"Grasim Industries Limited

Q2 FY '25 Earnings Conference Call"

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Moderator: Ladies and gentlemen, good day, and welcome to Grasim Industries Q2 FY '25 Earnings Conference Call. 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 star then zero on your touchtone phone. Please note that this conference is being recorded.

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

Ankit Panchmatia: Yes. Thank you, Sejal. Good morning and thank you all for joining this call to discuss our second quarter financial year 2025 performance. The financial statements, press release and presentation are uploaded on the exchanges and on our website. Our management team is present on this call to discuss our results and business performance. To introduce them, we have with us Mr. Hari Krishna Agarwal, Managing Director and Mr. Pavan Jain, Chief Financial Officer Grasim Industries. Also joining with us on this call are Mr. Jayant Dhobley, Business Head of Chemicals, Fashion Yarn & Insulator business, Mr. Himanshu Kapania, Business Head and Mr. Rakshit Hargave, CEO of our Paints business, Birla Opus. We also have with us Mr. Sandeep Komaravelly, CEO of Birla Pivot, our B2B e-commerce business. For Safe Harbor, kindly refer to our cautionary statement highlighted in the last slide of our presentation. Let me 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 morning, everyone. We welcome you to the Grasim Industries earnings call for the quarter ended 30th September '24. At the outset, Aditya Birla Group and Grasim family wishes each one of you and your families a very happy Diwali and prosperous New Year, Vikram Samvat 2081. Let me start with the macro commentary, and then I will talk about the business environment and performance for the quarter ended 30th September '24.

The year 2024 is witnessing increasing complexities around geopolitical environment and supply chain diversification. These complexities are creating growth imbalance around the world economies. Talking about major economies, the recently concluded election results in the U.S., are likely to put focus on growth, inflation, and interest rates. After surprise 50 basis points rate cut delivered in September '24 by Fed, it further lowered its benchmark overnight borrowing rate by 25 basis points in November. This brings down the target range from 5.25 to 5.5 in September '24 to now 4.5 to 4.75. The rate cut was on the back of stronger than expected data, on labor inflation, retail sales, consumer sentiment and the GDP growth. The U.S. GDP growth continues to grow over 2% for the last 8 quarters, in line with the September projections of Summary of Economic Projections released by the Fed.

Moving on to the emerging markets, China announced a 5-year package of US$1.4 trillion as economic support. However, the nominal GDP growth rate continues to remain impacted by the country's focus on stabilizing its real estate market, prevent financial risks and prioritize industry development. Coming to India, multiple domestic growth indicators have shown signs of easing in recent months. The rural consumption momentum appears to have convincingly taken over the urban consumption on the back of better farm activity led by the normal monsoon. While the

IIP has recovered in September '24, India's inflation has touched 6.2% in October '24, which is highest in 14 months and average FY '25 inflation now reading at 4.8%, 4.9%. These are higher compared to RBI FY '25 inflation expectation of 4.5%.

Coming to our company, presence across key themes of growing Indian economy, driving diverse opportunities remains the key pillar for delivering consistent growth at Grasim. Talking about our financial performance for the quarter. Consolidated revenue grew by 11% Y-o-Y to ₹33,563 crores, posting 16th consecutive quarter of Y-o-Y revenue growth, which highlights Grasim's consistent journey of growth, innovation, and leadership. The stand-alone revenue for the quarter stood highest ever at ₹7,623 crores. Consolidated EBITDA stood at ₹4,042 crores, which is lower by 10% Y-o-Y mainly due to lower profitability in cement business and initial investments in building Birla Opus, a leading brand in the Indian decorative paints market.

Talking about segmental performance, let me start with the building materials. UltraTech continues to outperform the industry growth rate. The company has added grey cement capacity of 9.9 million tons till October '24 in the current financial year and plans to further add 6.3 million tons, taking the total grey cement capacity to 162.4 million tons per annum by FY '25. And of course, this does not include the Kesoram and India Cement capacity as the acquisition process is underway, awaiting regulatory approvals. The company remains on track to achieve grey cement capacity of over 200 million tons per annum by financial year 2027. While there was demand slowdown due to elections, intense heat conditions and then longer duration of monsoon in most parts of the country, realization also declined this quarter. Such interim slowdowns do not impact the long-term growth hypothesis, and we remain confident that UltraTech remains poised to ride on India's growing demand for infrastructure and urbanization.

