

Quarterly Performance Review

Quarter 4 : 2016-17

Mumbai, 19th May, 2017

Grasim Industries Limited
Building, Consolidating, Growing

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Glossary

VSF : Viscose Staple Fiber, MT : Metric Ton, TPA : Tons Per Annum, YoY: Year on Year Comparison, CY : Current Year, LY : Last Year,

YTD : Year to Date, EBITDA : Earnings Before Interest, Tax ,Depreciation and Amortisation, ECU : Electro Chemical Unit

ROAvCE : Return on Avg. Capital Employed (Excluding Capital Work In Progress), RONW : Return on Net Worth

Revenue is net of excise unless stated otherwise, EBITDA Margin = $\text{EBITDA} / (\text{Revenue} + \text{Other Income}) * 100$

Financials from FY16 onwards are as per Ind AS

Indian Economy

- Indian economy to be the fastest growing economy in the world in FY18
 - IMF forecasts India's growth at 7.2% in FY18 (7.1% advanced estimates in FY17)
- Impact of demonetization on the economy seems to be over
 - Manufacturing PMI increases to 5 months high of 52.5 in March'17
 - Domestic consumption started to normalize as the effect of currency replacement is waning
- Migration to GST likely to be game changer for the economy in long term
- The external environment has turned supportive of growth
 - Export growth has improved during the quarter
 - FDI flows are near an all-time high level
- Expectations of normal monsoon coupled with continuous focus on reforms by the Government augurs well for the economy

Highlights – Quarter 4

VSF Business Leading Global Player

Stellar performance on the back of strong sales volume supported by firm prices in the international markets

Sales Volume

133K Tons
Up 2% YoY

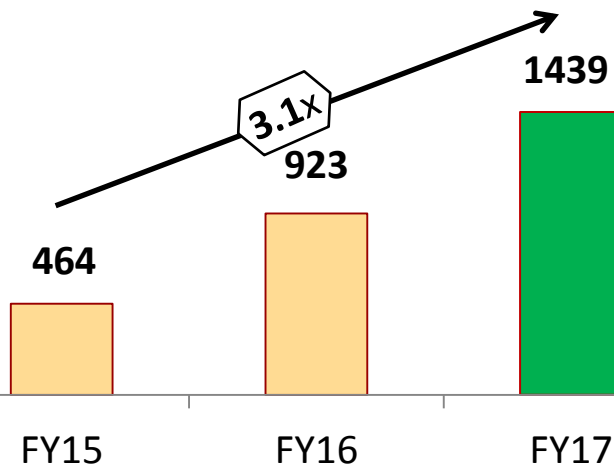
Revenue

₹ 1,945 Cr.
Up 12% YoY

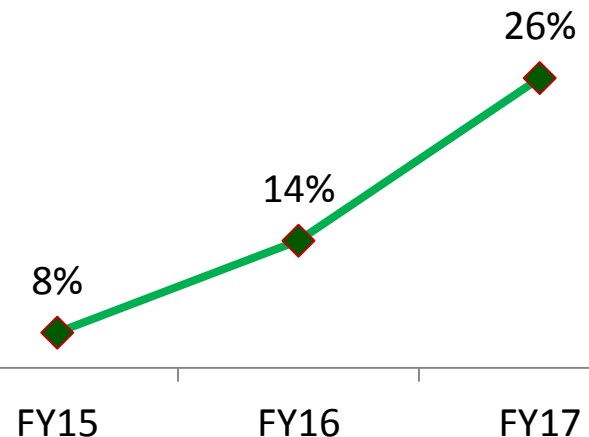
EBITDA

₹ 345 Cr.
Up 30% YoY

EBITDA



ROAvCE



Return ratios almost doubled in FY17 led by sharp rise in profitability



Highlights – Quarter 4

Chemical Business Largest Chlor-Alkali Producer in India

- Increased chlorine supply upon commencement of new capacity in industry during the year limited Caustic production
- Continued focus on Chlorine Value Added Products yielding results (Volume up 33%)

Caustic Sales Volume

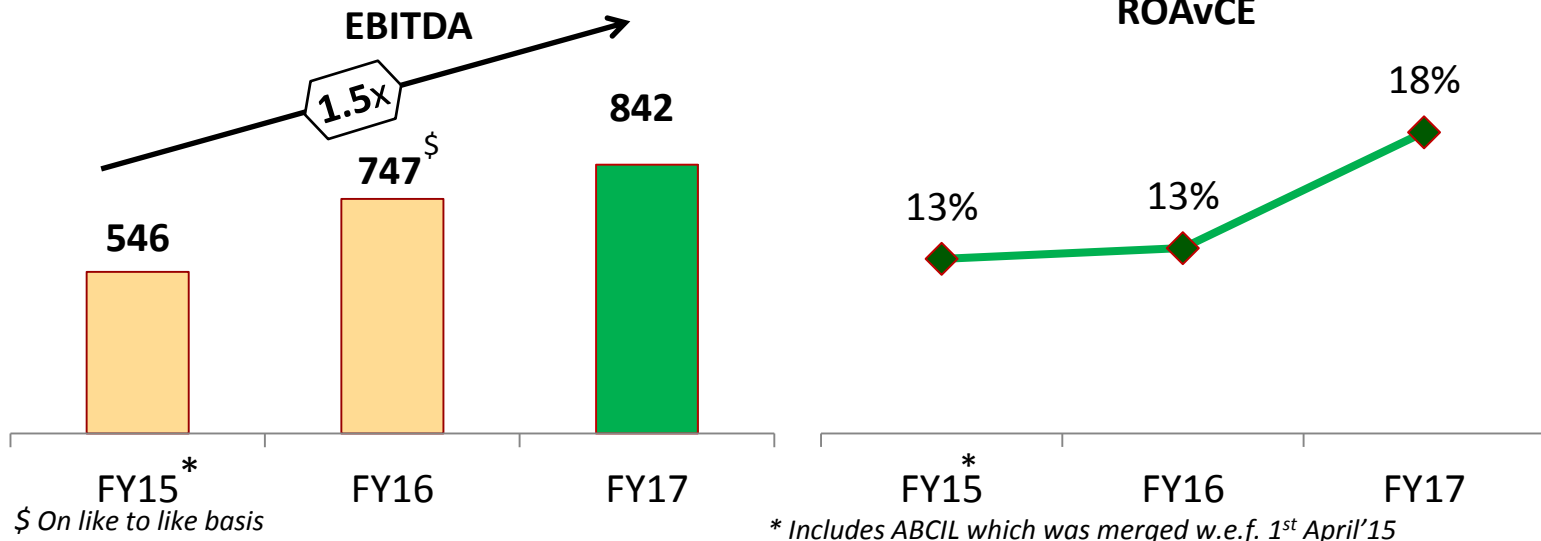
194K Tons
Down 6% YoY

Revenue

₹ 1,068 Cr.
Up 11% YoY

EBITDA

₹ 211 Cr.
Down 8% YoY



Continuous improvement in Profitability and ROAvCE

Highlights – Quarter 4

UltraTech
CEMENT
The Engineer's Choice



Cement Business India's Largest Cement Company

- Possibly the weakest fourth quarter in years, normally the best quarter for Cement industry
- UltraTech's domestic capacity utilisation at 82% vs. < 70% that of Industry

