



“Grasim Industries Limited
Q3 FY '25 Earnings Conference Call”
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Moderator:

Ladies and gentlemen, good day, and welcome to the Grasim Industries Q3 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 call, please signal an operator by pressing star then zero on your touchtone phone.

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

Ankit Panchmatia:

Good morning and thank you for joining Grasim's Third Quarter Financial Year 2025 earnings call. The financial statements, press release and presentations are already uploaded on the website of stock exchanges and our website for your reference. For safe harbor, kindly refer to cautionary statements highlighted in the last slide of our presentation.

Our management team is present on this call to discuss our results and business performance. We have with us Mr. Pavan Jain, Chief Financial Officer Grasim Industries, Mr. Jayant Dhobley, Business Head of Chemicals, Cellulosic Fashion Yarn and Insulator Business; Mr. Rakshit Hargave, CEO of Birla Opus, our Paint division; Mr. Vadiraj Kulkarni, incoming Business Head of Cellulosic Fibres division; and Mr. Sandeep Komaravelly, CEO of Birla Pivot, our B2B E-commerce business.

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:

Good morning, everyone, and I wish you all a very happy 2025, which marks halfway point in the current decade and quarter century mark of the 21st century. Let me start with macro commentary, and then I will talk about our businesses and financial performance across each segment for the quarter ended 31st December '24.

The year 2024 was largely characterized by positive developments like disinflation, resilient growth and improving corporate profits. Elections and rate cuts dominated second half of 2024, which are expected to influence the global economy shaping market dynamics for the foreseeable future. As we enter 2025, rising policy, uncertainties, protectionism and geopolitical tension signal a more volatile and fragmented global economy.

As highlighted by our Chairman in his visionary reflections for 2024-25, we will be embracing a U3 world, which is uncertain, unpredictable, and unorthodox world in 2025. As per the latest IMF World Economic Outlook report, global growth is projected at 3.3% in 2025 and in 2026, both below the pre-COVID historical current century's average of 3.7%. Advanced economies are projected to grow at 1.9% in 2025 and 1.8% in 2026. And within the advanced economies, the U.S. is expected to grow a little faster with projected growth rate of 2.7% in 2025 and 2.1% in 2026.

Diverging growth and inflation dynamics could result in varied monetary policy approaches by central banks across the world, leading to widening rate differential. Emerging markets and

developing economies are projected to grow at 4.2% in 2025 and 4.3% in 2026, with India leading the projected growth rate at 6.5% in 2025 and 2026.

Since September 2024, Chinese policymakers continue to focus on delivering a series of stimulus packages to inject new life into their struggling economy. The newly imposed tariffs by the U.S. on China could derail the PBOC efforts of reviving the economy. India will continue to be amongst the fastest growing economies in the years to come. The recent budget announcement has shown continued focus on infrastructure development, is also creating environment for boosting consumption.

Further, after a gap of nearly 5 years, RBI has unanimously decided to reduce the benchmark repo rate by 25 basis points to 6.25%, delivering a less restrictive monetary policy. Coming to our company, we continue to leverage our diversified business portfolio, capitalizing on India growth story with a proven track record of creating large-scale businesses and capacities, Grasim is well prepared to meet the increasing demand of the growing Indian economy. Emulating this growth momentum, we are happy to share that Grasim's consolidated revenue grew for the 17th consecutive quarter on Y-o-Y basis, registering a CAGR of 13.5% over the past 4 years.

The trailing 12 months consolidated revenue stood at highest level of almost ₹1,40,000 crores. For Q3, FY '25 consolidated revenue grew by 9% Y-o-Y at ₹34,793 crores. The standalone revenue for this quarter stood at highest ever level of ₹8,120 crores. Consolidated EBITDA for the quarter is ₹4,668 crores is lower by 9% 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 Building Materials segment, where we are building up the size and scale to contribute meaningfully towards Viksit Bharat. UltraTech remains on track to achieve domestic gray cement capacity of over 200 million tons per annum by FY '27. The India Cement Limited open offer was concluded in the current quarter and the integration was completed. The acquisition of Kesoram cement business is awaiting approval with regards to transfer of mines in Telangana and Karnataka. The integration is expected to be complete in the current financial year.

Demand across all sectors, that is individual house builder, infrastructure sector and urban housing growth has been improving and domestic gray cement volume grew by 11% Y-o-Y in the quarter gone by. However, the realisation was lower by 10%, though there was sequential improvement in realisation by 1.4%. Our Paints business under Birla Opus brand continues to gain market share in the Indian decorative paints market, backed by rapidly expanding distribution network and leapfrogging brand visibility backed by superior product quality.

