

Grasim Industries Limited



**BIG IN
YOUR LIFE**



Earnings Presentation **Q1FY20**

ADITYA BIRLA



GRASIM

BIG IN YOUR LIFE

#1 In Viscose Staple Fibre

#4 In Global DG Pulp Producer[^]

#1 In Caustic Soda & Specialty Chemicals*

#1 In Premium Fabric

60%



Total Market Cap
(June 30, 2019):

INR 1.25 Lakh Crore
(USD 18.1 Billion)

#1 Cement Producer in India

#3 Global Producer (Ex- China)[@]



Market Cap
(June 30, 2019):

INR 60,112 Crore
(USD 8.7 Billion)

56%



Total Market Cap
(June 30, 2019):

INR 20,209 Crore
(USD 2.9 Billion)

Top 3 Asset Management Companies**

Top 5 Private Diversified NBFC

[^]Presence through JV's ^{*}Global leadership in Chlorine derivatives namely Stable Bleaching Powder and Aluminum Chloride and India leadership in Chloro Paraffin wax, PolyAluminium Chloride and Phosphoric Acid ^{**}Excluding ETF [@] Post 4 Mn.TPA expansion and proposed demerger of the cement business (14.6 Mn. TPA) of Century Textiles and Industries Limited into UltraTech

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ADITYA BIRLA



GRASIM

Key Highlights

Q1FY20: KEY HIGHLIGHTS

- Consolidated Revenue and EBITDA up by 13% & 31% on YoY basis respectively
- Global softening in VSF prices owing to capacity over-hang and US-China trade war
- Globally, VSF continues to be fastest growing fibre with projected 6-7% growth; India demand continues to be buoyant with double digit growth
- Pulp Prices, major raw material for VSF, trending downwards
- Caustic prices impacted due to demand slowdown in Asia coupled with increased imports
- Caustic Soda production partly impacted by monsoon delay and cyclone
- Achieved designed capacity utilization in 3rd Generation Specialty Fibre (16 KTPA)
- Write down of Investment in Aditya Birla Idea Payment Bank
- Further reduction in water consumption, amongst other sustainability initiatives



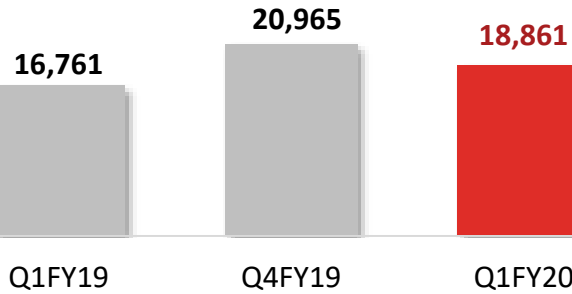
Financial Overview



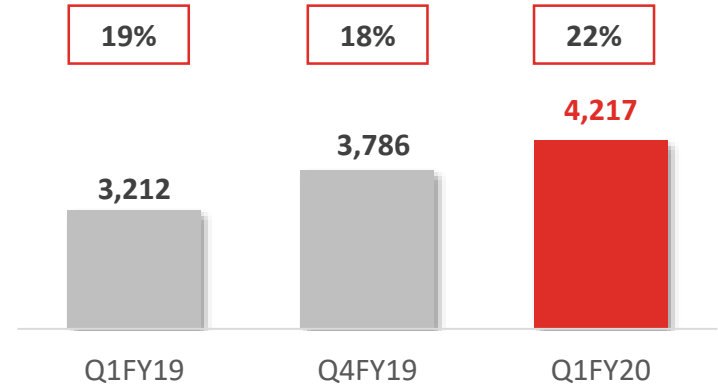
FINANCIAL OVERVIEW

Consolidated

Net Revenue (Rs. Cr.)

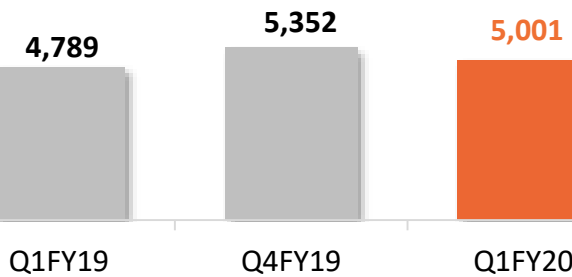


EBITDA (Rs. Cr.)

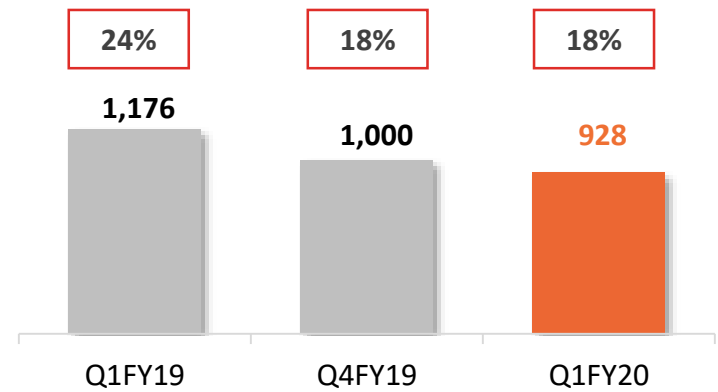


Standalone

Net Revenue (Rs. Cr.)



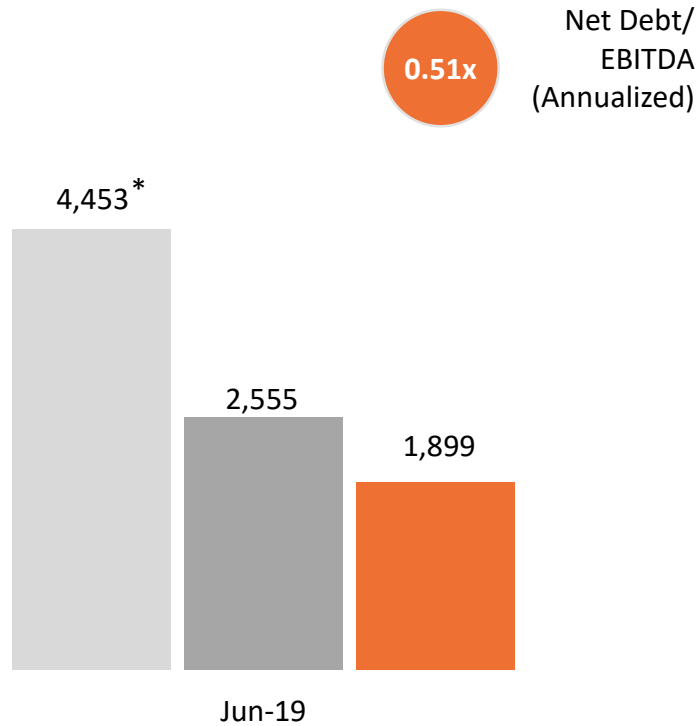
EBITDA (Rs. Cr.)



