



## **Quarterly Performance Review**

**Quarter 1 : 2016-17**

Mumbai, 11<sup>th</sup> August, 2016

**Grasim Industries Limited**  
**Building, Consolidating, Growing**



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## Glossary

VSF : Viscose Staple Fiber, MT : Metric Ton, 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 Amortisation, ECU : Electro Chemical Unit

ROCE : Return on Capital Employed, RONW : Return on Net Worth

- IMF forecasted Indian economy growth at 7.4% in CY 2016
  - India remains a bright spot in global economy
  - IMF revised its global growth forecast for 2016 from 3.2% to 3.1%
  - Macro economic stability in India to cushion against global uncertainties
- Reform measures by Government continue
  - GST likely to be implemented w.e.f. 1<sup>st</sup> April 2017
  - FDI regime relaxed in many sectors
  - Most sectors now open to foreign investment
  - Various measures announced to stimulate Textile Sector
- Economic growth expected to pickup led by higher consumption and robust Government investment plans
  - Onset of good Monsoon to boost rural consumption
  - Implementation of 7th Pay Commission will provide further support to consumption growth
  - Augurs well for Textiles and Cement Sector

# Highlights – Quarter 1



## VSF Business

**Leading  
Global Player**

**Global VSF prices marginally up on YoY basis**

- Supported by steady demand and low inventory level

**Sales Volume**

121K Tons  
Up by 17% YoY

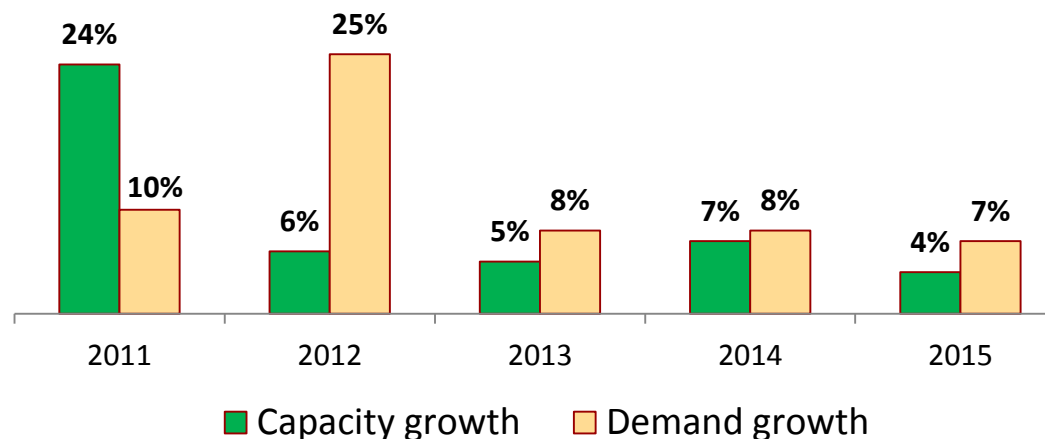
**Revenue**

₹ 1,654 Cr.  
Up by 32% YoY

**EBITDA**

₹ 322 Cr.  
Up by 131% YoY

### Global VSF Demand and Supply Growth



Source : Company estimate & Fibre Organon

**Slowdown in pace of capacity addition globally**

# Highlights – Quarter 1



## Chemical Business

(Chlor Alkali, Chlorine Derivatives and Epoxy)

**Largest  
Indian Player**

### Uptick in Caustic Soda prices in domestic markets

- Water shortage led lower production by various manufacturers in Western/Central zone
- Rupee depreciation

