

August 19, 2019

ADITYA BIRLA



Current Price: ₹ 751.90

STOCK DATA

BSE Code	500300
NSE Symbol	GRASIM
Reuters	GRAS.BO
Bloomberg	GRASIM IN

VALUE PARAMETERS

52 W H/L(Rs)	1091.65/688.65
Mkt. Cap.(Rs Cr)	49446.28
Latest Equity(Subscribed)	131.52
Latest Reserve (cons.)	55638.70
Latest EPS (cons.) -Unit Curr.	59.16
Latest P/E Ratio -cons	12.71
Latest Bookvalue (cons.) -Unit Curr.	848.06
Latest P/BV - cons	0.89
Dividend Yield -%	0.93
Face Value	2

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2019
Foreign	23.48
Institutions	21.08
Non Promoter Corp. Hold.	4.67
Promoters	40.15
Public & Others	10.62

Financial Results

	Qtr Ended Jun. 19	Qtr Ended Jun. 18	In Cr. VAR %
Total Income	18860.93	16761.42	13
OPM (%)	26.74	23.42	14
OP	5043.44	3925.51	28
Other income	279.07	217.53	28
PBIDT	5322.51	4143.04	28
Net Finance Charges	1698.37	1296.14	31
PBDT	3624.14	2846.90	27
Depreciation	919.72	767.05	20
PBT before EO	2704.42	2079.85	30
EO	-72.22	0.00	
PBT after EO	2776.64	2079.85	34
Tax expense	918.05	680.34	35
PAT	1858.59	1399.51	33
Minority Interest	555.8	283.44	96
Profit after Minority Interest and Share of profit of Associates	1230.84	1116.07	10
EPS (Rs)	19.81	16.97	17

Q1FY20, Profit fell in the quarter, misses estimates, dragged by exceptional loss on impairment of its payments bank venture

Consolidated revenue for the quarter stood at Rs.18,861Cr.Consolidated EBITDA at Rs.4,217 Cr. recorded a growth of 31% YoY and PBT (Before Exceptional item) was up by 35% YoY to Rs.2,814Cr and PAT before minority grew by 33% to Rs.1858.59 Cr. Driven by excellent performance of the Company's subsidiaries, UltraTech Cement Limited and Aditya Birla Capital Limited. At Standalone level, there has been volume growth in both VSF and Caustic Soda, however, profitability was impacted due to global softening in prices.

Viscose business

The VSF business has posted good operating performance with production and sales volume of 140KT and 138KT respectively recording an increase of 4% and 5% YoY. The Net Revenue for the quarter stood at Rs.2,509 Cr. EBITDA for the quarter stood at Rs.442 Cr. (up 7% on QoQ basis). Profitability was impacted on YoY basis as the Chinese VSF prices saw a sharp decline of 21% YoY and 8% QoQ. This was on account of new capacities commissioned in recent past (CY2018)and the negative impact of US China Trade War. Profitability was further impacted due to currency depreciation which partly offset the gains of reduction in pulp prices which is currently trending downwards. With our better product and market mix we have been able to contain the impact of the adverse global conditions. Taking forward the tremendous success of the Company's popular VSF brand 'Liva', the brand has been extended to the new product line of Sarees.

The Company is working with its value chain partners to make 'LIVA' Sarees as popular as the 'LIVA' tagged garments in the women's wear segment. 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. On the sustainability front, through the focused water management efforts, the business has been able to bring down the water consumption by over 50% in last three years and by more than 15% since FY19 at multiple sites.

The VSF business is now the lowest water consumer globally. This initiative has also helped in maintaining continuity of operation at Nagda plant, which in the past faced a prolonged shutdown during the peak summer season. The production ramp up of the 3rd generation value added speciality Fibre line of 16 KTPA at Kharach (commissioned in May 2019) is progressing well. The plant has achieved 100% designed capacity utilisation during the quarter. The 219 KTPA Vilayat Brownfield capacity expansions are progressing well and are expected to be commissioned by FY21.

Chemical business

The Net Revenue for Q1FY20 stood at Rs.1,503Cr. and EBITDA stood at Rs.446Cr. recording an increase of 3% on QoQ basis. Softening of Caustic Soda prices globally put pressure on prices in domestic markets, which in turn led to lower profitability on YoY basis. Rise in imports and production ramp up of newly commissioned capacities in the industry may continue to have an impact on prices in the near term. The Caustic Soda sales and production volume for Q1FY20 stood at 238KT and 242KT recording an increase of 1% and 2% YoY respectively. Production was impacted at different sites on account of water shortage and minor disruptions caused by cyclones. The Company's continued focus on specialty chemicals is yielding results with Specialty chemicals including Epoxy resins contributing ~21% EBITDA of the Chemical business. The company is in the process of implementing Caustic Soda capacity expansion plan from 1,147KTPA to 1,457KTPA at multiple locations and the same are in different stages of execution, with side by side expansion of specialty chemical products too.

Capex plan

The total capex plan of Rs.7,800Cr. (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.

Cement Subsidiary - UltraTech

UltraTech reported Consolidated Revenue of Rs.10,178 Cr. Up 14% YoY and EBITDA of Rs.2,840Cr. in Q1FY20 up 61% YoY. The consolidated sales volume registered an increase of 3% on YoY basis to 18.8MTPA. The Scheme of Arrangement amongst Century Textiles and Industries Limited ("Century"), UltraTech and their respective shareholders and creditors ("the Scheme") has been approved by the National Company Law Tribunal and likely to become effective in Q2FY20 upon receipt of remaining regulatory approvals.

Post completion of this acquisition and with the on-going capacity expansions, UltraTech's cement manufacturing capacity will stand augmented to 117.35 MTPA, inclusive of overseas operations

Financial services subsidiary – Aditya Birla Capital Limited (ABCL)

The Revenue and Net profit after minority interest for Q1FY20 (as reported by ABCL) are at Rs.3,646Cr. and Rs.270Cr. up by 19% and 27% respectively. The NBFC Lending book (Incl. housing finance) grew 16% YoY to Rs.61,998Cr.(Q1FY20) The Average Assets Under Management at Rs.2,53,965Cr.(Q1FY20) are up 2% YoY.

In Life Insurance business, the Individual First year Premium is up 29% to Rs.322 Cr. in Q1FY20. The persistency ratios witnessed a consistent improvement, the 13th month persistency ratio improved by 591 bps to 78 % in Q1FY20. In the Health Insurance business, Gross written premium increased to Rs.143Cr. (Q1FY20), 1.9x over the previous year.

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. VSF continues to be the fastest growing textile fibre globally. However, the new capacities commissioned in Asia in the recent past are expected to 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 ongoing expansion projects at different sites including at the recently acquired project in Andhra Pradesh and new product lines for specialty chemicals will enable significant growth of the business in near future.

The Cement demand growth is expected to be in line with GDP growth. The key long term demand drivers are the Government's pro-growth stance and thrust on infrastructure development, increased plan outlay for social housing program in phase-2 and pick up in rural / urban housing demand with reduction in the interest rates.

In Financial Services, ABCL is a universal financial solution provider catering to the diverse needs of its customers across their life cycle. ABCL is committed to serving the end-to-end financial services needs of its retail and corporate customers under a unified brand—Aditya Birla Capital.

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