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* Ashish G. Jain

* Navin R. Sahadeo

* Rajesh V. Lachhani

Thanks. Good evening, and sorry for the delay in start of the meeting. I know most of you must not have even seen the results, but we can always have opportunity of subsequent call or meeting if there is more clarity needed. So I'll begin the presentation.

The consolidated revenue at INR 16,795 crores is up by 25% -- 24% Y-o-Y, the consolidated EBITDA is up 1% Y-o-Y to INR 2,854 crores and the consolidated PPT is up 3% Y-o-Y to INR 1,636 crores. The consolidated EBITDA is lower on account of Y-o-Y dips in the EBITDA of Cement businesses. The company has reported its best-ever quarterly financial performance at a standalone level.

The Q2 FY '19 standalone revenue, EBITDA and PPT are up 26%, 28% and 32% Y-o-Y to INR 5,118 crores, INR 1,352 crores and INR 1,113 crores. The VSF and Chemical business reported another quarter of strong operational and financial performance.

The company's standalone revenue and EBITDA have witnessed a continuous expansion in last few quarters. We are confident the growth trajectory will be maintained going forward.

As we are in the midst of executing capacity expansion in both VSF and Chemicals and have committed more than USD 1 billion of capital expenditures for next 3 years.

The standalone profit before tax for the company stood at INR 1,113 crores for Q2 FY '19. After accounting for a onetime noncash exceptional item of INR 2,003 crores, the company reported a negative PAT of INR 1,187 crores. The PAT before exceptional item was at INR 817 crores, up 30% Y-o-Y.

The cash profit also was significantly higher in current quarter, up 29% Y-o-Y to INR 1,041 crores.

In Q2 FY '19, post merger of Vodafone India Limited with Idea Cellular, Grasim's shareholding in the merged entity was reduced to 11.55% from 31st August '18. The merged entity Vodafone India Limited ceases to be an associate of Grasim's with effect from 31st August, 2018. Hence, it is not a consolidating entity thereafter.

The exceptional item of INR 2,003 crores represents the difference between the book value and fair value of Voda-Idea (sic) [Vodafone Idea] Limited as on 30th August 2018. This has been charged to P&L statement, consequent to Vodafone India Limited ceasing to be an associate.

Our H1 FY '19 standalone financial performance is equally impressive. We have registered a 46% Y-o-Y growth in revenue and 51% Y-o-Y growth in EBITDA to INR 9,908 crores and INR 2,528 crores. Our balance sheet continues to be in a strong position. We continue to maintain reasonable cash at a standalone level. At the end of Q2 FY '19, we have a surplus plus cash of INR 909 crores against INR 389 crores in Q4 FY '18.

The free cash flow generation at a standalone level was around INR 600 crores after incurring a CapEx and investments of INR 500 crores for Q2 FY '19.

Our employee centric efforts are getting recognized. I'm happy to share that Grasim Industries has been ranked 59th Best Employer globally by Forbes USA. There are only 4 Indian firms, which are in the global top 100 list of Forbes and Grasim is one of them. This global recognition comes after our company was recently featured in the list of Global Growth Champions 2018 by Forbes.

FY '19 is a critical year for us. The management focus will be to ramp-up the recently commissioned chemical plant and to maintain a strict control on the costs and timelines of the recently announced project in VSF and Chemical and Specialty Chemicals side.

Let me now share the highlights of our VSF business. The VSF prices in China remain reasonable during this quarter. The price of cotton and polyester maintained its strong upward trajectory, with cotton prices rising 15% Y-o-Y and polyester pricing rising 23% Y-o-Y. We expect the VSF demand to remain firm globally. India is witnessing a very robust VSF demand growth, driven by business development efforts taken by the company and our Liva initiative is working well. The Liva Brand Equity Index scores improved to 1.5 in SS '18 from 1.1% in autumn-winter '17. Liva is a short -- Liva in a short span of time has gained a brand equity index score of 1.5% which suggests strong customer preference while some of the competing fiber have taken more than 10, 15 years to reach to this score.

