

Quarterly Performance Review
Quarter 1 : 2015-16
Mumbai, 7th August, 2015

Grasim Industries Limited
A VSF and Cement Major

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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,

EBIDTA : Earnings before Interest, Depreciation and Tax and Amortisation, ECU : Electro Chemical Unit

ROAVCE : Return on Avg. Capital Employed, RONW : Return on Net Worth

Indian Economy

- Macro economic indicators have improved supported by decline in Energy prices
 - CAD at 1.3% of GDP in FY 15, lowest since FY 08
 - CPI remains range bound at around 5% , WPI is negative
- Economic activity showing signs of recovery
 - IIP has been recovering, albeit unevenly
 - Capital goods showing healthy growth since Jan 15
 - Gross tax revenue increased by 12.8% in Apr-May 15
- Decline in exports by ~ 17% in current quarter remain a concern
- Resolution of Greece crises should reduce uncertainty in Euro zone, a large market for Textiles



VSF Business

2nd Largest Globally
Capacity 498K TPA

Increase in global prices in Q1FY16 after prolonged decline

- Uptick in PSF & Cotton prices
- Rise in raw material cost in China

Sales Volume
102,737 MT
(Up by 19% YoY)

Revenue
₹ 1,254 Cr.
(Up by 15% YoY)

EBITDA
₹ 139 Cr.
(Up by 72% YoY)

Successful ramping up of Vilayat plant

- Achieved ~82% capacity utilisation

EBITDA Margin 11.0%
(Q1 LY 7.3%)



Chemical Business

**Largest Chlor-Alkali
Manufacturer in India**

**Caustic prices improved sequentially with increase in
international prices**

Sales Volume
98,055 MT
(Q1 LY : 97,678)

Revenue
₹ 485 Cr.
(Up by 17% YoY)

EBIDTA
₹ 94 Cr.
(Up by 3% YoY)

Update on merger of ABCIL with Grasim

- Approval received from shareholders and creditors of both Companies
- Petition filed with respective High Courts, CCI approval is in process
- Expected to be completed by Q3FY16 (w.e.f. the appointed date 1st April 2015)

**Post merger, caustic soda capacity to increase from 452K TPA to 804K TPA
ABCIL Q1FY16 EBITDA ₹ 78 Cr. (up 5%) and PAT ₹ 20 Cr. (up 40%)**

- Not part of Grasim Results

Highlights

UltraTech
C E M E N T
The Engineer's Choice



Cement Business

**Market leader
in India**

Prices remained under pressure
- Overcapacity and lower offtake

Sales Volume
13.0 Mn. Tons
(Up by 4% YoY)

Revenue
₹ 6,432 Cr.
(Up by 7% YoY)

EBIDTA
₹ 1,282 Cr.
(Q1 LY : ₹ 1,296 Cr.)

Update on Acquisition of MP cement units of Jaiprakash Associates

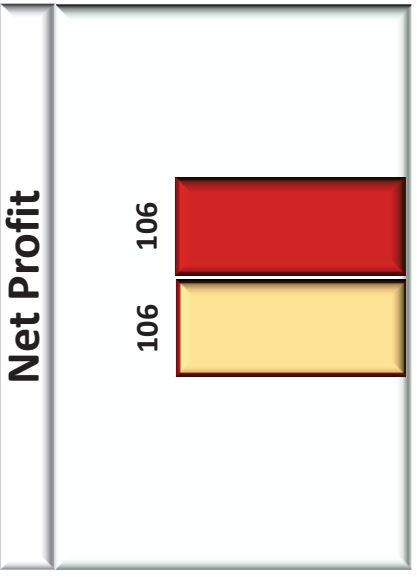
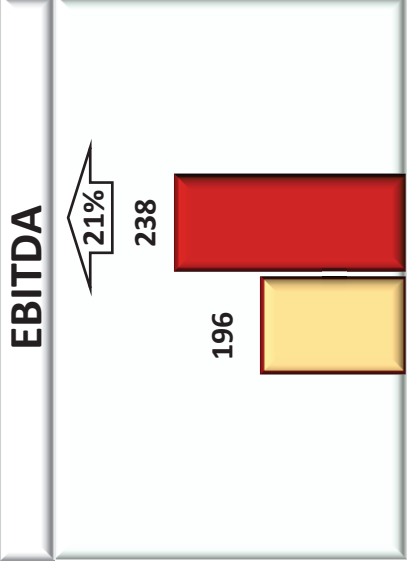
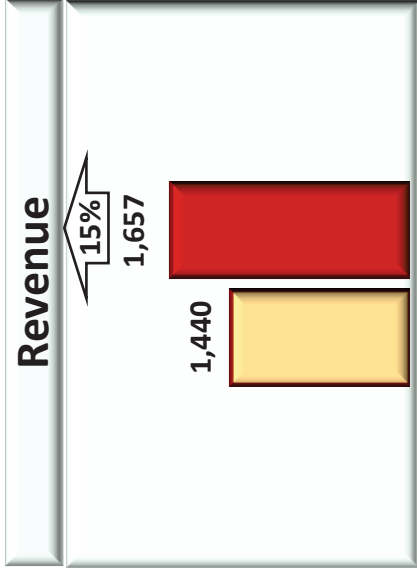
- Approval received from CCI, shareholders and creditors of both Companies
- High Courts approval is in process
- Benefits expected to start from Q4FY16

On commissioning of Grinding units under construction and above acquisition, domestic capacity to reach 71 Mn. TPA from 60 Mn. TPA

Financial Performance

Standalone

Amount in ₹ Cr.

