adityabirla.com, www.indianrayon.com