The sharp rise in Liva tagged garments and rise in repeat purchase is the success of Liva. The VSF business reported record production of 137 KTPA, up 5%, and sales volume of 136 KTPA, up 4% Y-o-Y this year.

The Viscose business reported an EBITDA of INR 576 crores in Q2 FY '19, up 23%, driven by rise in sales volumes on the back of capital-light debottlenecking and better realizations. The VSF business witnessed cost pressure with pulp prices up 4% and sulphur prices up 46% Y-o-Y.

Let me reiterate that Grasim has around 80% backward integration by virtue of key inputs like dissolving grade pulp, caustic soda, power and steam, et cetera, and is better positioned to witness -- withstand rising cost environment. We are deeply committed to improve the quality of our products.

Our in-house R&D team has developed an innovative product known as Dye catcher. We have also achieved a significant reduction in water consumption across all viscose plants which is best globally.

The Vilayat brownfield expansion is progressing very well, with a significant ordering of long lead items completed. We expect the construction work to commence shortly.

Let me now share the highlight of Chemical business. Global demand supply has stabilized in Q2, leading to price getting normalized. The revenue and EBITDA of our Chemical business are up 38% and 50% Y-o-Y to INR 1,612 crores and INR 456 crores, driven by strong sales volume and better realizations.

Caustic soda reported double-digit jump of 17% Y-o-Y in production and sales volume to 254 KTPA and 258 KTPA. On annualized basis, our capacity utilization touched 1 million tons per annum. The capacity utilization out of our caustic soda plants was at 93% in Q2 FY '19 and is better than the industry utilization. The issue realization for Grasim was at on Y-o-Y basis, driven by higher caustic soda prices and positive chlorine realization. We have a strong focus on growing the chlorine VAP products in overall product portfolio. The chlorine VAP revenue has been growing at a double-digit growth rate for last few years. The production of chlorine VAP is increasing -- has increased by 7% Y-o-Y, while the revenue witnessed 34% growth.

In October '18, we have commissioned our phosphoric acid plant of 29 KTPA at Vilayat. The Chemical business has initiated ordering of plant and equipments for caustic soda expansion. For VAP expansion, the equipment ordering will take place postregulatory approval.

The cement business reported a healthy volume growth of 18% and revenue growth of 20% Y-o-Y in Q2 FY '19. The sales volume stood at 16.6 million tons and the revenue stood at INR 8,151 crores in Q2 FY '19.

The EBITDA for Q2 FY '19 stood at INR 1,446 crores. The increase in operating costs has been led by rise in logistic, energy and raw material costs, up 6%, 19% and 5% Y-o-Y. The expected demand growth in cement at 25 to 27 million tons per annum will be higher than supply growth expected at 15 to 17 million tons per annum.

The Aditya Birla Capital reported a revenue of INR 3,590 crores and net profit after minority interest at INR 195 crores for this quarter. The lending book, including housing of our VSF business grew by 30% Y-o-Y to INR 57,945 crores, backed by well-matched Asset and Liability mix. The lending book continues to be of high quality with gross NPA of 93 bps and 71 bps in NBFC and HFC books, respectively, doing this quarter.

In Asset Management business, our average assets under management grew by 11% Y-o-Y to INR 2,71,556 crores. In Life Insurance business, the annualized premium income for H1 FY '19 grew by 60% Y-o-Y versus industry growth of 10%. The persistency ratio witnessed a consistent improvement. The 13-month persistency ratio improved by 6.4% to 74.1% in H1 '18,

'19 over the last 2 years. The Health Insurance business reported a gross written premium of INR 100 crores during this quarter.

Thanks for your patient hearing. Now we can open the floor for questions and answers. Thanks.(Operator Instructions) We have the first question from the line of Rajesh Lachhani with HSBC.

