"Grasim Industries Limited Q4 & FY23 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Grasim Industries Q4 and FY '23 Year-ended Conference Call.

As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit Panchmatia, Head, Investor Relations. Thank you, and over to you, sir.

Ankit Panchmatia: Yes. Thank you, Tanvi. Thank you all, and good afternoon to everyone for joining us today to discuss Grasim Financial Results for Quarter 4 and full Financial Year-Ended 31st March 2023. Thus, everyone got chance to look at the financial statements and quarterly presentation uploaded on the exchanges and also available on our website.

As you are aware, we don't provide specific Earnings Guidance. Anything said on this call, which reflects our outlook for the future or which could be constructed as a forward-looking statement must be reviewed in conjunction with the risks that the company faces. The same is also highlighted in the last slide of our presentation. Additionally, for reference purposes, the recording and the transcript would be available on the site.

We welcome our leadership team on this call to discuss and share key updates on our financial results, business and segment-wise performance. We have with us today Mr. H. K. Agarwal – Managing Director; and Mr. Pavan Jain – Chief Financial Officer. Also joining the call, we have leadership team from key businesses. We have Mr. Himanshu Kapania – Business Head, Paints division; Mr. Jayant Dhobley – Business Head, Chemicals, Fashion, Yarn & Insulators business; and Mr. Rakshit Hargave – CEO of Paints business.

I now hand over the call to Mr. Pavan Jain for his opening remarks, post which we will open the call for Q&A. Over to you, sir.

Pavan Jain: Thank you, Ankit, and good afternoon, everyone. We welcome you to discuss our annual performance as well as Quarter 4 Results Discussion.

First, I would like to give some highlights on our annual numbers, and then we would cover key aspects for the quarterly performance.

As you are aware, the macro global environment of our businesses has been very volatile in the year gone by due to various factors such as energy prices and inflation rates shooting up globally, demand slowdown across global markets, supply chain disruptions, et cetera. The results for financial year '23 are to be seen in this background.

Despite the challenging macro environment, FY '23 is a momentous year for Grasim. We have achieved various milestones and we hope to continue this momentum in FY '24. We have constantly demonstrated growth on Y-o-Y basis and achieved highest ever consolidated revenue of over Rs. 1 lakh crore in this year. The CAGR in consolidated revenue and EBITDA over FY '20 to FY '23 stood at 16% annually. The consolidated level, UltraTech, Aditya Birla Capital, and Aditya Birla Renewables have added to the strong growth of the underlying standalone businesses.

A key point to highlight is the reported PAT, vis-à-vis the comparable PAT of the previous period. The standalone as well as consolidated PAT for last financial year, that is FY '22, needs to be adjusted for the exceptional items, tax-related write-backs and profit from discontinued operations accounted in the last year. Working of these adjustments have been shared in our presentation.

Also costs in the current year are elevated due to the initial costs of our high-growth new businesses, which impact the overall profitability. On a standalone basis as well we have achieved the highest ever revenue for FY '23 of Rs. 26,840 crore. Standalone EBITDA for the year stood more than Rs. 4,200 crore. Over the same period of FY '20 to FY '23, the standalone revenue recorded a growth rate of 19% CAGR and 18% PAT. Furthermore, over the past decade, we have multiplied revenue by 5.6x, and the EBITDA have multiplied by 4.2x.

The growth under dynamic macroeconomic conditions clearly demonstrate driving forces of the unified approach of 5 pillars of our strategy, namely "Leadership Across Businesses, Constant Product and Process Innovation", increase our sustainability quotient, capital allocation to build high-growth businesses and constantly work for and maintain cost leadership."

The highest ever revenue at standalone level is largely driven by strong growth in two large segments, which is Viscose and Chemicals. Viscose business achieved the highest ever sales volumes during the year on the back of strong domestic demand. Chemicals also posted its best ever year on the back of stable demand and historically high realizations.

Textile business has achieved this highest ever revenue again, largely driven by linen business. Linen Club, which is India's premium linen brand has been increasing its presence across India with 210, exclusive brand outlets versus 186 in FY '21 and 168 in FY '22. The presence across MBOs also increased now to over 8,000 touch points. The premium fabric brands under Soktas and Giza House are other scalable opportunities on the retail side. Furthermore, on the brand side, we would like to highlight that there are multiple brands, which we have created across various categories of Viscose, Chemical and will be now doing so for Paints.

