"Grasim Industries Limited
Q1 FY27 Earnings Call"
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Moderator: Ladies and gentlemen, good day and welcome to the Q1 FY27 Earnings Call hosted by Grasim Industries. 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 this conference call, please signal an operator by pressing star then zero on your touchtone phone. I now hand over the conference call to Mr. Ankit Panchmatia, Head Investor Relations of Grasim Industries. Thank you and over to you, Mr. Ankit.

Ankit Panchmatia: Good evening and thank you for joining Grasim's first quarter financial year 2027 Earnings Call. The financial statements, press release, and presentation are already uploaded on the websites of stock exchanges and our website for your reference. For safe harbor, kindly refer to cautionary statement highlighted in the last slide of our presentation. Our management team is present here on this call to discuss our results and business performance. We have with us Mr. Himanshu Kapania, Managing Director Grasim Industries and Business Head Birla Opus Paints; Mr. Hemant Kadel, Chief Financial Officer of Grasim Industries. We also have with us Mr. Jayant Dhobley, Business Head of Chemicals, Cellulosic Fashion Yarn, and Insulator business; Mr. Vadiraj Kulkarni, Business Head of Cellulosic Fibers business; Mr. Sachin Sahay, CEO Birla Opus Paints; and Mr. Sandeep Komaravelly, CEO Birla Pivot which is our B2B e-commerce business. Let me now hand over the call to Himanshu sir for his opening remarks. Over to you, sir.

Himanshu Kapania: Thank you, Ankit. Good evening, good afternoon, or good morning as applicable to each one of you and thank you for joining the Grasim quarter one Financial Call 2027. Let me begin with the headline. Financial year 26 was a landmark year for Grasim and we continued the same momentum entering financial year 27. In quarter one FY27, we achieved highest ever revenues of INR48,716 crores with a year-over-year growth of 21%. I remember not too far away, two years ago exactly, the quarterly run rate of revenues used to be around INR32,000 crores to INR33,000 crores, and today we are already reaching about a quarterly run rate of nearly INR50,000 crores. A whopping 1.5x growth in quarterly revenues, which is a two-year CAGR of 25%. I want to draw your attention to the consistency behind these quarterly numbers because a single strong quarter proves very little. This is now our 24th consecutive quarter of Y-on-Y revenue growth. What that tells you is that our performance is not resting on one business or one favorable cycle. The core, which is our cement, cellulosic fiber, chemicals, and financial services business, are compounding. The new engines, which are our paints and B2B e-commerce business, are multiplying. I would like to draw an analogy here that this combination of core and growth business portfolio is doing what an all-weather portfolio is meant to do, that is deliver consistent returns. A key highlights this quarter is the accelerating momentum in our standalone business. Standalone revenues for the quarter one of 2027 grew at a faster rate, that is 28% year-on-year to INR11,795 crores. More importantly, it's incrementally becoming a larger and more meaningful contributor to Grasim's consolidated growth journey. EBITDA more than doubled with a 107% growth to INR1,094 crores. This clearly shows that the standalone portfolio is not only growing faster but also scaling with speed and improving profitability.

Let me now start with some macros, then will take you through the business one by one. The global economy continues to navigate an increasingly complex landscape. While inflation has moderated across several developing markets and central banks like U.S. Federal Reserve has maintained a cautious and data-dependent stance, inflation has eased materially from its peak. The Federal Open Market Committee has still reiterated that the path of monetary policy will continue to be guided by incoming data, particularly on inflation and labor markets. China continues to face a relatively subdued recovery led by weakness in its property sector and manufacturing activity, while Europe is witnessing modest growth amidst softer industrial demand. Geopolitical developments have emerged as one of the most significant variables shaping business sentiments and global trade. The ongoing conflicts in parts of Europe and the Middle East, coupled with the evolving trade policies and supply chains realignments, have increased uncertainty across global markets. These developments have at times disrupted shipping routes, elongated transit times, and created intermittent challenges around the availability and pricing of key commodities and raw materials. Freight costs and energy prices have also witnessed bouts of volatility, making procurement planning and inventory management significantly more dynamic than in the past. Against this backdrop, India continues to remain a bright spot in the global economy. More importantly, the RBI in its latest Monetary Policy Committee meeting acknowledged the resilience for domestic growth and revised its FY27 GDP growth forecast upwards to 6.7%, reflecting confidence in India's underlying economic fundamentals. Strong domestic consumption, sustained public infrastructure investments, improving private capital expenditure, and healthy financial sector fundamentals continue to underpin economic growth.

Let me now start on business performance and starting with paints. Two years ago, Birla Opus started with a promise. A promise to not merely participate in the industry but to fundamentally reshape it. We articulated an ambition of building India's second largest decorative paints company and more importantly, creating a brand that would stand for quality, innovation, reliability, and consumer trust. Today, just two years later, I am proud to say that Birla Opus has already become one of the largest players by installed manufacturing capacity and emerged India's third largest decorative paints brand by revenue.

This quarter, Birla Opus delivered revenue of INR1,661 crores, up by 64% year-on-year and 17% sequentially. We've strengthened our number three position with market share gain of further 30 basis points sequentially, that is on a quarter-on-quarter basis. And when you include Birla White Putty, our combined share is now nearing the early teens. For considering the total market size of Indian decorative paints industry, as highlighted in slide number 25 of our earnings presentation, we include reported revenue of all the listed paints and putty companies plus for overall picture, we further include segment-wise sales of remaining companies in the organized sectors, estimating their segment-wise sales of wood finish, construction chemicals, decorative paints, and putty, etcetera.