Our Paints business under brand Birla Opus continues to perform in line with our expectations. The utilization levels are ramping up month-on-month at three plants commissioned in Q1, namely Ludhiana, Panipat and Cheyyar. We have also started trial runs at 2 more plants at Chamarajanagar in Karnataka and Mahad in Maharashtra. Our sixth plant at Kharagpur in West Bengal is expected to go live in Q4 FY '25. After a successful launch of first advertisement campaign of "Duniya ko Rang Do", which established brand Birla Opus in consumers' minds, we have now launched second campaign, "Naye Zamane Ka Naya Paint". This ad campaign focuses on superior quality of Birla Opus products across interior, exterior, and waterproofing categories. The geographic reach and the dealer onboarding activities are as per plan, and we are on track to exit this year with high single-digit market share in the Indian decorative paints market.

Revenue of our B2B e-commerce business, Birla Pivot is gradually ramping up and remains on track to achieve $1 billion revenue in 3 years' timeframe as announced in FY '24. The business has expanded its pan-India reach to over 375 cities across 26 states and union territories. Moreover, our offerings are expanded to 35 product categories, comprising of 40,000 SKUs sourced from 300-plus Indian and international brands. The business is continuously improving the journey of digitalization by launching multiple tools for buyers and sellers and building a completely digital B2B ecosystem.

As regards to revenue data of both these new growth businesses, you will please appreciate the industry landscape wherein we are the new entrant. You will please also appreciate that we are well known for sharing all relevant details at the appropriate time.

Coming to Cellulosic Fibres business division, we have seen improving trends globally in demand for cellulosic fibres due to inventory normalization and better sustainability credentials. Stable demand scenario globally has led to Y-o-Y improvement in China CSF prices by 6% in Q2 FY '25. Furthermore, in China markets, the inventory levels have come down to 8 days in this quarter from 12 days in Q2 of last year. Domestic realizations improved on back of the increase in international prices. CSF business achieved highest ever quarterly sales volume of 219,000 tons in this quarter. CFY business remains impacted due to low price imports from China, though the demand marginally improved on the back of festival time in India.

Moving on to Chemicals. CFR- Southeast Asia caustic prices marked fifth consecutive quarter of improvement. Domestic prices of caustic also showed improvement during the quarter. However, ECU is lower due to oversupply of chlorine, leading to higher negative realization. Our caustic soda sales volume was lower by 4% Y-o-Y, mainly due to maintenance shutdown of captive power plant at our largest integrated facility at Vilayat. Chemicals business EBITDA for Q2 FY '25 was up 16% Y-o-Y, mainly led by chlorine derivatives and speciality chemicals.

Financial Services business recorded robust performance across different businesses with NBFC segment reporting revenue growth of 19% and Housing Finance and Life Insurance segment reporting revenue growth of 42% each on a Y-o-Y basis. The company's omnichannel architecture provide customers flexibility to choose their preferred mode of interaction across digital platform, branches and onshore relationship managers. The business D2C platform, ABCD, Aditya Birla Capital Digital, which went live in April '24, offers 22 product categories and has more than 2.5 million app customers. Total lending portfolio and average asset under management stood at nearly ₹1,38,000 crores and ₹5,64,000 crores, respectively, in the current quarter. We wish to also inform that the proposed amalgamation of Aditya Birla Finance with Aditya Birla Capital, which are announced in March '24 has received no objection from RBI. The amalgamation scheme now awaits approval from NCLT Ahmedabad and is expected to be completed in the next 6 months.

In other businesses, during the quarter, our Textiles business profitability was impacted by high input costs in linen business. The business reported EBITDA loss of ₹17 crores. The renewable business capacity has surpassed milestone of 1 gigawatt. With the projects under implementation, renewable capacity is expected to reach 2 gigawatts in the current financial year. The business had strong anchor clientele with Aditya Birla Group companies representing 42% of the existing customer portfolio.

On the capex front, the Board has approved additional capex for current financial year of ₹138 crores, of which ₹118 crores is for the capacity increase at pulp plant at Harihar and ₹20 crores is for normal modernization at textile plants. for FY '25, the revised capex is ₹4,700 crores, of which growth capex in new businesses is about ₹3,000 crores, which is about 64% of the total capex.

As you are aware, we had announced raising ₹4,000 crores via rights issue in October '23, which experienced an overwhelming response with subscription of nearly 2x. Out of this, ₹2,000 crores is already raised, and now the Board has approved for second and final call raising balance ₹2,000 crores. The record date has been fixed on 13th December '24.

On the sustainability front, we are happy to share that our global ESG score from DJSI stands at its highest ever level of 71 with a significant improvement of 5 points, and it brings us among the top 13% of the companies in the industry globally.

We can now move on to Q&A. I request the Moderator: to open the Q&A.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Mihir Shah from Nomura.

Mihir Shah: Rakshit, first question actually is on the Paints division. If you can give any insights on which regions are doing well for you and contributing to higher sales given that you already have a Pan-India presence across depots. Are all regions receiving a full range of products? So that's the first question. A subpart to that is on the tinting machines, say, if a dealer has already 2 tinting machines, are they keeping yours as a third one? Or are you seeing any replacement happening there? Or are these completely new or small dealers who just have 1 tinting machine or no tinting machines? That's the first question.

