

Grasim reports financial results for Q3 FY 2014-15

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Improved profitability on robust volume growth across Businesses

Grasim Industries Limited, an Aditya Birla Group company, announced its results for the third quarter of FY2014-15.

Consolidated financial performance

The implementation of growth plans has led to a significant capacity increase in both the Viscose Staple Fibre (VSF) and Cement Businesses. At the greenfield VSF project at Vilayat, 99K tpa capacity has been commissioned during the year. With the acquisition of Jaypee cement units in Gujarat, the cement capacity increased by 4.8 mn tpa. Cement grinding capacity of 1.4 mn tpa went on-stream in Karnataka. The 182,500 tpa caustic soda plant and 51,500 tpa epoxy plant commissioned last year are also being ramped up.

Consequently, the company’s financial performance has been encouraging.

Rupees in crore

	Quarter ended	% Change	
	31.12.2014	31.12.2013	
Net Revenue	8,036	7,117	13
PBIDT	1,260	1,143	3%
PAT	334	332	-

Net revenue and PBIDT grew by 13 per cent and 10 per cent respectively. PAT was maintained even after providing for additional interest and depreciation cost on the acquired cement units. The company is on track to ramp up the operations and achieve targeted efficiencies at these units as anticipated, to deliver planned profitability.

Viscose staple fibre

Production of VSF at 105,834 tonnes has gone up by 15 per cent, with commissioning of the plant at Vilayat. Steep fall in the price of cotton and PSF led to further pricing pressure on VSF. This has resulted in lower PBIDT, partially offset by higher share of value added products and lower pulp cost.

VSF business capex

In January 2015, the company commissioned Line 3 (22K TPA) at the greenfield VSF project at Vilayat. Trial run is on for 4th line (22K tpa). Post this expansion, total VSF capacity will rise to 498K tpa.

Chemical business

In the Chemical Business, caustic production grew by 40 per cent to 106,332 tonnes with the Vilayat plant reaching 90 per cent utilisation. The new epoxy plant has achieved 57 per cent utilisation. The ECU realisation softened in line with international prices creating pressure on operating margins. With higher volumes, PBIDT was up by 16 per cent at Rs.67 crore.

Cement subsidiary (UltraTech Cement)



is compared to Rs.5,170 crore in the corresponding quarter of the previous year. On-going cost optimisation measures helped contain costs. PBDIT was higher at Rs.1,058 crore and profit after tax was Rs.400 crore vis-à-vis Rs.928 crore and Rs.395 crore respectively.

Acquisition of cement units of Jaiprakash Associates

UltraTech Cement Limited has entered into a definitive agreement to acquire two units of Jaiprakash Associates Limited in Satna cluster having a capacity of 4.9 mn tpa with 180 MW power plants. This will propel the Cement Business capacity in India from ~60 mn tpa to ~ 65 mn tpa. On completion of the brownfield expansion under implementation, domestic capacity will increase to ~71 mn tpa in 2016. The units proposed to be acquired have surplus clinker capacity to augment cement capacity by a further 1.8 - 2.5 mn tpa with investments in grinding units.

In exchange of the above business, UltraTech shall issue non-convertible debentures worth Rs.4,538 crore and non-convertible preference shares worth Rs.10 lakh and shall take over Rs.626.5 crore of debt and negative working capital of Rs.160.5 crore.

The transaction is subject to the approval of shareholders and creditors, sanction of the Scheme of Arrangement by the High Courts, approval of the Competition Commission of India and other statutory approvals.

Outlook

The VSF sector will continue to face head winds for some more time due to the over capacity and sharp reduction in price of cotton and polyester. The slowdown in new capacity additions in China should lead to an improvement in industry utilisation which augurs well for the company. The focus on cost optimisation will continue relentlessly. The new plant at Vilayat with higher share of speciality product should help in facing the challenge.

In cement, demand growth in the long term is likely to be over 8 per cent. The key drivers will be revival of infrastructure projects supplemented by regulatory reforms and improvement in housing demand with the interest rate cut. The company with its existing and proposed capacity is well placed to benefit from the accelerated growth in the sector.

With additional capacity coming on stream in both the businesses, the company will further consolidate its leadership position. Grasim is well-poised to benefit from the expected upturn in the economy.

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.