With commencement of commercial production at Chamarajanagar in November '24 and Mahad expected in this quarter, that is Q4 FY '25, Birla Opus would be the second largest player by installed capacity in the Indian decorative paints market, which is poised to grow in double digit over the next decade. Our sixth plant at Kharagpur in West Bengal is expected to go live in Q1 FY '26 as cyclone Dana affected construction activities. The advertisement campaign, Duniya

ko Rang do and Naye Zamane Ka Naya Paint has been successful with an outreach to more than 70 crores Indians.

Addition of dealer network remains on track, which is evident from the fact that Birla Opus is second most visible paint brand in India now. B2B E-commerce business, Birla Pivot continues to attain higher revenues quarter-on-quarter. Birla Pivot is constantly enhancing its user experience, driving the digital adoption in the B2B ecosystem. The business has added new product categories, expanding its total addressable market in the B2B building materials space with focus to enhance revenue from the private labels. The business has launched Birla Pivot Bathware, expanding its private label portfolio beyond Tiles and Plywood.

Our core businesses, namely Cellulosic Fibre and Chemicals continue to provide stability to overall earnings profile. Global demand for cellulosic fibre business continues to remain stable with improving price trends. Over the past decade, cellulosic fibre industry has grown almost twice the growth rate of competing textile fibres that is cotton and polyester.

Moreover, within Cellulosic Fibres, Lyocell, a third-generation specialty fibre, is the fastest-growing specialty cellulosic fibre compared to gray and other generations of cellulosic fibres. Innovation-led specialized applications, coupled with customers' ever-increasing demand for improved sustainability credentials, we believe that Lyocell growth prospects would further improve.

Also as our current capacity being fully utilized, the Board has approved setting up of 110K TPA Lyocell fibre capacity at Harihar, Karnataka in 2 phases. The first phase of 55K TPA will be executed by mid-'27 at an investment of ₹1,350 crores. Improved demand condition in China helped by pre-Chinese New Year demand has led to higher operating rates at 89% and low inventory of 8 days in China. China CSF prices for quarter 3 are sequentially higher by 2% and 5% higher Y-o-Y basis.

Domestic realisation improved in line with the increase in international prices. Our Cellulosic Fibre volumes stood flat on a Y-o-Y basis. However, there was sequential decline due to production loss at Excel plant in Kharach and seasonal demand weakness during the quarter end post festival season. Chemicals business revenue stood at highest level since Q1 FY '24, led by continuous improvement in domestic prices, in line with global caustic soda prices. However, continued negative chlorine realisation due to oversupply has partially offset improved caustic realisation not getting fully reflected in ECU realisation.

Caustic soda sales volume growth was muted at 1% Y-o-Y due to lower production at Vilayat restricted by lower power availability, which is expected to improve in coming quarters. Chemicals business EBITDA for Q3 FY '25 was up 25% Y-o-Y, mainly led by higher realisation in caustic soda prices and improved profitability in chlorine derivatives segment. Financial Services business under Aditya Birla Capital reported all-round growth across different businesses with focus on driving quality and profitable growth by leveraging data, digital and technology.

NBFC segment reported revenue growth of 12% and Housing Finance business grew by 45% Y-o-Y. The total lending portfolio, which includes NBFC and Housing Finance loan book grew by 27% Y-o-Y to over ₹1,46,000 crores. Given the competitive intensity and changing cost of borrowing, the NIM for NBFC business declined by 88 bps Y-o-Y and net interest income for Housing Finance business declined by 43 bps, impacting the overall profitability. Life and health insurance segment reported Y-o-Y revenue growth of 5% and 38%, respectively.

Amalgamation of Aditya Birla Finance with Aditya Birla Capital announced in March '24 has received approval from shareholders. The amalgamation scheme now awaits approval from NCLT Ahmedabad and is expected to get completed by March '25. In renewable business, our installed capacity continues to ramp up with cumulative installed capacity at 1.2 gigawatts, up 37% from 894 megawatts in March '24 and another 0.8 gigawatt is under advanced stage of commissioning.

With the projects under implementation, the capacity is expected to reach nearly 2 gigawatts by end of current financial year. The business has strong anchor clientele with Aditya Birla Group company representing 37% of the power offtake against the existing portfolio.

We can now move on to Q&A.

Moderator: Thank you very much. The first question is from Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: My first question is on the CSF division. If one can elaborate what sort of cost pressures are we looking at in this quarter and in the coming quarters, some guidance? And we are running at almost rated capacity. What sort of capital allocation are we looking at in this division given the return profile has been very subdued over the last few years. So should we expect steady-state limited investments in future, focus on paints and other divisions? Or we would look to see some brownfield attractive expansion opportunities here as well?