Rakshit Hargave: Okay. So thank you, Mihir. Let me answer the first question first. So yes, we are now present pan-India in all the regions. But as you would know, we first started with the North and South, and the Eastern region was the last where we entered with our products. So, in terms of the Eastern region is maybe a couple of months behind. But what we can tell you from the trends of the last 3 or 4 months is that more or less, all the regions are performing very well, and they are all more or less in line. See, we are adding distribution growth, which is happening symmetrically across all the regions, which is also getting us growth. So I think it is very early for us to say if a particular region is outperforming any other region. There are small gaps here and there, but by large, we are happy with the progress across India. In terms of tinting machines, like we said, we had a very aggressive plan to place a very large number of tinting machines, and we are actually absolutely in line with the plan, maybe even a bit ahead. What I can tell you is that all the dealers who have taken our machines, in many places, they have taken our machines as the second or third machine also. In some situations, they have removed a competition machine or put it in the backyard and using our machine more, because we also have information about our machine usability because we are using a technology for the first time in the paint industry which gives us live information of tinting. So we are very happy that the large number of tinting machines that we have placed has made their place permanent in all these dealers.

Mihir Shah: Got it. Secondly, if you can talk a bit on the third-party certification that you spoke about, Can you give a little more insight on what that statement really means? And what is the third-party certification?

Rakshit Hargave: So, you see, we have launched a lot of products, and we were very confident about the product quality that they have superior performance. So, we have gone ahead and tested some of our products with NABL-certified labs, one of the labs is GVM, which has given us the certification of performance, which also allows us to make some claims and support them.

Moderator: The next question is from the line of Manoj Menon from ICICI Securities.

Manoj Menon: Just a couple of clarifications on the paints business. One, Rakshit and team, if you could comment about some numbers in terms of primary, secondary revenue, let's say, collection efficiency, some of those operating metrics, please?

Rakshit Hargave: So, Manoj, while Pavan said that we will share the financial numbers at the appropriate time, what I can tell you is that our operations are running very efficiently. We also measure sellout from dealers. So, sellout measuring unlike the FMCG industry is a bit challenging because the paint industry works in a different way. But we have 2 mechanisms: one is through our track and trace when a contractor scans, we know from which dealer has it comes, so we are able to project the sellout. Secondly, we are also doing audits of a large number of stores and working backwards on the inventory line in the dealer. So, what I can tell you is that our sellout is very high. At any given time, none of our dealers is holding more than a certain couple of weeks or 3 weeks of stock. So, we are very confident that more than 55% - 70% of stock is already sold out. Also, you would know that we have tinting machine, which synchronize live. So, we have actual information across a very large number of stores how much product is being tinted, which also gives us an idea of what is being sold out. Also, from a collection efficiency point of view, we are very happy. See, we are adding a lot dealers month-on-month. And the cycle of payment from the dealers is pretty consistent, and we don't see any outstanding lying in the market, which is of any concern. In fact, it is quite healthy and maybe better than the market now.

Manoj Menon: That's very glad to hear. Second, the 2 sub-questions here, and that's the last one. One, in an industry where there is no MRP concept, right? It's only dealer-operated prices. I mean, okay, I'm thinking about the dealer profitability in the context of you actually going wide or, let's say, the ability of the dealer to retain all the margins. Isn't it reduces because there is always a competing dealer nearby? Second, sub-question here is, any comments on your thoughts about inorganic? Is it relevant or not even in the thoughts currently?

Rakshit Hargave: So yes, there is no MRP on the pack as a consumer of the industry. But what we can tell you is that you see, we have an offer for the end consumer, which is in the form of 10% free. And I would also want to use this forum to give a clarification. Because some analysts and also some competition companies have been making comments when we have reduced or stopped our 10% free promotion. I would want to clarify that 10% free on all emulsions across 10 and 20 liters exists pan-India. Now let me come back. The dealers are getting our products at a landed price, which is far attractive as compared to competition. They are very happy to sell it at a price, which is more or less equal to the market leader. In some cases, some smart dealers are also charging 2% more because there is 10% free. So, from a profitability point of view, the dealers are facing a challenge of profitability, and they see Birla Opus as an important vehicle where they can actually generate better returns. So, while we are driving distribution and we have a very large number of dealers, we don't have any significant news of any price challenges here or there. So, we are quite confident that we are able to maintain that.

Your second question, yes, there have been news in the market about inorganic and things, which have been coming in the past few weeks. But our CFO has already given clarification to SEBI that at the moment, there is nothing happening like that.

Moderator: The next question is from the line of Sumangal from Kotak Securities.