Sales Volume

14.7 Mn. Tons
Up 2% YoY

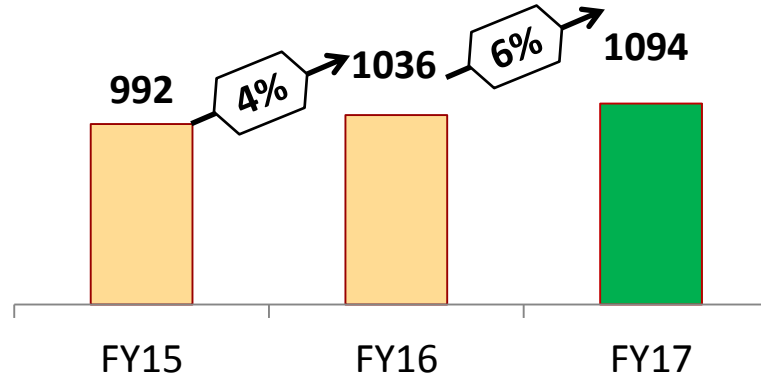
Revenue

₹ 7,020 Cr.
Up 3% YoY

EBITDA

₹ 1,439 Cr.*
Down 10% YoY

EBITDA/Ton (₹)

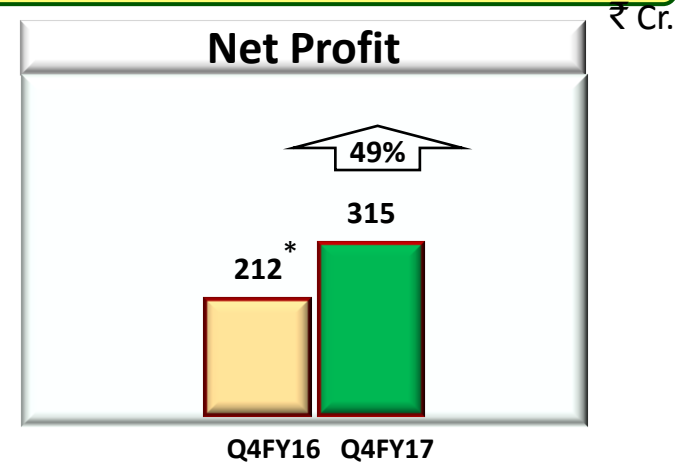
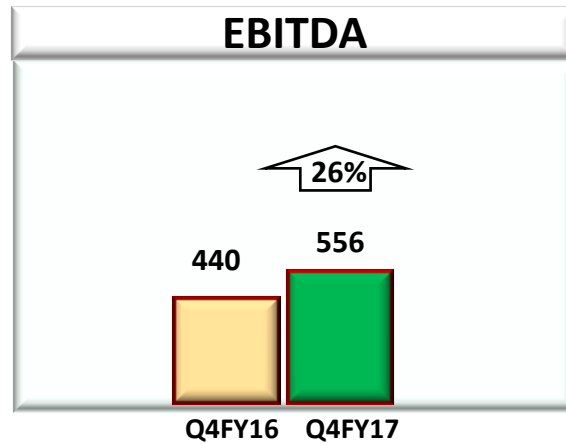
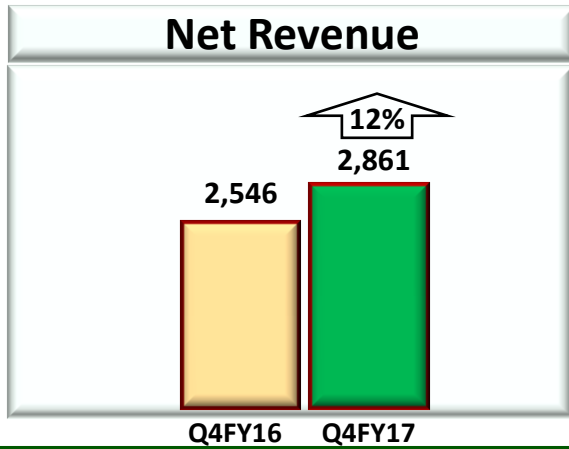


Increased in EBITDA / ton Led by Cost Efficiency

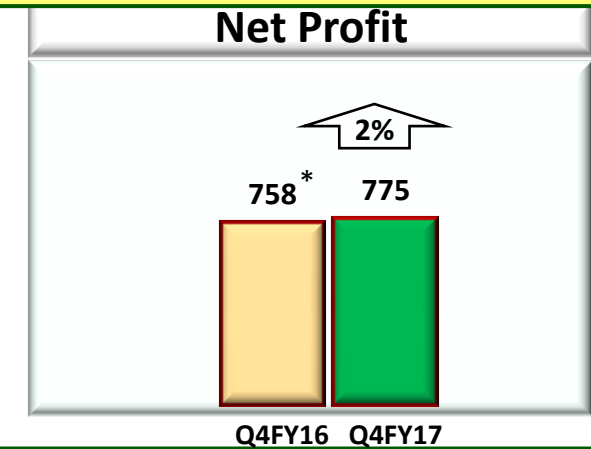
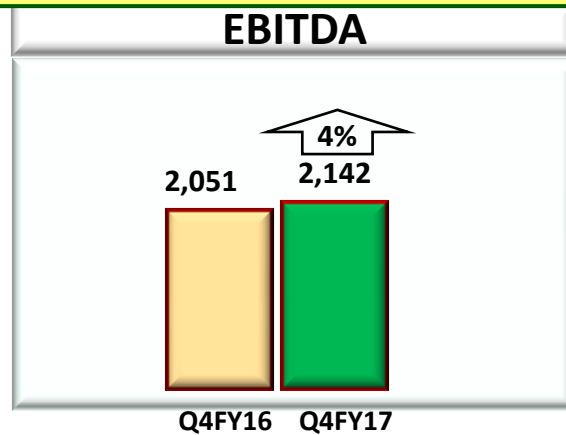
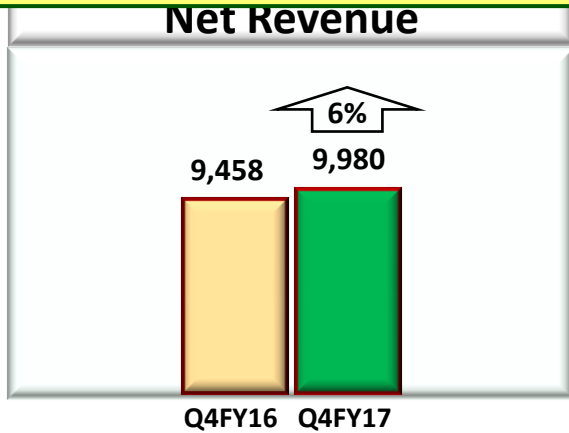
* Excluding ₹ 138 Cr. provisions write back, no longer required

Financial Performance – Quarter 4

Standalone



Consolidated



All-Round Growth in Revenue, EBITDA and Net Profit

* Excluding Exceptional item

Performance in Perspective

● VSF Business

- Sales volume up by 25% over last two financial years with speedy ramp up of Vilayat project
 - Increase in share of specialty fibre, leveraging brand Liva to increase usage of VSF in domestic market
- Continuous improvement in operating efficiencies leading to ₹ 1 bn in savings
 - Reduction in consumption ratio in two years : Steam 7%, Power 4%, Caustic 2% and Sulphur 6%
- Focus on sustainability - Significant reduction in water consumption

● Fibre and Pulp JVs

- Turnaround in Pulp and Fibre JVs – Profit of Rs. 134 Cr. in FY17 as against loss of Rs. 111 Cr. in FY15 (Grasim's share)
- BJFC – Achieved highest ever profits of ₹ 36 Cr., sizeable reduction in consumption ratio
- Achieved cash break even in AV Terrace Bay

● Chemical Business

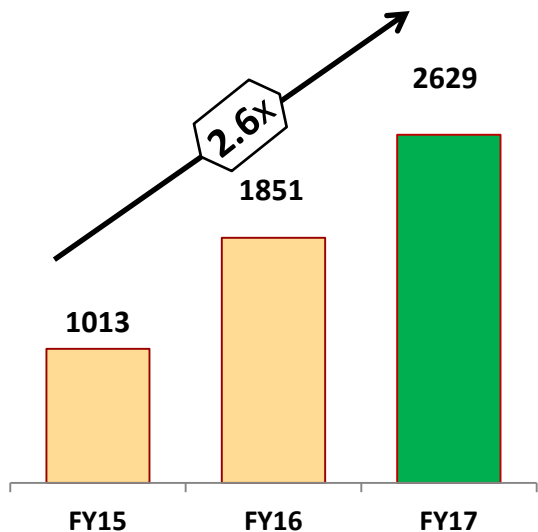
- Sales volume almost doubled over last two financial years
 - Acquisition of ABCIL and successful integration, ramp up of existing and acquired units
- Augmentation of Value added products (VAPs) portfolio leading to unhindered Caustic production

FY17 : Robust Growth Continues at Standalone.....

