MANAGEMENT DISCUSSION AND ANALYSIS

ECONOMIC REVIEW

GLOBAL ECONOMY

The global economy demonstrated strong resilience, navigating multiple headwinds such as the ongoing Russia-Ukraine war, escalating geopolitical tensions in the Middle East, and the cost-of-living crisis in several economies. According to the International Monetary Fund's (IMF) World Economic Outlook (WEO) April 2024 update, global GDP is estimated to have grown by 3.2% in 2023, which implied an upward revision of 0.1% point from its January 2024 update. However, this growth remains below the pre-pandemic average of 3.8% for the past two decades. In addition, the economic growth was divergent – with the US growing faster than estimated among advanced economies while the UK and Europe barely avoided a recession. India remained a bright spot, globally among developing economies, with the IMF pegging its 2023-24 growth estimate at 7.8%.

Central banks across the globe had kickstarted an aggressive rate hiking cycle in 2022 to rein in runaway inflation, stemming from the pandemic-related infusion of fiscal stimulus. After peaking in the third quarter of 2022, global inflation continued to moderate while economic growth stayed resilient in 2023, which allayed fears of a recession or 'hard landing'. However, downside risks remain as the war in Europe continues unabated and the Middle East situation continues to evolve.

The IMF expects global headline inflation to moderate further from 6.8% in 2023 to 5.9% in 2024 and 4.5% in 2025, with the advanced economies likely to achieve their inflation targets ahead of their emerging and developing counterparts. The IMF expects global economic growth to remain at the 2023 level of 3.2% in 2024 and 2025 as well. With many countries going into elections in 2024, the economies could receive short-term fiscal boost, and central banks may cut rates at the latter half of the year, should the last leg of the disinflation process get completed.

GDP Growth Rate

	2022	2023	2024F	2025F
World	3.5	3.2	3.2	3.2
Advanced Economies	2.6	1.6	1.7	1.8
Emerging and Developing Economies	4.1	4.3	4.2	4.2

Source: IMF WEO April 2024; F – Forecast

INDIAN ECONOMY

India is the fastest-growing major economy in the world in FY 2023-24, with its real GDP growth forecasted at 7.6%, according to the Second Advance Estimates of the National Statistical Office (NSO) released in February 2024. This projection was higher than the earlier estimated of 7.3%, as the economy recorded 8%+ growth for three consecutive quarters on the back of a buoyant manufacturing and services sectors. Manufacturing growth was estimated at 8.5%, construction at 10.7% and services at 7.5% while agriculture output growth remained weak, at just 0.7%.

Gross fixed capital formation, constituting 34% of the GDP, is estimated to have grown 10.2%, reflecting the government's continued thrust on capital expenditure to develop the country's physical, social as well as digital infrastructure. Total consumption, which accounts for 56% of the GDP, grew 3.0%, as private consumption remained somewhat tapered and rural demand continued to recover. India's overall exports recorded a marginal increase to $776.68 billion in FY 2023-24, despite global headwinds, according to provisional data released by the Ministry of Commerce, driven by strong services exports but partially offset by a 3.1% fall in merchandise exports (growth seen in electronic goods, drugs and pharmaceuticals, engineering goods, iron ore, cotton yarn, etc.)

Meanwhile, India's retail inflation moderated to a 5-month low of 4.8% in March 2024, but remained above the long-term target of 4% of the Reserve Bank of India (RBI). After a series of rate hikes to tame inflation, the RBI remained in a pause mode for seven consecutive Monetary Policy Committee meetings and maintained its 'accommodation of withdrawal' stance. Prices of food, which has about 46% weight in the retail inflation basket, continue to be volatile. India's apex bank pegs economic growth at 7.2% while inflation is likely to average at 4.5% in FY 2024-25, down from 5.4% in FY 2023-24.

The RBI expects improving employment conditions and moderating inflation, along with a rebound in agricultural activities, to boost private consumption. Urban consumption is expected to remain strong while rural consumption is recovering, reflecting higher income levels. In its interim budget for FY 2024-25, the government has earmarked a record ₹11.1 lakh crore of capital expenditure, as it remains committed to make India the world's third-largest economy by 2027. The large infrastructure spend is likely to continue having a multiplier effect on the economy.

	FY 2022	FY 2023	FY 2024F	FY 2025F
Real GDP	8.7	7.0	7.6	7.2%

Source: CSO; RBI; F – Forecast

A PROXY TO THE INDIA GROWTH STORY

With a proven track record of creating large and growing businesses and brands, Grasim has firmly entrenched itself in the evolving India growth story while building a diversified business model with strong operational and financial performance. As India continues on its transformative growth journey, we believe Grasim is well-positioned to capitalise on the opportunities while navigating efficiently through the ebbs and flows of economic cycles.

Further, we are not only present across all the key themes playing out in India's ascent to become the world's third-largest economy by 2027 but are also playing a pivotal role in shaping those themes, creating impact across key segments of the economy.

KEY THEMES — GRASIM'S ROLE

Infrastructure & Housing Demand

- UltraTech: India's premier cement brand and 3rd largest cement player globally (ex-China)
- Leading manufacturer of RMC* in India
- Leading Player of White Cement and Cement based Putty
- Birla Opus: 2nd largest manufacturing capacity# of decorative paints in India

Increasing Financialisation

- Aditya Birla Capital: A leading Financial Services Conglomerate
- Among India's top 5 well-diversified NBFCs providing comprehensive solutions across diverse needs offering financing, protecting, investing and advisory services

Aspirational Consumption

- Leading presence across sustainable textiles
- Pioneer in Indian Cellulosic Fibres Market
- 'LIVA' tags, leading women-wear brand in India
- 'Linen Club', prominent Linen brand in India
- 'Soktas', premium Cotton fabric in India

Focus on Manufacturing Growth

- Premier Pan-India producer of Caustic Soda
- One of the leading player in specialised Chlorine Derivatives applications like water treatment and plasticizers
- Premier producer of Speciality Chemicals (Epoxy polymers and curing agents)

Fast-growing Renewable Energy

- Aditya Birla Renewables: Clean energy solutions provider in India
- ~2 GW renewable capacity by CY24

Growing Digital Economy

- Birla Pivot: Digital procurement solution for building materials, offering assured product quality, guaranteed delivery, competitive pricing and financing solutions
- Aditya Birla Capital offering robust and agile digital platforms like ABCD (Aditya Birla Capital Digital) and Udyog Plus

* Ready mix concrete
\# by FY 2024-25

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE

Despite the challenging macro environment, FY 2023-24 is a momentous year for Grasim. We have achieved various milestones and have constantly demonstrated consistent growth.

Our business segments are largely diversified and cater to different sectors and sub-sectors of the Indian economy. Each of our business segments play a pivotal role in accelerating the economic activity. Focused capital allocation, strong Balance Sheet and consistent Cash Flow generation enables highest credit rating for the Company."

Pavan Kumar Jain

Chief Financial Officer (KMP) – Grasim Industries Limited

₹1,30,978 crore

Highest-ever consolidated revenue

₹20,837 crore

Highest-ever consolidated EBITDA

₹4,000 crore

Rights issue

Sailesh Kumar Daga
Company Secretary (KMP)

Hemant Kadel
Senior President

Saugata Chakravarty
Chief Legal Officer

Mahendra Bhandari
Joint President

Rahul Desai
Joint President

Consolidated Financial Performance

Revenue from Operations

The consolidated revenue from operations has crossed its highest ever levels, up by 11% YoY to ₹1,30,978 crore in FY 2023-24 compared to ₹1,17,627 crore in FY 2022-23. The growth in consolidated revenue was largely driven by Building Materials and Financial Services.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)

Consolidated EBITDA was higher by 2% to ₹20,837 crore in FY 2023-24 compared to ₹20,478 crore in FY 2022-23. The improvement in annual performance was majorly driven by Building Materials and Cellulosic Fibres segment. Excluding exceptional gain on sale of stake in Aditya Birla Health Insurance (ABHI) the like-to-like EBITDA growth stood at 18% YoY.

Finance Cost

The finance cost increased to ₹1,655 crore in FY 2023-24 from ₹1,320 crore in FY 2022-23 on account of higher borrowings due to growth capex. The consolidated Gross debt stood higher by 50% at ₹26,780 crore as on 31st March 2024 compared to ₹17,899 crore as on 31st March 2023.

Depreciation

Increased capacities in Cement and Chemicals business resulted 10% YoY increase in depreciation to ₹5,001 crore in FY 2023-24 compared to ₹4,552 crore in FY 2022-23.

Profit After Tax (PAT)

Profit after Tax (after exceptional items) attributable to the owners of the Company was at ₹5,624 crore in FY 2023-24 compared to ₹6,827 crore in FY 2022-23. Adjusted PAT for the year was ₹6,163 crore, up 14% YoY. Adjusted PAT (owner's share) is before exceptional items, discontinuing operations and tax writebacks in the respective periods for like-to-like comparison.