Pavan Jain: Yes, Sumangal. So I think as regards to cost pressure, the key input prices, which is pulp and caustic soda and sulphur, all these prices have moved up almost more than, I mean, in the higher double digit, more than 10%. Of course, the CSF realisations have also improved, but the impact of input price hike is more than the impact of the gain in the realisation prices.

As far as caustic soda prices are concerned, while the CSF business gets impacted by the higher cost, higher price, but we gain more than that in our chemical business because more than 50%, 60% goes to the other customers, caustic soda goes to the customers other than CSF. So that is about the pricing impact. Looking at the current pricing scenario, I think the input prices continue to be at the elevated level. But as the demand of CSF is also increasing and the capacities are utilized at 89% in China and almost 100% here. I think there is a scope of price improvement.

Yes. The second part about your investments. So as Board has already approved investment of ₹1,350 crores. We are setting up the Lyocell capacity, which is a specialty fibre in our Harihar plant. The first phase of 55,000 tons per annum is already approved. The total capacity increase will be about 110,000 tons involving 2 phases, first phase 55,000 and second, another 55,000.

So we are allocating capital to CSF business also. Specialty fibre side, which has, I mean, the higher prices, we get premium in the specialty product. So investment is going in that business.

Sumangal Nevatia: Understood. Understood. Sir, my second question is on one of our small division, Pivot. So, I just wanted to understand what, how is the competitive landscape in that building products and sales market? And how is our positioning different from a few of our peers because we do keep hearing aggressive growth plans by competition like Infra.Market, JSW One, etcetera. So just some details on these will be very helpful.

Sandeep Komaravelly: Sure. Sumangal, this is Sandeep here. Thanks for the question. As you rightly pointed out, I think there is the space is large. If you look at the overall B2B building material as a market, it's much, much larger than all other sectors. It's more than ₹1 trillion, and there are a few companies which are trying to drive B2B E-commerce within this space. From our point of view, well, I can't comment on competition, from our point of view, we remain committed to building a very comprehensive end-to-end B2B E-commerce platform that fundamentally resolves for all the use cases there are, whether it is a retail customer or whether it is a project customer. And we've been doing that for the last 1.5 years. In general, if you see the space, the digital adoption has been fairly low. And that's not because of non-availability of products or solutions, but largely because there are multiple users for every transaction who are involved and the companies and the entities that are involved are different sizes, right, from a one-person proprietor to a large entity, which is even public and meeting the requirements of all of these entities and solving them through technology is a fairly complex problem.

We've been very focused on solving the visibility part of it. And our ultimate goal is to actually give almost like a B2C kind of fulfillment experience to B2B, and we are well on our way in driving that. And the other aspect of this is that there are multiple categories that are involved. If you look at building materials, there are more than 40, 50 categories, and each of them are fairly complex. So the scope is fairly large, and we are just about getting started. So we have not even scratched the surface, if you ask, in our view and the runway to grow is ahead.

Sumangal Nevatia: Yes. So I mean, just a quick one on the Paints division, looks like a very impressive growth for another quarter. So I just wanted some color on operating losses. I mean, can we expect, going forward, the losses to further increase at least for some time or the peak is behind and some operating leverage to start reflecting on be moving towards breakeven. So one on that. And then, I mean, next year looks like all our plants will be firing. So after our high single-digit exit for this year, some color on how we are looking at penetration and market share increase in FY '26, would be very useful, sir.

Rakshit Hargave: Sumangal, this is Rakshit. So as far as you're talking about operating losses, they are exactly as we had planned. So like we said, we presented a game plan where we said that within 3 years of full-scale operation, we would want to break even. So there is a journey. And what we are seeing this year is the part that was planned. So nothing exceptional there. You also talked about exiting the year at high single digit, yes. So we are on track to exit the year at high single digit. But what we see next year, we see a lot of opportunities for us to continue on the same track. So we will continue investing on the brand. We are gaining market share quarter-on-quarter because I think

it's a long journey. So fundamentally, trying to get more dealers to back more aggressively with us, opening more dealers, improving our dealer throughput on a per dealer basis and obviously building Opus brand where we have other initiatives also planned. So nothing will change. And as far as operating losses, like we said, we've talked about a 3-year guidepost after wholesale operations, so that will hold true.