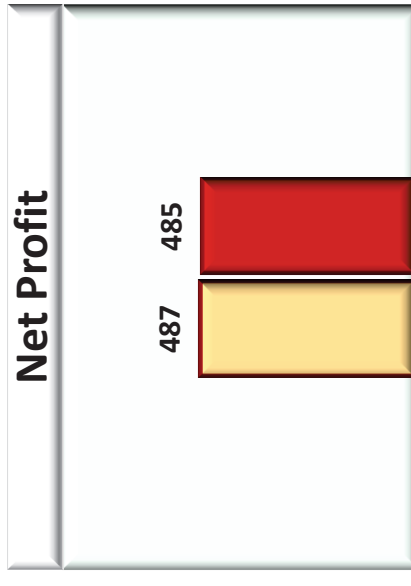
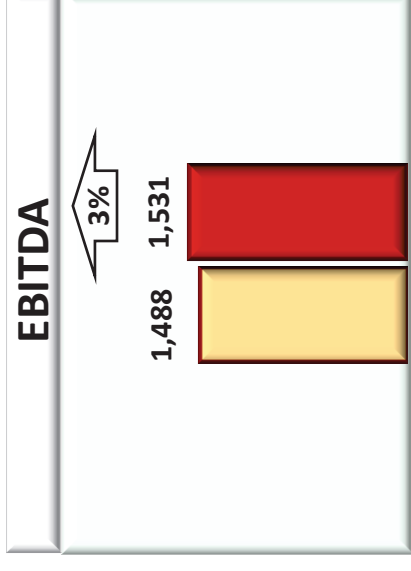
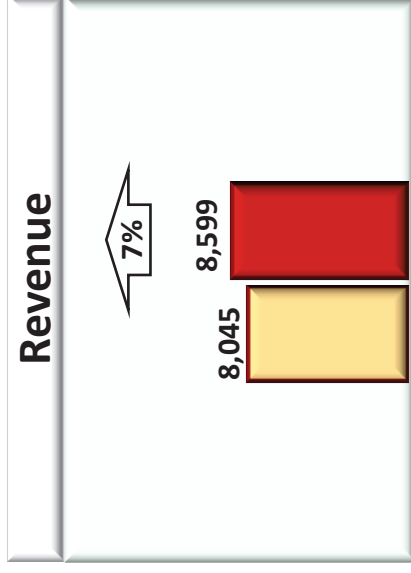


Q1FY15 Q1FY16

Q1FY15 Q1FY16

Q1FY15 Q1FY16

Consolidated



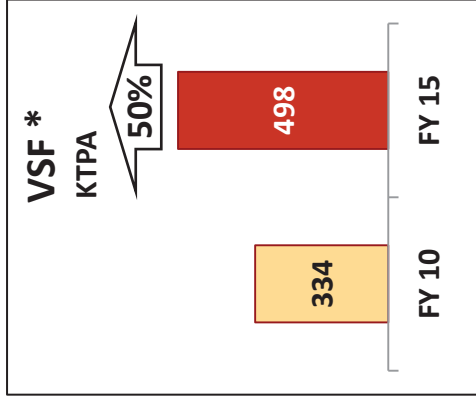
Q1FY15 Q1FY16

Q1FY15 Q1FY16

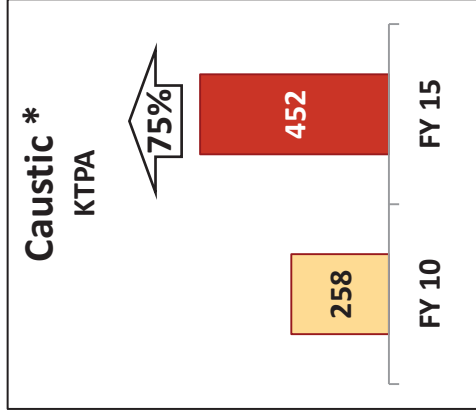
Q1FY15 Q1FY16

Investment in Growth

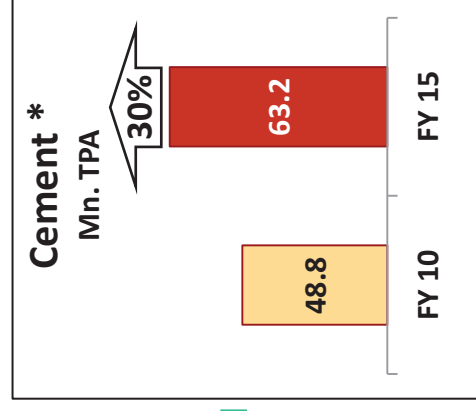
Substantial Investment made across Businesses – US\$ 4 Bn. over last five years.....



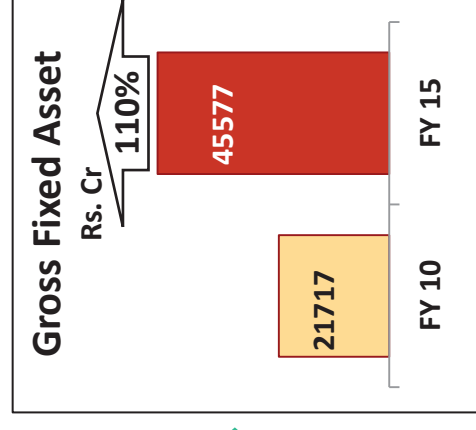
2nd Largest Globally



Largest in India



Largest in India



* Capacity

.....Balance Sheet Continues to be Strong – Net worth of ~ US\$ 4 Bn.

