

Grasim Industries Limited



**BIG IN
YOUR LIFE**



Earnings Presentation **Q1FY20**

ADITYA BIRLA



GRASIM

BIG IN YOUR LIFE

#1 In Viscose Staple Fibre

#4 In Global DG Pulp Producer[^]

#1 In Caustic Soda & Specialty Chemicals*

#1 In Premium Fabric

60%



Total Market Cap
(June 30, 2019):

INR 1.25 Lakh Crore
(USD 18.1 Billion)

#1 Cement Producer in India

#3 Global Producer (Ex- China)[@]



Market Cap
(June 30, 2019):

INR 60,112 Crore
(USD 8.7 Billion)

56%



Total Market Cap
(June 30, 2019):

INR 20,209 Crore
(USD 2.9 Billion)

Top 3 Asset Management Companies**

Top 5 Private Diversified NBFC

[^]Presence through JV's ^{*}Global leadership in Chlorine derivatives namely Stable Bleaching Powder and Aluminum Chloride and India leadership in Chloro Paraffin wax, PolyAluminium Chloride and Phosphoric Acid ^{**}Excluding ETF [@] Post 4 Mn.TPA expansion and proposed demerger of the cement business (14.6 Mn. TPA) of Century Textiles and Industries Limited into UltraTech

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Key Highlights

Q1FY20: KEY HIGHLIGHTS

- Consolidated Revenue and EBITDA up by 13% & 31% on YoY basis respectively
- Global softening in VSF prices owing to capacity over-hang and US-China trade war
- Globally, VSF continues to be fastest growing fibre with projected 6-7% growth; India demand continues to be buoyant with double digit growth
- Pulp Prices, major raw material for VSF, trending downwards
- Caustic prices impacted due to demand slowdown in Asia coupled with increased imports
- Caustic Soda production partly impacted by monsoon delay and cyclone
- Achieved designed capacity utilization in 3rd Generation Specialty Fibre (16 KTPA)
- Write down of Investment in Aditya Birla Idea Payment Bank
- Further reduction in water consumption, amongst other sustainability initiatives

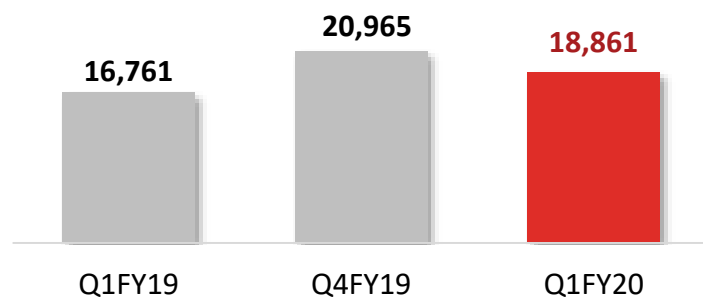


Financial Overview

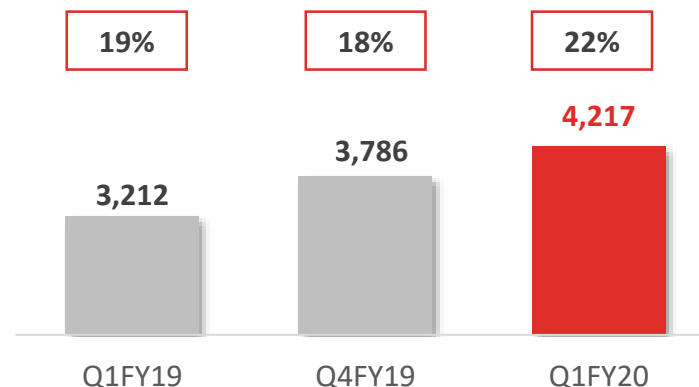
FINANCIAL OVERVIEW

Consolidated

Net Revenue (Rs. Cr.)

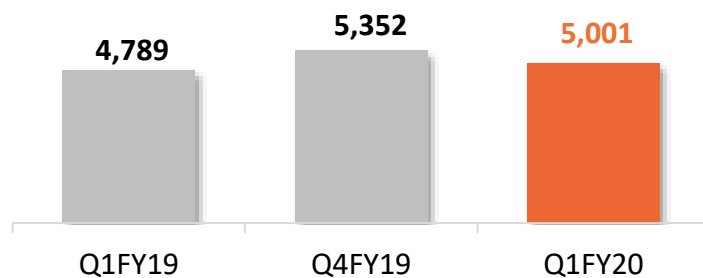


EBITDA (Rs. Cr.)

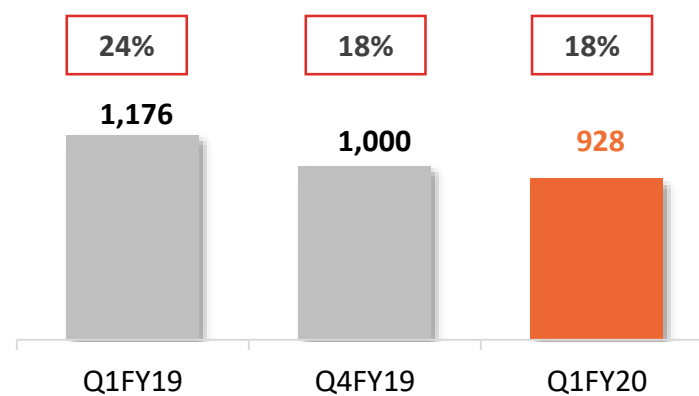


Standalone

Net Revenue (Rs. Cr.)



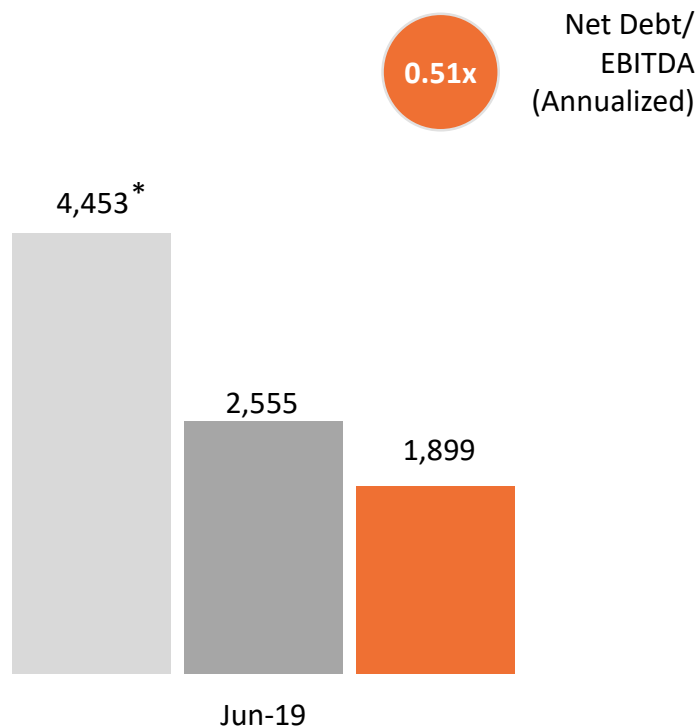
EBITDA (Rs. Cr.)



