



ANNUAL REPORT

2018-19

GRASIM
INDUSTRIES
LIMITED

**FOREST TO FASHION
SUSTAINABLE
SOLUTIONS**

**GLOBAL LEADER IN
VISCOSE STAPLE FIBRE**

**BIG IN
YOUR LIFE**

Chairman's letter to the Shareholders

Dear Shareholders,

India's medium-term growth prospects continue to be robust. Significant reforms undertaken in the recent years such as GST and insolvency code would raise India's growth potential in the coming years, amplifying the effect of the long-term structural cornerstones of the Indian growth story such as demography and urbanization.

Global Economy

The global economy recorded a healthy growth of 3.6% in 2018. During the second half of the year, however, the global economy lost some momentum, mainly on account of the increased trade frictions between the US and China, and the tightening of financial conditions. International Monetary Fund (IMF) expects growth to decelerate to 3.3% in 2019 and its projections suggest that all three major engines of the global economy, viz. US, China and Euro area are likely to decelerate in 2019. On the positive side, however, IMF expects world economic output to recover and grow at 3.6% in 2020.

Of late, there have been a few growth-supportive factors such as the announcement of economic stimulus in China and halt to the process of monetary policy tightening in developed countries. But the business sentiment has become somewhat clouded with challenges arising from the apparent setback to the US-China trade talks, the spread of trade frictions to technology sectors and the increased intermingling of economic policies. These challenges signal that global commodity prices could be under pressure.



Indian Economy

Indian economy exhibited mixed record in the just concluded fiscal. GDP growth slowed from 7.2% in FY18 to 6.8% in FY19. Sub-par rainfall in 2018, tight financial conditions faced by the non-banking financial sector and moderation of external demand were the key challenges faced by the economy. Consumption growth declined during the second half of the year, but there were some signs of revival in the investment cycle, as the rate of gross fixed capital formation improved from 31.4% of GDP in FY18 to 32.3% in FY19.

Macroeconomic stability indicators broadly maintained their health. Low inflation has created the space for monetary policy easing, which will also help support growth revival. The fiscal deficit target for FY19 was adhered to, despite a shortfall in tax revenues. While the current account deficit was high at 2.6% of GDP during the first three quarters of FY19, the softness in international oil prices portends its narrowing in the coming quarters. Following the resounding political mandate for the ruling Government, expectations of further economic reforms and impetus to large infrastructure investments have been reinforced. These are reflected in strong inflows in the capital market, taking equity indices to record levels in the weeks following the general elections.

India's medium-term growth prospects continue to be robust. Significant reforms undertaken in the recent years such as GST and insolvency code would raise India's growth potential in the coming years, amplifying the effect of the long-term structural cornerstones of the Indian growth story such as demography and urbanization. In the near-term, however, uncertainty over the forthcoming monsoon season and the heightened global risks present headwinds for FY20. Accordingly, the outlook for the Indian economy in FY20 is one of cautious optimism at this juncture.

Your Company's Performance

Your company has a storied legacy of business transformation over the years. Grasim's bold bets to create additional capacity and re-imagine business models have led to another year of very strong performance. On a Consolidated basis, Revenue for FY2018-19 stood at ₹ 72,965 Crore and EBITDA at ₹ 10,883 Crore.

Viscose

The Viscose business reported another year of exceptional performance as reflected in operational and financial numbers contributed by Viscose Staple Fibre (VSF) as

The tremendous success of our brand "LIVA" can be attributed to our relentless focus on customer centricity over the years. "LIVA" which was predominantly a women's apparel brand, has been extended to the home textile segment also. The launch of 'Livaeco' as an eco-enhanced variant of 'Liva', is a step towards giving further boost to our sustainability credentials, while retaining the fashion quotient of the brand.

well as Viscose Filament Yarn (VFY). The Company's strong thrust on sustainability is demonstrated by the substantial investments we have committed towards the same.

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The business is also focused on capacity creation. The capacity expansion at Vilayat plant is progressing well; post expansion (FY21) it will be the single largest location plant of VSF in Asia (Ex-China) [The total VSF capacity will get enhanced to 788KT from 566KT].

Viscose Net Revenue grew by 23% YoY to ₹ 10,325 Crore in FY19. EBITDA rose to ₹ 2,052 Crore up 22% YoY.

The VSF business reported its best ever production and sales volume of 541KT in FY19 led by capacity debottlenecking. The share of domestic sales in the overall sales rose to 86% in Q4FY19 from 83% in the corresponding quarter of the previous fiscal.

Chemicals

Grasim's Chemicals business witnessed a remarkable operational and financial performance in FY19. The Caustic Soda sales surpassed the one-million-ton mark in FY19, a first in the country by any company. The business is in a transformational stage and we have a razor-sharp focus on expanding our share of value added products in the overall portfolio. In FY19 we have launched new valued added products to cater to the needs of the food, plasticizer, sanitizer and water treatment business segments.