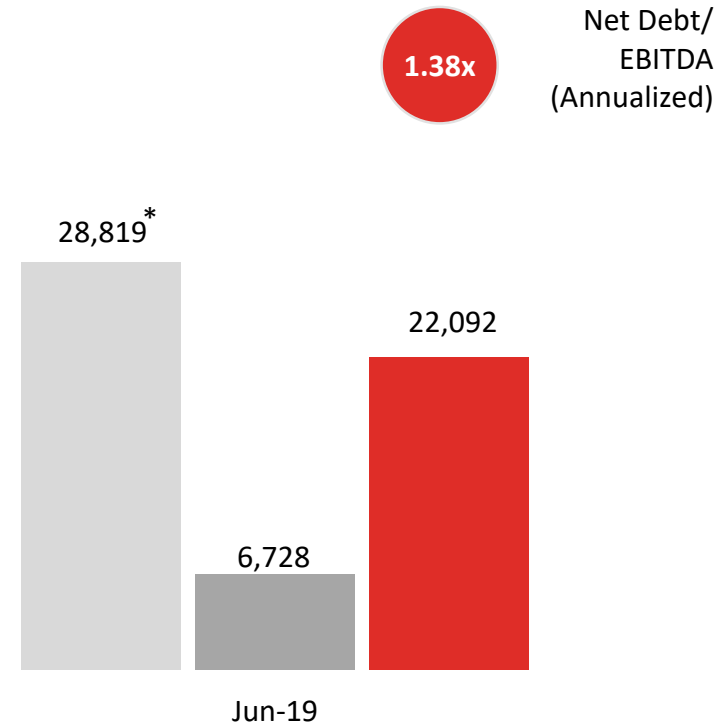
EBITDA Margin (revenue adjusted to include other income)

STRONG BALANCE SHEET

Standalone (Rs. Cr.)



Consolidated (Rs. Cr.)



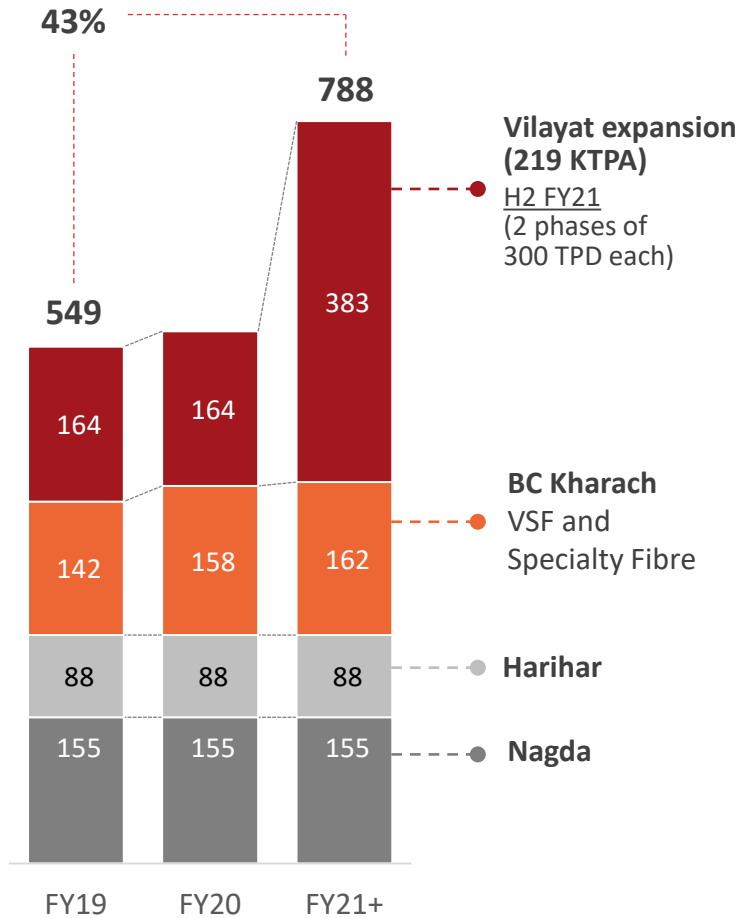
Debt
 Liquid investments
 Net Debt

* Includes Lease liability of Rs. 73 Cr. in Standalone debt and Rs. 1,563 Cr. in Consolidated debt due to adoption of Ind AS 116. In light of the above, Standalone & Consolidated EBITDA has increased by Rs. 5.57 Cr. and Rs. 77.86 Cr. respectively.

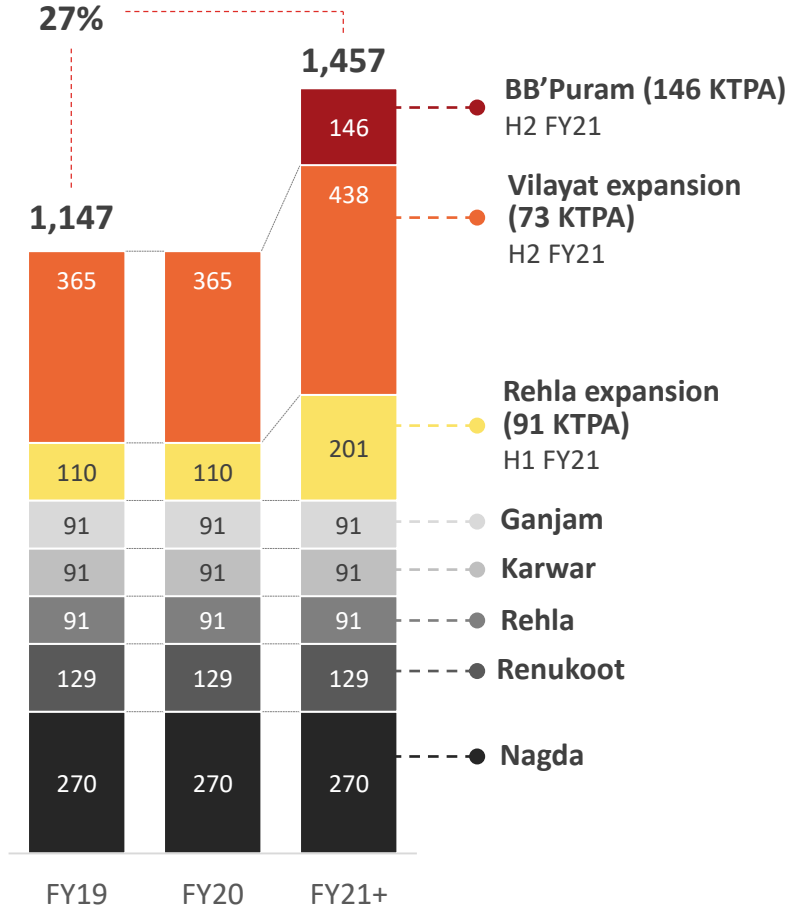


CAPEX PLAN

VSF Capacity (KTPA)



