

Grasim Industries Limited announces its unaudited financial results for the quarter ended 30 June 2019

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14 AUGUST, 2019

Consolidated Financial Results

	Rupees in crore			
	Q1 FY20	Q1 FY19	YoY	Q4 FY19
Net Revenue	18,861	16,761	13%	20,965
EBITDA	4,217	3,212	31%	3,786
PBT (Before Exceptional item)	2,814	2,080	35%	2,619

Consolidated revenue for the quarter stood at Rs.18,861 crore. Consolidated EBITDA at Rs.4,217 crore recorded a growth of 31 per cent YoY and PBT (Before Exceptional item) was up by 35 per cent YoY to Rs.2,814 crore driven by excellent performance of the company’s subsidiaries, UltraTech Cement Limited and Aditya Birla Capital Limited.

At standalone level, there has been volume growth in both VSF and Caustic Soda, however, profitability was impacted due to global softening in prices.

Viscose business

The VSF business has posted good operating performance with production and sales volume of 140KT and 138KT respectively recording an increase of 4 per cent and 5 per cent YoY.

The net revenue for the quarter stood at Rs.2,509 crore. EBITDA for the quarter stood at Rs.442 crore (up 7 per cent on QoQ basis). Profitability was impacted on YoY basis as the Chinese VSF prices saw a sharp decline of ~21 per cent YoY and ~8 per cent QoQ. This was on account of new capacities commissioned in recent past (CY2018) and the negative impact of US China Trade War. Profitability was further impacted due to currency depreciation which partly offset the gains of reduction in pulp prices which is currently trending downwards. With our better product and market mix we have been able to contain the impact of the adverse global conditions.

Taking forward the tremendous success of the company’s popular VSF brand ‘Liva’, the brand has been extended to the new product line of sarees. The company is working with its value chain partners to make ‘LIVA’ sarees as popular as the ‘LIVA’ tagged garments in the women’s wear segment.

Today, Liva partners with over 40 retail brands and is available across 3,500 outlets in Exclusive Business Outlets and Large Format Stores in addition to many more MBOs in 250 cities of India.

On the sustainability front, through the focused water management efforts, the business has been able to bring down the water consumption by over 50 per cent in last three years and by more than 15 per cent since FY19 at multiple sites. The VSF business is now the lowest water consumer globally. This initiative has also helped in maintaining continuity of operation at Nagda plant, which in the past faced a prolonged shutdown during the peak summer season.

The production ramp up of the of the 3rd generation value added speciality fibre line of 16 KTPA at Kharach (commissioned in May 2019) is progressing well. The plant has achieved 100 per cent designed capacity utilisation during the quarter.



Chemical business

The net revenue for Q1FY20 stood at Rs.1,503 crore and EBITDA stood at Rs.446 crore recording an increase of 3 per cent on QoQ basis. Softening of Caustic Soda prices globally put pressure on prices in domestic markets, which in turn led to lower profitability on YoY basis. Rise in imports and production ramp up of newly commissioned capacities in the industry may continue to have an impact on prices in the near term.

The Caustic Soda sales and production volume for Q1FY20 stood at 238KT and 242KT recording an increase of 1 per cent and 2 per cent YoY respectively. Production was impacted at different sites on account of water shortage and minor disruptions caused by cyclones.

The company's continued focus on specialty chemicals is yielding results with Speciality chemicals including Epoxy resins contributing ~21 per cent EBITDA of the Chemical business.

The company is in the process of implementing Caustic Soda capacity expansion plan from 1,147 KTPA to 1,457 KTPA at multiple locations and the same are in different stages of execution, with side by side expansion of specialty chemical products too.

Capex plan

The total capex plan of ~Rs.7,800 crore (at standalone level) is under execution for raising capacities in both the VSF and Chemical businesses, apart from ongoing modernisation capex at various plants. This capital expenditure will be incurred over FY20-FY22.

Cement subsidiary – UltraTech

UltraTech reported Consolidated Revenue of Rs.10,178 crore up 14 per cent YoY and EBITDA of Rs.2,840 crore in Q1FY20 up 61 per cent YoY. The consolidated sales volume registered an increase of 3 per cent on YoY basis to ~18.8 MTPA.

The Scheme of Arrangement amongst Century Textiles and Industries Limited ("Century"), UltraTech and their respective shareholders and creditors ("the Scheme") has been approved by the National Company Law Tribunal and likely to become effective in Q2FY20 upon receipt of remaining regulatory approvals.

Post completion of this acquisition and with the on-going capacity expansions, UltraTech's cement manufacturing capacity will stand augmented to 117.35 MTPA, inclusive of overseas operations.

Financial services subsidiary – Aditya Birla Capital Limited (ABCL)

The revenue and net profit after minority interest for Q1FY20 (as reported by ABCL) are at Rs.3,646 crore and Rs.270 crore up by 19 per cent and 27 per cent respectively.

The NBFC Lending book (Incl. housing finance) grew 16 per cent YoY to Rs.61,998 crore (Q1FY20).

The Average Assets Under Management at Rs.2,53,965 crore (Q1FY20) are up 2 per cent YoY.

In Life Insurance business, the Individual First year Premium are up 29 per cent to Rs.322 crore in Q1FY20. The persistency ratios witnessed a consistent improvement, the 13th month persistency ratio improved by 591 bps to 78 per cent in Q1FY20.

In the Health Insurance business, gross written premium increased to Rs.143 crore (Q1FY20), 1.9x over the previous year.

Outlook

The VSF business will continue to focus on expanding the market in India by partnering with the textile value chain, achieving better customer connect through its brand LIVA, extensions into new categories and enriching the product mix through a larger share of specialty fibre. VSF continues to be the fastest growing textile fibre globally. However, the new capacities commissioned in Asia in the recent past are expected to create short-term demand supply mismatch and resultant pressure on prices.



w product lines for specialty chemicals will enable significant growth of the business in near future.

The Cement demand growth is expected to be in line with GDP growth. The key long term demand drivers are the Government's pro-growth stance and thrust on infrastructure development, increased plan outlay for social housing program in phase -2 and pick up in rural / urban housing demand with reduction in the interest rates.

In Financial Services, ABCL is a universal financial solution provider catering to the diverse needs of its customers across their life cycle. ABCL is committed to serving the end-to-end financial services needs of its retail and corporate customers under a unified brand — Aditya Birla Capital.

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.



ADITYA BIRLA GROUP

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

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