Moderator:

The next question is from Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo:

Yes. So, my first question was in the paints and B2B E-commerce segment. Now it's really great to see that sequentially, there is a material revenue jump, excluding UltraTech, of course. Also, heartening to see that the EBITDA losses have also reduced quarter-on-quarter despite the sales going up by almost like ₹543 odd crores combined segment, excluding cement, of course. So my question was to get some understanding on this. Can we say that as sales ramp up in the coming quarters, this absolute loss number or as a percentage of sale will only narrow, and we have like -- we have peaked out in terms of losses in this segment. Is it a way to look at it? As you said, it's a journey, but at least directionally, are we on that part of reducing losses? Or it's too early to say that?

Rakshit Hargave:

So I think the way we will put it is we have to break even after the first full 3 years of full-scale operation. Obviously, there is going to be a parachute that will fall. And in that, first year is going to be the heaviest year of investment. So I think if you look at it this way, the journey continues, and we know in which direction we will proceed. That's how I will say.

Navin Sahadeo:

Fair point. My second question then was on CSF. So, we have announced a capex of ₹1,350 crores. Now we are yet to deploy or complete the capex in Paint and we have taken the CSF expansion. I know that segment was demanding growth. But I'm looking from a point that new businesses are incurring losses. So is it a way that we are like to read it that we are confident that these losses won't balloon as revenues jump, and that's why the comfort from the company or the confidence from the company to take this capex because we'll have to spend substantial amount next year, '26 is what I'm assuming. And I've also seen your PPT, there is no change in capex guidance for '25, which means this capex will come in '26. So is this how one should read into it? And just the other question is what is the net debt to EBITDA then we have in mind which, in a way, will not be -- will be a threshold so that even if it comes at the cost of slowing down some bit on CSF capex, but will not cause that threshold?

Pavan Jain:

Yes, Navin. So I think as far as the capex in Paints business is concerned, we are almost done. I think we have already done 90% of the capex for the paints business. As told earlier, 5 plants are almost completed. 6th plant is getting completed in Q1. So paints is, as far as capex is concerned, will be over maybe by Q2 of next financial year. As far as the debt EBITDA levels are concerned, as explained earlier, we will continue to have a guidance of not exceeding 3x to 3.5x of net debt to EBITDA. I think we will be able to manage that. Of course, the existing businesses performance will have to, I mean, match to the expectations. That is the one thing. But as far as the capex plan is concerned, it is being planned, keeping the net debt-to-EBITDA level in mind.

Moderator: The next question is from Nirav Jimudia from Anvil Wealth Management.

Nirav Jimudia: I have 2 questions, sir, on chemicals. So for the Epoxy business, how have been seeing the ramp-up of the newly expanded capacities or let's say, if you can say at what level of utilization, the newer capacity is operating at. Also, if you can share like how we are seeing the demand both on the liquid epoxy side and the specialty side of the business? and was Q3 seen a margin getting impacted because of volatility in the prices of bisphenol and higher prices of caustic soda?

Jayant Dhobley: Nirav, this is Jayant. So, I'll start with your last question first.

Jayant Dhobley: Look, BPA and ECH prices have both been going up, as you know. Between the 2, I think average increase over the quarter has been about 13% weighted average. And we have been able to pass on not all of the price increase. So, our margins have been under pressure, partly also because of the FTA, our country has with the Korean producers, who are able to bring in LER duty free. And as you know, as an industry, we are hoping that the government will address this. Volume-wise, there has been marginal growth. We are trading off volume and margin. So in that sense, you can say that our quarter-over-quarter performance has not really been impacted, maybe slightly lower, but not materially lower. Then if you get to your question on ramp-up of our new plant, you know that there are many underlying products that sit in that plant, whether that is liquid epoxy resin, whether that is polyesters, polyamide. So I will not give you a breakup by product because, as you can imagine, that is sensitive from a competition perspective.

But depending on how we have commissioned those plants and what type of qualifications we are getting with the customers, we have been able to achieve about 25% ramp-up of the plant, partly related to customer qualifications, partly related to some typical teething problems that any new plant has. But we have continued to maintain our market share to the best of our position. I hope that answered all your questions.

Nirav Jimudia: So just a clarification here. So you mentioned that the margins were impacted, and we have tried to pass on some of the cost increases. So, in the initial round of this 25% ramp-up of the newly commissioned capacity, if I'm right in reading your statement, is more on the liquid side where the realisations are lower and probably once the specialty volume starts picking up, those would inch up our average realisations and would take more than take care of the increase in the raw material prices. is it the right assumption to make?

Jayant Dhobley: Yes, that's the right assumption. As you can imagine, BPA, ECH prices mostly affect liquid proxy. And as you know, once those start to turn, then of course, we will also see the positive impact.