Sumangal Nevatia: Sir, my first question is more on the big picture from a strategy point of view. If you look at VSF division, it's running almost at rated capacity. So beyond, basically, whatever is the debottlenecking announced, what are your thoughts on capital allocation here from the next 3 to 5 years point of view? Given the commodity nature of business and low ROCE, do we believe that majority of fresh capital will get absorbed in new ventures like paints?

Pavan Jain: Yes. So, you are right about the VSF business. It is already operating almost at 100% capacity. I think we have shared the data, and you are aware that the VSF business is growing at faster speed than the other textile fibres in the country as well as globally, okay. So as the demand continues to grow, we will look at some opportunities. At present, we are working on the debottlenecking opportunities that we have already shared. The other lever is the exports which we are currently doing, though of course, at a very low level, but that lever is also available for meeting the domestic requirement.

Harikrishna Agarwal: So yes, it is a good situation to be. And capital allocation is an important matter for Grasim. While new businesses have shaped well and we are in the process of developing into potential, we will also nurture existing business with basic driving force that we have to maintain our market position while maintaining profitability also. So, all of our new Capex systems are being formulated keeping this profitability factor in mind in a very important manner. So, there are many drivers, and we will examine all such endeavours, expanding our capacity further in India.

Sumangal Nevatia: Okay. Understood. Sir, I have 1 basic question on the Paints division. I mean at the start of the year; we said high single digit exist. So somewhere around 8%-9%. So, I just wanted to know based on how H1 has been versus our business plan and a little bit of ongoing industry headwind. Is there any positive or negative change to your confidence? And also now, given that we are well on the ground and next 3 plants are also coming up, some color if you can give for how should we look at FY '26?

Rakshit Hargave: So, let me take this question. Firstly, the mention about headwinds in the industry. So yes, we have seen the results coming out from all the paint majors. As far as we are concerned, we indicated that we would exit the year at high single digits. We are well on that path. So, if we take a look at our sales for last quarter or if I take a look at my sale of September, and my September is significantly more than my July because I'm going every month. We see no reason to believe why we will not be able to exit the year at high single digit. Secondly, from a headwind point of view, you see there might be some slowness in the market, but I think there is a bit of exaggeration about headwinds and slowdown from competition. Because if we add our number to the market, the market is actually a bit in the green. And we have also had a reasonably good

October. So, we see no reason why we should be shying away from what we have said that we will exit the year at single digit at the higher level by the end of the year. On FY '26, that is the next year, that is a part of our journey that we have disclosed, that will happen. So far, we would not want to mention on that right now.

Moderator: The next question is from the line of Sheela Rathi from Morgan Stanley.

Sheela Rathi: My first question was probably continue to the previous question with the Paints division. Now you just mentioned that the demand conditions are not as bad as it's been called out. If you could just elaborate more in terms of how it's working in favor for you when you're adding distribution at this point of time? And if there is more color you can add in terms of why you're saying the demand conditions are not as bad.

Rakshit Hargave: So, you see, like we said, we have sold a certain quantity. Our sellouts are excellent. Retailer acceptance is high. We are getting counter share which is very good in all the counters where we are present. The acceptance by contractors and dealers is also very excellent because the quality of products that we have launched is better than what exists in the market. So, I think we have been able to excite the paint ecosystem with the entry of Birla Opus, which is making the dealers very positive, and which is why you also see a lot of dealers coming and adopting us. So, if I see from our business point of view, yes, the truth is that we have taken market share from competition. It is extremely unlikely that I would have generated thousands of new customers who have started to paint who are not existing in the ecosystem. So, I obviously have taken market share. But if we see the overall ecosystem, yes, there could be some slowdown in the market, but the market is definitely not in the red. So, that is how we will put the situation.

Sheela Rathi: Very clear. Just a follow-up to that. The competitive intensity for sure has gone up from the existing players. Is there anything you are witnessing from your end, which is making you make changes to your strategy going ahead? And my second question is also connected to that, is that as we have all our capacity on board by the end of this year, this calendar year, what will be the focus area? I'm not asking for numbers here, but from brand building, distribution building. Where would we want to be ahead in the next 6 months in terms of focus area?