Standalone Financial Performance

Revenue from Operations

For FY 2023-24, revenue from operations stood at ₹25,847 crore lower by 4% compared to ₹26,840 crore in FY 2022-23. Cellulosic Staple Fibre (CSF) and Caustic Soda business achieved highest-ever sales volumes for the year at 810 KT (up 14% YoY) and 1,205 KT (up 5% YoY) respectively. However, the volatility in global commodity prices and reduction from exceptional high levels experienced last year impacted realisations.

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA)

Operating Profit (EBITDA) for the year FY 2023-24 stood at ₹3,573 crore compared to ₹4,198 crore for FY 2022-23. Cellulosic Fibres business EBITDA grew by 67% which was completely offset by de-growth of 54% and 30% YoY in Chemicals and Textiles businesses, respectively.

Finance Cost

Finance cost for FY 2023-24 was higher by 20% to ₹440 crore compared to ₹368 crore in FY 2022-23. Growth capex in Paints business resulted increase in gross debt to ₹9,453 crore as on 31st March 2024 compared to ₹5,254 crore as on 31st March 2023. Additionally, average cost of borrowings also increased to 7.50% in FY 2023-24 compared to 7.07% in FY 2022-23 due to higher interest rates.

Depreciation

Depreciation increased by 11% YoY to ₹1,215 crore in FY 2023-24 compared to ₹1,097 crore in FY 2022-23. This was on account of increased Gross Block mainly in Chemicals.

Profit After Tax (PAT)

Reported PAT stood at ₹945 crore in FY 2023-24 compared to ₹2,124 crore in FY 2022-23. PAT was lower on account of exceptional item of ₹716 crore represented by impairment in the value of investment in one of the JV. Before adjusting the same PAT stood at ₹1,661 crore.

MANAGEMENT DISCUSSION AND ANALYSIS

CELLULOSIC FIBRES

Cellulosic Staple Fibre (CSF)

Grasim is a prominent producer of CSF and CFY, globally and in India. CSF is a subset of global markets of man-made textile fibres.

Cellulosic Fashion Yarn (CFY)

"We reached a significant milestone this year with highest ever Cellulosic Staple Fibre (CSF) sales volumes. Sustainability and innovation work in tandem at our Cellulosic Fibres division. Our in-house research and development centres are the hubs which contribute to bring versatility in our process, products and their applications."

Harikrishna Agarwal

Managing Director (KMP) - Grasim Industries Limited

810 KT
Highest-ever CSF sales volume

67%
EBITDA growth YoY

19%
Specialty Fibres

Suresh Kodali
Chief Operating Officer

Manmohan Singh
Chief Marketing Officer

Dr. Aspi Patel
Chief Technology Officer

Omprakash Chitlange
Chief Executive Officer CFY

Anil Rustogi
Chief Financial Officer

Anupama Mohan
Chief Human Resources Officer

INDUSTRY OVERVIEW

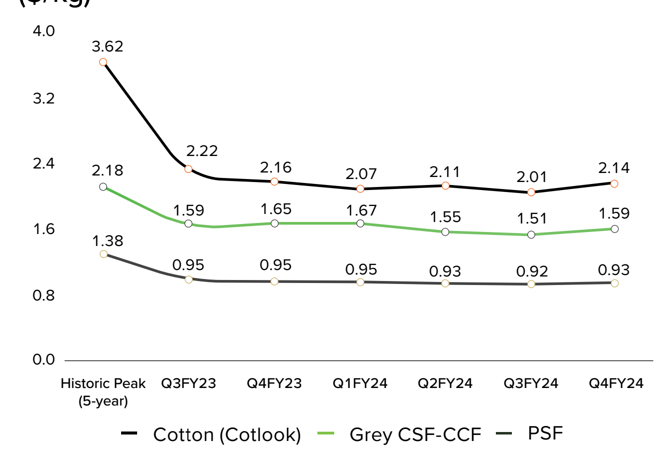
Global Scenario

The increasing global population and rapid urbanisation are driving demand for textiles worldwide. As more people settle in urban areas, the need for clothing, home textiles, and other textile products will increase substantially, stimulating market growth. In the wide and complex textile industry, fibre remains at the core, creating distinct end-use applications. Man-made cellulosic fibres, such as viscose, have proven to be flexible, durable, and capable of addressing varied demands. Due to its versatility and properties like softness, drapability and absorbency, Cellulosic Staple Fibre (CSF) is widely used in apparel, home textiles, dress materials, knitted wear and non-woven applications. With rising environmental awareness driving demand for sustainable fibres, CSF has emerged as an attractive option for being natural and biodegradable with characteristics similar to cotton. Despite these benefits, the adoption of CSF has been low globally, accounting for a mere 6% of the market share. However, the CSF segment has witnessed remarkable growth, outpacing the overall fibre growth, and this trend is expected to continue.

In the past two years, global demand for textiles was affected by slow economic growth, high inflation, and geopolitical turmoil, forcing many brands to close their stores. Deconsumption as a choice, made by individuals wishing to consume less but better, is now going hand in hand with forced deconsumption triggered by inflation. Subdued demand and reduction in input costs triggered volatility in fibre prices, forcing a climbdown from their historic highs.

Global Cellulosic Fashion Yarn (CFY) producers, especially China continues to maintain high operating rates of ~90% despite lower domestic demand which led to low value exports.

Global Fibre Prices
($/kg)



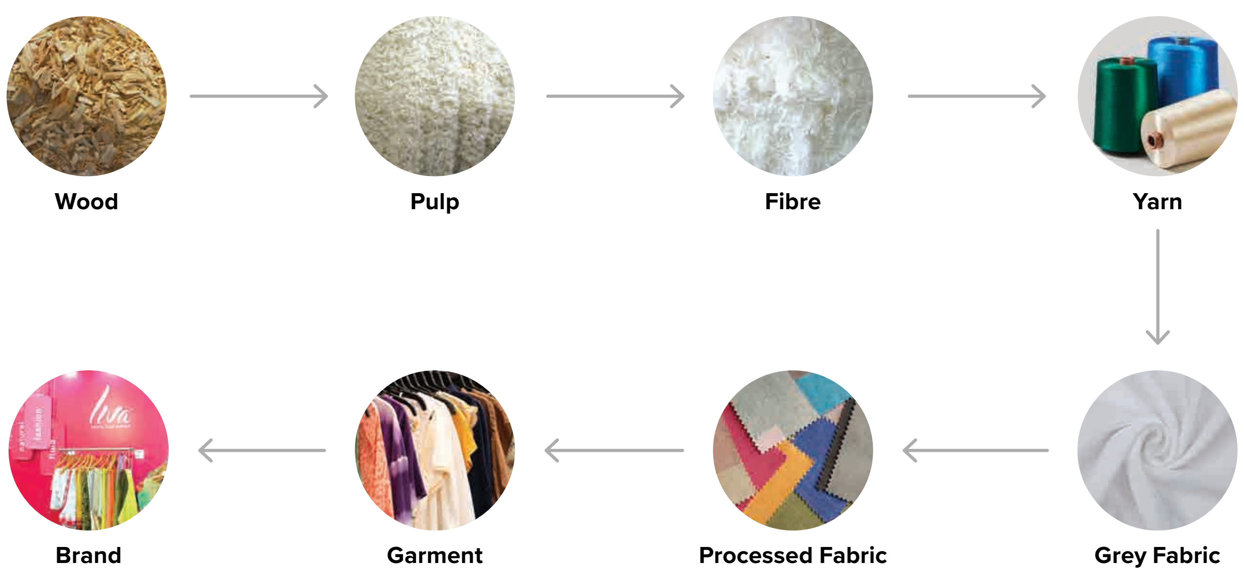
MANAGEMENT DISCUSSION AND ANALYSIS

Indian Scenario

India is among the world's largest producers of textiles and apparel, controlling 4.6% of the global trade. The industry has witnessed strong growth in recent years, driven by healthy domestic and export demand, government initiatives, and improved infrastructure. To realise its vision of turning India into a global textiles manufacturing hub, the government would want to achieve a production target of $250 billion (vs. current $165 billion) and an export goal of $100 billion (vs. current ~$35 billion) by 2030. However, FY 2023-24 has been one of the most challenging years for the industry, characterised by fluctuating cotton prices, diminishing demand, capacity under-utilisation and dumping of imported fabrics and garments from neighbouring countries. In addition, domestic market demand had been slow as discretionary spending moved to mobiles, jewellery, and cars, instead of garments.