### Caustic Sales Volume

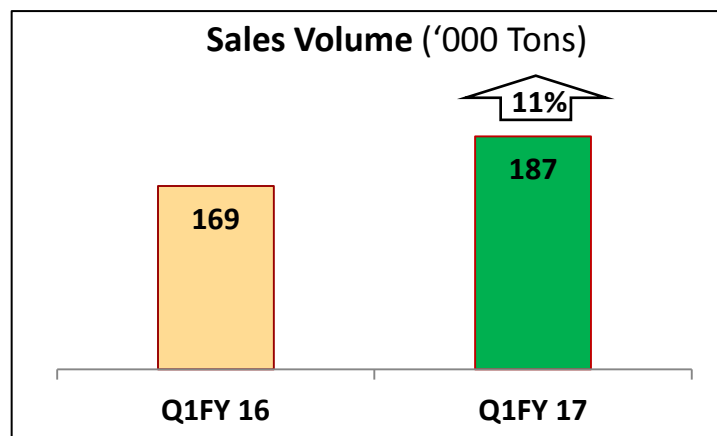
187K Tons  
Up by 11% YoY

### Revenue

₹ 904 Cr.  
Up by 17% YoY

### EBITDA

₹ 232 Cr.  
Up by 35% YoY



**Volume increased by 11% YoY**

# Highlights – Quarter 1

**UltraTech**  
CEMENT  
*The Engineer's Choice*



## Cement Business (UltraTech Cement)

**Market leader  
in India**

**Subdued demand due to water shortage**

- Capacity utilisation for the industry at Q4 level

### Cement Sales Volume

13.6 Mn. Tons  
Up by 6% YoY

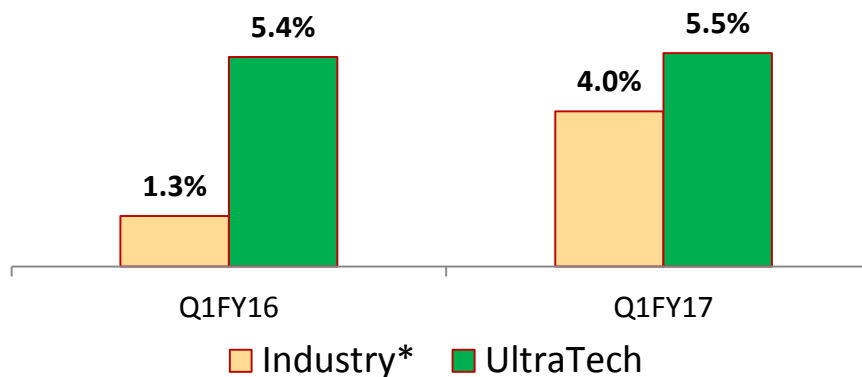
### Revenue

₹ 6,590 Cr.  
Up by 4% YoY

### EBITDA

₹ 1,626 Cr.  
Up by 25%

### Demand Growth



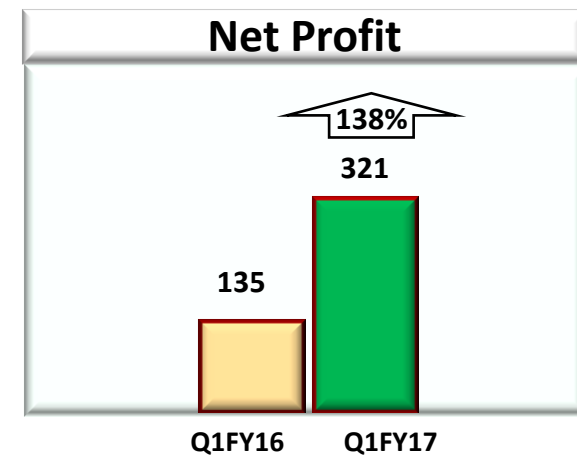
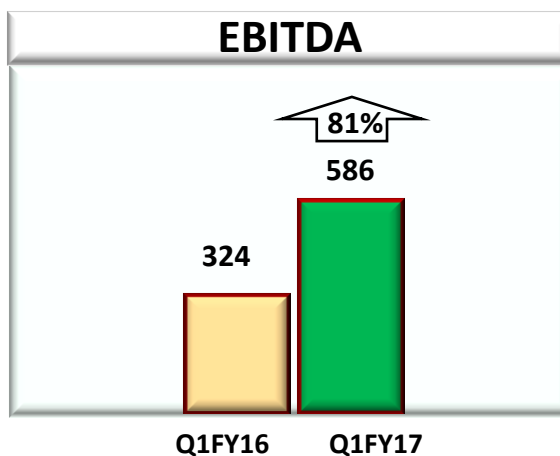
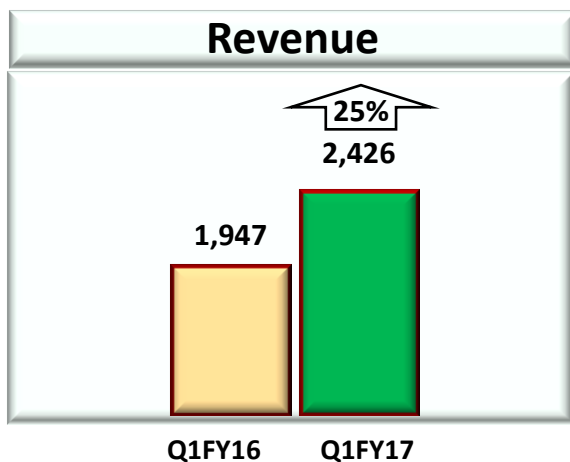
\* DIPP data & Company estimates

**UltraTech continues to outperform Industry**

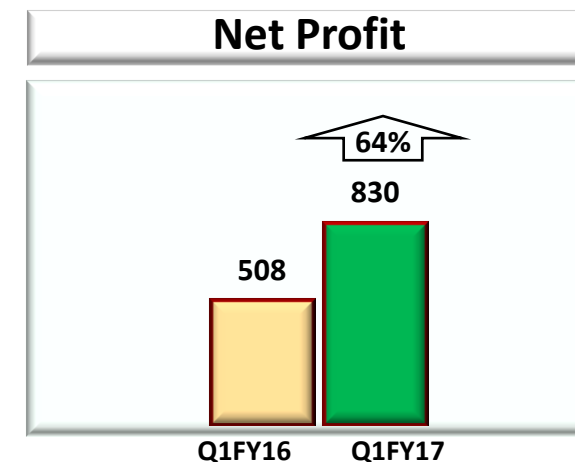
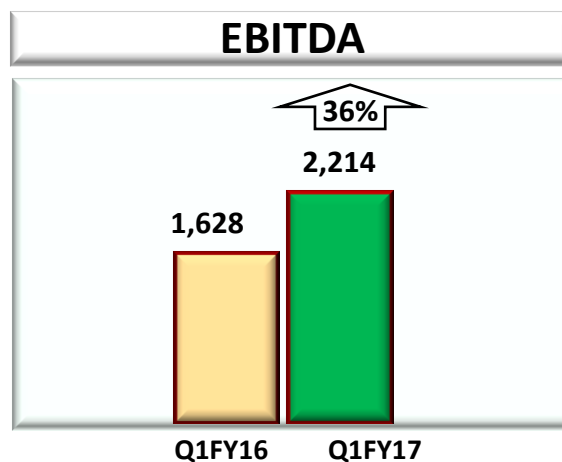
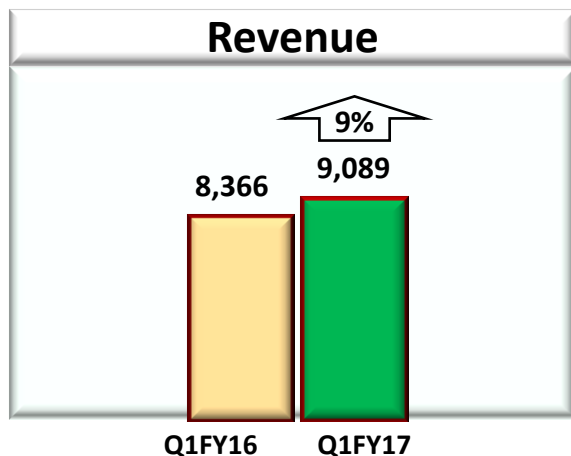
# Financial Performance

## Standalone

₹ Cr.