Rakshit Hargave: Okay. So let me first mention on the competitive intensity. So, we had already in our playbook imagined competitive intensity, and it is more or less playing as per that. So, it is not a question of the surprise for us. But yes, what we had assumed that how competition will behave is happening exactly as per that. Also, let me add that the level of competition in the paint industry as compared to the other paint industry was very low. It was a question of a market leader and everybody else following it like pied piper of Hamelin. We have kind of broken that comfortable ecosystem and I think it's for the benefit of the consumer because there is better product, there is more choice. And I think it was bound to happen. So, from a market reaction point of view, obviously, if you read the results of competition, they talk about higher trade discounts, etc., you can see that reflecting on their P&L. So, it is a result of what we have done. If you ask us going ahead. Going ahead, our playbook is same. We will continue driving distribution. We will continue driving handler share, as you say, our counter share among all dealers. We still have a long way to go in terms of distribution because the market is very big. We are also going to complete our portfolio. There are some products which are still entering the market, which are going to enter. We are also focusing a lot on opening specialty franchise store. All these initiatives which we have put, we'll keep continuing. And our revenue will be driving top line, driving market share. But obviously, like we have said that we want to be profitable at the end of full 3 years. So that is the long-term view. So, there is no change in that.

Moderator: The next question is from the line of Nirav from Anvil Research.

Nirav: I have 2 questions on chemicals. So first, on the epoxy side. I think we have seen some dip in the sales this quarter. So, was it because of lower sales volume? Or was it because of a change in the product mix because of which our realizations would have been lower?

Jayant Dhobley: So, neither, as you know, Nirav, generally, monsoon is a slower period for construction and a lot of epoxies go into the construction sector. So that is primarily the driver. It indirectly also affects windmill installations. The level of windmills erections that happened during monsoon slowed down. So there has neither been any structural slowdown in the industry, not any loss of market share. If anything, we believe that we have either maintained or improved our market share.

Nirav: Got it. And sir, your thoughts on putting up a new integrated complex for epoxy and ECH. Also wanted to understand from you like when we export out our epoxy volumes to the geographies, various geographies, on what basis do we compete with them? So, is it more on the product differentiation or it is more on the price do we compete with them?

Jayant Dhobley: Nirav, you asked a big question. I will split your question in 2, 3 parts, if I may, so that I can make each underlying point clear. So, as you know, some antidumping has been announced on ECH, right, which will impact the epoxy chain. I'm sure you're wondering what the impact on that will be. And I think that is triggering your question. So, first of all, as you know, we are already running an ECH project, which will get commissioned in the next financial year. So that makes us more or less 80% integrated already as far as the ECH is concerned. So, then we will have maybe some 10-20 kilotons that we will buy externally. In our existing site in Vilayat, we already have space for further doubling our ECH capacity. We have the environmental clearances in place, and we have already started doing the engineering work on that so that we can generate capex estimates, etc., and take it to the Board, which means that in a reasonable timeframe, not only would our Vilayat site be completely integrated into ECH based on existing capacity. But actually, we will have some 10, 15 kilotons surplus left, which we can trade, sell, etc. And as you know, this gives us a completely integrated situation because we are backward integrated into caustic. We sometimes have some of our own small salt fields as well. We make our own ECH. We go into epoxy. We do epoxy formulations, reactive diluents, all of it, right. Third, as you also probably know, but I would like to remind you, is we have also acquired the land in Vilayat next to our existing chemical factory in Grasim. And we have possibility to further double our epoxy capacity. As you know, the epoxy market grows somewhere between 1.5 to 1.8x GDP in the longer term, right, which means the epoxy market will double every 5 to 6 years. So, if you just work backward and if we want to maintain our market position, we will easily also double our capacity in that timeframe, right? And we will not lose our market position. In fact, we'll grow our market position. Now let me come to your part on how do we compete. So, there are different ways we compete. We have a large patent portfolio. We are India's largest epoxy player, but we have also been in this business as a group for over 40 years. So, we have a portfolio that we offer, which includes liquid epoxy resins, it includes reactive diluents, hardeners, powder coating materials, etc.. So, we compete primarily based on a differentiated product portfolio, understanding applications of end customers and not so much on price. And epoxy and applications are highly critical in terms of performance requirements. I will give you a very simple example. Largest part of cars in India will be coated using an epoxy, a formulation which will contain our epoxy. Car companies will give you guarantees on the body of the car, right? So, you can imagine that when an automotive company wants to formulate any type of new epoxy formulation, it's not just about price. It's about proven track record, proven performance, and we offer that entire package. So, you asked the question, but I thought let me split it into different parts. There is a value chain aspect. There's an expansion aspect, right? I hope that answers your question.

Nirav: Absolutely. And sir, second question is on the presentation slide, where you have shown that there is an upward pressure in VSF due to the increase in the prices of sulphur, caustic and pulp. So just wanted to understand from you, like when we compare our ECU and other player's ECU, which they have reported for Q2, I think ours is far better a number. So, was it because more of our cost getting sold due to the contracted volumes with the group companies? Or was it because more of the flake, which we have sold this quarter, and which is moving up the overall ECU? And second bit to this is, let's say, we are seeing the price increasing in the caustic for the VSF division. How much of price increases would have happened in October and November over and above the Q2?