OUR BRANDS

CELLULOSIC FIBRE VALUE CHAIN



BUSINESS OVERVIEW

Grasim has pioneered the CSF industry in India and is one of the leading players, globally. In India, we have constantly expanded the CSF market through indigenously developed second and third generation fibres, known as Birla Modal and Birla Excel (Lyocell), respectively. The tremendous success of brand 'LIVA' can be attributed to our relentless focus on customer centricity over the years. Through Liva Accredited Partner Forum (LAPF), a consortium of spinners, weavers, knitters, and processors committed to quality and innovation using fibres from Grasim, we work with the entire textile value chain to improve processes and products and offer eco-friendly fashionable clothing to consumers.

We are also India's premier manufacturer of CFY, commonly referred to as Rayon. Renowned for its versatility, impeccable drape, fluidity, and lustre, Rayon is typically used in the production of fabrics such as georgettes, crepes, and chiffons. Globally, CFY consumption continues to be dominated by India, China, Pakistan, and Turkey, who together constitute ~85% of the total volume. Domestic CFY consumption has witnessed significant growth from 58 KTPA in FY 2018-19 to 98 KTPA in FY 2023-24, demonstrating 11% CAGR.

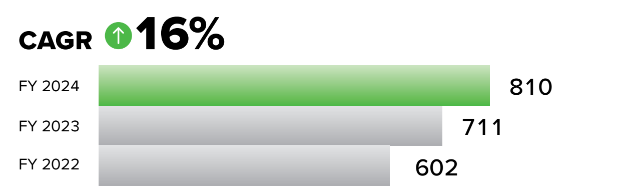
On the opportunity side, widening price gap between silk and silk-alike yarns are creating opportunity for growing CFY-based silk-alike yarns. Also, growth in blended fabrics of CFY with CSF/Modal/Cotton, etc. are another drive to boost CFY consumption.

OPERATING AND FINANCIAL PERFORMANCE

CSF achieved record highest ever sales volume of 810 KT, marking a 14% YoY growth. The capacity utilisation for the year improved 8% points to 96% compared to 88% during previous year. However, subdued demand coupled with lower key input prices like pulp, caustic led decline in CSF prices. Additionally, lower downstream demand from end-user industries coupled with cheaper imports impacted performance of CFY business.

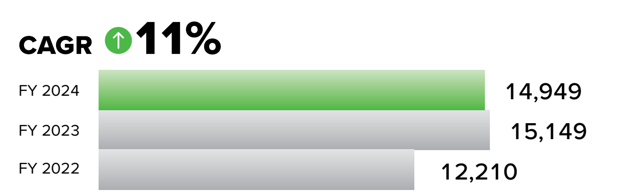
Cellulosic Fibres segment revenue stood at ₹14,949 crore, lower by 1% YoY. Improvement in utilisation levels coupled with decline in input prices resulted sharp recovery in EBITDA which grew by 67% YoY to ₹1,722 crore compared to ₹1,031 crore in FY 2022-23.

CSF Sales
(KT)



CFY Sales
(KT)

CSF Revenue
(₹ crore)



FOCUS AREAS

Innovation

There has been a constant focus on indigenously developing cellulosic fibre variants and enhancing their versatility. The efforts are aimed at exploring different applications that can deliver greater value to end-consumers.. As industry pioneers, we partner with various start-ups to develop innovative solutions pertaining to circularity and improved sustainability of fibres. Circular product Liva Reviva, that uses pre-consumer waste, is now made with 30% waste, with added sustainability advantages. Our sustainable flame-retardant fibres (SaFR) has secured certification from the Defence Research and Development Organisation (DRDO) and the Indian Navy. Our collaboration with the Australian bio-tech company Nanollose to create a 'tree-free' lyocell from bacterial cellulose is currently in the pilot stage.

Sustainability

Grasim actively participates in the development of circular fashion through Circular Fashion Partnership and Sorting for Circularity India Project. During the year, our Kharach plant has deployed EU Best Available Technology (EU BAT), benchmarking its operations to European norms that use closed loop technologies to recycle and reuse key raw materials in process. Our CSF business has secured highest category of 'Dark Green Shirt' for our commitment to conserve ancient and endangered forests and promote circular solutions, in Canopy's Hot Button Report, for the fourth consecutive year.

OUTLOOK

The demand for apparel in the domestic market is expected to grow on the back of an expanding consumer base, catalysed by a change in demographics and increased urbanisation. Moreover, considering limitations such as land and water availability for cotton cultivation and the negative environmental implications of polyester, there exists an opportunity to address the cellulosic gap through the utilisation of CSF. Additionally, consumer preference for sustainable products is reshaping the textile industry, with CSF emerging as a favoured choice due to its eco-friendly attributes and sustainable sourcing. As sustainability continues to drive purchasing decisions, the demand for CSF is poised to increase, offering both environmental and business benefits for stakeholders across the value chain.

MANAGEMENT DISCUSSION AND ANALYSIS

CHEMICALS

Grasim operates a diversified portfolio under Chemicals in three segments and holds premier position in Chlor-Alkali and Speciality Chemicals in India.

Chlor-Alkali

Chlorine Derivatives

Speciality Chemicals

"Our aim is to grow our Speciality Chemicals businesses of Epoxy Resins and Curing Agents. We shall continue to increase our Chlorine Integration to reach 70% through investments and partnerships. Investments in the core caustic business will focus on improving our carbon footprint by increasing share of renewable energy to 25%+, reducing water usage and improving our cost effectiveness our cost competitiveness."

Jayant Dhobley
Business Head

1,205 KT
Highest ever Sales Volume

62%
Chlorine Integration

26%
Speciality Chemicals Revenue Mix

Mayank Sharma
Chief Executive Officer
Chlor-Alkali

Rajesh Balakrishnan
Chief Executive Officer
Speciality Chemicals

Manoj Kedia
Chief Financial Officer

Shefali Kohli
Chief Human Resources Officer

INDUSTRY OVERVIEW

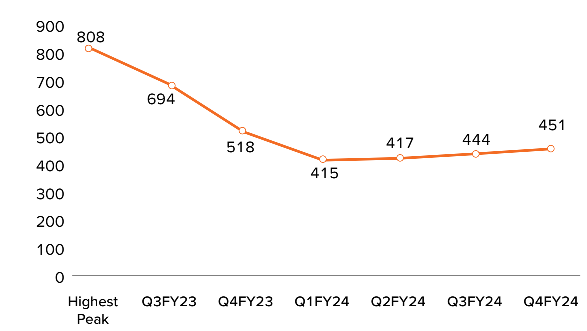
Global Scenario

Global income levels are rising, and the global middle class is expanding, creating increasing demand for a range of goods and products for which chemistry is essential. Chemical-intensive industry sectors such as construction, agriculture, electronics, cosmetics, mining, and textiles are growing, impacting market demand for chemicals and creating both risks and opportunities. Considering these trends and the changing consumption and production patterns that accompany them, it is evident that the chemical industry is growing rapidly.

After a challenging CY22, the chemical industry was expected to have a modest rebound in 2023. However, by mid-CY23, there were significant downward revisions to such expectations. Multiple factors contributed to the sluggish demand for chemicals globally, including a recession in Europe, inflation in the United States, and a smaller-than-expected rebound in demand from China. Additionally, due to COVID-19 supply chain uncertainties, higher inventories built over CY21 and CY22 were destocked in 2023. Consequently, chemical output remained sluggish, with many segments like agrochemicals experiencing declining growth rates.

Inventory rationalisation post excessive stocking during COVID-19 was overdue; however, the extent of destocking due to demand slowdown was severe which resulted in prices of various chemicals witnessing a downward correction. Though the business environment is recovering, the pace of recovery is expected to be moderate in 2024, with a full recovery anticipated in 2025.

CFR SEA Trend
($/MT)



MANAGEMENT DISCUSSION AND ANALYSIS

Indian Scenario

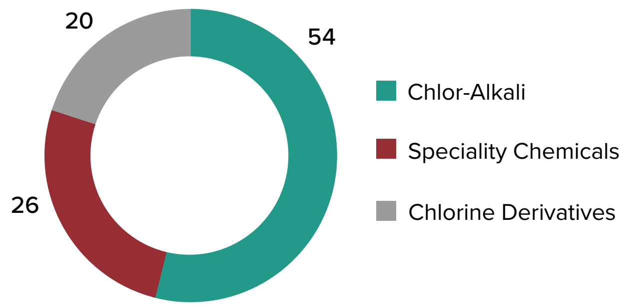
The Indian chemical industry continues to be an attractive hub of opportunities, even in an environment of global uncertainty. Growing domestic consumer base, increase in disposable incomes, changes in lifestyle and conducive government policies are likely to support the growth targets. India is one of the largest global chemical markets and is ranked sixth in the world – and third in Asia – in terms of global sale of chemicals. As per a McKinsey report, India is expected to become a $850-1,000 billion chemicals market by 2040, with its share tripling to 10-12% (vs. current 3-3.5%) in the global chemicals market. Globally, India is the third-largest consumer of polymers, fourth-largest producer of agrochemicals and sixth-largest producer of chemicals. The demand for chemicals in the country remained resilient, and the domestic performance of Indian companies was robust even after considering challenges like China dumping.