Moderator: We move to the next question from Mihir Shah from Nomura.

Mihir Shah: So firstly, on Paints business, congrats, there seems to be a material step-up on sales in third quarter versus what we saw in the second quarter. Can you talk a bit on how much of this would be from sell-outs? And what would be the dealer reach now? Also, if you can share your geographical split, i.e., contribution from North, South, West, East? And lastly, traction from exclusive dealers or large dealers and from small dealers. That will be my first question.

Rakshit Hargave:

Okay. So I think you have multiple points in your question. So if I take the first one, so our sellouts are excellent. So when I say we have a system where we know exactly how many kiloliters of products were scanned by our contractors on the previous day. We actually get live data. And if I take a look at that, literally 65% to 70% of what we have sold and have sold out. And actually, the inventory that we have lying at the dealers is very healthy compared to other companies where you have a lot of inventory line. Our inventories are nice, and the dealers are happy because then the corresponding return on capital is excellent. So, from an offtake point of view, excellent. So I think that's a great testimony to the fact that the acceptance of our products by contractors and painters is very good, and we are also very happy with the overall package.

Secondly, I think you asked about the geographical split. So I think we work very hard across all regions. So we see that the response for Birla Opus across North, East, West, South is excellent. If you ask me to put a number, difficult for me to put through, but I will say that if the best region is 110, then maybe the slowest region is 90. So there is no literal material difference. We are doing well across all the regions. And I think that's also because all our inputs that we have designed are more or less on an equitable basis. Our media reach, we have not left any part of India uncovered in terms of the deliveries. The work that we have done with contractors is spread across India. So, I think we've taken the fact that we want to be a national launch, true, in terms of execution. From a dealer point of view, we have excellent response from most of the dealer classes. So the medium-sized dealers are giving us excellent response. Many small dealers are also betting with us. And we see in the last quarter, many large dealers are also now giving us a large part of the business. So as expected, the momentum across all dealer classes is great. In terms of number of dealers that we are covering, I think we had talked about 50,000 dealers by the end of the first year. I think we are very close to that journey in terms of where we will end the first year. And I think corresponding to that dealer network that we have opened, all the other elements of coverage that go along with that, have happened as per the plan. So, I think all in all, the answers to your 4 questions suggest that you rightly said, there's a jump in the business because now we are also getting sales from Q2 to Q3 has been very, very relevant.

Moderator:

Next question is from Shreya Banthia from Oaklane Capital Management.

Shreya Banthia:

My questions would be regarding the Chemical division. So given there are so many capacities coming up in caustic soda, how do we place ourselves being the largest player in the industry? And secondly, on the epoxy resin, so if you could give your view on the tariffs that are being considered in the U.S. on epoxy resin from the Asian countries. These would be my 2 initial questions, sir.

Jayant Dhobley:

So I'll answer your question in the reverse order. So while both U.S. and Europe are looking at tariffs on epoxy resins, there are other jurisdictions such as Korea and China, which are likely to be more severely impacted if you look at what type of a grant filing has been done. So, it's a little bit of, you know, if India gets a little bit lower tariff compared to what the other 2 major producers get, in net, it may benefit us. But this is a speculative amount because the final tariffs are not yet announced. Secondly, Grasim focuses mainly on the domestic market. which we believe is healthy, growing and offers us a large capacity for growth. Exports make up probably less than 15%, maybe closer to 10% of our epoxy sales. So we are basically a domestic player

as far as the Grasim is considered in epoxy. But if, for example, there is a significant arbitrage between what custom duty may be imposed towards other Asian players versus China, it may open an export opportunity.

Jayant Dhobley:

Your second question was related to the larger caustic capacities coming in. I'm assuming you're referring to the 2 big players which are doing an integrated play with PVC. Of course, that is some time away. But look, there is a net demand for PVC in Asia, right? Today, the Indian domestic industry, the Indian consumption of PVC is met by imports. So, if a domestic producer for PVC comes in, correspondingly, there will be pressure on operating rates of PVC plants in other parts of Asia. And net-net, that may have a zero-sum game as far as caustic is concerned. And in either case, caustic capacity keeps growing, caustic demand keeps growing. So there may be a couple of years of pressure there. And you know Grasim very well. We don't only look at our strategy from a 2-year that we are a long-term player in this business. We do not believe that we have any reason to be concerned about the caustic capacities coming up.

Moderator:

The next question is from Percy Panthaki from IIFL Securities.

