Grasim Industries Limited announced unaudited financial results for the quarter and half year ended 30 September 2019

Share

14 NOVEMBER, 2019

Consolidated Financial Results

Rupees in crore

	Q2 FY20	Q2 FY19	YoY
Net Revenue	18,430	17,892	3%
EBITDA	3,180	2,972	7%
PBT	1,002	(1,468)	

Consolidated revenue for the quarter stood at Rs.18,430 crore recording a growth of 3 per cent. Consolidated EBITDA at Rs.3,180 crore recorded a growth of 7 per cent YoY and PAT (Before Exceptional items and one time deferred tax benefit) was up by 6 per cent YoY to Rs.639 crore, driven by superior performance of the company's subsidiaries, UltraTech Cement Limited and Aditya Birla Capital Limited.

At the standalone level, profitability was impacted due to global weakening in prices of VSF and caustic soda.

Viscose business

In the VSF business production and sales volume recorded an increase of 8 per cent and 5 per cent YoY to 148KT and 142KT respectively.

The net revenue for the quarter stood at Rs.2,431 crore and EBITDA for the quarter stood at Rs.381crore. The global prices of VSF softened further on account of significant capacity additions in China and Indonesia (in last one year) and ongoing U.S.-China Trade war. The Indian VSF prices witnessed a weakening trend driven by a steep 23 per cent YoY correction in the Chinese VSF prices.

The weakness in the domestic VSF realisations impacted this quarter's profitability. The benefit of falling input costs like pulp prices will get reflected in the coming quarters due to inventory time lag.

Our Liva brand for VSF products continues to grow its reach in the domestic market. 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 (Multi-Brand Outlet) in 250 cities of India.

Sustainability has been the core focus area for the company. The business along with its global JVs has been the first one in the industry to be carbon positive on scope 1 and scope 2 emissions.

The 219 KTPA Vilayat Brownfield capacity expansion is progressing well and is expected to be commissioned by FY21.

Chemical business

The net revenue for Q2FY20 stood at Rs.1,347 crore and EBITDA stood at Rs.273 crore. Softening of Caustic Soda prices globally has led to decline in the domestic prices, resulting in lower profitability on YoY basis.

...crease in the imports impacted the company's production.

The Speciality Chemicals (chlorine Value added products) witnessed a consistent operational and financial performance. The share of EBITDA from Speciality chemicals including Epoxy resins stood at ~29 per cent of the Chemical business.

The Caustic Soda capacity expansion plan at Rehla, Vilayat and Balabhadrapuram are at different stages of execution with expansion of specialty chemical products too.

Insulators joint venture

The company has entered into a joint venture with Maschinenfabrik Reinhausen GmbH ("MR") of Germany for the manufacturing and sale of Composite Hollow Core Insulators (CHCI) used in Power Transmission & Distribution industry globally. Aditya Birla Power Composites Limited ("ABPCL") the new JV company, will set up a state-of-the-art CHCI manufacturing plant at Halol (Gujarat) bringing the latest technology for Composite Hollow Insulators from Europe.

Composite Hollow Core insulators is the fastest growing segment of insulators, and improves the performance as well as safety of power equipment. This facility will be the first such large scale plant for this range of products in India and will be the largest such plant outside of China.

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 is expected to be incurred over three years period from FY20-FY22.

Cement Subsidiary - UltraTech

UltraTech reported consolidated revenue of Rs.9,620 crore up 4 per cent YoY and EBITDA of Rs.2,072 crore in Q2FY20 up 33 per cent YoY. The consolidated sales volume stood at ~18.69 MTPA.

UltraTech completed the acquisition of Century Textiles and Industries Ltd.'s cement business, with the Scheme of Demerger becoming effective from 01 October 2019. With this acquisition, UltraTech's cement manufacturing capacity stands augmented to 117.4 MTPA, including its overseas capacity. This makes UltraTech the 3rd largest cement company in the world, outside of China. It is also the only company in the world to have a capacity of over 100 million tonnes in a single country, outside of China.

Financial Services Subsidiary – Aditya Birla Capital Limited (ABCL)

The revenue and net profit after minority interest for Q2FY20 (as reported by ABCL) are at Rs.3,976 crore and Rs.256 crore up by 11 per cent and 37 per cent respectively.

The overall lending book (NBFC and Housing Finance) grew 4 per cent YoY to Rs.60,477 crore (Q2FY20).

The Average Assets Under Management stood at Rs.2,69,393 crore (Q2FY20).

In Life Insurance business, the individual first year premium are up 12 per cent to Rs.423 crore in Q2FY20. The persistency ratios witnessed a consistent improvement, the 13th month persistency ratio improved by 610 bps to 80.2 per cent in Q2FY20.

In the Health Insurance business, Gross written premium increased to Rs.315 crore (Q2FY20), up 78 per cent YoY.

During the quarter, Aditya Birla Capital decided to raise Rs.2,100 crore of equity capital through preferential allotment to marquee investors and the Promoter / Promoter Group entities. The equity capital raised at Rs.100 per share, at a premium over the traded price, reflects the strong confidence in the business.

In pursuance of above, in October 2019, the company invested Rs.770 crore in preferential allotment which has increased its shareholding in Aditya Birla Capital to 56.61 per cent. Post participation from Advent (Jomei Investment) the company shareholding will get diluted to 54.29 per cent. Advent, through

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. 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.

The Chemical business is under an expansion mode for both chlor-alkali and specialty chemicals. The ongoing expansion projects at different sites and new product lines for specialty chemicals will enable significant growth of the business in near future.

On the basis of positive demand seen in North India in Q2 as many parts of North India were not impacted by heavy rains and floods, there is a good possibility of a normalised demand for cement going forward. The Government's firm commitment to revive the economy and the thrust on infrastructure spending augur well for the growth of cement demand. The heavy rains in the country should also prove beneficial for the kharif crop, which should again help revive rural demand. The company with its presence across the country, is the best positioned to take advantage of the revival in cement demand, despite the anomalies that may get created in demand patterns in some parts of the country due to extraneous reasons.

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.

Grasim is incurring capex to increase capacities across its key business lines and is potentially well positioned to leverage the next phase of the economic growth.

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.

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