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Questions and Answers

Rajesh V. Lachhani, HSBC, Research Division - Analyst [1]

Sir, my question is...

Operator [2]

Rajesh, I'm sorry to interrupt, but we can barely hear you. Could you please speak a little louder, maybe just the handset.

Rajesh V. Lachhani, HSBC, Research Division - Analyst [3]

Hello? Yes, sir. My question is with regards to capacity of VSF, VFY and caustic soda. Sir, can you guide us on what will be the capacity by end of FY '19 and FY '20 for both VSF, VFY and the caustic soda?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [4]

So on VSF, currently we have 5.53 lakhs KTPA capacity, and by end of FY '20 -- '21, we will go up to 7.88 lakhs metric tons. So I'm not giving you March '19 number because the capacity expansion by and large will happen in the next 2, 2.5 years. So from 5.53 lakhs will go up to 7.88 lakhs.

Rajesh V. Lachhani, HSBC, Research Division - Analyst [5]

By?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [6]

By FY '21 so far as viscose business is concerned. And in-between there would be -- but if you need a specific breakup, we can give you offline, but that's the current capacity expansion which we have, planned expansion which we have.

Unidentified Company Representative, [7]

So in caustic, by March '19, the capacity will be 1.1 million tons and by March -- by June '20, capacity will be 1.3 million tons.

Rajesh V. Lachhani, HSBC, Research Division - Analyst [8]

Sure, sir. And sir, the second question is with regards to domestic VSF prices. So you have shown in Slide 15 that the VSF prices have been trading at discount to the cotton prices in the global scenario, as far as the global scenario is concerned -- considering global scenario, but I just want to understand how is the VSF pricing trend in India and how is it trading versus Cotton?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [9]

See, this is the first time where the cotton and VSF prices are now coming on parity, because following the GST rationalization and now the cumulative tailwinds in the supply chain can be taken by the spinners and the weavers. So we have come to a stage where VSF and cotton are on parity and that has given a big trigger to the VSF consumption. If you consumption has run up by 24% over last year. So there is a huge -- the VSF value chain is doing exceedingly well in India. So the supply demand is very healthy and the entire value chain is quite focused on VSF compared to other fibers. So one is the interfiber dynamics because the cotton prices have gone up. As you know, the cotton crop has not been great, so the consumption of cotton is growing faster than the production of cotton. Second, with the MSP on cotton has gone up by 28%, so the cotton prices are almost 15% higher than last year and quarter-on-quarter growth as well. VSF -- the polyester prices have also gone up because of pulp prices going up. They have gone up about 23%, 24%. So I think overall, the scenario for the domestic market is quite healthy for the VSF.

Rajesh V. Lachhani, HSBC, Research Division - Analyst [10]

Right sir. And sir, is INR depreciation also helping our costs?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [11]

Yes, yes, it does help. But I always say, every market has supply dynamics. So you can't say that because market in China will expel India with the right price. It depends upon supply and demand. If you look at China has a different price dynamic, Indonesia has a different price dynamic, India has a different price dynamic. So you should look at the geographies differently.

Rajesh V. Lachhani, HSBC, Research Division - Analyst [12]

Right sir. And sir, last question is with regards to global VSF capacity. So you have mentioned 170 KT expected in the near term. Sir, but lensing a few days back, they reported the numbers and they had highlighted that they are looking at some 600 KT of new capacity coming so...

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [13]

What we are saying is for the next quarter. If you look at the calendar year, I think the number what is saying the correct number, about 600,000 tons to 700,000 tons of capacity has come up in this calendar year and some more may come up in the next quarter. So about 1 million tons capacity will get added. What has happened is these capacities which have come in first and second quarter they have got pushed to third and fourth quarter. That's all. The world has -- the capacity has come up and that's reflected in the global markets.