Caustic Soda Capacity (KTPA)



CAPEX PLAN

Particulars (Rs. Cr.)	Capex (Net of CWIP as on 1/4/2019)	Cash Outflow	
		Capex spent	
		Q1FY20	FY21 Onwards
VSF: Brownfield Expansion	3,279		
Modernisation Capex	1,108		3,925
Chemical: Brownfield Expansion	1,562		
Modernisation Capex	1,018		3,422
Other Manufacturing Business	826		
STANDALONE CAPEX (A)	7,793	446	
Cement: Capacity Expansion	3,544		3,874
Modernisation Capex	2,380		1,743
CEMENT CAPEX(B)	5,924	307	

ADITYA BIRLA

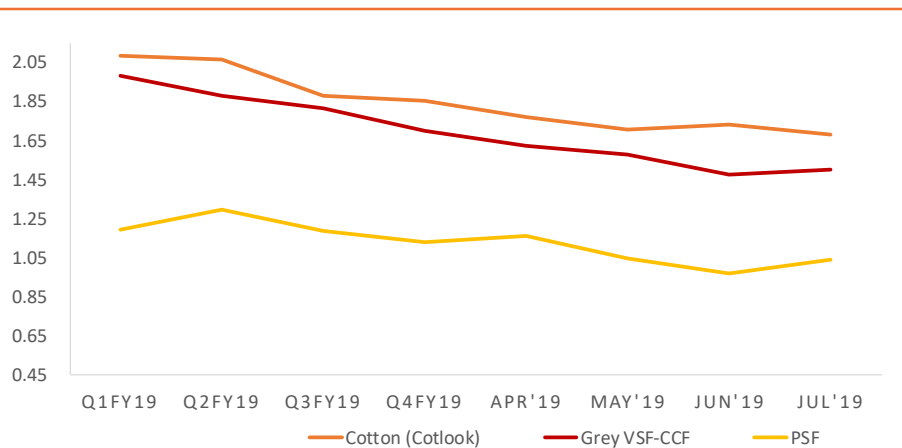


GRASIM

Business Performance

VISCOSE INDUSTRY

Global Prices Trend (\$/Kg)



Source: CCF and other industry sources

Price Movement	YoY (%)	QoQ (%)	June Exit Price (Δ over Q1FY20)
Grey VSF	-21%	-8%	1.48 \$/Kg (-5%)
Cotton	-17%	-6%	1.73 \$/Kg (0%)
PSF	-11%	-6%	0.97 \$/Kg (-9%)



Global VSF prices have been softening primarily on account of capacity over-hang which is further accentuated by new capacity in Indonesia



China exports textiles worth ~USD 50bn to the US and US-China trade war is impacting the prices



Cotton prices are expected to remain soft on account of US-China trade war, arrival of new cotton crop and projections of higher cotton production in India and globally

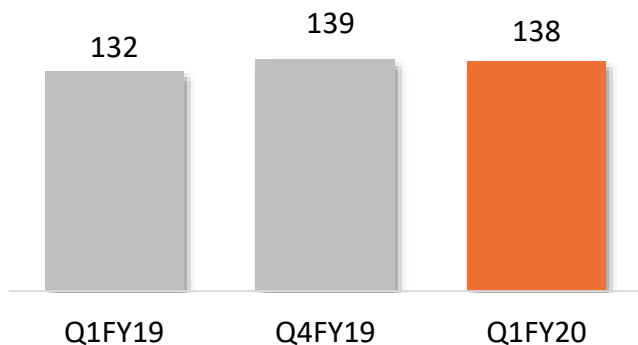


Global VSF demand expected to remain strong with a CAGR growth of ~6%-7% in next 2-3 years with higher growth rate in domestic market



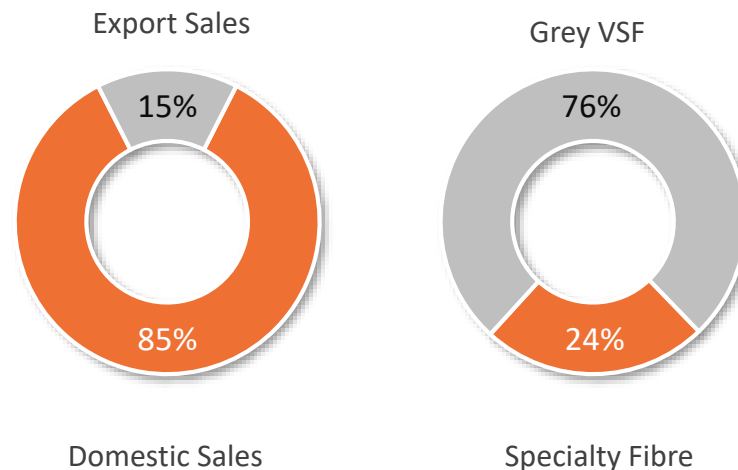
VISCOSE – KEY OPERATIONAL METRICS

VSF Sales

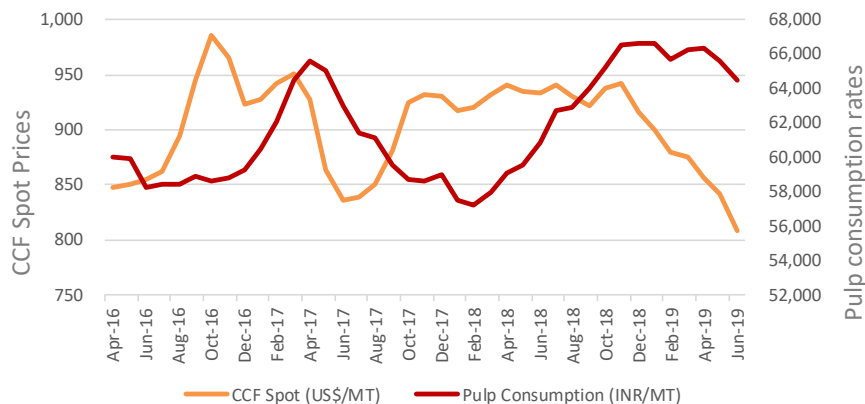


KTPA

Sales Volume Mix



Pulp CCF prices vs Consumption Prices



Source: CCF and company data

- Base Pulp price are trending downwards with ~12% YoY Correction
- Currency depreciation has, however, more than offset the above gains
- Given the inventory to consumption time lag, the benefit of lower prices to accrue in subsequent quarter

VISCOSE – KEY SUSTAINABILITY INITIATIVES

1

Further 15%+ reduction in water consumption at multiple sites from FY19 level. Achieved an overall reduction ~51% in last 3 years. Lowest consumption in viscose industry Globally

2

Prudent water management measures at Nagda led to continuity in operations during water shortage