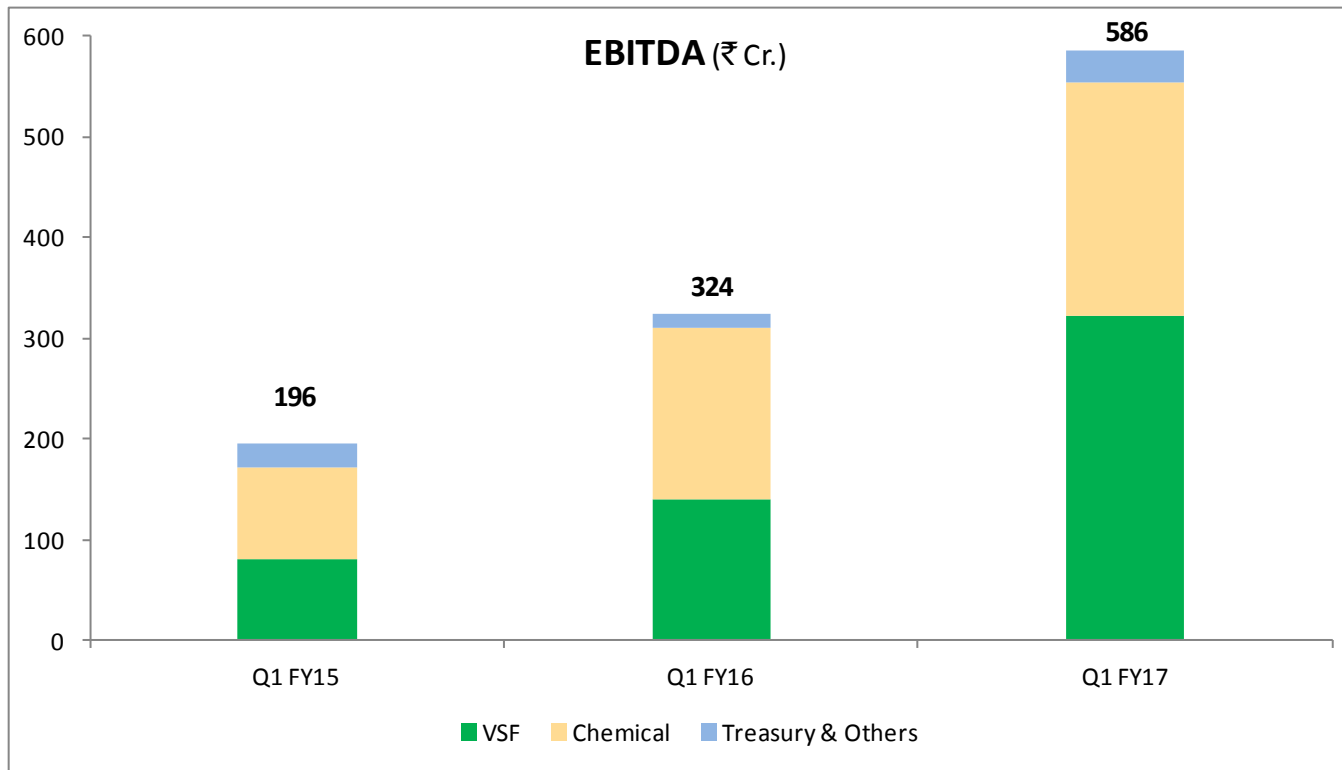


## Consolidated



**Robust Growth in Revenue, EBITDA and Net Profit**

# Investment in Growth and Operational Measures Yielding Results



Note: EBITDA numbers for Q1 FY16 and Q1 FY17 are in accordance with *IND AS*

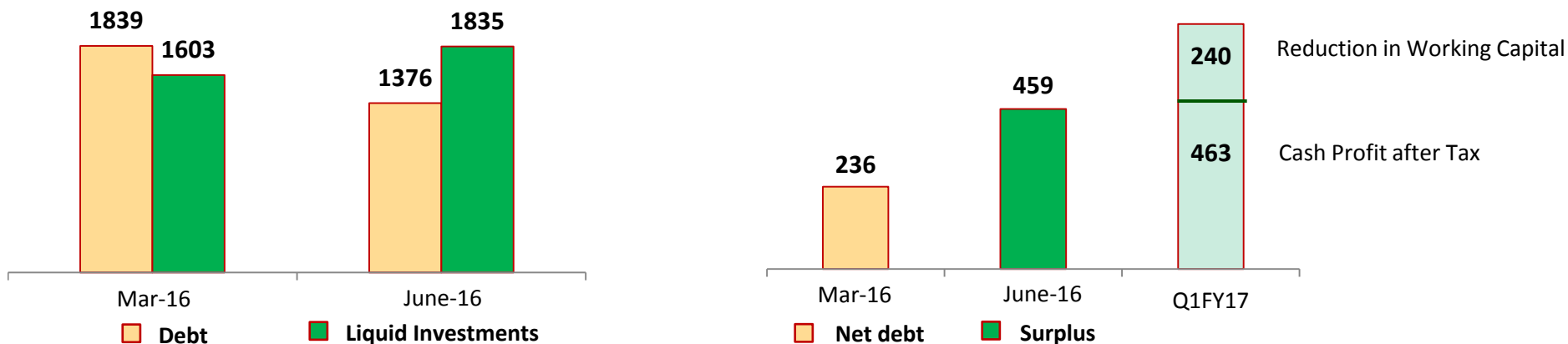
- Standalone EBITDA have shown robust growth
  - Speedy rampup of new capacities in both VSF and Chemical businesses
  - Merger of ABCIL with Grasim w.e.f. 1<sup>st</sup> April, 2015
  - Better operating efficiencies and improvement in margins



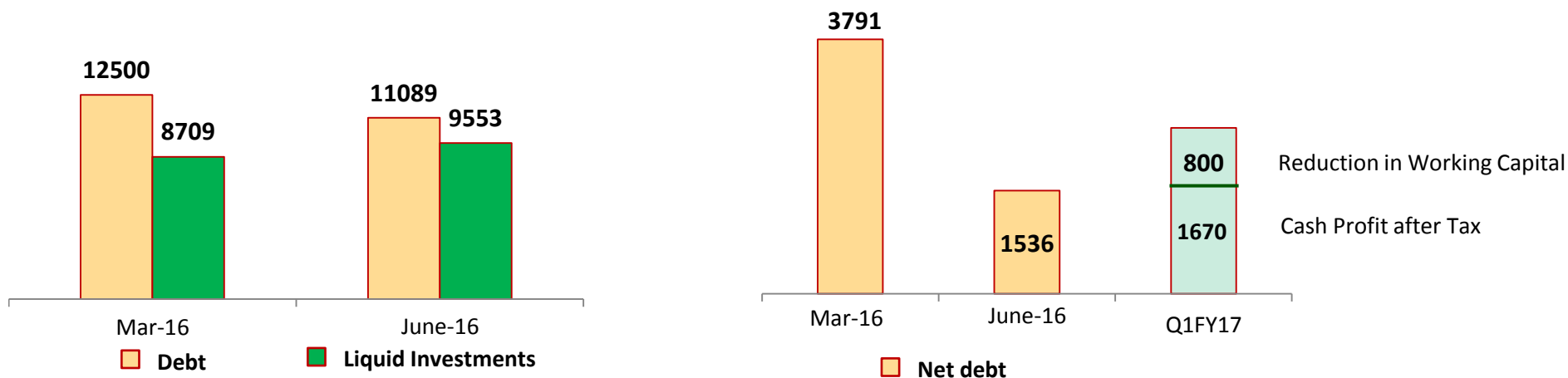
# Cash Generation in Q1 FY17

## Standalone

₹ Cr.



## Consolidated



**Strong Cash Generation Leading to Net Cash Surplus at Standalone level**

# Robust Financial Ratios

₹ Cr.