Rajesh V. Lachhani, HSBC, Research Division - Analyst [14]

Right. And sir, any guidance about next year capacity, global capacity increase, additions in VSF?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [15]

It is difficult to predict, but it looks like the way it has happened now there is good capacity over hand. So while people have announced big, big plans, but I think they all are rethinking. So what we find out is after this greenfield expansion, I think the new equipment has already been ordered. So there may be a gap and then maybe we'll again look at it. So like one other player had announced, 1 million ton capacity in a particular country, they only placed orders for 250,000 tons so far. So that kind of...

Operator [16]

The next question is from the line of Navin Sahadeo from Edelweiss Securities.

Navin R. Sahadeo, Edelweiss Securities Ltd., Research Division - Research Analyst [17]

Sir, just in continuation with the previous question. You've mentioned VSF consumption -- I mean you said that cotton prices now at par with VSF are really helping the demand grow exponentially, but you mentioned VSF consumption is up 24%.

Unidentified Company Representative, [18]

In India.

Navin R. Sahadeo, Edelweiss Securities Ltd., Research Division - Research Analyst [19]

In India?

Unidentified Company Representative, [20]

It is not the global number, it's an India number.

Navin R. Sahadeo, Edelweiss Securities Ltd., Research Division - Research Analyst [21]

So your volumes then basically -- is that reflective of it? Because the volumes are...

Unidentified Company Representative, [22]

See, if you look at it now, our export ratio has changed. We are now [84%] domestic, only 15% export. We started at 70% domestic, 30% export. We have supplied more the domestic market because that's our commitment.

Navin R. Sahadeo, Edelweiss Securities Ltd., Research Division - Research Analyst [23]

Okay, okay. And then going by the fact that a lot of capacity falls anywhere between -- I think, almost 1 million ton is possibly likely to get added in the VSF. Directionally, can we make a judgment that the current profitability is largely peaked out?

Unidentified Company Representative, [24]

Difficult to say, but what is happening is the input costs also are going up. So if you see there are now -- there is a level to which prices can go down because then some players will start shaking out. It's already happened in China.

Navin R. Sahadeo, Edelweiss Securities Ltd., Research Division - Research Analyst [25]

So margin pressure basically is imminent in that sense?

Unidentified Company Representative, [26]

But what happens is that there are different kinds of players. Some are high cost, some are low cost and some are medium cost. So it is the high cost business that gets impacted first. Others get impacted later.

Navin R. Sahadeo, Edelweiss Securities Ltd., Research Division - Research Analyst [27]

Fair, fair. And Sushil, just requesting your comment on these 2 things. Media flash said some time back after Idea results were declared, said that fund infusion of almost about INR 25,000-odd crores is required into the company and promoters also potentially likely to share about INR 18,000-odd crores. So any clarity with regards to the fund infusion there? And second, again related is that given that overall liquidity tightness into the country and the growth that we have for Aditya Birla Capital, is there a possibility of a fund infusion for that business as well?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [28]

So first of all, the Idea thing, we are still awaiting the full details from the company. They have formed a board committee, which will explore the different optional fund raise. That's point #1. Second, promoter commitment, we still have to kind of -- we have to still receive details from the company because we haven't really discussed at Grasim's board of Grasim's contribution to this fund raise. Once we get the detail, we will come back to you on so far as Grasim fund raise is concerned -- Grasim's participation is concerned. Third point which you are making is on Aditya Birla Capital, whether they would need funds. The answer is clearly, at a holding company level, they currently have some kind of debt and ideally, we would not like to have debt at that company level because that company, from a business model point of view, only will have a dividend as inflow. So appropriately, we need to capitalize that company. The timing of capitalization still has not got discussed at that company's board. But in -- principally, if you recall, they had taken a board approval some time back to kind of have some fund raise, but they haven't done any complete planning of when they want to kind of raise that capital.