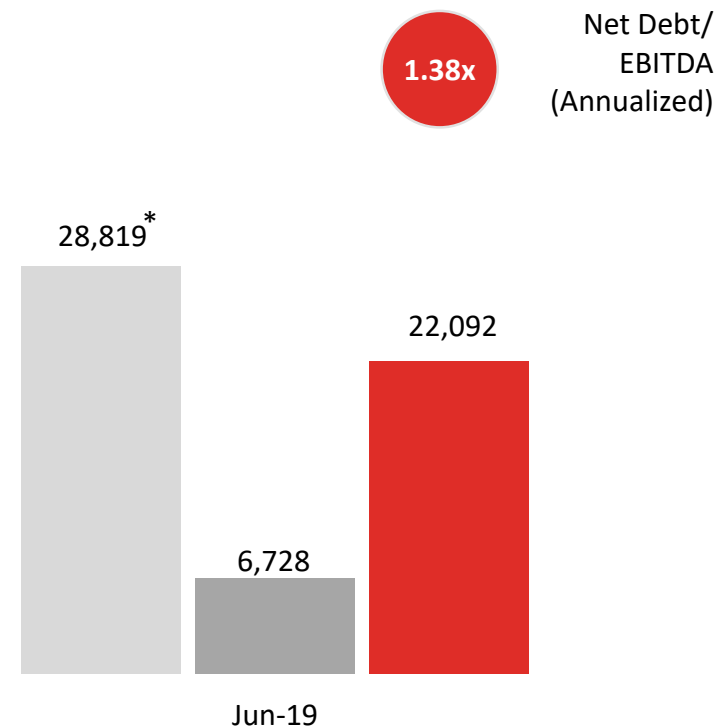
EBITDA Margin (revenue adjusted to include other income)

STRONG BALANCE SHEET

Standalone (Rs. Cr.)



Consolidated (Rs. Cr.)

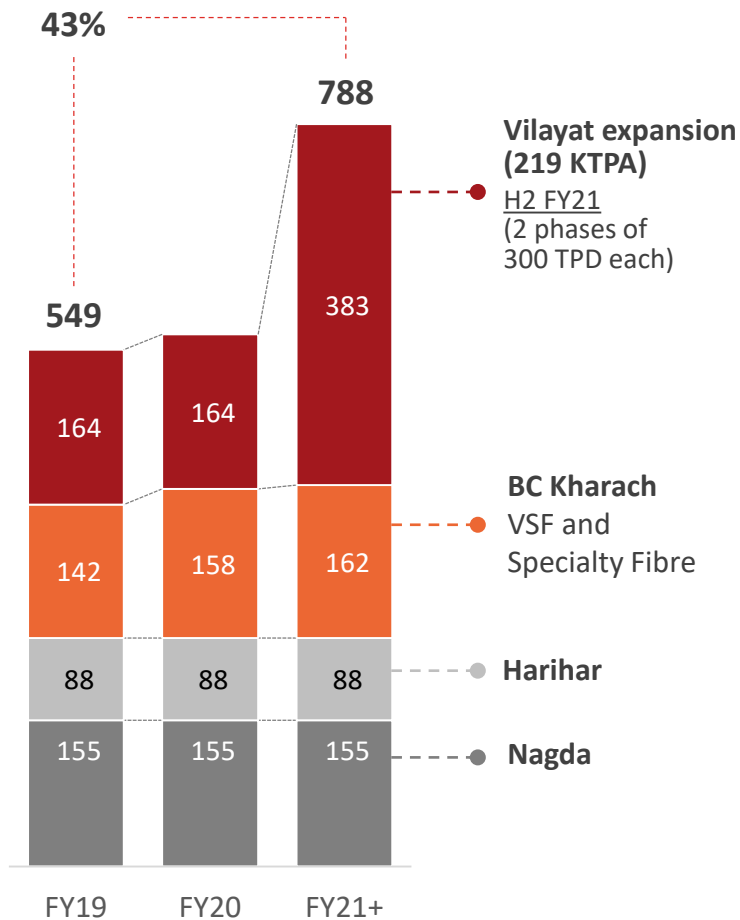


Debt
 Liquid investments
 Net Debt

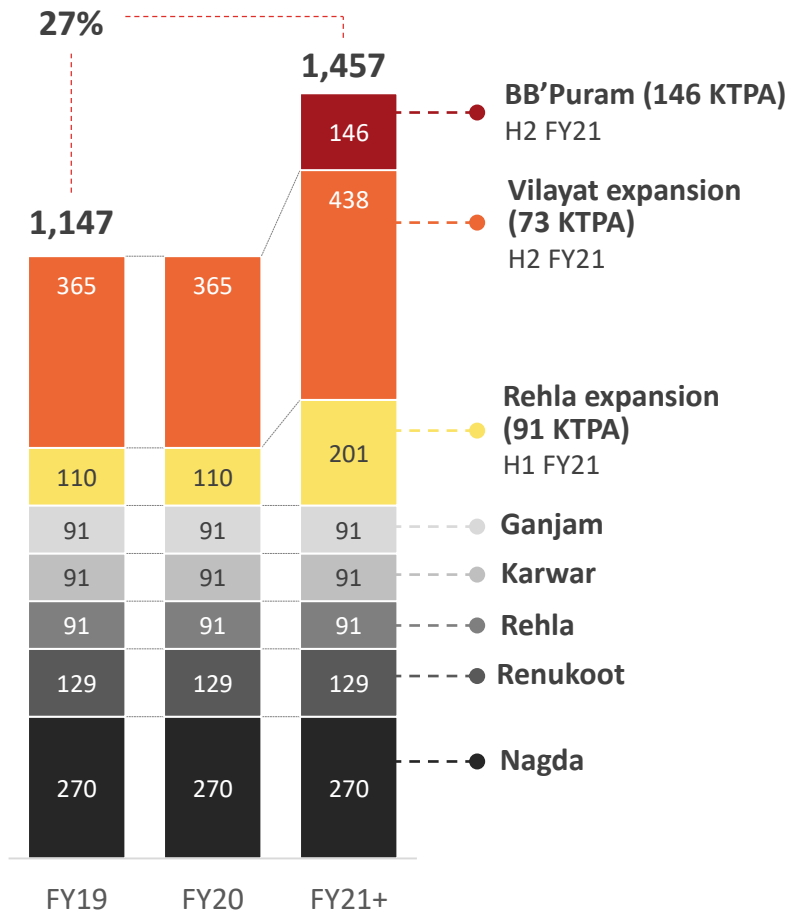
* Includes Lease liability of Rs. 73 Cr. in Standalone debt and Rs. 1,563 Cr. in Consolidated debt due to adoption of Ind AS 116. In light of the above, Standalone & Consolidated EBITDA has increased by Rs. 5.57 Cr. and Rs. 77.86 Cr. respectively.