3

Developed molecular tracer that helps in tracing garments to source at any stage supported by blockchain technology

4

Launched Livaeco: An eco enhanced fibre with Low green house emission, low water consumption, fastest bio-degradable and traceable at source: Received positive response from leading global brands

5

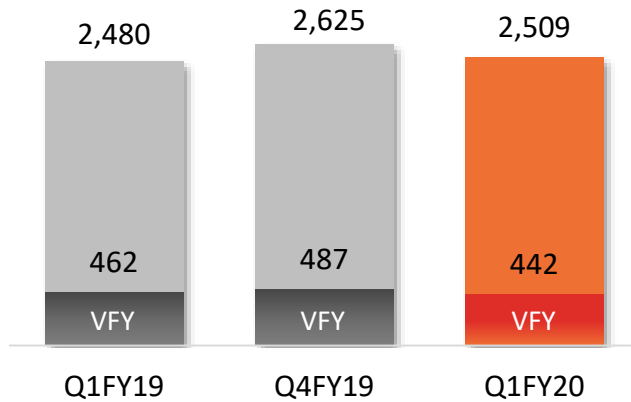
Commissioned 3rd Generation Specialty Fibre line of 16KTPA based on in-house green technology in record completion time

6

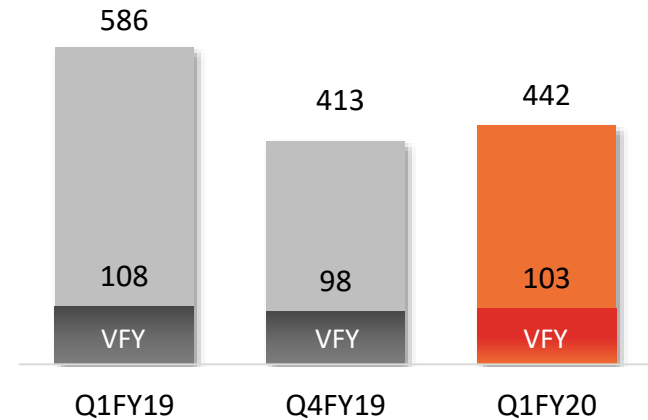
Plans under implementation towards close looping the viscose production to meet the EU norms over next four years

FINANCIAL PERFORMANCE - VISCOSE

Net Revenue (Rs. Cr.)



EBITDA (Rs. Cr.)



QoQ performance is better despite global price softening, led by volume improvement and operational efficiency

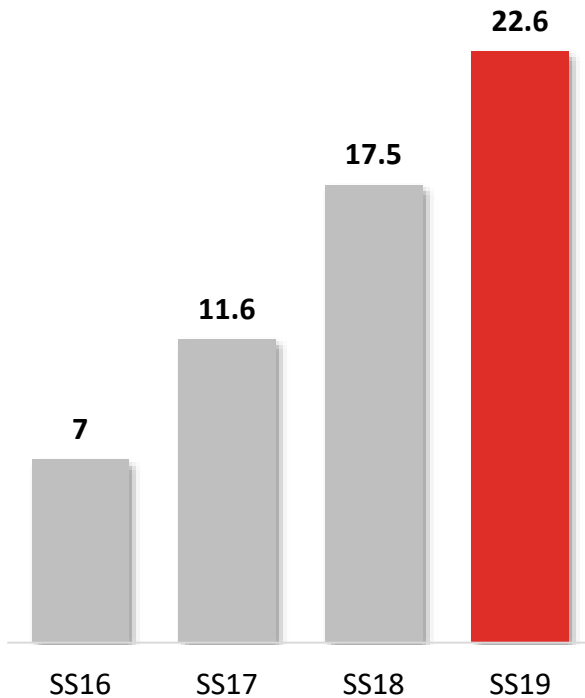
Highest ever quarterly production; Domestic domestic VSF sales volume are up 9% to 118KT (109KT Q1FY19) v/s global average of 3% to 4%

Profitability impacted on YoY basis due to higher pulp cost on account of time lag effect of pulp prices and weaker INR

LIVA: EXPANDING PRODUCT PORTFOLIO

Continued focus on expanding usage and application of VSF in domestic textile market to bolster the VSF demand in the textile value chain

LIVA Tagging (Mn.)



40+

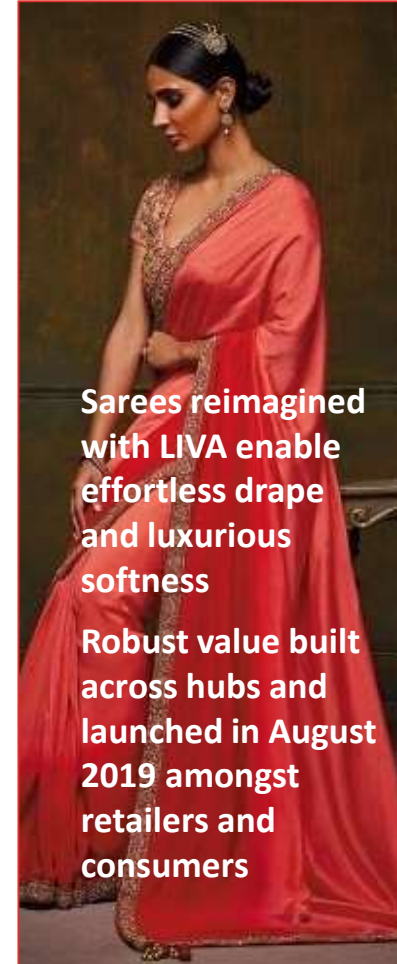
Brands covered

Available in more than 3000+ stores across the Country

LIVA brand extended to Home textiles: **LIVA Home** (post success of LIVA and LIVAeco)

Sarees reimagined with LIVA enable effortless drape and luxurious softness

Robust value built across hubs and launched in August 2019 amongst retailers and consumers



