



Grasim Industries Limited

India's New Growth Story

Q3 FY19 Performance Review
7th February, 2019

#1
Producer in India

Viscose

Caustic Soda

Specialty Chemicals* (Epoxy resins, SBP, CP and others)

Pulp & Fibre[^] JVs

#4 Global DG pulp producer

[^] VSF operations in China through JV

UltraTech Cement

#1 Cement Producer in India

#3 Global Producer[#] Ex- China

Aditya Birla Capital

Amongst **Top 3** Asset Management companies^{\$}

Amongst **Top 5** Private Diversified NBFC[&]

* Global leadership in Chlorine derivatives namely Stable Bleaching Powder (SBP) and Aluminum Chloride and India leadership in Chloro Paraffin wax (CP), PolyAluminium Chloride & Phosphoric Acid;

& ABCL Management Estimate

\$ Excluding ETF

Post 4 Mn.TPA expansion & proposed demerger of the cement business (14.6 Mn. TPA) of Century Textiles and Industries Limited into UltraTech

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Glossary

ABCL: Aditya Birla Capital Ltd., FCF: Free Cash Flow, NBFC: Non Banking Finance Company, VSF: Viscose Staple Fibre, VFY: Viscose Filament Yarn, MT : Metric Ton, K: One Thousand, TPA : Tons Per Annum, YoY: Year on Year Comparison, CY : Current Year, LY : Last Year, YTD : Year to Date, EBITDA : Earnings Before Interest, Tax ,Depreciation and Amortization, ADMT: Air Dried Metric Ton, ECU : Electro Chemical Unit, ROAvCE : Return on Avg. Capital Employed (Excluding Capital Work In Progress), EBITDA Margin = $\text{EBITDA} / (\text{Revenue} + \text{Other Income}) * 100$; Revenue is net of excise duty unless stated otherwise, Financials from FY16 onwards are as per IndAS.

Performance Highlights – Q3FY19



Net Revenue (Rs. Cr.)

₹ 5,293 Cr.

Up by 21% YoY



₹ 18,419 Cr.

Up by 22% YoY



EBITDA (Rs. Cr.)

₹ 1,111 Cr.

Up by 21% YoY



₹ 2,958 Cr.

Up by 11% YoY



PAT (Rs. Cr.)

₹ 608 Cr.

Up by 28% YoY



₹ 958 Cr.

Up by 76% YoY



Standalone

Consolidated

- ▶ Reported Standalone Revenue of Rs.5,293 Cr. recording a growth of 21% YoY with impressive performance by all key businesses
- ▶ Standalone Cash Profit of Rs.830 Cr. for the quarter; Up 29%YoY
- ▶ Standalone Revenue and EBITDA for 9MFY19 up 36% and 40% YoY to Rs.15,201 Cr. and Rs.3,639 Cr.
- ▶ Consolidated results for the Q3FY19 equally impressive; Revenue up by 22% and reported PAT up by 76%
 - Excluding impact of erstwhile Idea Cellular Limited* in Q3FY18, PAT is up by 16% despite higher interest and depreciation cost at UltraTech on account of acquisition

* Now known as Vodafone Idea Limited post merger of Vodafone India Limited with Idea Cellular Limited and is no longer an 'Associate' of the Company



Performance
Highlights

**Financial
Performance**

Business
Performance

Income Statement Q3 FY19



Particulars (Rs. Cr.)	Standalone		% Change	Consolidated		% Change
	Q3FY19	Q3FY18		Q3FY19	Q3FY18	
Net Revenue from Operations	5,293	4,377	21	18,419	15,153	22
Other Income	58	37	56	173	191	-10
EBITDA	1,111	920	21	2,958	2,675	11
<i>EBITDA Margin (%)</i>	<i>21%</i>	<i>21%</i>		<i>16%</i>	<i>17%</i>	
Finance Cost	41	30		465	388	
Depreciation	193	166		835	716	
PBT	877	725	21	1,658	1,571	6
Tax Expense	269	251		590	467	
Exceptional items (Net of Tax)	-	-		-	-	
Share in Profit of JVs, Associates & Others	-	-		76	(317)	
PAT attributable to Minority Shareholders	-	-		187	244	
PAT	608	474	28	958	543	76

Income Statement 9M FY19



Particulars (Rs. Cr.)	Standalone		% Change	Consolidated		% Change
	9M FY19	9M FY18		9M FY19	9M FY18	
Net Revenue from Operations	15,201	11,176	36	52,062	38,532	35
Other Income	464	367	27	591	660	-10
EBITDA	3,639	2,595	40	9,024	7,911	14
<i>EBITDA Margin (%)</i>	<i>23%</i>	<i>22%</i>		<i>17%</i>	<i>20%</i>	
Finance Cost	152	80		1,284	967	
Depreciation	563	442		2,408	1,954	
PBT	2,924	2,073	41	5,332	4,990	7
Tax Expense	857	623		1,853	1,459	
Exceptional items (Net of Tax)*	(2,003)	(54)		(2,072)	(119)	
Share in Profit of JVs, Associates & Others	-	-		(163)	(578)	
PAT attributable to Minority Shareholders	-	-		616	876	
PAT (After exceptional items)	64	1,396		628	1,958	
PAT (Before exceptional items)	2,067	1,450	43	2,700	2,078	30

*Exceptional item: In current year FY19, the difference between the book value and fair value of the company's holding in Idea cellular limited charged to P&L on the merger of Vodafone India with Idea.

