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13th February 2024

BSE Limited
Scrip Code: 500300

National Stock Exchange of India Limited
Symbol: GRASIM

Dear Sir/Madam,

Sub: Transcript of Conference Call on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended 31st December 2023

In terms of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of Earnings Conference Call held on 9th February 2024 on Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended 31st December 2023 and is available at https://www.grasim.com/Upload/PDF/grasim-earnings-call-trancript-q3fy24-9feb24.pdf

Thanking you,

Yours sincerely,
For Grasim Industries Limited

SAILESH KUMAR DAGA
Digitally signed by SAILESH KUMAR DAGA
Date: 2024.02.13 11:46:22 +05'30'

Sailesh Kumar Daga
Company Secretary and Compliance Officer
FCS - 4164

Encl.: as above

Cc:

Luxembourg Stock Exchange
Market & Surveillance Dept., P.O. Box 165, L-2011 Luxembourg, Grand Duchy of Luxembourg

Citibank N.A.
Depositary Receipt Services
390 Greenwich Street, 4th Floor, New York - 10013

Citibank N.A.
Custodial Services
FIFC, 9th Floor, C-54 & 55, G Block Bandra Kurla Complex, Bandra (East), Mumbai – 400098

"Grasim Industries Limited

Q3 FY '24 Earnings Conference Call"

February 09, 2024

MANAGEMENT: **MR. HARIKRISHNA AGARWAL – MANAGING DIRECTOR**
MR. PAVAN JAIN – CHIEF FINANCIAL OFFICER
MR. HIMANSHU KAPANIA – BUSINESS HEAD, PAINTS
MR. JAYANT DHOBLEY – BUSINESS HEAD, CHEMICALS, FASHION YARN AND INSULATOR BUSINESS
MR. RAKSHIT HARGAVE – CHIEF EXECUTIVE OFFICER, PAINTS

Moderator: Ladies and gentlemen, good day, and welcome to Grasim Industries Limited Q3 FY '24 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Ankit Panchmatia, Head, Investor Relations. Thank you, and over to you, sir.

Ankit Panchmatia: Hi, Good Morning. Wish everyone on the call a Happy 2024. Thank you for joining us today to discuss Grasim's third quarter financial results of financial year 2024. The financial statements and presentations are available on the exchanges and as well as on our website.

For safe harbor, kindly refer to our cautionary statement highlighted in the last slide of our presentation. Our leadership team is present today on this call to discuss our results. We have with us Mr. H.K. Agarwal, Managing Director; and Mr. Pavan Jain, Chief Financial Officer, Grasim Industries. Also joining the call with me is Mr. Jayant Dhobley, Business Head of Chemicals, Fashion Yarn & Insulators business; and Mr. Himanshu Kapania and Mr. Rakshit Hargave, Business Head and CEO of Paints division.

Let me now welcome Mr. Pavan Jain for his opening remarks, post which we will open the floor for Q&A. Over to you, sir.

Pavan Jain: Good morning, everyone. First and foremost, wishing you all a very happy and prosperous 2024 on behalf of Grasim. It is always a pleasure to be with you for discussing our quarterly results. Looking at reflections, I'm happy to share that we have ended 2023 and started 2024 on a satisfactory note across multiple fronts.

To start with the latest one, we have successfully completed our rights issue with an oversubscription of nearly 2 times. This reflects the support and belief of all our stakeholders who have and would participate in Grasim's growth journey.

Let me now share key developments on the ongoing growth initiatives and projects. We have completed expansion of our specialty chemicals capacity which is epoxy polymers and curing agents, doubling to 246 KTPA versus 123 KTPA earlier. This would enable us to meet our valued customers' growing demand and further solidify Grasim's foothold in India’s growing demand for specialty chemicals.

Further, project implementation of world's largest single-site capacity for CPVC resin facility has also commenced in arrangement with Lubrizol at our Vilayat site. We are also progressing in line with regards to our 50,000 tons per annum capacity of ECH, which is expected to be completed by Q4 of next financial year.

Post completion, all these initiatives would improve chlorine integration to around 70% from current level of about 63%. In Viscose, we continue with our debottlenecking activities at Nagda, Vilayat and Kharach, the current installed capacity stands at 842,000 tons per annum.

Our Viscose business is making new strides in the area of sustainability. The business has received first rank in Canopy's 2023 Hot Button Report with the rating of "Dark Green Shirt". The business has implemented EU BAT technology at Kharach, the second plant to achieve this feat. As piloting circular solutions in our fashion industry, the business has made first shipment of its lyocell fibre produced with recycled cotton waste for use in textile value chain and the response has been very promising with repeat orders.