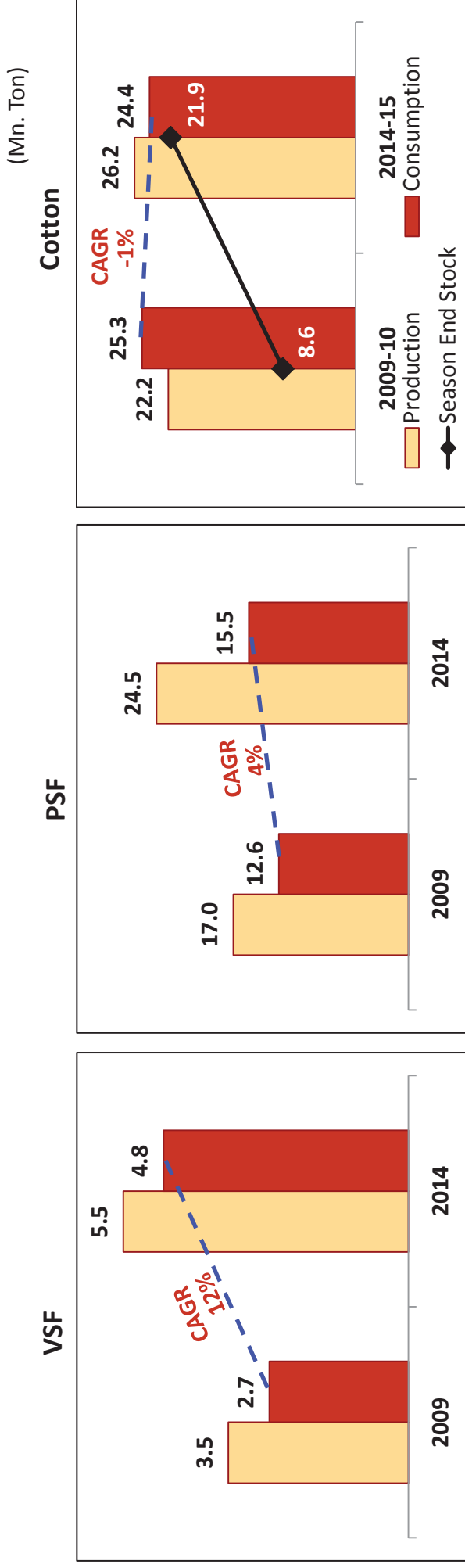
- Consolidated Nos.
 - Capital Employed ₹ 46,524 Cr.
 - Net Debt at ₹ 5,296 Cr. (Net surplus of ₹ 268 Cr. at standalone level)
 - Net Debt / Equity : 0.17
 - Net Debt / EBITDA : 0.86
- Q1 FY16 Return Ratio (consolidated) :
 - ROAVCE : 10.6%, RONW : 8.3%

Full Benefit to flow with ramping up of capacity utilisations and expected upturn in business cycle