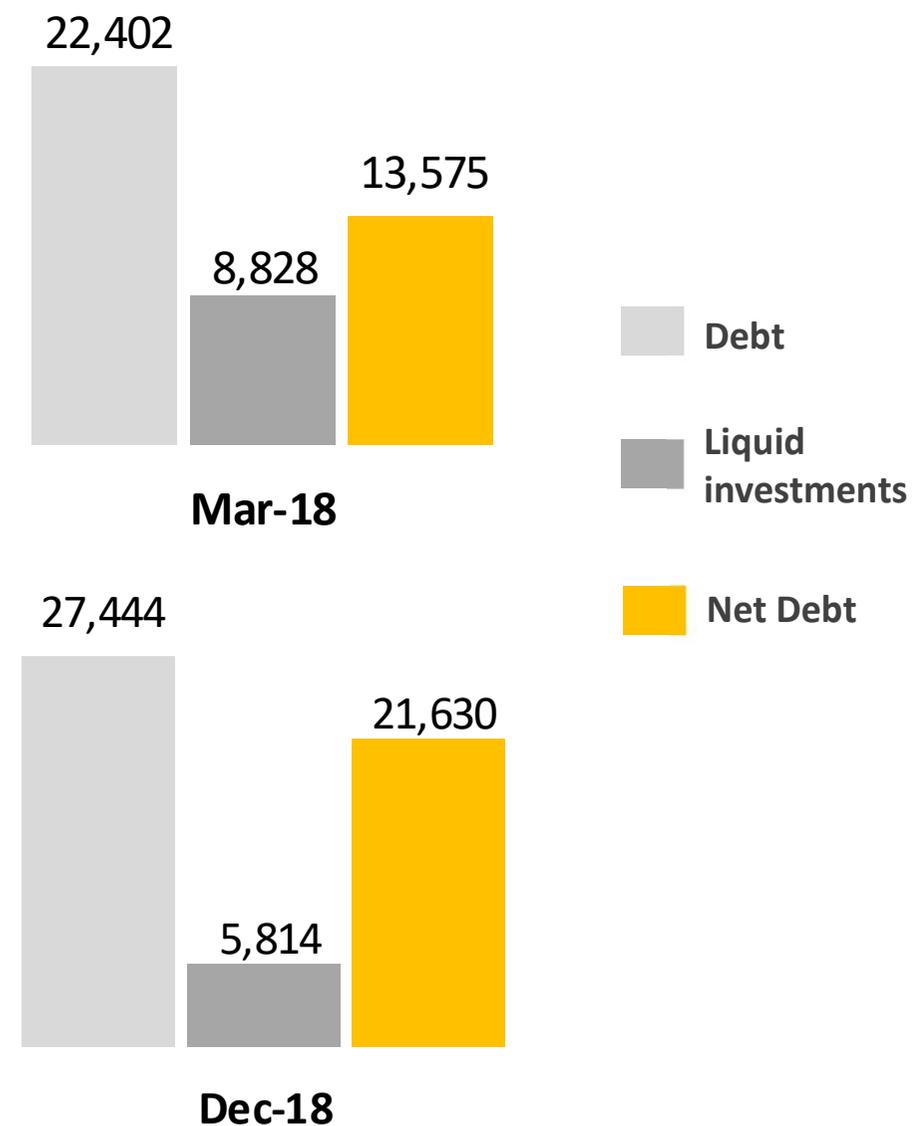
Strong Consolidated Financials



Financial Ratios

	31 st Mar 2018	31 st Dec 2018
Net Worth (Rs. in Cr.)	57,362	56,880
Debt: Equity	0.27	0.33
Net Debt: Equity	0.16	0.26
Net Debt/ EBITDA	1.25	1.80

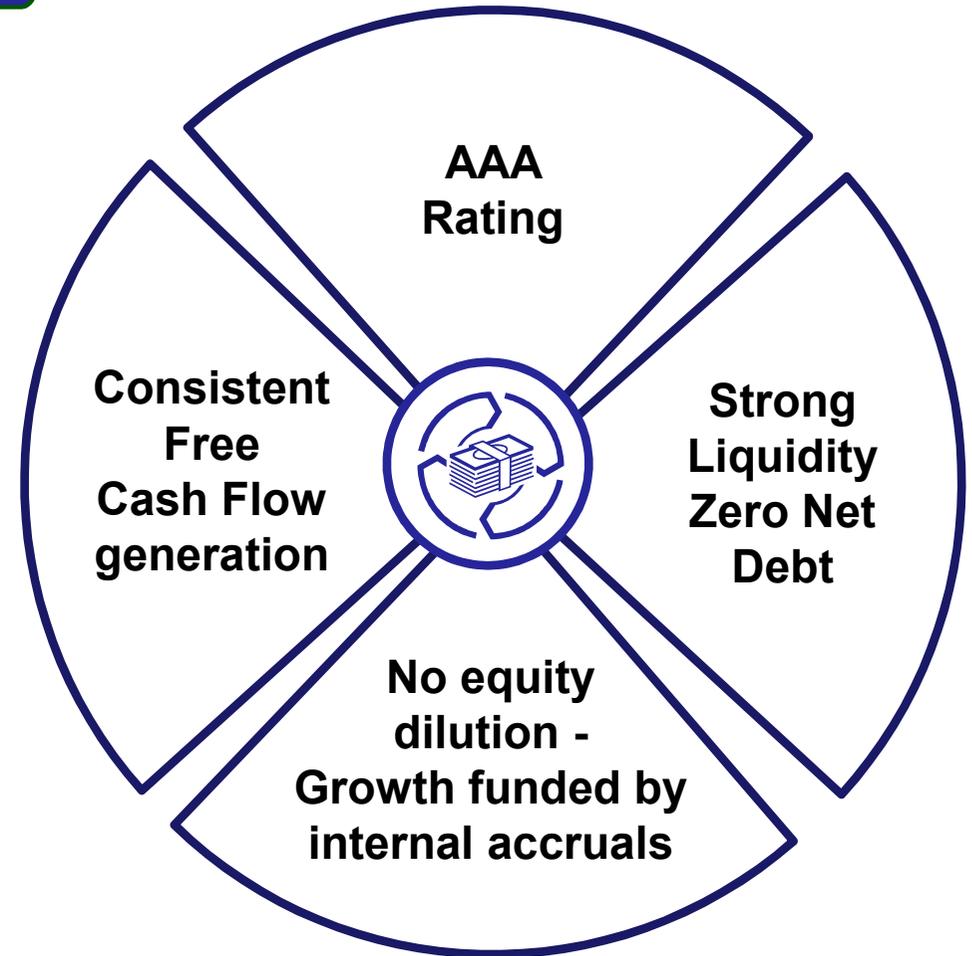
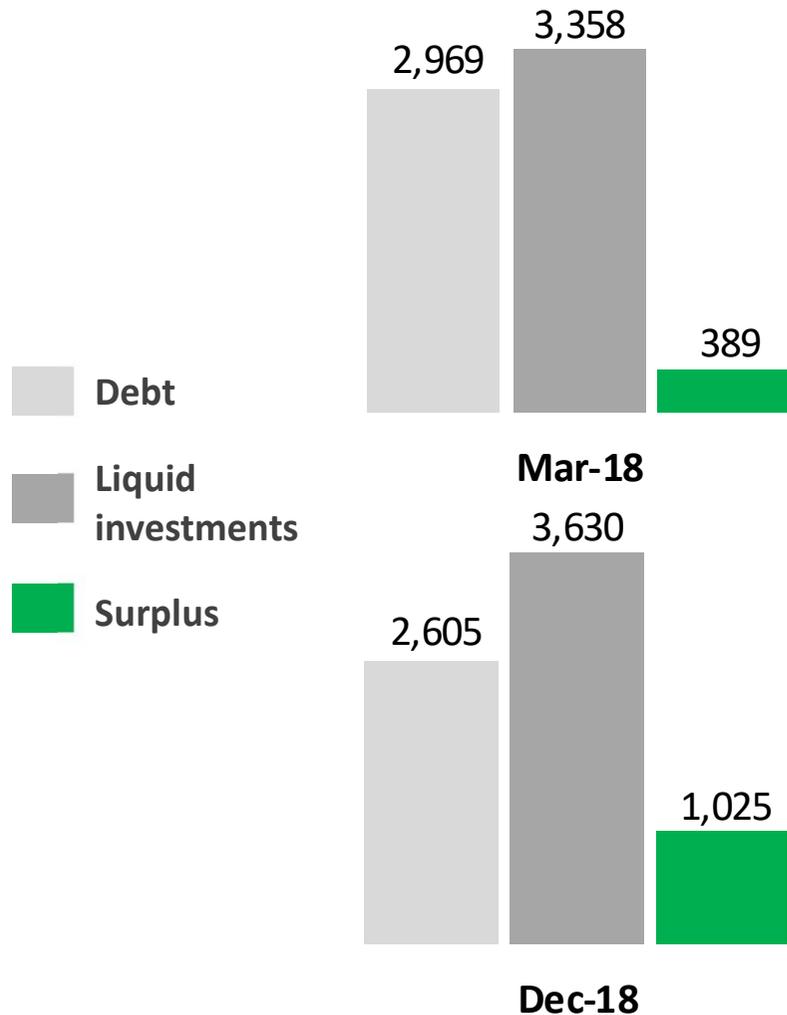
Debt / Surplus (Rs. Cr.)



Strong Balance Sheet



Standalone Debt / Surplus (Rs. Cr.)