Hence, our market share is representation of entire organized decorative paints industry. Let me be plain about what this means. In roughly two years, we build a revenue share position that took most many decades. This was not an easy quarter to grow in. We absorbed a genuine and an unprecedented raw material cost shock. We chose to manage it through phased price increases rather than one blunt correction, and the cumulative impact in quarter one FY27 was 8.8% and some of the price increase impact has flown to quarter two of FY27.

That decision narrowed our price differential with the industry. Some of you will ask whether we've given up our value advantage. We have not, and our resolve is unchanged. We will prioritize market share gains and we will deliver the revenues we have guided to. We are building a franchise, not optimizing a quarter. On profitability, losses narrowed during the quarter, partly aided by lower cost carrying inventory and lower advertising spends compared to quarter four FY26 when we have invested heavily behind high-impact campaigns around the T20 World Cup and IPL. In the current quarter, that is quarter one FY27, we saw normalized advertising intensity. Having said that, our commitment to brand building remains unchanged. Advertising spend will continue to be elevated to demand generation opportunities with higher investments expected during the seasonally stronger periods as we continue to build Birla Opus into a powerful national brand. Our performance this quarter is driven by disciplined execution across five strategic pillars. I want to cover them one by one.

First, distribution is emerging as a powerful engine of scale. Birla Opus has rapidly expanded its presence to 12,100 towns with more than 55,000 dealers billed at least once, and 1,450 plus exclusive branded franchise retail outlets spread over 800 towns. This gives us one of the deepest and most visible market footprints in the industry, enabling stronger consumer access, sharper brand experience, and faster conversion at the point of sale. As per our estimates, this is now the largest organized paint retail network in India, a significant strategic advantage for a brand that is still in the early phase of its growth journey. Our institutional channel is also scaling, with momentum growing 85% year-on-year and 11% quarter-on-quarter, with nearly 11,000 project sites billed during the quarter. Birla Opus products have secured 83 plus specification approvals from various government and other departments across cities with a similar number under different stages of approval. With a robust pipeline of 47,000 sites at various stages of work, the institutional business is becoming a meaningful long-term growth vector.

Second, our engagement with contractors and influencers is building advocacy at scale. Strong consumer demand and deep contractor connect continue to drive secondary sales, with growing active contractors and painters applying Birla Opus products during the quarter. This is an important validation of product quality and trust because every contractor or painter who chooses Birla Opus is effectively putting their own reputation behind our brand. Our digital-first contractor platform, Opus ID, is strengthening this relationship further by creating a more connected, rewarding, and scalable engagement model. We continue to elevate the painters and contractors ecosystem through industry-leading schemes and loyalty benefits that remain unmatched. We are happy to report until now, whopping nearly 9,25,000 painters and contractors have applied our products at least once and experienced Birla Opus quality, and lakhs of these contractors return every month to continue applying our products. At the same time, Birla Opus is gaining strong traction with architects and interior designers, with the AID partner network now crossing 4,400 active firms across 100 plus towns, making it the second largest AID network in the industry. This expanding influencer ecosystem strengthens our premium positioning and improves our ability to shape demand at the design and specification stage.

Third, our product portfolio is evolving towards premiumization and sharper market relevance. During quarter one FY27, Birla Opus launched 10 new products to strengthen its exclusive range for institutional franchise channels and regular products for dealer channel. These launches deepen our participation in high-potential segments and expand our ability to serve customers across price points, applications, and aspirations. With this, the portfolio has grown to 228 products and 1,945 SKUs, giving Birla Opus the depth and flexibility required to compete at national scale. Importantly, the premium and luxury portfolio now contributes approximately 65% of sales value, reinforcing the strength of our premiumization journey and improving the quality of our revenue mix. This also puts a fact forward that we did not buy share at the bottom of the market. We've earned it at the top where brand preference is the hardest to earn and margins are most durable.

Fourth, brand salience continues to rise at a remarkable speed. We continue to build on our already number two position in unaided top-of-mind recall with 90% plus brand awareness. Birla Opus is rapidly moving from being a new entrant to becoming mainstream consumer choice. This has been enabled by sustained insight-led and innovative campaigns that are making the brand more visible, more memorable, and more relevant across consumer segments. Our 10% free paint proposition continues to be reinforced through newly launched three hard-hitting advertising films focusing on how Birla Opus still offers higher consumer values in this inflationary paint environment. Separately, regional campaigns such as celebrations of Holi, Ganesh Chaturthi, Onam, etcetera, are helping us convert cultural moments into demand opportunities. This combination of national brand building and local market activation is strengthening consumer pull and enhancing the distinctiveness of Birla Opus in a highly competitive category. PaintCraft, our organized painting services platform, is scaling rapidly and is now available across 6,700 plus pin codes on a PAN India basis. It is helping us bring a more professional, transparent, and hassle-free painting experience to consumers across India. To our knowledge, PaintCraft is the only organized painting services platform offering 6-month and 12-month no-cost EMI financing, making premium painting solutions more accessible at a time when consumers are increasingly becoming value conscious. Complementing this is Opus Assurance, our industry-first service warranty program which strengthens consumer confidence with a trusted end-to-end service promise. Together, PaintCraft and Opus Assurance are helping Birla Opus move beyond product sales into a more complete consumer solutions model.

