ADITYA BIRLA GRASIM

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Grasim Industries Limited announces financial results for the quarter and half year ended 30th September 2020

Share

12 NOVEMBER, 2020

- Consolidated Revenue up 35 per cent, EBITDA up 40 per cent, Total PAT up 94 per cent (all on Q-o-Q basis)

- Standalone results equally impressive, witnessing significant increase sequentially

- Capacity utilisation for Viscose and Chemicals businesses edged up to pre COVID-19 levels towards the quarter end

- In a sign of confidence in the recovery, capex guidance for FY21 revised upwards to ₹1,852 crore.

FINANCIAL RESULTS

Rupees in crore

Standalone			Consolidated	
Q2 FY21	**Q1 FY21**		**Q2 FY21**	**Q1 FY21**
3,438	1,940	Revenue	**18,400**	13,611
680	(46)	EBITDA	**3,660**	2,613
360	(269)	PAT	**1,518***	783*

** PAT from continuing operations (before Exceptional Items and before Minority Interest)*

Consolidated Revenue for Q2FY21 stood at ₹18,400 crore unchanged Y-o-Y basis, rising 35 per cent sequentially. Consolidated EBITDA for Q2FY21 increased to ₹ 3,660 crore up 40 per cent Q-o-Q and 15 per cent Y-o-Y respectively. The consolidated PAT from continuing operations (before Exceptional Items and before Minority Interest) for Q2FY21 stood at ₹ 1,518 crore recording an increase of 94 per cent on sequential basis.

Standalone performance witnessed a remarkable improvement, with Revenue and EBITDA rising sequentially to ₹ 3,438 crore and ₹ 680 crore in Q2FY21 from ₹ 1,940 crore and (₹ 46 crore) in Q1FY21. PAT increased to ₹ 360 crore.

The economy has been on the recovery path post relaxation of COVID-19 induced lockdown. It has been a resilient September quarter for Grasim due to strong recovery in demand and the Government working relentlessly to support home grown businesses by injecting doses of fiscal and monetary stimulus on a timely basis.

Viscose Business

, increase in consumer spending, which is expected to get further uplifted with the onset of festive season. The export of Indian textile products by value has also recovered to near pre COVID-19 levels post a sharp downturn in Q1FY21.

The Viscose business has been on the recovery path since the end of Q1FY21 with operating rates rising month on month. The capacity utilization of the VSF business touched ~88 per cent in Q2FY21 from ~26 per cent in Q1FY21and recorded near 100 per cent capacity utilisation exit Q2. The VFY business has also recorded a significant improvement in the operational performance in Q2FY21.

The Chinese VSF industry is showing signs of improvement with a consistent uptick in the operating rates led by resurgence in local demand, lower inventory levels and improvement in realization, all pointing towards a recovery in demand. The steadily widening gap between cotton and Viscose prices has also led to a shift in favour of Viscose, thus contributing to further growth in demand for viscose.

The Net Revenue for the Viscose segment (including VFY) stood at ₹ 1,679 crore after a sharp recovery in the sales volume of VSF and VFY. The EBITDA from Viscose for the quarter bounced back to ₹ 193 crore driven by better sales volume, lower input costs and reduction in fixed costs.

Chemical Business

In the Chemical business, the chlorine derivatives products demand remained strong driven by higher sales of Hygiene products and Disinfectants, Organic intermediates, Agrochemicals and CP segment.

The Caustic Soda production staged a strong recovery in volumes during the quarter, the capacity utilisation improved to 80 per cent in Q2FY21 from 49 per cent in Q1FY21 with end use industries also witnessing recovery in their demand.

The excess supply of caustic soda has resulted in prices weakening to below $250 level (South East Asia). The Net Revenue for Q2FY21 stood at ₹ 1,126 crore and EBITDA stood at ₹ 187 Crore. The EBITDA for chlorine derivatives witnessed a double-digit growth sequentially.

Sustainability

Grasim Industries Limited has been ranked as one of India's Top 10 companies for sustainability and corporate social responsibility 2020 by *ET* and Futurescape 7th Responsible Business Rankings.

Grasim was also ranked among the top 10 companies in India for CSR and Sustainability by the CSR Journal of India.

The VSF business was ranked No.1 globally in Canopy's Hot Button Report 2020 which ranks global viscose producers on sustainable forestry practices/wood sourcing, next generation solutions in alternate feed stocks and supply chain traceability.

Capex Plan

Given the improvement in the business sentiment and the strong financial performance in the quarter, the company has received additional capex approval of ~₹ 237 Crore for Chemical and VFY business. With this additional capex, the Board has approved capex spend of ₹ 1,852 crore for FY21. The capex includes raising capacities in VSF and Chemicals in FY22, apart from ongoing modernisation capex at various plants.

Cement Subsidiary - UltraTech Cement Limited

UltraTech's Consolidated Revenue was at ₹ 10,354 crore, EBITDA of ₹ 2,830 crore and PAT of ₹ 1,234 crore for Q2FY21. The consolidated sales volume stood at ~20.06 MTPA with capacity utilisation at 60 per cent + across its network of 54 plants around the country.

The company's strong quarterly performance is on the back of operational efficiencies and its ability to serve all India markets. UltraTech reported robust operating margins at 27 per cent driven by both revenue growth and tight cost management.

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The 3.4 MTPA capacity addition in Odisha, Bihar and West Bengal has picked up pace and are expected to get commissioned during FY22, in a phased manner.

The 14.6 MTPA cement plants acquired during the previous financial year have been integrated and now the company is investing in improving operations further.

UltraTech expects demand for cement to grow on the back of Governments thrust on infrastructure and the expanding rural economy. The recent policy measures announced by the Reserve Bank of India to support the real estate sector will also aid demand. Given its Pan-India presence, UltraTech is well positioned to benefit from demand recovery across the markets.

Financial Services Subsidiary – Aditya Birla Capital Limited (ABCL)

The Consolidated Revenue of ABCL grew by ~16 per cent YoY to ₹ 4,589 crore. The company, through its subsidiaries, continued consistent delivery of profit, through its diversified business model. The consolidated profit after tax (after minority interest) grew 33 per cent over previous quarter (and 3 per cent year on year) to ₹ 264 crore, marking a move towards normalcy and growth, with continued resilience across businesses.

The NBFC and Housing Finance lending book stood at ₹ 57,592 crore in Q2FY21. The Gross disbursals for NBFC stood at ₹ 2,598 crore (2X Q1FY21) and in Sep-20 they are back to pre COVID level. The Net Interest Margin (Incl Fee Income) for NBFC business is up 50 bps Q-o-Q to 5.32 per cent in Q2FY21.

Overall Domestic AAUM increased by 11 per cent QoQ to ₹ 2,38,674 crore and Equity AUM grew by 13 per cent to ₹ 82,179 crore in Sep-20 sequentially. The PBT/ AAUM increased from 24 bps (Q1FY21) to 27 bps in Q2FY21.

In Life Insurance, Individual First Year Premium (FYP) for H1FY21 grew 7 per cent YoY to ₹ 744 crore ahead of industry; Reduction in opex to premium ratio to 14.5 per cent in H1FY21 from 20 per cent in H1FY20.

In the Health Insurance business, Gross written premium increased to ₹ 550 crore (H1FY21), up 75 per cent YoY.

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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