



“Grasim Industries Limited Q1 FY20 Earnings Conference Call”

August 14, 2019



**MANAGEMENT: MR. DILIP GAUR -- MANAGING DIRECTOR
MR. E.R. RAJ NARAYANAN – GROUP EXECUTIVE
PRESIDENT & SBU HEAD, CHLOR-ALKALI
MR. ASHISH ADUKIA – CFO
MR. PAVAN JAIN: SENIOR PRESIDENT
MR. SAKET SAH: HEAD INVESTOR RELATIONS**



*Grasim Industries Limited
August 14, 2019*

Moderator:

Ladies and Gentlemen, Good Day and welcome to Grasim Industries Limited Q1 FY20 Earnings Conference Call. We have with us today from the management Mr. Dilip Gaur – Managing Director, Mr. ER Raj Narayanan – Group Executive President and SBU Head- Chlor Alkali and Mr. Ashish Adukia – CFO and other senior management team. As a reminder, all participant lines will be in the listen-only mode and 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 ‘*’ and then ‘0’ on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Adukia. Thank you and over to you, sir.

Ashish Adukia:

Thanks, and good afternoon everyone. Welcome all to our Quarter 1 FY20 Results Call. I would like to start the call with some quarter highlights and then I will follow it up with few slides from the presentation. You may not have had the opportunity to go through it, but this will give you an opportunity to actually but oriented to the presentations so that you have pointed questions on strategy and operational clarification.

This quarter Grasim reported excellent growth in consolidated numbers with 31% year-on-year improvement in EBITDA which was primarily contributed by UltraTech and ABCL performance. On this call I will focus more on standalone performance as you may access to UTCL and ABCL call transcripts. The standalone performance witnessed growth in both VSF and chemicals volume, but overall financial was slightly muted due to softening of global prices in both VSF as well as chemicals. This was in fact, after many quarters of consistent growth in our financial numbers.

Let’s take VSF to start with while there has been softening of VSF prices, it continuous to be fastest growing fiber globally with 6% to 7% growth and India demand continuous to be buoyant with actually a double digit growth. Another positive in VSF business is at pulp prices have been correcting meaningfully. We may see this benefit coming in the next quarter given the time lag of inventory purchase and consumption.

Let us look at chemicals:

Now caustic prices are impacted in Asia mainly due to demand slowdown in the end use sector. In this quarter there has been some impact in India too due to increased supply from imports and additions in domestic capacity. Caustic production while it was higher by 2% it was also partly impacted due to monsoon delay and disruptions due to cyclones. Our VSF expansion project are progressing well. We started production in our third-generation specialty fiber plant of 16 KTPA in Kharach which is still based on in house green technology. While third-generation fiber is a leap forward towards quality and sustainability amongst many other initiatives on sustainability front, we have further reduced water consumption in our other VSF plants by over 15% in this



*Grasim Industries Limited
August 14, 2019*

quarter. With this I last three years we have achieved overall reduction of over 50% water consumption making us the lowest water consumer in Viscose Industry.

Moving to some exceptional items:

We have taken a write down for our investment in Idea Payment Bank amounting to Rs. 238 crore which is net of taxes as they have decided to wind down the operations. Now we would like to just refer to the presentation so maybe I will give you few seconds to pull that out.

We will walk you through only select slides so if you would want to just jump to Slide #9. On Slide #9 we have provided the capacity breakdown by plant for both VSF as well as caustic soda. In case of VSF you can see the increase in FY20 which is basically addition of specialty fiber capacity. By FY21 we will be completing both phases of our Vilayat expansion. Likewise, in caustic soda as you can see, we will be completing most of our expansion in FY21.

If you move to Page 12 now you may note the decline in global prices across all fibers. VSF has witnessed similar pressure primarily due to capacity overhang which by the way we have been talking about in all our quarterly call and this is further accentuated by addition of capacity in Indonesia. US-China trade war has also impacted the prices as you may know US imports almost 50 billion worth of textile from China.

On Page #13 we have further inched up our domestic sales contribution to around 85% which actually provides us some insulation to global prices. There is an interesting chart in the bottom left on pulp prices. If you may notice the red line which is our owned consumption price is at a perfect lag to the orange line which is the benchmark pulp spot prices. While in this quarter we have not been able to see the benefit, which would have actually made our EBITDA look better, but in the subsequent quarter we should get the benefit of producing pulp prices.