The fifth strong pillar is manufacturing excellence. Our integrated manufacturing footprint of 1,332 million liters per annum capacity continues to provide significant competitive advantage. This quarter marked our highest ever production with capacity utilization continuing to improve steadily across all six plants. The rapid scale-up of Birla Opus continues to validate our strategy and execution capability. Every quarter, we're strengthening our distribution and contractor ecosystem and enhancing brand preference and expanding our market share. What I want you to take away from this detailed narration is a clear pattern. Revenue is up 64%. Market share has moved up again. Institutional sales grew 85%. The premium and luxury portfolio continues to contribute 65% of value. And our reach spans over 12,100 towns, 147 depots, 1,450 plus exclusive retail outlets, 228 products, and 90% brand awareness. At the same time, even as the price differential with industry players have narrowed, our competitive intent has not softened. We are here to compete, to build scale, and to win share in a disciplined manner. The message is clear: market share gains and guided revenue growth remains our priority, supported by widening distribution network, rising brand salience, deeper influencer engagement, and manufacturing footprint built for scale. We took a cost shock on the chin this quarter and continue to invest because we are not optimizing for one quarter, building Birla Opus into a INR10,000 crores brand by FY28, and every leading indicator tells us we are firmly on that path.

Now let me turn Birla Pivot our B2B e-commerce business, and what I think is the most underappreciated story in this portfolio of Grasim. The revenue for this quarter grew 75% year-on-year to INR2,548 crores. Our annualized run rate continue to trend above INR10,000 crores. Let me put that into perspective. This is a business we started from nothing and it is now operating at a five-figure crores annualized run rate. Very few businesses in India have traveled that distance in such short term. You will see revenue grow frequently on a quarter-on-quarter basis. And I would rather explain it then have you infer it. Three things happened. We were starting at a high base. The Middle East crisis injected real volatility into commodity markets. And in response, our customers did exactly what disciplined procurement teams do in a volatile market. They bought measure rate and optimize their inventory. That is demand timing effect, not demand loss effect. We saw no deterioration in the health of the platform; in fact, transactions kept improving through the quarter.

Beyond revenues, what the quarter actually tells us that the underlying the platform what we have created is strengthening on every measure we track. Our revenue mix is getting better, not just bigger. We have added high-potential SKUs across our three broad categories: building material, non-ferrous, and chemicals, and we continue to deepen within those categories rather than sprawl across new ones. Depth is what builds a defensible platform; breadth only just builds the catalogue.

Private labels more than doubled year-on-year. That is off a low base and I want to be honest about that. But private label is the margin lever in any marketplace and the direction of travel matters more right now than the absolute number. Consumer traction remains strong throughout, improving transaction counts, sustained new buyer addition, and robust repeat purchasing from existing buyers. Repeat purchase is the metric we watch most closely because it is the one a buyer cannot be persuaded into. They come back because the platform works. And the new buyers are well-diversified across infrastructure, construction, manufacturing, and industrial segments, spanning both large and mid-sized enterprise. We are not concentrated on any single end market. It is worth stepping back to remember what this business actually does. Indian B2B trade in these categories has historically run on phone calls, relationship, and paper, opaque pricing, slow payment, and uncertain delivery. Replacing that with an integrated digital platform.

For a buyer, that means the ability to source quality products, compare prices transparently, access working capital, track deliveries in real time, and manage the whole procurement process in one place. For a seller, it means growing sales, improving operational efficiency, accelerating cash flows, and reaching markets they would never have serviced on their own. Both sides get something they genuinely could not get before. That is why this platform is compounding: every satisfied buyer brings sellers; every good seller brings buyers. Underneath the marketplace, we've built a robust digital financing ecosystem, expanding working capital and credit solutions for both buyers and sellers through strategic partnerships with leading financial institutions. This is the piece I would encourage you to weigh most heavily. In B2B trade, credit is the real constraint, not catalogue. By solving for working capital alongside the transaction, we make ourselves difficult to disintermediate. Talking about profitability, in this business our position is unchanged and our confidence is high. We are not chasing break-even by shrinking; we are reaching it by scaling into a cost base we have already built. Birla Pivot remains on track to achieve EBITDA break-even by exit of FY27.

Now I hand over the call to our CFO, Mr. Hemant, for his remarks on company's financial performance and remaining businesses. Over to you, Hemant.

Hemant Kadel: Thank you, Mr. Himanshu, and good evening everyone on the call. Let me turn now to cellulosic fibers. And I want to start with why this business matters more today than it have ever. Cotton is running into hard limits. Land is finite, water is scarce, and yields have plateaued. That constraint has opened up what we call the cellulosic gap. A structural shortfall the world has to fill with something. And cellulosic fiber is the natural answer. It is biodegradable, it is environmentally friendly, and it is one of the most sustainable fibers in the basket. On the demand side, our Liva brand is pulling the entire textile value chain towards cellulosic. On the supply side, our Lyocell expansion is progressing as per plans. The earlier announced INR1,350 crores Phase 1 project of 55,000 ton per annum is completing its detailed engineering and civil work is progressing as per plans. The recently approved INR3,094 crores Phase 2 project of 110,000 TPA is moving through environmental clearance. Now the operating environment. China remains the swing factor for this industry and the signals there are constructive. Operating rates and inventories days tell us that the supply side stayed disciplined through the quarter. Talking about financial performance, CSF sales volumes were down 4% year-on-year. Two reasons for volume degrowth: planned maintenance that reduced production, and subdued downstream demand. Specialty fiber moved from 21% of the sales mix to 27%, led by exports. Revenue grew 12% year-on-year to INR4,530 crores despite lower volumes driven by strong global prices, rupee depreciation, and favorable product mix. EBITDA roughly doubled. Some of that is a low base, but a meaningful part is the specialty share doing its work.