In Viscose, we were able to create the full demand positioning. Liva as a premium sustainable under consciously fashion category. Liva is also associated through co-branding with some of the finest brands across the world. There are also well-established brands like UltraTech and Aditya Birla Capital, which are created by our key subsidiaries, which play big in your life.

Responsible corporate has been key motive where Grasim continues to work and amplify its efforts through its sustainability goals and agenda. Given the complex and intensive manufacturing processes, we highlight Grasim has been able to make a sizable impact in FY '23. We have been able to reduce freshwater consumption intensity by 15% compared to FY '22. The GHG emissions intensity has been also reduced by 6% compared to baseline year of FY '19. This is despite the increased capacities over the same period and contribution from renewable energy improved by 3 percentage points from 5% in FY '22 to 8% in FY '23.

On the innovation side, we continue to provide market with differentiated sustainable solutions to drive its goals to our conscious fashion. For instance, there has been continuous progress on developing MMCF, that is manmade cellulose and fiber from the textile waste. Commercial production of Liva Reviva, Viscose from 30% textile waste was achieved on one of the large use of lines. Likewise, commercial production of lyocell fiber was achieved with up to 31% of raw material being textile waste.

Now coming to Performance of Quarter 4 of the year:

Consolidated revenue stood at its highest level of Rs. 33,462 crore, recording a growth of 16% Y-o-Y. Revenue from significant subsidiaries, UltraTech and Aditya Birla Capital grew by 20% and 23%, respectively. We believe that our key subsidiaries are direct beneficiaries of India's expanding infrastructure, growing financialization and growing demand for renewable energy.

Consolidated EBITDA stood at Rs. 4,873 crore, recorded a growth of 5% Y-o-Y, largely due to performance from UltraTech and Aditya Birla Capital. Standalone businesses revenue was up by 7% at Rs. 6,646 crore compared to Rs. 6,196 crore in Q3 of this year. Standalone EBITDA degrew 6% Q-on-Q to Rs. 542 crore compared to Rs. 580 crore in previous quarter.

At segmental level, Viscose has sequentially recovered at a faster pace, and we have exited the quarter at the quarter high level. The effective Q4 EBITDA was impacted by exceptionally subdued conditions of Q3, which continued in the initial period of current quarter. However, there remains a continuous improvement month-over-month in the quarter gone by.

Utilization levels are near to highest levels. Demand recovery has also resulted in China inventory reaching below the 3-year average of 23 days, which reflects well balanced demand-supply situation currently. Viscose revenue during the current quarter grew by 18% Q-o-Q to Rs. 3,760 crore, while combined EBITDA for the VSF and VFY businesses put together showcased sharp sequential recovery due to VSF now reverting back to the profitability compared to EBITDA loss in Q3.

The global caustic market remains oversupplied due to higher operating rates and lower demand. On similar lines, Indian chlor-alkali market also remained oversupplied due to incremental capacity. The CFR SEA prices of caustic soda corrected by 25% Q-o-Q and 28% Y-o-Y during the Quarter 4, and these are the lowest prices since September 2021. While the impact of the same could come with a lag, the current quarter revenue degrew by 4% Y-o-Y to Rs. 2,397 crore, compared to Rs. 2,487 crore in Q4 FY '22.

The mix has further changed in favor of the chlorine derivatives with an increased revenue contribution of 100 bps Q-o-Q and Y-o-Y. To further enhance our focus on chlorine derivatives, we have acquired the required land at Vilayat, adjacent to our existing plant for setting up manufacturing facilities in due course. In the next 3 years, chlorine integration would be 72% compared to 60% for FY '23. Contribution from the specialty chemicals segment improved based on improved demand and softening raw material prices.

Revenue performance from textile remained stable at Rs. 520 crore for this quarter, recording a growth of 8% Y-o-Y, largely driven by strong underlying demand from the wool and linen businesses. However, the profitability for the current quarter was impacted due to exceptional rise in the flax prices, which is the raw material for our linen business.

The B2B e-commerce opportunity is big and scalable. We aim to be a meaningful player in due course of time in the segment of marketplace for building materials. We are on track to launch full-scale operations into FY '24, beginning from cities in the state of Maharashtra and MP and plan to cover major parts of the country in due course.

The excitement is at peak with regards to launch our Paints business, which is now just three quarters away. The segment is big whereby it can accommodate multiple players where we aim to be a second largest player in Indian organized decorative paint market. The CAPEX spend is also progressing on expected lines and would be at peak of its requirements in the current and next year. Simultaneously, activities for business plan implementation are also progressing well for commercial launch in Q4 FY '24.