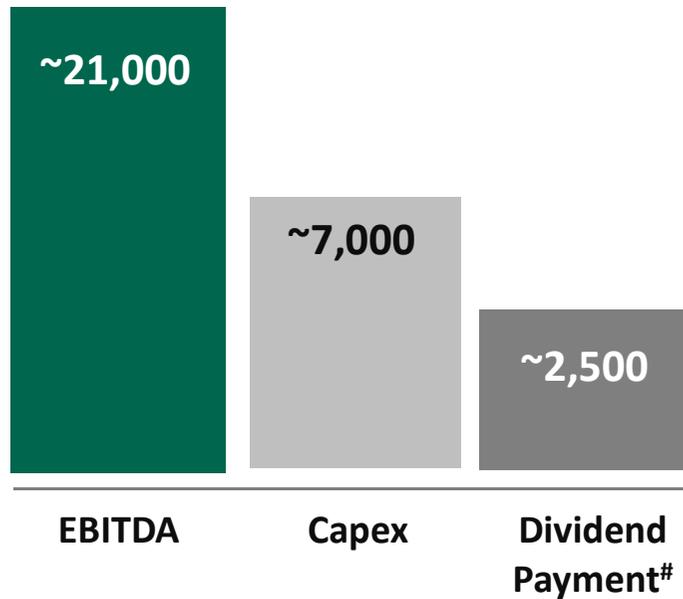
Robust FCF generation of Rs.1,042 Cr. at Standalone level post Capex of Over Rs. 1,240 Cr. (9MFY19). Total amount of Capex planned Rs. 7,627 Cr. (for 3 years)

Strong business model to deliver sustained earnings



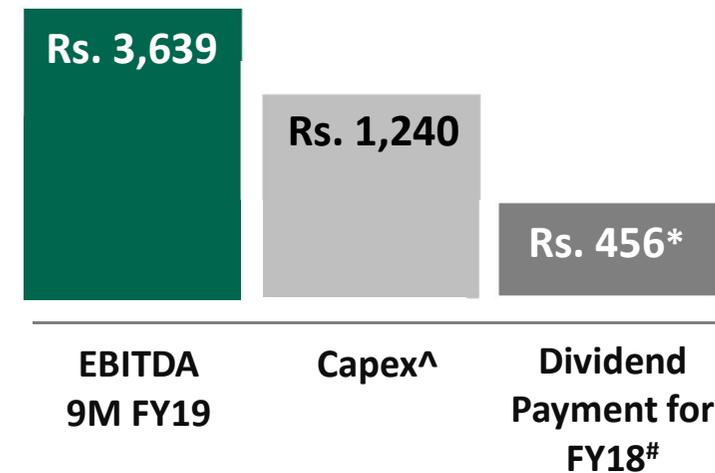
Last 10 Years

Rs. Cr.



Current Status - 9M FY19

Rs. Cr.



[^] Total Capex planned for next 3 years is Rs. 7,627 Cr.

Strong business model to deliver sustainable earnings

Capacity expansion in Key businesses

Focus on Sustainability

Backward integration

Investment in new products

including Dividend Distribution Tax

Capex Plan



Particulars (Rs. Cr.)	Capex* (Net of CWIP as on 1/4/2018)	Cash Outflow		Capex spent
		FY19	FY20 Onwards	YTD Dec'18
VSF: Brownfield Expansion (including debottlenecking)	4,156			
Normal Capex (Water supply augmentation & usage reduction, R&D, Environment and Others)	925			
Chemical: Brownfield Expansion (including debottlenecking)	1,316			
Normal Capex	603			
Other Manufacturing Business	627			
STANDALONE CAPEX (A)	7,627	2,166	5,461	1,240
Cement: Capacity Expansion	4,282			
Modernization, Plant Infrastructure, Environment, Upgradation, logistic infra etc.	1,618			
CEMENT CAPEX(B)	5,900	1,670	4,230	1,070
TOTAL CAPEX (A) + (B)	13,527	3,836	9,691	2,310

* Includes overrun

ADITYA BIRLA



GRASIM

*Waeco*TM



100% SUSTAINABLE
FORESTRY



LOWEST
WATER CONSUMPTION*



LOWEST GREENHOUSE
GAS EMISSIONS*



FASTEST
BIO-DEGRADABILITY



TRACEABILITY OF
SOURCE

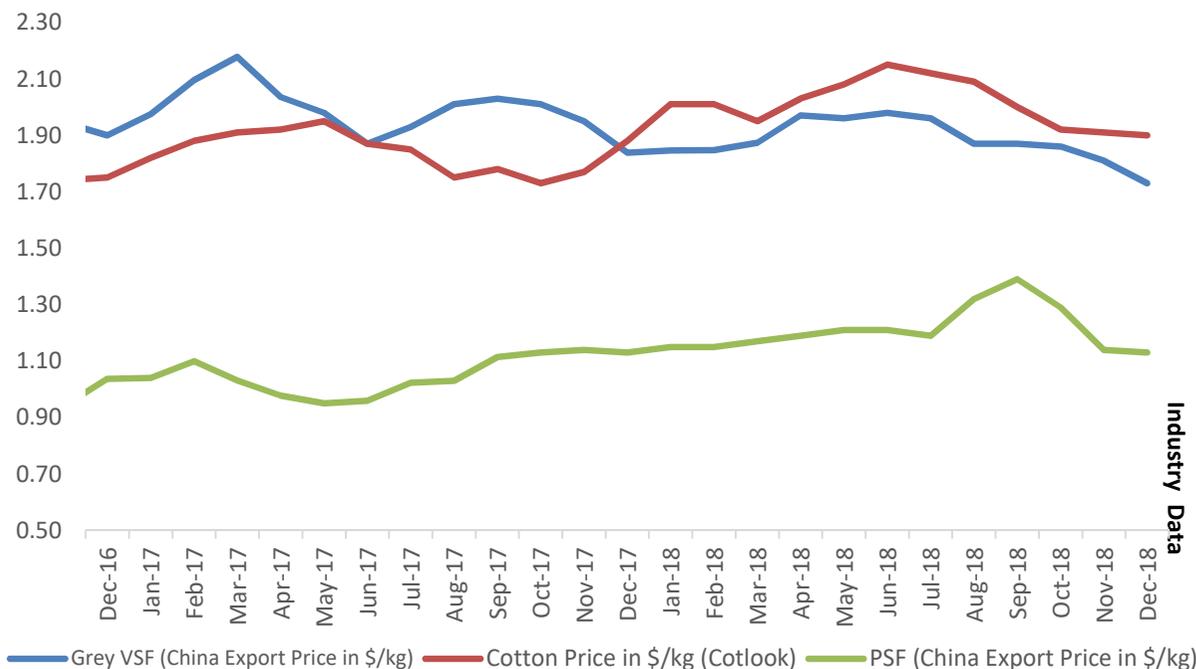
Performance
Highlights

Financial
Performance

Business
Performance

* vis-à-vis other

Global Prices Trend (\$/Kg)



Grey VSF (RMB per ton)	14,846 Q2FY19	14,543 Q3FY19	2.0% QoQ	↓
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Cotton (USD per Kg)	2.07 Q2FY19	1.91 Q3FY19	8.0% QoQ	↓
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PSF (USD per Kg)	1.30 Q2FY19	1.19 Q3FY19	8.0% QoQ	↓
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Monthly average prices

- ▶ Global VSF prices softened during the quarter, driven by surplus capacity in China. However, the sequential drop in the VSF prices was least
- ▶ Drop in stock-to-use ratio, depletion in the Chinese cotton reserves and hike in the India seed cotton MSP are expected to support cotton prices
- ▶ Global VSF demand expected to remain strong with a CAGR growth of ~6%-7% in next 2-3 years vis-à-vis lower growth of competing fibres

Viscose business at a glance – Q3FY19



Volume

Vibrant Domestic Demand
Volume **Up 17%** YoY

- ▶ The share of domestic sales volume in the overall sales volume improved to 89% (Q3FY19) from 77% (Q3FY18) led by market development efforts
- ▶ 20 TPD capacity added during the quarter through debottlenecking