CAPEX PLAN

VSF Capacity (KTPA)



Caustic Soda Capacity (KTPA)



CAPEX PLAN

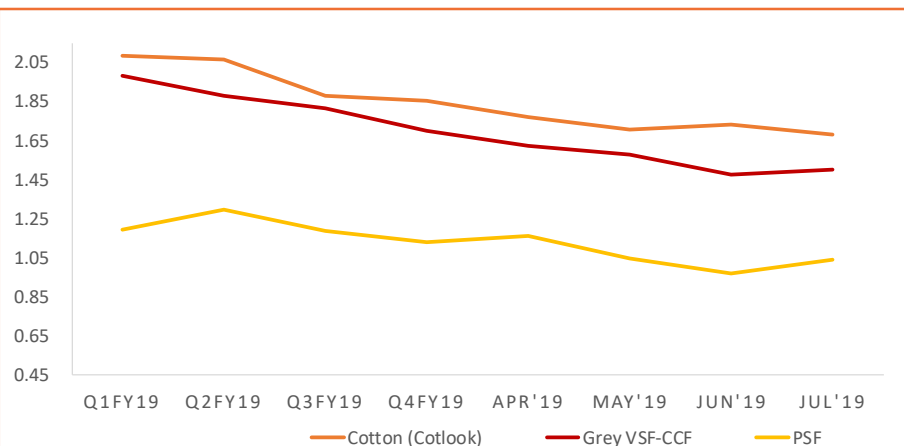
| Particulars (Rs. Cr.) | | Capex (Net of CWIP as on 1/4/2019) | Capex spent | Cash Outflow | |
|-------------------------------------|----------------------|---|----------------|--------------|-----------------|
| | | | Q1FY20 | 9MFY20 | FY21 Onwards |
| VSF: | Brownfield Expansion | 3,279 | | | |
| | Modernisation Capex | 1,108 | | | 3,925 |
| Chemical: | Brownfield Expansion | 1,562 | | | |
| | Modernisation Capex | 1,018 | | 3,422 | |
| Other Manufacturing Business | | 826 | | | |
| STANDALONE CAPEX (A) | | 7,793 | 446 | | |
| Cement: | Capacity Expansion | 3,544 | | | 3,874 |
| | Modernisation Capex | 2,380 | | 1,743 | |
| CEMENT CAPEX(B) | | 5,924 | 307 | | |



Business Performance

VISCOSE INDUSTRY

Global Prices Trend (\$/Kg)



Source: CCF and other industry sources

| Price Movement | YoY (%) | QoQ (%) | June Exit Price (Δ over Q1FY20) |
|----------------|---------|---------|---------------------------------|
| Grey VSF | -21% | -8% | 1.48 \$/Kg (-5%) |
| Cotton | -17% | -6% | 1.73 \$/Kg (0%) |
| PSF | -11% | -6% | 0.97 \$/Kg (-9%) |



Global VSF prices have been softening primarily on account of capacity over-hang which is further accentuated by new capacity in Indonesia



China exports textiles worth ~USD 50bn to the US and US-China trade war is impacting the prices



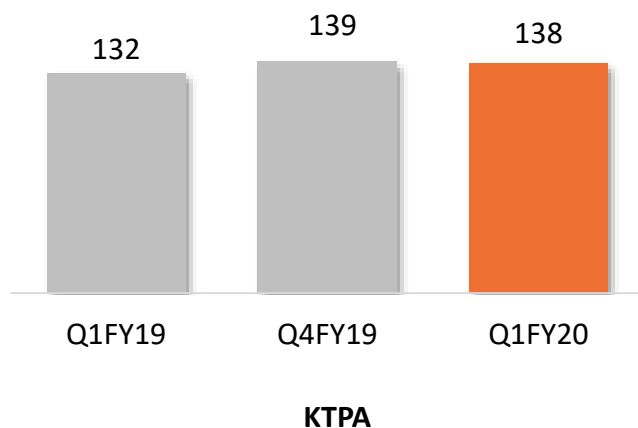
Cotton prices are expected to remain soft on account of US-China trade war, arrival of new cotton crop and projections of higher cotton production in India and globally



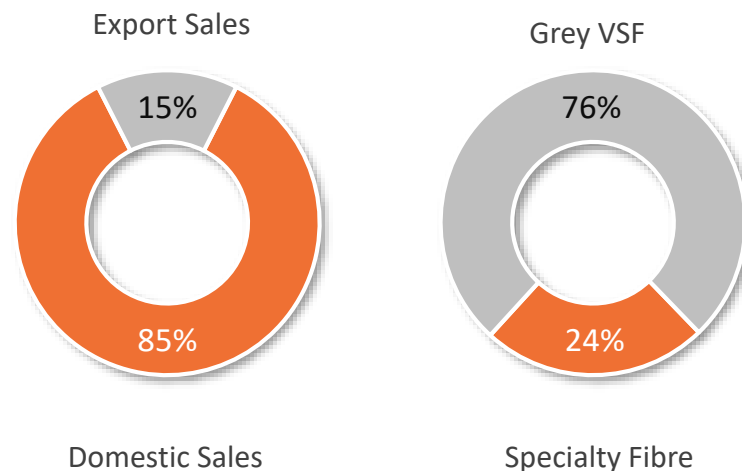
Global VSF demand expected to remain strong with a CAGR growth of ~6%-7% in next 2-3 years with higher growth rate in domestic market

VISCOSE – KEY OPERATIONAL METRICS

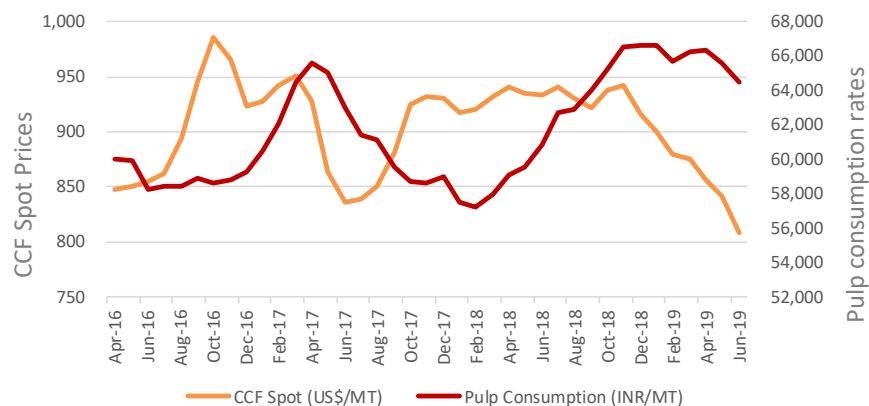
VSF Sales



Sales Volume Mix



Pulp CCF prices vs Consumption Prices



Source: CCF and company data

Base Pulp price are trending downwards with ~12% YoY Correction

Currency depreciation has, however, more than offset the above gains

Given the inventory to consumption time lag, the benefit of lower prices to accrue in subsequent quarter

VISCOSE – KEY SUSTAINABILITY INITIATIVES

1

Further 15%+ reduction in water consumption at multiple sites from FY19 level. Achieved an overall reduction ~51% in last 3 years. Lowest consumption in viscose industry Globally

