

Grasim Industries Limited

India's New Growth Story

Quarterly Performance Review
Q3 FY18, 14th February 2018

Our Leadership Businesses



Viscose

No. 1

VSF producer in India

Chemicals

No. 1

Caustic Soda producer in India

Ultratech Cement

No. 1

Cement producer in India

No. 4

producer globally -ex China

Aditya Birla Capital

amongst **Top 5**

Private Diversified NBFCs

amongst **Top 4**

Asset Management Companies

Idea Cellular

amongst **Top 3**

wireless operators in India by
Revenue Market Share*

*Q2 FY18

CONTENTS



Highlights

Financial
Performance

Business
Performance

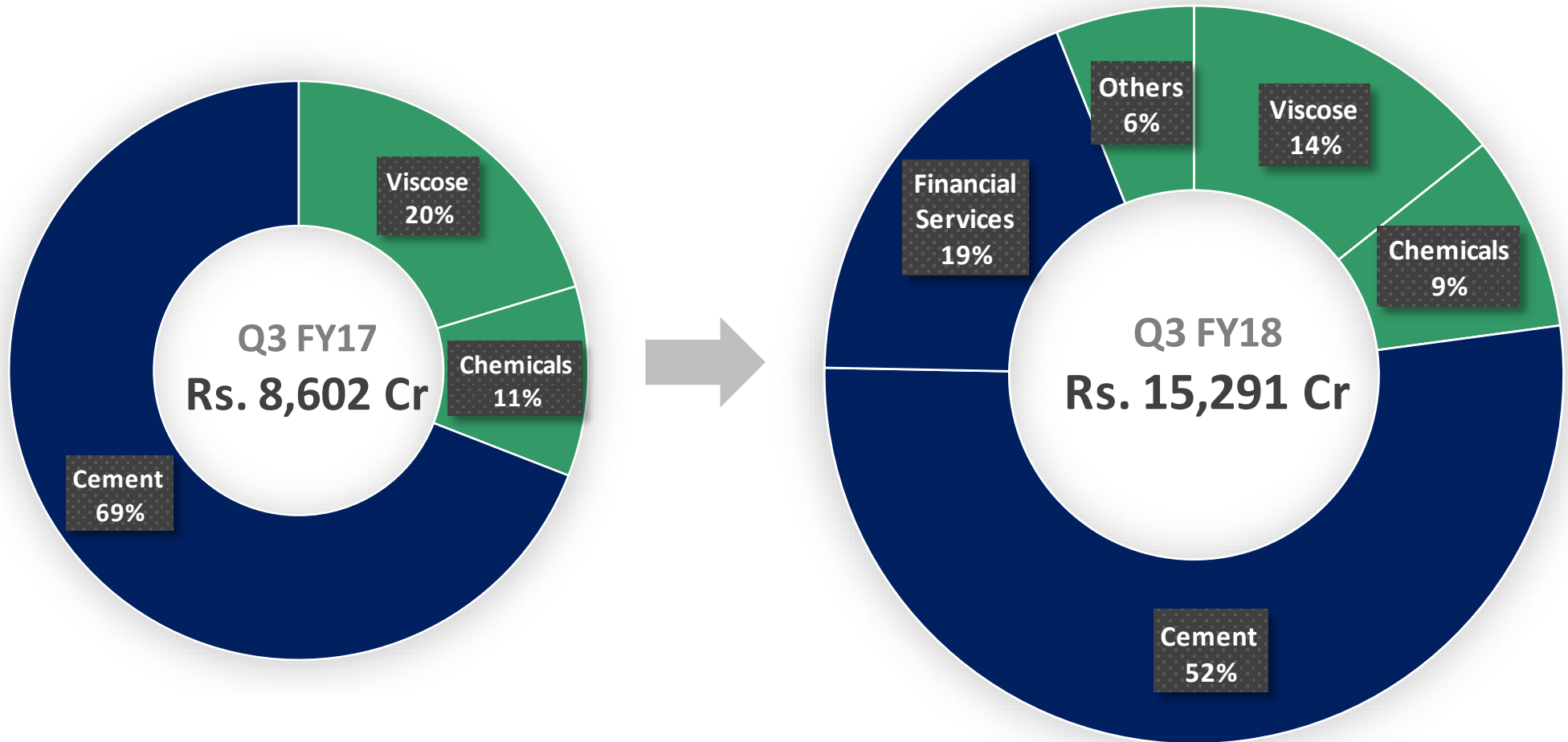
Glossary

VSF: Viscose Staple Fiber, VFY: Viscose Filament Yarn, MT : Metric Ton, K: One Thousand, TPA : Tons Per Annum, YoY: Year on Year Comparison, CY : Current Year, LY : Last Year, YTD : Year to Date, EBITDA : Earnings Before Interest, Tax ,Depreciation and Amortization, ECU : Electro Chemical Unit, ROAvCE : Return on Avg. Capital Employed (Excluding Capital Work In Progress), EBITDA Margin = $\text{EBITDA} / (\text{Revenue} + \text{Other Income}) * 100$; Revenue is net of excise duty unless stated otherwise, Financials from FY16 onwards are as per IndAS.