Coming to the balance sheet:

The CAPEX for FY 2023 was largely towards chemicals and Paints. Next year, there would be accelerated CAPEX, which would be undertaken for future accelerated growth of the company. To fund the same, the company has already entered into long-term loan agreements of Rs. 5,000 crore. As of 31st March 2023, company's standalone net debt stood at Rs. 1,780 crore. Excluding our investments in the high-growth businesses, the existing businesses continue to remain free cash flow positive. We will share the CAPEX plan for the current financial year, that is FY '24, once the same is finalized and approved by the Board.

I would stop here on the update side and would like to open the floor for Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Sir, my first question was on the Viscose segment, wherein Slide 17 of your presentation says that price movement for gray VSF is up 4% quarter-on-quarter and even the March exit is nearly 2% better as compared to the average for Q4. But when I do the same arithmetic for the reported revenues and the volumes, sequentially, I see a drop of almost 5%. So, if you could just help us understand the reconciliation as to are we missing anything in this particular point here?

Hari Agarwal: Navin, this is H. K. Agarwal. The slide, what you're referring is the China index price. Grey VSF reported by CCF China agency which publishes weekly information on various fibers. So, in China, it is Q-on-Q, but many times, this price is not reflected exactly in the same way in all the markets. So, there were many things happening and in Indian market or in export market because of various other macro factors this did not reflect in the same day. Actually, you are right in your analysis that there is a slight reduction in the price realization in the Quarter 4. So, your analysis is right in that sense.

Navin Sahadeo: So, obviously, my question then would be, in the current quarter also, do we continue to see that pinch, that lag versus global prices? Or it can then have the tendency to reverse back or come back to mean that much faster?

Hari Agarwal: In China also prices have corrected to some extent. And in India also, prices have moved to some extent, convergence. So, these are dynamic things. So, prices are now more or less in the similar direction, I'll say, for the time being, current period.

Navin Sahadeo: I just want to ask a slightly longer, I mean, horizon question here. Because I look at your EBITDA, let's say, Viscose EBITDA per kg from FY '03, okay, until '23. If I look at it, that average is more like over definitely Rs. 20, Rs. 25 per kg. I think currently, we are more averaging like Rs. 5 or Rs. 6 if I'm not wrong, for the latest quarter in that range of Rs. 5 to Rs. 7. So, when can we expect the like these average EBITDA per kg go back to those long-term average of, if not Rs. 20, at least Rs. 15, Rs. 17 from the current levels, please?

Hari Agarwal: See, it is going to take some time. I don't want to sound very pessimistic or optimistic. Those levels have different era and the current era is very different. In those periods, we had import duty, we had antidumping duty in India. But China has not had so many players. The capacity has been added and so many things.

But the current situation is distorted by another side of the equation that is cost inputs of viscose material, like pulp, caustic, sulfur, coal, all had gone up very high. So, slowly, slowly these things are getting corrected. So, that will help to restore the margins. And prices are also going to improve in due course. But currently, the macroeconomic factors, the demand and all these things are greatly disturbed. So, these are not normal times. So, we also work to get those kinds of margins back that will be wonderful. But I think it will be not practical to expect Rs. 25 kind of margin in immediate near future.

Navin Sahadeo: So, clearly, I think the removal of antidumping duty is having an impact on the domestic market and then, hence, profitability versus the past could see challenges to get back to the longer-term average.

Hari Agarwal: To some extent, yes, but then there were a lot of disturbances. Shipping rates were very high. Imports were expensive. Now shipping rates have come back to normal. So, many moving pieces in the whole game. So, this is a very cyclical business. The cost, the prices move very fast. So, the cycles will continue to operate. And cotton prices also were very high until May last year and then cotton prices crashed. So, that affected all the fiber prices also. And in due course, cotton prices will also get back to normal levels. They will pull up all the fiber prices also. So, there are many factors influencing both price as well as the cost side, which determine the margin.

Pavan Jain: Just to add, Navin, you see, these are very, I mean, challenging times since the global developed markets have the negative consumer sentiments, I mean the inflation rates shooting up, affecting the consumer sentiments, et cetera. And you also have to see that all the Chinese players are currently making losses in VSF business. So, that situation cannot continue for long. And if you look at the numbers, I mean, even recently, at Q1 of FY '23, our margins were very good. I think we're in excess of Rs. 20 per kg.

So, the situations are very volatile currently. It is not that we will not achieve those numbers or I mean the current cycle is a kind of difficult cycle in the sense and then input prices are up and realizations are down. So, we have the double whammy kind of situation. We don't think that this is a permanent kind of situation.