2

Prudent water management measures at Nagda led to continuity in operations during water shortage

3

Developed molecular tracer that helps in tracing garments to source at any stage supported by blockchain technology

4

Launched Livaeco: An eco enhanced fibre with Low green house emission, low water consumption, fastest bio-degradable and traceable at source: Received positive response from leading global brands

5

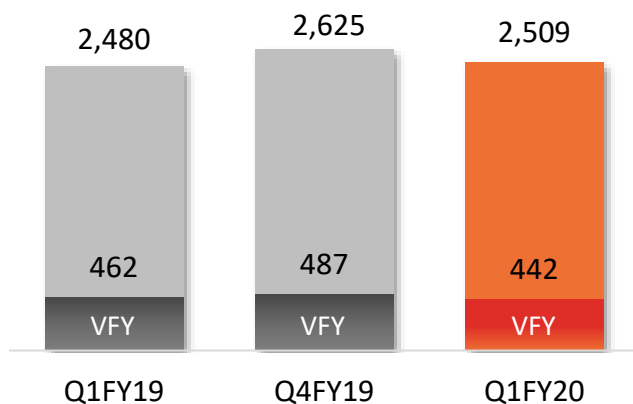
Commissioned 3rd Generation Specialty Fibre line of 16KTPA based on in-house green technology in record completion time

6

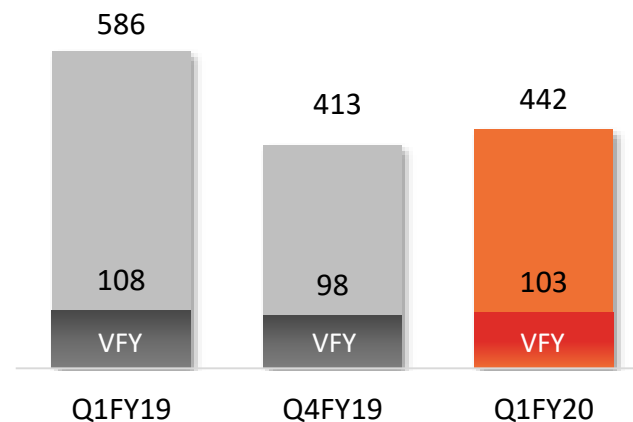
Plans under implementation towards close looping the viscose production to meet the EU norms over next four years

FINANCIAL PERFORMANCE - VISCOSE

Net Revenue (Rs. Cr.)



EBITDA (Rs. Cr.)



QoQ performance is better despite global price softening, led by volume improvement and operational efficiency

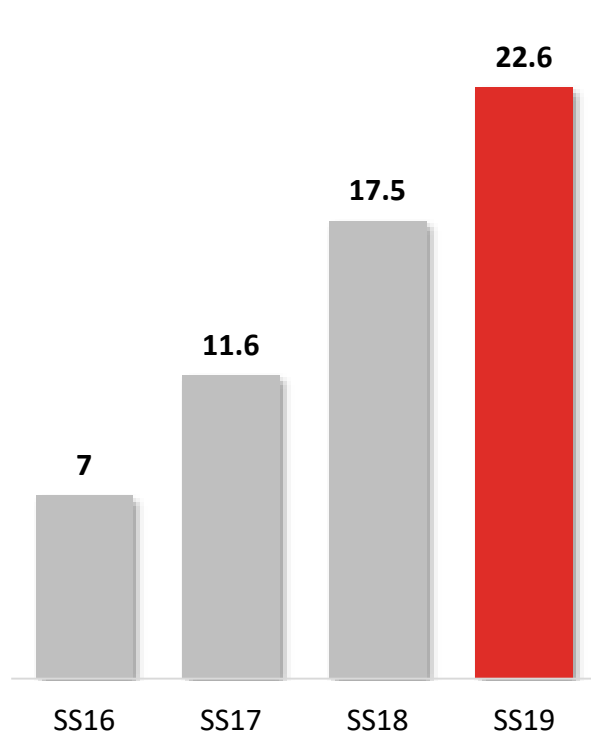
Highest ever quarterly production; Domestic domestic VSF sales volume are up 9% to 118KT (109KT Q1FY19) v/s global average of 3% to 4%

Profitability impacted on YoY basis due to higher pulp cost on account of time lag effect of pulp prices and weaker INR

LIVA: EXPANDING PRODUCT PORTFOLIO

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

LIVA Tagging (Mn.)



40+

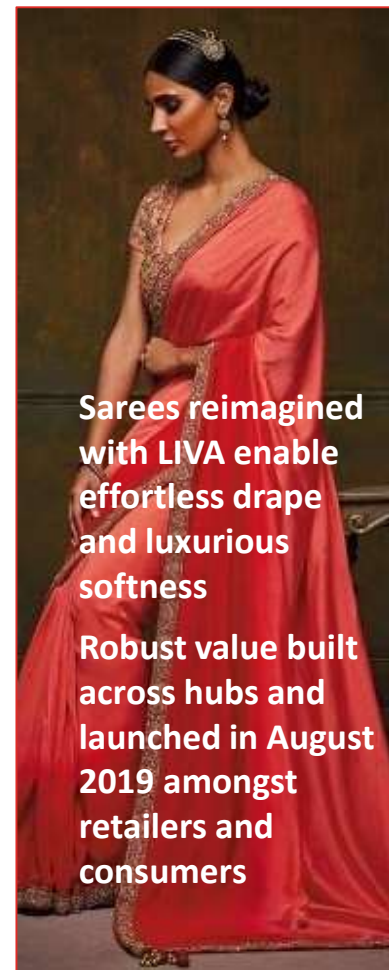
Brands covered

Available in more than 3000+ stores across the Country

LIVA brand extended to Home textiles: **LIVA Home** (post success of LIVA and LIVAcoco)

Sarees reimagined with LIVA enable effortless drape and luxurious softness

Robust value built across hubs and launched in August 2019 amongst retailers and consumers