Navin R. Sahadeo, Edelweiss Securities Ltd., Research Division - Research Analyst [29]

But by and large, it's fair to assume that both these companies will need some fund infusion for sure? And that's where -- though dynamic but Grasim may be required to put in some money into these companies?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [30]

Yes, it is fair to assume that way. And in my previous calls all the time in various interactions, I've been saying that both the businesses -- so far Financial Services business is concerned, it's a very growth -- strong growth engine. And as and when they part -- they need -- they raise funds in both the businesses, we will put money to the extent of our ownership. And it also depends on the instrument by which they raise the fund. So today, since we don't have many clarity, but your assumption to have some capital funding from Grasim is a fair assumption.

Operator [31]

The next question is from the line of Gunjan Prithyani from JP Morgan.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [32]

Just following up on this capital commitment to the subsidiaries. Now on the Aditya Birla Capital, what is going to be the principal behind commitment in the sense that you'll try to just retain the stake what it is at the moment? Or if, let's say, they go and do a QIP in the market, you're fine to have some dilution? Because I thought the idea was to have stake of 51% at the minimum. So there is still some scope for you to get diluted when the fundraising happens?

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [33]

So you're right, Gunjan, actually. We would prefer to kind of hold at least 51% in that company. And as I've said that we haven't really kind of taken any decision -- the Board of ABC has not taken a decision of how they want to raise fund and when they want to raise. So theoretically, if the market -- the valuation is attractive and if they go for a QIP, and if we believe that dilution is meaningful from a Grasim shareholder's point of view, we would be happy diluting. But if we believe that dilution is not going to work in favor of Grasim shareholders, I think we will take a different call. So it would be very, very dynamic situation. And so it also has implication of the valuation of underlying company, which is where we will take an appropriate call and obviously, we'll consult -- we'll discuss -- the Board will discuss and we'll come back to you at appropriate stage.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [34]

And the threshold of stake for where you would not want to go below is 51% for Aditya Birla Capital and 11% for Idea-Vodafone? Or in Idea-Vodafone, there is any difference in the way you think about it now?

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [35]

So far as Aditya Birla Capital is concerned, I think at this stage, we always kind of felt it that owning more than 51% would be a good idea, and so let's keep that as a threshold. So far Voda-Idea is concerned, we currently own 11.5%. And again, it would depend. If they raise capital by virtue where Grasim does not participate, we would automatically get diluted. So again, it will all depend the instrument at which the fund raise has been decided by the Idea Board.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [36]

But in principal, you are okay to get diluted in Idea-Vodafone if there is fundraising through some other avenue? Is this a right issue? I understand that you said that you would like to match up your stake, but if there is any other way through which they raise funds, are you okay -- is Grasim okay to get diluted there?

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [37]

Absolutely right, but again, don't put words into my mouth. I'm saying that it all depends the instrument, the underlying valuation because in my mind, sometimes a valuation also drives the decision of whether we should participate or not participate. Because if the underlying valuation is so attractive, you may not like to kind of want to get diluted also. So let's wait until Voda-Idea Boards kind of comes out with their final plan, the instrument at which funds are going to be raised. But I clearly in most of my calls and various interaction with all of you have maintained that if they come out with a right issue, we would like to kind of maintain our ownership. And the valuation of telecom business is very attractive in current environment. And it has to be seen in the context when they decide how they want to raise capital. So let's wait for -- I'm sure sooner than later, they will come out with a plan how they want to raise capital and we'll be immediately kind of letting you know whether Grasim would like to kind of participate. But as I said, this, you have to kind of keep it in the background that we will only maintain our ownership, we will not go beyond our current ownership in the telecom business.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [38]

Okay. And second question was with regard to this accounting adjustment that you've done. Now in terms of financials, is there any way how we should be looking at in terms of the consolidation of Idea-Vodafone? Is there any difference in the way it was being done previously to now? If you can just share some thoughts on that?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [39]

Yes, so Gunjan, that's a very good and fair point. And that's important from -- for all of you. That currently because it was being treated as a associate company until August 31, we, Grasim, would have accounted for profit and loss of Voda-Idea on a proportionate basis to the consolidated results at a net profit level. Going forward, because now it's serious to be associate, there would not be any adjustment at net profit of Grasim so far Voda-Idea profit or losses are concerned.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [40]

So there will be no adjustments.