Moderator: The next question is from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Just continuing with the earlier question. So, you rightly explained on the realization side for the VSF, but if you can just explain on the raw material side because we have seen the pulp prices correcting sharply from March onwards. So, if you can explain us what were the average pulp cost for us in Q4? And when can the benefit of this reduced pulp prices accrue to Grasim, that is one? B, on the caustic soda side also because caustic soda prices have further corrected from

March, April onwards. So, how does the contract for caustic soda happens for the VSF division within Grasim?

And third would be the premium for the value-added VSF. So, what I could find is that the premium from last 1 or 2 quarters have shrunk. It has further shrunk in Q4. So, was that one of the reason why the profits per kg had an impact in Q4? So, this is on the VSF side, sir.

Hari Agarwal: So, I'll touch the premium on VAPs first. So, there were some reduction in the VAPs premium but it is within the very small range. So, that is not really a big factor. But the main thing was the VAP demand was also impacted because of the global macro situation. Europe, America, all those vessels, the discretionary consumer spending has been impacted very severely. So, the VAPs go in more expensive kind of garment. So, their demand was impacted by value brands.

The premium on VAPs was a little bit down, but not significantly. So, that is not matter of great concern. The caustic transfer prices are based on the market prices. So, we follow previous month's average market price, and that is the transfer price for the next coming months. And having done on a consistent basis for all the caustic transfer. So, that is market driven. So, we got the 1-month lag from the current export prices. And yes, caustic prices are coming down. So, that is reflecting in the lower cost of production on the fiber side. That is true. Pulp side, see the highest pulp prices had gone to about $1,200 per ton sometime last year. But now they are holding at about $900. So, our cost of pulp is at $900 now currently.

Nirav Jimudia: Correct. So, was it the same levels in Q4 also. So, from Q4 till now, the prices have not further fallen?

Hari Agarwal: No. See, we have some long-term agreements where we follow previous quarter's price. And those, we have now made some adjustment to reflect the current prices quicker than 1 quarter lag. So, currently, Quarter 4, I will say from now onwards, prices will reflect 1 month lag.

Nirav Jimudia: Sir, second is on the chemical side. So, if we see on the chemical profitability, I think our ECU was down close to Rs. 4.5. And similar is the fall in our profitability, if we do some reverse calculation. So, just wanted to understand the cost part. So, if you can just help us explain what was the average cost of power for us for the caustic business in Q4 and for FY '23? (so)And has that cost coming down because now the coal cost has fallen? Even if you can just help us explain our external power cost, what we purchased from the grid. Because I just wanted to understand from you that because the realizations have fallen, how much of the cost savings we can work with going forward based on our cost of power metrics?

Jayant Dhobley: So, maybe a couple of points, right? So, the biggest impact on profitability clearly has to do with the caustic price. So, earlier, Pavan Ji mentioned that the international prices have dropped by a significant amount, so has the domestic prices, right? And that's the main reason actually why the caustic profitability has dropped.

The second most important reason, it has dropped is actually lower demand in downstream chlorine industries. So, a lot of downstream chlorine industries are dependent on textiles, on agrochem, on aluminum refining, and all of these industries are actually slowing down, which is resulting in a higher negative chlorine. So, these are actually the two most significant factors for a drop in our caustic profitability.

The Power rate to be very honest with you is a marginal issue here. Our blended rate has not really changed much between the last several quarters. It's at a rate of maybe Rs. 7.3 to Rs. 7.5 per kilowatt hour. I think it would be somewhat more detail to get into what is captive, what is not because one of our value proposition to the market is we're a pan-India player, right? We're the only player in India that can supply caustic in the East, in the West, in the South, and each of these areas have their own coal cost, they have their own transport cost. So, to look at power in isolation doesn't really give the full picture, right?

So, if you really want to understand our business, you have to understand that we serve caustic across multiple segments in all geographies. We are a leader for example, in providing caustic to the mining segment in the East, right? And those are our more important profit drivers. I would say power cost, we'll manage.

We continue to focus on renewables and changes in that is actually not a significant impact for us.

Moderator: The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: My first question is on your paint segment. So, with now 25% of the CAPEX behind and like commodity costs, like generally coming down globally. So, is this Rs. 10,000 crore of CAPEX plan, which we have for paint, is this the firm CAPEX? Or is there some division which could be possible in December?