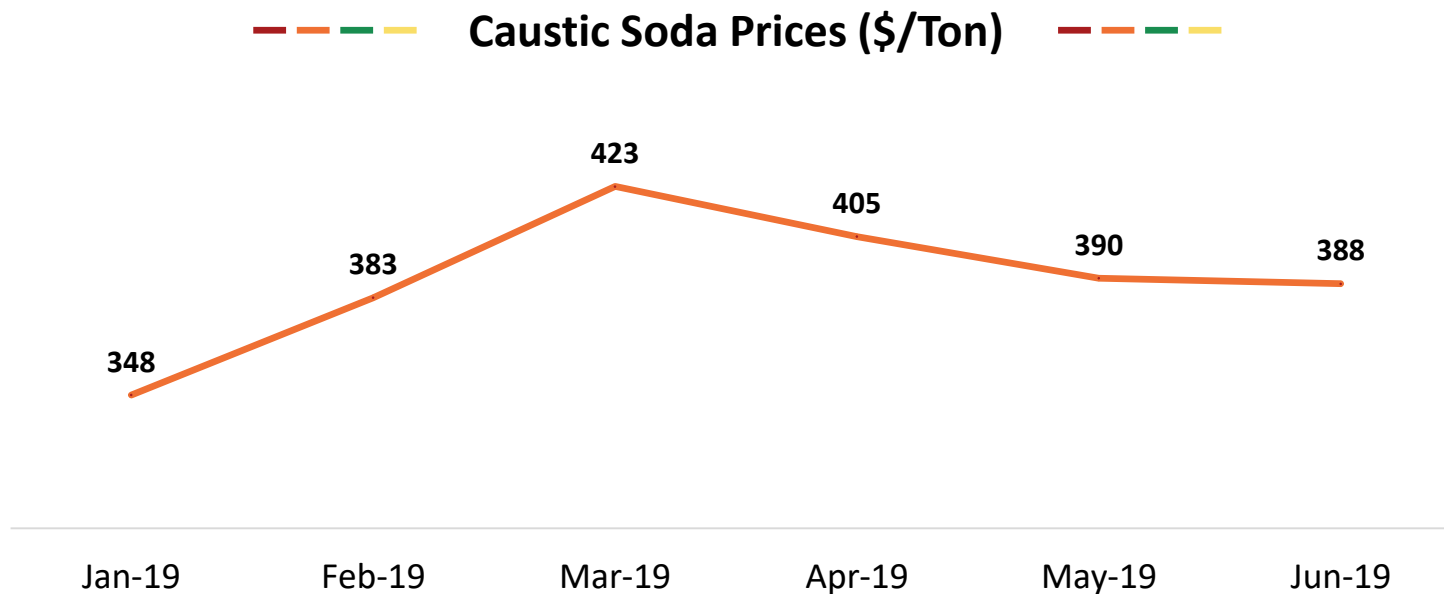
NEWLY COMMISSIONED SPECIALTY FIBRE



VSF VILAYAT PROJECT PROGRESS *Since ground breaking in Nov -2018*



CAUSTIC INDUSTRY



Caustic soda prices in Asia declined during the quarter led by lower demand from key user industries



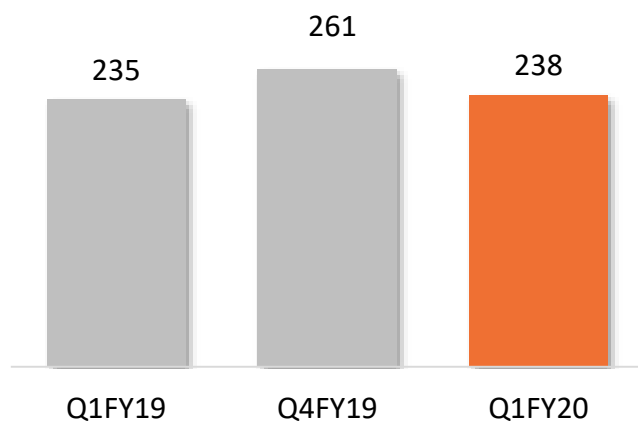
Caustic prices in India has softened with increase in imports and production ramp up of newly commissioned capacities in the domestic industry



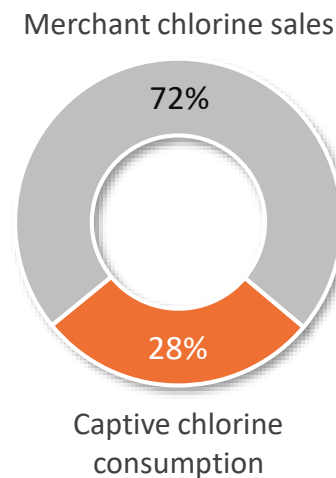
Chlorine supply exceeded the demand during the quarter leading to negative realisation

CAUSTIC – KEY OPERATIONAL METRICS

Caustic Soda Sales



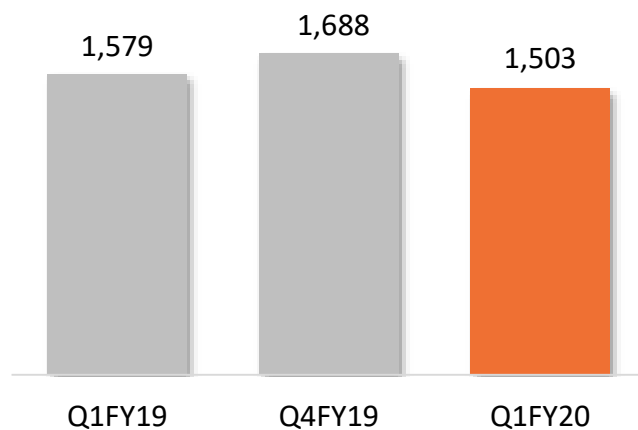
Sales Mix



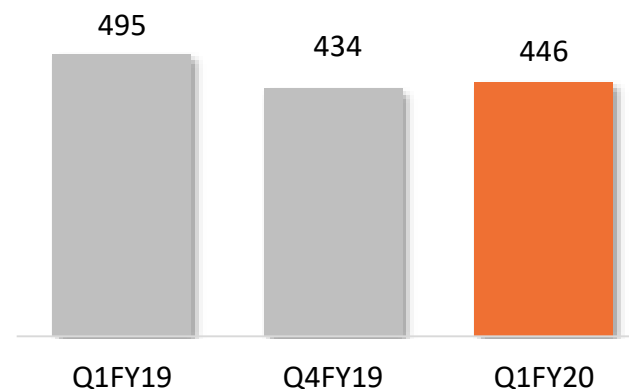
- Production impacted due to water shortage in Q1, now normalized post onset of monsoon
- IoT based Central Logistics Control Tower to improve en-route safety and transparency of transportation fleets
- Launched mobile application for ensuring Chlorine Safety for chlorine customers
- Chlorine VAP plant at Vilayat commissioned
- Work on newly acquired plant (146 KTPA) at Balabhadrapuram started, ordering of long lead items in progress

FINANCIAL PERFORMANCE - CHEMICALS

Net Revenue (Rs. Cr.)



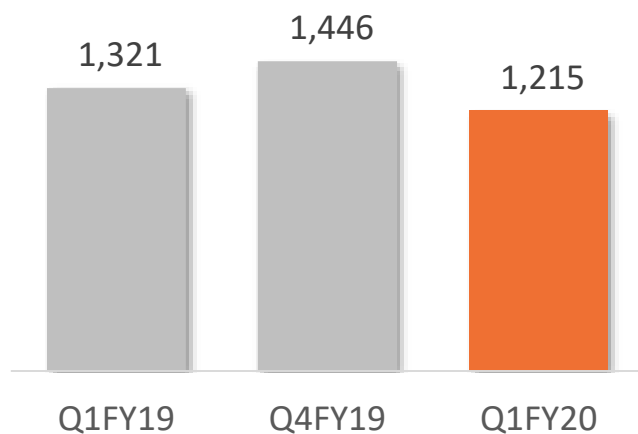
EBITDA (Rs. Cr.)



