India's New Growth Story

Grasim Reports strong financial results for FY19

Consolidated Revenue: ₹ 72,971 Cr. Up 31% YoY; EBITDA: ₹ 12,820 Cr. Up 18% YoY

Standalone Revenue: ₹ 20,550 Cr. Up 30% YoY; EBITDA: ₹ 4,639 Cr. Up 31% YoY

Consolidated PAT (Before Exceptional Items)**: ₹ 4,112 Cr. Up 36% YoY**

Standalone PAT (Before Exceptional Items)**: ₹ 2,574 Cr. Up 30% YoY**

Standalone Cash Profit ₹ 3,457 Cr. Up 31%

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Quarterly Financial Performance ₹ Cr.

	Standalone			Consolidated		
	Q4 FY19	**Q4 FY18**		**Q4 FY19**	**Q4FY18**	
↑ 16%	5,352	4,612	Net Revenue	20,965	17,363	↑ 21%
↑ 6%	1,000	947	EBITDA	3,786	2,973	↑ 27%
↑ 21%	451	373	PAT	1,145	720	↑ 59%

Viscose Business

The Net Revenue for FY19 stood at ₹10,325 Cr. up by 23% YoY and EBITDA at ₹2,052 Cr. up by 22% YoY driven by better sales volume and realization. The Net Revenue for Q4FY19 are at ₹2,625 Cr. up by 18% and EBITDA at ₹413 Cr., is up by 3% vis-à-vis the comparable quarter of the previous year.

The VSF business reported record production and sales volume of 541KT in FY19 up 8% and 6% YoY, led by capacity debottlenecking. For Q4FY19 the production and sales volume of 130KT and 139KT respectively recording an increase of 15% and 13% YoY. The share of the domestic sales in the overall sales rose to 86% in Q4FY19 from 83% in Q4FY18.

The Company's popular VSF brand 'Liva' for the VSF business has been extended, to home textile category with launch of "LIVA HOME".

Today, Liva partners with over 40 retail brands and is available across 3,500 outlets in Exclusive Business Outlets and Large Format Stores in addition to many more MBOs in 250 cities of India. This has resulted in doubling the viscose fibre consumption in the Country over past 4 years. Viscose business has been registering a double digit growth in the last few years and market share of Viscose in overall fibre basket has gone up from 3.5% to 5% in the last four years.

Value added Speciality Fibre line of 16 KTPA capacity based on in-house technology has been commissioned at Kharach in May 2019.

The Brownfield capacity expansion plan of 219 KTPA at Vilayat is progressing well with construction work in full swing, scheduled to be commissioned in FY21.

Chemical Business

The Net Revenue for FY19 stood at ₹6,436 Cr. up by 29% YoY and EBITDA at ₹1,827 Cr. up by 40% YoY driven by higher sales volume and better realization. The Net Revenue for Q4FY19 are higher at ₹1,688 Cr. up by 17% and EBITDA at ₹434 Cr., up by 5% vis-à-vis the comparable quarter of the earlier year.

The Caustic Soda sales surpassed one million ton mark in FY19, a first in the country by any Company and is a significant milestone achieved by the business. For Q4FY19 the production and sales volume of 254KT and 261KT respectively recording an increase of 16% and 21% YoY. The company recently launched four new brands of chlorine VAPs for consumer facing products in line with the management focus on increasing the volume of speciality products.

The acquisition of under construction Chlor-Alkali plant in Andhra Pradesh (with a potential capacity of 365 KTPA) for ₹253 Cr. during the Q4FY19 is aimed at strengthening the operations on the east coast of India, a major Caustic Soda consumption hub.

The company is in the process of implementing approved capacity expansion plan from 1,147 KTPA to 1,457 KTPA at multiple locations and the same are in different stages of execution.

Capex Plan

The total capex plan of ₹6,454 Cr. (at standalone level) is under execution for raising capacities in both the VSF and Chemical businesses, apart from ongoing modernisation capex at various plants. This capital expenditure will be incurred over FY20-FY22 and will be majorly funded from internal accruals. The cash profit generated in FY19 is over ₹3,400 Cr. at standalone level.