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [41]

That's right. So just to make sure that we are all on the same page, theoretically Grasim consolidated net profit before adjustment is INR 100. And in the earlier of that, if Idea had incurred a loss of say 30, we would have taken a 30 into 11.5% as an adjustment of that loss, would have got reduced from my INR 100 consolidated profit. Now going forward, INR 100 would remain INR 100 whether they incur profit or loss, it would not get impacted my consolidated net profit.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [42]

And there has to be a fair value adjustment every quarter on this or how is that going to change on the holding?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [43]

Yes. So the way accounting works, Gunjan, is fair value basis, the market value of Voda-Idea, would get done -- would be changed on a quarterly basis and that would have -- that would go to the OCI which will directly impact to the balance sheet. It will not reflect on the P&L of the company, which is true for all other investments, which are non-associate investment for Grasim. Like theoretically, Grasim also has a small ownership in Hindalco and small ownership in Aditya Birlay Fashion Retail. Those investments are currently being treated as a non-associate. The profit -- the share price change in these 2 companies will not -- is not impacting our results, and the same would be treatment for Voda-Idea going forward.

Gunjan Prithyani, JP Morgan Chase & Co, Research Division - Analyst [44]

Okay. And last question from my side. On the VSF business, what is the operating rate for the industry now? And also typically, the VSF prices tend to move in tandem to some extent with how the competing fibers are doing. Now this quarter, of course, there's been a big aberration where cotton prices have gone up and even polyester prices have gone up, whereas VSF has been ranged. Now incrementally, it's because a lot of new supply has come in? I mean, how do -- how should we approach this difference between the competing fibers and VSF?

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [45]

Yes, first question was?

Unidentified Company Representative, [46]

Operating rates.

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [47]

Yes, the operating rates like usually it depends upon the geography. Like, if you ask India, we are running at 100%, as always we are full. In China, the OR was 92% in last 2 to 3 months. What has happened is because of the excess supply, the market inventory started going up and then we have announced this recently, people have -- the high-cost laser started shutting operations. And the OR has dropped last week to 83%. So it's a dynamic market. So what happened is they were selling earlier also, there is an excess capacity issue and that is why the VSF is not following the other fiber trend. So cotton has gone up, VSF has gone up and viscose hasn't gone up. Now the issue is whether it could even happen, we'll just see how the market performs and how the high-cost players pan out. So the OR in China was very healthy. Even today it's either at 82%, 83% also is a healthy OR. Q3 is normally a weak quarter for Viscose seasonally. So maybe we'll see how the Q4 pans out.

Operator [48]

The next question is from the line of Amit Murarka from Deutsche Bank.

Amit Murarka, Deutsche Bank AG, Research Division - Research Analyst [49]

Just firstly just highlight this data-related question. So what would be the revenue EBITDA for VFY business? Is it included in the Viscose segment results that are given?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [50]

Yes. So VFY revenue for quarter 2 of FY '19 is INR 491 crores, INR 492 crores, the revenue for VFY; and the EBITDA is INR 127 crores.

Amit Murarka, Deutsche Bank AG, Research Division - Research Analyst [51]

Right. And just secondly, like on the -- like the trends for the VSF business, so generally, like, we have seen strong profitability, largely probably to do with the improving mix and also supportive realizations. So while I understand that the mix should continue and remain supportive, but like the trend of falling crude prices and then the appreciating rupee, so do you think that, that can impact margin and EBITDA in the near term anyways?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [52]

See, VSF -- the rupee appreciation/depreciation will have an impact. But as I told you, every market has its own supply and demand dynamics. So it's very -- you can't replicate it straightaway. And crude impacts more PSF than VSF right now. And right now, it is dealing because of the supply-demand situation. It won't impact as much. It will help me in the input cost side. So if the crude price goes down, then it could -- prices will go down, the cost of production will improve.