On Page #5 we have financials of Viscose and the EBITDA is better on QoQ basis due to volume improvement and consistent effort on operational excellence. On YoY basis the business performance has been driven given by volume growth and steady domestic realization. We have included VFI numbers as well for your analysis.

On chemicals if you come to Page #19 by the way just a pause on Page #17, we have a picture of our specialty fiber plant which has been newly commissioned. Back to chemicals if you come to Page #19 caustic soda prices have declined in Asia due to demand slowdown, but in India it is only recently in the last quarter that it has got impacted due to increase imports and new capacity additions. The excess of supply over demand let negative chlorine realization which has recently partly averse.



*Grasim Industries Limited
August 14, 2019*

On Page #21 despite lower sales we have improved EBITDA due to lower power cost amongst other factors. Our efforts to increase WAP continuous. Today, VAP plus epoxy forms around 21% of chemicals EBITDA. Lastly on Page #27 you will notice we have created lease liability of 73 crore on standalone basis on account of primarily the new lease accounting policy. This has a very small impact which has improved the EBITDA by 5.5 crore on standalone basis and around 77.9 crore on consolidated basis.

We will be now open to questions we have Raj and Dilip here. We should take benefit of their presence to focus on operational clarification and strategic inputs. If we are able to resolve any of your queries immediately you can feel free to reach out to us to the IR team to seek clarifications.

Moderator:

Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. The first question is from the line of Gunjan Prithyani from JP Morgan. Please go ahead.

Gunjan Prithyani:

Firstly on the VSF business, could you just give us some sense on how should we think about the next 12, 18 months because clearly the global VSF prices have seen very sharp decline whereas if I really look at your numbers we have been able to contain the price decline reasonably well, is there more pressure you think with a lag which could reflect in our realization going forward and how do you think do you think even globally VSF prices are bottoming out, what would be your view there and within VSF it seems that the margins are still held out well despite this price softening and pulp has not contributed as you mentioned in this quarter meaningfully, so what are the other operational efficiencies that have driven the margin improvement?

Dilip Gaur:

I think the global prices to my mind if you look at what is happening today they are around \$1.43, \$1.44 per kg they are well below the cash cost of what the Chinese are producing in fact they are almost variable cost of many producer. So, to my mind this is not sustainable. Now what has worsened the situation is the US-China trade war. So, there is a pressure because of overcapacity and then the American buyers are now renewing the contracts going forward for the Chinese suppliers now that is putting a pressure. So, to my mind I think it cannot get any worse than this. So, the global prices should see some kind of recovery going forward but very difficult to predict when. So, I think it is very difficult to what will happen between US-China trade relations, but I think latter half of the year hopefully should improve. In our case yes, we have been able to contain it because we have been saying that we have 2 or 3 distant advantages it will continue our business model because we are highly integrated lot of other people are not. Second is our LIVA brand holds lot of strength in the market place. Third why the margins are better is the pulp there is a distinct improvement like we did not get the benefit now but going forward the pulp prices have gone down by \$100 plus ton. There is a 10 cents per kg advantage which should accrue over a period of time from the pulp and there is a softening in the price of other inputs as well. So, the coal has improved. So, I think altogether some positive and



*Grasim Industries Limited
August 14, 2019*

negatives, but very difficult to tell exactly how things will go, but to my mind so that is briefly how the outlook looks. The good point is the demand is still very healthy at least in India demand is very healthy. I think globally there is issue on demand, but India the demand is good so as long as demand is good, I think we should feel optimistic about the business.

Gunjan Prithyani:

But going by the comment that you are saying and even looking at what Lenzing also seems to be saying that prices are kind of reach the level from where it does not make sense that they go meaningfully lower. So, I am just trying to understand do we see more pressure in your numbers to come with a lag or if let us say global prices hold on stable then we should not see further deterioration in your realizations going forward?

Dilip Gaur:

like I always told you there will be some pressure if the global prices continue to be low, but I think in our case the impact will be much lower than what happens globally which I have been saying in all my earlier calls as well.

Gunjan Prithyani:

And which is this Indonesia capacity which you have indicated in the presentation is that in addition to what we were talking about Chinese capacities in the past conference calls?

