



# Grasim reports financial results for Q3 FY 2012-13

Share **f y** in

31 JANUARY, 2013

						Rup	ees in crore
	Q3 (October – December)				9M (April-December)		
	FY 2012- 13	FY 2011-12		% <b>Change</b>	FY	FY 2011-12	
		Reported	Restated (Note a)	Change	2012- 13	Reported	Restated (Note a)
Net Revenue	6,768	6,300	6,300	7	20,203	17,962	17,962
PBIDT	1,485	1,554	1,488		4,757	4,437	4,346
Net Profit	549	669	634	(13)	1,887	1,839	1,801
Comparable Net Profit (excluding AV Terrace Bay- Note b)	574		634	(9)	1,920		1,801

Given the challenging global and domestic market conditions, the Company has performed satisfactorily, maintaining its PBIDT for the quarter.

# The results for the current quarter are not strictly comparable as:

Financial results of UltraTech Cement, the cement subsidiary, for Q3 FY 2011-12 included subsidies amounting to Rs.86 crore for the earlier period, and

Grasim's proportionate share amounting to Rs.25 crore in the loss incurred by the recently acquired pulp JV, AV Terrace Bay, Canada is included in the current quarter.

Comparable Net Profit for the quarter adjusted for a. and b. above is Rs.574 crore against Rs.634 crore in corresponding quarter.

During nine months, the Company's comparable Net Profit have gone up by 7 per cent from Rs.1,801 crore in last year to Rs.1,920 crore in the current year.

## Viscose Staple Fibre (VSF)

Market conditions for the textile industry, the key consumer of VSF, continued to be challenging. This was compounded by the surplus VSF capacity in China and depressed cotton prices. Despite the difficult environment, sales volumes at 78,579 tonnes have been sustained. However, volumes during the nine months have grown by 14 per cent. Global VSF prices declined sharply by 14 per cent as compared to Q3 last year. The rupee depreciation has reduced its impact in the domestic market to some extent. Higher Caustic prices coupled with lower realization, have led to pressure on margins. The Chemical business, however, benefited from the increase in Caustic prices.



iry onwards till onset of monsoons.



The performance of pulp JVs was adversely affected due to the decline in realisations and volumes. AV Terrace Bay, Canada, the pulp JV acquired in Q2 FY 2012-13 with Grasim holding a 40 per cent stake, commenced operations in October, 2012, as planned. Its losses are expected to be reduced and converted into profit in a phased manner thru' mill upgradation and cost optimization.

#### Cement Subsidiary (UltraTech Cement)

UltraTech has reported satisfactory performance for the quarter. Cement sales volumes were maintained at 10.4 Mn. tonnes as demand remained subdued. Net Revenue stood at Rs.5,164 crore as compared to Rs.4,800 crore, up by 8 per cent. Net Profit for the quarter was at Rs.608 crore as against Rs.598 crore, inclusive of subsidies for the earlier period as explained.

The increase in railway freight and hike in diesel prices led to higher costs of raw materials and logistics. The softening in prices of imported coal and fuel mix optimisation helped in reducing energy costs, though rupee depreciation partially offset the benefit.

#### **Chemical Business**

The Chemical business continued to perform well. ECU realisation remained firm as lower chlorine offtake led to lower industry utilisation. The operating profit, as well as margins, grew.

#### **VSF & Chemical Capex**

At Harihar (Karnataka), having commissioned Phase I expansion in Quarter 2, Phase II (18,250 TPA) expansion is expected to be completed in the current quarter.

The greenfield projects of VSF (120,000 TPA) and Chemical (182,500 TPA) along with captive power plants at Vilayat (Gujarat) are progressing well. On completion by Quarter 1 in the next fiscal, these projects will generate additional volumes and profitability.

Work on Epoxy project (Vilayat) has started and is likely to be commissioned in September 2013.

A major revamp of the VSF plant at Nagda has started which will be undertaken in phases, spread over the next three years.

#### **Cement Capex**

The brownfield expansions at Chhattisgarh and Karnataka totaling 9.2 Mn. TPA are on track. Clinker capacity is expected to be completed by Q1 FY 2013-14. Consequently, UltraTech's cement capacity will stand augmented to 62 Mn. TPA.

#### Disposal of Investments

In line with the Company's long term strategy of exiting from unrelated investments, the Company has entered into agreement to sell its entire holding of 15 per cent unquoted equity shares in Alexandria Carbon Black Co. (ACB) and 2.75 per cent quoted equity shares in Thai Carbon Black Public Company Limited (TCB) to another Aditya Birla Group Company. While the sale of TCB has been completed at market valuation in January, 2013, the sale of ACB shares will be completed shortly at the fair valuation done by the independent reputed valuer.

## Outlook

Given the prevailing global economic conditions, coupled with the surplus capacity in China, the VSF industry is expected to remain under pressure for some more time. However, in Cement, the long term demand is expected to grow by an average 8 per cent with housing, infrastructure and allied spending



largins remaining range bound.



Capacity expansions under implementation in both VSF and Cement will provide additional volumes, driving growth and further consolidation of the Company's leadership. The Company will continue to focus on cost reduction measures and improving asset productivity to maintain its position as the lowest cost producer creating shareholder value.

#### **Cautionary Statement**

Statements in this "Press Release" describing the Company's objectives, projections, estimates, expectations or predictions may be "forward looking statements" within the meaning of applicable securities law and regulations. Actual results could differ materially from those express or implied. Important factors that could make a difference to the Company's operations include global and Indian demand supply conditions, finished goods prices, feedstock availability and prices, cyclical demand and pricing in the Company's principal markets, changes in Government regulations, tax regimes, economic developments within India and the countries within which the Company conducts business and other factors such as litigation and labour negotiations. The Company assumes no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.



Grasim Industries Limited, part of the Aditya Birla Group, ranks amongst the top publicly listed companies in India

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