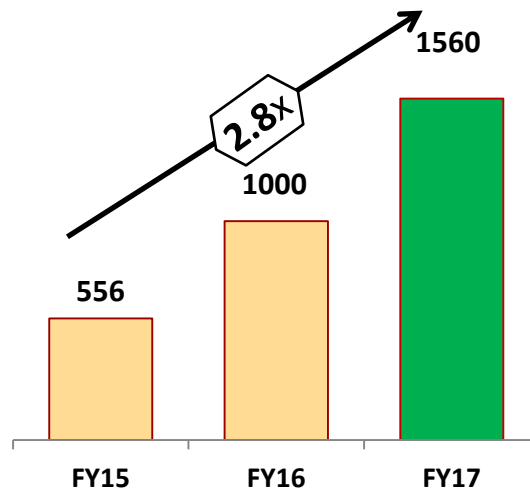
Standalone

₹ Cr.

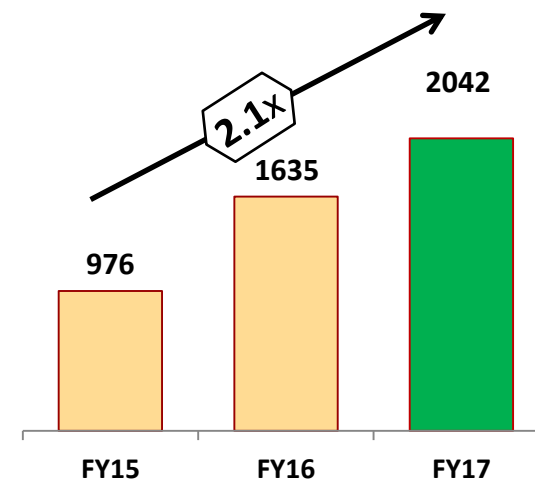
EBITDA



Net Profit



Cash Profit

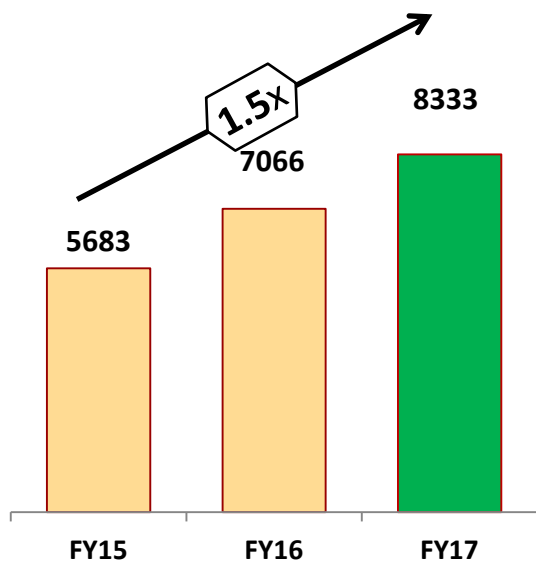


..... As Well as at Consolidated level

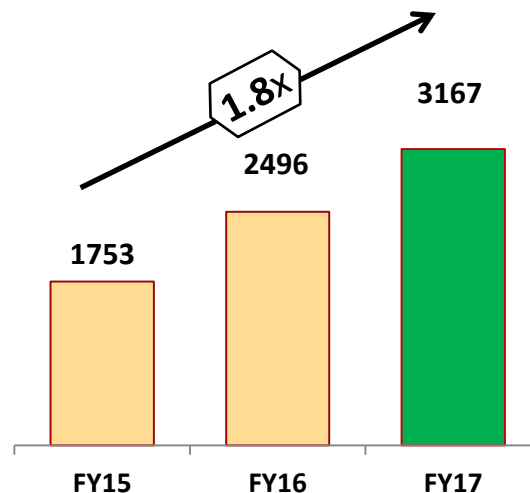
Consolidated

₹ Cr.