Costs

Rise in price of key inputs

Pulp

Up by
12%
YoY



Sulphur

Up by
28%
YoY



Coal

Up by
9%
YoY



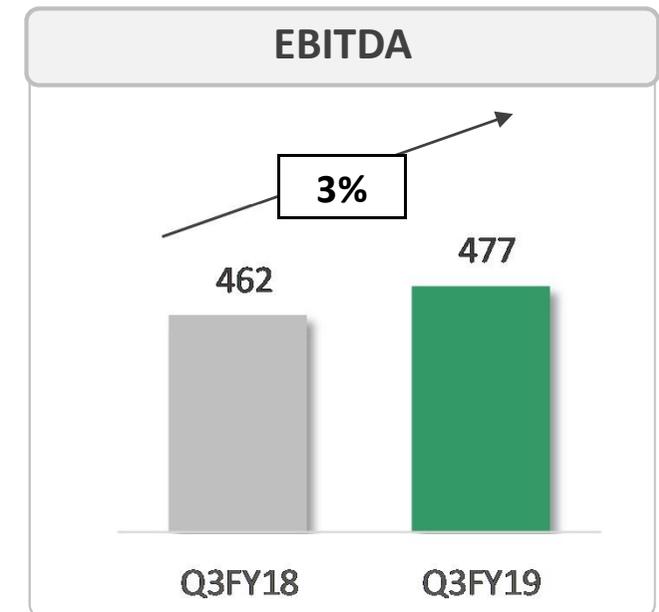
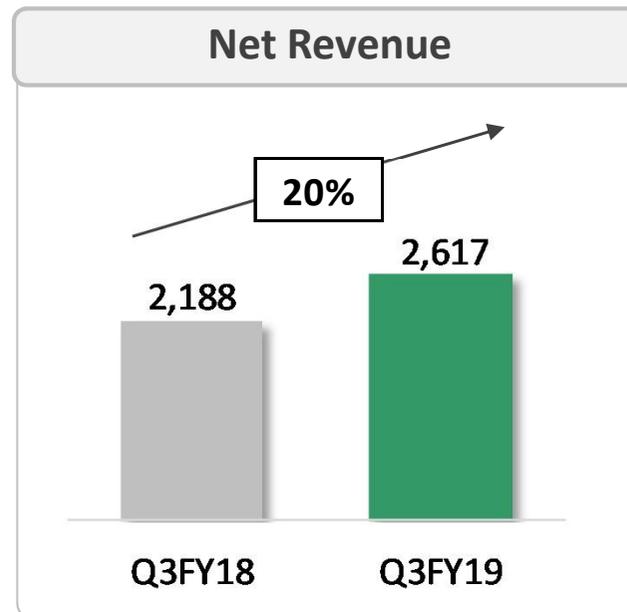
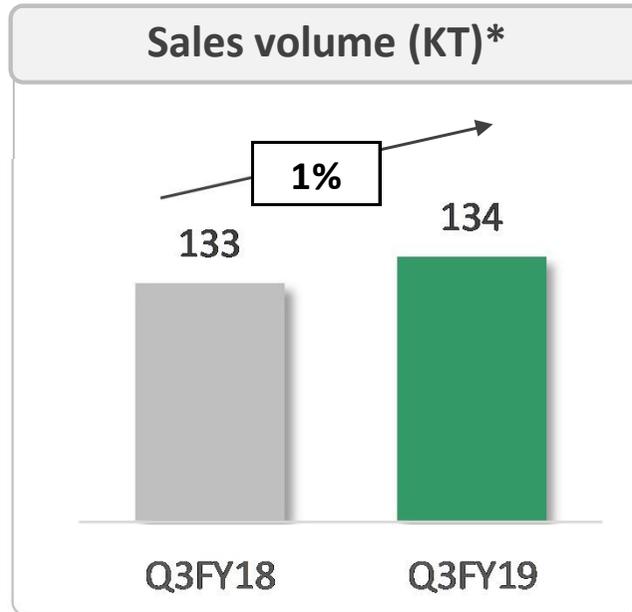
Innovation & Sustainability

- ▶ Launched Livaeco, an eco enhanced variant of our brand Liva
- ▶ Water consumption reduced by 40% at Nagda, 36% at Vilayat & 18% at Kharach
- ▶ Recycle of effluent upto 15 – 20% commissioned at Vilayat plant in line with 3R strategy



Project Update

- ▶ Vilayat expansion progressing well : Key long lead items ordered, construction work at the project site in full swing
- ▶ Specialty fibre line completed at Kharach, commissioning expected in Q4FY19



- ▶ The domestic market maintained a strong demand momentum in Q3FY19, with VSF business registering record sales volume of 119KT (102KT Q3FY18)
- ▶ The buoyancy in the domestic demand growth has been driven by our market development initiatives across textile value chain with impressive success of 'Liva' brand
- ▶ The 7% increase in VSF realization on YoY basis was offset by higher input costs

* Sales Volumes does not include VFY volume Q3FY19: 11.4KT;Q3FY18 of 5KT

VSF Vilayat Project Progress-January 2019

- since Ground breaking in Nov-18



Capacity

219 KTPA

Commissioning Timeline

FY21

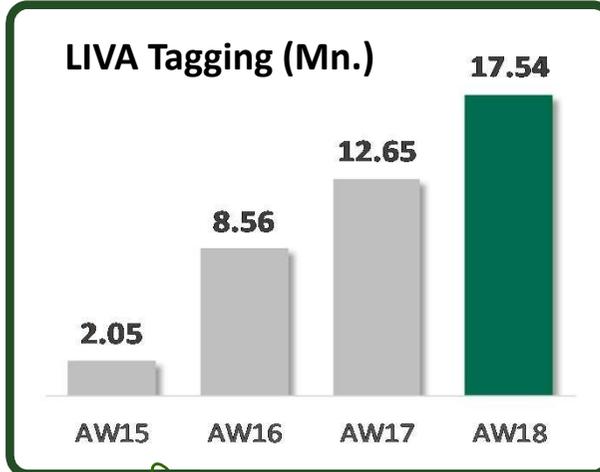
Capex Commitment

40%
(Jan-19)

VSF Specialty Project Update (January 2019)



Launched *livaeco*: The Ecofriendly fibre



Traceability of source

Livaeco garment has a unique molecular tracer which helps the end buyer trace the origin and full journey of the garment across the supply chain



Fastest bio-degradability

Fully Biodegradable in 6/8 weeks



Lowest water consumption

Livaeco also promises minimal usage of water vis-à-vis other natural fibres in its manufacturing process and lower greenhouse gas emissions



100% Sustainable forestry

Livaeco comes from FSC (Forest Stewardship Council) certified sustainable forests, thus conserving biodiversity, saving endangered forests and increasing overall green cover

- ▶ Chlor-Alkali prices were steady during the quarter with firm demand from consuming segments
- ▶ Caustic demand in domestic market is expected to remain balanced with good demand and stable pricing
- ▶ Chlorine is expected to drive the industry with stable demand growth as new downstream capacities are expected to come on-line
- ▶ Caustic demand from Alumina, textiles and chemicals sector is expected to remain firm

Chemical business at a glance – Q3FY19



Volume

Healthy Demand growth in Caustic and Chlorine VAP's

- ▶ Caustic soda reported 9% YoY increase in production volume
- ▶ Strong focus on growing the chlorine VAPs – Revenue up by 33% YoY
- ▶ The production ramp up from newly commissioned phosphoric acid plant expected by Q4FY19