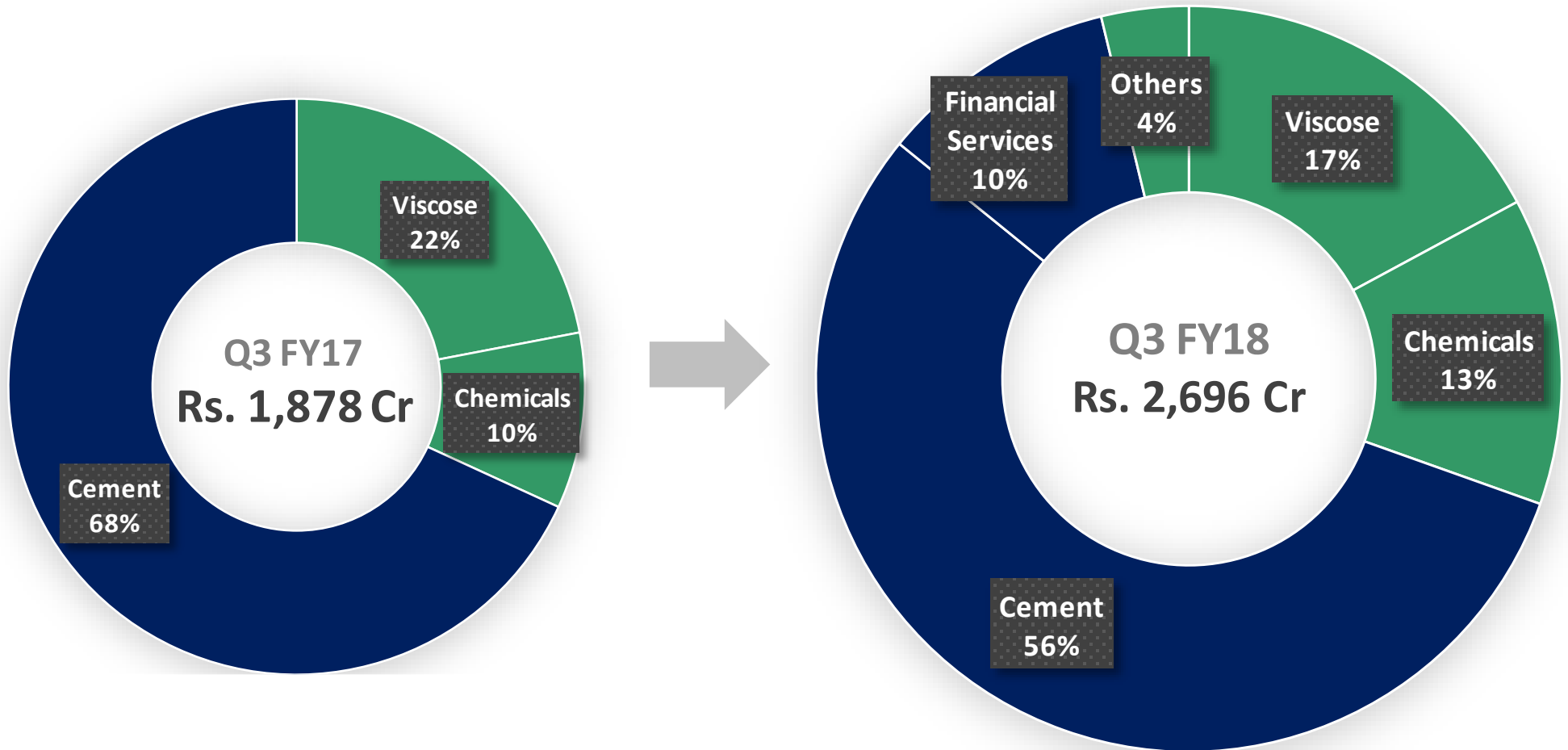
Note: The Results of the Q3 FY18 include the financial results of the businesses of erstwhile ABNL (merged with the Company w.e.f. 1st July, 2017) . Hence the same are not strictly comparable with Q3FY17.

- **Stellar performance at standalone level, Revenues up 75% and EBITDA up 54%**
 - Record VSF sales volume, up 9% yoy
 - Liva brand tagged garments doubled yoy to 17.6 Mn in AW'17
 - Chemical Business reports highest ever quarterly Revenue and EBITDA
 - Focus on Chlorine Value Added Products – new products introduced during the quarter
- **Board approves VSF brown field expansion at Vilayat to meet the growing demand**
 - Project cost of Rs. 3,523 Cr. ; to be commissioned by FY 21
 - Along with on going expansion and debottlenecking the total capacity is projected to increase by ~58% from the current level
- **Strong Balance Sheet net cash surplus of Rs.6 billion at standalone level, post Capex of over Rs.7 Billion during the year (9 Months)**
- **'Right to Manage & Operate' VFY business of Century Textiles for a period of 15 years. Operations under Grasim commenced from 1st Feb 2018**
- **In Cement, overall sales volume growth of 33% yoy, led by Infra and affordable housing demand**
- **Achieved capacity utilization @ 60% (Q3 exit) at acquired cement assets**
- **Strong Growth in financial services led by NBFC and Asset Management Business**

Consolidated Revenue up by **78%** YoY



Consolidated EBITDA up by 44% YoY





Highlights

Financial
Performance

Business
Performance

Results Snapshot Q3 FY18

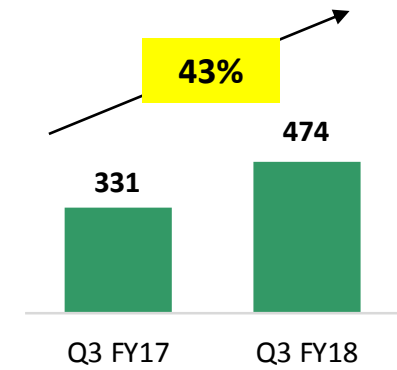
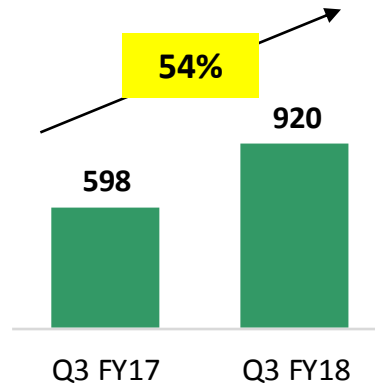
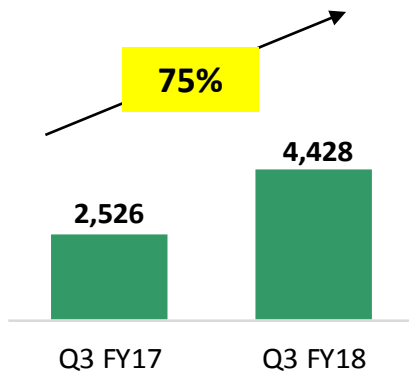


Net Revenue (Rs. Cr.)

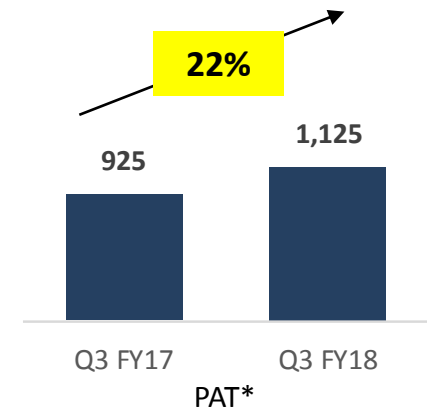
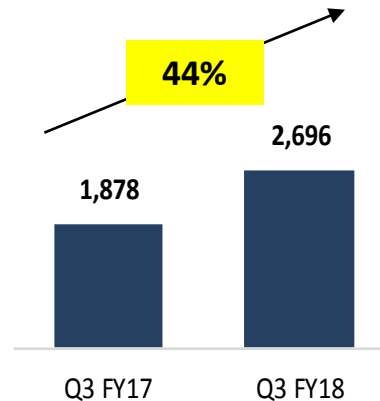
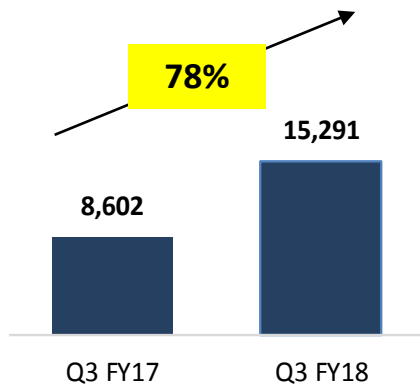
EBITDA (Rs. Cr.)

PAT (Rs. Cr.)