Dividend

The Board of Directors of Grasim has recommended a dividend of ₹ 7.00 per share as against ₹6.20 per share in the previous year. The total outflow on account of the dividend would be ₹ 516 crore (inclusive of the corporate tax on dividend).

Cement Subsidiary - UltraTech

UltraTech reported Consolidated Sales Revenue of ₹10,905 Cr. up 17% (YoY) and EBITDA of ₹2,459Cr. in Q4FY19 up 30% (YoY). The consolidated sales volume registered an increase of 16% on YoY basis to ~22 MTPA.

The Consolidated Sales Revenue and EBITDA of UltraTech for FY19 stood at ₹37,379Cr. up 21% (YoY) and ₹7,226Cr. up 7% (YoY). The consolidated sales volume registered an increase of 17% on YoY basis to ~76 MTPA.

The Scheme of Arrangement amongst Century Textiles and Industries Limited ("Century"), UltraTech and their respective shareholders and creditors ("the Scheme"), is now awaiting the approval of the National Company Law Tribunal and other regulatory authorities as may be required.

Upon completing this acquisition and with the on-going capacity expansions, UltraTech's cement manufacturing capacity will stand augmented to 113.4 MTPA, in India, strengthening its position as the 3rd largest cement player globally (excluding China).

Financial Services Subsidiary – Aditya Birla Capital Limited (ABCL)

The Revenue and Net profit after minority interest for FY19 (as reported by ABCL) are at ₹15,164 Cr. and ₹871 Cr. up by 32% and 26%.

The Revenue and Net profit after minority interest for Q4FY19 are at ₹4,730 Cr. and ₹258 Cr. up by 32% and 52%.

The NBFC Lending book (Incl. housing finance) grew 23% YoY to ₹63,119 Cr. (FY19)

The Average Assets under management at ₹2,65,109 Cr. (FY19) are up 6% YoY.

In Life Insurance business, the Individual First year Premium are up 41% to ₹691 Cr. in Q4FY19. The persistency ratios also witnessed a consistent improvement, to 78% (FY19) up 3%.

In the Health Insurance business, Gross written premium increased to ₹497 Crores (FY19), 2x over the previous year.

Acquisition of Soktas India Pvt. Ltd. (SIPL)

The acquisition of 100% equity of SIPL by the company for ₹135 Cr. is aimed at expanding its leadership in premium fabric, complementing its existing linen business. SIPL has since been renamed as Grasim Premium Fabric Pvt. Ltd. The Board has approved merger of this subsidiary with the Company subject to regulatory and other approvals.

Outlook

The VSF business will continue to focus on expanding the market in India by partnering with the textile value chain, achieving better customer connect through its brand LIVA, extensions into new categories and enriching the product mix through a larger share of specialty fibre. However, the new capacities recently commissioned in Asia may create short-term demand supply mismatch and resultant pressure on prices.

The Chemical business is under an expansion mode for both chlor-alkali and specialty chemicals. The recent acquisition in Andhra Pradesh is aimed at growing the market share in the Eastern region of India, a caustic consumption hub. This, coupled with ongoing brownfield expansion projects at other sites and new product lines for specialty chemicals will enable significant growth of the business in near future.

The Government's thrust on infrastructure development viz. construction of cement concrete roads, metro rail networks, airports, DFC, irrigation projects and increase in the pace of execution under the low cost housing program, supported strong volume off-take. With stabilisation of RERA, pick-up in urban housing is also being witnessed. All of these are expected to result in sustained demand growth for cement going forward. This augurs well for the industry. UltraTech, with its expansions in the last 3 years is very well placed to participate in the growth of the economy.

In Financial Services, ABCL is in a unique position of being able to provide Universal Financial Solutions to meet customers' money needs for life. ABCL's focused customer-centric approach under a single brand "Aditya Birla Capital" enables it to chart a differentiated and disciplined path to growth.