And a related question is on you have earlier, in like a couple of calls, that you indicated your peak net debt to EBITDA is 2.7 for the overall business, including potential losses in early years for paint segment. With the significantly slower improvement in standalone business, ongoing, is there a revised number which we can look at of peak net debt to EBITDA for ongoing CAPEX?

Himanshu Kapania: This is Himanshu. There is no change in guidance as far as CAPEX of paint business is concerned. We maintain the same numbers. I'll hand it over to Pavan.

Pavan Jain: Yes, so this net debt to EBITDA, you see it will depend upon the actual CAPEX spend and the EBITDA performance over the quarters. So, this 2.7 or whatever number we have shared is not a static number. But yes, the 31st March '23 is 0.4% is net debt to EBITDA, which, of course, will move up as the CAPEX spending goes up and we borrow for CAPEX going forward.

Prateek Kumar: Ballpark, but it should ideally be higher from here, right, from 2.7 because the profitability has on an ongoing business seems significantly more subdued and prolonged.

Pavan Jain: So, right now, if you say yes, today, it looks like that, yes, it will go up. But we don't know after 2 quarters how the business will perform. So, suppose VSF and our chemical businesses are back to normal levels, then it may not change significantly.

Prateek Kumar: On other segment question, VSF and Chemical. So, both the segments have clearly seen a decline in cost environment. And VSF has also, as you said, the improvement in pricing also and demand internationally. So, both of these segments should have seen like sort of a bottom profitability in this quarter or like next. I mean, going forward. I mean so VSF seems like a bottom, but is the Chemical profitability should also reverse from here?

Pavan Jain: So, again, see, I think that will depend upon how the global prices move, et cetera. See, what is in our control is the cost. So, what we are doing is that, see, we are increasingly sourcing more and more renewable power, which is cheaper power, wherever possible, we are enhancing our power capacity. In Vilayat, we are enhancing our captive power plant capacity. So, on the cost front, we are doing various initiatives. Chlorine side, we are taking initiatives where we are increasing the chlorine integration level. So, all those things are there. One additional aspect is like phosphoric acid plant, which was not operational in the Q4 is now operational. So, possibly, yes, we can say that it is bottomed out. But everything again depends upon the global prices as well as the impact of the sale in the Indian markets.

Jayant Dhobley: Jayant Dhobley here, I want to add further on what Pavan Ji said. So, look, chemicals is a portfolio, right? For example, if you look at Quarter 4 of our specialty business, mainly based on epoxy resins and hardener, actually doubled in profitability year-over-year, right? So, you can hardly call a bottom there, right? Similarly, if you look within caustic, we also have a large chlorine derivative portfolio. As Pavan Ji mentioned earlier, our phosphoric acid plant, we had to take a shutdown. That has restarted.

So, I think it would be somewhat difficult to predict a bottom or a top for the Chemical business given the portfolio impact that is there. I think what we can say is that demand continues to remain subdued broadly across the portfolio. There are certain bright spots in it, maybe there are certain less bright spots in it. But it's not correct to call a bottom, and it's also not correct to say that it's going to dramatically drop through. That's also not the case.

Prateek Kumar: And in VSF case, is there an update on antidumping duty review by government?

Hari Agarwal: So, the DGTR has recommended imposing antidumping duty on import from Indonesia and China. But the finance minister did not accept or they did not act on that, so that recommendation lapsed after a 60-day period. So, as a matter of fact, as a result of that there is no antidumping duty on VSF currently.

Prateek Kumar: So, basically, it's not moving forward. Review is not moving forward. It's gone back to….

Hari Agarwal: They will not do it immediately. And we also do not have any new information to submit immediately. So, the DGTR can only recommend. And then rest is somewhat a policy matter or where the Finance Ministry looks at the thing. But the Ministry of Textile has introduced quality standards for VSF imports. So, for the time being, like until they certify all the exporters, those exporters cannot send VSF to India. So, that is kind of reducing the imports of VSF into India for the time being.

Moderator: The next question is from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Sir, first question is on the volumes of both the division. In the past, we've operated both the units at more than 95% utilization. This year, both the units are in the 80s. We're also having this expansion at the Chemical division. So, sir, from a volume growth and utilization point of view, any direction you would like to give for FY '24?

Hari Agarwal: So, for VSF, we are now operating at mid-90s. So, mid-90s, 93%, 94% capacity utilization. And we believe that we should be able to maintain that level going forward. But again, the market remains very uncertain, so many macro level uncertainties, all energy price, Ukraine-Russia war, China-U.S. issue, U.S. banking crisis. So, everything has some bearing on the textile market in general. So, we are all subject to all those things. But for the time being, we are operating at 90-plus capacity level.