Standalone Financial Performance



Consolidated Financial Performance



*PAT (Before Minority Share, Share in profit/loss of JVs and Associates and profit attributable to participating policyholders of the life insurance business)

Where, Share in profit/(loss) of JVs and Associates: Pulp & Fibre JVs profit Rs.26 Cr (LY: profit Rs.43 Cr) , Idea Cellular loss Rs.359 Cr (LY: loss Rs.18 Cr) , Others profit Rs. 16 Cr (LY : profit Rs.2 Cr). Profit attributable to participating policyholders of the life insurance business Rs.21 Cr. Minority Share Rs. 244 Cr (LY: Rs. 236 Cr)

Consolidated Results Q3 FY18



Particulars	(Rs.Cr.)	Q3 FY18	Q3 FY17	YOY(%)
Net Revenue		15,291	8,602	78
Other Income		232	166	40
EBITDA		2,696	1,878	44
Interest		388	156	149
Depreciation / Amortisation		716	450	59
PBT		1,593	1,273	25
Tax		468	347	35
PAT (Before Minority Share, Share in profit/loss of JVs and Associates and profit attributable to participating policyholders of the life insurance business)*		1,125	925	22
PAT		543	717	-24

*Share in profit/(loss) of JVs and Associates: Pulp & Fibre JVs profit Rs.26 Cr (LY: profit Rs.43 Cr) , Idea Cellular loss Rs.359 Cr (LY: loss Rs.18 Cr), Others profit Rs. 16 Cr (LY : profit Rs.2 Cr). Profit attributable to participating policyholders of the life insurance business Rs.21 Cr. Minority Share Rs. 244 Cr (LY: Rs. 236 Cr)

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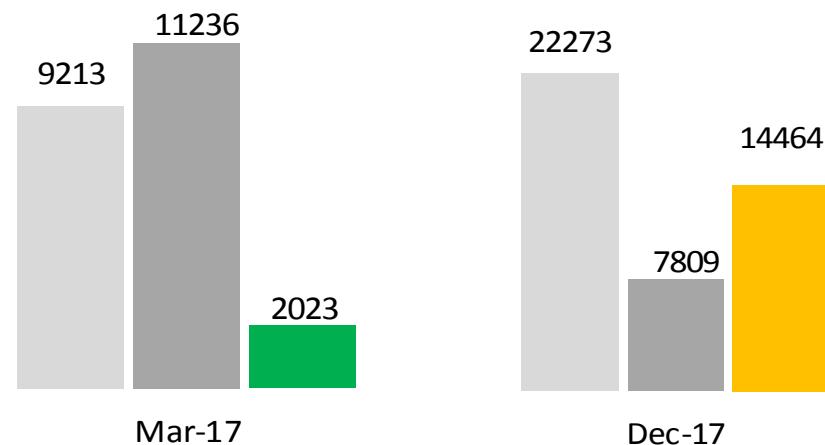
Strong Balance Sheet and Financial Ratios



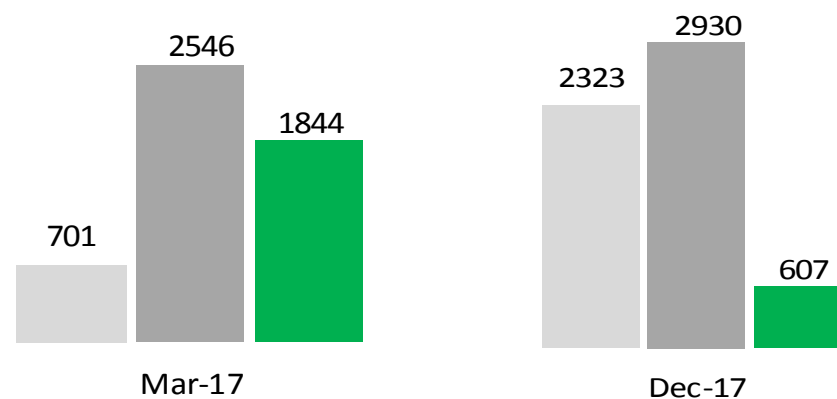
Consolidated Financial Ratios

	31 st Mar 17	31 st Dec 17
Net Worth (Rs. Cr.)	31,387	57,157
Debt:Equity	0.22	0.27
Net Debt: Equity	-	0.18
Net Debt / EBITDA	-	1.40

Consolidated Debt / Surplus (Rs. Cr.)



Standalone Debt / Surplus (Rs. Cr.)



* Net Surplus as on 31.3.2017

Debt Liquid Investment Surplus Net Debt

Capex Plan

Particulars (Rs. Cr.)	Capex (Net of CWIP)	Cash Outflow		Capex spent YTD Dec'17
		FY18	FY19 Onwards	
VSF: Brownfield Expansion (including debottlenecking)	4,325			
Normal Capex (Water supply augmentation & usage reduction, R&D, Environment and Others)	881			
Chemical: Brownfield Expansion (including debottlenecking)	646			
Normal Capex	206			
Other Manufacturing Business (including Century Rayon Rs.62 Cr.)	382			
STANDALONE CAPEX (A)	6,440	1,334	5,106	758
Cement: Capacity Expansion	4,631			
Modernization, Plant Infrastructure, Environment, Upgradation, logistic infra etc.	3,311			
CEMENT CAPEX(B)	7,942	2,315	5,627	1,444
TOTAL CAPEX (A) + (B)	14,382	3,649	10,733	2,202

Our Top Priorities



**Maintain
Leadership position**

**Growing Consumer Facing
High Growth Businesses**

**Cost focus and
Asset Sweating**

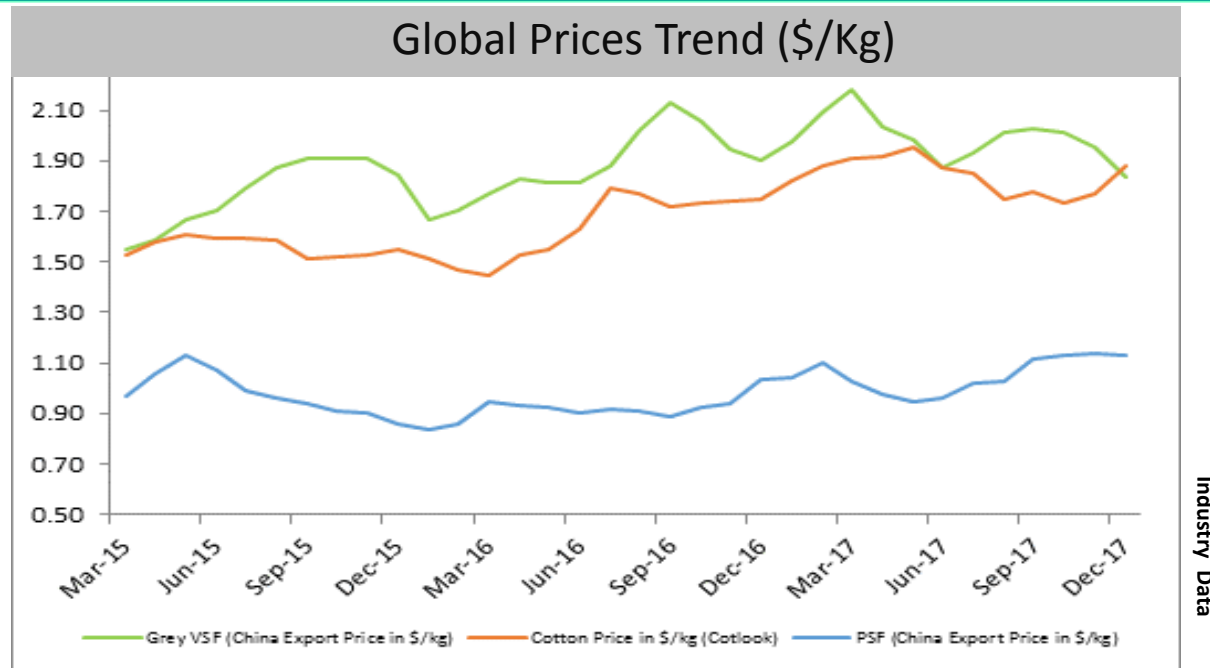
**Robust Risk and
Governance Framework**