Dilip Gaur:

This is a Chinese guy who has put up a plant Indonesia we did speak about it earlier so what happens the earlier so far only China was the biggest exporter to the world. Now with this guy coming up the Indonesia overhang with 55% of the capacity and the Indonesian market has plummeted because they have become unviable on the yarn side. So, the yarn is not doing well, fiber capacity has become excess. So, Indonesia is now in a much worse situation than China was, and China keeps importing into Indonesia in any case. So, that is how the whole dynamics is working. So, he is Chinese guy who has the plant in China but has invested through another company Indonesia APR.

Gunjan Prithyani:

And industry operating rates would have been down to 75% onwards?

Dilip Gaur:

Right now, China 75 it went down to 65% also see that is the point. The OR has come down so some plants either thrown down or shutdown despite that the inventory went up to 31, 32 days which is between 9 to 10 days. Today as we speak the inventory has come down to 18, 19 days. So, there is some kind of equilibrium coming in the market hopefully.

Gunjan Prithyani:

Just second question I have more on strategy perspective clearly on an off we do face these concerns from investors on how would Grasim look at capital allocations and you know I know that you guys have already infused money in Idea, but these concerns do prop up very often, is there anything that you can commit in terms of this is the capital allocation to subsidiaries will not be beyond a certain amount or whatever, is there any clarity you can give to us how should we think about subsidiary investments over the next 12, 18 months.



*Grasim Industries Limited
August 14, 2019*

Ashish Adukia: Gunjan see I think on capital allocation front if you see how we have done historically. Most of the CAPEX is given priority over investment in subsidiaries. So, all along most our investment has gone into the CAPEX for the standalone businesses. Barring the exception of VIL investment that was done recently. Going forward I think the credit rating in this environment has become extremely important and we are the highest rated company and we would want to protect that ratings. So, there will be no disproportionate investment done in subsidiaries which may impact rating of the business. So, that is one guiding principle that we follow. The second guiding principle like I said that there will always be priority given to CAPEX over investment into the subsidiary. So, these are the two guiding principles that we would follow. It is very difficult to give an amount the amount can be more linked to me maintaining my treasury to an adequate level as well as maintaining my AAA ratings.

Gunjan Prithyani: But is there any ratio you have in mind that where you would be very skeptical to breach let us say on a net debt to EBITDA level or on a net debt to equity level where you think this is where I am comfortable with and we are not going to infuse any money in businesses beyond the core operations?

Ashish Adukia: I think that the comfort would be again linked to maintaining my highest rating and again you know making sure that I give priority to my standalone CAPEX over investing into subsidiaries and I have almost 6,500, 7,000 crore of pending investment that needs to be made in my standalone CAPEX itself.

Moderator: Thank you. The next question is from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Sir few questions from the follow up to the presentation. We saw in the chemical division the quarter-on-quarter there was a volume decline due to some shutdown or something, so has that normalized and are we back to the normalized volume?

ER Raj Narayanan: So, the chemicals we had this water shortage issues in South as well as East unit and on the onset of monsoon those problems have been sorted out it has got normalized now.

Bhavin Chheda: Second thing on the VSF side I think as you mentioned specialty plant has already started so what is the outlook on volumes from that plant in the overall volume outlook because as you said the domestic market has been growing in double digit so I do not think so there is a demand issue. It is the supply from your side how much you can incrementally produce and sell, so if you can give some outlook VSF volumes?

Dilip Gaur: In fact, this product different than the normal VSF it is a very value-added product. So, it is about 16,000-ton capacity and we have achieved 100% utilization in the first quarter and we are selling the entire quantity and the premium of this product is more than a dollar worth existing



*Grasim Industries Limited
August 14, 2019*

VSF prices. So, it is a much better value-added products and running up to full capacity part just sold in India, a part gets exported because it is a global market it is a very high value product.

Moderator: Thank you. The next question is from the line of Madhav Marda from Fidelity Investments. Please go ahead.

Madhav Marda: Sir, just in continuation to previous question on the capital allocation, just want to understand that in case I understand you are prioritizing the standalone CAPEX over investment and subsidiaries, but in case there is a requirement for further capital infusion in Vodafone, Idea or Aditya Birla Capital, in the future will the policy remains the same that we invest in line with our shareholding in the company, will that be the thought process or there could be a situation that we might not contribute money and as they get diluted to whatever expense?