Percy Panthaki:

I understand you're doing well across the board. But if you can give some flavor in terms of, on a relative basis, where are you doing better in terms of the town tier class? Is it the large towns where you have a higher market share? Or is it the smaller towns? And also similarly, in the tiering of the paints by value, so is it the top tier where your market share is relatively higher than the mid or bottom tier? Or is it the other way around?

Rakshit Hargave:

So, like I said, the response that we have is more or less uniform across all town classes. To begin with, maybe in the first few months, we had a very strong takeoff in the mid- and upper mid-tier towns. But now in the last quarter 4, we see that we also have excellent reach in the metros. And like I said, we are already available in more than 5,500 towns. So, offtake measurement as we see, which is the true parameter of how the product is moving, we see that the product is moving across all these town segments. Obviously, maybe in the longer term, some developments might happen, which show that we are particularly stronger in one or the other. But at the moment, our inputs and large team is focusing equally on all the geographies.

Also, if I take a look at the product here that you have, you know that we are available in now all the product segments, and we are also available across all the price points. We have seen, our product quality is so good that many of the economy products that we have in the so-called segment are as per the contractors better than any of the premium products being offered by our competition. So we see that we have good acceptance across price segments. We also see that our luxury products are getting very good receipt and people are buying them. So we are still developing the distribution of the whole range because some of our products and ranges have just hit the market maybe in the last 2 months. But as of now, I can tell you that we are moving in an extremely healthy manner across all the price point tiers that we have launched in.

Percy Panthaki:

Right. Secondly, I just wanted to understand in terms of the market share, the exit market share for this year, you're targeting a high single digit, would you be sort of for FY '26, looking at something like a mid-teens kind of a number?

Rakshit Hargave:

So I think we will talk about that once when we enter next year. At the moment, we are focused on a very strong February and March to see that we exit with healthy, like we said, single digit mid high single-digit shares. Also important, one comment that I would want to make is that while the paint market has been slow, in our assessment in the last quarter, the market has been like flat or maybe minus 1. But we have gained share. And I think the meetings with all the companies have happened where they have shown on a standalone basis that they're all negative, while everybody is talking about a very slow market, but nobody has talked about the fact that a lot of that gain has come to Birla Opus. So I think I would want to build upon that and say that, yes, we will exit in high single digits. And like we said, next year also, the intent would be to keep gaining share quarter-on-quarter.

Moderator:

Next question is from Prateek Kumar from Jefferies.

Prateek Kumar:

My first question is on CSF Chemicals segment. So, the 2 segments combined EBITDA has like been largely range-bound at ₹600 crores to ₹700 crores for a while. Recently, I mean, particularly in CSF, leadership position and high operating rates of China, why the company is unable to pass this higher cost, which came as a big change on a quarter-to-quarter basis. And on Lyocell, particularly, we are like going ahead with this large capex. So, what is the EBITDA contribution of Lyocell in this ₹330 crores-odd EBITDA, which we had in this for this segment?

Vadiraj Kulkarni:

Yes. One, I think as far as why we're not able to pass on the cost increase to the customers, you see it's a demand and supply equation which also plays out in the global market. And that is true for, I think, many segments. Sometimes we can pass on much more than the increase in the cost because the demand has been very, very high. Two, in terms of current Lyocell capacity for us is very limited. While we have a very large market share in the country today, it's a very small capacity compared to what's happening globally and compared to the traditional CSF capacity. So, I think, yes, in fact, the Lyocell contributions today in EBITDA percentages are much higher than the contribution and margin profile for the traditional CSF category. That is why we are investing in a new Lyocell capacity, which promises a much higher EBITDA margin profile.

Prateek Kumar:

So, the passing on of RM cost and pricing in CSF, that will happen in the current quarter, Q4, you mean? And my other question is on Paints. Basically, just wanted to check on because you are like fourth plant under trial runs this quarter. So has this contributed anything to your WIP revenue like the way you said in Q1 performance?

Rakshit Hargave:

Yes. So, like we have commercialized four plants and Chamarajanagar was commercialized in November. But Chamarajanagar was operating for a few months before November under trial. Similarly, Mahad, which we plan to commercialize in this quarter, has been doing trial production since 2.5 months and is ramping up. So, all that production of Chamarajanagar pre-November and of March till now, obviously, is going into CWIP.

Vadiraj Kulkarni:

About price increase, Yes, we have, I think in the last 3 months, we have been able to affect 2 price increases despite the challenges of a muted demand from, sometimes seasonal muted demand from December, one in the month of, sometime in November and one also from

February. So to some extent, we've been able to pass on and the right thing is to see maximum passing on the increase in cost.