India is emerging as a suitable contract manufacturer for bulk of the chemicals due to its good governance practices, and high-quality infrastructure. Indian chemical companies have successfully demonstrated capacity expansions, strong R&D capabilities developing new chemistries and technologies by backward integrating and/or moving up value chains. Other key contributing factors are supportive and conducive trade and investment policy, stable regulatory framework, and availability of quality labour at competitive.

BUSINESS OVERVIEW

Grasim's Chlor-Alkali segment includes Caustic Soda as the main product and a portfolio of Chlorine Derivatives that has applications in water treatment, plastics and polymers, agri-chemicals, dyes and pigments, pharmaceuticals, food, cosmetics and many more. We are the largest Chlor-Alkali manufacturer in India with capacity of 1,359 KTPA and Chlorine Derivative capacity of 957 KTPA. We also command leadership position in Speciality Chemical - Epoxy Polymers and Curing Agent. Epoxy is a versatile product, which finds its application across industries viz. automotive, construction, heavy engineering, transport, electronics, food and beverage, packing and coatings, thereby touching the lives of everyone.

Revenue Mix
(%)



END-USE APPLICATIONS

Coatings, Textiles, Composite, Construction, Aluminium Production, Renewables, Water Treatment, PVC Applications, Pharma and Healthcare, Paper Manufacturing, Soap and Detergents and many more.

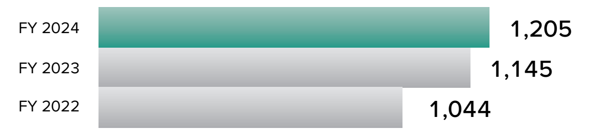
OUR BRANDS

OPERATING AND FINANCIAL PERFORMANCE

Caustic sales volumes stood at its highest level of 1,205 KT driven by Pan-India presence and stable demand from large end-consumers like alumina, textiles, pulp and paper, soaps and detergents, etc. Speciality Chemicals sales volumes also achieved highest sales volumes of 95 KT with 26% share in Chemicals segment revenue vs. 23% in FY 2022-23. Robust business volume growth was offset by normalising trend of global caustic prices compared to their historic high levels during last year. Revenue stood at ₹8,213 crore, de-growth of 21% YoY compared to ₹10,422 crore in FY 2022-23. Impact from lower caustic prices coupled with subdued demand of chlorine derivatives from end-user industries resulted lower ECU of ₹32,109/tonne in FY 2023-24 compared to ₹47,951/tonne in FY 2022-23. The segment EBITDA stood at ₹1,054 crore compared to ₹2,271 crore in FY 2022-23.

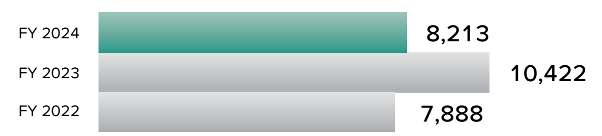
Caustic Volumes
(KT)

CAGR 7%



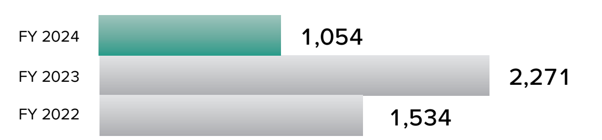
Chemicals Revenue
(₹ crore)

CAGR 2%



Chemicals EBITDA
(₹ crore)

CAGR 17%



FOCUS AREAS

Growth in Speciality Chemicals

Over the past decade we expanded our Speciality Chemical capacity by more than four times. In FY 2023-24, we commissioned 123 KTPA facility at Vilayat and our capacity now stands at 246 KTPA. Ramping up utilisation levels over FY 2024-25 would be crucial.

Power Cost Reduction

Our total energy consumption encompasses both non- renewable and renewable sources. Presently, we have been able to achieve 13% renewable power and our reliance is on non-renewable sources such as coal, natural gas, and grid electricity. We aspire to increase renewable energy power share to more than 25%.

Chlorine Integration

While we already operate in high-value products like Chloromethanes and Phosphoric Acid, we continue to evaluate multiple downstream chlorine chemistries to increase Chlorine Integration. The Epichlorohydrin (ECH) plant is expected to be complete in FY 2024-25. Project work of Lubrizol CPVC resin plant for Phase I of 50 KTPA (of total 100 KTPA) at Vilayat is progressing as per plan further aiding captive chlorine integration. Post completion of ongoing project, Chlorine Integration is expected to reach 70%.

OUTLOOK

Caustic soda plays a crucial role in various industrial and commercial applications. Geopolitical issues and soaring energy prices resulted in subdued demand from Chlorine-consuming industries like PVC and Agrochemicals, limiting the caustic supply. With low to moderate supply and high to moderate demand, caustic prices could experience bottoming. Domestic caustic demand remains stable, and we intend to maintain our Pan-India leadership position in the caustic market.

Favourable megatrends for construction & coatings, renewables (wind composites) and electrical & electronics are likely to drive the growth of the epoxy resins segment. With the recent capacity increase of epoxy resins and additions of new products (polyamide hardeners, polyester resins), we will continue to strengthen our leadership position in India.

CEMENT

Our cement business is housed in our subsidiary, UltraTech Cement Limited. It is top-tier cement producer in India and the third-largest in the world, excluding China, and is the only cement company (outside China) to have 100+ MTPA capacity in a single country.

Grey Cement

Ready Mix Concrete (RMC)

White Cement-based Putty

"Last year, 40 million tonnes of new capacity of Cement was commissioned in India, out of which UltraTech had a share of almost 1/3rd. Multiple drivers to industry growth are the country's growing needs for infrastructure, private sector and rural housing."

K C Jhanwar

Managing Director – UltraTech Cement Ltd.

150 MTPA+

Consolidated grey cement capacity, as on 30th April 2024

13.8 MTPA

Grey cement capacity added in India in FY 2023-24

23.6%

Share of green power in total power consumption

Atul Daga
Wholetime Director & Chief Financial Officer

Vivek Agrawal
Chief Marketing Officer

E.R. Raj Narayanan
Chief Manufacturing Officer

Chandrashekhar Chavan
Chief Human Resource Officer

INDUSTRY OVERVIEW

India is the second-largest producer and consumer of cement in the world. The Central Government's thrust on fuelling economic growth through infrastructure-led capex push, housing for all, and buoyant investment sentiment, among others, continue to bode well for domestic cement demand. Further, growing economic activities and robust consumer spending are driving demand for commercial spaces, not just in Tier I but also in Tier II and Tier III cities across India. In addition, India's per capita cement consumption remains below the global average, providing significant headroom for growth. Cement demand grew by ~9% through continued traction from the infrastructure and housing sectors. During FY 2023-24, the Indian cement industry is estimated to have added 35-40 MTPA, the highest single-year capacity addition in a decade.

BUSINESS OVERVIEW

Grasim's cement subsidiary UltraTech, is the leading manufacturer of grey cement, ready mix concrete (RMC) and white cement in India. The Company operates 24 integrated manufacturing units, 31 grinding units, 1 clinkerisation unit and 8 bulk packaging terminals. It also has 307 ready mix concrete (RMC) plants across 134 cities. The Company has one white cement unit and three wall care putty units. As on 31st March 2024, UltraTech's grey cement capacity in India stood at 140.8 MTPA, reflecting an addition of 13.8 MTPA capacity in a year alone. Its robust logistics network includes daily dispatch of 50+ rakes and 12,000+ trucks addressing the requirement of 1,00,000+ channel partners. Following the commissioning of two new plants in April 2024 with a total capacity of 5.4 MTPA in Chhattisgarh and Tamil Nadu. UltraTech's overall capacity crossed the 150 MTPA+ milestone.

OPERATING AND FINANCIAL PERFORMANCE

For FY 2023-24, consolidated grey cement sales volumes grew 13% YoY to 117 MT, with capacity utilisation at 84%. RMC sales volumes grew 32% YoY to 11.31 Mn m^3. The share of green power (WHRS + renewables) in total power consumption was at 23.6%. Revenue grew 12% YoY to ₹ 70,908 crore. EBITDA improved 22% YoY to ₹13,586 crore driven by increase in volume, lower energy costs and lower logistics. Operating cash flow increased to ₹10,898 crore from ₹9,069 crore in the year. Further, consolidated net debt remained largely unchanged, with net debt/EBITDA at 0.2x as of 31st March 2024, speaks volumes about prudent capital management.

Revenue
(₹ crore)

CAGR ↑ **16%**

EBITDA
(₹ crore)

CAGR ↑ **6%**

FOCUS AREAS

Capacity Expansion

For the cement business we have an aspirational capacity target of 200 MTPA by FY 2026-27. The domestic grey cement capacity expansion remains on track to achieve 157 MTPA by FY 2024-25, 168.8 MTPA by FY 2025-26 and 183.5 MTPA by FY 2026-27. Above capacity excludes 10.75 MTPA Kesoram capacity as the acquisition is awaiting regulatory approval.