Ashish Adukia: I would like to differentiate between Aditya Birla Capital and VIL. Aditya Birla Capital is my consolidating subsidiary and where I own 56% and therefore you know, and Aditya Birla Capital gets the benefit of my rating as well. So, therefore I need to maintain the consolidating stake in Aditya Birla Capital with some headroom as well because financial services business continuously looks to raise funds. So, I need to make sure that I have some headroom of dilution in Aditya Birla Capital. So, 56% is a good stake to have anywhere between 51% to 56% is a good stake to have so there is some headroom out there. Nevertheless we should also bear in mind that Aditya Birla Capital goes through certain cycles and when there is a down cycle when you can get an opportunity to raise funds out there through Grasim putting money at a good value then it is value accretive to the shareholders and when there is an up cycle you can dilute to the third party. So, you can do some which the group had articulated in the past as well. So, therefore you need to differentiate Aditya Birla Capital with VIL. In VIL coming to that it is a not a consolidating it is a group investment rather than a subsidiary and there like we have done in the past we are less likely to put disproportionate investment more likely that it will be proportionate, but currently there is no thought process VIL raised the funds of 25,000 crore and very clearly they articulated that for 2 years they would not require funding. So, there is absolutely no proposal that has come to us or no thought process or no discussion that has happened with us on further fund raise after the 25,000 crore that has already been raised.

Madhav Marda: In the VSF business the global utilization for VSF how much it would currently and how much is the decline by in the past years given the additional supply

Dilip Gaur: Previous year it was 90% and as we speak it is 75, but most part of the quarter it was 65% that is global, but ours is 100% utilization.

Madhav Marda: Where is this big capacity Indonesia, how much capacity have they added in the VSF?



*Grasim Industries Limited
August 14, 2019*

- Dilip Gaur:** So, they have got two lines of about 720 TPD into 350 work out so it is about 2.5. So, as I told you the Indonesia the capacity versus local demand is 55% over capacity now.
- Madhav Marda:** And any other new capacity which we envisage coming in the industry in the next 12-24 months?
- Dilip Gaur:** I mean there is something which has been in the pipeline at best 200,000 to 400,000 tons can come globally but that is yet not there in a 6-million-ton industry. So, I think we are going to see next two or three years of investment and as Ashish mentioned because it is a very fast-growing fiber hopefully, it should equilibrate sooner than later.
- Moderator:** Thank you. The next question is from the Pratik Kumar from Antique Stock Broking. Please go ahead.
- Pratik Kumar:** Sir, my first question is on this global capacity so last year I had like CY18 had like around 1 million ton addition of capacity, so including this Indonesia expansion which you talked about total expansion now is at around 0.5 million ton to 0.6 million ton additional over the 1 million ton which was added last year so is that correct?
- Dilip Gaur:** 250,000 tons over 1 million added last year so it is 1.25 million ton and another 200,000 may come. I am not very sure, but there is something in the pipeline may or may not. So, you can safely take between over 2 year about 1.5 million you are right.
- Pratik Kumar:** On VSF, just to verify your realizations dipped by around 2% to 3% quarter-on-quarter is that correct?
- Dilip Gaur:** 2%.
- Pratik Kumar:** And there is a chart of chemical caustic soda prices where it shows that the prices are stable, so this I guess is for India prices, but you mentioned that the caustic soda price have also fallen so this has happened in Q2?
- Raj Narayanan:** So, I think what Ashish was mentioning was also about the domestic prices. So, till Q4 we had domestic prices were ruling higher than the international prices because of the BAI certification requirement, etc. So, post that in Q1 domestic prices have dropped and primarily driven by some capacity additions.
- Pratik Kumar:** But that reflects in our realization also on domestic I guess it would reflect?
- Raj Narayanan:** Our realizations have come down as well.



*Grasim Industries Limited
August 14, 2019*

Pratik Kumar: So, but our margin seems to be quite strong in this quarter at around 30% which was almost similar year-on-year despite I mean like quarter-on-quarter it went down to 26% has come back to around 30% despite lower volumes so what has helped the margins in chemical segments?