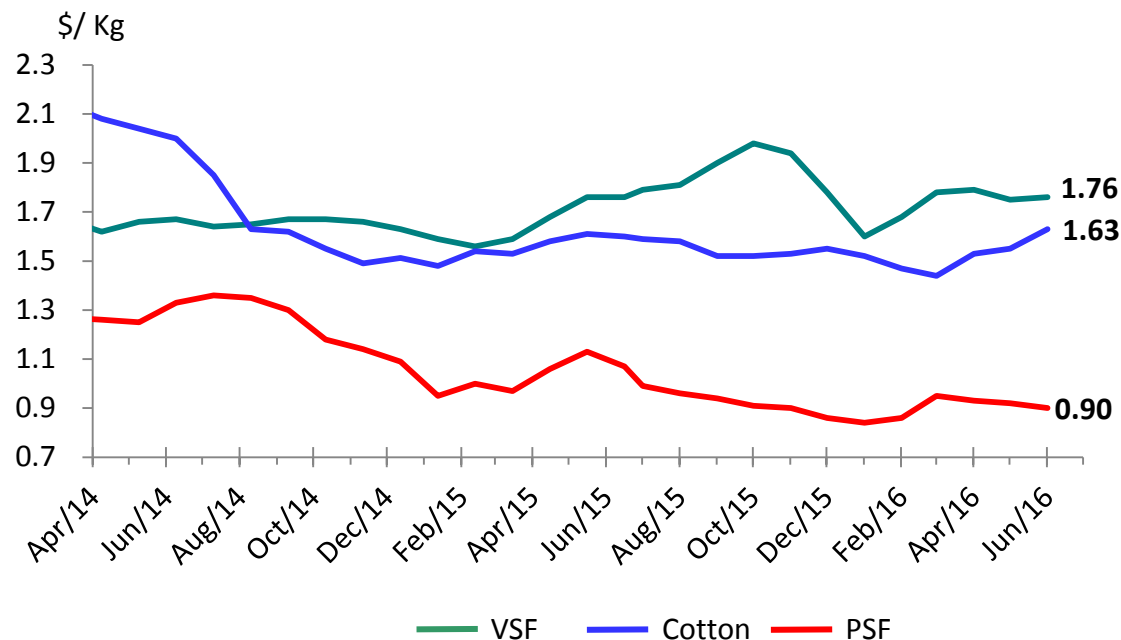
	Standalone			Consolidated		
	31-03-2016	30-06-2016		31-03-2016	30-06-2016	
Debt:Equity (x)	0.12	0.08	↑	0.34	0.30	↑
Net Debt: Equity (x)	0.02	-	↑	0.10	0.04	↑
Net Debt / EBITDA	0.13	-	↑	0.53	0.17	↑
ROCE (%) (Excluding CWIP)				10.9	14.1	↑
RONW (%)				9.7	11.6	↑

**Strong Balance Sheet – Robust Financial Ratios**

## Business Performance

- VSF
- Chemical
- Cement

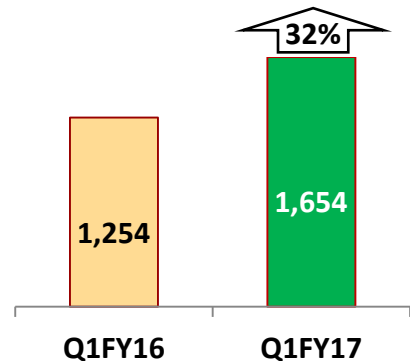
# International Fibres Price Trend



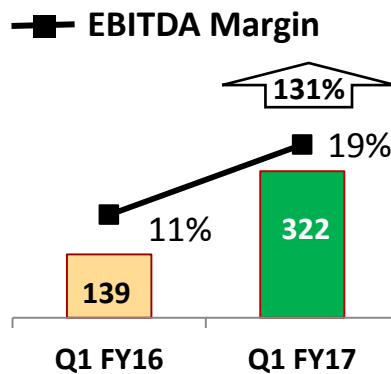
- VSF : Prices marginally up on YoY basis
  - Steady demand along with low inventory level continues to support prices
- Cotton : Shortage of good quality cotton led to spike in prices
- PSF : Marginally declined during the quarter

# VSF : Performance

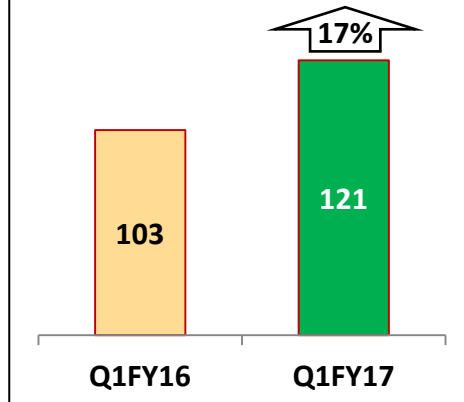
Revenue (₹ Cr.)



EBITDA (₹ Cr.)



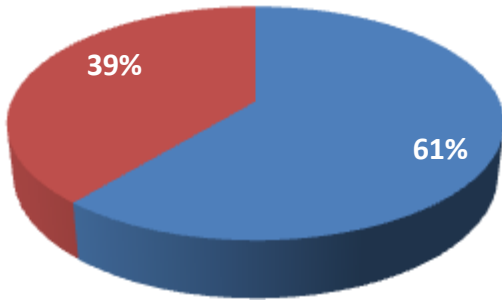
Volume ('000 Tons)



- Volume up by 17% YoY
  - Growth driven by domestic markets
  - Aided by growth in specialty fibre segment
  - Water shortage led shutdown at Nagda
    - This year 1 month, last year 2 months
- Realisation up 13% YoY
  - Improvement in global prices and rupee depreciation
- Revenue up 32%; EBITDA increased to ₹ 322 Cr.
  - Higher volume and realisation
  - Improvement in operating efficiencies and economies of scale
  - Higher quantum of speciality fibre volumes
  - Lower base due to extended shutdown last year

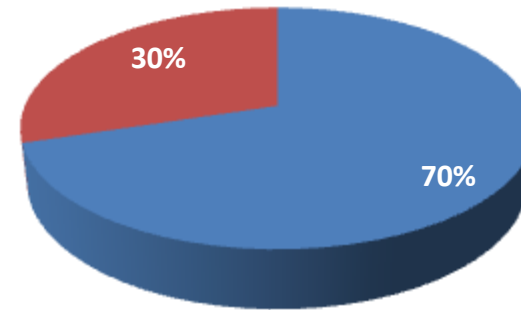
# VSF : Volume Drivers

Q1FY17



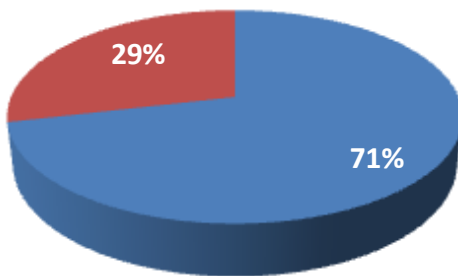
■ Grey ■ Speciality

Q1FY16



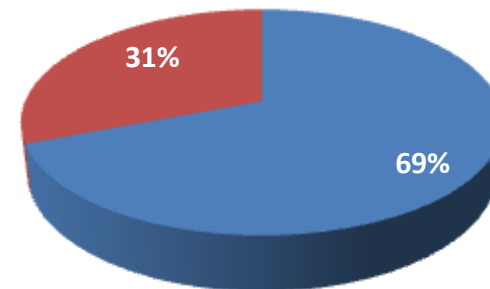
Share of specialty fibre increased from 29% to 39%, on higher base