Moderator: The next question is from Tejash Shah from Avendus Spark.

Tejash Shah: My question pertains on paints. You called out that unlike peers, you are not seeing macro slowdown. Just wanted to know, would you still say that versus where we started the year, the macros are slightly difficult where we would have thought it will play out? And second, if there's any truth to that, would you consider going moderate on your capacity expansion? Or will it be as you had planned earlier?

Rakshit Hargave: So Tejash, let me clear. So I said the market has been flat or marginally negative. So obviously, it is slower than what it was anticipated. But what I meant is that some other companies have talked about the market being minus 5, minus 4. So what I'm saying the market is not that negative. The market is flat. But obviously, the market was growing in single digits before that. So, there is a slowdown. As far as our capacity expansion is concerned, I think we are fully committed to starting our 6 factories. So there is no question on that. With Chamarajanagar's commercialization, 866 million litres installed capacity has come online. Mahad, when it comes on, another 230 million litres added, and Kharagpur has 236 when it comes up. So, the 1,332 million litres installed capacity is a commitment, and there's no change on that. We believe the long-term view and we set up these factories for our long-term business, remains very attractive.

Tejash Shah: Yes. Second question, are you seeing any higher interest from institutional buyers, real estate developers? Any insight or any update on that?

Rakshit Hargave: So we also have our institutional segment, and we are also ramping up well there. But as you would understand, to open up institutional clients because there are projects which are already committed and there are brands which are already entered, happens with a lag as compared to retail buyers. So, we see that there is good traction, which is developing. And obviously, the institutional segment buyers have also liked our quality. You also know that for institutions, for many government institutions, you have to first do the listing before they start buying. So we are also doing that process very well, but there are some more listings, et cetera, that are pending. But all that is happening as of now.

Moderator: Next question is from Amit Purohit from Elara.

Amit Purohit: My question is around paints. So sir, just wanted your comments on the recent trends that you have seen probably for the industry growth, say, maybe in Jan and Feb. And second, just wanted to get insights on if you could share probably our penetration level in the dealers. The idea is to understand maybe a dealer was appointed maybe 6 months or 3 months back, any data point on that just to understand how the ramp-up is happening for old dealers getting appointed, if possible.

Rakshit Hargave: So, your first question was about the market growth and something about category that you mentioned?

- Rakshit Hargave:** I think Jan, summer has come on the markets. I mean the skies have opened up. So maybe Jan was, as I hear from the dealers, a bit better, but very early to say how will it go, whether the quarter is going to be significantly better or similar like last quarter. But yes, when the skies open up and then there is a lot of activity starts happening is what we heard. As far as dealer type, talking about A class, B class, C class, the way whatever we define the dealers. So as compared to 4 or 5 months back, I think that comparison is also a bit unfair because our coverage 4, 5 months ago was half of what we are today. So obviously, we have added dealers of all types. And like I said that we are getting good response also from the large dealer and the midsized dealers. And I would say that we are quite equitably present across all these 3 classes, getting good offtake from all these dealers. But trying to compare it with where I was 4 to 5 months back would not be the right barometer at the moment because the absolute count itself was a lot less, we've added a lot more dealers in the last quarter.
- Amit Purohit:** Yes. Just actually, I was referring to some dealers, which would have been appointed, say, 4, 5 months, so same dealer, if that is possible to share that data point.
- Rakshit Hargave:** So, what I can tell you is that the dealers who were appointed by us 4 or 5 months back, most of them have continued and their throughputs on a month-on-month basis are improving. It's a very healthy sign.
- Moderator:** Next question is from Meet Bhatt from Emkay Research Services.
- Meet Bhatt:** Sir, my question is regarding CPVC. So we are getting total capacity of 100,000 tons. And along with that, Epigral is also doubling the capacity to 150,000 and DCW also has 50,000. So, my first question is I wanted to know what is the current demand in terms of tons in India and outside of India? And what will be the demand scenario in next 2, 3 years?
- Jayant Dhobley:** Yes. So firstly, this business actually is done together with Lubrizol. So what will be sold in the market is the Lubrizol CPVC under the brand name TempRite. Grasim has a certain business model with them, which is covered by an NDA. Lubrizol has committed to India, the largest CPVC plant that they have anywhere in the world, and that is actually at our location in Grasim at Vilayat. From what I can tell you, and I can only disclose very limited because this business is together with somebody else, is that they see healthy demand for this. CPVC is a material of choice for plumbers in India. Lubrizol is forward integrated in India into compounding. And globally, they are by far number one in this category right. So, Grasim, together with Lubrizol, have very high confidence both in the market size, its growth and our joint ability to provide a product that is significantly superior to most other players in the industry.
- Moderator:** Next question is from Jai Doshi from Kotak.
- Jai Doshi:** Our estimate is that your market share may have improved by about 200 basis points in paint segment from September to December quarter. So is this improvement driven entirely by the B2C business? Or have you seen a good scale up in the projects institutional B2B business?
- Rakshit Hargave:** So obviously, the retail business, as you say, has ramped up. And the institutional business is also picking up in the last 3 months. So for me, to say if to come upon to 200 basis points that