Raj Narayanan: Two things primarily – one is of course the power cost has come down compared to the previous quarter. Plus, also the specialty chemical segment has done well. So, where the application-based approach to the market has helped us to improve the margins.

Pratik Kumar: I mean chlorine is also negative in Q1 so despite that margins I mean the specialty has significant offsetting impact?

Raj Narayanan: So, chlorine prices came down towards the end of the quarter, but one thing which you are driving on specialty chemical which are basically the chlorine derivatives is to delink the prices and see how we can put this product for the performance. So, this requires lot of efforts on application knowledge and also tacking the technical trials, etc., slowly so we are moving away from selling a product to creating a solution for the customer.

Pratik Kumar: And there is increase in CAPEX guidance also during the quarter from 78 billion versus 65 billion earlier, so and I see most of it is related to modernization CAPEX, but our capacity is not getting added due to this?

Ashish Adukia: So, most of these CAPEX is the normal modernization CAPEX at various plants. So, we usually have almost 22 plants across country that is annual modernization CAPEX.

Dilip Gaul: And some of it to improve sustainability performance those kinds of things so that gives you a positive in terms of your product plus. It may not be capacity but it gives you product plus.

Pratik Kumar: So, it says that this CAPEX is over for FY22 like we would have similar number like what 6500 was for FY22, so there is an increase in number by around 1,000 crores during this period all related to maintenance CAPEX which you are not envisaging in last quarter.

Ashish Adukia: Can you please elaborate your referring to.

Pratik Kumar: I am referring to last quarter presentation where the number of standalone CAPEX was around 6500 crores which that number has moved to 7800 crores this quarter?

Ashish Adukia: So, I see what you are saying now because I have pulled out the earlier presentation. So, you know I think the increase is basically there in the normal CAPEX plans that we have put down. So, maybe in more specific numbers we can talk offline and see what the breakup is. The point being made is that the nature of these CAPEXes are basically that of efficiency and modernization rather than anything else.



*Grasim Industries Limited
August 14, 2019*

- Dilip Gaul:** No capacity increase as such, but these are the normal modernization CAPEX. Every year we take additional approvals from the board and that is how it is increasing refer to Q4.
- Ashish Adukia:** It can be environment related; it can be upgradation etcetera.
- Pratik Kumar:** Just on numbers segmental numbers there seems to be disconnect between reported EBITDA number of 930 crores which is a reported EBITDA number but when we add up segmental EBITDA it is coming lower at around. When we add up the four segments the number looks different, so there is some adjustment in other segment which we have done this quarter?
- Ashish Adukia:** No, there is no adjustment at all. If you sum up the businesses EBITDA and if you compare that to 928 crores that we have reported okay the gap is generally what is not allocated income or expenses to the corporate and it is a mix of recurring and non-recurring mainly non-recurring. Recurring can be for example treasury that we maintain of about 2,500 crores but at the end of this quarter and we earn about whatever about 8% or so or 9% income on that. So, that also sits in the difference that you are seeing between summation of business EBITDA and the reported EBITDA.
- Pratik Kumar:** But typically, that is a positive number every quarter, but this quarter it is looking like a negative number so 930 is the reported EBITDA and segmental numbers adds up to 980 which is 442 plus 246.
- Ashish Adukia:** Like I said there may be non-recurring sitting out there for this quarter next quarter it will normalize to positive number on the basis of treasury income unless there is one-off or non-recurring that may come in this one as well.
- Pratik Kumar:** Sir can you elaborate on this one off which would be impacting this quarter's numbers?
- Ashish Adukia:** We will have to see the numbers offline separately. This can be some CSR that might be sitting there. There might be stores, spares, repairs, maintenance which are not allocated to the businesses that might be sitting there. Legal cause, etc., which are more at the corporate levels. So, it is a bunch of things that could be there. We can have maybe Saket share with you some of those details of clients.
- Moderator:** Thank you. The next question is from the line of Abhishek Leekha from NESTE Wealth Management. Please go ahead.
- Abhishek Leekha:** I am coming back to the capital allocation. You have talked much about Vodafone, Idea and our concern is about the same because our investments are actually not leading the fruits and yes, one of the points that you have highlighted is like maintaining a AAA which I feel that it is a good decision, but still I am not very sure because since you will be getting lot of aggression and



*Grasim Industries Limited
August 14, 2019*

it may be like mentioning like 2 years we are not require to put in any money, but it looks like in another year or quarter here and there we may again have to put in money. So, as shareholders our holding company discounts are increasing by the day. Our subsidiaries like UltraTech and Capital they are doing excellent, Grasim standalone is doing excellent, but we are not getting the right valuations and because VIL is actually getting under lot concerns for the shareholders, so I just want you have to comments on that?