Q1 FY17



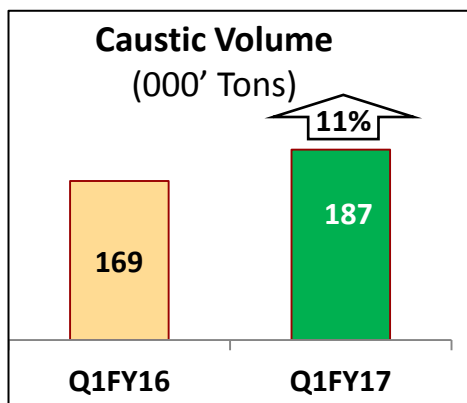
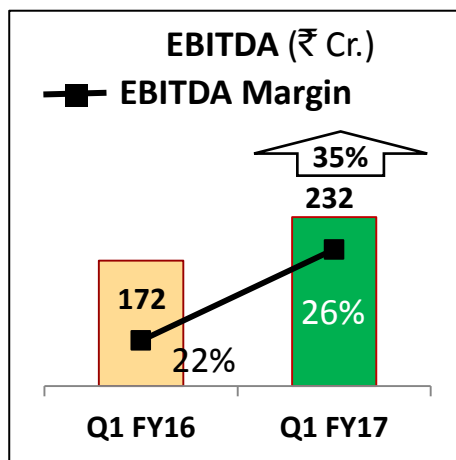
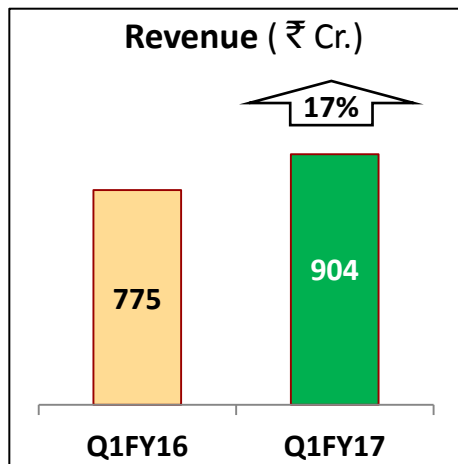
■ Domestic ■ Export

Q1 FY16



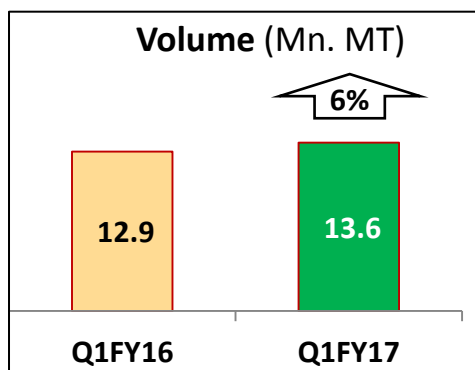
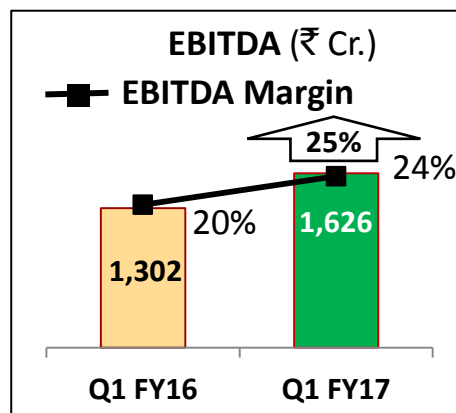
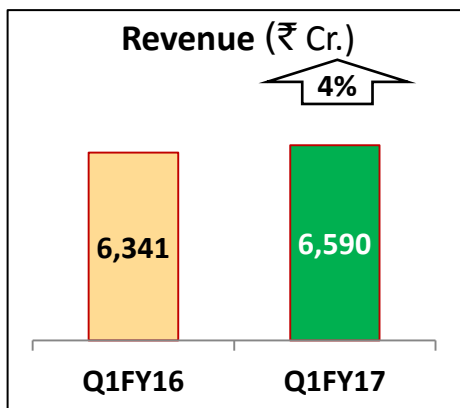
Increase in proportion of domestic sales from 69% to 71% on higher base

# Chemical : Performance



- Increase in volume by 11% YoY
  - Comparatively lower impact of water shortage at Nagda this year
  - Additional volume from Ganjam plant which was acquired in Q2 last year
- ECU realisation was up by 7% on higher Caustic Soda realisation
  - Temporary production disruptions in the industry and rupee depreciation
- EBITDA was up by 35% at ₹ 232 Cr.
  - Higher volumes
  - Improvement in margins from 22% to 26%
- Total capacity increased from 804K TPA to 840K
  - Vilayat plant debottlenecking completed

# Cement : Performance



- Volume up by 6%
  - Enhanced presence in market place
- Decline in total operational cost by 9%
  - Energy cost down by 24%
    - Higher usage of Petcoke
    - Improved energy consumption
  - Decline in logistic cost by 4%
    - Gains from withdrawal of busy season surcharge
    - Reduction in lead distance
- EBITDA up by 25% at ₹ 1,626 crore
  - Increase in volume and better operating margins



# Impact of Ind AS on Grasim

# Ind AS Implementation w.e.f. 1st April 2016

## A. Key Accounting Changes and Impact on Grasim for Q1 FY17 :

- Discounts and direct sales incentive netted from Sales Revenue
- Capitalisation of high value spares having life > 1 year
- ESOP charges on fair valuation (instead of intrinsic value)

*\* No impact on net basis*

- Income on debt mutual fund on fair valuation

- NPV interest charge for Interest free sales tax loans and mines liability
- Additional Depreciation charge for spares capitalised and mines restoration

**Total at PBT Level**

Rs. Crs.

Standalone	Consolidated
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Operating EBIDTA	
-*	8

Other Income	
33	135

Int. & Dep.	
-	(5)

<b>33</b>	<b>138</b>
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## B. Changes in Consolidation method in CFS:

Rs. Crs.