Jayant Dhobley: Coming to the Chemicals business, we have reported 89%. And by the way, I do believe that our utilization is still better than most of our peers. So, I think that is what you need to compare against. You mentioned about the new investments. So, I would just like to kind of remind you that the investments, for example, which are coming up in the next couple of quarters, frankly, relate to our epoxy business in Vilayat, which is not only completely utilized, but actually, we are making good profit.

There are some brownfield expansions coming. As we have reported, for example, on our BB Puram side, which is in the south of India, which is a market that is undersupplied from a caustic perspective. A lot of caustic moves from west to east. So, we don't really see utilization challenges due to demand side on caustic. Some of our investments actually are coming in our epoxy business.

But we do see that the end market for chlorine downstream industry need to pick up, and it will pick up because many of them supply to a lot of basic industries, such as dye intermediates, pharma, et cetera. So, we don't see a significant downside risk to our capacity utilization.

Sumangal Nevatia: Got it. Sir, second question is with respect to CAPEX. Now this year also, we spent somewhere around Rs. 2,000-odd crore in the existing VSF and chemical business. I mean what sort of pending CAPEX for, I mean, these brownfield and debottlenecking is left, which would be spent in FY '24. In VSF, are we considering any upstream expansion, brownfield or anything, given we are reaching high utilization for the past expansions?

Hari Agarwal: So, the major part of VSF business CAPEX was completed with the completion of our Vilayat expansion. Now some investments are going on with the debottlenecking of our Excel lyocell fiber capacity that is coming and will be complete in the coming quarter, by the end of this quarter or mid of next quarter. So, that is not a big CAPEX anyway.

And then there are certain other environment related and cost improvement projects. Now as we are utilizing high capacity, we still will want to increase the productivity of our existing plants. We will try to produce certain assets harder. And we are also planning some capacity addition for lyocell fiber plant, but still, it is at the planning stage, but we will finalize our plants soon.

Jayant Dhobley: I just mentioned in the previous caller that the main CAPEX in the short term that is coming up is in fact our epoxy expansion in Vilayat. And next to that is our brownfield expansion for caustic at our BB Puram site. And then there are some other smaller projects in chlorine derivatives, whether that's polyaluminum chloride or monochloroacetic and those types.

Sumangal Nevatia: Sir, I missed the number, did you share any number?

Pavan Jain: No. We are still working out for numbers of all the businesses for the current financial year. So, as I mentioned in the opening remarks, we will come back to you with the numbers once the overall CAPEX number for the company level numbers are finalized.

Sumangal Nevatia: Sir, just one clarification. On the Paints division, this Rs. 7,500, which is approximately left, we said we'll accelerate. So, this spending CAPEX will be spent over what period? Is it 2, 2.5 years?

Himanshu Kapania: So, we are on track on the project. We will consistently maintain that we've been launching our services in Quarter 4, and we are on track of building our 6 plants. So, our initial guidance, we are on track on the initial guidance.

Pavan Jain: So, the plants, all the plant CAPEX will be done for the Paints in next financial year and by FY '25. So, the major CAPEX will be done by the end of FY '25. The small leftover items may be carried forward in the next year. Otherwise, '24 and '25 will be the larger part will be completed.

Moderator: The next question is from the line of Shyam Sundar Sriram from Franklin Templeton. Please go ahead.

Shyam Sundar: My question is on paint. Given that Asian Paints is the more strong in West and the South region, from a go-to-market approach, how do we plan to take it up market region by region? Just any flavor that you can share. And to that end, have you started building our network and dealer empanelment as well? Any comments on the progress will be helpful.

Rakshit Hargave: So, this is Rakshit. Let me take this answer. So, we have obviously studied all competition, including the market leader, and we have a clear view of what are our key tasks, whether it is east, west, north and south. And as you would understand, like we are giving updates on our CAPEX progress. Obviously, the work in terms of meeting the trade, meeting the dealers trying to understand, collecting data, is also all going on track, in line with our proposed launch.

Moderator: The question is from the line of Sarfraz Bhimani from JPMorgan. Please go ahead.

Sarfraz Bhimani: So, my question was in continuation of the Paints discussion that we are having. So, first, clarification I wanted is in terms of CAPEX that you said. So, the plants' CAPEX will get done in FY '25, but we're launching the product in fourth quarter of FY '24. So, this means we will not have a pan-India or like a big entry per se. I mean can you please give some clarity on this side?