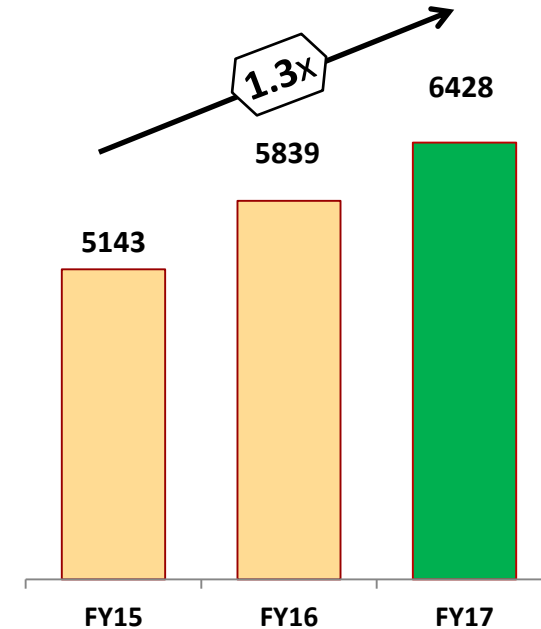
EBITDA



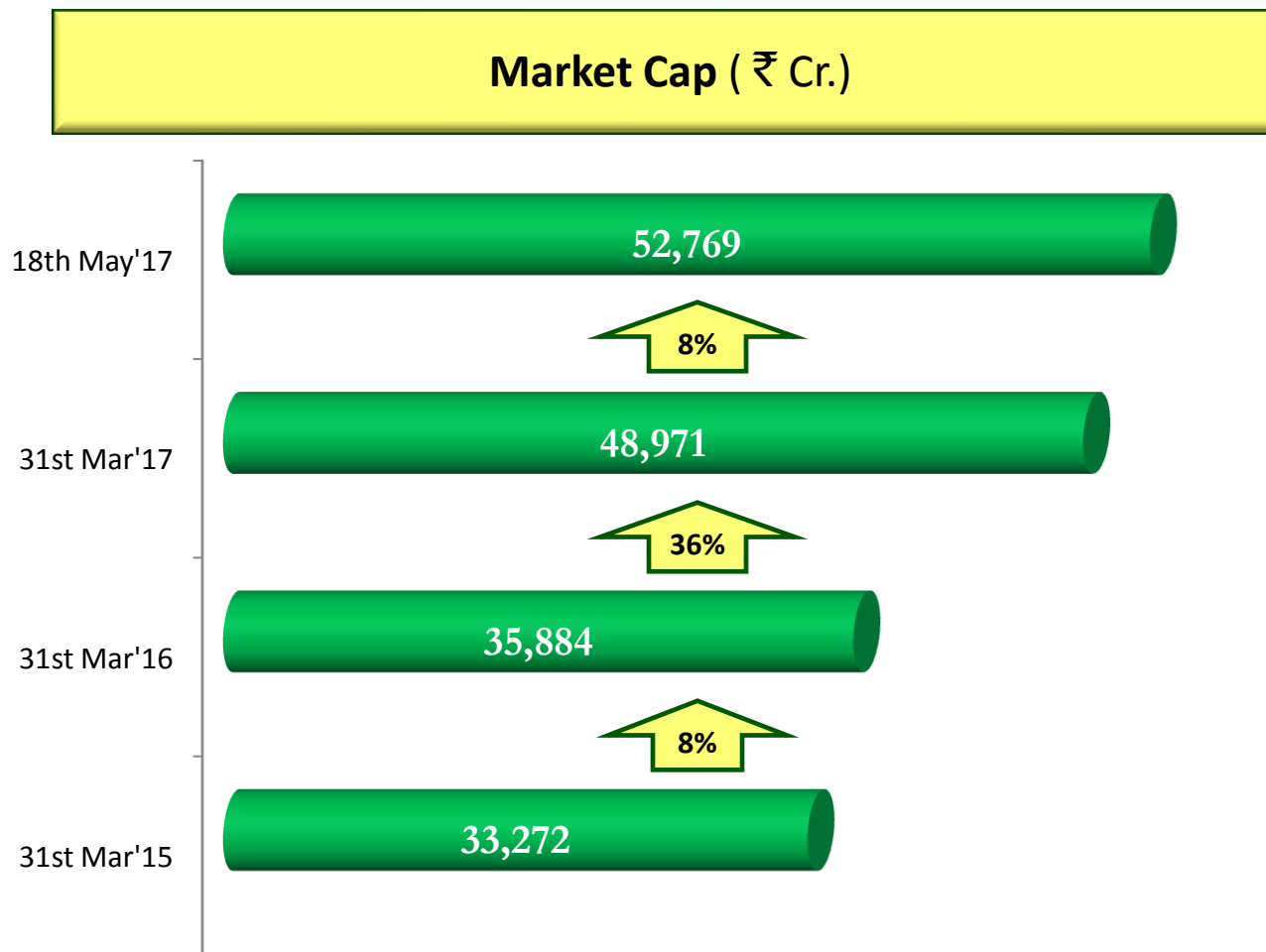
Net Profit (After Minority Interest)



Total Cash Profit



...Resulting into Wealth Creation for Shareholders



Consolidated Financial Ratios

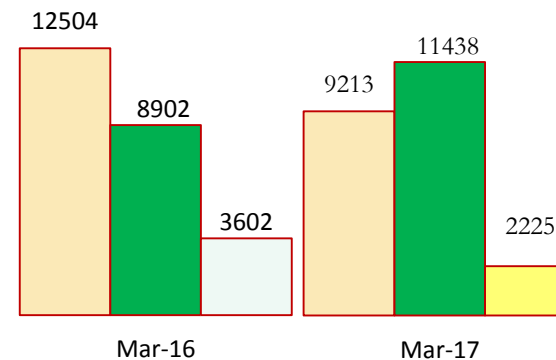
Consolidated

	3/31/2016	3/31/2017
Debt:Equity (x)	0.35	0.22
Net Debt: Equity (x)	0.10	-*
Net Debt / EBITDA	0.51	-*
ROAvCE (%) (Excluding CWIP)	11.3	12.8
RONW (%)	9.6	10.8

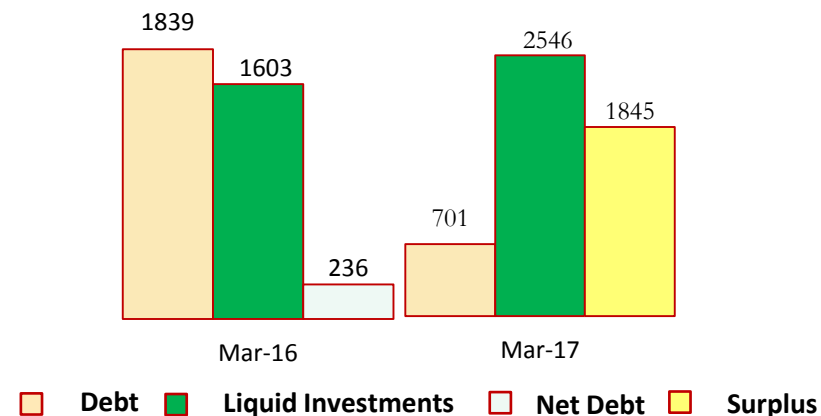
* Zero net debt as on 31.3.2017; Net cash surplus is ₹ 2,225 Cr.

Consolidated Debt / Surplus

₹ Cr.