Cost Efficiency

UltraTech continues to lower its operating costs. The cost efficiencies would be through continuous increase in green power mix, lower fuel costs, and an increase in AFR (Alternative Fuels and Raw Materials). Additionally, improved utilisation of newer capacities would also bring operating leverage.

Capital Allocation on Growth and ESG

The Company is deploying a blend of growth and ESG capex. During FY 2023-24, the share of ESG capex in its total capex of ₹9,187 crore was 11%, which is expected to increase to 13% of the earmarked capex for FY 2024-25 of ~₹9,500 crore.

OUTLOOK

India's cement demand is likely to remain strong, as the country continues to spend on building infrastructure and housing. The buoyant outlook has prompted the cement industry to add capacity at a rapid pace (estimated 150-160 MTPA over the next 4 years). UltraTech is well-positioned to capitalise on the opportunities while contributing to the 'nation-building' phase.

PAINTS

In a rapidly expanding decorative paints market, Birla Opus will be a powerful force of disruption, riding on high demand for quality products.

"India is the fastest-growing paints market in the world. By offering superior quality, differentiated and special products features we are here to revolutionise the Indian Paint Industry. Consumer centricity is going to be prime focus at Birla Opus. The backbone to our revenue aspiration is Pan-India presence, large dealer network and vibrant product portfolio."

Himanshu Kapania
Business Head

636 MLPA / **1,332*** MLPA
Existing Capacity / India's 2nd largest production capacity

1,200+ / 145+
SKU's / products launched biggest launch in Indian Decorative Paints market

120+
Scientists working at state-of-the-art R&D centre

* By end of FY 2024-25

MANAGEMENT DISCUSSION AND ANALYSIS

Mr. Rakshit Hargave
Chief Executive Officer

Mr. Ajith Kumar
Chief Operating Officer

Inderpreet Singh
Head – Marketing

Shantilal Dugar
Chief Financial Officer

Gautam Sinha
Chief Human Resource Officer

INDUSTRY OVERVIEW

Globally, a strong correlation exists between GDP and paints consumption as demand is related to overall economic activity measured in terms of industrial production and construction activity. India's paints industry, seventh largest globally, is valued at approximately ₹ 74,000 crore with ~25% of the market being unorganised. Over the past two decades, the Indian paints industry has gained significant traction and become the second-largest in Asia growing at >10% per annum, compared to the world growth of ~2% per annum. Despite such growth, India's per capita paint consumption is only 3.5 kg, compared to the global average of 10 kg which provides long runway of growth opportunities. The Indian decorative paints industry is expected to witness a healthy growth in the coming years and projected to reach a market size of ~₹ 1,00,000 crore by FY 2026-27 driven by increasing disposable income and rapid urbanisation which are driving heightened demand for home renovations and new constructions.

Preference for premium products is rising with a growing awareness of the aesthetic and protective benefits of decorative paints. This is supported by government initiatives like the Pradhan Mantri Awas Yojana and the Smart Cities Mission. The industry is also witnessing a preference shift from traditional distemper and cement paints to superior quality paints such as enamels and emulsions. Consequently, Tier II, III, and IV cities are experiencing faster growth at high double-digit rates, even as a large part of the market value is still concentrated in metro and mini-metro areas.

BUSINESS OVERVIEW

Grasim has decades of experience in developing large scale businesses and brands. Given the attractive growth rates in the paints industry and need for a differentiated player in the market, we forayed into decorative paints business under the brand name 'Birla Opus' with a capital outlay of ₹10,139 crore, biggest ever in decorative paints industry. Birla Opus is the first player to enter the Paints market with a 360 degree scale advantage. Birla Opus commencement of operations was unprecedented in terms of large scale of factories, operations, products, and services. Such scale has positioned Birla Opus as a significant player right from the onset. Also, Aditya Birla Group's deep insight into the building materials ecosystem through UltraTech and Birla White offers us a unique vantage point into the Paints market.

Birla Opus has built six state-of-the-art manufacturing plants across India with existing capacity of 636 MLPA and by end of FY 2024-25 will be 1,332 MLPA, 2nd largest Pan India player by capacity. The benefits of being new entrant is adoption of 4.0 manufacturing technologies which manage processes at high speed, with zero defects and end-to-end traceability. Our manufacturing units are fully integrated, connected, and automated, enabling wide scale production of over 1,200+ SKUs with consistent superior quality, fully sustainable with renewable energy and zero liquid discharge.

Our product portfolio comprises of over 145+ products across six distinct categories such as interior and exterior water-based paints, enamel paints, wood finishes, waterproofing solutions and wallpapers. Our team of 2,400+ individuals are poised to disrupt, build, and transform the industry.

OUR PRODUCT OFFERINGS AND BRAND PORTFOLIO

	Interior	Exterior	Enamels	Wood Finishes	Waterproof
Luxury	One	One	One	allwood	ALLDRY
Premium	Calista	Calista	Calista	allwood	ALLDRY
Economy	style	style	style	allwood	ALLDRY
Institutional	PR1ME	PR1ME	PR1ME	PR1ME	PR1ME

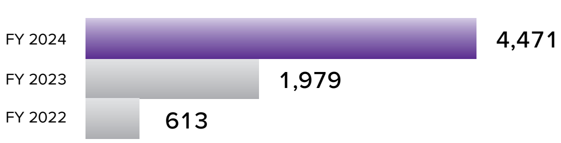
OPERATING AND FINANCIAL PERFORMANCE

During the year, we commenced trial production across three plants in Ludhiana, Panipat and Cheyyar with a capacity of 636 MLPA (47% of the planned capacity). We launched our painting services brand 'PaintCraft' in 8 cities, completing more than 310 sites during the year. The initial customer response has been positive.

Deeper engagements with painters and contractors were initiated through the Udaan Partnership Programme, which assists contractors in their professional growth journey and offers them a range of benefits, including loyalty rewards, financing schemes and warranty registrations. Nine Birla Opus Paint Learning Centres were established as hubs of excellence for painter training and upskilling, and certifying qualified painters.

During the year, we incurred a capital expenditure of ₹4,471 crore. Since inception, the total capex spent on the Paints business is ~₹7,000 crore (approximately 70% of the project outlay of ₹10,139 crore). We have delivered on the launch timeline, by commencing commercial production in three plants in April 2024 and the construction of the remaining three plants is progressing well (to be commenced in FY 2024-25).

Capex Spend
(₹ crore)



FOCUS AREAS

Design

Making available complete suite of product portfolio was offering consumers choice from an unparalleled range of over 2,300 tintable colour choices, including a set of 216 iconic Indian colours.

Develop

Deliver differentiated and superior quality of paints from full backward integrated plants which enable us to produce core adhesive ingredients in-house, including emulsions for water-based paints and resins for both solvent-based and wood finishes.

Distribute

Aiming for 2nd largest Pan-India network of dealers by launching products to all 1 lakh population towns by July'24 and then expand presence to over 6,000 towns. Servicing markets through network of depots ensuring servicing with 4 hours delivery time across local markets.

Disrupt

Equip maximum dealers with 'Tinting Machine' which requires 40% less space and epitomises efficiency with technology. Further, elevating channel interactions through implementation of our proprietary dealer management systems.

Delight

Opening Birla Opus experience centres "Paint Studio" in 11 large cities to showcase our products to the customers. We are also providing 1-year additional warranty on all our products as a testament to our product quality.

OUTLOOK

Volatility in key input materials (such as crude) is driven by geopolitical tensions and supply chain disruptions. The paint industry, however, has shown low price elasticity to demand. The focus on infrastructure development, a rapidly growing Indian economy, increasing consumer per capita income and aspirational spending, and shorter repainting cycles will drive volume growth in the Indian decorative paints industry. We aim to establish Birla Opus as the second-largest paint brand in India through a Pan-India presence, offering a full range of superior quality products and creating a meaningful proposition in the minds of consumers.

B2B E-COMMERCE

Birla Pivot, our B2B E-Commerce platform, serves as the one-stop destination for building materials and credit solutions, delivering a seamless experience to MSME buyers.

"Building the team, launching a custom-built modular technology platform, using best-in-class architecture that caters to all the nuances of B2B commerce, scaling up the business to surpass ₹1,000 crore of revenue, is a great first step in our journey of becoming the most trusted B2B E-Commerce platform. These achievements also make Birla Pivot one of the fastest-growing entities in the B2B E-Commerce space."