Let me move to chemicals. The first thing to understand about this business is that it is not one business. It is three and they are reinforced each other. Caustic soda prices in Southeast Asia exited the quarter at USD483 per ton, up from USD468 we saw year ago. Our ECU realization followed the same path, up 6% year-on-year to INR37,955 per ton. Volumes were softer and that is largely due to plant maintenance effect. Chemical segment revenue of INR2,640 crores grew by 10% year-on-year, driven by improved realization in caustic, chlorine derivatives, and specialty chemical. Within the revenue mix, caustic soda came down to 49% while specialty chemical rose to 30%. Higher share of specialty chemical was aided by price increase that was passed through due to higher input costs. EBITDA of INR491 crores, up 16%, growing faster than revenue, driven by all-round performance across businesses. So the story here is straightforward: a leadership position in the base business funding a deliberate march downstream. As CPVC got recently commissioned and ECH commissioning happening in quarter two of FY27, chlorine integration is expected to reach 68% by exit of the current financial year.

Let me turn to building materials. When paints and B2B are already covered by Mr. Himanshu, let me cover cement, starting with capacity. Because in this business, scale is strategy. We added 8.7 million tons of gray cement capacity in the quarter, taking total gray cement capacity across India and overseas to 205.5 million tons. Consolidated sales volume grew 12% year-on-year to 41.31 million tons. Double-digit volume growth at this scale is not small thing. The result flows through cleanly to consolidated EBITDA, which is also up 12% to INR5,146 crores, driven by volume growth and by lower logistics and power cost. On energy, green power mix has risen to 45.6%, up 23% year-on-year, with total renewable power capacity now 1.4 gigawatts. On the retail front, UltraTech Building Solutions outlets continue to grow, with total number of outlets now at 5,802, up nearly 1,000 stores compared to last year. UltraTech gives healthy cash flow to us in the form of dividends.

Aditya Birla Capital delivered a strong start to FY27. The performance reflects the strength of its diversified financial services platform. With lending, insurance, and asset management businesses all contributing to growth. The overall lending portfolio grew by 32% to nearly INR2,20,000 crores, while housing finance crossed the INR50,000 crores milestone, growing 50% year-on-year. On the insurance side, the business continues to build scale across both life and health, while the asset management business benefited from strong AUM growth and improving market share. Importantly, the company also strengthened its growth platform by raising INR4,000 crores of equity capital including participation from International Finance Corporation, positioning the business well to accelerate growth while maintaining a strong balance sheet and robust asset quality. Grasim invested INR2,880 crores at INR356 per share, maintaining its stake in Aditya Birla Capital on a fully diluted basis.

Our smaller businesses are contributing more than their size suggests. Renewable business revenues grew 59% year-on-year, textile business grew 26%, and insulator business continues to serve the power sector in expansion. These businesses sit directly on the same structural themes as the rest of our portfolio: the energy transition, aspirational consumption, and infrastructure build-out.

Coming to capital expenditure, the standalone plan for FY27 is expected at INR3,157 crores. Nearly 45% of this capex is dedicated to growth capex. The total spent in quarter one stood at INR375 crores which is nearly 12% of the budget. On balance sheet, as profitability improved, consolidated net debt to TTM EBITDA declined to 1.45 times as on 30th June 2026 compared to 1.62 times in the same period last year. On standalone level, net debt increased to INR9,899 crores. This is largely due to timing difference between recent investment made in June 26 in Aditya Birla Capital and dividend to be received from UltraTech in August 26.

Now we open the floor for Q&A. Thank you. I request operator to please connect for Q&A.

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

Navin Sahadeo: Yes, good evening and congratulations on good set of numbers. I'll start with two questions. One in paint, of course, splendid journey so far. But sequential growth, because year-on-year I'll not compare given we are in the ramp-up phase, sequential growth of 17% is appearing broadly at par I would say to most of the paint companies that have reported performance. Of course, there is a reduction in losses too. So my question was, how should we look at the journey incrementally? Because this quarter like I said is broadly at par on a Q-o-Q basis. So is it fair to assume that -- will it be fair to assume that growth is more matured and we'll focus on breaking even earlier or if required we'll continue to keep the push and first achieve the revenue target? How should one look at it?

Himanshu Kapania: Thank you so much Navin. So you're absolutely right the sequential growth in compared to listed companies is at a similar level at the listed companies. But you have to see what is special about quarter 1 which is not a normal quarter. This quarter, most paint companies have increased their prices by double-digit. So it gave opportunity to the channel partners to stock up. The revenues this quarter reported high revenues by the industry as it has a component of consumer sales and a component of extra channel stocking, which will even out over a period of time. Being a new operator, we don't have the power to be able to get extra stocking in the channel which the old operator based on their past trends have capability to get more stocking done. This is the only factor which has dramatically changed in this quarter. So, it's better to see revenues on a longer-term basis rather than on a specific quarter basis. So nothing changes. Our commentary has been very explicit. We continue to resolve to be able to deliver the INR10,000 crores revenue.