Ashish Adukia:

Like I said we note your points that you have made. I think we draw comforts at the 25,000 crores has been raised out there and that they have publicly stated that for two years there is no requirement. I think it is probably not for us to judge whether on quarter-on-quarter basis they will need funding because we have not been indicated that at all. So therefore, it is very difficult for us to comment on their funding requirement unless they change their public statement that they have made.

Abhishek Leekha:

That is fair but ultimately we have to look at the shareholders' interest as well and if the holding company discount keeps on increasing just for our investments in Idea-Vodafone and as it is I understand your point of view and quarter-on-quarter we cannot judge your investments, but as a matter of one small request or probably one suggestion if I may that we can freeze our investments into Vodafone so at least we do not want to put more fresh money to Vodafone, Idea and let our investments prove the worth?

Ashish Adukia:

Yes, absolutely I think I hear you and we are also concerned about the holding company discount. Capital allocation could be one of the reasons for that, but we will note that concern and we are also mindful of shareholders' interest.

Abhishek Leekha:

So, I look forward to like certain things that you do wherein it increases shareholder value. Thank you.

Moderator:

Thank you. The next question is from the line of Tanuj Mukhija from Bank of America. Please go ahead.

Tanuj Mukhija:

I just had one accounting questions if I look at the write-off taken by Vodafone-Idea this quarter on account of winding up of Aditya Birla Idea Payments Bank it was 159 crores however the write-off taken by Grasim is higher than Vodafone, Idea at 290 crores, so can you please explain the shareholding structure of Aditya Birla Idea Payments Bank?

Ashish Adukia:

I am not too sure which page you are referring to, but let me just clarify a little bit. The investment that has gone into Idea Payment Bank from Grasim for its investment of 51% is 290 crores till the quarter end. And 290 crores will be written-off basically when they finally wind up the business, but it has been written-down in my books. I get the tax benefit of that because of this write down of about 52 crores. So, end of the day the net write-off in my books is 238



*Grasim Industries Limited
August 14, 2019*

crores on account of Idea Payments Bank and on a consolidated basis if you look at the same picture so this is on a standalone basis. On consolidated financials if you look at the same picture the Idea Payments Bank losses that were coming in the Idea Payments Bank was getting recorded in the consolidated financial irrespective. So therefore, there was no requirement to write-off the same amount for which you have taken the losses already. So, therefore the write-off amount in consolidated financials is much smaller. It is 109.

Tanuj Mukhija: And just one more thing did Grasim directly invested to Aditya Birla Idea Payments Bank or the invested routed through Vodafone Idea?

Ashish Adukia: No, it was a JV between Vodafone, Idea and erstwhile ABNL which got merged with Grasim so Grasim had direct holding in Aditya Birla Idea Payments Bank while remaining stake was held by Vodafone, Idea.

Tanuj Mukhija: And what was Grasim's direct stake in Aditya Birla Idea Payments Bank?

Ashish Adukia: So, it was a 51-49 JV between us and VIL.

Moderator: Thank you. The next question is from the line of Sanjay Parekh from Reliance Mutual Fund. Please go ahead.

Sanjay Parekh: I had one question you know because of this China-US trade war over a medium-to long-term period, do you think that we would benefit at the end-use segment and hence the demand for VSF can go up or you do not think so that will be the case like our experts of textiles can increase at the end-use which helps VSF demand to go up, do you think that is going to happen?

Dilip Gaur: I think in the context of India the US-China trade war is a threat more than the opportunity. The China export \$50 billion worth of textiles to US. Now if they are not able to export god forbid where do they go. They have the capacity, they have the equipment, they have got the labor with them so they would even be willing to sell on a variable cost at the end of the day and. What are their next markets? So, they have to go to Southeast Asia and India in the approximate market. So, I think and that is what we have been telling the policy makers also because you have to understand it is an opportunity only when you are the lowest cost producer and in garment India is on lowest cost. You see there are Vietnam, there is Ethiopia so many people have come up. So, to that extent I think we have to make sure that long-term it will be there but short-term there could be a threat.