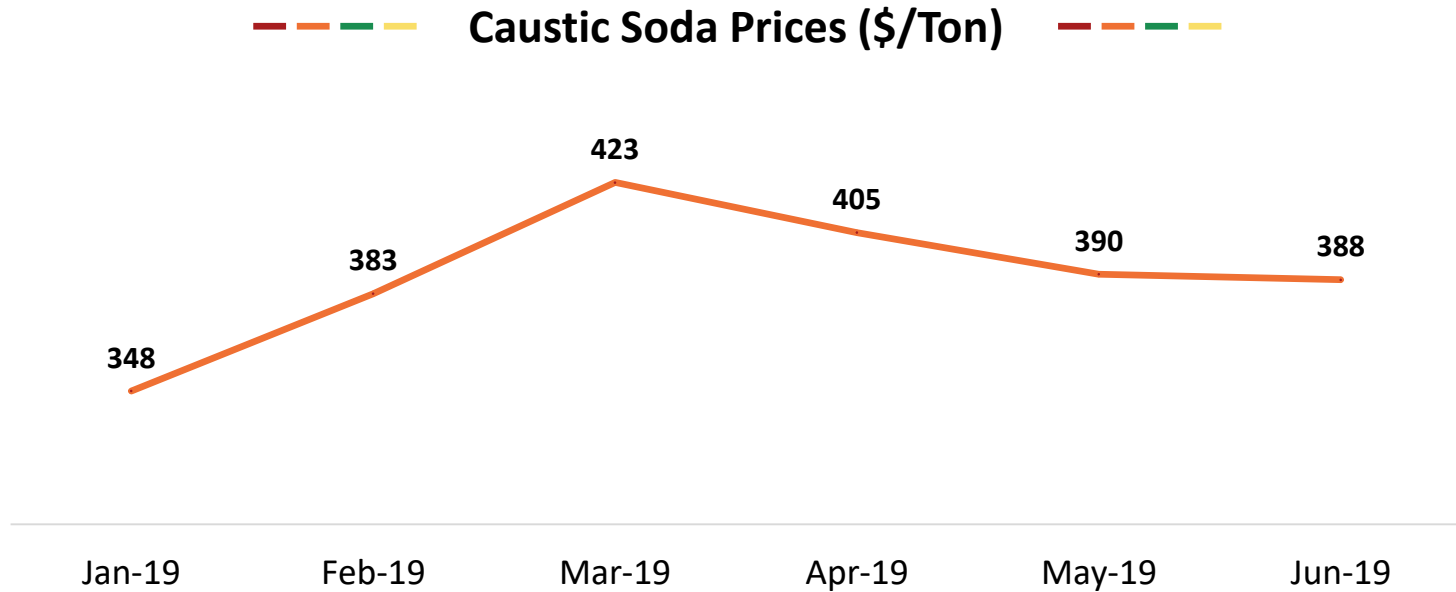
NEWLY COMMISSIONED SPECIALTY FIBRE



VSF VILAYAT PROJECT PROGRESS *Since ground breaking in Nov -2018*



CAUSTIC INDUSTRY



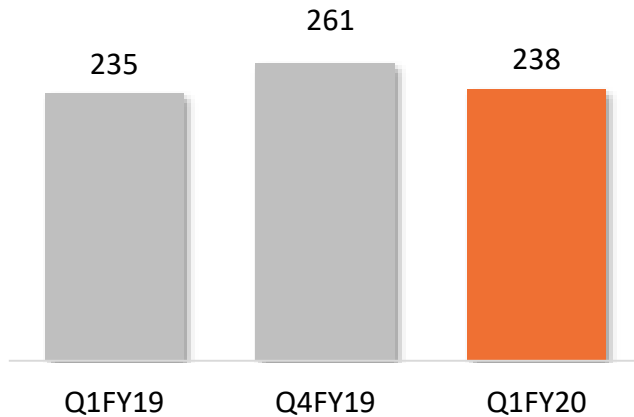
Caustic soda prices in Asia declined during the quarter led by lower demand from key user industries

Caustic prices in India has softened with increase in imports and production ramp up of newly commissioned capacities in the domestic industry

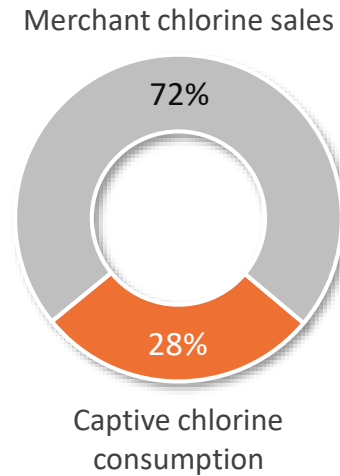
Chlorine supply exceeded the demand during the quarter leading to negative realisation

CAUSTIC – KEY OPERATIONAL METRICS

Caustic Soda Sales



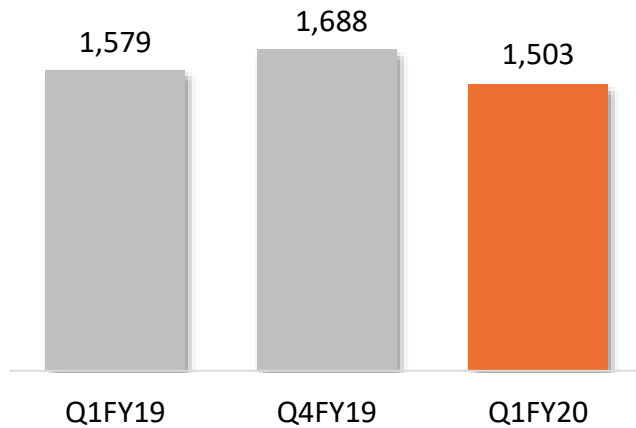
Sales Mix



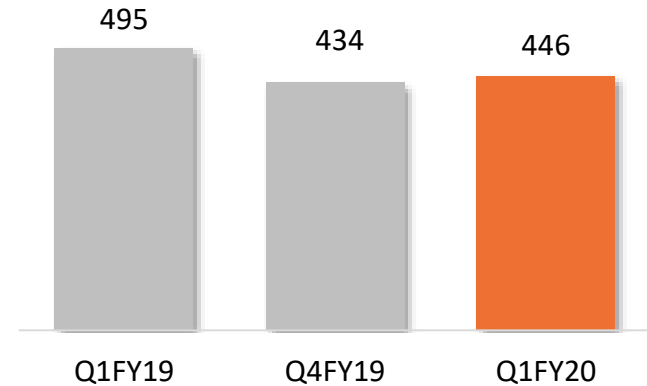
- Production impacted due to water shortage in Q1, now normalized post onset of monsoon
- IoT based Central Logistics Control Tower to improve en-route safety and transparency of transportation fleets
- Launched mobile application for ensuring Chlorine Safety for chlorine customers
- Chlorine VAP plant at Vilayat commissioned
- Work on newly acquired plant (146 KTPA) at Balabhadrapuram started, ordering of long lead items in progress

FINANCIAL PERFORMANCE - CHEMICALS

Net Revenue (Rs. Cr.)



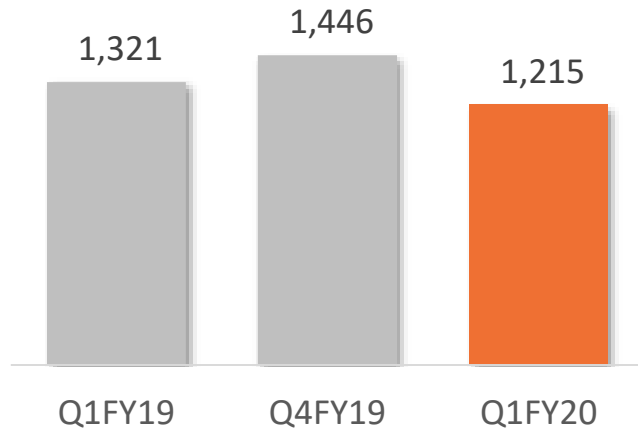
EBITDA (Rs. Cr.)