you are talking about has come from which segment, I would say, obviously, it's a total share gain. But retail is obviously running ahead of institution for the reasons that I gave in the last answer.

Jai Doshi: And when you mentioned that secondary sales, retail sales is about 65% of primary sales. So if you exit the year with, let's say, exit the month of March with high single-digit growth, so we should understand that even from a retail sales high single-digit market share, from a retail sales perspective also, you may be clocking 5% kind of market share. Is that understanding correct?

Rakshit Hargave: No. So like I said, we want to exit the year in March in high-single digits. So 5% is just the middle. So we expect to do more than that. So 5% is not high single digits, is mid-single digits. So we will be doing better than that when we exit in March. And we can already see that where we are today in January. We are on course to keep that working.

Moderator: Next question is from Navin Sahadeo from ICICI Securities.

Navin Sahadeo: Sir, are we sharing the capex guidance for FY '26, please?

Pavan Jain: So Navin, our budgeting process is on. So, we will be sharing the FY '26 capex guidance most likely in our Q4 call, but depending upon whether we will be able to complete, but not before that.

Navin Sahadeo: Sure, sure. And if I could just ask one question related to Paint that will it strategically make sense to have putty business under us either acquire it from the subsidiary or maybe create a new one for a better synergy and a coordination with the business? Or do you think the current arrangement is good enough and needs no change?

Rakshit Hargave: So you see putty comes under UltraTech and it is doing well, and we would not want to comment on that, but it is running the way it is, and that's the way it will run.

Moderator: Next question is from Nirav Jimudia from Anvil Wealth Management.

Nirav Jimudia: Sir, my question is on the chemical side. So like if you can share how much was chlorine negative this quarter vis-a-vis last quarter?

Jayant Dhobley: So, for the reporting quarter, chlorine was about ₹7,000-7,500 negative. And the prices continue to be under pressure. So, as you know, caustic prices globally went up by about something like 80% y-o-y, whereas about half of that was eaten up by negative chlorine. Until demand in the chlorine consuming sectors like agro, pharma, etcetera, pick up, we do expect chlorine to continue to be negative. I would not call out a specific price for this quarter, as you know, that is sensitive. But if you are in the market, you know that Q4 chlorine is more negative than Q3 chlorine.

Nirav Jimudia: My question is that with this chlorine negative rating expanded, how has our VAP portfolio performed? Because there, it's a direct beneficiary of whatever what we produce on the VAP side. So have we seen the profitability on the VAP side improved in Q3 vis-a-vis last quarter last year or even on a sequential basis, if you can share your view?



- Jayant Dhobley:** Yes, Nirav. The answer to that question is absolutely yes. And you will note in our press release that we have said that our increased profit is because of higher caustic prices and improved profitability of our chlorine derivatives business. And I would not want to quantify that. You know my chlorine integration level, so you can kind of make a guess.
- Moderator:** Next question Meet Bhatt from Emkay Research Services.
- Meet Bhatt:** Sir my question is same on CPVC. As we can see CPVC resin price has came down from \$200 to \$135. So first wanted to know the reason behind this and how it will impact us?
- Jayant Dhobley:** Yes. So our project with Lubrizol is in execution phase right now. We expect mechanical complete and commissioning to start somewhere in Q2 FY '26. So at this moment, we do not have direct impact to CPVC price. And having said that, as I mentioned earlier, this business is in partnership with Lubrizol. Lubrizol is the lead partner who is going to be in the front for selling the CPVC. The arrangement between us is confidential, but what I can say is we would not be affected by the volatility in CPVC prices. Grasim would not be affected by the volatility in CPVC prices. But we will have the favorable benefit as CPVC demand grows. As you know, CPVC is a highly preferred material for the plumbing industry.
- Moderator:** Due to time constraints, we'll have to take that as the last question. On behalf of Grasim Industries Limited, that concludes the conference. Thank you for joining us, ladies and gentlemen. You may now disconnect your lines.
- Pavan Jain:** Thank you.