Sanjay Parekh: And one more suggestion on the same Vodafone thing. You know clearly as you would appreciate that the holding company discount has gone up because of Voda-Idea. One suggestion could be that there could be vertical split in a sense that you have in entity a core business holding UltraTech and ABCL and of course you could have small investments in Hindalco and ABFL



*Grasim Industries Limited
August 14, 2019*

in the same entity, but the other entity could have the insulator business, the fertilizer business the Vodafone, Idea there is a vertical split each one of them has given a share and maybe even at the cost of putting some cash there for needs that would actually go a long way and everybody gets a vertical split. So, each of the shareholders will get shares of both and that may solve the problem of the discount going higher and if at all there are capital needs in Voda eventually as fertilizer and insulator is not a core area that can be sold. I am saying even to the extent of giving 1,000 crores there for some need that may happen into yours that can also be given, but that could dramatically reduce the discount because I think the concern comes around Voda-Idea and not so much about investment that you may have to do in ABCL. So, that is just a suggestion if you can consider please?

- Ashish Adukia:** No, I have understood what you have highlighted as a structure so we will certainly look into it.
- Moderator:** Thank you. The next question is from the line of Manish Agarwal from Edelweiss. Please go ahead.
- Manish Agarwal:** Just wanted to know about what is the current price trend of VSF and caustic soda compared to last quarter?
- Ashish Adukia:** In India or globally.
- Manish Agarwal:** Domestic.
- Raj Narayanan:** Quarter 1 we normally talk about the consolidated number of chlorine, caustic, etc., so compared to last quarter we would be down by about between 10% and 15%.
- Manish Agarwal:** Sir, I was just asking like 10% to 15% caustic prices down from Q1 average?
- Raj Narayanan:** So, I am not only talking about caustic prices we generally do a consolidate number what we call ECU. So, it is a composite number of caustic and chlorine so I am talking about the consolidated number, the ECU number.
- Manish Agarwal:** And sir the same for VSF segment?
- Dilip Gaur:** It is very difficult to give VSF prices yes it has multiple product. There is a Modal, there is a Viscose within Viscose there are different products.
- Manish Agarwal:** Blended basis for the company?
- Dilip Gaur:** What we are saying is there is a drop of 2% to 3% and that is what might continue kind of thing.



*Grasim Industries Limited
August 14, 2019*

Manish Agarwal: Sir, you are talking about the debt-equity if you are concerned about and we would like to maintain, so do we have a particular you know total gross debt or the net debt number in picture that will be a maximum ceiling that we can go up to?

Ashish Adukia: Hopefully we will continue like this and we would not have to track that number at all because we are not concerned about our net debt at all. I think we have enough headroom to maintain our highest ratings. I think the focus is on highest rating and today I can tell you that we have done some NCDs in March, April and June and we have got excellent rates in those NCDs that we have done only because we demand an excellent credit profile in the market and we want to not lose that benefit at all both UltraTech and us our benchmark pricing that we get in the market.

Manish Agarwal: Sir already a lot of discussion has happened on that part, but I just wanted to get a clarity on that recently Aditya Birla Group it in itself has been or promoter group has been buying stake in Vodafone I think that would be towards the shareholder's agreement with Vodafone International to bring the promoter stake as equal in a couple of years 2 to 3 years so will there be any pressure from that perspective that would come on us as well?

Ashish Adukia: No, it is nothing to do with Grasim I think that discussion is best have it with my predecessor actually, Mr. Sushil Agarwal.

Moderator: Thank you. Ladies and gentlemen as there are no further questions from the participants, I now hand the conference over to Ashish for closing comments. Thank you and over to you, sir.

Ashish Adukia: Thanks a lot everyone for joining this call. I think there were excellent questions we thoroughly enjoyed them. Some of them which was more accounting, etc., we were not able to give you the specific details, happy to provide that offline and we look forward to any queries that you may have. I will be available, Dilip, Raj will be available to make sure those queries are resolved. So, great talking thanks a lot.

Moderator: Thank you very much. Ladies and Gentlemen on behalf of Grasim Industries Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.