Navin Sahadeo: Thank you. My second then was about the AB Renewables business because we tend to talk a little less about it. You did mention Pivot is the underappreciated business so far, but I think also AB Renewables needs some more slides in the presentation. So because of the recent transaction that we did. So broader questions here is like, if we can get a complete outlook of this particular segment in the sense if the entire 9.3 gigawatt of the capacity target will be up and running or available for the full year '29, if it's everything is booked under PPAs, what would be the potential debt levels, what is the infusion Grasim may require to keep it a subsidiary at 51% or more? If you could just help us understand the AB Renewable perspective, I think it will really benefit everybody. Thank you.

Himanshu Kapania: So we would like to organize a separate session for all the analysts who are interested in AB Renewables. We have a separate management team of AB Renewables, and it is best that they will give you the complete guidance while it sits, Grasim is a major investor, but it's best answered by them. I will for the time being ditch this question and definitely for Navin and also for other like-minded people who want a little more details on AB Renewables, organize a separate session.

Navin Sahadeo: Right. Thank you sir.

Moderator: Thank you. Next question is from the line of Prateek Kumar from Jefferies. Please go ahead.

Prateek Kumar: Yes, thank you. Thank you sir. Congrats for fantastic results and thank you for sharing the segment-level information on new businesses. With in paints, particularly the EBITDA losses also nearly halving versus past few quarters. Did you also like revisit like timelines and targets on profitability whether there has been any change in the expectation of turning profitable on a full-year basis in FY28?

Himanshu Kapania: So our consistent stand has been that once we reach INR10,000 crores, we will become profitable. At this point of time, we're not changing that stand.

Prateek Kumar: Sure. And also again on the renewable business, while you talked about you'll do a separate meeting there, including the equity contribution towards recent acquisition and how do you see capital employed expected to evolve in '27, '28 versus INR1,200 crores as of FY26 end? Because this number we need for modeling purpose also in terms of cash flow?

Hemant Kadel: So coming to capital employed, capital allocation of Grasim, we are already working. In the current quarter, we have invested in our financial services business. We are right now undertaking expansion project of our CSF business, and cash outflow for the current financial year on account of capex is INR3,157 crores.

Himanshu Kapania: But I think your question was pertaining to Renewables. Grasim contribution will be a small number and will not have a material impact as far as Grasim is concerned from its own cash flow. That is what we can reconfirm to you. So you don't need to worry on cash flow requirement from Grasim to the ABRen on the renewables business. Exact number we will share with you outside.

Prateek Kumar: Sure, thanks for clarification. Lastly, could you also discuss the royalty payable to Birla Holdings, particularly in context of similar arrangement being used by peers such as Hindalco?

Himanshu Kapania: What is the question?

Prateek Kumar: So royalty payable, so the peer entities talked about 0.25% of sales. Is this similar applicable from FY27 onwards for Grasim also?

Himanshu Kapania: That's right.

Hemant Kadel: Yes, it is applicable for Grasim also. So it will be 0.25% of standalone revenue starting from June.

Himanshu Kapania: I want to take a minute to be able to give you the logic why this is important from an overall perspective. At the Aditya Birla Group, the parent brand to us is the most valuable asset and a source of competitive advantage. It's an intangible platform that systematically builds trust and reduces friction and enhances long-term growth potential of our group companies. So because of this, I think the current model where we were earlier, we are transitioning from purely family-driven stewardship to structured governance model which is consistent with global best practices for founder and family brands of comparable scale. We were very happy that for a long period of time the group, the family was not charging us for this brand and it is an appropriate time that this is getting charged. And it is at a very reasonable level of 0.25% of revenue with an upper cap that been built in. And this becomes applicable now from 1st of June.

Prateek Kumar: So the upper cap is INR225 crores for yourself and UltraTech also because it's your subsidiary?

Himanshu Kapania: No, no.

Hemant Kadel: Grasim will be paying on standalone revenues. So if you take standalone revenues, impact will be around INR100 crores.

Prateek Kumar: Sure. Thank you. I will get back to the queue.

Himanshu Kapania: Just to clarify, all our subsidiaries will pay the brand value under their line of business, whether it is AB Renewables, whether it is Aditya Birla Capital, whether it is UltraTech. All will be paying on their own. Grasim will pay for its standalone direct business. I hope it clarifies.

Prateek Kumar: Sure, thank you sir. These are my questions.

Moderator: Thank you. Next question is from the line of Praneeth from Kotak Securities. Please go ahead. Praneeth, your line is unmuted. Praneeth, can you hear us?

Jay Doshi: Hello. Can you hear me?

Moderator: Yes, you are audible.

Management: Yes.

Jay Doshi: Okay. this is Jay Doshi from Kotak. Hi, thanks for the opportunity. Just one question with reference to, so as per my understanding, you know some companies in paint industry have a very strong seasonally strong March quarter depending on how their schemes are in terms of absolute sales, whereas some companies tend to focus more on the June quarter, right. So, when I look at salience of March quarter versus June quarter, it will vary from company to company. And so in context of that, you know what is it for Grasim because if I look at the last year, generally you have a very solid March quarter and then June quarter absolute sales is not meaningfully higher and then it scales up again in December and March quarter. So should Q-o-Q metric be a relevant metric from March to June to compare market share for Birla Opus versus rest of the industry? That was one question.

And second question is you started on a Y-on-Y basis when I look you started with a very strong 64% growth. So does this give you confidence that at a full-year level you should at least do 50% or more on a Y-on-Y basis full-year FY27 over FY26? I understand your FY27 over FY28. I know your guidance is INR10,000 crores but it would help if you could give us some broad indication of FY27 as well. And thank you for the additional disclosures.