Himanshu Kapania: We'll repeat what we've been saying consistently. We are in the process of building 6 plants, which is a large capacity. And we will be starting our services around Quarter 4 and in a phased manner, we'll reach pan-India. But we will have sufficient capacity to reach Pan India as more and more plants get launched. We don't have to wait for all plants to be ready for a pan-India launch.

Sarfraz Bhimani: So, this pan-India launch would happen subsequently. So, any target that you have in mind, sir, for this? And any particular region as you were just talking to the previous participant that you already have all these discussions going on with dealer networks, et cetera. But any particular region that you're looking for first entrance?

Himanshu Kapania: No, specific region. We are a pan-India player. Our ambition remains pan-India. If whatever is realistically possible, we will move in a very systematic manner. There are no further guidance on specific geography at this stage.

Moderator: We have Shyam Sundar Sriram reconnected from Franklin Templeton. Please go ahead with your question.

Shyam Sundar: Sorry, I got disconnected. Just continuing on that paint question. We understand in the initial couple of years, the paint business will need some amount of cash infusion. Now I have 2 parts of the question. As per our internal estimates, when do we expect EBITDA breakeven and cash breakeven for this business? Ballpark, can the Paints business be cash breakeven by F '26 or '27? Is that a fair understanding?

Secondly, the second part of the question, if you think of re-sensing the existing cash flows to the other businesses, how much maximum cash losses should we bake in from the Paints business from an outer bound perspective over a period of 2 years? If you can share some perspectives on these lines, that would be very helpful.

Himanshu Kapania: I think that's a very myopic way of looking at our overall Paints business. I think we would have to see the big picture. And I will take a minute to try to explain you the larger picture as far as the paint business is concerned. Just like Grasim is a very strong player in the textile market, we are intending to become a strong player in the building materials market. And I'm sure you must have seen the building material market, our overall sector is the second largest sector, which constitutes to about 9% GDP of the country. On an overall basis, it's about $300 billion. And currently paint is about $9 billion in size.

The building material industry is growing is doubling at about 7 to 8 years' time period. But paint is growing almost at 1.6x the building material industry. And with multiple changes entrenched on paint, our expectation is the market will continue to grow. And there is a sufficient gap in the market for a strong national player, which can persistently supply materials as well as make sure its presence is not only in urban but in rural markets.

So, we are very optimistic of our results, and we are not giving any guidance as regards specific cash losses. We believe that the market is ripe enough for a second player and large enough to be able to accommodate the capacity that we are building.

Shyam Sundar: Sir, essentially, you are saying we would be EBITDA, breakeven quite early on than I was saying. I mean that is what it comes out because the market is large enough for another player. It means that we would not have that much cash losses that is on my mind and breakeven could be much more nearer than what I would think at this point of time, correct? Is that a fair understanding?

Himanshu Kapania: I'll repeat what we have said persistently. Our theme is a profitable #2 player, and we will make every attempt to meet all the objectives and missions that we have started to build our business on.

Moderator: The next question is from the line of Mudit Agarwal from Motilal Oswal Financial Services. Please go ahead.

Mudit Agarwal: Sir, just 1 question regarding the B2B e-commerce business, like we have about to launch full-fledged business in 2Q FY '24. Can you throw some light like what is the current status and what kind of revenue and profitability we are expecting for FY '24, just a broad-based number, sir?

Pavan Jain: So, in regards to plan is I think I referred in the opening remarks, we will launch the full scale, the platform in Q2 of this financial year, okay? But it will be in phases in the sense, in the first phase we will cover two states, which is MP and Maharashtra, based on the experience, we will scale it up. And then it will go for a pan-India launch in a phased manner.

As regards profitability, as we've, I think, initially shared, it's not going to be profitable in the year 1, I mean the gestating period for the business. But the opportunity is very large in the sense the total market for the building material is more than $100 billion. The digital share today is less than 4%, there's a large opportunity. We have the kind of network available or the required strategy for the market to tap through this B2B e-commerce store.

Mudit Agarwal: Just 1 book keeping question. Can you share the VFY EBITDA number absolute for the quarter?

Pavan Jain: VFY EBITDA, I don't think we give the VFY, VFS separate numbers. For the Viscose, I believe, total number, we have already shared.

Mudit Agarwal: Yes, yes. The VSF number is there.

Pavan Jain: I will repeat that VFS, which was a negative EBITDA in Q3 is now positive EBITDA in Q4.