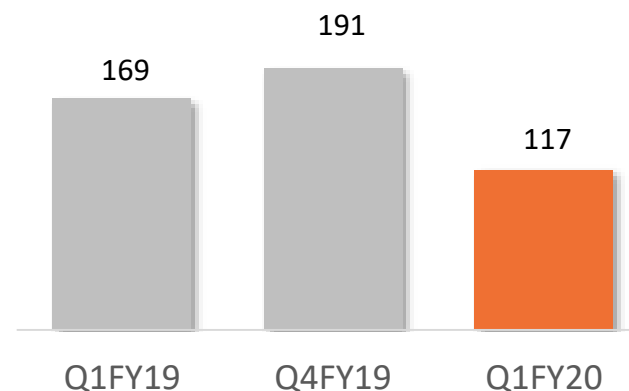
- Power cost reduced by 7% YoY, with new sources and cost optimization; Added wind power source at Vilayat (15.4MW with 35% PLF)
- VAP and Epoxy contributed 21% of Chemicals EBITDA; Highest ever VAP EBITDA
- EBITDA marginally higher on sequential basis. On YoY basis, ECU realizations impacted by negative chlorine prices

FINANCIAL PERFORMANCE – PULP JV's

Net Revenue (Rs. Cr.)



EBITDA (Rs. Cr.)



● Pulp production impacted due to maintenance shutdown at different sites in Q1FY20

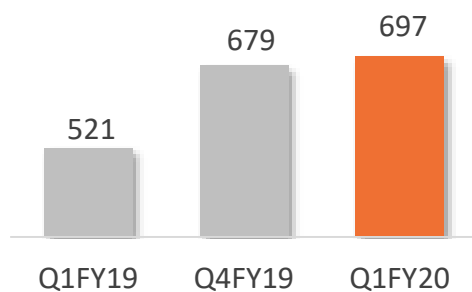
● Previous quarters had mark to market gains of power hedge and income from Carbon Credits

Note: The above data represents the financial performance of all Pulp JVs on total basis. The share in the PAT of these JVs (proportionate to its holding) is consolidated in the consolidated financials of Grasim.

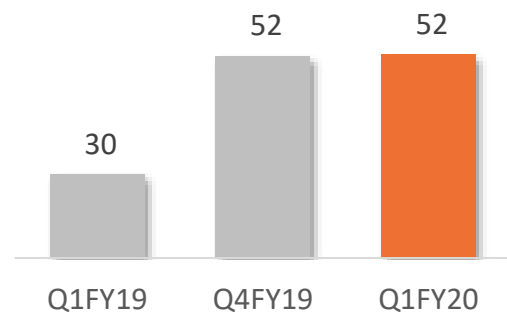
FINANCIAL PERFORMANCE – OTHER BUSINESSES

Fertilisers

Net Revenue (Rs. Cr.)

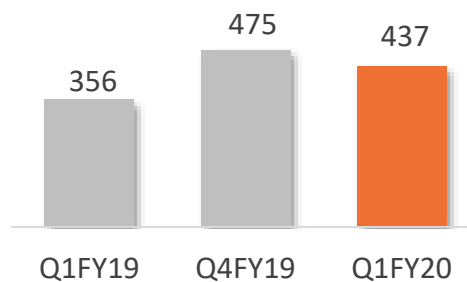


EBITDA (Rs. Cr.)

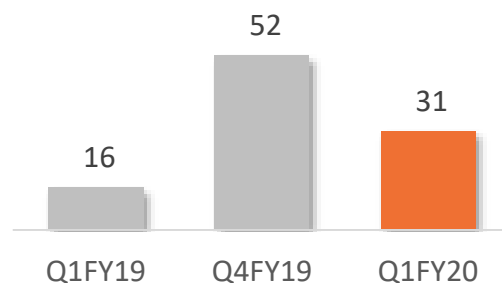


Textile

Net Revenue (Rs. Cr.)

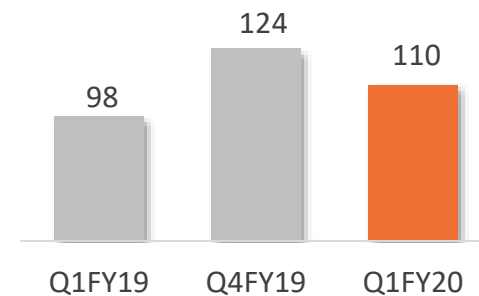


EBITDA (Rs. Cr.)

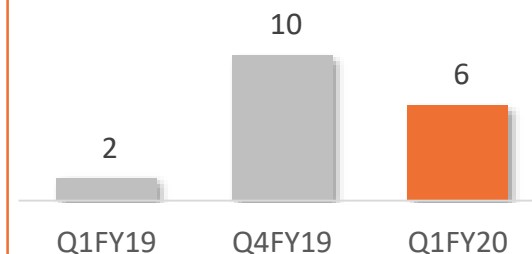


Insulators

Net Revenue (Rs. Cr.)

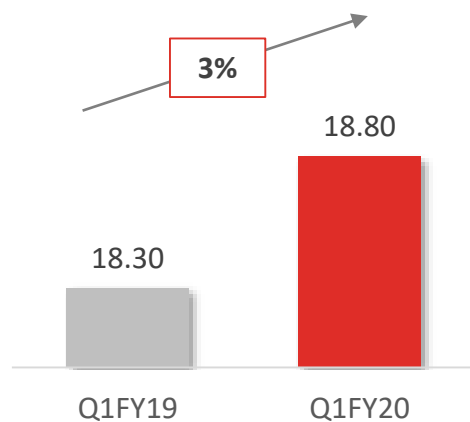


EBITDA (Rs. Cr.)

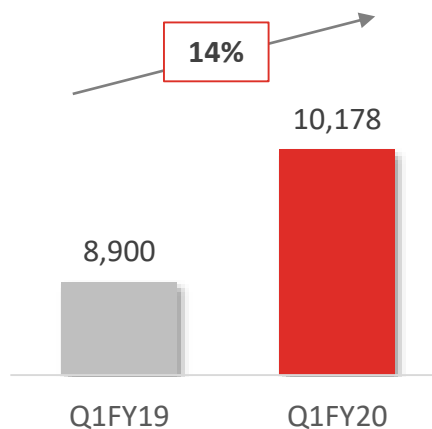


FINANCIAL PERFORMANCE – UltraTech

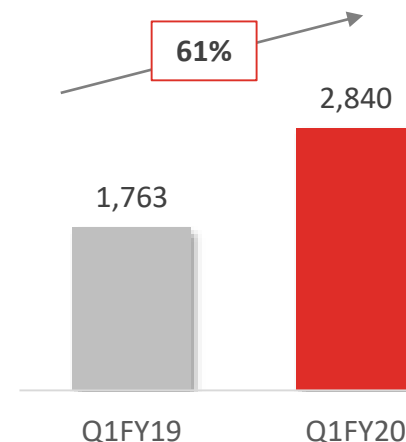
Sales volume (MT)



Net Revenue (Rs. Cr.)