Standalone Debt / Surplus

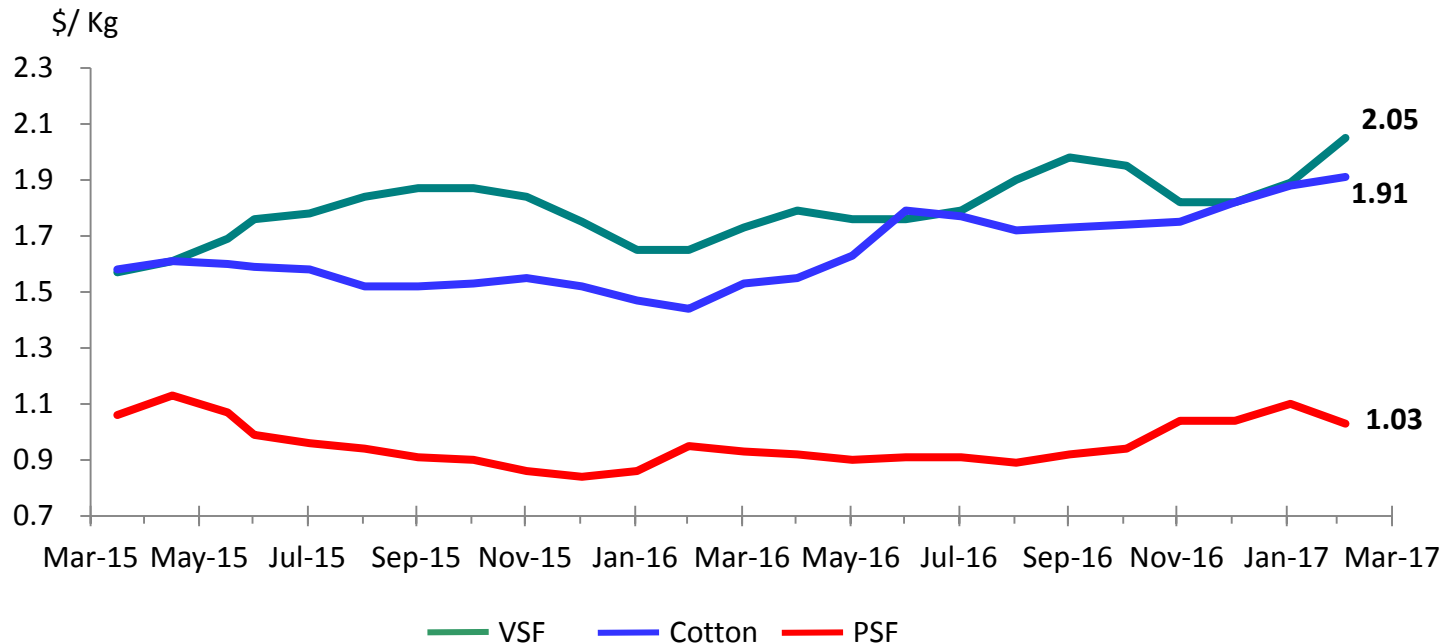


Strong Balance Sheet – Robust Financial Ratios

Business Performance

- VSF
- Chemical
- Cement

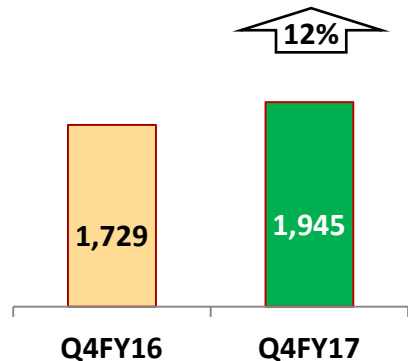
International Fibre Price Trend



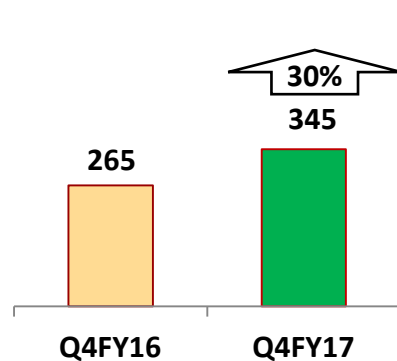
- VSF : Prices witnessed recovery during the quarter
- Cotton : Prices firmed up driven by good demand
- PSF : Prices remained steady during the quarter, decline in March in line with crude prices

VSF : Performance

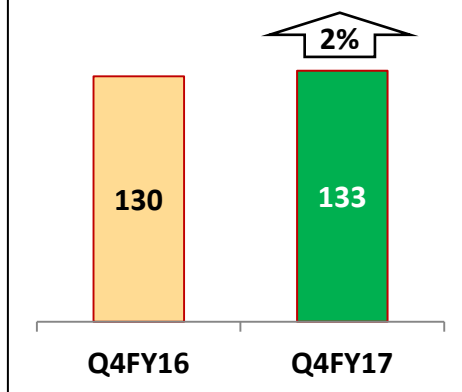
Revenue (₹ Cr.)



EBITDA (₹ Cr.)



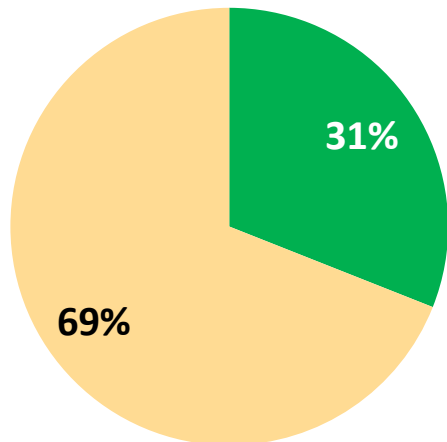
Volume ('000 Tons)



- Volumes were up by 2% YoY
 - Operating at full capacity
 - Domestic markets recovered from demonetisation effect
- Realisation were up 11% YoY
 - Increase in global prices
 - Rising pulp prices
- EBITDA up by 30% at ₹ 345 Cr.
 - Higher realisation
 - Improvement in operating efficiencies
 - Partially offset by higher pulp and energy cost, though international prices are softening
- Operations at Captive Pulp plant at Harihar suspended from February'17 due to water shortage
 - Will resume operations upon onset of Monsoon
 - Operations of VSF plant remained unaffected with external supplies

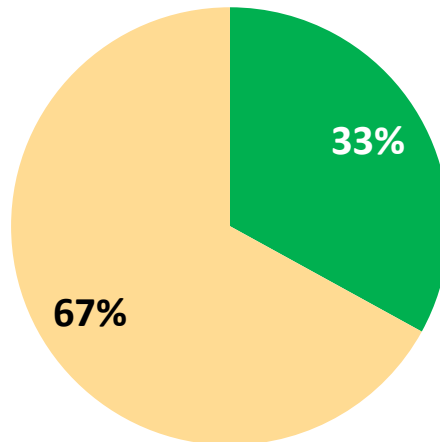
Increasing share of Specialty Fibre

FY15



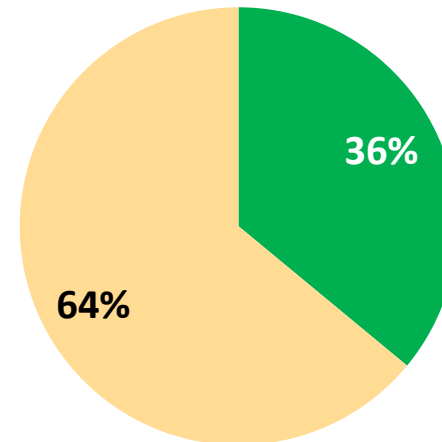
Volume : 403K Tons

FY16



Volume : 467K Tons

FY17



Volume : 498K Tons



Specialty Fibre



Grey VSF

Increasing Share of Specialty Fibre on Higher Volumes

Liva Brand : Creating Pull



- The high quality fabrics made using natural cellulosic fibres delivered through an accredited value chain

Liva Accredited Partner Forum

- Partners assessed for their ability to deliver on Liva promise
- Liva norms defined and shared
 - Liva percentage in yarn/ fabric/ garment defined to qualify
 - Quality norms
- Ensures capacity readiness, Liva usage and consistent flow through volumes, linking different parts of the fragmented garment supply chain
- Periodic audits to ensure adherence to norms

Reach

AW'15	AW'16	SS'17
16 Brands	29 Brands	34 Brands
1400 stores	2700 stores	2500 stores + 10000 category stores
105 cities	160 cities	189 cities

#AW: Autumn-Winter; SS: Spring-Summer

Higher Sales

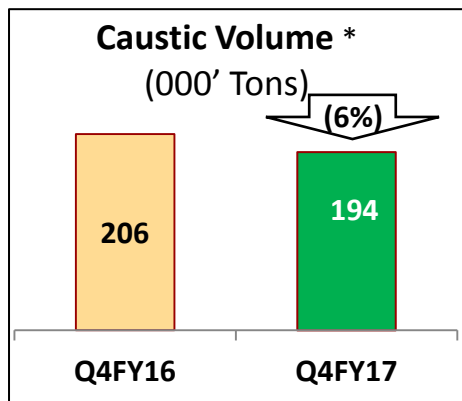
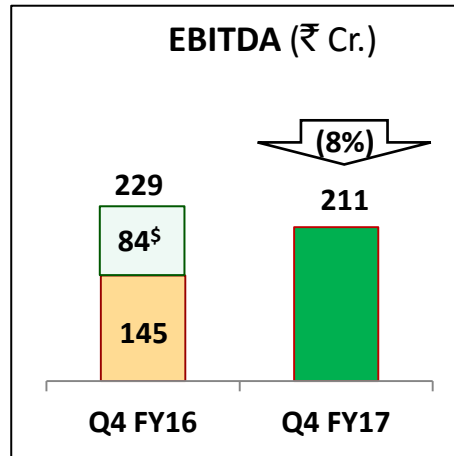
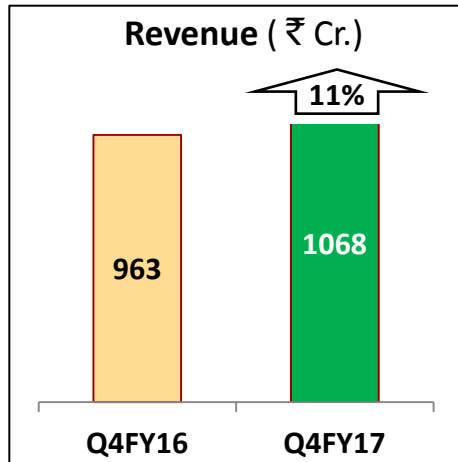