Himanshu Kapania: Thank you Jay. Yes, on a Y-on-Y basis we are guiding over 50% revenue, which is the second part of your question. And for us as we are in a high growth model with a low base, specific quarter is not so critical. But there is obviously our model is which encourages dealer to not only participate during the quarter but also have schemes that close during the year. So which will naturally there is some additional sale that takes place at the end of the year which builds up. So as quarter-on-quarter revenues build up, annual sales will definitely grow. So while I would not say a particular quarter is going to be better than other quarter, but the model that we build is a traditional model that we have doing in all businesses. We would build programs which will encourage dealer to participate on a monthly and a quarterly basis, but the aggregation of all this revenue during the all the quarters will also get them some bonuses at the year end. So our loyalty program has been designed for annual programs as well. I hope this will give you a sense of how our revenues stack up.

Jay Doshi: Sure, thank you so much, that's helpful.

Moderator: Thank you. Next question is from the line of Rahul Gupta from Morgan Stanley. Please go ahead.

Rahul Gupta: Yes hi, thank you for taking my question. Two questions, just a clarification when we say royalty payments of 0.25% of revenues, is there a cap there like we see for Hindalco at INR225 crores or there is no cap on that? That's my first question.

Hemant Kadel: Yes Rahul, there is a cap, but in our case 0.25% will be a smaller amount, cap is INR225 crores, but as on today we are quite far from that.

Rahul Gupta: Ok. So, in that case, would it be lower or the higher amount?

Hemant Kadel: Taking an estimated amount of INR50,000 crores revenue for Grasim, 0.25% will work out to INR125 crores and the cap is INR225 crores.

Rahul Gupta: Got it, got it, that's helpful. My second question is on paints, now when you talked about around 9% quarter-on-quarter price hikes reflected into first quarter, was there any benefit from change in discounting or incentives as well during the quarter or volumes grew by around 8% quarter-on-quarter? And also when you talk about pricing benefits flowing into second quarter, what kind of rollbacks have you seen in the quarter-to-date and how are volumes trending at the same time? Thank you.

Himanshu Kapania: So, I think it's a little complex question that you are trying to address. Let me let's go back from the basics. The raw material cost has increased on a COGS basis anywhere between 20% to 25% and as a percentage of revenue between 10% to 14% depending on the month. But we were carrying old inventory and the old inventory has now been eased out and most of our is now at the newer inventory for the raw material. The price increase was not taken in a single shot, it was taken at multiple levels during the quarter, and some of it will flow into the next quarter. As I mentioned at the start of the question answers, the quarter one had a combination of consumer sales and stocking up of dealers because they saw the benefit to take additional volume before the price increase took place which is for the industry. Quarter two is unlikely to have that because the dealers are bringing down their inventories going forward. So to be able to make proper estimates of volume which is all consumer-driven is going to be little difficult between a quarter one and quarter two, but I think by quarter three it will all even out and most likely the market stock will come back to its normal level. Also quarter two typically is a weaker quarter because of monsoons and once the season sets in, we are expecting good volume growth to be returned back. So while these are our estimates, I can't give anything beyond this at this point of time.

Rahul Gupta: Got it, got it. No, this is very helpful. Just coming back to the first quarter, just trying to understand given you had in the previous quarter highlighted that you were looking to remove your 10% higher volumes in some of the products like primers. I am just trying to understand that when 17% revenue growth came in quarter-on-quarter, was that also on back of removing some of these incentives or outside of price hikes everything else was volume?

Himanshu Kapania: The 10% removal of primer took place in the month of January and most of it was accounted for in the quarter four itself. So there is very little impact on in quarter one. I hope that's clear.

Rahul Gupta: Got it. Thank you so much and wish you all the best.

Moderator: Thank you. Next question is from the line of Raashi from Citi Group. Please go ahead.

Raashi: Thank you, just a couple of questions. On the renewable side, you had mentioned that the impact on cash flow because of our contribution will not be significant, possible to quantify or give a range?

Hemant Kadel: Less than INR1,000 crores.

Raashi: Okay, that's one. Second, on the chemical side, the kind of resilience that we have seen in this quarter, how do we think about 2Q and going forward?

Jayant Dhobley: Sorry, your question is, is the result sustainable in the second quarter, right?

Raashi: Yes, and going forward.

Jayant Dhobley: So, look, it's really difficult to predict the market these days. As the Gulf war is creating all kind of strange situations, for example there are three refineries, large alumina refineries in the Gulf not operating, which has substantially reduced alumina demand. You also know that feedstock prices for petrochemicals, which are raw materials which are used by our chlorine customers, they are literally changing overnight, there are shipping shortages, there are container shortages. So we are following a very simple approach and that is, we have almost a daily pricing mechanism based on the commodity prices of the day. We try not to take a very large position on either raw material inventory or finished good inventory so to keep our risk under control. We cater to what is genuine demand of the customers and we ensure that our pricing hygiene remains consistent with the commodity price of the day. To be honest, beyond that it is really difficult to predict the market these days. Having said that, second quarter we will of course be selling material from stocks which we purchased in the first quarter which were more expensive, so there will be pressure on our margins, but it's a volatile situation.

Raashi: Understood. And just on VSF, the sequential increase that we have seen in the EBITDA so volumes have declined, is what has been the boom in the pricing domestically as well as costs domestically sequentially?