Sustainability has been a core focus area for the business. Water conservation measures through reduction, recycle and reuse have been initiated in all the units.

The Net Revenue for FY19 stood at ₹ 6,436 Crore up by 29% YoY and EBITDA at ₹ 1,827 Crore up by 40% YoY, driven by higher sales volume and better realization.

Your company is in the process of executing its stated capacity expansion plans, that will increase capacity, across multiple locations, from 1,147 KTPA to 1,457 KTPA. The acquisition of the Chlor-Alkali business of KPR Industries for ₹ 253 Crore during the Q4 FY19 is aimed at strengthening the operations on the east coast of India, a key consumption hub.

Pulp & Fibre JVs

Your Company's Joint Venture pulp units in Canada and Sweden continue to bring enormous strategic value to the business. These units cater to a significant portion of our pulp requirement and ensure consistency in the supply of prime quality pulp.

Other Businesses

The operational performance of the fertiliser business was steady.

The linen business has created a strong foothold in the Indian market; it enjoys 37% market share in the linen yarn segment and 45% market share in the linen fabric segment. During the year, the Company also acquired 100% stake in Soktas India Private Limited, as part of its strategy to strengthen its leadership in the linen fabric market in India.

The overall demand in the Indian Insulator market remained subdued.

Outlook

Your Company's leadership position in the Viscose and Chemicals segments will get further strengthened by the expansion plans under implementation. Simultaneously,

continued focus on enhancing share of value added products across businesses will lead to better quality of earnings. I believe, going forward, Grasim will continue its unrelenting pursuit of enhancing shareholder value, and growth in earnings and revenues.

The Aditya Birla Group: In Perspective

The Aditya Birla Group in many ways is a proxy for a Rising India, given the diversified nature of our businesses.

The year 2018-19 has been one of strategic decisions and partnerships; with many transformational business transactions: Vodafone-Idea merger, purchase of Binani Cement, acquisition of Aleris in Metals and Söktas in Textiles. We have demonstrated the courage to think mega scale, to act decisively and to be calm in a volatile and changing environment. We have reaffirmed the commitment and trust that we can reinvent ourselves and be game changers in the industry. Consequently, we are globally the third largest cement company (outside of China), and among the top 3 telecom players in the world. The Aditya Birla Group close the year with revenues of US \$ 48.3 billion and an EBITDA of US \$ 6.1 billion.

We believe our people and people processes give us the definitive edge to manage scale and yet remain nimble to embrace change proactively.

On the people front, I am delighted to share that our robust people processes that have been the bedrock of our success over the years continue to evolve and stay contemporary. Let me give you a flavour of what we have accomplished and how it is making a difference.

The Caustic Soda sales surpassed the one-million-ton mark in FY19, a first in the country by any company. The business is in a transformational stage and we have a razor-sharp focus on expanding our share of value added products in the overall portfolio.

As a Group, we continue to be deeply invested in our talent pipeline across levels. At one level, we have on-boarded over 200 fresh recruits from top engineering and management institutes for premier trainee programs, and at the other end, we are actively building an internal talent pipeline in our businesses. Our Employee Value Proposition of 'A World Of Opportunities' is truly coming alive with this eclectic mix of experienced and young leaders. We have developed a robust leadership pipeline with a healthy ratio of 1:1 identified successors for more than 300 leadership roles across the Group.

Gyanodaya, the Aditya Birla Group Centre for Leadership Development continues to build curiosity for new learning, self-reflection and coaching in existing and future leaders. Broad-based leadership programs like Chairman Series brought 300 top leaders across the globe together on marketing, finance and strategy and built cohesion and cross-functional appreciation.

Functional Academies have been established in 5 distinct areas: Human Resources, Manufacturing, Sales/Marketing and Customer Centricity, Information Technology and Finance to develop cutting edge functional capabilities in these areas. Over the past three years, over 5000 employees have refreshed their skills, thereby enhancing the functional design and experience across the Group.

ABG Core Conclave, of middle managers across businesses, enabled 3000 managers and business leaders to share nuances and have candid conversations on missed opportunities and challenges ahead. This unique platform reinforced the One ABG connect, brought new perspectives and gave me a first-hand feel of the excitement, passion and commitment of our vibrant next generation leaders.

Businesses have adopted new areas like Robotic Process Automation, Artificial Intelligence, Machine Learning, Analytics, Design thinking. They are experimenting with the same in manufacturing processes, servicing customers, logistics enhancing the agility of the business and turnaround times, dramatically.

I believe the real test of HR processes lies in advancing business outcomes, and we have demonstrated a track

record of doing just that. Greenfield projects were commissioned at earlier than planned time, and at a lower cost, acquired units were re-branded and recommissioned in days instead of months earlier. While saving precious capital and related resources, these initiatives inspire confidence within the organization and in the ecosystem.