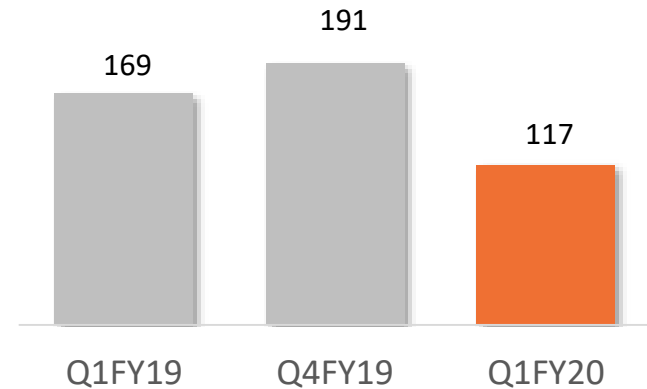
- Power cost reduced by 7% YoY, with new sources and cost optimization; Added wind power source at Vilayat (15.4MW with 35% PLF)
- VAP and Epoxy contributed 21% of Chemicals EBITDA; Highest ever VAP EBITDA
- EBITDA marginally higher on sequential basis. On YoY basis, ECU realizations impacted by negative chlorine prices

FINANCIAL PERFORMANCE – PULP JV's

Net Revenue (Rs. Cr.)



EBITDA (Rs. Cr.)



● Pulp production impacted due to maintenance shutdown at different sites in Q1FY20

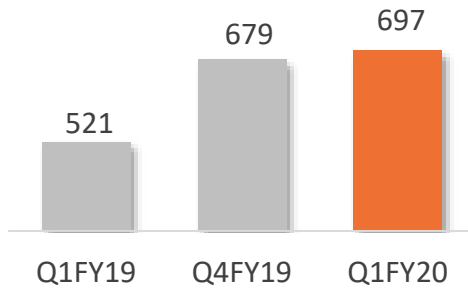
● Previous quarters had mark to market gains of power hedge and income from Carbon Credits

Note: The above data represents the financial performance of all Pulp JVs on total basis. The share in the PAT of these JVs (proportionate to its holding) is consolidated in the consolidated financials of Grasim.

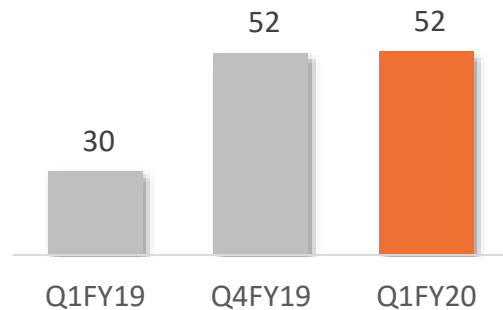
FINANCIAL PERFORMANCE – OTHER BUSINESSES

Fertilisers

Net Revenue (Rs. Cr.)

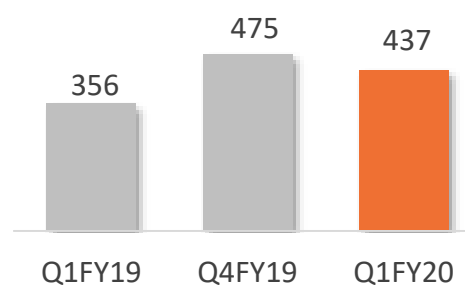


EBITDA (Rs. Cr.)

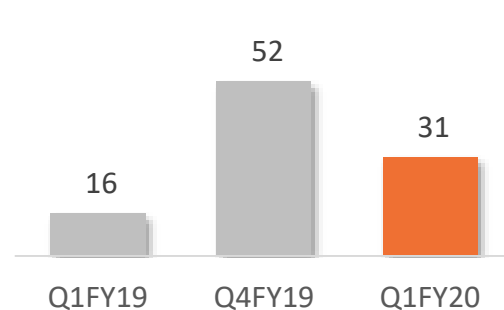


Textile

Net Revenue (Rs. Cr.)

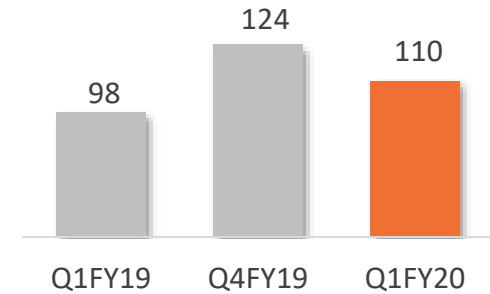


EBITDA (Rs. Cr.)

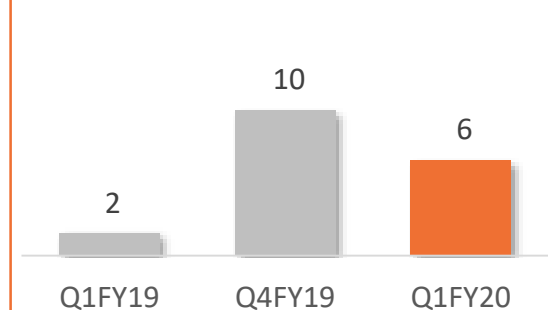


Insulators

Net Revenue (Rs. Cr.)

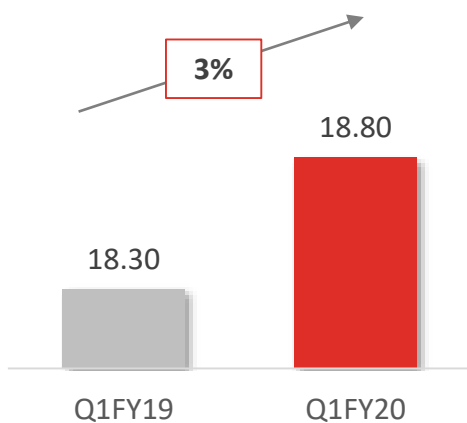


EBITDA (Rs. Cr.)

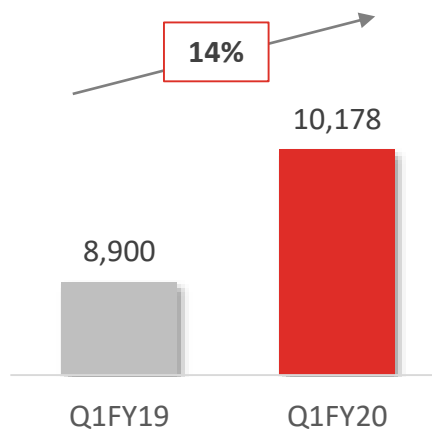


FINANCIAL PERFORMANCE – UltraTech

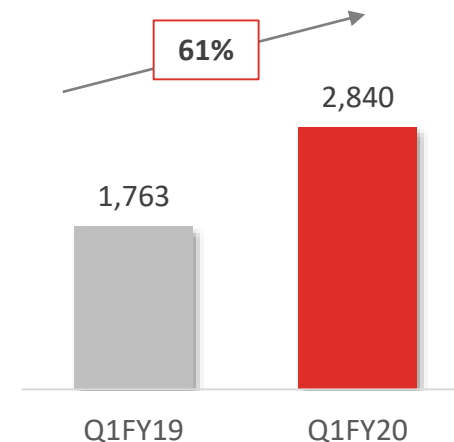
Sales volume (MT)



Net Revenue (Rs. Cr.)