Vadiraj Kulkarni: One, in terms of costs, we have seen a surge in the some of input prices, say of sulfur and partially caustic. Volumes were down because of two reasons, one we took a planned maintenance in one of our largest plants in India, there is a certain preventive maintenance schedule that was ongoing. Two, there is also a slight drop in the downstream demand in India, but thankfully the demand in outside India was good, so we were able to export, increase exports, of course at a margin realization slightly lower than what we do domestically. So, the prices went up because of two reasons, one is international demand was good, international prices went up, especially in China. And cotton prices went up, polyester prices went up, largely because of the geopolitical environment and dollar getting stronger versus rupee. So, we were able to pass on significant increase in our input prices to the marketplace in terms of pricing. So, we are holding on to that position as of now unless any external event dramatically changes the situation with respect to demand, dollar, Euro and rupee exchange price, and what happens in China.

Raashi: Okay, so sequentially what was the domestic realization increase?

Vadiraj Kulkarni: Domestic realization increase has, I mean we don't exactly share the prices price or realization numbers, but I think if you see the earnings presentation we have shared, the increase is similar to what you see internationally.

Raashi: Okay, thank you.

Moderator: Thank you. Next question is from the line of Nirav Jimudia from Anvil Wealth. Please go ahead.

Nirav Jimodia: Yes sir, good evening and thanks for the opportunity. Sir two questions, so one on the chemical side. Sir if you can just help us understand like out of our total volumes of close to around 2,84,000 tons, how much was the contribution from the flaker and if you can just help us understand historically what used to be the difference between the lye and the flake prices and because of all this geopolitical situation whether they have expanded recently?

Jayant Dhobley: So we normally don't disclose the ratio between our lye and flake production, so unfortunately I will take a pass on that answer. What I can only say is that our approach is to maximize our electrochemical unit margins and then based on that we choose the right product mix that we want to go to the market while making sure that all our contract customers, and we have several contract customers whom we have given volume commitments to, those are always honoured. But other than that we will margin maximize our product mix.

Nirav Jimodia: Right, also hypothetically let's presume that because of the newer capacities of caustic which are coming up here in India and let's say there could be some correction in the prices of caustic, so what internally we are doing in order to reduce the impact of any fall in the prices of caustic, so if you can just list one or two parameters in terms of potential benefit from the measures, that would be very helpful.

Jayant Dhobley: Yes, so there are two things, right, first of all whatever new capacity is coming into India in caustic, which is PVC linked, is relatively small compared to the traded volume of caustic internationally. So our thesis has always been and it continues to remain that it will be international market prices that will drive domestic price parity. The second point of course is whatever capacity comes in for PVC will substitute PVC imports, which means there will be pressure on operating rates of PVC players outside the country. So we don't see any net caustic capacity addition to the global markets because of because of the extra India PVC capacity, because the PVC operating rate will be driven by PVC demand. Now what we mainly are doing is chlorine integration, right, that is the main source of value generation for us. And you have seen that we have already inaugurated our CPVC plant, in fact we made our first commercial shipments, we made a stock exchange declaration also yesterday. We are in the process of commissioning our ECH plant, so we will continue with our effort on chlorine integration. We are not unduly pessimistic about long-term caustic prices. We continue to believe that domestic market will trade at import parity.

Nirav Jimodia: Perfect sir. So second question on the epoxy side. Like I what we see is like we have clocked close to around 18% to 20% topline growth both on a sequential and on a Y-on-Y basis, so if you can help us understand was this purely led through the realization pass through the cost price increases or there was a volume growth also this quarter which has drive these topline numbers?

Jayant Dhobley: I think the price realization has been the bigger part of that. You have seen the raw material prices go up, which has forced us to increase prices. Of course, there has been some volume effect but it is mostly price realization.

Nirav Jimodia: And how do you see the markets in terms of epoxy predominantly from the export market, like A, Europe and second USA, and also because some of the players have recently announced a capacity for epoxy here also in India, so how do you see the market shaping up over next two, three years in terms of we filling up the capacities which we have recently expanded on? Thank you so much.

Jayant Dhobley: So, we are already operating at decent utilization rates. I believe that our utilization rates are higher than the industry standard in India right now, so that is not something we are worried about. About the extra capacities that are announced or will be announced, ultimately what will drive the epoxy business is two things. What is demand and what is your value proposition to the market. just having capacity does not increase the size of the end market, right. We believe that we have the broadest epoxy portfolio in the business, we have the best customer service, we have the best IP, and we will continue to maintain our leadership share and we will grow with the market. Now as regards exports, of course there are all kind of other factors when it comes to exports whether that is the uncertainty of the tariff situation in the US, whether it is about the demand slowdown in Europe, and nowadays more and more availability of shipping and logistics, but our primary growth market remains the domestic market. We believe we are the market leader, we believe we have the best portfolio to provide complete solutions to the industry, we provide great technical service, we have dedicated application development resources, and we believe that this market share depends upon your ability to provide solutions to customers, and not driven by capacity.

Nirav Jimudia: Perfect sir. Thank you so much and wish you all the best.

Moderator: Thank you. Next question is from the line of Siddharth Mehrotra from Kotak Securities. Please go ahead.

Siddharth Mehrotra: Thanks for the opportunity, sir. So just wanted to check given that there is a slight mismatch with respect to the UltraTech dividends coming in, so do we see this as the peak net debt for us or do we see net debt going to higher levels for us?

Hemant Kadel: We will be maintaining our net debt below two.