Our Paints business has started trial production at 3 plants, which is Ludhiana, Cheyyar and Panipat. Brand architecture under Birla Opus is complete, and we will be launching a full range of products in FY '25. Birla Pivot has grossed INR120 crores of monthly revenue run rate in December '23. The private label ‘Birla Pivot Tiles’ is gaining good response and is now launching private label in plywood and doors categories.

Moving on, I would like to share key global trends having bearing on our different businesses directly or indirectly. Given U.S. economy has entered calendar year '24 on a stronger footing which reported Q3 CY '23 GDP of 3.3% against the estimates of 2%, federal reserve in its latest meet left the key policy rate untouched at 5.25% to 5.50%. The U.S. composite purchasing management index, output index has increased to 52.3% this month, the highest level since last June. In contrast, Eurozone and China are facing headwinds in their economies. Eurozone's manufacturing PMI shows that output contracted at a slower pace in January '24 as the index rates rose to 46.6% from 44.4% in December '23. Two major economies of Eurozone, Germany and France reported slowdown in pace of growth in their manufacturing activity. China's official manufacturing PMI inched up at to 49.2% in January '24 compared to 49% in December '23. In efforts to put support, real estate sector that underpins consumption and household wealth, People's Bank of China announced 50 bps cut, the biggest in past 2 years, effective from 1st February 2024. This is expected to inject about CNY1 trillion in the banking system. Given such developments, IMF has also revised its global growth forecast for 2024 to 3.1% from earlier forecast of 2.9%, with improved outlook for U.S., China and India. However, the current Red Sea disruptions, which manage about 12% to 15% of world trade including 30% of container traffic appears to be adversely impacting the outlook on global trade. Adding to this uncertainty is super election year '24, which would see more than 1/3 of the world population across 60-plus countries undergoing national elections. All these uncertainties post challenges and also possibly new opportunities in 2024.

Switching the context to Indian context, the first advanced estimates published by NSO in January 2024 show real GDP to grow by 7.3% in FY '24 better than revised growth estimate of multiple agencies like RPI around 7%, IMF forecast of 6.7%. Available high-frequency indicators like IIT, vehicle sales, growth in bank credit, real estate sales, GST collections, etcetera, appear to support NSO's growth estimates. We at Grasim expect to resemble India's growth story given our presence across sectors.

Coming to our financial performance for the quarter ended discussion, the consolidated revenue struck at highest level of INR31,965 crores, recording growth of 12% Y-o-Y. The TTM revenue, trailing 12 months revenue, which is indicative of FY '24 revenue crossed milestone of INR1.25 trillion, growing at CAGR of 14% over FY '20. Consolidated EBITDA grew by 34% Y-o-Y to INR5,150 crores. The TTM EBITDA is nearing a milestone of INR20,000 crores, posting CAGR of over 9% since FY '20. Conglomerate structure with diversified businesses has enabled consistent growth in revenue and profitability. Cement and Financial Services businesses under UltraTech and Aditya Birla Capital are on an accelerated growth journey, fulfilling the infrastructure and financial needs of our country.

Our standalone performance continues to exhibit stability despite vagaries of global commodity cycles. Both our key businesses at stand-alone level, viscose and caustic currently in down cycle continue to remain profitable. Our established risk management mechanisms and cost leadership enable us to ride global price volatility optimally and deliver industry superior performance.

Standalone revenue for the quarter stood at INR6,400 crores, recording a growth of 3% Y-o-Y. The revenue growth was largely driven by volume growth of 34% in VSF and 5% in caustic soda business. However, the profitability was impacted with global weakness in Chemical's segment, led by oversupplied market and sharp decline in realization.

For simplification, we have made some changes in our results presentation with regard to segmental disclosure. We have combined our textiles, insulators, paints, B2B e-commerce adjusted for intersegment elimination and unallocated income under one head named 'Other businesses'. Such categorization aligns the disclosure with our published results.

Viscose business growth took strong on a Y-o-Y basis, partially on the back of markets reverting to normalized levels post exceptionally weak Q3 FY '23 part of VFY volumes, which finds its applications in embroidery and georgette and home furnishing has lower demand pull during the quarter. The realizations were further impacted by cheaper imports from China. The sharp Y-o-Y decline in caustic prices appear to bottom out at current levels of about $400 to $450 level. However, the market remains oversupplied due to large capacity additions in FY '23.