Costs

Rise in Key input price

Power

Up by
8%
YoY



Salt

Up by
15%
YoY



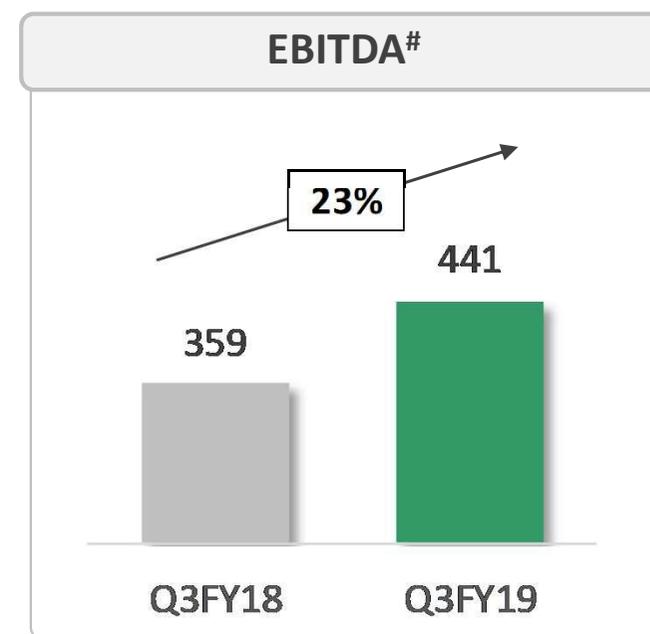
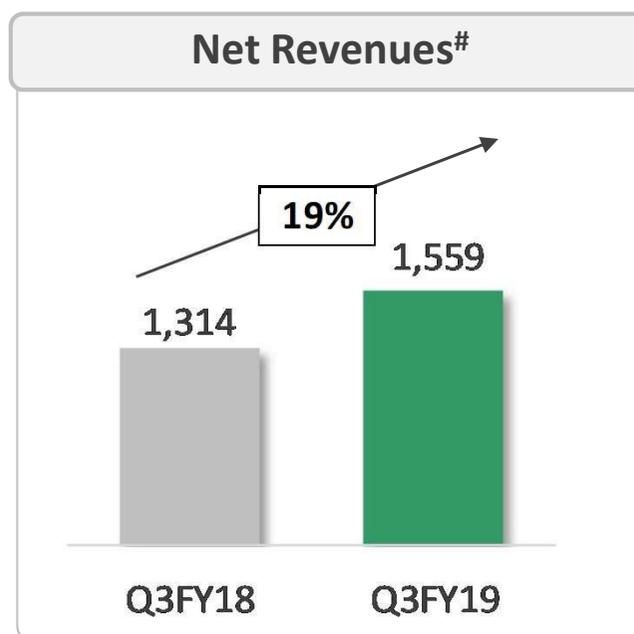
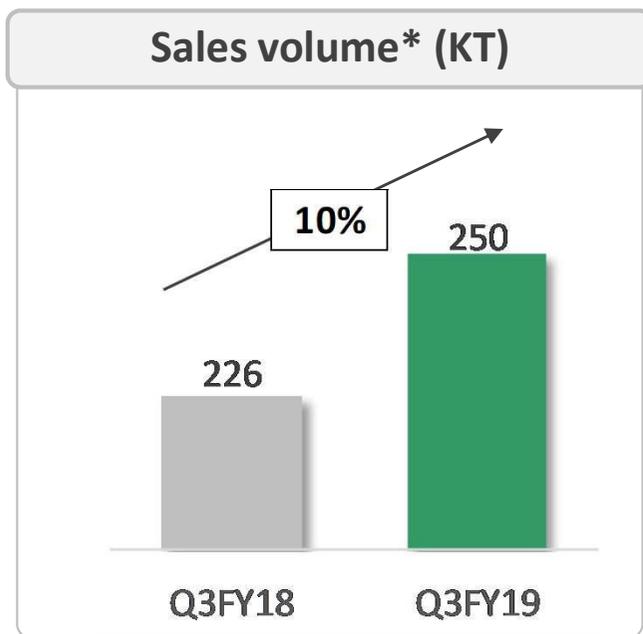
Innovation & Sustainability

- ▶ Development of new specialty, value-added formulations to provide customized solutions for customers
- ▶ Digitalization efforts in manufacturing and marketing continue
- ▶ Continuous focus on sustainability efforts including ZLD for various sites
- ▶ Various measures leading to reduction in carbon foot print are ongoing



Expansion plan update

- ▶ Work on caustic brownfield expansion has started with regulatory approval awaited



- ▶ Caustic Soda reported 10% YoY increase sales volume
- ▶ Market expansion in the eastern India helped sustain the sales volume
- ▶ EBITDA up by 23% YoY, supported by higher ECU realization and better sales volume
- ▶ Chlorine realization continues to be positive in Q3FY19

Revenue and EBITDA are for all products in the chemical segment

* Sales Volume data is for Caustic Soda only.

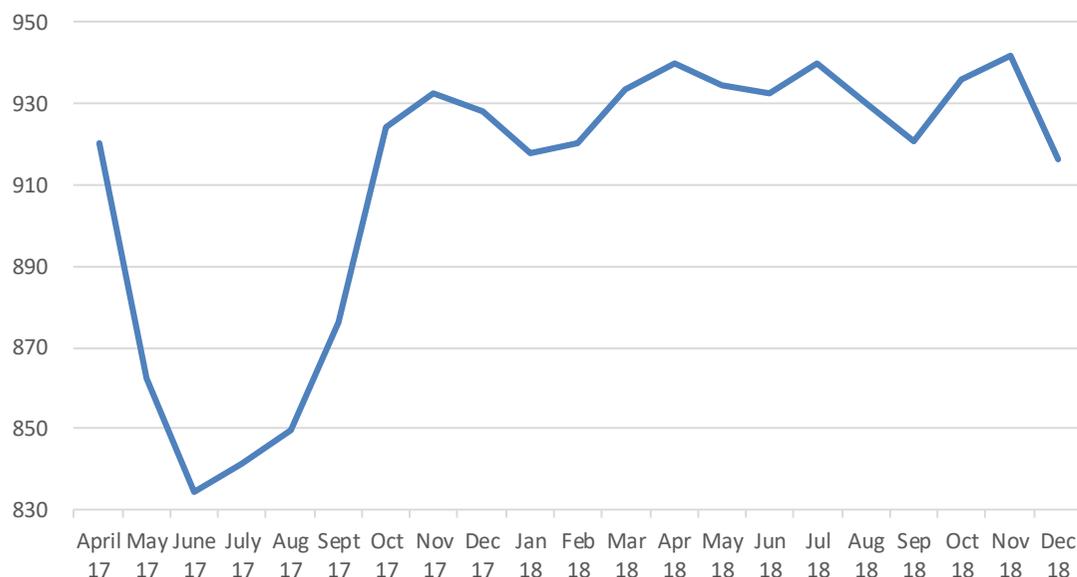
Chemicals VAP Project Update (Commissioning June-2019)



Business Performance: DG Pulp JVs



Pulp prices (\$/Mt)



Source: Industry Data – Hardwood pulp prices

Production

1,28,356

ADMT

Q3FY19

Up by 2% YoY

Sales volume

1,24,033

ADMT

Q3FY19

Up by 7% YoY

Net Revenues (Rs. In Cr.)

Q3FY19

912

Q3FY18

741

Up by **23%**
YoY

EBITDA (Rs. In Cr.)