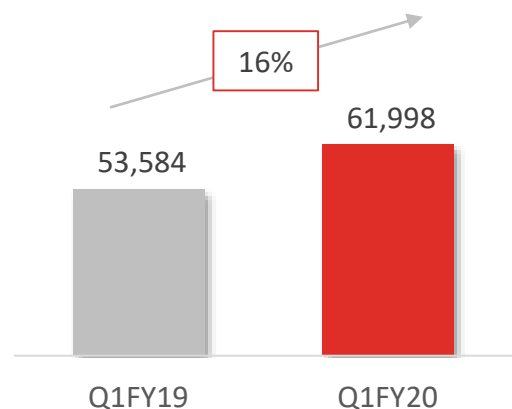
EBITDA (Rs. Cr.)



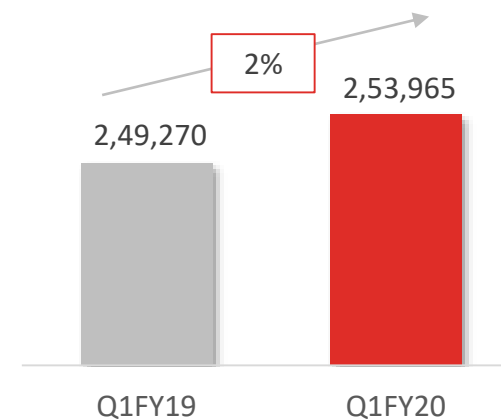
- Achieved successful integration of the biggest acquisition in Indian Cement Industry (21.2 MTPA) as planned in 8 quarters
- UltraTech Nathdwara achieved PBT breakeven within two quarters of acquisition creating an industry benchmark
- Focused approach to moderate debt and enhance liquidity, Net debt shrunk over Rs.1,000 Cr. in Q1FY20 from Q4FY19
- Operating Costs decreased on YoY basis (Logistics down 5% YoY, Energy down 2% YoY and Raw material down 2% YoY)

FINANCIAL PERFORMANCE – ABCL

Lending Book(Rs. Cr.)*



AAUM(Rs. Cr.)**



- Revenue and Net profit after minority interest for Q1FY20 are at Rs.3,646 Cr. and Rs.270 Cr.
- Lending book (Incl. housing) grew 16% YoY to Rs. 61,998 Cr.
 - Lending book is backed by well-matched asset and liability mix and adequate liquidity pipeline to meet growth requirement. Raised ~Rs. 4,000 Crores of long-term funds
- Average Assets under management at Rs.2,53,965 Cr in Q1FY20. Domestic Equity AAUM mix steady at 36%
- The Individual First year Premium are up 29% to Rs.322 Cr. in Q1FY20. The persistency ratios witnessed a consistent improvement, the 13th month persistency ratio improved by 591 bps to 78 % in Q1FY20
- In the Health Insurance business, Gross written premium increased to Rs. 143 Crores (Q1FY20) up 1.9x YoY

* Includes Housing Finance. **Quarterly domestic AAUM of Asset management business



Appendix

BALANCE SHEET

| Standalone (Rs. Cr.) | | | Consolidated (Rs. Cr.) | |
|----------------------|-------------|--|------------------------|-------------|
| 30th Jun'19 | 31st Mar'19 | EQUITY & LIABILITIES | 30th Jun'19 | 31st Mar'19 |
| 41,516 | 41,959 | Net Worth | 56,376 | 55,773 |
| - | - | Non Controlling Interest | 27,984 | 27,387 |
| - | - | Borrowings related to financial services | 57,693 | 55,310 |
| 4,380 | 3,311 | Other Borrowings | 27,256 | 26,659 |
| 73 | - | Lease Liability | 1,563 | - |
| 1,871 | 1,879 | Deferred Tax Liability (Net) | 6,190 | 5,985 |
| - | - | Policy Holders Liabilities | 40,609 | 40,150 |
| 4,564 | 4,664 | Other Liabilities & Provisions | 18,524 | 17,938 |
| 52,404 | 51,813 | SOURCES OF FUNDS | 2,36,196 | 2,29,203 |
| 30th Jun'19 | 31st Mar'19 | ASSETS | 30th Jun'19 | 31st Mar'19 |
| 11,787 | 11,232 | Net Fixed Assets | 58,699 | 58,634 |
| 1,500 | 1,812 | Capital WIP & Advances | 5,640 | 4,838 |
| 67 | - | Right of Use - Lease | 1,466 | - |
| - | - | Goodwill on Consolidation | 17,915 | 17,970 |
| | | Investments: | | |
| 2,636 | 2,636 | UltraTech Cement (Subsidiary) | - | - |
| 17,077 | 17,077 | AB Capital (Subsidiary) | - | - |
| - | - | AMC (JV) | 4,962 | 4,914 |
| 747 | 1,037 | Investment in other equity accounted investees | 1,290 | 1,371 |
| 2,555 | 3,769 | Liquid Investments | 6,728 | 7,006 |
| 4,031 | 1,841 | Vodafone Idea | 4,031 | 1,841 |
| 4,769 | 4,812 | Other Investments(Hindalco, ABFRL, etc.) | 9,130 | 5,961 |
| - | - | Investment of Insurance Business | 17,316 | 16,532 |
| - | - | Assets held to cover linked liabilities | 25,150 | 25,166 |
| - | - | Loans and advances of financing activities | 61,207 | 61,972 |
| 7,234 | 7,597 | Other Assets, Loans & Advances | 22,664 | 22,997 |
| 52,404 | 51,813 | APPLICATION OF FUNDS | 2,36,196 | 2,29,203 |
| 1,899 | (458) | Net Debt / (Surplus) | 22,092 | 19,653 |

INCOME STATEMENT – Q1FY20

| Particulars (Rs. Cr.) | Standalone | | Consolidated | |
|--|--------------|------------|---------------|--------------|
| | Q1FY20 | Q1FY19 | Q1FY20 | Q1FY19 |
| Net Revenue from Operations | 5,001 | 4,789 | 18,861 | 16,761 |
| Other Income | 85 | 97 | 231 | 176 |
| EBITDA | 928 | 1,176 | 4,217 | 3,212 |
| <i>EBITDA Margin (%)</i> | <i>18%</i> | <i>24%</i> | <i>22%</i> | <i>19%</i> |
| Finance Cost | 78 | 59 | 531 | 406 |
| Depreciation | 203 | 183 | 920 | 767 |
| Share in Profit of JVs, Associates & Others* | - | - | 48 | 42 |
| PBT | 647 | 934 | 2,814 | 2,080 |
| Tax Expense | 208 | 292 | 970 | 680 |
| Exceptional items (Net of Tax) [#] | (238) | - | (57) | - |
| PAT attributable to Minority Shareholders | - | - | 556 | 283 |
| PAT (After Exceptional Items) | 202 | 643 | 1,231 | 1,116 |
| PAT (Before Exceptional Items) | 439 | 643 | 1,287 | 1,116 |

[#] Comprises Impairment loss of investment in Aditya Birla Payments Bank Limited (Net of Tax)

* Q1FY19 includes share in Loss of erstwhile Idea Cellular Limited, which is not included in Q1FY20 as Idea Cellular Limited ceased to be an Associate of the Company consequent to the merger of Vodafone and Idea (w.e.f 31st August 2018) forming Vodafone Idea Limited.