Our Paints business 'Birla Opus' is on track for launch in current quarter with trial production already launched at three plants, namely Panipat, Ludhiana and Cheyyar. We have already completed brand architecture under our paints brand Birla Opus, the sub-branch portfolio across multiple categories of luxury, premium and economy segments and development work for design, package artwork, consumer communication, etcetera, is complete. The supply chain, logistics and distribution network is also in place to support the launch as stated earlier. We would offer complete range of high-performance superior products in the premium, mid-range and mass markets favourably placed across multiple price points. The dealer onboarding has already commenced, and you would certainly hear out more from us on this over the calendar year '24.

As highlighted in the last quarter, B2B e-commerce business under brand name of 'Birla Pivot' has already crossed monthly revenue run rate of INR100 crores. The quarterly revenue run rate is now inching towards INR300 crores. Private labels under 'Birla Pivot Tiles' is garnering good response. We have already initiated in-store branding initiatives also and now we are widening our coverage for private labels by adding plywood and doors. On the geographical front, Birla Pivot has now extended its coverage to asbout 20 states. Capex for quarter stood at INR1,425 crores with 76% allocation to Paints business. We remain on track to achieve planned capex guidance of about INR5,900 crores in FY '24. We can take questions now.

Moderator: Thank you very much. We will now begin the Question-and-Answer session. We have a first question from the line of Tejash Shah from Avendus Spark.

Tejash Shah: A couple of questions on paints. You spoke about dealer onboarding which has started. Just wanted to know, and if you are in a position to share, is there any target that we are running with in terms of dealer onboarding for this year? Are these dealers existing paint dealers? Or are we getting new dealers in the ecosystem?

Rakshit Hargave: Let me answer this question. So obviously, we have target for dealer onboarding for every month, every quarter. That goes without saying. And when we are onboarding, to begin with, we are largely onboarding existing paint dealers, but there could be also some who are new to the paints business.

Tejash Shah: Sure. And second and last question. You have been very transparent on the expansion plan and also on the status of the expansion that we are doing in paints and on the plant side. Just wanted to know, any similar update or details you can share on depot network that needs to be created around the plant infra?

Rakshit Hargave: So obviously, the depot network goes along with. We have an aggressive target to set up depots by the end of this financial year. We are already signing agreement and leases and depots are already operational to take in some of the trial production. And obviously, we also have a target for next financial year. We are in line with whatever we have set up. As you would have also read in some reports, which have come out is that our objective is to have a pan-India national distribution by the end of financial year. Our network expansion, ambition and execution is in line with that.

Tejash Shah: Great. Thanks, and all the best for that and I'll come back in the queue if needed.

Moderator: We have a next question from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: I have 2 questions. One on VSF and one on chemicals. Sir, based on our presentation, is it safe to conclude that our VSF EBITDA on a quarterly basis based on a Q-on-Q number is flat on a per kg basis and the fall in the numbers is predominantly because of the VFY?

Harikrishna Agarwal: To some extent, your analysis is in line, but also it's very dynamic, so we cannot assume, like selling price has come down in this quarter, whereas raw material prices have also reduced and volumes have gone up. There are 3 levers always operating always in this equation. But yes, overall, the VFY was a little bit less in this quarter compared to previous quarters.

Nirav Jimudia: Sir, the fall in profit is close to INR62 crores. So, 75% to 80% is a safe assumption to take for the fall in the VFY business out of this INR62 crores fall?

Pavan Jain: Not exactly. VFY has been seeing some demand slowdown in some particular segments as mentioned. Then there is a problem of some cheaper imports from China also which has an impact. But the numbers may not be exactly what you are trying to say.

Nirav Jimudia: Got it, sir. And sir, if you can just share your view on the premium on the value-added VSF vis-a-vis the grey VSF. Can you just share what sort of blended level premiums we used to or we are currently getting on over and above the grey VSF?

Harikrishna Agarwal: These range cumulative is about 20% over the grey price in general. But sometimes it is more depending on which product volume is more and there are many products in VSF category.

Nirav Jimudia: Yes, yes. Because, sir, earlier we used to share like for Excel, it was close to $0.40, $0.50. For modal, it was slightly less and dope-dyed was even lesser. What is the current broad range, if you can share on these 3 products?

Harikrishna Agarwal: I don't think I will be able to give you that specific product price. But in general, cotton prices have come down. Hence, Excel prices have also come down in line with cotton prices. It has reduced and in general, in China also Lyocell prices have come down in last full year. But it keeps on changing depending on the mix of products in the market.

Nirav Jimudia: Got it, sir. Sir, second question is on the chemical side. We have seen a sequential improvement there. So last quarter, you mentioned that we had a shutdown at the VAP plant. This entire improvement is in the profitability could be attributed to the swing in profit from the VAPs or has some improvement on the cost side happened on the caustic side and because of which the profitability has improved?