Sandeep Komaravelly
Chief Executive Officer

₹1,000+ crore
Revenue generated in first year of operations

18,000+ / 150+
SKUs listed / Brands onboarded

200+
Cities where orders were delivered

MANAGEMENT DISCUSSION AND ANALYSIS


Mohana Sundaram
Chief
Financial Officer

Hamsini Ramamurthy
Head of
Human Resources

INDUSTRY OVERVIEW

India is the fastest growing major economy in the world fuelled by favourable geopolitics, expanding market capitalisation and government's focus towards higher capital expenditure. This substantial growth can be primarily attributed to the thriving residential and commercial real estate sectors, which are significantly boosting the demand for building materials. India's construction industry is undergoing exponential growth and is projected to double to $200 billion in next five years. Building material categories have demonstrated growth of >10% CAGR over the past three years. The construction industry faces many challenges – from fragmented supplier networks, logistical bottlenecks, access to credit and less than 2% digital penetration. In the last few years, numerous structural and macro tailwinds are supporting digitisation of B2B E-Commerce in India.

Key Growth Drivers for the Indian Construction Materials Sector

- **Focus on Infrastructure Development**
- **Rapid Urbanisation**
- **Real Estate Boom**
- **Government Initiatives**

Our Value Proposition

- On-time Delivery
- Real-time Tracking
- Quality Assurance
- Saving on Material Costs
- Access to Credit

BUSINESS OVERVIEW

Birla Pivot is a full scale B2B E-commerce platform that provides integrated procurement with financing solutions for MSME customers within the construction sector. We are helping businesses streamline their procurement by making every step of the procurement process transparent and efficient and helping them build with confidence. With competitive prices, easy access to finance, real-time order tracking, on-time delivery and reliable quality, we are enabling our customers to unleash their true business potential.

Birla Pivot offers a wide range of products, now encompassing more than 35 product categories and over 18,000 SKUs sourced from 150+ Indian and International brands. These categories include essential construction materials like cement, steel, plywood, sanitaryware, tiles, among others. Additionally, in response to the increasing demand for superior yet cost-effective products, the Company has introduced its private label for Plywood and Tiles.

Birla Pivot's customer base spans top-tier EPC companies, civil contractors, real estate developers, OEMs, fabricators, dealers, and retailers. With successful deliveries to over 200 cities across 25 states, the Company has established a robust network of suppliers and logistics providers, facilitating seamless operations, and ensuring a Pan-India reach. The Company's intelligent Transport Management System (TMS) digitises processes, providing real-time updates on orders and enhancing operational efficiency across the supply chain.

We firmly believe that embracing digital transformation and fostering collaborative ecosystems will be instrumental in propelling the sector towards sustainable and inclusive growth. We intend to catalyse the growth of the MSME universe and provide an impetus to the Government's "Digital India" vision.

Product Categories

- **Cement & Allied**
- **Sanitaryware & Bath Fittings**
- **Doors & Windows**
- **Ply & Laminates**
- **Maintenance, Repairs & Operations**
- **Bitumen & Allied**
- **Paints & Polishes**
- **Tiles & Surfaces**
- **Steel & Allied**
- **Bricks & Blocks**
- **Electrical Wires, Cables & Switches**
- **Construction Chemicals**
- **Plumbing, Pipes & Related Fittings**
- **Wood & Vinyl Flooring**
- **Roofing, Ceilings & Partitions**
- **And many more**

CURRENT YEAR PERFORMANCE

In our first year of operations, the focus was completely on building the foundations across different parts of the business. We built a robust technology platform which is modular in nature, and is built using best-in-class architecture, to support increasing complexity of the business and scale. Our focus was to deliver a seamless experience across the entire procurement value chain, and provide end to end visibility to our buyers. We have built a robust network of partners for delivering solutions across logistics and financing. For buyers, Birla Pivot provides a platform to save on the procurement costs across a wide variety of product categories, get access to credit and get assurance of on time delivery and quality. This has resulted in majority of buyers acquired during the year, becoming repeat customers on the platform.

FOCUS AREAS

Building Supply – We believe that the strength of any commerce platform lies in the assortment and quality of products that are available for buyers. Our priority is to build deep sourcing expertise and develop strategic partnerships with brands so that we become the one stop destination for all building material needs.

Frontline Sales – We believe delivering a good customer experience is critical for the success of any business. Our priority with frontline sales and relationship management teams is to drive customer success at every interaction. We focus on building customised solutions that solve the customer needs across procurement and financing.

Private Labels – Expand our private label offerings in Tiles and Ply across multiple sales channels like Projects, Retail and other Trade channels. Increasing brand visibility for private labels by accelerating distributor onboarding and store branding is the focus for next year.

Financial Credit – To enable us to serve MSME better and ensure their working capital needs are fulfilled, we are focussing on scaling up our financial credit programme by onboarding more financial institutions and building custom solutions with them for our buyers and sellers.

Unassisted Journeys – We prioritise simplicity and convenience at every step of the purchasing journey by providing a user-friendly platform that offers seamless navigation, and provides end to end visibility. Our goal is to increase the contribution of unassisted journeys in the next year.

OUTLOOK

We aspire to achieve $1 billion in revenue in the next three years, driven by the sector's strong growth rate (~14% CAGR over the last three years) and rapid digital adoption across all business areas.

Birla Pivot will continue to focus on enhancing its technology platform and expanding its presence across all categories. The goal is to provide a seamless experience in timely procurement of quality raw materials and facilitate financing solutions and facilitate financing solutions.

FINANCIAL SERVICES

We operate our financial services business through subsidiary, Aditya Birla Capital Limited (ABCL). In this business we offer comprehensive suite of financial solutions across loans, investments, insurance, and payments.

NBFC

Health Insurance

Housing Finance

Life Insurance

Asset Management

"At Aditya Birla Capital, we followed a 'One ABC, One P&L' approach and are committed to drive quality and profitable growth by harnessing the power of data, digital and technology."

Vishakha Mulye
Chief Executive Officer,
Aditya Birla Capital Limited

₹4,36,442 crore
Assets Under Management

₹1,24,059 crore
Lending portfolio, as on 31st March, 2024

₹34,008 crore
Revenue

MANAGEMENT DISCUSSION AND ANALYSIS

Rakesh Singh
Chief Executive Officer (Aditya Birla Finance Limited)

Ramesh Narayanswamy
Chief Technology Officer

Pinky Mehta
Chief Financial Officer

Mukesh Malik
Chief Operating Officer

Subhro Bhaduri
Chief Human Resource Officer

INDUSTRY OVERVIEW

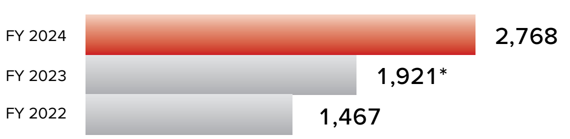
The Indian financial services industry is witnessing rapid growth, on the back of the accelerated financial inclusion, growing financialisation, and innovative digital technologies. Further, growing disposable income, robust consumption, and increasing financial awareness are driving the demand for diverse solutions aimed at savings, investments, protection, and payments needs. In addition, relatively low penetration of mutual funds as well as insurance provides significant growth headroom, reflected in the emergence of new-age fintech companies and platforms that are reimagining the last mile delivery. With MSMEs emerging as a key growth engine in India's economic development, there exists significant addressable credit gap in the market, especially for those with limited credit history.

REVENUE
(₹ crore)

CAGR 24%

PAT
(₹ crore)

CAGR 37%



* Excludes fair value gain accounted by Aditya Birla Capital Limited post-acquisition of 9.99% stake by ADIA entities in Aditya Birla Health Insurance Limited.

BUSINESS OVERVIEW

ABCL has a Pan-India presence with 1,474 branches, with 500 added in the past two years. In addition to expanding our physical channels, we are leveraging digital technology, data, and analytics to deliver need-based solutions to our customers across the entire spectrum of their financial journey. To address the financial services needs of MSMEs, Udyog Plus B2B digital platform offers a wide range of paperless solutions, including financing, protection, investments, advisory and value-added services.

To rationalise and simplify the business structure, ensure efficient capital utilisation and enhance operational synergies, ABCL proposed the amalgamation of Aditya Birla Finance, a wholly owned subsidiary, with itself subject to regulatory and other approvals. The amalgamation will create a large unified operating NBFC and hold potential to create long-term value for all stakeholders.

OPERATING AND FINANCIAL PERFORMANCE

For FY 2023-24, revenue stood at ₹34,008 crore compared to ₹27,365 crore in FY 2022-23, largely driven by its NBFC and insurance (life & health) businesses. Profit after tax stood at ₹2,768 crore compared to ₹1,921 crore. The combined lending book (NBFC and HFC) grew 31% YoY to ₹1,24,059 crore in FY 2023-24. Total Asset Under Management of AMC, Life and Health Insurance grew by 21% YoY at ₹4,36,442 crore. The mutual fund QAAUM stood at ₹3,31,709 crore with market share of 6.9% (excluding ETF). The market share among Standalone private health insurers (SAHI) expanded by 82 bps to 11.2%.