Jayant Dhobley: Okay. So, I'll answer a little bit of your question, not all of it because some of it is sensitive, as you can imagine. So, look, we optimize our caustic portfolio across on a pan-India basis, right? Because we are the only significant or perhaps the only real pan-India player in the caustic industry. Everybody else has a regional focus, which essentially means that we have a different way to approach pricing than many of our competitors. Secondly, as you know, we have capacities of lye, flake, etc.. We also look at the export market. And very often, we have very quick market intelligence on what is happening in global markets that allows us to take quick tactical decisions. We have always a mix of spot and sale. So, it becomes quite complicated to unravel our ECU in terms of what is the geography effect, what is the lye effect, what is a spot versus contract effect. And that is something that we of course will not be fully transparent about in this setting. Except to say that we are usually very price conscious in the sales market, being the largest caustic player, we have the most to lose when caustic price reduces, right. So, we are usually the one that tries to maintain price discipline the best we can. Now ECU has another side, and that is chlorine, and it's always a balance between caustic and chlorine. The more the caustic demand, the more pressure there is to sell chlorine. So, you have seen that in the current quarter, chlorine has moved further negative, the chemical industry tracks prices every day. But net-net, Better ECU is a positive for Grasim as a company. Since much smaller percentage of our caustic sales are within the company, right? So, net-net, a higher ECU is a net positive for Grasim. Now as far as intercompany transactions are concerned, they are primarily arms length.

Actually, even within our businesses, it is arm's length. Not only within businesses but within Chemicals business also, it is a arms length basis. That's a very fundamental group principle, Nirav, we'll never deviate from that. So, you can always assume that any transaction, not only between Chemicals and VSF, but even within Chemicals is done at arm's length basis. The group is very consistent in that.

Moderator: The next question is from the line of Abneesh Roy from Nuvama Wealth Management Limited.

Abneesh Roy: My first question is on putty. So, I wanted to understand if there is any big change in terms of pricing and quality here because other paint companies are saying that some players are selling below positive gross margin, so selling at a negative gross margin. And they have also reduced the quality of putty, so that it makes sense from an overall business perspective. So, if you could comment who has done this and if you could comment if this has actually happened?

Himanshu Kapania: The putty business is managed in the UltraTech domain, and I would request that the same questions should be asked to the UltraTech. The Birla white is a subsidiary of UltraTech.

Abneesh Roy: But you would be aware of the development?

Himanshu Kapania: I'm aware, but I think this is not the right forum to answer the question.

Abneesh Roy: Okay. Then I'll come to paints, which I think clearly very high interest is there. So, sir, you will anyway comment the next 3 months because the exit will come in the next 3 months? So wanted to understand if some clarity can be given if around ₹250 crore revenue in Paints has been done in Q2 and around 2% market share because in any way, in 3 months, you'll have to give the numbers because it will be exit. So, if you could give some color on these calculations? Plus, in Q1, there was a WIP component in Paints. Is that still continuing? Is it still very large compared to the number which I mentioned? So, some clarity on the revenue and if possible, on the EBITDA also.

Rakshit Hargave: So, like Pavan said, we will disclose the numbers fully and fairly at the appropriate time. So, I don't know from where you have calculated ₹250 crores for the quarter. So, I would not want to comment on that. Like I said, we are in line to deliver high single-digit market share by the time we exit the year. So, you can do some calculations on your own to find out. But on the CWIP, we capitalized our first 3 plants in Cheyyar, Ludhiana and Panipat on 30th April. So, whatever was manufactured in those plants till now, which has been sold in period July, August, September, will still go into CWIP. Also, our Chamarajanagar factory, which started in this quarter, whatever it is manufactured, it is still under track. So obviously, the CWIP is still a part. And in our reporting, it will be reported separately. So that is a fact. As we keep commercializing plants, whatever manufacturing will start coming in the books.

Moderator: The next question is from the line of Percy from IIFL Securities.

Percy: Just on the industry demand part. So, the way I'm looking at it is that all the companies have reported, and the 5 listed companies are a very large part of the overall industry. And the aggregate sales growth of the 5 listed companies, excluding Grasim in paints is 1%. Given that pricing is Y-o-Y negligible, it means that the volume plus mix is around flat to 1% or maybe 2% at the most on a Y-o-Y basis. And if your market share exit FY '25 is high single digit, it's obviously lower than that right now. So, let's say, a mid-single-digit kind of a share would put the industry growth at somewhere in mid-single digits itself. And that's clearly much below what the industry has been doing for several years and much below what your own expectations would have been when you decided to enter this space. So, what are your comments on these?