Q3FY19

92

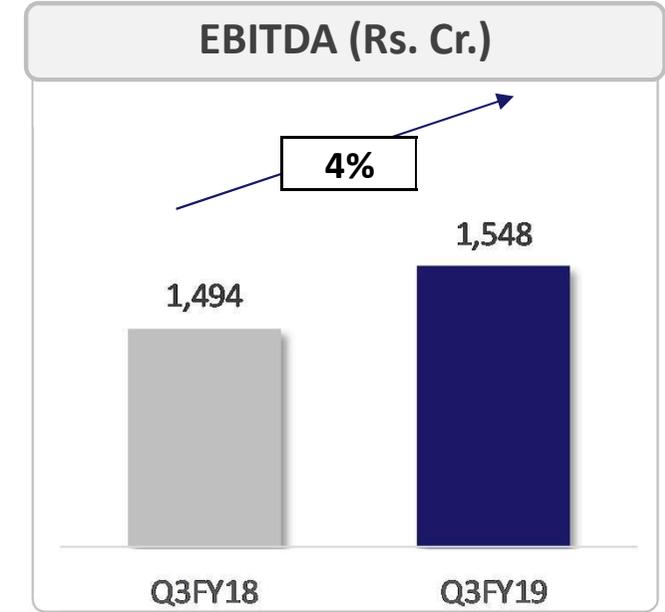
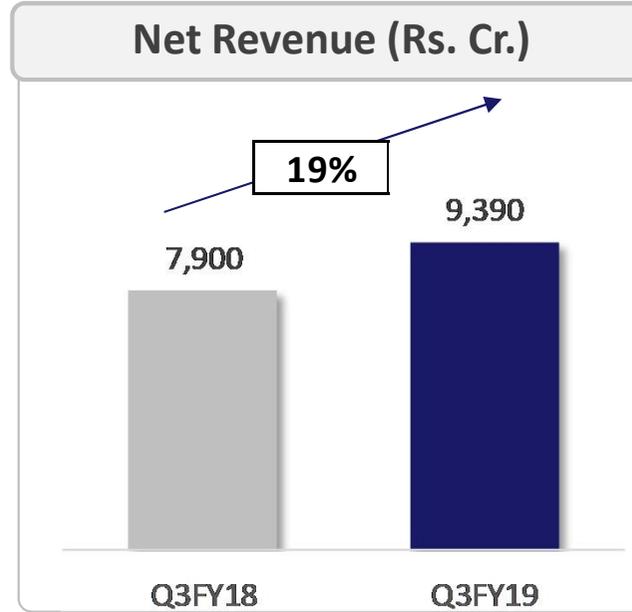
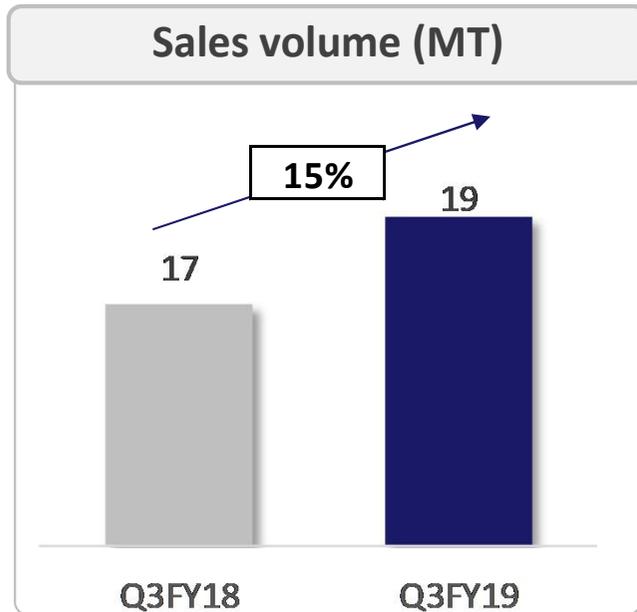
Q3FY18

96

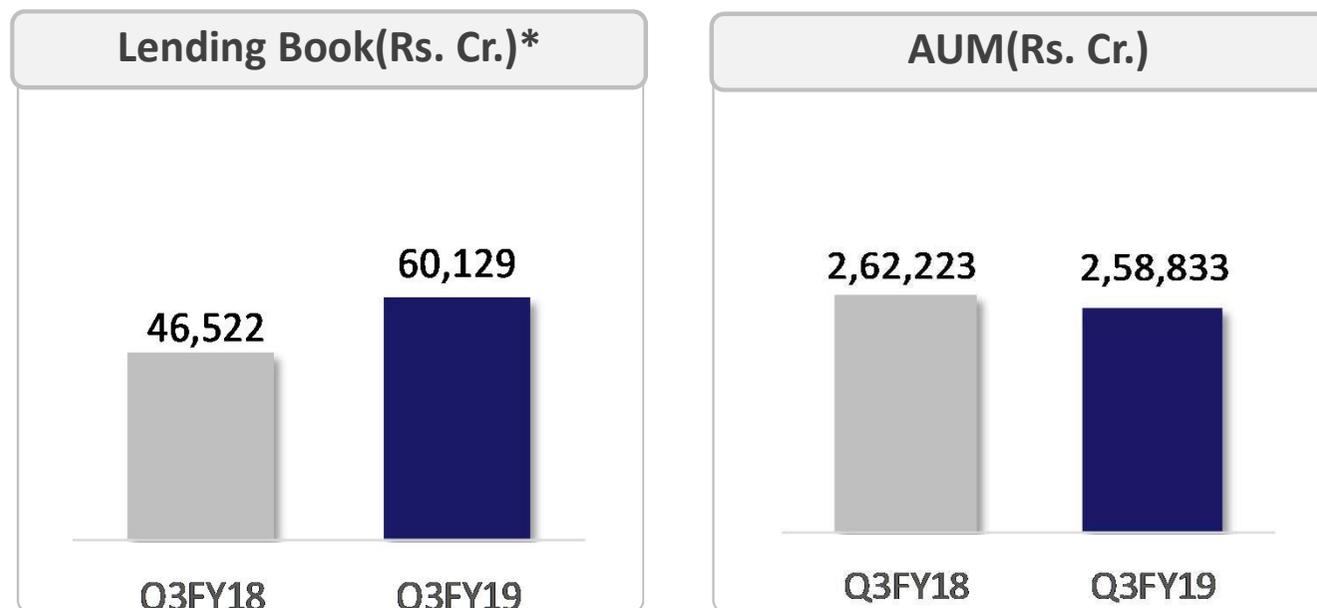
Down by
4% YoY

- ▶ Input cost pressure persists lead by higher wood cost

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



- ▶ Industry demand growth at 9-10% in Q3FY19
- ▶ Average cement prices down by 1-2% QoQ
- ▶ Operating Costs increased on YoY basis (Logistics up 4% YoY, Energy up 16% YoY and Raw material up 3% YoY)
- ▶ Demand expected to grow above the national GDP growth rate



- ▶ Revenue and Net profit after minority interest for Q3FY19 are at Rs. 3,780 Cr. and Rs.206 Cr
- ▶ Lending book (Incl. housing) grew 29% YoY to Rs.60,129 Cr., backed by well-matched Asset and Liability mix
 - Raised about Rs.9,000 Cr. Of long term funding during the quarter
- ▶ Average Assets under management at Rs.2,58,833 Cr. Domestic equity AAUM grew by 8% year on year. SIP book contributes 31% (Q3FY18 25%) of domestic equity AUM. Monthly SIP book (including STP) over Rs.1,000 Crore
- ▶ Individual First Year Premium grew 68% YoY to Rs.1,039 Cr for 9MY19. The persistency ratios witnessed a consistent improvement. The 13 month persistency ratio improved by 3% to 75% in 9M FY 2018-19 over last 1 year
- ▶ In the Health Insurance business, gross written premium crossed Rs.139 Cr. in Q3FY19