Highlights

Financial
Performance

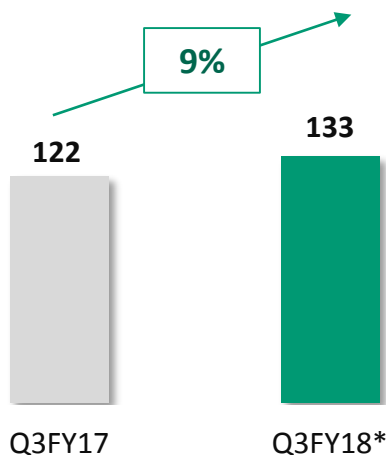
Business
Performance



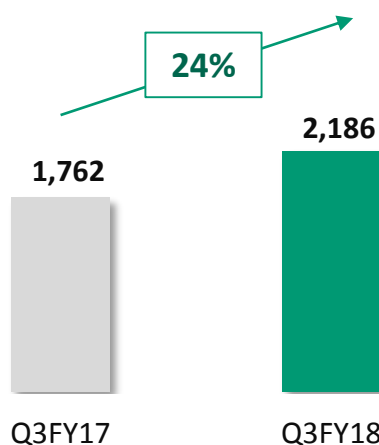
- India demand growth ~8% (+) higher than the global demand by 200 bps (+)
- The onset of winter and the environment related capacity shutdowns in China led to lower operating rate of ~80%
- Buoyant demand for cotton led to lower stock-to-use ratio despite good crop. As a result, prices remained firm
- Global VSF prices may soften in the near term as new capacities are expected to come on stream in China

Business Performance: Viscose

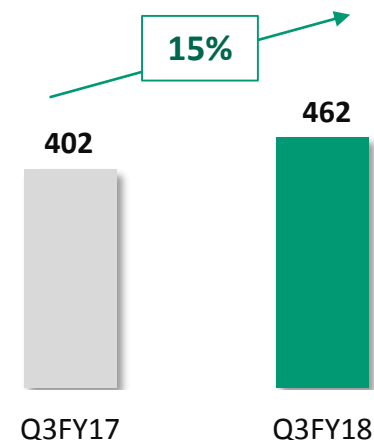
Sales Volume (KT)



Revenue (Rs. Cr.)

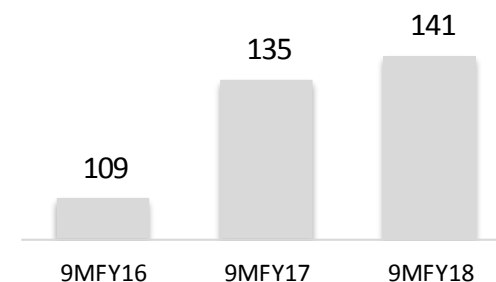


EBITDA (Rs. Cr.)



- VSF sales volumes up by 9% yoy led by strong domestic demand (Share of Domestic Sales in the total sales increased from 63% in Q3 FY 17 to 77% in Q3 FY18)
- Product mix improvement in favour of Specialty (Q3 FY18 34%)
- Significant increase in the input cost (over Rs.100 Cr.) primarily led by Caustic, Sulphur and Energy prices, largely offset by higher realization, higher volumes and better geographic mix

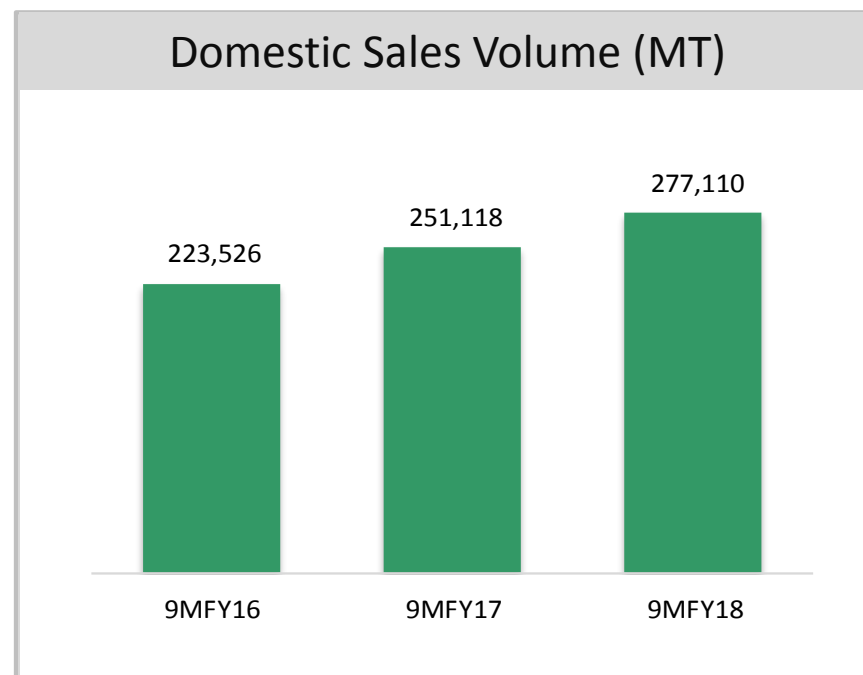
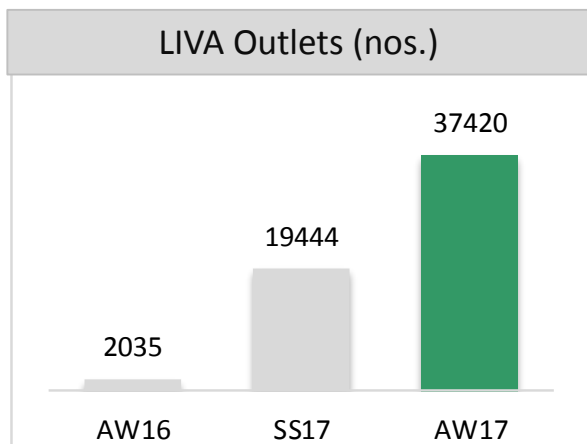
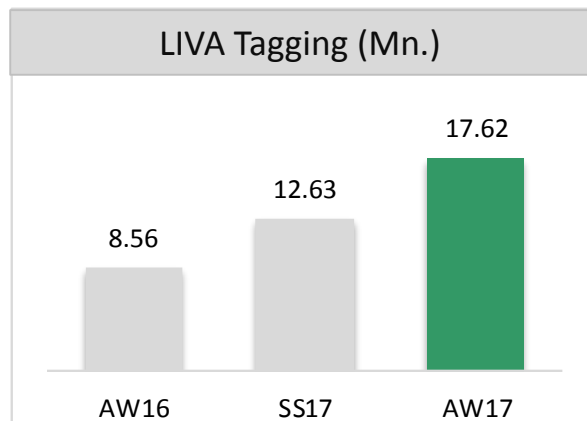
Speciality Sales Volume (KT)