Amit Murarka, Deutsche Bank AG, Research Division - Research Analyst [53]

Okay. And like -- and regarding the capacity expansion that is going on, can we have a broad kind of a commissioning schedule as to will all of it come at one go or how will it be kind of scheduled?

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [54]

See, the VSF expansion we are saying will come in FY '21. So first line will come in Q3 and second will come in Q4. So it is 600 tons per day production. So one line of 300 tons and second line of 300 tons per day.

Amit Murarka, Deutsche Bank AG, Research Division - Research Analyst [55]

Q3 of FY '21 and Q4 of FY '21, you mean?

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [56]

That's right, that's right.

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [57]

And in between, there'll be small -- some more -- we'll see plenty debottlenecking, like as you have seen, while we have been able to show good growth and good cost structure because we have been able to do a lot of capitalized debottlenecking.

We have added almost 160 tons per day of capacity by debottlenecking without spending much capital. That will continue. We have some more ideas. As we go along, we will keep doing it because that -- the debottlenecking helps you -- can help you meet the market growth comes. It's comes at a very low cost because all the fixed costs have taken care by the normal capacity. So that is one reason why our performance is better than the peers.

Operator [58]

The next question is from the line of Ashish Jain from Morgan Stanley.

Ashish G. Jain, Morgan Stanley, Research Division - VP [59]

I've just one question. The investment in Idea in our balance sheet has gone down from INR 7,311 crores to INR 3,888 crores and you said that we have taken a mark-to-market or fair value loss of around INR 2,000 crores. So what explains the capital in the group?

Sushil Kumar Agarwal, Grasim Industries Limited - CFO & Whole Time Director [60]

So as I said when I was responding to Gunjan, so there are 2 treatment particularly in this quarter. One is the INR 2,003 crores which we talked about as a onetime noncash accounting adjustment and that is up to 30th August as a date. Subsequent to that, if there is any change in the share price of Voda-Idea, so on that day, when we did this adjustment, the share price of Voda-Idea was INR 49.85. And as of September, subsequent to that, any change in the price of that company would be taken to the OCI, which will not impact the P&L of the company, but it would impact the balance sheet. So to that extent, there is an additional impact, which has happened and that got corrected in the balance sheet, that's the difference.

Ashish G. Jain, Morgan Stanley, Research Division - VP [61]

Okay, okay. Got it. And then secondly, in terms of the domestic VSF realization, can we just briefly highlight in terms of where we are from an -- in relation to global prices, how are we in terms of the premium that we have today and what it was, let's say, in the last quarter?

Unidentified Company Representative, [62]

So as Mr. Gaur was constantly kind of explaining this point as it's very difficult to do a very straightjacketed answer because there is no straightjacketed answer to a question like this. And India, as we kept saying that India is slightly insulated from a global prices point of view, because there is a different demand dynamics in the country. And we are also not really pricing based on the global price because we want to kind of give a comfort to the users in the country that we will provide you on a consistent basis on a stable pricing. So we have not been kind of changing our pricing very often, in line with what are changes which is taking place in global markets, and that has been the practice for last many, many years and we'll like to kind of continue with that similar practice.

Dilip Singh Gaur, Grasim Industries Limited - MD, Business Head of Fibre & Pulp and Director [63]

But just to add to it. If you see the biggest problem with cotton is the volatility. It varies significantly and that affects the spinner. What we have made sure over the last few years that we give them a predictable pricing because based on that, they do the forward-looking of their order. So you see, it is a value chain health is more important than the absolute pricing. And that's how we have dealt with it at times; when the global prices have gone up, our prices have gone down and the other way round also. It depends upon how the value chain is doing.

