



Grasim Reports Financial Results for Quarter 3 FY 2014-15

Improved Profitability on Robust Volume Growth across Businesses

Grasim Industries Limited, an Aditya Birla Group Company today announced its results for the third quarter of FY2014-15.

Consolidated Financial Performance:

The implementation of Growth plans has led to a significant capacity increase in both the VSF and Cement businesses. At the Greenfield VSF project at Vilayat, 99K TPA capacity has been commissioned during the year. With acquisition of Jaypee cement units in Gujarat, the Cement capacity increased by 4.8 Mn. TPA. Cement grinding capacity of 1.4 Mn. TPA went on-stream in Karnataka. 182,500 TPA Caustic soda plant and 51,500 TPA Epoxy plant commissioned last year are also being ramped up.

Consequently, Company's financial performance has been encouraging.

	Quarter ended		% Change
	31.12. 2014	31.12. 2013	
Net Revenue	8,036	7,117	13
PBIDT	1,260	1,143	10
PAT	334	332	--
PAT (Like for Like)	410 [#]	332	23

[#] Excluding results of acquired Gujarat units in UltraTech Cement for better comparison.

Net Revenue and PBIDT grew by 13% and 10% respectively. PAT was maintained even after providing for additional interest and depreciation cost on the acquired Cement units. On Like for Like basis, excluding these charges, PAT has risen by 23% to ₹ 410 crore. The Company is on track to ramp up the operations and achieve targeted efficiencies at these units as anticipated, to deliver planned profitability.

Viscose Staple Fibre (VSF)

Production of VSF at 105,834 tons has gone up by 15%, with commissioning of plant at Vilayat. Steep fall in the price of cotton and PSF led to further pricing pressure on VSF. This has resulted in lower PBIDT, partially offset by higher share of value added products and lower pulp cost.

VSF Business capex

In January 2015, the Company commissioned Line 3 (22K TPA) at the Greenfield VSF project at Vilayat. The trial run is on for 4th line (22K TPA). Post this expansion, the total VSF capacity will rise to 498K TPA.

Chemical Business

In the Chemical business, Caustic production grew by 40% to 106,332 tons with the Vilayat Plant reaching 90% utilisation. The new Epoxy plant has achieved 57% utilisation. The ECU realisation softened in line with international prices creating pressure on operating margins. With higher volumes, PBIDT was up by 16% at ₹ 67 crore.

Cement Subsidiary (UltraTech Cement)

The Company's Cement production at 11.31 Mn. tons is higher by 9% (including volumes from the acquired Gujarat Units) as against Industry growth of 3-4%. Net revenue increased to ₹ 5,947 crore as compared to ₹ 5,170 crore in the corresponding quarter of the previous year. On-going cost optimization measures helped contain costs. PBDIT was higher at ₹ 1,058 crore and Profit after tax was ₹ 400 crore vis-à-vis ₹ 928 crore and ₹ 395 crore respectively.

Acquisition of Cement Units of Jaiprakash Associates

UltraTech Cement Ltd. has entered into a Definitive Agreement to acquire 2 units of Jaiprakash Associates Limited in Satna cluster having a capacity of 4.9 Mn. TPA with 180 MW power plants. This will propel the cement business capacity in India from ~60 Mn. TPA to ~ 65 Mn. TPA. On completion of brownfield expansion under implementation, the domestic capacity will increase to ~71 Mn. TPA in 2016. The units proposed to be acquired have surplus clinker capacity to augment cement capacity by a further 1.8 – 2.5 Mn. TPA with investments in grinding units.

In exchange of the above business, UltraTech shall issue non-convertible debentures worth ₹ 4,538 crore and non-convertible preference shares worth ₹ 10 lac and shall take over ₹ 626.5 crore of debt and negative working capital of ₹ 160.5 crore.

The transaction is subject to the approval of shareholders and creditors, sanction of the Scheme of Arrangement by the High Courts, approval of the Competition Commission of India and other statutory approvals.

Outlook

The VSF sector will continue to face head winds for some more time due to the over capacity and sharp reduction in price of cotton and polyester. The slowdown in new capacity additions in China should lead to an improvement in industry utilization which augurs well for the Company. The focus on cost optimisation will continue relentlessly. The new plant at Vilayat with higher share of speciality product should help in facing the challenge.

In Cement, demand growth in the long term is likely to be over 8%. The key drivers will be revival of infrastructure projects supplemented by regulatory reforms and improvement in housing demand with the interest rate cut. The Company with its existing and proposed capacity is well placed to benefit from the accelerated growth in the sector.

With additional capacity coming on stream in both the businesses, the Company will further consolidate its leadership position. Grasim is well-poised to benefit from the expected upturn in the economy.

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