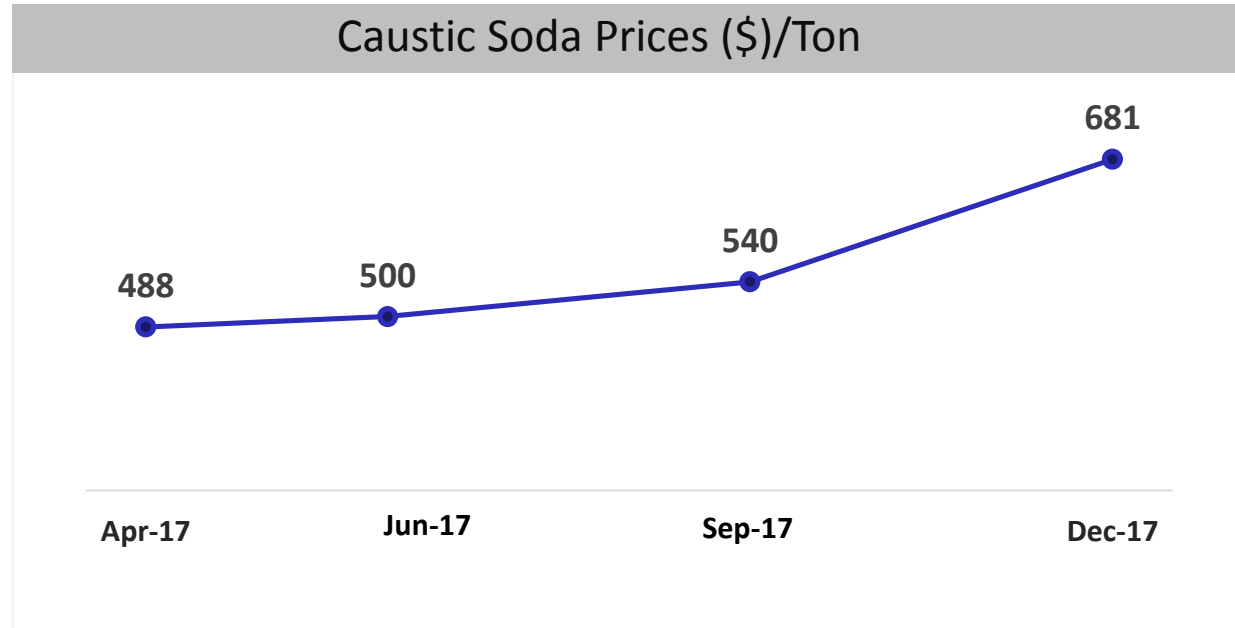
* Q3 FY18 Sales Volumes excludes VFY sale (5KT)

LIVA driving domestic volumes

Continued focus on expanding usage and application of VSF in domestic textile market to bolster the VSF demand in the textile value chain:



- The no. of tagged garments **doubled** YoY in AW17 to 17.6 Mn
- No. of LIVA Outlets multiply **18x** YoY from 2035 in AW16 to 37,420 in AW17

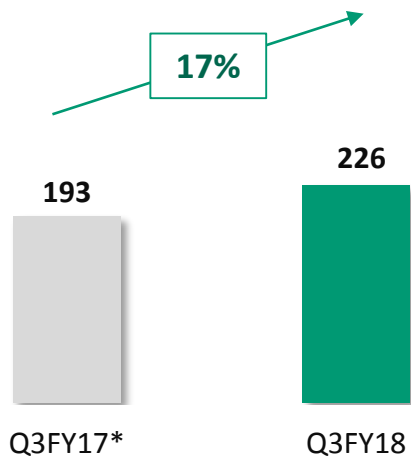


Industry Data; India landed Prices

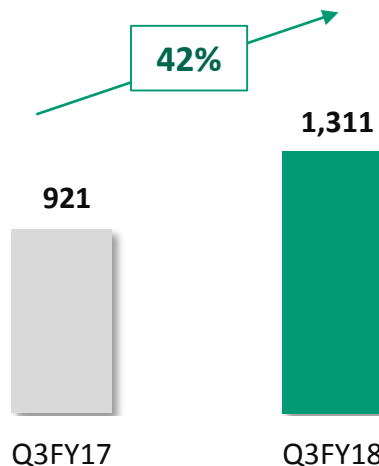
- Firmness in caustic prices driven by supply related issues in China and Europe
- Demand from major consuming segment like alumina expected to remain robust
- Chlorine prices recovered during the quarter but oversupply situation continues
- Increase in Caustic supply expected on account of new capacity additions in the industry

Business Performance: Chemicals

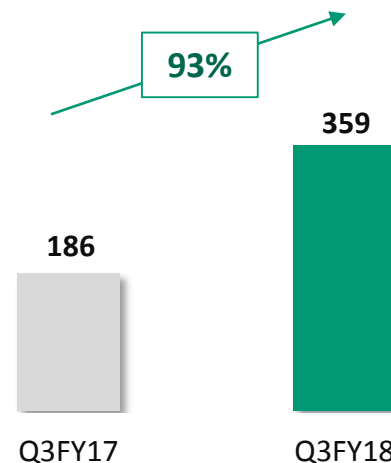
Sales Volume (KT)*



Revenue (Rs. Cr.)#

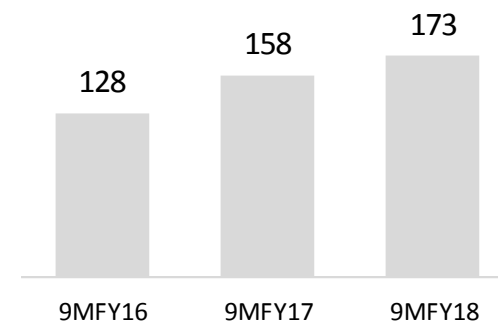


EBITDA (Rs. Cr.)#



- Caustic Soda sales volume up 6% yoy on like to like basis
- Capacity utilization @ 94% is ahead of industry average of 84%
- EBITDA up by 93% yoy, supported by higher ECU realization
- Higher proportion of VAPs in product mix
- Power cost increased 10% YoY basis
- Business focused on the commissioning of the new brownfield capacities

Chlorine used for VAPs (KT)

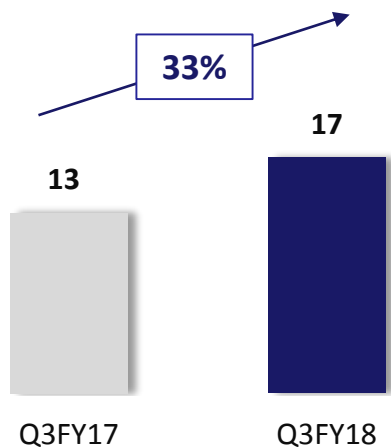


*Sales Volumes are for Caustic Soda only. Q3 FY18 volumes includes Veraval (21KT) on account of merger of ABNL with Grasim w.e.f. 1st July'17 (but not included in Q3 FY17).