- Joint Ventures' (JVs) are accounted as per equity method (consolidation at PAT level) instead of line by line proportionate consolidation under previous GAAP
  - There is no impact at PAT Level.
  - However consolidated revenue, EBITDA, Interest and Depreciation at CFS level have reduced

Revenue (a)	EBITDA (b)	Interest & Depreciation (c)	Tax (d)	Total (b-c-d)	Addition at PAT Level	Net Impact
(556)	(71)	(28)	(6)	(37)	37	Nil

## C. Items Accounted in Other Comprehensive Income (OCI) in Q1 FY17 :

- Change in fair value of investment in equity shares (other than Subsidiaries, JVs & Associates) and Bonds
- Change in fair value of derivatives designated as cash flow hedge
- Exchange fluctuation on loan to JV
- Deferred tax adjustment on above

Standalone	Consolidated
OCI	
353	379

# Capex

	Capex (Net of CWIP as on 01-04-16)	Cash Outflow		Capex spent - Q1FY17
		FY17	FY18 Onward	
<b><u>Standalone</u></b>				
Vilayat Caustic Plant Brownfield expansion (144K TPA)	513			
VSF : Water supply augmentation & usage reduction	87			
Research & Development	76			
Environment	97			
Others	208			
Chemical capacity debottlenecking (64K TPA) & VAPs	157			
VSF Expansion : Vilayat Residual Capex	143			
Chemical & Others	184			
<b>Standalone Capex (A)</b>	<b>1,465</b>	<b>675</b>	<b>790</b>	<b>67</b>
<b><u>Cement Subsidiary : UltraTech</u></b>				
Capacity expansion #	744			
Logistic Infrastructure	306			
Modernisation, Plant Infrastructure, RMC, Upgradation etc.	1,960			
<b>Cement Business Capex (B)</b>	<b>3,010</b>	<b>1,215</b>	<b>1,795</b>	<b>303</b>
<b>Capex (A + B)</b>	<b>4,475</b>	<b>1,890</b>	<b>2,585</b>	<b>370</b>

# Represents residual capex of brown field expansion projects already commissioned and Grinding units

## VSF Business

- Business environment for the Industry is improving globally
  - Limited capacity addition leading to higher operating rates
  - Cotton consumption higher than production in Season 15-16; uptrend witnessed in the prices
- Textile consumption in India expected to grow at higher rates, vis-à-vis global consumption
  - Supports VSF demand growth
- Continued focus on expanding domestic market through product development activities by the Company
  - Working closely with brands, designers and retailers to leverage benefits of Liva brand
  - Focus on increasing share of specialty products

## Chemical Business

- Caustic demand in India expected to record continuous growth
  - Supported by growth in user industries like Textile, Aluminium, Soap and Detergent etc.
- Caustic supplies to increase in the market on resuming normal production levels (with onset of Monsoon) and new capacities coming on stream
- Grasim's Caustic capacity to increase from 840K TPA to 1,048K TPA in FY18

## Cement Business

- Cement demand expected to grow ~7% for FY17
- Cement demand growth drivers :
  - Continuing Government infrastructure spending
  - Pick-up in rural housing on back of normal monsoon and 7<sup>th</sup> pay commission disbursement
  - Development activities in various states
- Delay in execution of government projects, slowdown in urban real estate and increased fuel prices are concern areas

**Thank You**



# Grasim Industries Limited

## Annexure - Financials

# Annexure

- **Consolidated Financial Performance**
- **Standalone Financial Performance**
- **Balance sheet**
- **Revenue & EBITDA Chart**
- **VSF Summary**
- **Chemical Summary**
- **Cement Summary**
- **Organisational Structure**
- **Plant Locations**



# Consolidated Financial Performance

	Quarter 1		(₹ Cr.)
	2016-17	2015-16	% Change
Net Sales & Op. Income	<b>9,089</b>	8,366	9
Other Income	<b>190</b>	133	42
EBITDA	<b>2,214</b>	1,628	36
EBITDA Margin (%)	<b>23.9%</b>	19.1%	
Finance Cost	<b>204</b>	192	6
Depreciation	<b>436</b>	402	9
Share in Profit of JVs & Associates	<b>47</b>	19	142
Earnings before Tax	<b>1,621</b>	1,054	54
Total Tax	<b>481</b>	306	57
PAT (Before Minority Share)	<b>1,140</b>	748	52
Less: Minority Share	<b>310</b>	240	29
PAT (After Minority Share)	<b>830</b>	508	64
Other Comprehensive Income (after tax)	<b>379</b>	(33)	
Total Comprehensive Income (after tax)	<b>1,209</b>	474	155
EPS	<b>89</b>	54	64
Cash Profit (Before Minority Share)	<b>1,670</b>	1,360	23

# Standalone Financial Performance

	(₹ Cr.)		
	Quarter 1		%
	2016-17	2015-16	Change
Net Sales & Op. Income	<b>2,426</b>	1,947	<b>25</b>
Other Income	<b>48</b>	35	<b>36</b>
EBITDA	<b>586</b>	324	<b>81</b>
EBITDA Margin (%)	<b>23.7%</b>	16.3%	
Finance Cost	<b>23</b>	41	<b>(44)</b>
Depreciation	<b>110</b>	95	<b>16</b>
Earnings before Tax	<b>453</b>	188	<b>141</b>
Tax Expense	<b>132</b>	53	<b>148</b>
PAT	<b>321</b>	135	<b>139</b>
Other Comprehensive Income (after tax)	<b>353</b>	(194)	
Total Comprehensive Income (after tax)	<b>674</b>	(60)	
EPS	<b>34</b>	14	<b>139</b>

# Balance Sheet

Standalone			Consolidated (₹ Cr.)	
30 <sup>th</sup> June'16	31 <sup>st</sup> Mar'16	EQUITY & LIABILITIES	30 <sup>th</sup> June'16	31 <sup>st</sup> Mar'16
<b>16,231</b>	15,556	Net Worth	<b>28,613</b>	27,391
-	-	Minority Interest	<b>9,037</b>	8,728
<b>1,376</b>	1,839	Borrowings	<b>11,089</b>	12,500
<b>555</b>	519	Deferred Tax Liability (Net)	<b>3,189</b>	3,045
<b>1,845</b>	1,591	Liabilities & Provisions	<b>8,744</b>	7,917
<b>20,007</b>	19,505	SOURCES OF FUNDS	<b>60,671</b>	59,581
<b>ASSETS</b>				
<b>6,909</b>	6,963	Net Fixed Assets	<b>31,532</b>	31,267
<b>374</b>	376	Capital WIP & Advances	<b>1,996</b>	2,298
-	-	Goodwill on Consolidation	<b>3,033</b>	3,016
<b>Investments</b>				
<b>2,636</b>	2,636	Cement Subsidiary	-	-
<b>1,835</b>	1,603	Liquid Investments	<b>9,552</b>	8,709
<b>4,924</b>	4,569	Other Investments	<b>2,289</b>	1,870
<b>3,330</b>	3,358	Current Assets, Loans & Advances	<b>12,269</b>	12,422
<b>20,007</b>	19,505	APPLICATION OF FUNDS	<b>60,671</b>	59,581
<b>(459)</b>	236	Net Debt	<b>1,537</b>	3,754