Business Performance

- VSF
- Chemical
- Cement

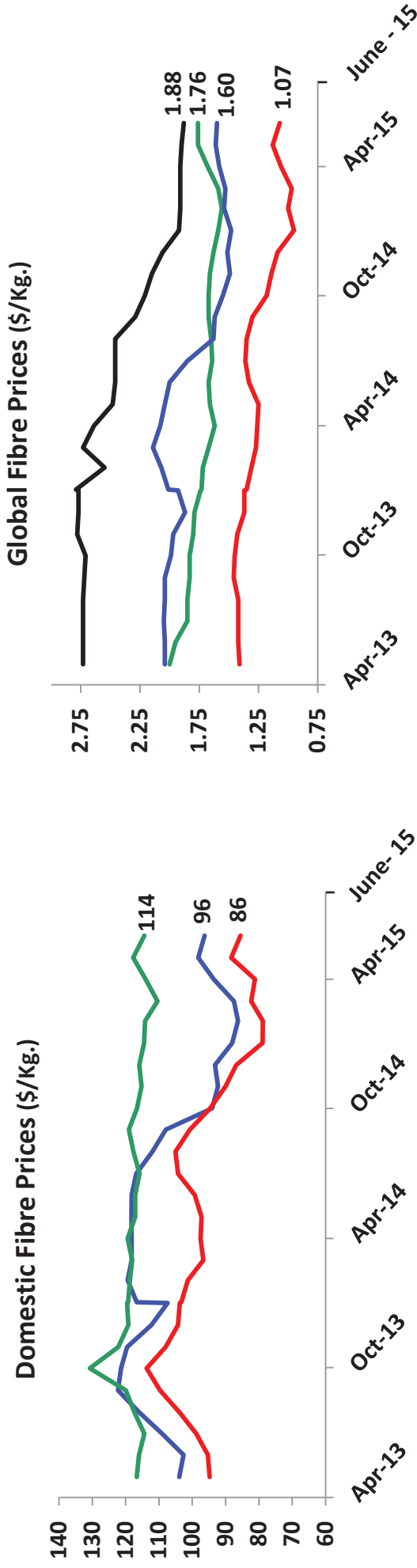
VSF : Fastest Growing Fibre



Capacity Demand

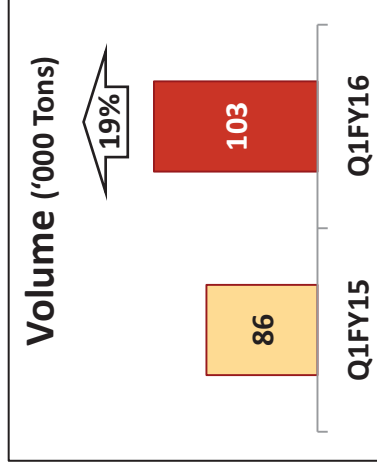
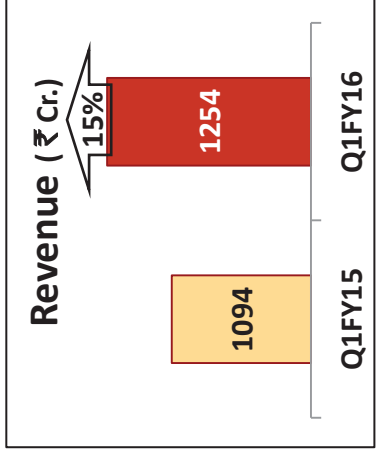
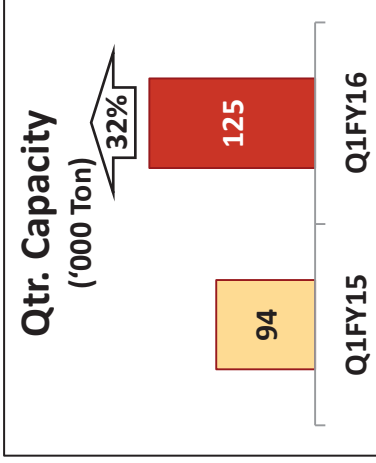
- Overcapacity across Fibres
- VSF fastest growing among competing fibres
 - Rising prosperity in emerging economies
 - High cotton prices in China lead to substitution

Textile Fibres Price Trend



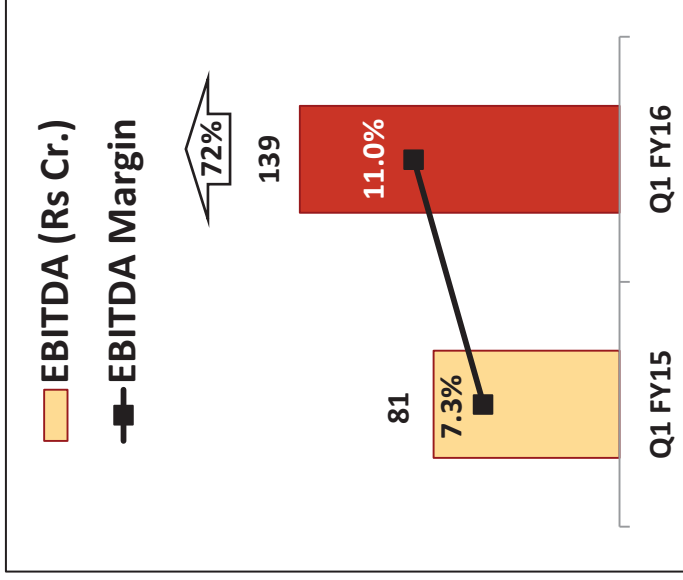
**FY15 saw decline in Global Prices - PSF 15%, Cotton 16%, VSF 10%
Uptick seen in prices in Q1 FY16**

VSF : Performance



- Sales volume up by 19% with ramping up of Vilayat plant
 - Vilayat plant achieved 82% utilisation
 - Nagda plant shutdown for 2 months (due to water shortage) restricted volume growth
- Business development activities coupled with LIVA brand launch supported increase in domestic volumes
- Realisation increased on sequential basis with improvement in global prices
 - Declined on YoY basis
 - Subdued competing fibre prices
- Revenue increased by 15% on back of higher volumes

VSF : Performance



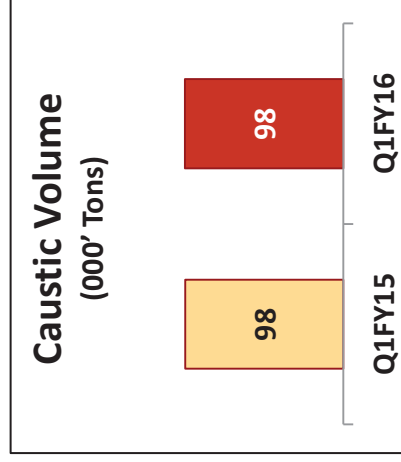
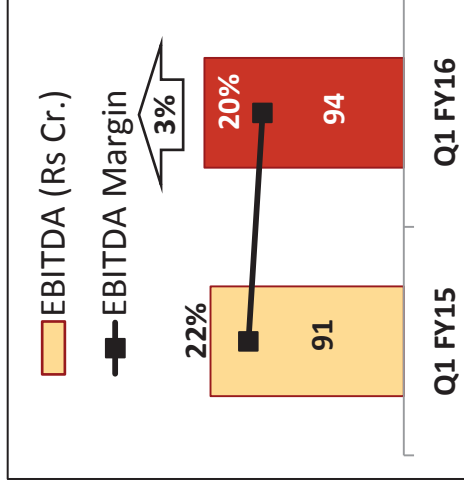
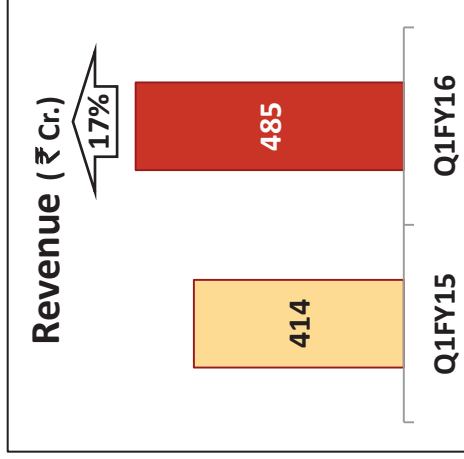
- Standalone EBITDA increased by 72%
 - Higher volumes
 - Improved margins from 7% to 11%
 - Lower pulp and other input cost
 - Operational efficiency gains

- Pulp and Fibre JVs performance :
 - EBITDA improved from ₹ (28 Cr.) to ₹ (1 Cr.)
 - Improved performance from Birla Jingwei (Chinese Fibre JV)
 - AV Terrace Bay (Paper pulp mill) reports positive EBITDA with higher production, sales and realisation