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

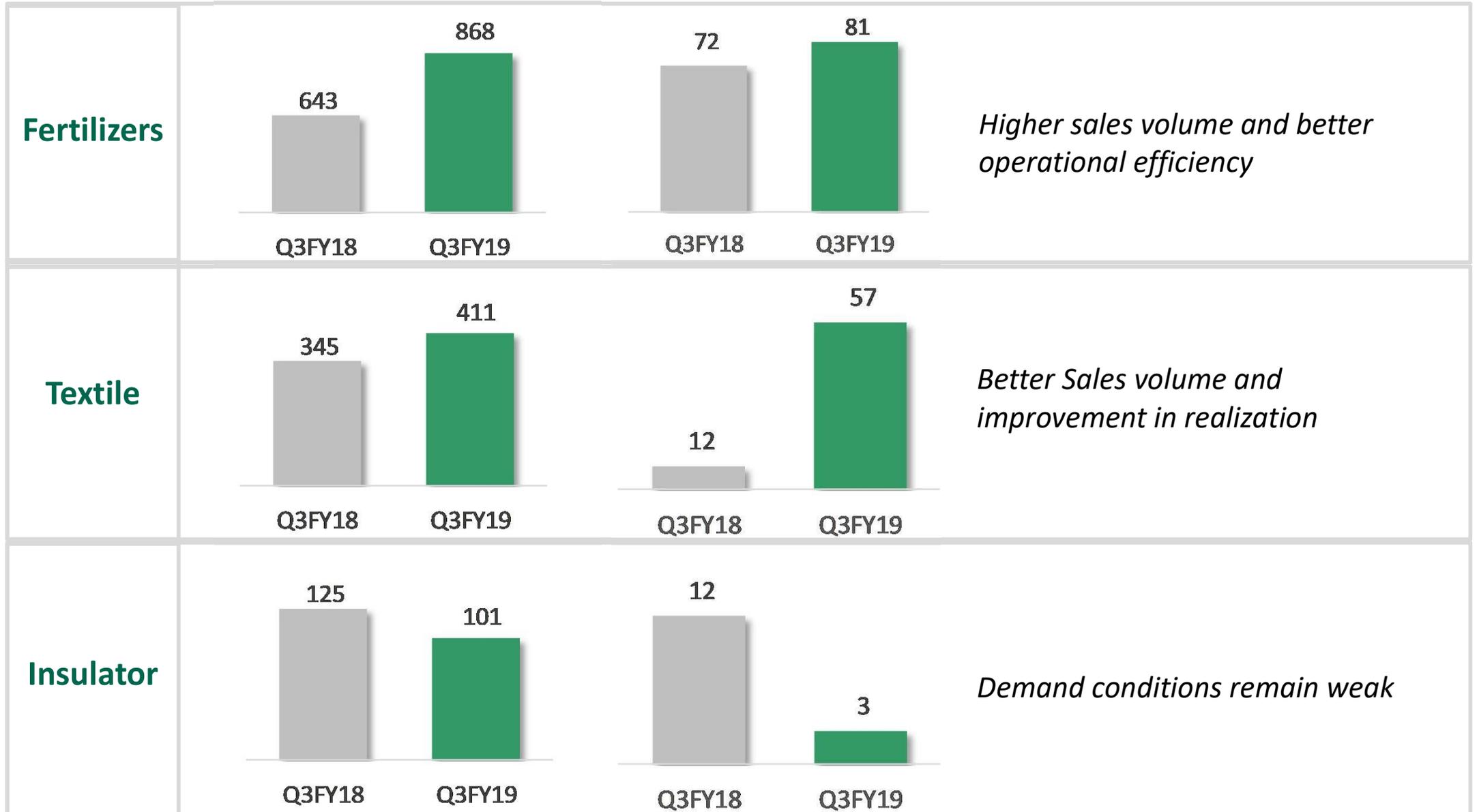
1 Rank and Market share amongst players (Excl. LIC) based on individual FYP: source IRDAI

Business Performance- Other Businesses



Net Revenue (Rs. Cr.)

EBITDA (Rs. Cr.)



THANK YOU

Consolidated Financial Performance



Particulars (Rs. Cr.)	Quarter 3		% Change	YTD Dec		% Change
	2018-19	2017-18		2018-19	2017-18	
Net Sales & Op. Income	18,419	15,153	22	52,062	38,532	35
Other Income	173	191	-10	591	660	-10
EBITDA	2,958	2,675	11	9,024	7,911	14
Finance Cost	465	388		1,284	967	
Finance Cost Relating to NBFC/NHFC	1,081	749		2,949	1,489	
Depreciation	835	716		2,408	1,954	
Share in Profit of JVs & Associates	76	(317)		(163)	(578)	
Earnings Before Tax	1,735	1,254		5,169	4,412	
Exceptional item (Net of tax)	-	-		(2,072)	(119)	
Total Tax	590	467		1,853	1,459	
PAT	1,144	787		1,244	2,834	
Less: Minority Interest	187	244		616	876	
PAT (Attributable to Owners of the Company)	958	543		628	1,958	
Other Comprehensive Income (After MI)	(47)	354		(716)	404	
Total Comprehensive Income (After MI)	911	897		(88)	2,363	

Standalone Financial Performance



Particulars (Rs. Cr.)	Quarter 3			YTD Dec		
	2018-19	2017-18	% Change	2018-19	2017-18	% Change
Net Sales & Op. Income	5,293	4,377	21	15,201	11,176	36
Other Income	58	37	56	464	367	27
EBITDA	1,111	920	21	3,639	2,595	40
Finance Cost	41	30		152	80	
Depreciation	193	166		563	442	
Exceptional item (Net of Tax)	-	-	-	(2,003)	(54)	-
Earnings Before Tax	877	725		921	2,019	
Less: Tax Expense	269	251		857	623	
PAT	608	474		64	1,396	
Other Comprehensive Income (after tax)	38	431		(698)	396	
Total Comprehensive Income (after tax)	646	905		(634)	1,791	
EPS - diluted (Rs.)	9.24	7.20		0.97	23.67	
Cash EPS (Rs.)	12.61	9.79		41.85	32.77	

Balance Sheet



Standalone (Rs. Cr.)			Consolidated (Rs. Cr.)	
31st Dec'18	31st Mar'18	EQUITY & LIABILITIES	31st Dec'18	31st Mar'18
43,602	44,790	Net Worth	56,880	57,362
-	-	Non Controlling Interest	27,096	26,337
-	-	Borrowings related to financial services	53,909	44,667
2,605	2,969	Other Borrowings *	27,444	22,402
1,914	1,835	Deferred Tax Liability (Net)	5,895	5,596
-	-	Policy Holders Liabilities	38,335	36,373
4,369	4,019	Other Liabilities & Provisions	16,608	14,815
52,489	53,612	SOURCES OF FUNDS	2,26,166	2,07,553
31st Dec'18	31st Mar'18	ASSETS	31st Dec'18	31st Mar'18
11,022	10,817	Net Fixed Assets	58,481	53,065
1,358	895	Capital WIP & Advances	6,779	4,549
-	-	Goodwill on Consolidation	18,187	16,192
		Investments:		
2,636	2,636	<i>UltraTech Cement (Subsidiary)</i>	-	-
17,077	17,077	<i>AB Capital (Subsidiary)</i>	-	-
-	-	<i>AMC (JV)</i>	4,947	4,887
983	1,070	<i>Investment in other equity accounted investees</i>	1,363	1,385
3,630	3,358	<i>Liquid Investments</i>	5,814	8,828
3,807	7,311	<i>Vodafone Idea</i>	3,807	7,661
4,822	4,098	<i>Other Investments(Hindalco, ABFRL, etc.)</i>	6,098	5,511
-	-	<i>Investment of Insurance Business</i>	15,416	13,019
-	-	Assets held to cover linked liabilities	24,505	24,709
-	-	Loans and advances of financing activities	59,521	50,677
7,153	6,350	Other Assets, Loans & Advances	21,247	17,071
52,489	53,612	APPLICATION OF FUNDS	2,26,166	2,07,553
(1,025)	(389)	Net Debt / (Surplus)	21,630	13,575