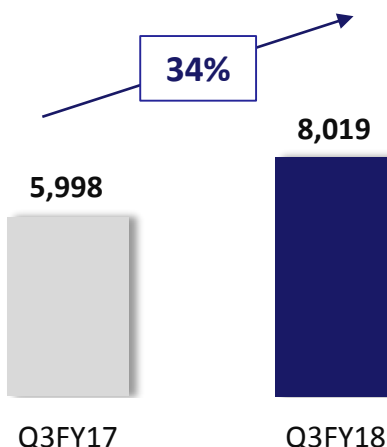
#Revenue and EBITDA are for all products in the chemical segment but excludes Veraval for Q3 FY17

Business Performance: Cement

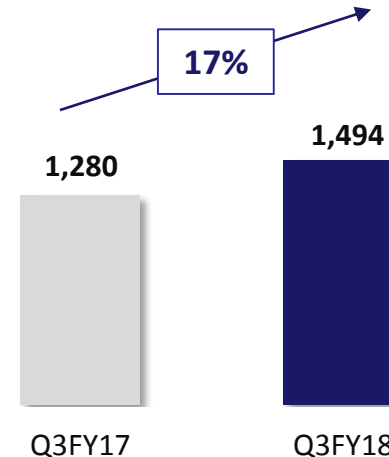
Sales Volume (Mn.MT)



Revenue (Rs. Cr.)

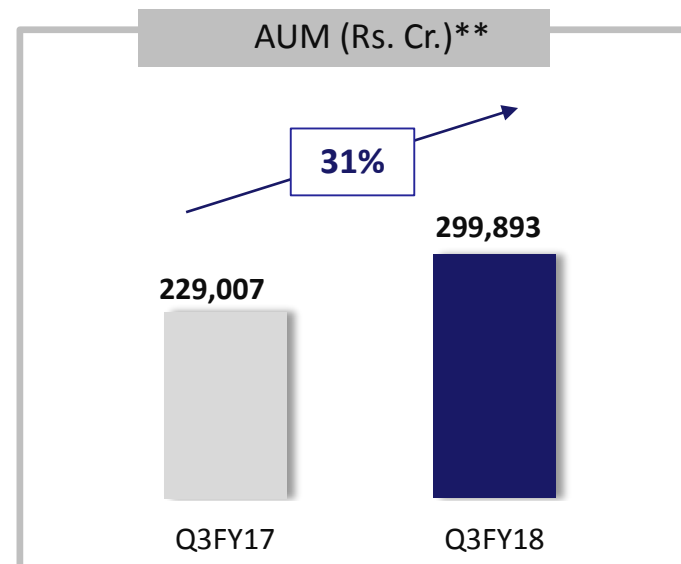
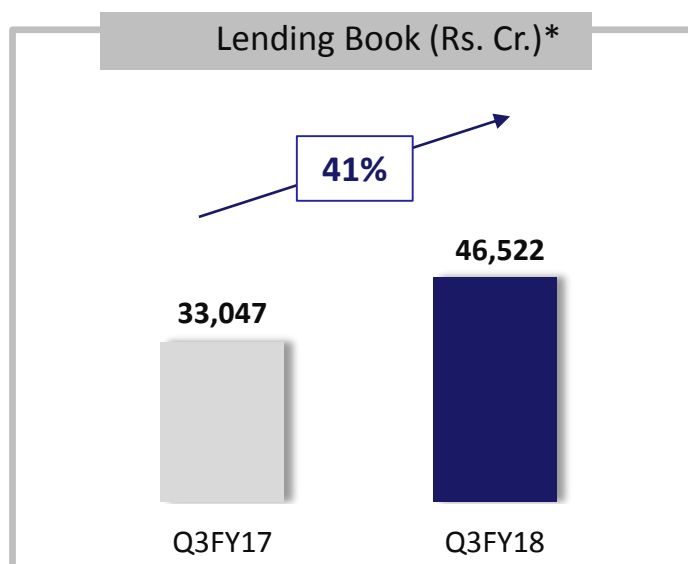


EBITDA (Rs. Cr.)



- Volume up 33% YoY, EBITDA up 17% YoY to Rs.1,494 Cr.
- Logistics cost per ton up by 6% led by higher FOR sales, increase in diesel prices and Energy cost per ton up by 21% led by higher fuel prices
- Acquired assets Q3FY18 exit capacity utilization @60% , realized brand premium across new markets
- Onset of next up cycle: demand to be driven by Infra, rural development, housing PMAY scheme and others

Business Performance: Financial Services



- Revenue Rs. 3,325 Cr. and EBT Rs. 409 Cr. as per IGAAP (Revenue Rs.2,850 Cr. and EBT Rs.267 Cr. as per IndAS included in Consolidated Results)
- Highest ever lending book in NBFC (Rs.39770 Cr.) and Housing Finance (Rs.6752 Cr.)
- Highest ever domestic AAUM market share at 10.8% and highest ever equity market share at 9.2%. 12 funds are now over a billion dollar each
- Life Insurance witnessed an improvement in quality of business and product mix (share of pure protection doubled from 2% to 5% yoy)
- Health Insurance has created significant scale across all channels in 1 year of its launch (Agents-13,299, Tied up with 3,500 hospitals across 509 cities)

Business Performance- Other Businesses



Revenue (Rs. Cr.)

EBITDA (Rs. Cr.)