VSF : Outlook

- Prices likely to be influenced by
 - Development in the down stream industry
 - Resumption of operations at some of the shut capacities and increase in raw material prices in China
 - Competing fibre prices showing weakness
- Concerted market and product development activities by Grasim for demand expansion in domestic segment
 - Liva brand to improve usage of VSF products
 - Continued focus on improving quality and share of speciality products
 - Commencement of speciality product at Vilayat unit to improve volume and realisation

Chemical : Performance



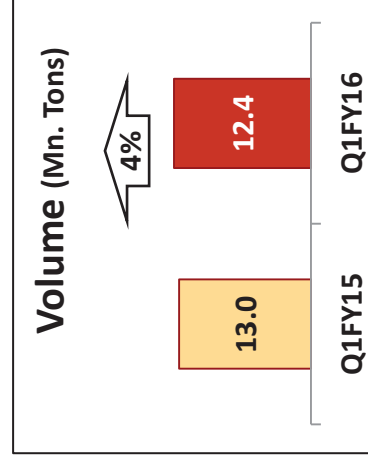
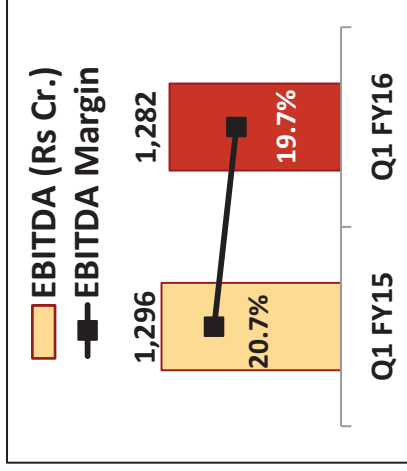
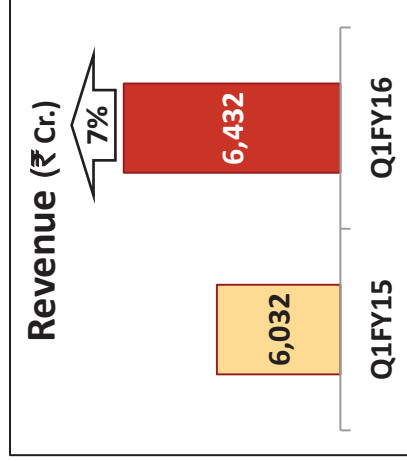
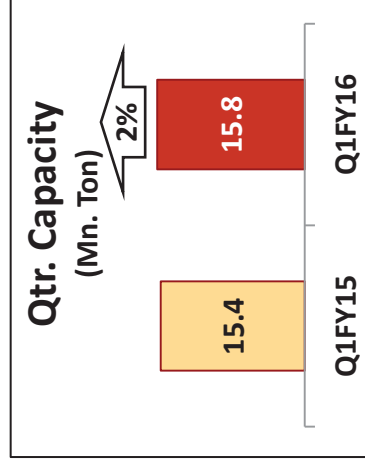
Industry Scenario

- Caustic prices improved sequentially with increase in international prices

Business Performance

- Revenue increased by 17%
 - Epoxy volumes almost doubled
 - Caustic Sales volume maintained
 - Vilayat plant achieved 95% capacity utilisation
- Realisation lower by 7% YoY
 - Higher imports of caustic
 - Lower chlorine demand
- EBIDTA up by 3% at ₹ 94 Cr
 - Improved performance of Epoxy
 - Impact of lower production at Nagda offset by higher production at Vilayat

Cement : Performance



Industry Scenario

- Industry off take estimated flat for the quarter
- Low capacity utilisation for the sector
- Prices remained under pressure

Business Performance

- Revenue up by 7%
 - Volume growth of 4% despite slowdown
- Capacity utilisation for the Indian operations at 80%
- EBITDA maintained at ₹ 1,282 crore
 - Subdued cement prices
 - Logistic cost up 11% due to increase in rail freight and change in sales pattern & mix
 - Raw material cost up 6% with hike in limestone royalty
 - Saving in energy cost by 7% with higher usage of petcoke and decline in fuel prices

Cement : Outlook

- Cement demand expected to pick-up from H2 FY16
- Cement demand growth drivers :
 - Government focus on infrastructure development with higher budgetary allocation for roads, dedicated freight corridor, irrigation, port etc.
 - Expected demand from “Smart Cities” and “Housing for all” initiatives – recently Government released overall approach and guidelines
 - Initiation of various reforms boosting business sentiments
 - Softening of interest rates
- Capacity utilisation to improve gradually
 - Expected increase in demand
 - Slowdown in capacity creation, constrained by current profitability and long gestation period
- Softening of energy prices in global markets augur well for the Cement sector
- UltraTech Capacity to reach ~75 Mn. TPA on completion of :
 - Grinding units in West Bengal, Bihar and Haryana (6 Mn. TPA)
 - Acquisition of JAL’s Bela and Sidhi Plants in MP (4.9 Mn. TPA)

Capex

Capex plan

(₹ Cr.)