AW'15
21 Lacs
Garments

AW'16
85 Lacs
Garments

SS'17
128 Lacs
Garments

Chemical : Performance

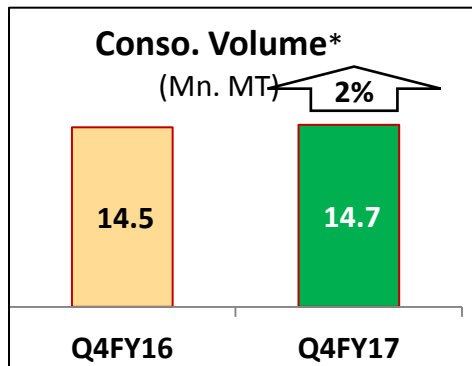
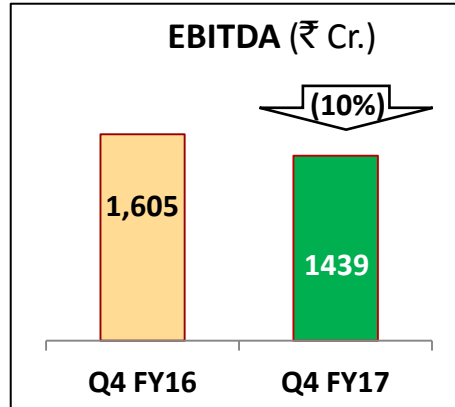
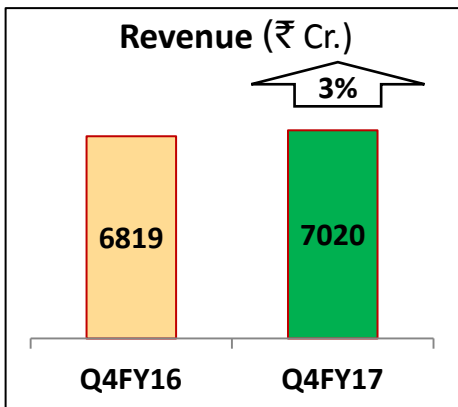


* Includes captive consumption

\$ Non recurring expenses related to Stamp duty provision of ₹ 84 Cr. for ABCIL assets transfer, charged to P&L as per IND AS. This has been added back in EBITDA for better comparison

- Volume down by 6% YoY
 - Caustic Soda production impacted due to lower Chlorine offtake
- ECU realisation maintained
 - Higher Caustic prices offset by negative Chlorine realisation
 - Chlorine realisation continues to remain under pressure
- EBITDA down 8% (on like to like basis)
 - Increase in power cost due to higher coal prices and SEB rate
 - Impact of lower caustic volume partially offset by 33% higher volumes of Chlorine VAPs
- Caustic capacity to increase from 840K TPA to 1,048K TPA in FY18
 - Civil work begun at Vilayat brownfield expansion
 - Expected to be commissioned by Q4 FY18
 - Phosphoric Acid capacity to double from 25K MT to 54K MT by 2nd half of FY18

Cement : Performance



* Includes captive consumption for RMC and clinker volume

- Volume up by 2% despite industry witnessing subdued housing demand
 - Increased in sales from UltraTech Building Solutions stores (volume share up by 20%)
 - Continued thrust on retail market
- Manufacturing cost increase restricted to 13%, despite increase in energy cost by 23% YoY
 - Increase in pet coke prices by 55% offset by
 - Enhanced share of power from waste heat recovery
 - Reduced power consumption
 - Use of industrial waste over coal
- Increase in logistic cost by only 1% against diesel prices hike of 27% YoY
 - Increased use of sea route
 - Increase in supply from new grinding units
- EBITDA at ₹ 1,439 Cr.[§] (on like to like basis)

§ Excludes provision write back of ₹ 138 Cr., being no longer required

Capex

	Capex (Net of CWIP as on 01-04-17)	Cash Outflow		Capex spent - FY17
		FY18	FY19 Onward	
<u>Standalone</u>				
Vilayat Caustic Plant Brownfield expansion (144K TPA)	442			
VSF : Water supply augmentation & usage reduction, Research & Development, Environment and Other normal capex	294			
Chemical capacity debottlenecking (64K TPA) & VAPs	110			
VSF Expansion : Vilayat Residual capex #	115			
Chemical & Others : Normal capex	84			
Standalone Capex (A)	1,045	850	195	438
<u>Cement Subsidiary : UltraTech</u>				
Capacity expansion	2716			
Modernisation, Plant Infrastructure, Environment, Upgradation, logistic infra etc.	2,066			
Cement Business Capex (B)	4,782	2,190	2,592	1,239
Capex (A + B)	5,827	3,040	2,787	1,677

Merger of Aditya Birla Nuvo Limited (ABNL)

Amalgamation of ABNL into Grasim

- Highlights of the merger:

- Creates a large combination of manufacturing and service businesses commanding leadership positions across Cement, Financial Services, Telecom, Textiles and Chemicals sectors
- Grasim to have fast growing sectors such as financial services and telecom under its fold
- Financial Services business to grow faster under Grasim's strong parentage
- Listing of Financial Services business to unlock value for all the shareholders
- ABNL's shareholders to participate in Grasim's steady cash generating businesses while enabling its growth businesses to expand at a faster pace
- Consolidates common businesses and investments of Grasim and ABNL

- Update on the Scheme

- Approvals received from shareholders and creditors of the Company
- The Scheme is subject to sanction of NCLT and final approval from the Stock Exchanges
- The Scheme under implementation is expected to be effective by Q2 FY18

Strong Financials Post Merger

(₹ Cr.)

	Grasim FY17		Aditya Birla Nuvo FY17		Aggregate Proforma Financials FY17
Net Revenue	36,053	+	14,408	=	50,461
EBITDA	8,333	+	1,650	=	9,983
PAT (After MI)	3,167	+	908	=	4,075
Net Debt/ (Surplus) (As on 31.3.17)	(2,225)	+	1,992	=	(233)
Net Debt to EBITDA	NA	+	1.2	=	NA

EBITDA for ABNL has been adjusted for finance cost of NBFC

VSF Business

- Business outlook expected to remain stable
 - No major capacity addition expected in next 12-18 months globally
 - However, short term variations likely in utilisation level and pricing
- Cotton consumption projected to be higher than production, in season 16-17
- Apparel sales growth higher in India (~9%) vis-à-vis global average (~4%)
 - Augurs well for domestic VSF demand
- Continued focus on expanding usage and application of VSF in domestic textile market
 - Better customer connect through brand Liva with sharp increase in Liva tagged garment sales
 - Recently launched brand Liva Crème, a premium variant based on our specialty products (Modal, Micro Modal)
 - Partnering with textile value chain through Liva Accredited Partnership Forum
 - The Company is in the process of debottlenecking of its plants to meet growing demand

Chemical Business

- Caustic demand in India expected to record stable growth
 - Supported by growth in user industries like Textile, Aluminium, Paper, Soap and Detergent etc.
- Increase in Caustic supply expected on account of new capacity additions in the industry
 - May create temporary imbalance in the demand supply

Cement Business

- Favourable factors for demand growth :
 - Affordable housing and interest subvention scheme
 - Infrastructure growth
 - Improving demand sentiments in Southern Markets
 - Bettering of rural housing due to improved rural cash flows
- Challenging Factors :
 - Slow growth of urban housings and private sector capex
 - Industry capacity utilisation at 70%
 - Increase in fuel costs affecting operating margins