Unaudited and not subjected to limited review by Auditors



# Revenue Chart

	(₹ Cr.)		
	Quarter 1		%
	2016-17	2015-16	Change
Viscose Staple Fibre	<b>1,654</b>	1,254	<b>32</b>
Chemical	<b>903</b>	775	<b>17</b>
Others	<b>21</b>	25	<b>(17)</b>
Eliminations (Inter Segment)	<b>(152)</b>	(107)	
<b>Standalone Net Revenue</b>	<b>2,426</b>	1,947	<b>25</b>
<u><b>Subsidiaries</b></u>			
Cement	<b>6,590</b>	6,341	<b>4</b>
Textiles	<b>83</b>	89	<b>(7)</b>
Eliminations (Inter Company)/ Others	<b>(11)</b>	(11)	
<b>Total for Subsidiaries &amp; JVs</b>	<b>6,662</b>	6,419	<b>4</b>
<b>Consolidated Net Revenue</b>	<b>9,089</b>	8,366	<b>9</b>



# EBITDA – Chart

EBIDTA	(₹ Cr.)		
	Quarter 1		%
	2016-17	2015-16	Change
Viscose Staple Fibre	322	139	131
Chemical	232	172	35
Others	32	13	
Standalone EBITDA	586	324	81
<u>Subsidiaries</u>			
Cement	1,626	1,302	25
Textiles	2	6	(62)
Eliminations (Inter Company )/Others	(1)	(3)	
Total for Subsidiaries & JVs	1,628	1,304	
Consolidated EBITDA	2,214	1,628	36



# Viscose Staple Fibre : Summary

		Quarter 1		%
		2016-17	2015-16	Change
Capacity	KTPA	<b>125</b>	125	-
Production (in '000s)	MT	<b>114</b>	94	<b>22</b>
Sales Volumes (in '000s)	MT	<b>121</b>	103	<b>17</b>
Net Revenue	₹ Cr.	<b>1,654</b>	1,254	<b>32</b>
EBITDA	₹ Cr.	<b>322</b>	139	<b>131%</b>
EBITDA Margin	%	<b>19.4%</b>	11.0%	--
EBIT	₹ Cr.	<b>266</b>	88	<b>202</b>
Capital Employed (Incl. CWIP)	₹ Cr.	<b>4,838</b>	5,112	<b>(5)</b>
ROAvCE (Excl. CWIP)	%	<b>22.2%</b>	9.0%	--





# Chemical : Summary

		Quarter 1		%
		2016-17	2015-16	Change
Capacity	KTPA	<b>210</b>	186	<b>13</b>
Production (in '000s)	MT	<b>193</b>	168	<b>15</b>
Sales Volumes (in '000s)	MT	<b>189</b>	169	<b>12</b>
Net Revenue	₹ Cr.	<b>904</b>	775	<b>17</b>
EBITDA	₹ Cr.	<b>232</b>	172	<b>35</b>
EBITDA Margin	%	<b>25.6%</b>	22.4%	<b>--</b>
EBIT	₹ Cr.	<b>181</b>	132	<b>38</b>
Capital Employed (Incl. CWIP)	₹ Cr.	<b>3,697</b>	3,578	<b>3</b>
ROAvCE (Excl. CWIP)	%	<b>20.0%</b>	20.9%	<b>--</b>

# Cement : Summary

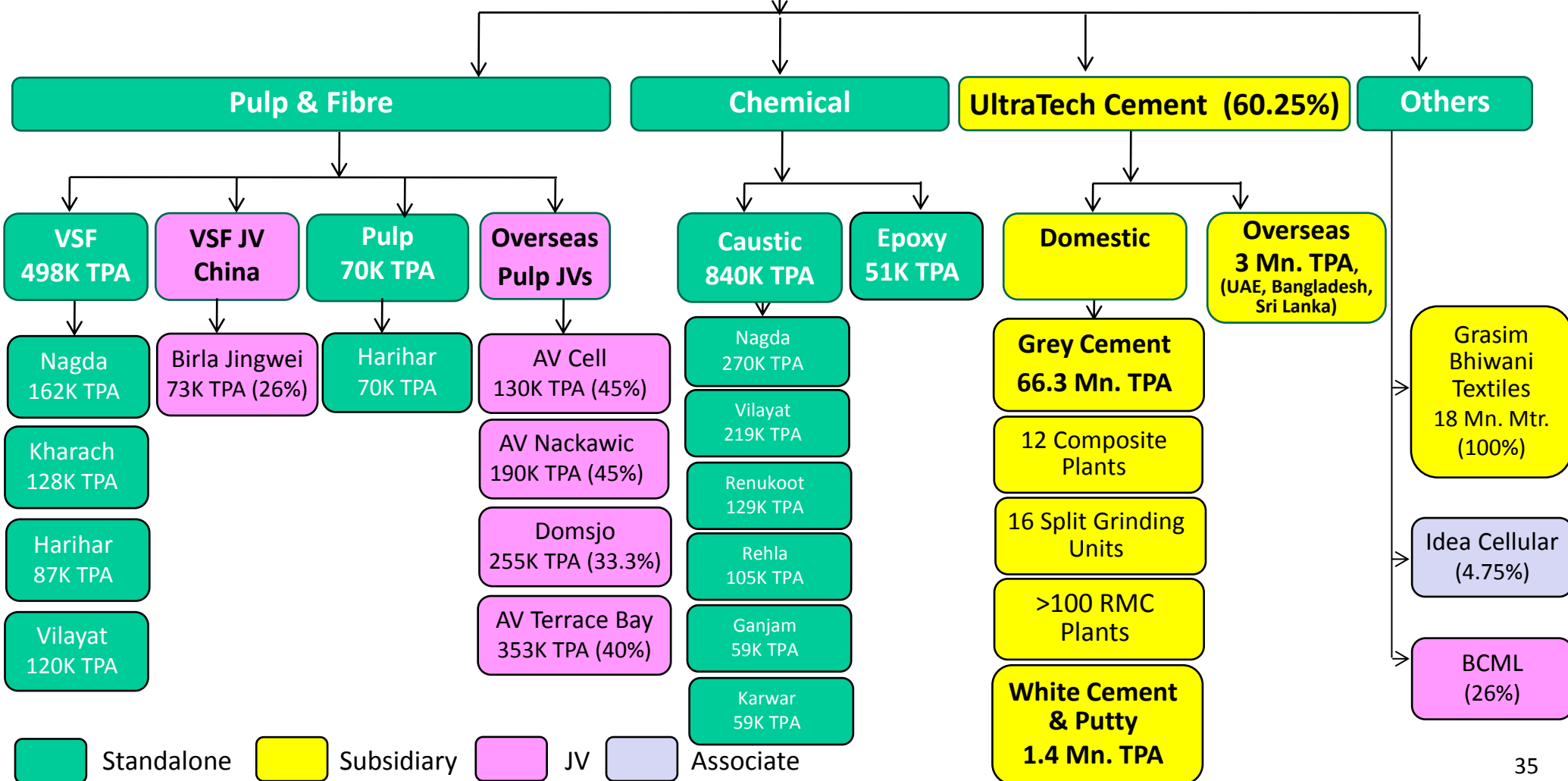
		Quarter		%
		2016-17	2015-16	Change
<u>Grey Cement</u>				
Capacity	Mn. TPA	<b>17.31</b>	15.79	<b>10</b>
Production	Mn. MT	<b>13.48</b>	12.85	<b>5</b>
Cement Sales Volumes <sup>\$</sup>	Mn. MT	<b>13.59</b>	12.87	<b>6</b>
Clinker Sales Volumes	Mn. MT	<b>0.19</b>	0.08	
<u>White Cement &amp; Putty</u>				
Sales Volumes <sup>\$\$</sup>	Lac MT	<b>2.84</b>	2.67	<b>6</b>
Net Revenue	₹ Cr.	<b>6,590</b>	6,341	<b>4</b>
EBITDA	₹ Cr.	<b>1,626</b>	1,302	<b>25</b>
EBITDA Margin	%	<b>24.1%</b>	20.2%	--
EBIT	₹ Cr.	<b>1,304</b>	998	<b>31</b>
Capital Employed (Incl. CWIP)	₹ Cr.	<b>34,939</b>	32,246	<b>8</b>
ROAvCE (Excl. CWIP)	%	<b>15.7%</b>	13.7%	--