Fertilizers

643

72

Improvement in urea sales volume led by better demand conditions

Textile

344

12

Visible improvement in the sales volume of Linen yarn and fabric sequentially

Insulator

121

12

Industry witnessed a de-growth led by weak demand for porcelain insulator

THANK YOU

ANNEXURES

Consolidated Financial Performance



Particulars	Quarter 3		% Change	YTD Dec'17		% Change
	2017-18	2016-17		2017-18	2016-17	
Net Sales & Op. Income	15,291	8,602	78	38,783	26,073	49
Other Income	232	166	40	758	678	12
Finance Cost Relating to NBFC/NHFC	746	0	-	1,487	0	-
EBITDA	2,696	1,878	44	7,920	6,190	28
<i>EBITDA Margin (%)</i>	<i>17.4%</i>	<i>21.4%</i>	-	<i>20.0%</i>	<i>23.1%</i>	-
Finance Cost	388	156	149	967	526	84
Depreciation	716	450	59	1,954	1,336	46
Share in Profit of JVs & Associates	(317)	27	-	(578)	131	-
Earnings before Tax	1,276	1,300	(2)	4,302	4,460	(4)
Total Tax	468	347	35	1,459	1,278	14
Less: Profit/(Loss) attributable to participating policyholders of Life Insurance Business	21	0	-	(9)	0	-
PAT	787	952	(17)	2,834	3,182	(11)
Less: Minority Interest	244	236	3	876	789	11
PAT (After Minority Interest & EI)	543	717	(24)	1,958	2,393	(18)
Other Comprehensive Income (After MI)	354	(27)	-	404	542	(25)
Total Comprehensive Income (After MI)	897	689	30	2,363	2,934	(19)
EPS	8.25	15.33	(24)	33.22	51.19	(18)

Standalone Financial Performance



Particulars	Quarter 3		% Change	YTD Dec'17		% Change
	2017-18	2016-17		2017-18	2016-17	
Net Sales & Op. Income	4,428	2,526	75	11,206	7,470	50
Other Income	46	55	(16)	381	443	(14)
EBITDA	920	598	54	2,595	2,073	25
<i>EBITDA Margin (%)</i>	<i>20.6%</i>	<i>23.2%</i>	-	<i>22.4%</i>	<i>26.2%</i>	-
Finance Cost	30	11	177	80	49	61
Depreciation	166	111	50	442	333	33
Earnings before Tax (Before exceptional item)	725	477	52	2,073	1,691	23
Exceptional item	0	0	-	(54)	0	-
Earnings before Tax	725	477	52	2,019	1,691	19
Tax Expense	251	145	72	623	446	40
PAT	474	331	43	1,396	1,245	12
Other Comprehensive Income (after tax)	431	(56)	-	396	560	(29)
Total Comprehensive Income (after tax)	905	275	229	1,791	1,804	(1)
EPS	7.20	7.09	43	23.67	26.63	12

Balance Sheet

Standalone			Consolidated	
31st Dec'17	31 st Mar'17	EQUITY & LIABILITIES	31st Dec'17	31 st Mar'17
45,033	16,231	Net Worth	57,157	31,387
-	-	Non Controlling Interest	26,156	9,702
-	-	Borrowings related to financial services	40,004	-
2,323	701	Other Borrowings *	22,273	9,213
1,725	663	Deferred Tax Liability (Net)	5,370	3,518
-	-	Policy Holders Liabilities	36,593	-
3,766	2,224	Other Liabilities & Provisions	14,091	8,759
52,847	19,819	SOURCES OF FUNDS	201,644	62,580
		ASSETS		
9,828	6,887	Net Fixed Assets	52,116	31,792
994	430	Capital WIP & Advances	4,646	1,650
-	-	Goodwill on Consolidation	16,183	2,994
-	-	Investments:	-	-
2,636	2,636	Cement Subsidiary(UltraTech)	-	-
17,077	-	AB Capital Subsidiary	-	-
7,311	171	Idea Cellular	7,597	1,166
-	-	AMC (JV)	4,820	-
950	849	Investment in other equity accounted investees	1,270	990
2,930	2,546	Liquid Investments	7,809	11,236
5,153	2,795	Other Investments(Hindalco, ABFRL, L&T etc.)	6,505	2,808
-	-	Investment of Insurance Business	12,301	-
-	-	Assets held to cover linked liabilities	25,526	-
-	-	Loans and advances of financing activities	45,961	-
5,969	3,506	Other Assets, Loans & Advances	16,911	9,943
52,847	19,819	APPLICATION OF FUNDS	201,644	62,580
(607)	(1,844)	Net Debt / (Surplus)	14,464	(2,023)

Viscose Business Summary



Particulars		Quarter 3		% Change	YTD Dec'17		% Change
		2017-18	2016-17		2017-18	2016-17	
<u>Capacity</u>							
VSF	KTPA	498	498	-	498	498	-
VFY	KTPA	21	-		21	-	
<u>Production</u>							
VSF	KT	127	131	(3)	387	373	4
VFY	KT	5	-		10	0	
<u>Sales Volumes</u>							
VSF	KT	133	122	9	384	367	5
VFY	KT	5	-		10	0	
Net Revenue	Rs. Cr.	2,186	1,762	24	6,141	5,156	19
EBITDA	Rs. Cr.	462	402	15	1,279	1,095	17
EBITDA Margin	Rs. Cr.	21.1%	22.6%	-	20.7%	21.1%	-
EBIT	Rs. Cr.	388	343	13	1,074	922	16
Capital Employed (Incl. CWIP)	Rs. Cr.	5,759	5,032	14	5,759	5,032	14
ROAvCE (Excl. CWIP)	%	29.0%	29.4%	-	28.9%	26.0%	-

Chemical Business Summary



Particulars		Quarter 3		% Change	YTD Dec'17		% Change
		2017-18	2016-17		2017-18	2016-17	
Capacity*	KTPA	938	840	12	938	840	12
Production*	KT	228	191	20	666	583	14
Sales Volumes*	KT	226	193	17	664	590	12
Net Revenue	Rs. Cr.	1,311	921	42	3,562	2,745	30
EBITDA	Rs. Cr.	359	186	93	889	631	41
EBITDA Margin	%	27.2%	20.1%	-	24.9%	22.9%	-
EBIT	Rs. Cr.	306	137	124	734	480	
Capital Employed (Incl. CWIP)	Rs. Cr.	4,141	3,722	11	4,141	3,722	11
ROAvCE (Excl. CWIP)	%	34.9%	15.4%	-	27.0%	18.0%	-

*Sales Volumes are for Caustic Soda only. Q2 and Q3 FY18 volumes includes Veraval (21KT) on account of merger of ABNL with Grasim w.e.f. 1st July'17 (but not included in Q3 FY17). Revenue and EBITDA are for all products in the chemical segment.