Unidentified Company Representative, [64]

So it's very important point which he made that we want to make sure that value chain eventually has to remain healthy because if they are not healthy, therefore, products which we are selling may not be meaningful. So that's how we have been doing this business, and I think we will continue to do similar kind of practice going forward.

Operator [65]

The next question is from the line of [Sanjay Shah] from [ASA Securities].

Unidentified Analyst, [66]

Sir, I would like to understand that what drives the demand of VSF? Does the cotton price or polyester price movement drives or there is a demand aspiration, which influences the price of VSF?

Unidentified Company Representative, [67]

See, that's a good question. Traditionally, the VSF price was driven by one factor. It was the interfiber dynamics. How is the cotton price, how is the VSF price and how is the polyester price. And depending upon where the price band was, people changed the band ratios. What has changed in India and what we have been doing is the thing we spoke earlier about, the Liva. See, fundamentally what has happened is Viscose is always looked upon as a blending fiber. So you blend with cotton, you blend with polyester. But what we have done is we have tried to use VSF as a fiber of choice by designer. So now what we have done over the last 3 to 4 years and which has spurred the market is giving solutions in VSF which earlier have been given in cotton or polyester. So -- and that has changed the whole growth. So -- and as you've seen, the whole growth rate, you see this 24% growth has not come because of the interfiber dynamics. It has come because we have been able to make people move away from other fiber. So it is very important to clear the shift. The whole strategy about Liva is that through a branded garment or a branded fabric, by giving them a better solution and working on the value chain. And like what happens if people say that we are not -- we have to shrink. And we have been able to change our technology processing to give a low shrinkage or a better filling, so that in other words, which we have -- so we are no longer a fiber seller. We work with the whole value chain to give them solutions in VSF which can be as good as with other fibers and that has changed the market. So if you look at the VSF market in India, for 10 years, it was stagnant. Last quarter, it went up, 12% to 14% CADI. So there are multiples every year then, so you're absolutely right, it is we have to engineer a demand.

Unidentified Company Representative, [68]

Actually, we had some -- a little bit of a offline discussion when we had took some of you to our plant location, and what we will do is we'll actually do another session for your benefit to have a slightly better understanding of how does this Liva and what the product development activities which we are doing at our company level and how these demands are kind of slightly better in India vis-à-vis rest of the places. So I think it would be good for all of you to have similar exercise again, where we'll explain some of these stuff, which is important for you to understand from an investor community point of view.

Unidentified Analyst, [69]

That's appreciable. And sir, my second question is regarding caustic soda that we are increasing the capacity by 2019 or 2020. The capacity and vis-à-vis the capacity of VSF, then I think the 100% utilization of caustic soda will go to VSF. Am I right?

Unidentified Company Representative, [70]

So the expansions are happening at different places. So you know in caustic, 200 tpd expansion is happening in Vilayat, whereas the other expansion is happening in the East. East, does mean -- the assuming is not VSF. So we would be for non-VSF applications this other expansion will go to, other expansion that capacity will go to.

Unidentified Analyst, [71]

So but -- then by 2022, '23, when we'll have full capacity expanded of VSF, then do we require more capacity expansion of caustic soda?

Unidentified Company Representative, [72]

See, the 1,000 tpd at Vilayat, what we are having, what we'll expand into next couple of months, that will be enough for the expanded capacity of VSF.

Operator [73]

(Operator Instructions) That was the last question. I would now like to hand the conference back to the management team for closing comments.

Unidentified Company Representative, [74]

Thank you so much. And again, sorry for the late start of the call. And as I said, if there are more questions, we'll take offline, and we'll set up another session for you to understand slightly better on this whole Liva strategy what we are doing and what are we doing on our product development side at our Viscose business. Thank you so much.

Unidentified Company Representative, [75]

Thank you.