<sup>\$</sup> Includes captive consumption for RMC

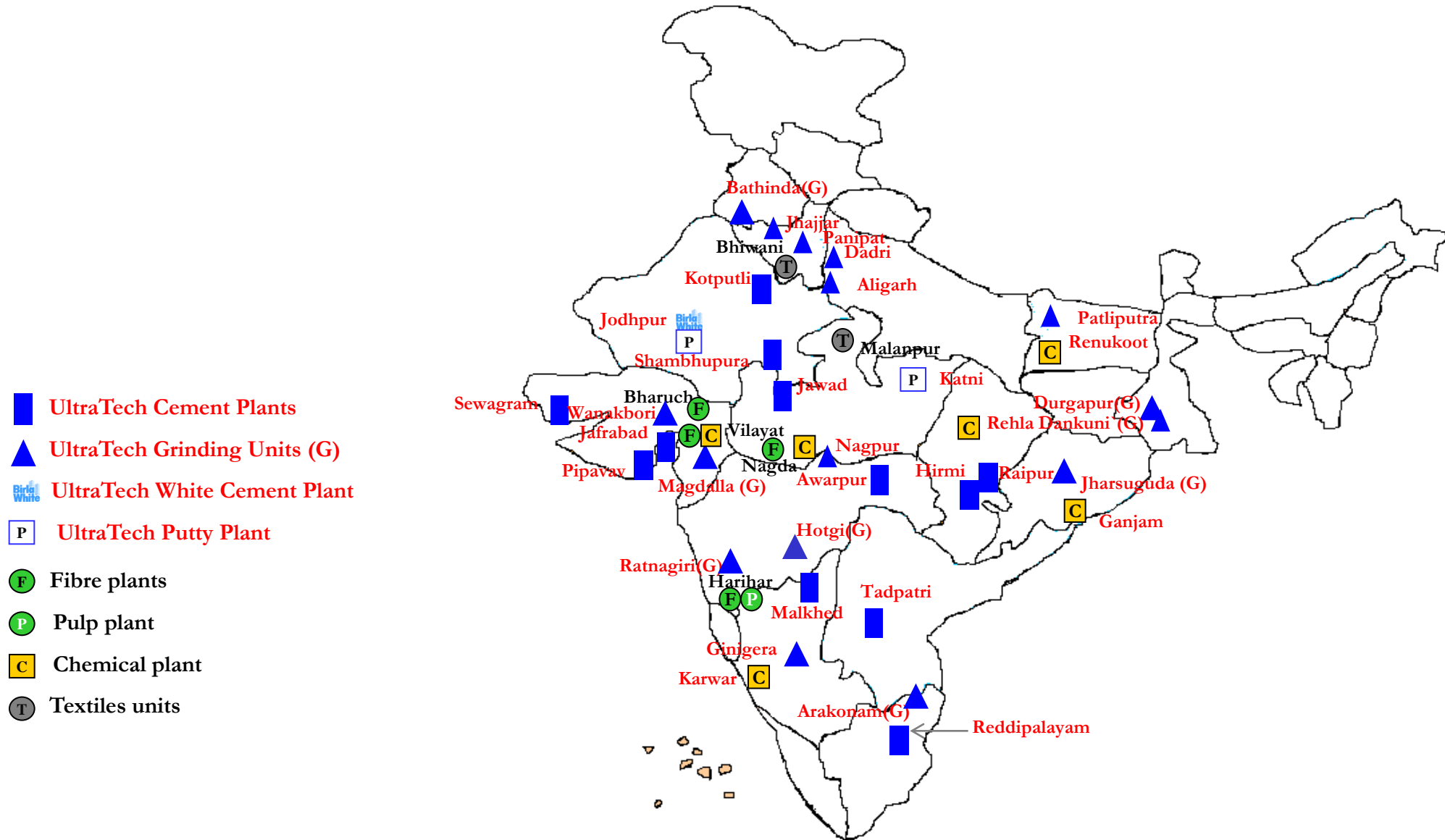
<sup>\$\$</sup> Includes captive consumption for value added products



# Grasim Group Structure



# Plant Locations– Grasim & Its subsidiaries



- UltraTech Cement Plants
- ▲ UltraTech Grinding Units (G)
- UltraTech White Cement Plant
- P UltraTech Putty Plant
- F Fibre plants
- P Pulp plant
- C Chemical plant
- T Textiles units

# Cautionary Statement

*Statements in this “Presentation” describing the Company’s objectives, estimates, expectations or predictions 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, 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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