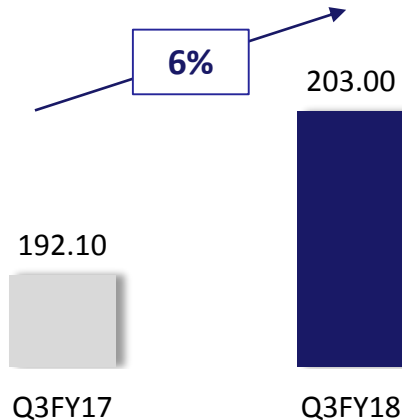
Cement Business Summary



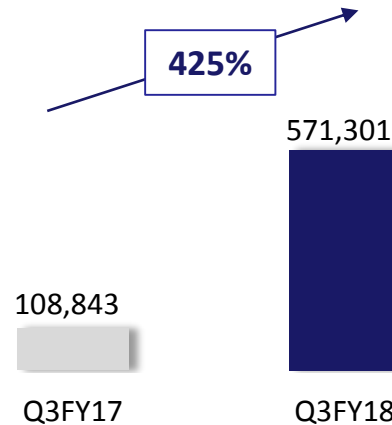
Particulars		Quarter 3		% Change	YTD Dec'17		% Change
		2017-18	2016-17		2017-18	2016-17	
Capacity*	Mn. TPA	89	69	28	89	69	28
Production	Mn. MT	16	12	31	43	37	17
Sales Volumes	Mn. MT	17	13	33	45	39	17
Net Revenue	Rs. Cr.	8,019	5,998	34	21,990	18,355	20
EBITDA	Rs. Cr.	1,494	1,280	17	4,842	4,284	13
EBIT	Rs. Cr.	998	944	6	3,495	3,291	6
Capital Employed (Incl. CWIP)	Rs. Cr.	48,882	35,565	37	48,882	35,565	37

*Excluding capacity under implementation: 11 MTPA

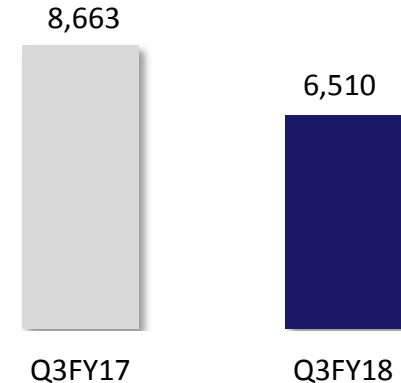
VLR Subscribers (Mn)



Data Volume (Mn MB)

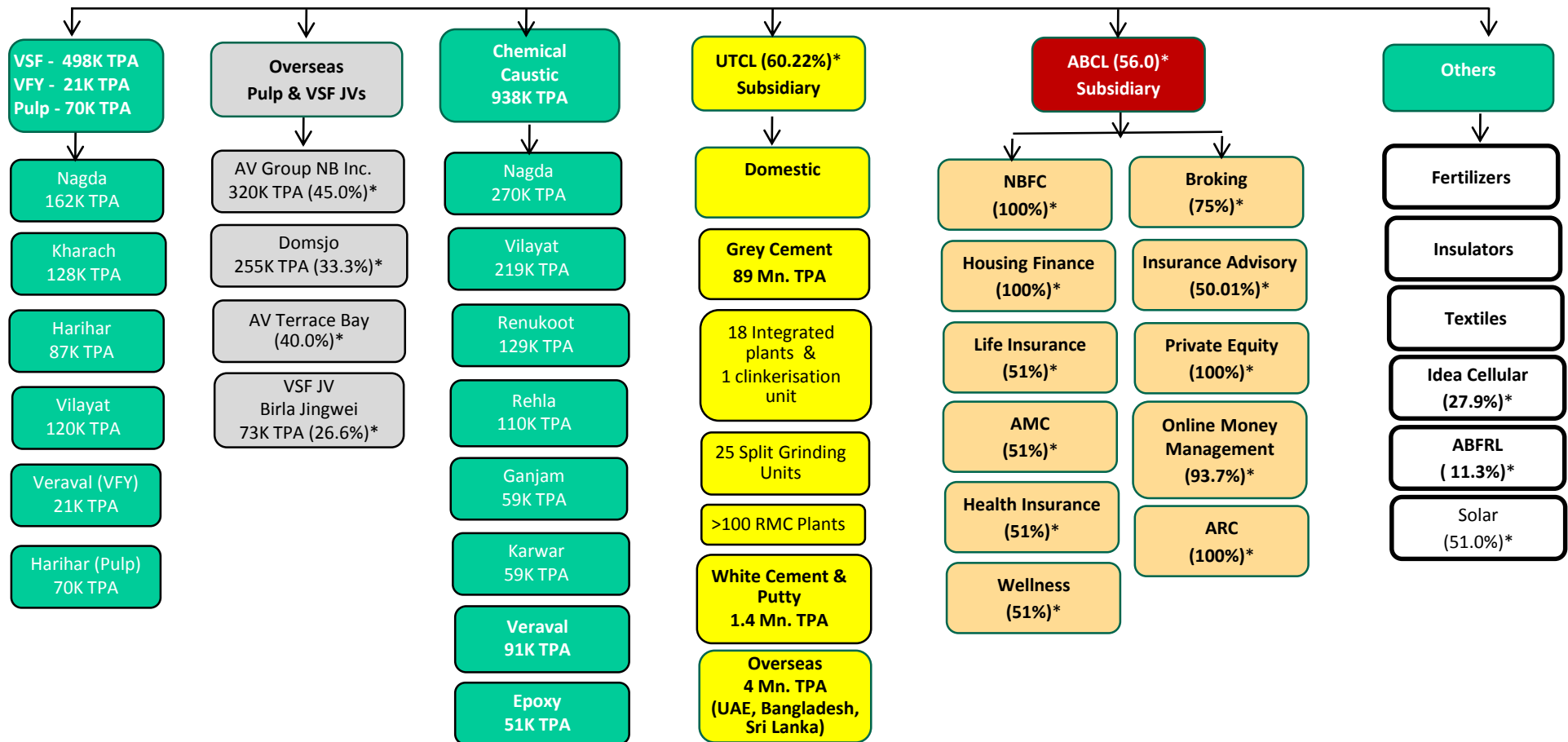


Revenue (Rs. Cr)



- In Q3FY18, company witnessed net customer add of 7.5mn qoq on VLR driven by success in MNP from existing operator, launch of mass market unlimited voice bundled data plans and sustained broad based investing.
- Its data usage per data subscriber has zoomed from 703MB/month (Q3FY17) to 4742MB (Q3FY18)
- Idea is in the process of raising up to Rs.67.5 Bn to strengthen combined entity's balance sheet
 - Of which, Rs. 32.5 Bn has already been raised through preferential allotment to promoters

Grasim: Group Structure



* Equity ownership

Forward Looking & Cautionary Statement

Certain statements in this report may be “forward looking statements” within the meaning of applicable securities laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the company’s operations include global and Indian demand supply conditions, finished goods prices, feed stock 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 assume no responsibility to publicly amend, modify or revise any forward looking statement, on the basis of any subsequent development, information or events, or otherwise.

Country and Year of Incorporation: **India, 1947**

Listing: **India (BSE/NSE) , GDR (Luxembourg)**

Bloomberg Ticker: **GRASIM IB EQUITY , GRASIM IS EQUITY, GRAS LX (GDR)**

Business Description: **Viscose, Chemicals, Cement and Financial Services**

Market Cap (12th Feb) : **Rs. 74,440 Cr. (USD 11.6 Bn)**

Grasim Industries Limited

Quarterly Performance Review
Q3 FY 18, 14th February 2018