Siddharth Mehrotra: Net debt to EBITDA below two for the entire year, is that correct?

Hemant Kadel: Yes.

Siddharth Mehrotra: Okay sir, so in that respect could you just throw some light on perhaps how will we structure our equity contribution to the Renewables transaction?

Hemant Kadel: Renewable we will be investing not more than INR1,000 crores in the current financial year.

Siddharth Mehrotra: Okay sir, and what will be our stake in the Renewables venture once this transaction is consummated obviously?

Hemant Kadel: Yes, the transaction will get consummated somewhere in December, and GIP will be participating the equity portion for this transaction will be contributed by Aditya Birla Group Grasim as well as GIP. And we will have a separate call on this, so where we can clarify more in detail and I think we should wait for some more time till the transaction is consummated. But from Grasim contribution in the current financial year will be less than INR1,000 crores.

Siddharth Mehrotra: Understood sir, that's clear. Secondly sir, on the VSF margins, sir given our commentary especially on the operating rates which are at a fairly high levels, do we think these margins are sustainable say for example over the next five-six quarters or is it too early to sort of predict that given the volatile commodity situation?

Vadiraj Kulkarni: I wish I had the answer. But nevertheless, that this industry has been cyclical, but we have a very, very strong position in India. Irrespective of the global operating rates, our operating rates are very, very high. You know, they're almost close to 100 except if we take maintenance shutdowns which also have to be taken. So, I think, it'll all depend on how the input prices play and how the demand grows, quarter to quarter there will be some kind of variation. But in India we are positioned to hold a very, very, strong position our customer connect, our business development, our Liva brand, all that put together we have a very strong position and as we discussed earlier the cotton is limited availability, so that will be substituted by our current VSF or the new Lyocell fiber that we are increasing capacity. So, it's good now but of course, as an analyst you would have studied these trends for a very, very long period of time. We're getting bigger, we're getting stronger but of course there will be some headwinds in some quarters.

Siddharth Mehrotra: Understood sir. Thanks for this, thank you.

Moderator: Thank you. Next question is from the line of Navin Sahadeo from ICICI Securities. Please go ahead.

Navin Sahadeo: Yes, thank you, thank you for the opportunity. Two questions, one is I was reading across that Lenzing, which is a global major in VSF, is phasing out some capacities of the specialty fiber and also, I think exiting Indonesia market which is sizable, I think either they are looking to sell or shut it down. So, if you have any idea of that and what could be possible potential impact of that, is it likely to be positive is my one question. I have one more but would request answer for this.

Vadiraj Kulkarni: One, of course we do know what is in the public domain with respect to what some of international competition announces. There is a small, see some of these capacities that our competition is shutting are very small high-cost capacities in our assessment and in high-cost countries. So, it's very difficult to make fiber at competitive prices, costs in those countries. So that's a certain call that they have taken but, in our case, we want to strengthen our portfolio of specialty products both for the domestic market and exports. As far as what's happening in Indonesia is concerned, yes that affects the global supply demand for the conventional viscose fiber and any capacity drop is for the competitors always the good news. And so, to that extent, we would be able to when the equation of supply demand stabilizes globally, if we need to export out of Grasim, then it will be useful because the prices would be at higher level. That's our current reading and assessment.

Navin Sahadeo: Understood thank you. My second question was about Pivot. So, two parts to this question is first having reached a sizable scale like almost INR10,000 crores, when is the break-even because earlier guidance to this was a break-even guidance was on achieving a billion-dollar sort of a revenue? So is the break-even anytime soon is one part of the question. The second was how much of our sales are directed or from the UBS stores, which is a fairly large chain of our subsidiary? Thank you.

Sandeep Komaravelly: Thank you Navin for the question. So as mentioned in the opening comments, our current estimate is that we'll exit this year at EBITDA break-even. you mentioned we had earlier given the guidance that at $1 billion or INR8,500 crores we will be break-even, but that timeline got shifted slightly. We have front-loaded our investments in people and technology and all of that has obviously helped us in achieving a higher revenue run rate. If you look at it, we've grown 75% year-on-year and our estimate of when we'll actually hit the INR10,000 crores run rate is also fast-tracked because of the investment that we made. And we are on a good path and we're fairly confident that we'll exit this year at EBITDA break-even. So that's your first question.

On the second question, we look at three segments fundamentally for our business: one is of course our projects business where we have raw material procurement directly supplied to all the sites where the execution is happening, the second one is manufacturing entities where we supply raw materials to all of the smaller and medium sized manufacturing companies, and third is retail. Retail is also a very important portfolio in our in our overall channel mix, primarily because, we do a lot of finished goods or finished goods categories within this channel which are at a higher margin and that helps us in our overall margin as well. UBS is a big part of our retail. Retail overall would be about 15% to 20% of our mix. In that, UBS is about 70% to 75% of our current revenue. And we supply over most of categories there, and a large part of our catalogue there is also our private labels in tiles, ply and bathware, which actually go into these UBS stores. It helps them diversify their mix beyond selling just cement and that is inherently why they keep coming back to us because it helps them retain their end customers also. So that's the response on the second question. I hope that answers both of your questions.

Navin Sahadeo: Yes, absolutely, excellent. Thank you, thank you so much.

Moderator: Thank you. Ladies and gentlemen, due to time constraint, that was the last question for today. On behalf of Grasim Industries Limited, that concludes this conference call. Thank you all for joining us today, and you may now disconnect your lines.