FOCUS AREAS

Growth Momentum

ABCL continues to focus on driving quality and profitable growth by leveraging data, digital and technology. Customer-centricity is a key element underpinning our strategy to grow our business. ABFL will focus on building a granular franchise and lending to retail, SME and HNI customers. In the business loans segment, differentiated offerings for MSMEs and will leverage Udyog Plus platform to acquire new customers, tap into the ABG ecosystem, focus on E-commerce partnerships, and integrate with public infrastructures such as OCEN and ONDC to grow the loan portfolio.

Prudent Risk Management with Focus on Return of Capital

During the year, ABCL made several proactive interventions and tightened its underwriting norms to improve customer selection. These practices have held ABCL in good stead in the current environment. The gross stage 2 and stage 3 ratio of the NBFC portfolio declined by 135 basis points YoY to 4.49% and in the HFC portfolio declined by 208 basis points YoY to 2.91% as of 31st March 2024.

Omni-channel Distribution Network

ABCL follows an omni-channel architecture for distribution and provides complete flexibility to customers for choosing the channel of interaction. The overall branch count increased by 179 in FY 2023-24, and there were 1,474 branches across all businesses as of 31st March 2024. The comprehensive B2B platform for MSME ecosystem, Udyog Plus went live earlier during the year. It offers paperless digital journey for small ticket business loans along with Protecting, Investing, Financing and Advising (PIFA) solutions and various value-added services to MSMEs. The Company's D2C platform ABCD, which was built in a record time of 12 months and went live in April 2024. It is available for download on the iOS App Store and Google Play Store. Built with the theme of 'everything finance as simple as ABCD', it offers a comprehensive portfolio of more than 20 products and services such as payments, loans, insurance, and investments along with comprehensive personal finance tracking such as 'My Track'.

Data, Digital and Technology

ABCL leverages data, digital and technology to build a deep understanding of customer profiles, provide simplified and holistic financial solutions, superior underwriting, and drive cross-sell and upsell. This has helped the Company to increase the sourcing from the ABG and ABC ecosystem, enhance customer engagement and drive quality and profitable growth across businesses.

OUTLOOK

Going forward, ABCL will continue with its approach of driving quality and profitable growth and sustain the growth momentum. The Company will continue to make investments in technology to strengthen our digital offerings and platforms and expand our branch network. Risk management remain the cornerstone across businesses. Credit growth of NBFC is expected to be driven by retail consumerism, formalisation of MSMEs, increasing financial penetration and investment focus on India's manufacturing sector. The Company has made significant investments in hiring people and in improving its digital capabilities to enhance customer transacting experience and reduce turnaround time in the HFC business. It will build on these capabilities to further accelerate the growth in the portfolio going forward. In the asset management business, the Company will scale up retail franchise, leverage digital platforms for seamless delivery and grow alternative assets including AIF, PMS and real estate. In the life insurance business, the Company will grow the traditional products in retail segment, credit life in group segment and make investments in direct channels and diversify the distribution mix and increase productivity. In the health insurance business, the Company will follow its differentiated health-first and data-driven approach for better risk selection and risk pool management and diversify distribution with focus on proprietary channels.

TEXTILES

Grasim is a mainstay in the Indian textiles industry, being present across premium products like Linen, Wool and Cotton. Our retail brand 'Linen Club' is India's leading linen brand. Our fabric brand 'Soktas' is a powerhouse of premium pure cotton fabrics.

"We are a supplier of choice globally for wool and linen and have revolutionised the Indian fashion landscape as a pioneer of linen in India. We have made efforts to shift the business from pure manufacturing to establishing iconic brands. Maintaining and enhancing the effectiveness of the brands in portfolio is a major contributing factor to expanding our consumer base."

Kapil Agrawal
Business Head

₹2,217 crore
Revenue

₹583 crore
Highest-ever B2C revenue

27
Gross new EBOs were opened under 'Linen Club'

Satyaki Ghosh
Chief Executive Officer

Ashok Machher
Chief Financial Officer

Chandra Bhattacharjee
Chief Human Resources Officer

INDUSTRY OVERVIEW

India is a major player in the global textiles and apparel industry, representing 4% of the global trade and contributing 12% of the country's total exports. As the country undergoes rapid economic expansion and the population with greater disposable income grows, expenditure on discretionary goods and services will increase. Urbanisation has played a role in providing access to diverse lifestyle options, and with rising affluence, consumers are more likely to spend on premium products such as linen, wool, and high-quality cotton. FY 2022-23 was the first full year post-COVID, marked by aggressive buying due to pent-up demand, which moderated in FY 2023-24 but still outperformed pre-COVID levels.

BUSINESS OVERVIEW

Grasim's textiles business comprises three strategic business units (SBUs) specialising in natural fibres, integrated into distinct stages of the textile value chain. The largest segment is Linen, which sources the finest flax fibre from France, Belgium, and the Netherlands, transforming it into linen yarn, fabric, and apparel. While yarn and fabric are sold to downstream businesses, our linen apparel business operates on an outsourced garment model. We are India's leading linen brand, with a presence across 230+ exclusive brand outlets (EBOs) and 9,000+ multi-brand outlets (MBOs) under the 'Linen Club'. We also operate a brand under 'Cavallo', which is a blend of natural fibres like linen and cotton. The wool segment produces high-quality wool tops and worsted yarn from Merino sheep wool, which are sold to downstream businesses for apparel production. The premium cotton fabric segment manufactures high-end cotton fabrics marketed under globally renowned brands*, 'SOKTAS' and 'Giza House.' During the year, we inaugurated our first flagship EBO of 'SOKTAS' in Bengaluru.

* Grasim is using these brands under a license from Soktas Tekstil Sanayi Ve Ticaret Anonim Sirketi.

BRAND PORTFOLIO

LINEN CLUB PASSIONATE LIKE YOU | CAVALLO BY LINEN CLUB | SÖKTAŞ

CURRENT YEAR PERFORMANCE

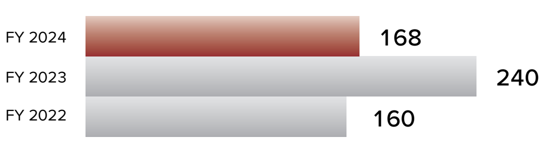
In line with our business strategy to shift from pure manufacturing to establishing iconic brands in some of these categories, the B2C revenues for the segment grew by 13% YoY. Textiles segment revenue stood at ₹2,217 crore in FY 2023-24 as against ₹2,293 crore in FY 2022-23. Linen performance was impacted due to demand slowdown and exceptionally high flax prices. EBITDA for FY 2023-24 stood at ₹168 crore as against ₹240 crore in FY 2022-23.

Revenue
(₹ crore)

CAGR **14%**

EBITDA
(₹ crore)

CAGR **2%**



Number of EBOs

CAGR **9%**

FOCUS AREAS

Retail Presence

Our constant focus is on establishing ourselves as a mainstay retail brand with 'Linen Club', 'Soktas' and 'Giza House'. Over the past three years, we have increased our retail presence by increasing presence through 40+ EBOs and 3,700+ MBOs (1,800+ MBOs of Soktas and 1,900+ MBOs of Linen Club).

Fibre Blends

With sustainability and environment concerns on the rise, natural and sustainable fabric/blend is expected to increase. We are innovating new SKUs by blending linen with other natural fibres like cotton and viscose to increase user group outreach for linen. Such blends also help better manage raw material costs and offer versatile applications for customers. These blended products are also marketed under our retail brand name 'Cavallo'.

OUTLOOK

The overall sentiments with respect to premium clothing is still low and dealers across the various brands are sitting at inventories. Geo-political conflicts need to be monitored to ascertain the impact on input raw materials since a large part of our raw material is imported from Europe. India has emerged as one of the world's strongest fashion market and premium clothing propelled by rising number of HNIs, growing middle class, increased penetration of E-commerce and strong demand from tier 2 and 3 cities. Our Linen business maintained its leadership# in the linen market with 40% market share in over the counter linen fabric (pure linen category) and 39% in pure linen yarn. We would constantly strive to shift the business from pure manufacturing to establishing iconic brands in some of these fast-growing categories enhancing retail reach and expanding our consumer base.

Market share figures as per market intelligence.

RENEWABLES

Aditya Birla Renewables is an emerging clean energy solutions provider in India, with more than a decade-long experience of executing large-scale and complex renewable energy projects across the country.

"India's target to meet 50% of its electricity needs from renewable sources by 2030 and achieve net zero carbon emissions by 2070 marks a historic point in the global effort to combat climate change. The renewable energy sector is set to play a pivotal role in achieving India's targets."