	Capex (Net of CWIP as on 01-04-15)	Cash Outflow		Capex spent during Q1FY16
		FY16	FY17 onward	
<u>Standalone</u>				
VSF Expansion : Vilayat (120K TPA) – Residual Capex	157			
Nagda Revamp	149			
Normal Capex : VSF	261			
: Chemical & Others	153			
Standalone Capex (A)	720	460	260	80
<u>Cement Subsidiary : UltraTech</u>				
Capacity expansion #	1,676			
Logistic Infrastructure	658			
RMC Business	117			
Modernisation, Upgradation and others (Incl. Land)	2,434			
Cement Business Capex (B)	4,885	3,045	1,840	620
Capex (A + B)	5,605	3,505	2,100	700

Represents residual capex of brownfield expansion projects already commissioned and Grinding units in WB, Haryana and Bihar

Above capex does not include investments for Cement and Chemical acquisitions

Summary

- Achieved improved performance amidst challenging market conditions
- Leadership position across businesses further strengthened with large investment in growth
- Company well poised to reap benefits of the investments with
 - Ramping up of capacity utilisation
 - Expected upturn in business cycle led by accelerated growth in the economy

Thank You

Grasim Industries Limited

Annexure - Financials

Annexure

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

Consolidated Financial Performance

	Quarter - 1		% Change	(₹ Cr.)
	2015-16	2014-15		
Net Sales & Op. Income	8,599.1	8,045.0	7	32,847.4
Other Income	113.9	269.6	(58)	539.0
EBITDA	1,531.0	1,487.8	3	5,683.4
EBITDA Margin (%)	17.6%	17.9%		17.0%
Finance Cost	171.3	126.5	35	667.4
Depreciation	403.0	357.8	13	1,563.2
Earnings before Tax (Before exceptional item)	956.6	1,003.6	(5)	3,452.8
Exceptional item	-	-		(9.5)
Earnings before Tax	956.6	1,003.6	(5)	3,443.3
Total Tax	281.1	304.1	(8)	1,015.9
PAT (Before Minority Share)	675.6	699.5	(3)	2,427.4
Add: Share in Profit of Associates	43.9	37.9	16	154.2
Less: Minority Share	234.8	250.3	(6)	837.9
PAT (After Minority Share)	484.7	487.1		1,743.8
EPS	52.7	53.0		189.6
Cash Profit (Before Minority Share)	1,311.0	1,388.6	(6)	5,142.7

Standalone Financial Performance

	Quarter 1		% Change	Full Year 2014-15
	2015-16	2014-15		
Net Sales & Op. Income	1,657.2	1,439.5	15	6,332.6
Other Income	21.9	55.1	(60)	348.1
EBITDA	237.5	196.0	21	1,013.0
EBITDA Margin (%)	14.1%	13.1%		15.2%
Finance Cost	13.7	5.6		39.3
Depreciation	78.7	52.9	49	262.5
Earnings before Tax (Before exceptional item)	145.1	137.4	6	711.2
Exceptional item	-	-		(26.2)
Earnings before Tax	145.1	137.4	6	684.9
Tax Expense	39.3	31.6	25	155.0
PAT	105.8	105.8		529.9
EPS	11.5	11.5		57.6
Cash Profit	223.8	190.2	18	973.7

Balance Sheet

Standalone		Consolidated	
30 th June'15	31 st Mar'15	30 th June'15	31 st Mar'15
EQUITY & LIABILITIES			
11,291	11,183	23,697	23,140
Net Worth			
-	-	7,918	7,682
Minority Interest			
1,040	1,115	11,305	11,930
Borrowings			
654	615	3,604	3,410
Deferred Tax Liability (Net)			
1,495	1,454	8,450	7,873
Liabilities & Provisions			
14,480	14,367	54,974	54,035
SOURCES OF FUNDS			
ASSETS			
5,124	5,188	28,694	28,550
Net Fixed Assets			
583	522	3,750	3,507
Capital WIP & Advances			
-	-	3,320	3,283
Goodwill on Consolidation			
Investments			
2,636	2,636	-	-
Cement Subsidiary			
1,308	1,096	6,009	5,790
Liquid Investments			
1,593	1,618	1,480	1,465
Other Investments			
3,236	3,307	11,721	11,440
Current Assets, Loans & Advances			
14,480	14,367	54,974	54,035
APPLICATION OF FUNDS			
(268)	19	5,296	6,140
Net Debt			

Profitability Trend

(₹ Cr.)

	Standalone				Consolidated			
	FY	FY	FY	Q1	FY	FY	FY	Q1
	2012-13	2013-14	2014-15	2015-16	2012-13	2013-14	2014-15	2015-16
Net Turnover & Op. Income	5,255	5,604	6,333	1,657	27,909	29,324	32,847	8,599
EBITDA	1,523	1,246	1,013	238	6,543	5,491	5,683	1,531
EBITDA Margin (%)	26.8	20.8	15.2	14.1	22.9	18.4	17.0	17.6
Finance Cost	39	42	39	14	324	447	667	171
EBDT	1,484	1,205	974	224	6,219	5,044	5,016	1,360
Tax Expenses	303	89	155	39	1,467	735	1,016	281
PAT # (After Minority Share)	1,022	896	556	106	2,500	2,072	1,753	485
EPS (₹) #	111.3	97.5	60.5	11.5	272.3	225.5	190.8	52.7
DPS (₹)	22.5	21.0	18.5	-	--	--	--	--
ROAVCE (PBIT Basis - Excl. CWIP)(%)					17.1	12.1	10.5	10.6
RONW (%) #					13.6	10.0	7.8	8.3
Interest Cover (x)	21.3	13.2	13.8	14.7	10.6	9.0	6.8	7.5

before exceptional / extraordinary gain

Revenue Chart

(₹ Cr.)