Jayant Dhobley: Nirav, I'll take the question. Maybe I'll also add a bit of colour on the VFY discussion. So just going back to your VFY question, look, our VFY portfolio consists actually of 3 types of fibre. Spool Spun yarn, Continuous spun yarn and Pot spun yarn. And they go in different segments ultimately in yarn since they have very different properties. Our spool spun and continuous spun segments have been doing quite well, demand has been maintaining stable. The problem is essentially around the pot spun yarn segment. There are certain areas of garments which are not picking up or did not have the seasonal pickup that we would normally have seen, which affected that particular quarter's result. And we had one operational disruption at our Kalyan plant. Having said that, we see already going forward, the situation becoming slightly more normal on the pot spun yarn side. I think when you look at the drop in the VFY business, remember that it's a portfolio of filament yarns. Some of that portfolio is still doing quite well. It's one specific partnership portfolio and an operational issue that we had in the Kalyan site.

Question on chemicals. Of course, look, the raw material, the cost side has helped us. Coal prices have gone down, electricity prices have gone down, etcetera. But what has really helped us on 2, 3 areas is firstly our utilization. Our utilization, which we have reported at about 88%. We believe this is best in the peer group today this quarter. That's of course one big element.

Secondly, our specialty chemical, specialty part of our chemical business has done better. We have called out the revenue percentages. We don't call out those EBITDA numbers, but that is for sure a part which has done better. And as you correctly pointed out, we had some operational stoppages in one of our chlorine derivative plants, which have not been fully resolved.

But production on those chlorine derivatives has been better than before, some work is still going on. So a combination of factors, a better cost position on coal, power sort, that's one. For sure, better utilization than our peer group, a much better performance in the specialty part of our portfolio and somewhat better performance in chlorine.

Nirav Jimudia: Got it, sir. And last question, Mr. Dhobley Ji, if you can share your outlook on the Epoxy business. What's the current industry size in India? And on liquid epoxy, which we manufacture, how much value addition are we currently doing?

Jayant Dhobley: Yes. So look, I would not want to answer the value addition question very directly. I will answer it indirectly. So if you look at how typically these epoxy businesses create value and the Epoxy businesses range between, let's say, 8% to 12% in terms of EBITDA sales, we would be in some better quadrant in the top quartile of certain industries.

We sell our entire capacity out and we believe that we have higher market shares. So, we are in the top quartile performer of this epoxy industry. We have basically the larger market share, whether you look at composites, whether you look at coating, whether you look at corrosion protection. And we have recently expanded our facility. We have announced the openings, where we have gone with a somewhat richer portfolio. We have now also added products like reactive diluents, polyamide hardeners, polyester hardener. We believe that we have the largest and also the biggest specialty portfolio in the Indian market on epoxy.

Moderator: The next question is from the line of Navin Sahadeo from ICICI Securities.

Navin Sahadeo: Also, let me give my best wishes to the entire team Grasim for the upcoming formal launch of the paint business. A couple of questions on the paints were that if you could just clarify, what is the exact capacity that is coming up for launch. And also then in the same breath, if you could just also give details about how the timeline will look for the balance capacity?

Rakshit Hargave: Okay. Like we told earlier that the total capacity of the 6 manufacturing locations is about 1,332 million litres. Currently, trial production is on at 3 locations. And each of these factories have a capacity of about 200 million litres, one of the factories also has a capacity of 30 million-litre of solvent range. So, the 3 factories under trial cumulatively have about 630 million litres of capacity. Obviously, how we utilize it and how it grows is a separate issue.

On the second part, your question in terms of how we're planning to roll out? So we will roll out gradually starting with the North and some areas of South and gradually we will speed up to roll out nationally in a certain period of time, which would be very, very ambitious. That's how we see the rollout plan. And that's our take on the capacity, which is being tried at the moment.

Navin Sahadeo: Understood. So, in Q4, you will actually see product on the shelf in north and south market?

Rakshit Hargave: Yes, so we said that when we introduced, we will start with certain areas of North India and certain areas of South India. Yes. Your second question about the other plants. We will expectedly start trials in the next financial year in the first quarter, hopefully, the next one in the second quarter and the last one would be probably in the last quarter of next financial year.