Rakshit Hargave: So, Percy, you've obviously done some number work. So, like we said that, yes, the market seems to be having a slowdown. But like we said, as a new player, we are on track with what we had intended to do. So obviously, there is market share gain and replacement from competition happening with us. So that is absolutely. But does that change our optimism or look out for the industry where we have entered? No. I think this industry medium to long term is going to get healthy growth, and there is room enough for all players to grow. And even for us to go with our business plan. So, I think just a couple of quarters of a bit slowdown and a demand slowdown, I don't think that changes anything.

Percy: Right. Second question is on the rebating. So, while we can keep track of the price increases that paint companies do, and I think there was one in August and one in July and so on. So, there have been like 2% kind of price increases, the circular which goes out to dealers is only part of the equation of the price increase effectively, right? The other equation is the amount of rebates and the amount of the discounting, etc., done by the companies and they are invoicing to the dealers, either in the immediate invoice or at the end of the month quarter, etc., etc. Since now you're an important part of the industry, can you give us some kind of idea on what is the rebating, discounting, incentives, etc., sort of how much has it changed on a Y-o-Y basis? What I'm trying to arrive at is the effective pricing ex mix. And we can see, as I said, the price lists sent and that part of the equation. But the other part of the equation of the pure pricing is something that I just wanted to get a handle on if you are able to help in that at the industry level.

Rakshit Hargave: Yes, yes, Percy. So, what we can tell you at an industry level, what we have seen, while there is some price increase which has happened, which is basically increasing the dealer price list. But at the same time, the back-end discounts, whether it is in the form of monthly credit note, quarterly credit note or discounts to special dealers has gone up and has actually gone up more than the price increase, which is why you see a net effect on the P&L of these companies, which is negative. And that has a relation to the fact that the intensity of competition is going up. So, the trade discounts have gone up in various ways. There are various ways in which paint companies will settle these in the form of dealer incentives, upfront discounts, back-end discounts, or credit notes or quarterly or annual promises. So obviously, there's an increase in that.

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

Prateek Kumar: My first question is on leverage position, more like broader question. So, on a trailing basis, your net debt-to-EBITDA at like 2x. I know ₹2,000 crores are from rights is supposed to be pending for second half. But where do you see your leverage on an absolute basis from ₹600 crores, ₹700 crores last quarter at this level or on a debt-to-EBITDA basis?

Pavan Jain: Prateek, I did not hear your question clearly. So, about the leveraging is we have guided earlier also that we will be having net debt-to-EBITDA of about 3-3.5x. So, I think we are on track to that. And the pending capex, etc., which is to be done in H2, we have already announced the second and final call of the rights issue, which we will be getting in Q4.

Prateek Kumar: Okay. My other question is on paints. I was just saying that is the CWIP revenue of first quarter in Paints segment, is it booked in second quarter revenue?

Pavan Jain: Please, Prateek, try to understand, what has been already booked as revenue as part of CWIP will continue to stay as part of CWIP. It cannot be transferred like to the revenue of second quarter. In second quarter also, there will be some part of revenue, which is going as CWIP. we are commissioning 3 more plants during the current financial year, whatever is produced during trial months, when that gets sold, that will continue to be part of this CWIP and not the main revenue.

Prateek Kumar: Okay. And the other question in the segment. This 10% free volumes, when is this scheme generally we are expecting to like end or like sort of continue till what period?

Rakshit Hargave: So, I would want to ask you why I should give an answer like this, which helps my competition. We will continue till we want to. And again, to clarify, it is totally on, and it is available everywhere, and it is doing very well.

Moderator: The next question is from the line of Amit from Elara Capital.

Amit: Sir, just on the point that you highlighted that you are in the process of putting up more products at the dealer level. So, where we would be at in the journey based on whatever plans that we have in terms of the? Currently, we have 129 products with 900 SKUs, so where would we be? Would we be 80%, 70%? How should one think about it?

Rakshit Hargave: So, by September end, we talked about 129 products. And we had talked about in the first phase of launching about 145 products. Also, we have reached about 900 SKUs. We have talked about 1,200 SKUs. If you take some of those multiple sizes of enamels and shapes, then the SKUs go a bit more. But I would say that more or less about 83% to 85% of our portfolio is there. Other elements, which need to complement it, are entering the market as we speak in November and December.

Amit: Sure. And the service efficiency at the dealer level, I mean, I'm sure you have the systems in place. I understand in the initial part, there would be some hiccups in terms of availability as now. What would be the scenario any way to check or if you could share in terms of whatever the availability of your product?

Rakshit Hargave: Yes. So, like you rightly said, we have set up a network of depots. By end of September, we had 114 depots operational. We have also added to that in October. Obviously, the effort is to service dealers, which competes with the market leader, probably small hiccups as we did not have a sales history of what is there at what depot. And we had to do some movements here and there. But by and large, we are able to keep the commitment with mainline town dealers and also up-country dealers in terms of what we had promised. And the service level is good, but the service level is also improving. So, if you take a look at the service level number, we are much better in October and November than maybe what we were in August and September and is continuously improving. So as a process of continuous improvement, I think the investment that we have done in depots and technology, which is absolutely up to date, is helping us catch up very fast.