Jayant Dua
Business Head

894 MW
Cumulative renewable energy capacity

42
Projects operated across 10 states

2 GW
Targetted capacity by CY 2024

MANAGEMENT DISCUSSION AND ANALYSIS

Piyush Maheshwari
Chief
Financial Officer

INDUSTRY OVERVIEW

According to the International Energy Agency, to reach net zero emissions by 2050, annual clean energy investment worldwide will need to more than triple by 2030 to around $4 trillion. The global renewable capacity additions increased by 107 GW, the largest absolute annual increase ever, to more than 440 GW in 2023. Solar PV capacity accounts for two-thirds of this year's projected increase in global renewable capacity. India is the third largest energy consuming country in the world and ranks fourth for annual renewable power capacity additions. As of Mar-24, India is estimated to have a renewable energy installed capacity of 190.57 GW which is approximately 42.26% of the nation's overall capacity, up from 167.75 GW in Dec'22. Solar Power installed capacity has increased by a massive 30 times from 2014 to 2024.

In keeping with India's commitment to install 500 GW of renewable energy by 2030 and attaining net-zero by 2070, the government has taken a series of measures, such as allocating $2.4 billion for National Hydrogen Mission, enabling the setting up of 4 GWh battery energy storage systems through viability gap funding, introducing PLI scheme in Solar PV manufacturing and promoting an extensive grid-connected wind-solar PV hybrid system. However, challenges remain in grid expansion keeping with growth in installations and land acquisition.

BUSINESS OVERVIEW

We generate clean energy through solar panels, wind turbines, solar-wind hybrids, and floating solar systems. Our primary consumers are state discoms and central utilities. We are also increasingly exploring captive C&I (commercial and industrial) consumers, which includes both our Group companies as well as external entities. During FY 2023-24, our project portfolio increased by 150 MW to reach ~1 GW of capacity. We intend to reach a capacity of 2 GW in 2024. The project identifies best solar and wind locations in the country, set up our generation facilities at those sites and feed power to the central grid for our customers in different states to access it. To consolidate our market position, we offer power through Round-the-Clock Renewable Energy (RE-RTC) to our existing consumers who are part of the ISTS projects. We have also begun phase-wise commissioning of our 650 MW solar park in Gujarat, one of the largest in the country.

Capacity Allocation

Particulars	Mar-24	Mar-23
Total Installed capacity (in MWp)	894	744
- Capacity with Group Companies (MWp)	404	247
No. of Projects	42	38
- No. of Projects with Group Companies	29	24

FOCUS AREAS

Commercial & Industrial (C&I)

We are increasingly exploring the C&I segment where our customers are both group companies and external third parties. We remain committed to attain high CuF (capacity utilisation factor) and provide competitively priced power at each of our customer's plants by setting up ISTS connected centralised RE (solar – wind) plants at 2-3 locations.

Round-the-Clock

We are focusing on increasing our portfolio with solar-wind hybrid which will enable us to supply clean energy round the clock benefitting from the higher CuF compared to a standalone solar or wind plant.

Fulfilling Group's net zero aspirations

Aditya Birla group's biggest manufacturing businesses Grasim, Ultratech, Hindalco and Birla Carbon have committed to attain 'Net-Zero' emissions by 2050. We intend to play a pivotal role in advancing these aspirations by providing them with clean and sustainable energy solutions, thereby reducing carbon emissions across their operations.

CURRENT YEAR PERFORMANCE

Our revenue increased from ₹288 crore in FY 2022-23 to ₹377 crore in FY 2023-24 which is YoY growth of 31% led by the commissioning of the additional operating capacity during the year. Our EBITDA rose from ₹210 crore in FY 2022-23 to ₹231 crore in FY 2023-24 which is YoY growth of 10%.

OUTLOOK

The government's massive decarbonisation drive, growing awareness of global warming and immediate need to switch to sustainable energy solutions to combat climate change are the main driving factors which is expected to drive demand for clean energy across all consumers in the economy. This transition is driven by both environmental imperatives and economic opportunities, reflecting a profound change in how countries produce and consume energy. Renewables are poised to play a large role in India's energy sector, with government capacity targets implying a fourfold increase by 2030, aided by stringent Renewable Power Obligation (RPO) standards, decarbonisation efforts and increasing power demand. At the forefront of this transformation are technologies such as solar and wind power, which have seen dramatic improvements in efficiency and cost-effectiveness, and this provides host of opportunities for Aditya Birla Renewables.

MANAGEMENT DISCUSSION AND ANALYSIS

INSULATORS

Grasim is India's major producer of the full range of high-performance insulators (ceramic as well as composites) for T&D lines, sub-stations, power equipment and railway electrification.

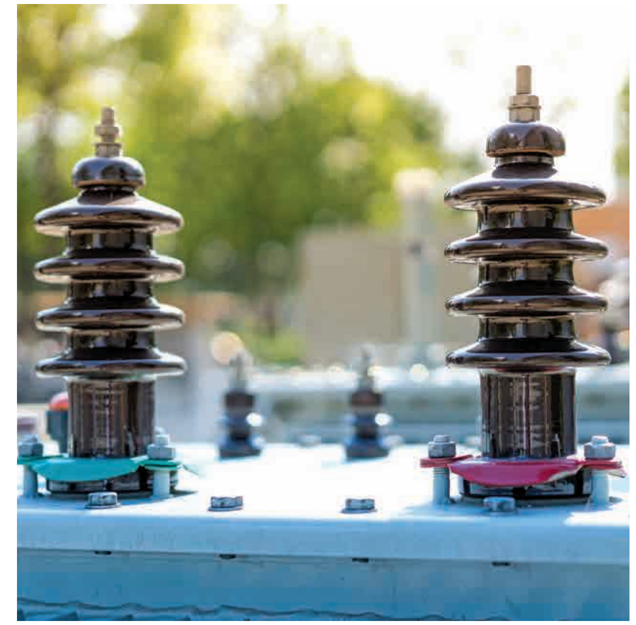
"India has a very dynamic and diversified power sector, characterised by the presence of varied power generation sources including conventional sources as well as renewable energy sources. We are a preferred partner of global clientele that includes leading power utilities, T&D EPC players and global power equipment OEMs."

Ajit Rajagopalan
Chief Executive Officer

₹477 crore
Revenue from Operations

₹36 crore
EBITDA for the year

20%
Share of Exports in Total Revenue

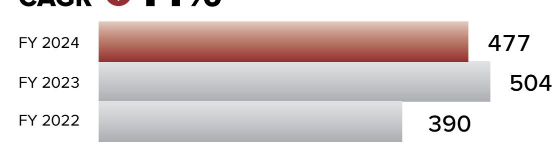


INDUSTRY OVERVIEW

The power sector is a strategic and critical sector and power supply system supports the entire economy. According to Ministry of Power, from energy deficit of 4.2% in 2012, over 175 GW generation capacity was added over the past decade transforming the country to power surplus. Power generation, transmission and distribution sector is the key growth driver for the insulators industry. However, insulator sector in the past few years was affected by deferment of projects, excessive cheaper imports from China that affected domestic manufacturers shrinking their market size as well as pressurising price levels.

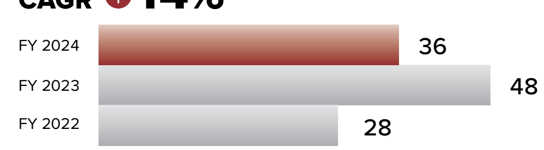
REVENUE
(₹ crore)

CAGR 11%



EBITDA
(₹ crore)

CAGR 14%



BUSINESS OVERVIEW

Aditya Birla Insulators holds the distinction of being the major producer electrical insulator manufacturer in India and ranks among the top four globally. Aditya Birla Insulators with the installed capacity of 56,400 TPA specialises in both ceramic and composite insulators. The Company offers widest range of insulators in India and neighbouring export markets, catering to various applications such as transmission lines, substations (up to 1,200 kV voltage level), equipment, and railways. To cater to power transmission & distribution needs globally, the business has commissioned Composite Hollow Core Insulators (CHCI) plant at Halol through a joint venture with Maschinenfabrik Reinhausen GmbH of Germany, known as Aditya Birla Power Composites Limited (ABPCL) in 2022.

CURRENT YEAR PERFORMANCE

The revenue for FY 2023-24 de-grew by 5% YoY to ₹477 crore compared to ₹504 crore in FY 2022-23. Exports stood at ~20% of total revenue. Higher input prices coupled with delay in product approvals from customer resulted utilisation levels of 52%. EBITDA for FY 2023-24 stood at ₹36 crore compared to ₹48 crore in FY 2022-23.

FOCUS AREAS

We have developed new products for HVDC (High Voltage Direct Current Transmission) transmission as per the challenging requirements of the global end user market. We have also completed 5,000 hours of multiple stress test on our insulators at STRI Sweden which is a critical requirement for key global OEMs. We expect this to improve our export prospects.

OUTLOOK

Power transmission is key to India's energy transition and global new energy cost leadership ambitions. The key demand drivers for insulators are grid refurbishments (50+ years old), surge in power demand (digitalisation, electric vehicles), distributed renewable generation (new transmission lines) and railways electrification of lines.