Navin Sahadeo: Understood. This is helpful. My second question then was about the VSF segment. So, we were looking at some VSF pricing points in China. And please correct me if my reading is wrong but I thought from mid of August or early September is when the prices in China bottomed out and there has been almost very handsome 8%, 10% kind of a recovery in that market. But the presentation that you have shared does not really show any trend of pickup. It's actually more flattish to a marginal decline trend if I'm reading that correctly. Of course, as you mentioned, even the exit price is 1% lower than the quarter average. So, is there anything that we are missing here in the sense that are the prices unlikely to see any or have not seen a recovery and hence, the outlook remains subdued or there is some recovery that we can expect?

Harikrishna Agarwal: The VSF prices in China have remained a very narrow route-range bound. If you see even quarter 3 of last year and quarter 3 of this financial year, there is hardly any change in the prices in China, China domestic prices. That is one part. And China is the largest producer and consuming country for VSF in the world. But export prices have reduced significantly during these last 12 months. Export prices have come down as much as almost 15% during this year, these 12 months. So that is the picture. The export is a smaller part for China and most of the producers because most of the producers sell a major part of their output in their domestic markets. Does that answer your query?

Navin Sahadeo: Yes. So just to confirm, you're saying export prices being weak is what's impacting the realizations for us. Otherwise, in China, local prices per say, spot prices in China could be on an uptrend or that's not correct?

Harikrishna Agarwal: There is no clarity. Recently, they posted higher prices, but that was just before the Chinese New Year vacation. So that is a tactic every year, for every long holiday period, they will post higher prices. But they will before that, they will conclude the transactions for the holiday period. So those prices are very nominal and the real impact is seen only after the holidays open again for business. We should not read too much on the nominated prices. But as of now, the prices are just stable, like not showing any big increase except international prices because of Red Sea crisis, the shipping costs have gone up. To that extent, the producers have adjusted for export prices.

Navin Sahadeo: Understood. This is helpful. Thank you so much.

Moderator: We have a next question from the line of Rashi Chopra from Citigroup.

Raashi Chopra: Just on the VSF before I move on to paints, on your realization was there a decline sequentially?

Harikrishna Agarwal: Yes.

Raashi Chopra: Would you quantify that?

Harikrishna Agarwal: About 1-2%.

Raashi Chopra: Okay. And the loss, we can make out the total loss coming from the paints business and the B2B business, the e-commerce platform. What was actually the paints contribution to the EBITDA loss in this quarter, the expenses that we capture?

Pavan Jain: So, I think we are not giving the specific numbers for these businesses. Possibly, once we start reporting separate segments in next financial year, we'll come to know. But as the business is, I mean, increasing the size of manpower, etc., the uncapitalized expenses which have been charged to P&L are also increasing.

Once the plants complete their trial run, etc. whatever is being capitalized will also come to P&L. So that is the status. But yes, quarter-on-quarter, the losses for paints businesses have increased as also in B2B business.

Raashi Chopra: Okay. Lastly, on your stand-alone balance sheet, what is the net debt EBITDA as of now on a stand-alone basis? And following the rights issue and with the commissioning of the paint plant, etcetera, where do you expect this to be by end of FY '25?

Pavan Jain: Yes. On 31st of December, we said our net debt-to-EBITDA is about 1.7 times as on 31st December. Post that we have, of course, received part proceeds of rights issue that is about INR1,000 crores. When we complete our paints capex and other ongoing capex, etcetera, we have given guidance that our net debt-to-EBITDA should be about 3 to 3.5 times once we complete our rights issue. But that will all depend upon the performance of the existing businesses as well.

Raashi Chopra: Okay. And just, sorry, lastly, on that, where do you, I mean, for the next few quarters or so, how do you expect the margins to move for both your VSF as well as the Chemicals division?

Pavan Jain: I think the VSF businesses margins are stable. The realizations for chemicals are still on decline. We feel while globally, maybe the prices have bottomed out, but India remains oversupplied. I will request Mr. Jayant to comment on this.

Jayant Dhobley: Yes, please.

Jayant Dhobley: Yes. We should track chemicals and I'm sure you track all the chemical industry. A lot of downstream demand is actually driven by agrochem in India. And as you must have noted from the transcripts of many of these agrochem companies, which are driving the end demand for basic chemicals, they are projecting that the worst is behind us. And if we go by those reports, and I'm sure you guys are following those companies.

Then correspondingly, suppliers like us who provide caustic chlorine, etcetera, into that industry will, of course, follow soon. The other area, of course, is the industrialization in the area of renewables, automotive, etcetera, continues. So, the demand for epoxy resin continues. I think it's fair to say that we are probably at a situation where we are stable to gently started doing better.

Raashi Chopra: So stable to gently starting the improve?

Jayant Dhobley: Yes. But I would strongly encourage you to follow also the larger agrochemical complex here because those will be a better lead indicator for whatever assumption you want to make.