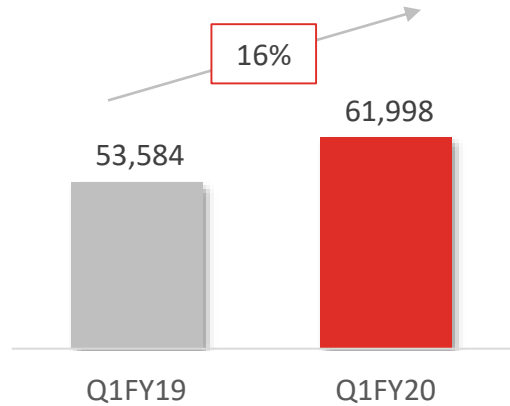
EBITDA (Rs. Cr.)



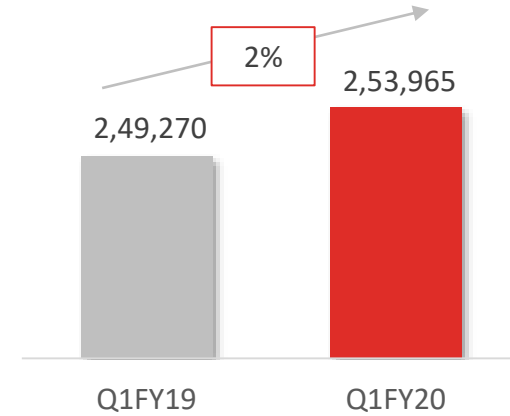
- Achieved successful integration of the biggest acquisition in Indian Cement Industry (21.2 MTPA) as planned in 8 quarters
- UltraTech Nathdwara achieved PBT breakeven within two quarters of acquisition creating an industry benchmark
- Focused approach to moderate debt and enhance liquidity, Net debt shrunk over Rs.1,000 Cr. in Q1FY20 from Q4FY19
- Operating Costs decreased on YoY basis (Logistics down 5% YoY, Energy down 2% YoY and Raw material down 2% YoY)

FINANCIAL PERFORMANCE – ABCL

Lending Book(Rs. Cr.)*



AAUM(Rs. Cr.)**



- Revenue and Net profit after minority interest for Q1FY20 are at Rs.3,646 Cr. and Rs.270 Cr.
- Lending book (Incl. housing) grew 16% YoY to Rs. 61,998 Cr.
 - Lending book is backed by well-matched asset and liability mix and adequate liquidity pipeline to meet growth requirement. Raised ~Rs. 4,000 Crores of long-term funds
- Average Assets under management at Rs.2,53,965 Cr in Q1FY20. Domestic Equity AAUM mix steady at 36%
- The Individual First year Premium are up 29% to Rs.322 Cr. in Q1FY20. The persistency ratios witnessed a consistent improvement, the 13th month persistency ratio improved by 591 bps to 78 % in Q1FY20
- In the Health Insurance business, Gross written premium increased to Rs. 143 Crores (Q1FY20) up 1.9x YoY

* Includes Housing Finance. **Quarterly domestic AAUM of Asset management business



Appendix

BALANCE SHEET

Standalone (Rs. Cr.)			Consolidated (Rs. Cr.)	
30th Jun'19	31st Mar'19	EQUITY & LIABILITIES	30th Jun'19	31st Mar'19
41,516	41,959	Net Worth	56,376	55,773
-	-	Non Controlling Interest	27,984	27,387
-	-	Borrowings related to financial services	57,693	55,310
4,380	3,311	Other Borrowings	27,256	26,659
73	-	Lease Liability	1,563	-
1,871	1,879	Deferred Tax Liability (Net)	6,190	5,985
-	-	Policy Holders Liabilities	40,609	40,150
4,564	4,664	Other Liabilities & Provisions	18,524	17,938
52,404	51,813	SOURCES OF FUNDS	2,36,196	2,29,203
30th Jun'19	31st Mar'19	ASSETS	30th Jun'19	31st Mar'19
11,787	11,232	Net Fixed Assets	58,699	58,634
1,500	1,812	Capital WIP & Advances	5,640	4,838
67	-	Right of Use - Lease	1,466	-
-	-	Goodwill on Consolidation	17,915	17,970
		Investments:		
2,636	2,636	<i>UltraTech Cement (Subsidiary)</i>	-	-
17,077	17,077	<i>AB Capital (Subsidiary)</i>	-	-
-	-	<i>AMC (JV)</i>	4,962	4,914
747	1,037	<i>Investment in other equity accounted investees</i>	1,290	1,371
2,555	3,769	<i>Liquid Investments</i>	6,728	7,006
4,031	1,841	<i>Vodafone Idea</i>	4,031	1,841
4,769	4,812	<i>Other Investments(Hindalco, ABFRL, etc.)</i>	9,130	5,961
-	-	<i>Investment of Insurance Business</i>	17,316	16,532
-	-	Assets held to cover linked liabilities	25,150	25,166
-	-	Loans and advances of financing activities	61,207	61,972
7,234	7,597	Other Assets, Loans & Advances	22,664	22,997
52,404	51,813	APPLICATION OF FUNDS	2,36,196	2,29,203
1,899	(458)	Net Debt / (Surplus)	22,092	19,653

INCOME STATEMENT – Q1FY20

Particulars (Rs. Cr.)	Standalone		Consolidated	
	Q1FY20	Q1FY19	Q1FY20	Q1FY19
Net Revenue from Operations	5,001	4,789	18,861	16,761
Other Income	85	97	231	176
EBITDA	928	1,176	4,217	3,212
<i>EBITDA Margin (%)</i>	<i>18%</i>	<i>24%</i>	<i>22%</i>	<i>19%</i>
Finance Cost	78	59	531	406
Depreciation	203	183	920	767
Share in Profit of JVs, Associates & Others*	-	-	48	42
PBT	647	934	2,814	2,080
Tax Expense	208	292	970	680
Exceptional items (Net of Tax) [#]	(238)	-	(57)	-
PAT attributable to Minority Shareholders	-	-	556	283
PAT (After Exceptional Items)	202	643	1,231	1,116
PAT (Before Exceptional Items)	439	643	1,287	1,116