Viscose Business Summary



Particulars		Quarter 3		% Change	YTD Dec		% Change
		2018-19	2017-18		2018-19	2017-18	
Capacity							
VSF	KTPA	546	498	10	546	498	10
VFY	KTPA	47	-		47	-	
Production							
VSF	KT	141	127	11	412	387	6
VFY	KT	12	5		35	5	
Sales Volume							
VSF	KT	134	133	1	402	384	5
VFY	KT	11	5		35	5	
Net Revenue	Rs. Cr.	2,617	2,188	20	7,703	6,144	25
EBITDA	Rs. Cr.	477	462	3	1,639	1,279	28
EBIT	Rs. Cr.	380	388	-2	1,356	1,074	26
Capital Employed (Incl. CWIP)	Rs. Cr.	7,393	5,759	28	7,393	5,759	28
ROAvCE (Excl. CWIP)	%	23.6%	29.1%		30.6%	28.3%	

Chemical Business Summary



Particulars		Quarter 3		% Change	YTD Dec		% Change
		2018-19	2017-18		2018-19	2017-18	
Capacity	KTPA	1,140	840	36	1,140	840	36
Production*	KT	250	228	9	740	646	15
Sales Volume*	KT	250	226	10	742	644	15
Net Revenue	Rs. Cr.	1,559	1,314	19	4,749	3,566	33
EBITDA	Rs. Cr.	441	359	23	1,394	888	57
EBITDA Margin	%	28.4%	27.2%		29.2%	24.8%	
EBIT	Rs. Cr.	381	305	25	1,216	733	66
Capital Employed (Incl. CWIP)	Rs. Cr.	4,605	4,142	11	4,605	4,142	11
ROAvCE (Excl. CWIP)	%	36.0%	34.9%		40.8%	27.3%	

* Volume data is for Caustic Soda only. YTD Dec FY19 volumes include Veraval on account of merger of Erstwhile ABNL (Aditya Birla Nuvo Limited) with Grasim w.e.f. 1st July'17 (but not included in Q1 FY18 for YTD Dec FY18). Revenue and EBITDA are for all products in the chemical segment

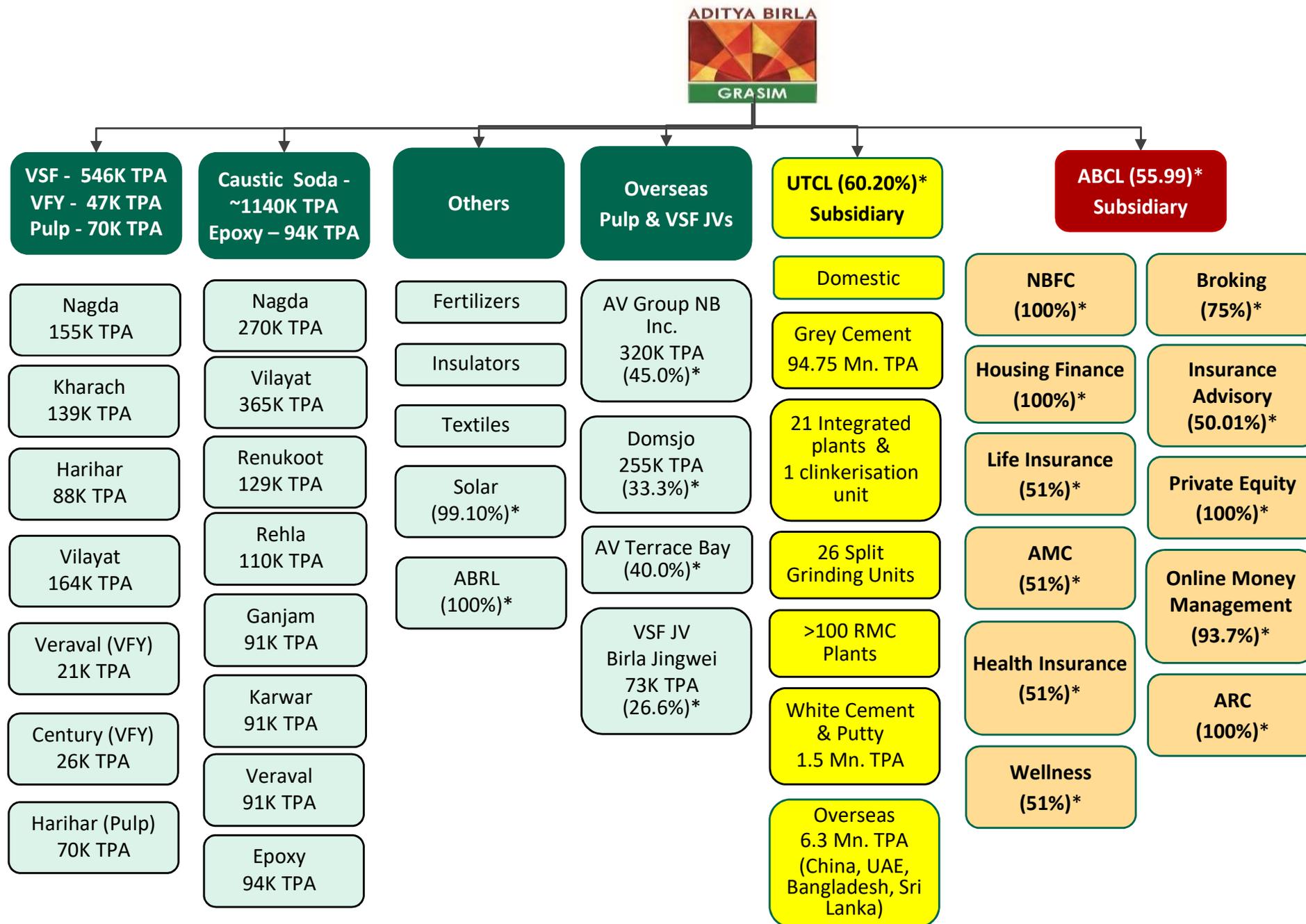
Cement Business Summary



Particulars		Quarter 3		% Change	YTD Dec		% Change
		2018-19	2017-18		2018-19	2017-18	
Capacity*	Mn. TPA	101	89	14	101	89	14
Production (Grey)	Mn. MT	18	16	15	51	43	19
Sales Volume (Grey + White)	Mn. MT	19	17	15	54	45	20
Net Revenue	Rs. Cr.	9,390	7,900	19	26,527	21,688	22
EBITDA	Rs. Cr.	1,548	1,494	4	4,758	4,842	-2
EBITDA Margin	%	16.3%	18.5%		17.7%	21.8%	
EBIT	Rs. Cr.	992	998	-1	3,159	3,495	-10
Capital Employed (Incl. CWIP)	Rs. Cr.	55,511	48,882	14	55,511	48,882	14

*Excluding capacity under implementation: 4MTPA in Q3FY19

Grasim: Group Structure



* Subsidiary companies - Equity ownership

Forward Looking & Cautionary Statement

Certain statements in this report may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company’s operations include global and Indian demand supply conditions, finished goods prices, feed stock availability and prices, cyclical demand and pricing in the company’s principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the company conducts business and other factors such as litigation and labour negotiations. The company assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

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

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

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

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

Market Cap (31st December 2018) : **Rs. 54,290.74 Cr.**

Grasim Industries Limited

Quarterly Performance Review
Q3 FY19, 7th February 2019