Moderator: The next question is from the line of Sumangal Nevatia from Kotak Securities.

Sumangal Nevatia: My first question is on VSF, you've partly answered. But I mean, overall, so if you see operating rates, inventory in China, all are moving in the right direction, but we don't see a sustainable increase in realizations and margins. If you could just share what is your outlook on prices and expectation in the next 6 to 9 months? And can we assume that the margins for our division is kind of at the bottom and we should see some bit of an uptrend there?

Harikrishna Agarwal: I hope you are absolutely right that margins are at the bottom, and they will improve and we also wish for that. It is very difficult to predict very precisely or accurately because things are very volatile. But there is no reason to be pessimistic and we hope that slowly things should start to steadily improve but that will be very gradual. I don't expect it to be a very sharp turnaround.

Sumangal Nevatia: But I mean, if you look at the operating rates touching 90% and even inventory levels are quite low. In the past, I mean, have you seen these kind of leading towards better profitability and better pricing strength for the industry?

Harikrishna Agarwal: Yes. The operating rate and inventory levels do indicate that the industry profitability should improve. But then sometimes, like Red Sea crisis has suddenly come out of nowhere. And that has affected the entire export rate from China, which is not just VSF but the entire textile industry, even finished products also. All these things have a lot of implications on the profitability. So, barring such things for normal interpretation of high operating rate and low inventory is correct. And within VSF also now lyocell fibre is low, from a very low base, but is increasing more rapidly. So, there are certain undercurrents from there also.

Sumangal Nevatia: Understood. And is there any new supply which is getting added, new capacities in any of the regions by our competitors?

Harikrishna Agarwal: Not in the normal VSF side, but on the lyocell side, yes, some capacities are being added, some have been added and some are under construction to the extent of about 125,000 tons or so. But not new capacity on the traditional VSF side.

Sumangal Nevatia: Okay. Understood. Second question is with respect to chlorine integration level, there is a good upfront, gradual run over the years. Is it possible to quantify what sort of benefits we get out of every say, 1% increase in integration? I mean just some thumb-rule and what is our target for say, over the next 2, 3 years to increase it to what level?

Jayant Dhobley: Yes. You have to look at it in 2 ways, right? Chlorine sells today in India at negative prices. The first benefit we get, of course, from chlorine integration is those negative prices that is up are evaporated. These negative prices are in the range of let's say, 4,000 right now. So that would be one input. And second is depending upon the chlorine derivative itself. For example, stable bleaching powder will have a different contribution margin percentage, if I take one extreme example versus, let's say, the chloromethanes would typically have a different contribution margin percentage. So they will also correspondingly have different capex. So it's not a very straightforward question. The first step in chlorine integration is to extinguish the loss of profit, which happens through a negative chlorine price and then subsequently depending upon the capex intensity and complexity of the molecule, we get different contribution margins for the particular product.

But we have the largest chlorine derivative portfolio in India and we continue to grow our chlorine derivatives. For example, you will see that this quarter, we are going to be mechanically complete with our monochloroacetic acid plant in the eastern part of India. It's a small part, but there are not that many manufacturers or so. So that will have, of course, a nicer profitability profile than, for example, chlorinated paraffin mix. So, I wish I could give you a simple 1% answer, but it's not really that straightforward.

But I think the general rule is chlorine integration is the way to go for us.

Sumangal Nevatia: Yes. You said minus 4,000. On an average, the derivatives, what would be the realization be?

Jayant Dhobley: Yes, that's a huge diversity of product profiles there, as I mentioned. Everything from stable bleaching powder to chloromethanes, so that realization number will not give you any meaningful effect.

Moderator: The next question is from the line of Latika Chopra from JPMorgan.

Latika Chopra: A few questions on your paints story, thanks for sharing a few slides on that in your presentation. The first one was on your comments on the dealer base rollout. I wanted to check the cities that you are targeting in north and south to begin with. Would you first focus on the larger cities or the plan is to go wider in the next few quarters even in the smaller towns? That was the first part.

And the second bit was, if you could share some thoughts on your advertising plans? You've talked about that advertising concepts have been finalized. But when do we see you roll out whole of your product portfolio, SKU portfolio through the course of FY'25? Or you would probably likely target the peak summer or the peak festive season to go all out on the advertising front?

Rakshit Hargave: Okay. On the cities where we're going to roll out first. I wouldn't want to give exact details. But like we said that we want to roll out fast. We will probably cover them pretty soon. Obviously, the first attack will be on the bigger cities, bigger towns, but because we have national ambitions to grow very fast. So, like I was saying that, obviously, we will cover the bigger towns first. But very soon, we will also go down the town straight up. And like I said, we will start with North India and some parts of South India in this quarter. You can see it's only about one and half months left for that.