Thank You

Grasim Industries Limited

Annexure - Financials

Annexure

- **Consolidated Financial Performance**
- **Standalone Financial Performance**
- **Balance sheet**
- **VSF Summary**
- **Chemical Summary**
- **Cement Summary**
- **Organisational Structure**
- **Plant Locations**

Consolidated Financial Performance

	Quarter 4			Full Year		
	2016-17	2015-16	% Change	2016-17	2015-16	% Change
Net Sales & Op. Income	9,980	9,458	6	36,053	34,490	5
Other Income	269	197	36	948	662	43
EBITDA	2,142	2,051	4	8,333	7,066	18
EBITDA Margin (%)	20.9%	21.2%		22.5%	20.1%	
Finance Cost	176	157	13	702	718	(2)
Depreciation	472	508	(7)	1,808	1,834	(1)
Share in Profit of JVs & Associates	(1)	55		129	193	(33)
Exceptional item		(28)		-	(28)	
Earnings before Tax	1,493	1,414	6	5,952	4,679	27
Total Tax	429	358	20	1,707	1,225	39
PAT	1,064	1,056	1	4,246	3,455	23
Less: Minority Interest	289	326	(11)	1,078	987	9
PAT (After Minority Interest & EI)	775	730	6	3,167	2,468	28
Other Comprehensive Income (after tax)	418	(100)		952	210	
Total Comprehensive Income (after tax)	1,193	630	89	4,119	2,678	54
EPS	16.6	15.6	6	67.8	52.8	28
Cash Profit (Before Minority Share)	1,646	1,526	8	6,428	5,839	10

Standalone Financial Performance

(₹ Cr.)

	Quarter 4			Full Year		
	2016-17	2015-16	% Change	2016-17	2015-16	% Change
Net Sales & Op. Income	2,861	2,546	12	10,331	8,972	15
Other Income	30	57	(47)	474	358	32
EBITDA	556	440	26	2,629	1,851	42
EBITDA Margin (%)	19.2%	16.9%		24.3%	19.8%	
Finance Cost	8	27	(69)	58	147	(61)
Depreciation	113	126	(10)	446	445	0
Earnings before Tax (Before exceptional item)	434	288	51	2,125	1,259	69
Exceptional item		(29)		-	(29)	
Earnings before Tax	434	259	68	2,125	1,230	73
Tax Expense	119	76	56	565	259	118
PAT	315	183	73	1,560	971	61
Other Comprehensive Income (after tax)	452	(173)		1,012	92	
Total Comprehensive Income (after tax)	767	10		2,572	1,062	
EPS	6.8	3.9	73	33.4	20.8	61
Cash Profit	408	355	15	2,042	1,635	25

Balance Sheet

(₹ Cr.)

Standalone			Consolidated	
31 st Mar'17	31 st Mar'16		31 st Mar'17	31 st Mar'16
		EQUITY & LIABILITIES		
16,231	13,872	Net Worth	31,387	27,429
-	-	Minority Interest	9,702	8,729
701	1,839	Borrowings	9,213	12,504
663	494	Deferred Tax Liability (Net)	3,518	3,025
2,256	1,591	Liabilities & Provisions	8,927	7,889
19,851	17,796	SOURCES OF FUNDS	62,747	59,576
		ASSETS		
6,887	6,963	Net Fixed Assets	31,793	31,256
430	376	Capital WIP & Advances	1,650	2,294
-	-	Goodwill on Consolidation	2,994	3,016
		Investments		
2,636	2,636	Cement Subsidiary	-	-
2,546	1,603	Liquid Investments	11,438	8,902
3,814	2,861	Other Investments	4,992	3,893
6,174	5,994	Current Assets, Loans & Advances	9,880	10,215
19,851	17,796	APPLICATION OF FUNDS	62,747	59,576
(1,845)	236	Net Debt / (Surplus)	(2,225)	3,602

Viscose Staple Fibre : Summary

		Quarter 4			Full Year		
		2016-17	2015-16	% Change	2016-17	2015-16	% Change
Capacity	KTPA	125	125	-	498	498	-
Production (in '000s)	MT	120	124	(3)	493	464	6
Sales Volumes (in '000s)	MT	133	130	2	500	467	7
Net Revenue	₹ Cr.	1,945	1,729	12	7,101	6,022	18
EBITDA	₹ Cr.	345	265	30	1,439	923	56
EBITDA Margin	%	17.8%	15.2%	--	20.2%	15.2%	--
EBIT	₹ Cr.	284	201	41	1,206	694	74
Capital Employed (Incl. CWIP)	₹ Cr.	4,725	5,102	(7)	4,725	5,102	(7)
ROAvCE (Excl. CWIP)	%	24.5%	16.6%	--	26.1%	14.0%	--

Chemical : Summary

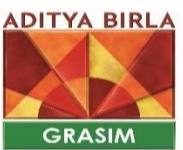
		Quarter 4			Full Year		
		2016-17	2015-16*	% Change	2016-17	2015-16*	% Change
Capacity	KTPA	210	201	4	840	804	4
Production (in '000s)	MT	197	208	(5)	780	756	3
Sales Volumes (in '000s)	MT	194	206	(6)	784	768	2
Net Revenue	₹ Cr.	1,068	963	11	3,813	3,429	11
EBITDA	₹ Cr.	211	229	(8)	842	747	13
EBITDA Margin	%	19.7%	23.8%	--	22.0%	21.8%	--
EBIT	₹ Cr.	161	171	(5)	642	546	17
Capital Employed (Incl. CWIP)	₹ Cr.	3,778	3,738	1	3,778	3,738	1
ROAvCE (Excl. CWIP)	%	18.1%	18.7%	--	17.7%	15.4%	--

* Non recurring expenses related to Stamp duty provision of ₹ 84 Cr. for ABCIL assets transfer, charged to P&L as per IND AS. This has been added back in EBITDA for better comparison