The Aditya Birla Group, over the years, has institutionalized best practices that have led to efficiency, safety, sustainability, and stronger Businesses. We have systematically got the customer to the centre of our Business discussions. As we continue to strive on this front, we need to get closer to the end consumer and innovate continuously to ensure a faster growth trajectory. With this in mind, we have constituted the Central Innovation Team. This team will not only build the innovation framework and pipeline but also get an outside-in perspective to our Businesses. This team works closely with Business R&D and Marketing teams, Technology talent, and a strong team of Data scientists. We are also in the process of evaluating partnerships with Global Universities and Start-ups relevant to the sectors in which we operate. The intent is to shift the Centre of gravity of the Company closer to the consumer.

We are determined to innovate. We are determined to grow.

I am excited with the speed and precision with which we are transforming ourselves to be future-focused while remaining steadfast to our time-tested values. We move into 2019, with the confidence that we have the right capabilities not just to seize, but pounce on every opportunity that comes our way.

The best is yet to come. Thank you for your continuing support.

Yours sincerely



Kumar Mangalam Birla

Ranked #205 in the list of "Global 2000 - Growth Champions" Forbes Magazine - USA.

Consolidated - 2019

Net Revenue from Operations

₹ 72,971cr

↑ 2.2x

Consolidated - 2015

Net Revenue from Operations

₹ 32,847cr

Consolidated - 2019

EBITDA

₹ 12,820cr

↑ 2.3x

Consolidated - 2015

EBITDA

₹ 5,683cr



We are BIG IN YOUR LIFE.

Incorporated in 1947, Grasim Industries Limited is a flagship company of the Aditya Birla Group.

Through Viscose and Yarn, we are present in the eco-friendly clothes you wear.



Through Chemicals, we are present in the daily-use products you use.



In the form of Cement, we are a part of the Roads or Flyovers you tread upon.



Through Aditya Birla Capital Limited (ABCL), we remain committed to serve the end-to-end financial services needs of retail and corporate customers.



We also have a presence in Textiles, Fertilisers, Insulators and Solar Power.



Grasim is **“Big In Your Life”** by virtue of its leadership position across businesses

VISCOSE STAPLE FIBRE

A global leader in Pulp & Fibre

No.1

Producer in India of Viscose Staple Fibre (VSF)

CHEMICALS

No.1

Caustic and Specialty Chemicals Producer in India

CEMENT

No.1

Cement Producer in India

No.3

Global Cement Producer (Ex-China)

FINANCIAL SERVICES

Top 3

Asset Management Companies**

Top 5

Private Diversified NBFC

** Excluding ETF

OTHERS

No.1 in Linen

Leading Player in Fertilisers

Leading Player in Insulators

Growing presence in Solar Power

Viscose Staple Fibre

- Global Leader in Pulp & Fibre

BUSINESS PERFORMANCE FY19

Net Revenue

₹ 8,402 cr

↑ 11% YoY

EBITDA

₹ 1,617 cr

↑ 9% YoY

We are the No. 1 VSF producer in India and have been manufacturing the world-class Viscose Staple Fibre for more than seven decades across four plant locations.

VSF is a regenerated cellulose fibre made from wood pulp, a sustainable natural resource and is bio-degradable and eco-friendly. Our Viscose enriches every garment with fluidity, lustre, softness, drape and comfort. Excellent for skin, these delightful fibres, inspire soft drapes, effortless style and are bound to make your everyday moments glamorous.

We are in the midst of a capacity expansion at one of our plant location, our current capacity will stand augment to 788 KTPA from 566 KTPA.

MAKING INDIA THE PREFERRED DESTINATION FOR VSF PRODUCTS

- Doubled Viscose Fibre consumption in India
- Registered double-digit domestic sales volume growth of 22% YoY
- Achieved record sales of 541 KTPA
- Moved up the VSF share in the overall Fibre market share from 3.5% to 5% in last four years
- Launched Livaeco and LivaHome brands

3rd Generation Specialty Fibre line of 16 KTPA based on in-house green technology commissioned at Kharach in record time



Expanding the Liva brand into Home Textiles



Having served the women's apparel segment, fibre brand Liva extended co-branding into home textile space-furnishing, bed linen and carpets. Liva Home offers the same brand promise - it's a nature-based, high quality fabric from an accredited manufacturing value chain.

Our “**Bedtime Bliss**” range in bed linen and comforters is available nationwide. Customer and consumer response to these products has been overwhelming.



ECO-FRIENDLY



SOFT FEEL



HIGHLY UNIFORM



THERMAL COMFORT



BREATHABLE



MOISTURE MANAGEMENT



ANTI-STATIC