	Quarter 1 2015-16	2014-15	% Change	Full Year 2014-15
Viscose Staple Fibre	1,254	1,094	15	4,974
Chemical	485	414	17	1,701
Others	25	26		89
Eliminations (Inter Segment)	(107)	(95)		(431)
Standalone Net Revenue	1,657	1,440	15	6,333
<u>Subsidiaries</u>				
Cement	6,432	6,032	7	24,349
Textiles	90	104	(13)	464
Pulp JVs and Fibre JV (Pro Rata)	499	549	(9)	2,072
Eliminations (Inter Company)/Others	(79)	(80)		(369)
Total for Subsidiaries & JVs	6,942	6,605	5	26,514
Consolidated Net Revenue	8,599	8,045	7	32,847

EBITDA – Chart

EBITDA	Quarter 1		% Change	Full Year 2014-15
	2015-16	2014-15		
Viscose Staple Fibre	139	81	72	465
Chemical	94	91	3	292
Others	5	24	(80)	257
Standalone EBITDA	238	196	21	1,013
<u>Subsidiaries</u>				
Cement	1,282	1,296		4,776
Textiles	5	8	(29)	33
Pulp JVs and Fibre JVs (Pro Rata)	(1)	(28)		22
Eliminations (Inter Company)/Others	7	17		(117)
Total for Subsidiaries & JVs	1,294	1,292		4,670
Consolidated EBITDA	1,531	1,488	3	5,683

Viscose Staple Fibre : Summary

	Quarter 1		% Change	Full Year 2014-15
	2015-16	2014-15		
Capacity*	TPA	94,440	32	4,33,600
Production	MT	93,541	4	4,08,332
Sales Volumes	MT	1,02,737	19	4,02,802
Net Revenue	₹ Cr.	1,254	15	4,974
EBITDA	₹ Cr.	139	81	465
EBITDA Margin	%	11.0%	7.3%	9.3%
EBIT	₹ Cr.	88	54	305
Capital Employed (Incl. CWIP)	₹ Cr.	5,120	5,038	5,282
ROAVCE (Excl. CWIP)	%	7.3%	6.8%	7.5%

* Operational capacity during the period

Chemical : Summary

	Quarter 1		% Change	Full Year 2014-15
	2015-16	2014-15		
Capacity	1,13,125	1,13,125	-	4,52,500
Production	99,463	1,00,163	(1)	4,11,738
Sales Volumes	98,055	97,678	-	4,09,220
Net Revenue	₹ Cr. 485	₹ Cr. 414	17	₹ Cr. 1,701
EBITDA	₹ Cr. 94	₹ Cr. 91	3	₹ Cr. 292
EBITDA Margin	19.3%	22.0%	--	17.1%
EBIT	₹ Cr. 70	₹ Cr. 67	-	₹ Cr. 198
Capital Employed (Incl. CWIP)	₹ Cr. 1,949	₹ Cr. 1,870	4	₹ Cr. 1,922
ROAVCE (Excl. CWIP)	15.1%	14.9%	--	10.9%