Moderator: The next question is from the line of Bhavin Chheda from ENAM Holdings.

Bhavin Chheda: Good to see the ramp-up on the Birla Opus side. Just a few questions on the Paints business. If you can share the number of distributors and retail touch points currently in the Paints business and also the number of tinting machines which are already installed?

Rakshit Hargave: Bhavin, so yes, good to speak to you again. So, like we said, we don't have distributors. So, we are in a direct model. And we had talked about hitting about 50,000 dealers by the end of the year. So, we are on track to be able to hit that number. And significantly, a very large number of those dealers have been given tinting machines, is how I would put it.

Bhavin Chheda: So, you said you'll be hitting 50,000 by the end of the year, right? And currently, already, we have a pan-India presence, right? Your presentation mentioned 4,300 towns?

Rakshit Hargave: Yes.

Moderator: The next question is from the line of Navin from ICICI Securities.

Navin: I wanted to understand the Birla Pivot business as to how should one look at it given there is an ambitious growth plan there? The $1 billion sort of revenue? So how should one look at losses in this particular segment market around 5% or like some percentage of the revenue because it's largely a trading model -- if because it was also mentioned that the business might be incurring losses in the initial phase and will look to turn profitable only after having reached the benchmark of $1 billion sort of revenue. And also in the Birla Pivot, previous quarter revenue were given clocking a quarterly run rate of ₹550 crores, so where are they at? Some color on that would be helpful.

Pavan Jain: So, Navin, as regards to your last point of the revenue numbers. I think in my opening remarks, we said that we will share all the details at appropriate time. What we are sharing is that the business is growing well. We are expanding the reach geographically, we are expanding the product categories, etc. This is a low-margin trading kind of business. The business is ramping up as per our expectation, I would say, better by expectation. With regards to the EBITDA profitability, we have shared the guidance, long-term guidance. I think we are on track. Sandeep, are you there on the call? Can you share anything more?

Sandeep Komaravelly: Yes. Pavan. Navin, thanks for the question. In terms of our profitability, what we've showed earlier is that our aspiration is to hit $1 billion in 3 years and at that scale, we will be profitable. We are very well on track to achieve that. As of now our focus is on scaling up our customer base, building our platforms that will support the entire end-to-end commerce transaction, and that's what we are focused on.

Moderator: The next question is from the line of Raashi Chopra from Citigroup.

Raashi Chopra: Just 1 question Birla Pivot the last one. From a quarterly rate perspective, in the last quarter, you have given us a ₹550 crores number. So, are we significantly better than that in this quarter, if you don't want to quantify it?

Pavan Jain: So, Raashi, I think what we are sharing is that we are ramping up month-on-month. The business is growing. We are expanding the reach. We are adding the new categories, new customers. We are enhancing the digital platform for the business. So that is what is happening. And of course, it is growing month-on-month. And I think it is beyond our expectation; we are able to reach in this business.

Moderator: The next question is from the line of Jai Doshi from Kotak Securities.

Jai Doshi: My first question is, could you give some color on the quality of dealers you engage with? And what would be your penetration in the top 500 dealers of the country?

Rakshit Hargave: So, Jai, we have been able to engage with dealers across the India and of all sizes. So, dealer classification is, whether you call them A class, B class, C class. So, we have a uniform set across all dealers. We are also engaging with the top dealers of India, whether you want a bracket of top 500 and top 1,000. Some of the larger dealers might be slightly slower to give us higher counter share, but that was only to be expected. But otherwise, we have a fair representation of our ability to place tinting machines and our ability to start billing across dealers of various classes and sizes.

Jai Doshi: Understood. And second question is, look, if you are confident of 7%, 8% or high single-digit market share in 4Q, and you may be somewhere in low to mid-single digit right now. So, is this 200, 300 basis point market share gain per quarter that you may be expecting in December and March is contingent entirely on the B2C retail decorative paints business? Or you're expecting a big scale up in projects business to help you get to that number by end of the year? My understanding is right now, you have negligible play in the projects space.

Rakshit Hargave: So, we are building up our projects team. We have started getting good projects. But as you would understand that projects has a slightly longer gestation period because the discussion and the closure of accounts takes a longer time. But we are even on projects, we are well on our plan to be a much more significant player this quarter and the next quarter. But the momentum of the retail business itself is very good. So, the overall mix is going to play out, but we are quite confident on the number that you've talked about.

Moderator: Ladies and gentlemen, due to time constraint, we will take that as the last question. I would like to thank the management of Grasim Industries. On behalf of Grasim Industries, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.