Comprises Impairment loss of investment in Aditya Birla Payments Bank Limited (Net of Tax)

** Q1FY19 includes share in Loss of erstwhile Idea Cellular Limited, which is not included in Q1FY20 as Idea Cellular Limited ceased to be an Associate of the Company consequent to the merger of Vodafone and Idea (w.e.f 31st August 2018) forming Vodafone Idea Limited.*

VISCOSE BUSINESS SUMMARY

Particulars		Quarter 1		% Change	Q4FY19	% Change
		2019-20	2018-19			
Capacity						
VSF	KTPA	566	546	4	566	0
VFY	KTPA	46	46	-	46	0
Production						
VSF	KT	140	134	4	130	8
VFY	KT	11	11	0	11	0
Sales Volume						
VSF	KT	138	132	5	139	-1
VFY	KT	10	11	-9	11	-9
Net Revenue	Rs. Cr.	2,509	2,480	1	2,625	-4
EBITDA	Rs. Cr.	442	586	-25	413	7
EBITDA Margin	%	17.5%	23.4%		15.6%	
EBIT	Rs. Cr.	338	494	-32	312	8
Capital Employed (Incl. CWIP)	Rs. Cr.	7,775	7,147	9	7,504	4
ROAvCE (Excl. CWIP)	%	20.2%	29.8%		19.5%	

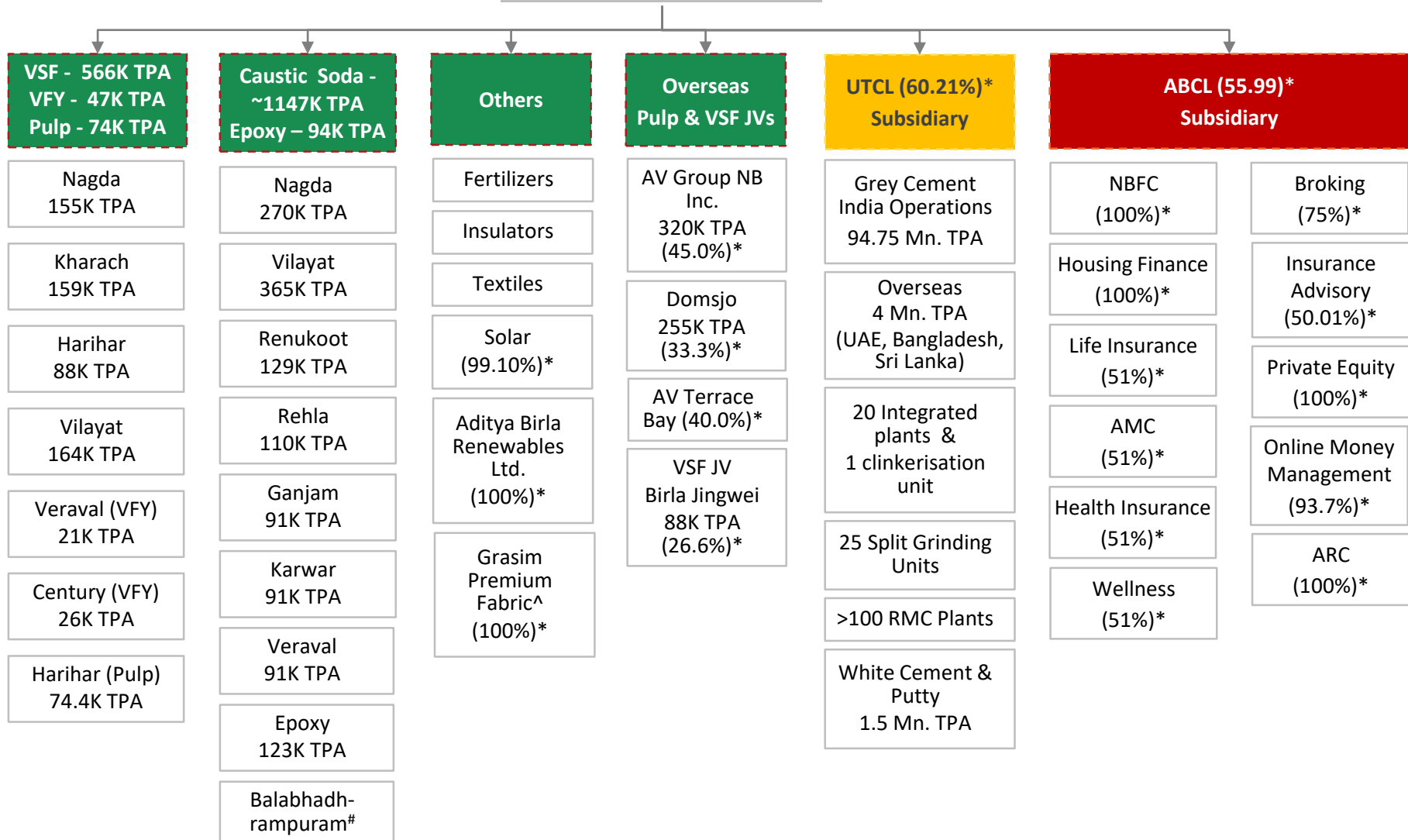
CHEMICAL BUSINESS SUMMARY

Particulars		Quarter 1		% Change	Q4FY19	% Change
		2019-20	2018-19			
Capacity*	KTPA	1,147	1,140	1	1,147	0
Production*	KT	242	236	3	254	-5
Sales Volume*	KT	238	235	1	261	-9
Net Revenue	Rs. Cr.	1,503	1,579	-5	1,688	-11
EBITDA	Rs. Cr.	446	495	-10	434	3
EBITDA Margin	%	29.6%	31.3%		25.6%	
EBIT	Rs. Cr.	382	438	-13	372	3
Capital Employed (Incl. CWIP)	Rs. Cr.	5,088	4,452	14	4,977	2
ROAvCE (Excl. CWIP)	%	34.3%	44.2%		34.0%	

* Volume data is for Caustic Soda only. Revenue and EBITDA are for all products in the chemical segment

GRASIM GROUP STRUCTURE

Grasim Industries Limited



* Subsidiary companies - Equity ownership

[^] Suktas India has been renamed to Grasim Premium Fabric Private Limited post acquisition

[#] Under construction Chlor-Alkali plant with capacity of 146 KTPA

Certain statements in this report 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, 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. The company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

Country and Year of Incorporation: **India, 1947**

Listing: **India (BSE/NSE) , GDR (Luxembourg)**

Bloomberg Ticker: **GRASIM IB EQUITY , GRASIM IS EQUITY, GRAS LX (GDR)**

Business Description: **Viscose, Chemicals, Cement and Financial Services**

Market Cap (30th June 2019) : **Rs. 60,112 Cr.**



Thank you

Grasim Industries Ltd.

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Investor Relations Team

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