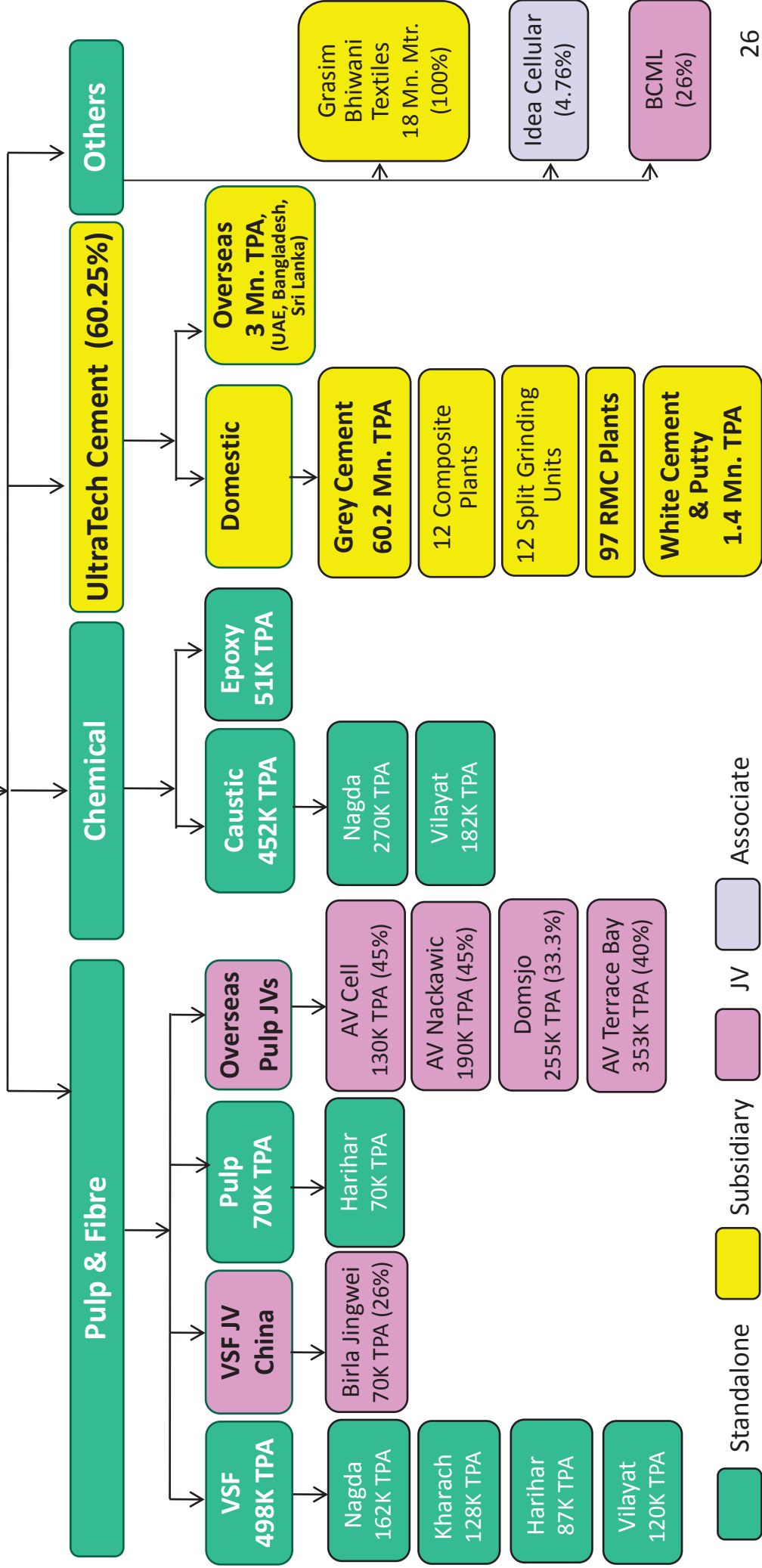
Cement : Summary

	Quarter 1		% Change	Full Year
	2015-16	2014-15		
<u>Grey Cement</u>				
Capacity	Mn. TPA	15.43	2	63.15
Production	Mn. MT	12.04	7	46.71
Cement Sales Volumes ^{\$}	Mn. MT	12.17	6	47.09
Clinker Sales Volumes	Mn. MT	0.25	(68)	1.08
<u>White Cement & Putty</u>				
Sales Volumes ^{\$\$}	Lac MT	2.67	4	12.24
Net Revenue	₹ Cr.	6,432	7	24,349
EBITDA	₹ Cr.	1,282		4,776
EBITDA Margin	%	19.7%	--	19.3%
EBIT	₹ Cr.	981	(3)	3,572
Capital Employed (Incl. CWIP)	₹ Cr.	34,054	6	33,831
ROAVCE (Excl. CWIP)	%	12.7%	--	12.5%

^{\$} Includes captive consumption for RMC

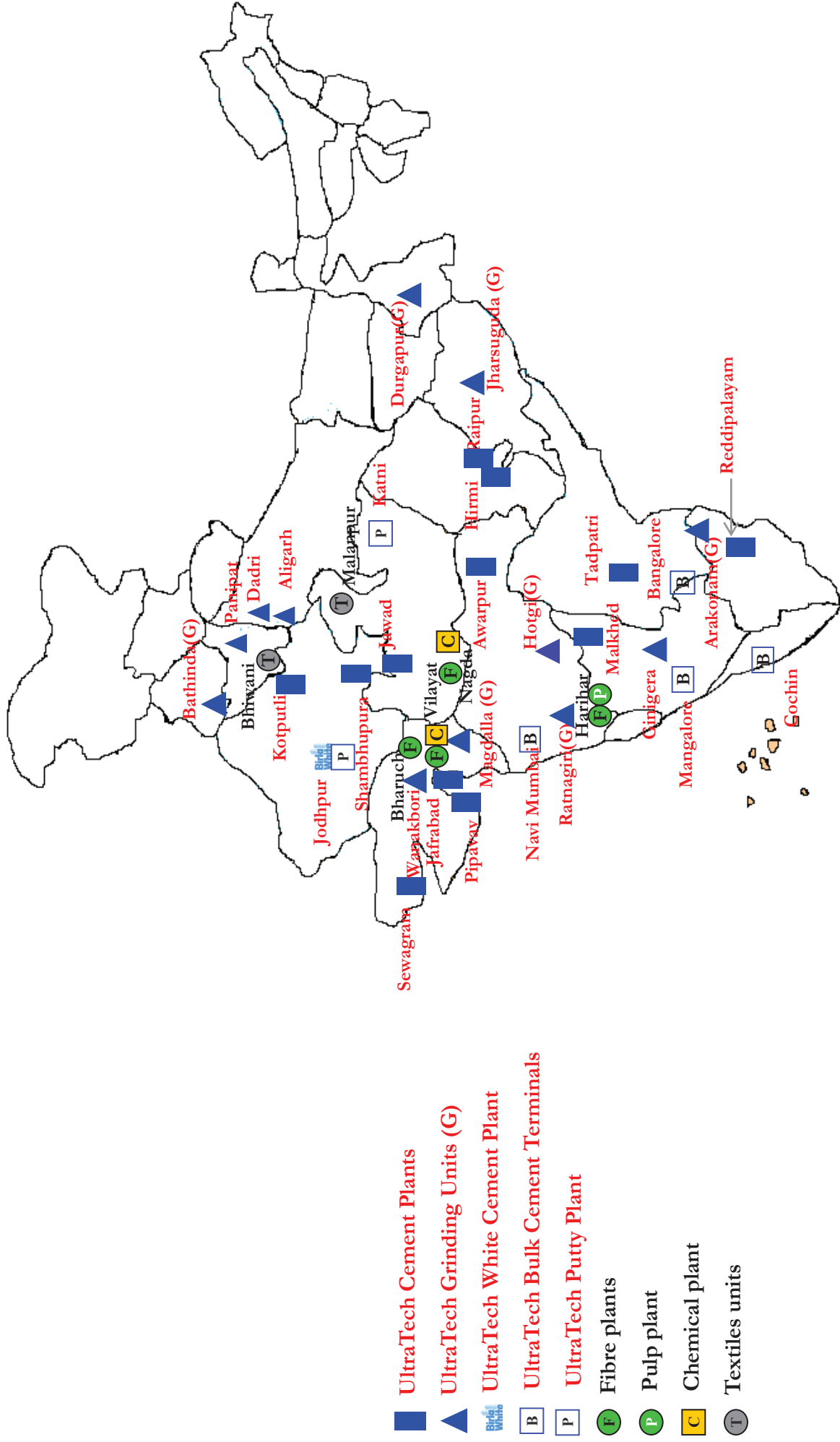
^{\$\$} Includes captive consumption for value added products

Grasim Group Structure



- Standalone
- Subsidiary
- JV
- Associate

Plant Locations– Grasim & its subsidiaries



Not to scale

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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