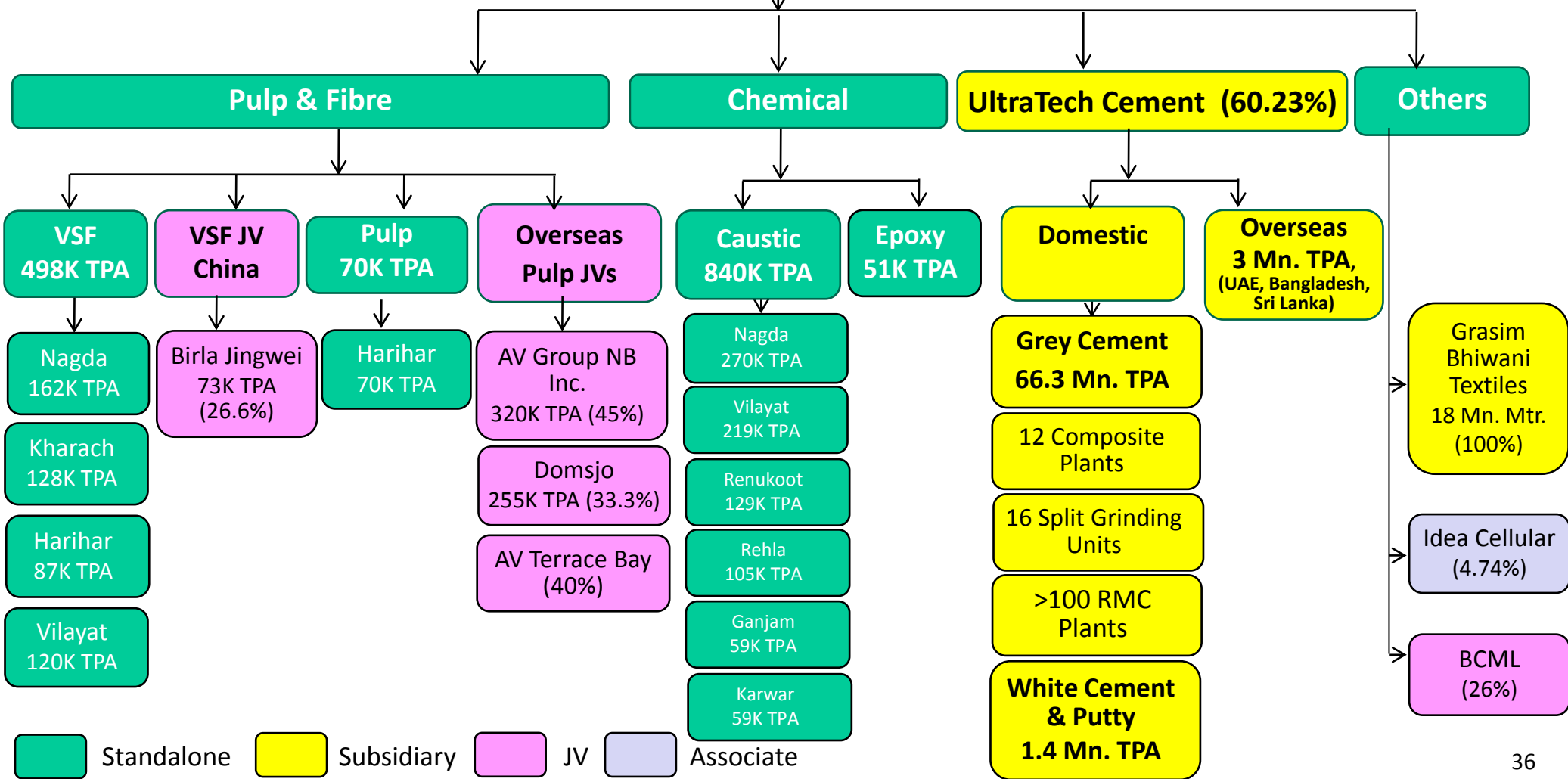
Cement : Summary

		Quarter 4		%	Full Year		%
		2016-17	2015-16	Change	2016-17	2015-16	Change
<u>Grey Cement</u>							
Capacity	Mn. TPA	17.56	16.51	6	70.25	66.05	6
Production	Mn. MT	14.40	14.25	1	51.00	50.57	1
Sales Volumes ^{\$}	Mn. MT	14.73	14.50	2	52.40	51.33	2
<u>White Cement & Putty</u>							
Sales Volumes ^{\$\$}	Lac MT	3.86	3.85	-	13.18	13.12	-
Net Revenue	₹ Cr.	7,020	6,819	3	25,375	25,153	1
EBITDA	₹ Cr.	1,577	1,605	(2)	5,861	5,365	9
EBITDA Margin	%	22.2%	23.2%	--	22.7%	21.1%	--
EBIT	₹ Cr.	1,221	1,226	-	4,512	3,988	13
Capital Employed (Incl. CWIP)	₹ Cr.	36,734	36,114	2	36,734	36,114	2
ROAVCE (Excl. CWIP)	%	14.1%	15.3%	--	13.2%	12.8%	--

^{\$} Includes captive consumption for RMC and clinker volume

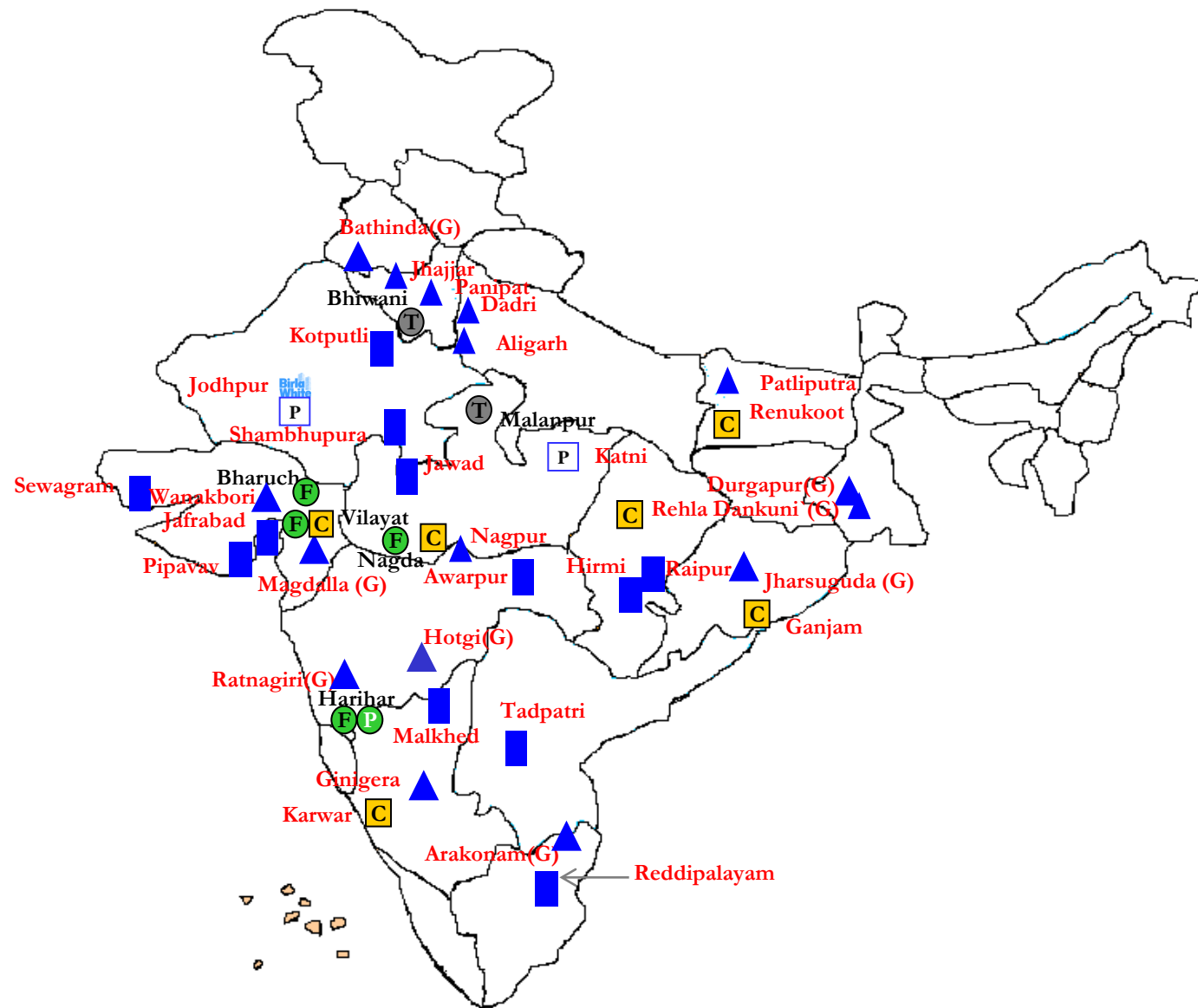


Grasim Group Structure



Plant Locations– Grasim & Its subsidiaries

- UltraTech Cement Plants
- ▲ UltraTech Grinding Units (G)
- ▲ UltraTech White Cement Plant
- P UltraTech Putty Plant
- F Fibre plants
- P Pulp plant
- C Chemical plant
- T Textiles units



Cautionary Statement

Statements in this “Presentation” describing the Company’s objectives, estimates, expectations or predictions may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company’s operations include global and Indian demand supply conditions, finished goods prices, feedstock 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. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

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