Secondly, on our advertising plan. So, we have all around 360 degree plan. We will have below the line digital, top of the line consumer promotions. All that we'll start rolling out and obviously they will follow a sequence. But I don't think that we are trying to focus on the summer or anything like that because we want to roll out as fast as possible. So, our advertising and media spend will follow the distribution, which will keep going on.

Latika Chopra: Sure. And any feedback or your experience of wood finishes that you launched. It is available now in almost 60 cities. Any initial thoughts on how the product is faring? What are you learning from contractors, workers on this product? How is it placed versus competition? Any initial thoughts there?

Rakshit Hargave: Yes. So obviously, it has been a good learning exercise and the sales team has also got practice of actually working in the market. The feedback is very positive. Firstly, it's only a limited range. If you take a look at the imported wood finishes that we have launched, we have not launched the full range. The full range will also follow suit.

But the feedback from contractors and painters is excellent. The product quality is excellent. The acceptance is very high. And obviously, we've got some learnings in terms of what do we need to adjust for the main launch. We are taking all that into account.

Latika Chopra: Sure. And the last bit from my side was on paints, any thoughts on how are you looking at B2B versus B2C. B2C is loud and clear, I guess, but will B2B also be a meaningful part of focus for the company in the initial phase? Or?

Rakshit Hargave: Both B2C and B2B will start parallelly. The institution business or the project business as people call in the paints business is an absolute part of our portfolio. We also have products designed for that and it will start in tandem with retail business.

Moderator: We have a next question from the line of Mudit Agarwal from Motilal Oswal Financial Services.

Mudit Agarwal: Sir, my question is related to the tax expense during the quarter, the tax expense was significantly low. So, is there any adjustment or what would be the run rate going forward?

Pavan Jain: So Mudit, the tax for the quarter also had some write-back of the provisions, the quarter. So, on an overall basis, you can assume that our effective tax rate would be about 14% to 15%. So, considering that, whatever adjustment was required has been done in this quarter. It includes the write back also, a small part, which is based on certain cases, etcetera, we have written back that provision. On the annual basis, you can assume the tax rate to be around 14%, 15%.

Mudit Agarwal: Okay. And sir, the second question is on the chemical business, captive power plant capacity, how much is the captive power share as well as the renewable share in the chemical business?

Jayant Dhobley: So, about half of our power is captive, about 13%, 14% is renewable and the rest comes from grid.

Moderator: We have a next question from the line of Ronald Siyoni from Sharekhan. Please go ahead.

Ronald Siyoni: I had one question with respect to the insulator business. Can you share the revenues and EBITDA number from insulator business?

Pavan Jain: First of all, I think it is a very small part of standalone itself. And if you look at the consolidated numbers, it is almost negligible. But let me share the number which you are, I mean, looking at. So, revenue for the quarter is about INR111 crores in Q3 this year. EBITDA is marginally negative, very small number, minus INR1 crore.

Ronald Siyoni: Minus INR1 crore. And in terms of cotton, viscose and polyster differential, whether it has reduced or it has a correlation with viscose demand or prices also? The differential between the prices of cotton, viscose and polyester. So that spread has reduced? Or is there still a wide difference between this demand and prices because of the 3?

Harikrishna Agarwal: Cotton price have reduced during the quarter quarter-on-quarter. And the polyester prices also reduced and all the fibre prices reduced during the quarter. But viscose prices reduced much less than the reduction in the cotton prices. So, this one is a very complex inter fibre dynamics. So, for example, international cotton prices reduced quarter-on-quarter by 4.6%. India prices also reduced by same amount, but Chinese prices reduced much more. On year-on-year basis, international cotton prices reduced by almost 10%. Indian cotton prices reduced by 15%, but China cotton prices increased by 10%. So, it all depends on many other factors in addition to simple market dynamics. But mostly they move in tandem, the extent can be varied, but mostly they move in the same direction. And this quarter, the prices have reduced marginally for all the fibre.

Moderator: We have our next question from the line of Nirav Jimudia from Anvil Research.

Nirav Jimudia: You mentioned that our chlorine realizations were INR4,000 negative this quarter. So what was it last quarter? So, whether it has further worsened in Q3 or it was at the similar levels as compared to Q2?