VISCOSE BUSINESS SUMMARY

| Particulars | | Quarter 1 | | % Change | Q4FY19 | % Change |
|-------------------------------|----------------|--------------|--------------|-------------|--------------|-------------|
| | | 2019-20 | 2018-19 | | | |
| Capacity | | | | | | |
| VSF | KTPA | 566 | 546 | 4 | 566 | 0 |
| VFY | KTPA | 46 | 46 | - | 46 | 0 |
| Production | | | | | | |
| VSF | KT | 140 | 134 | 4 | 130 | 8 |
| VFY | KT | 11 | 11 | 0 | 11 | 0 |
| Sales Volume | | | | | | |
| VSF | KT | 138 | 132 | 5 | 139 | -1 |
| VFY | KT | 10 | 11 | -9 | 11 | -9 |
| Net Revenue | Rs. Cr. | 2,509 | 2,480 | 1 | 2,625 | -4 |
| EBITDA | Rs. Cr. | 442 | 586 | -25 | 413 | 7 |
| EBITDA Margin | % | 17.5% | 23.4% | | 15.6% | |
| EBIT | Rs. Cr. | 338 | 494 | -32 | 312 | 8 |
| Capital Employed (Incl. CWIP) | Rs. Cr. | 7,775 | 7,147 | 9 | 7,504 | 4 |
| ROAvCE (Excl. CWIP) | % | 20.2% | 29.8% | | 19.5% | |

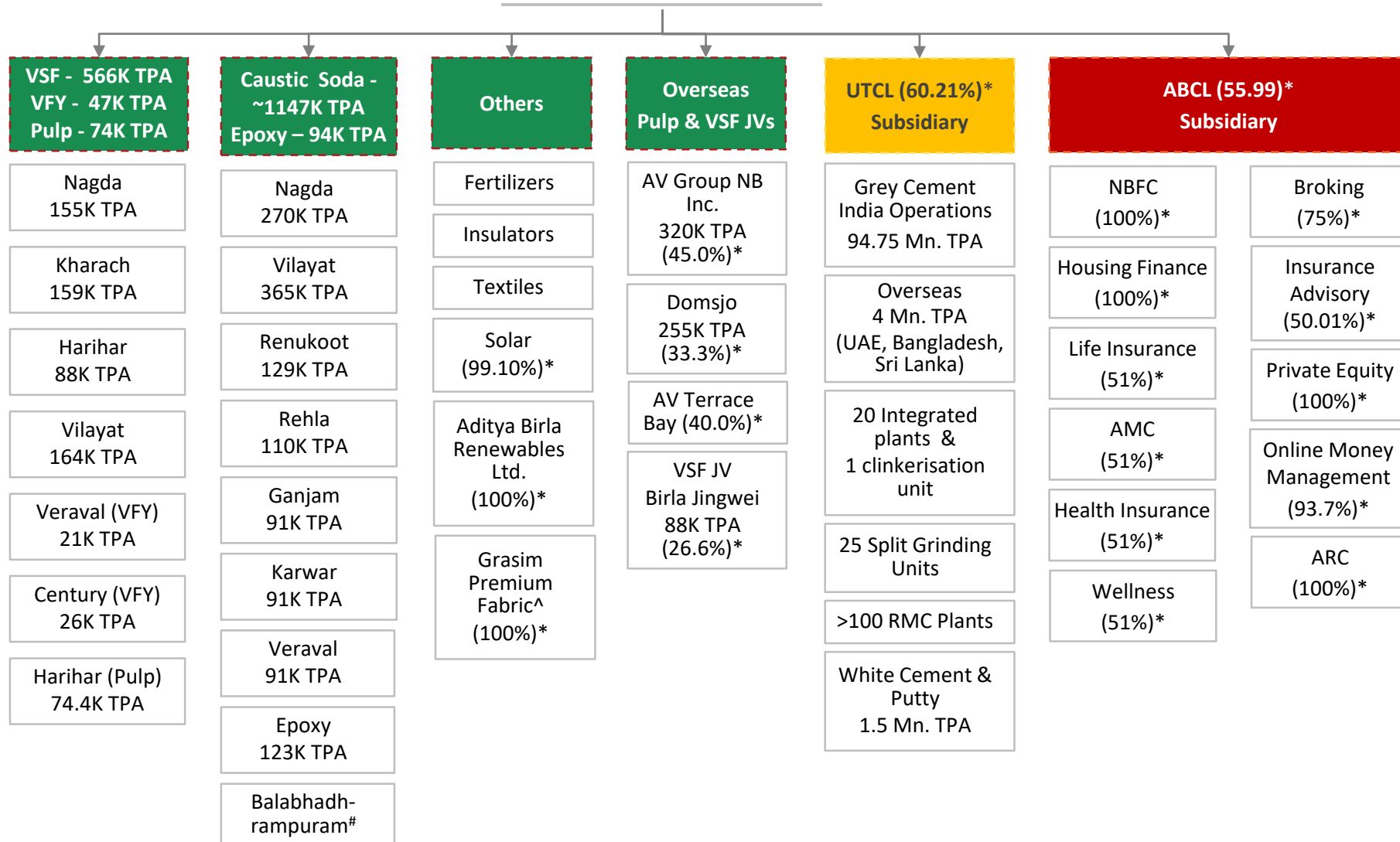
CHEMICAL BUSINESS SUMMARY

| Particulars | | Quarter 1 | | % Change | Q4FY19 | % Change |
|-------------------------------|---------|-----------|---------|----------|--------|----------|
| | | 2019-20 | 2018-19 | | | |
| Capacity* | KTPA | 1,147 | 1,140 | 1 | 1,147 | 0 |
| Production* | KT | 242 | 236 | 3 | 254 | -5 |
| Sales Volume* | KT | 238 | 235 | 1 | 261 | -9 |
| Net Revenue | Rs. Cr. | 1,503 | 1,579 | -5 | 1,688 | -11 |
| EBITDA | Rs. Cr. | 446 | 495 | -10 | 434 | 3 |
| EBITDA Margin | % | 29.6% | 31.3% | | 25.6% | |
| EBIT | Rs. Cr. | 382 | 438 | -13 | 372 | 3 |
| Capital Employed (Incl. CWIP) | Rs. Cr. | 5,088 | 4,452 | 14 | 4,977 | 2 |
| ROAvCE (Excl. CWIP) | % | 34.3% | 44.2% | | 34.0% | |

* Volume data is for Caustic Soda only. Revenue and EBITDA are for all products in the chemical segment

GRASIM GROUP STRUCTURE

Grasim Industries Limited



* Subsidiary companies - Equity ownership

[^] Soktas India has been renamed to Grasim Premium Fabric Private Limited post acquisition

[#] Under construction Chlor-Alkali plant with capacity of 146 KTPA

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 (30th June 2019) : **Rs. 60,112 Cr.**

Thank you

Grasim Industries Ltd.

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