Moderator: The next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Just 2 quick questions. One is on the working capital side, I see a huge increase in inventories, not so much in the receivables, not so much in payables. So, is it a temporary thing? Or is it anything specific more got to do with increase in raw material prices? Or what could be the reason for almost Rs. 500 crore increase there?

Pavan Jain: So, Q4, there has been some demand slowdown, as we have said earlier also. So, the inventory buildup is a temporary situation. We hope that this should be back to normal in Q1 or Q2.

Navin Sahadeo: Understood. So, it's largely using finished goods inventory, which is just temporary.

Pavan Jain: Yes, temporary.

Navin Sahadeo: And second, I'm sorry, but there is so much more interest in Paints, so I couldn't help but ask this. Is it fair to assume that by Q4, we'll start seeing the buzz, be it advertisements, to make it more sound like a large nationwide player is coming. Is it fair to say that by Q4, we'll see a buzz around that? Or could it be before that as well?

Management: So, like we said that we will start rolling out our products in the market from Q4. And we will do what it takes at the right time in terms of creating the buzz. But obviously, our intent is to create a lot of pull in the market. And whatever it takes from all angles of sales and marketing will be done. But we will just start the products in Q4. So, we will have to time our activities accordingly.

Moderator: The next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Just a couple of follow-up questions. Firstly, on B2B e-commerce. So, we are looking to have a website launched by 2024, which will serve customers in Maharashtra and MP. Is that correct?

Pavan Jain: No, it will be a universal website. It is not limited to the MP and Maharashtra, but our services, we will start in phases. So, in the Q2 of this year, we will start with MP and Maharashtra.

Prateek Kumar: Universal website. So, as in you are both vendor and customer, I mean, both sides of that platform.

Pavan Jain: Yes. We will have the customers and basically the vendors will be available and whoever wants the material will be able to get whatever the product categories we are offering. They will get all the details. The customer segments, as we have told earlier, will be the MSME contractors and the retailers.

Prateek Kumar: So, MSME customers and retailers would largely be located in Maharashtra and MP to start with and vendors, basically, the sellers could be anywhere in the country?

Pavan Jain: Yes, sellers will be. I mean, whoever can service them will be available on the platform.

Prateek Kumar: And you say that you have already started to launch things like customer support, logistics and lending in these markets.

Pavan Jain: So, we have almost closed the suppliers kind of contracts in some categories. The service providers like logistics also, that is also going on. The final agreement will be reached somewhere in this quarter.

Prateek Kumar: So, it will also consume like CAPEX or working capital in a way?

Pavan Jain: CAPEX is not very large amount. See, of course, there is a CAPEX going on. Right now, we have partnered with six technology partners already on board. They are executing the required technological solutions for the platform. So, there will be CAPEX, but the e-commerce business is not a CAPEX-oriented business, CAPEX intensive business. We will have the inventories only for the part where the servicing is kind of very, I mean, critical situation. Otherwise, inventories will be with the sellers only.

Prateek Kumar: And just 1 question on VSF demand and exit of FY '23, you said it has been stronger than the quarter exit. So, would it be possible to quantify the same? I mean, your like last quarter was a quarterly loss in VSF segment. Did it turn positive only in March month that way?

Pavan Jain: No, the demand isn't every month of the quarter, but then there is a lot of seasonality involved in VSF business in terms of demand also and like Chinese New Year and the seasons and the springs, all these things play a very important role. So, yes, demand was good in the fourth quarter. And currently, demand is a little bit weaker, but not too much difference. Not a big deal.

Prateek Kumar: But our volumes have actually increased more in the domestic segment as a domestic mix have increased to 91%.

Pavan Jain: Domestic, but some in export also.

Moderator: The next question is from the line of Rajesh Gajra, Informist Media. Please go ahead.

Rajesh Gajra: Can you please share the EBITDA margin, the total standalone EBITDA margin for the March quarter as well as the year-ago quarter and the previous quarter?

Pavan Jain: EBITDA margin for the March quarter, just a minute, so for this quarter, Q4 of this year is 8% at the overall company level.

Pavan Jain: For the whole year, year ago.

Rajesh Gajra: No, not the whole year. The March quarter of 2022.

Pavan Jain: Yes. Just a minute. So, for FY '22, '23 Q4, that is the quarter gone by, the total EBITDA margin is 8%. And for Q4 last year was 13%.

Rajesh Gajra: Q4, 13%. Okay.

Moderator: As there are no further questions, on behalf of Grasim Industries, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.