Jayant Dhobley: Compared to Q2, it has worsened by about a couple of thousand rupees. And as I mentioned earlier, it is basically the slow pickup in the agrochem sector, which has affected this in a big way. Having said that, I think the chlorine pricing dynamic across the country is quite different. So dynamics depending upon which region you are. However, at the end Agro-chem to a certain extent and dyes and dye intermediates is what drives chlorine prices.

Nirav Jimudia: Got it, sir. So, the improvement in profitability could be also attributed to our flake business because I think we have been producing flakes out of our lye. So, has that helped this quarter in terms of the stable ECU realizations on a sequential basis despite of chlorine worsening sequentially?

Jayant Dhobley: Yes. So, we are always optimizing between lye and flakes. That is absolutely correct. And we see what is the best way that we can approach the market for maximum input. Similarly, we focus a lot on utilization as well. So you're right. We have been always optimizing between lye and flakes depending upon the price delta between these two forms of this.

Nirav Jimudia: Possible to share the capacity of MCA, which we are going to commission very shortly because you mentioned in one of the discussions

Jayant Dhobley: So small capacity to be very frank with you. For us, it's very important to set this plant up as a demonstration of going further into complex chemistries in our chlor-alkali business. But you can say the capacity will be about 7 KT per annum.

Nirav Jimudia: Sir, out of our pipeline sales, out of our total chlorine integration like 63%, what would be the contribution through the pipeline? Because earlier, we used to share some figures of chlorine going to VAP close to 85-86,000 tons on a quarterly basis, but I think that is now stopped. So can you just give some sense in terms of.

Jayant Dhobley: This is in the range of 12% to 14%, depending upon how the customers pick the product.

Nirav Jimudia: Okay. And sir, last question is on the maintenance capex for the chemical business as well as for the VSF business on a yearly run rate basis.

Pavan Jain: So Nirav, see, it will depend upon, I mean, you cannot take a standard number for every year. But roughly, you can assume about INR300 crores to INR400 crores as maintenance capex for each of the business, yes.

Nirav Jimudia: For each of the businesses. Yes.

Pavan Jain: Yes. We have a number of plants, locations, and I mean we continue to invest in the cost optimization also.

Nirav Jimudia: Got it. So Pavan Ji, is it possible to share how much capacity we'll be adding through the debottlenecking on VSF. I think you mentioned 3 sites where we are currently undergoing a debottlenecking. So is it possible to share what sort of capacity additions could happen out of this?

Harikrishna Agarwal: Okay. So we have done a small debottlenecking in our lyocell plant during this year. That will take our capacity to 31,000 to 44,000 tons per year. On small debottlenecking, we have done at our Kharach plant for the VSF also. And then in the course of this quarter as well as coming year, we will be also trying to further improve the productivity at all of our VSF plants also like the new lines at Vilayat and more, because the plants have been now running for almost 1.5 years, 2 years. So, we are getting better performance slowly, slowly.

Nirav Jimudia: So, some capacity additions could happen there also through debottlenecking?

Harikrishna Agarwal: Not much capex.

Nirav Jimudia: Got it, sir.

Moderator: We have a next question from the line of Suryansh from BizX Enterprise LLP.

Suryansh: My question was regarding Birla Pivot. So what are our plans there? And like are we planning to move into B2C and opening retail fronts? Or like what are the plans and can you answer this one?

Pavan Jain: So as already spelt out earlier, we are extending the coverage in B2B only across country now covering almost 20 states. There's no plan of B2C as of now. We are also getting into private labels. So Birla Pivot Tiles have been already launched. Plywood and doors are also in the process, we are in the process of launching. That is the status. I hope that answers your question.

Moderator: We have a next question from the line of Lakshminarayanan KG from Tunga Investments.

Lakshminarayanan KG: Sir, as you are entering into paints. Do you see the industry-wide compression in terms of gross margins or operating margins for the next 5 years whether the profit pool would actually shrink in terms of percentage?

Rakshit Hargave: So, when you say for the next 5 years, it is very difficult to answer. Our objective is to, in a reasonably expectable short period of time become the number two player and also turn profitable at the earliest possible. So, I think if we follow the principle, the answer is there.

Lakshminarayanan KG: Would you expand the dealer's margins? Or would you actually sell at a cheaper price? Like how do you intend to do this?

Rakshit Hargave: So, we are not disclosing anything on our pricing. I think when we launch in the market, you will come to know.

Lakshminarayanan KG: And the launch is slated for the next month?

Rakshit Hargave: So, we have disclosed that we will launch it in this quarter. So, it has to happen either in February or March. Like I said, it's only a question of few weeks.

Moderator: Due to time constraints, this was the last question for today. On behalf of Grasim Industries, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.