Grasim Industries Limited

Q2 & H1 FY21 Earnings Conference Call

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Moderator: Ladies and gentlemen, good day, and welcome to the Q2 and H1 FY 2021 Earnings Conference Call of Grasim Industries Limited. We have with us today from the management, Mr. Dilip Gaur – Managing Director; Mr. Kalyan Ram – CEO, Global Chemicals and Group Business Head, Fertilizers and Insulators; Mr. Jayant Dua – Chief Executive Officer, Chemical Division; Mr. Ashish Adukia – CFO. As a reminder, all participant lines will be in 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 * then 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Ashish Adukia, CFO. Thank you, and over to you, sir.

Ashish Adukia: Thank you. Good afternoon to all the participants. I'm pleased to mention that we have had a good start to this Diwali week with some few positive news. We've announced 2 important transactions over last few weeks, which is in line with our strategic objectives of: one, enhancing focus on core business; and two, increased presence in chlorine derivatives improving our VAP contribution. In addition to both these announcements, our financial performance for Q2 witnessed a reversion to normalization from the sequential quarter.

So, let us start and dwell into the fertilizer transaction first. I think, we've got couple of slides in the presentation as well is probably Slide 11 and 12. The Board of Directors of the company have approved the divestment of Fertilizer business to Indian subsidiary of Indorama Corporation. Indo-Gulf is one of the largest urea producer in India with a capacity of 1.2 million tonnes per annum. It is also one of the most efficient energy and efficient plant in the country. We have a strong distribution network spanning across Northern and Eastern India, and it has a well-known brand called Shaktiman. The decision to divest the Fertilizer business is a strategic portfolio choice. Given the depth and scale of Grasim's core businesses, like fiber and chemicals and textiles, there was limited strategic rationale to stay invested in a noncore business. We ideally like to maintain exposure in businesses that are leading position in addressable market or that have strong growth potential.

In addition, payment cycle for large receivables in case of fertilizer are long, which leads to a low return on capital employed. Grasim will utilize the funds to evaluate growth opportunities in existing businesses of Viscose, chemicals and textiles. The business will be transferred to the buyer for a cash consideration of Rs. 2,649 crore. This is basically the enterprise value. This consideration reflects the strength and future potential of the Fertilizer business. This value has been arrived at on the basis of working capital as on June 30, 2020. We broadly, subject to other conditions if the working capital changes at closing, which is expected to be in a 9 to 12 months' timeframe, the value will be adjusted to that extent.

So, the second transaction is the one that we announced a fortnight back, which was a collaboration with Lubrizol. This collaboration is part of our long-term direction to bring in world-class technologies to India and additionally, complements our growth strategy of improving our chlorine integration. Lubrizol is a market leader in CPVC globally and in India.

Lubrizol would set up a state-of-the-art CPVC plant at Vilayat of approximately 100 KTPA capacity in 2 equal phases, along with zero liquid discharge system. Grasim will provide land, utilities and materials, primarily chlorine and hydrogen to this plant. Grasim will operate and manage the plant operations for an annual commercial consideration. We expect the plant to be commissioned in second half of FY 2023. While Lubrizol brings capital and technology, Grasim brings extensive manufacturing expertise. CPVC Resin will be transferred to Lubrizol on an exclusive basis. Post commissioning of both phases, we expect our chlorine integration on an overall basis to improve by around 5%, overall VAP EBITDA per tonne of chlorine is also likely to improve given this transaction.

Now coming to results; with the bounce back in September quarter, and some revival in the business sentiments, the Board of Directors has taken decision to continue with the chemicals project at Vilayat, Rehla and Balabhadrapuram with the commissioning ranging from quarter 4 FY 2021 to Q1 FY 2022. Therefore, we have revised our Capex spend to Rs. 1,852 crore from Rs. 1,615 crore that we had announced in the previous quarter. The Capex spent amount stood at Rs. 279 crore in H1 FY 2021, and the balance will be spent in the second half of FY 2021. On results, our financial performance witnessed a strong rebound in September '20 quarter, making us confident that the improvement in business fundamentals is here to stay. The capacity utilization of VSF business improved from 26% in June quarter to 88% in September quarter. Some of these figures are already there in the presentation, the initial slides.

The capacity utilization of our caustic soda plant improved from 49% levels in June quarter to 80% levels in September quarter. The consolidated revenue and EBITDA for the quarter stood at Rs. 18,400 crore and Rs. 3,660 crore respectively, reporting a significant improvement both on quarter-on-quarter basis as well as on Y-o-Y basis. On a standalone basis, revenue improved to Rs. 3,438 crore from Rs. 1,940 crore in Q1. EBITDA also improved significantly to Rs. 680 crore in quarter 2 from negative Rs. 46 crore that we saw in quarter 1. The sequential deleveraging in consolidated as well as standalone net debt has been on account of reduction in working capital and improvement in EBITDA. Our consolidated Net Debt stood at Rs. 17,295 crore and standalone Net Debt stood at Rs. 2,329 crore in quarter 2. The Net Debt-to-EBITDA stood at a very healthy level of 1.46x during the quarter on a standalone basis.

VSF demand witnessed a strong recovery in domestic and overseas market. The demand for Grey fiber remains strong with supply falling short of demand. The share of domestic VSF sales has touched the pre-COVID levels. On Page 16, the domestic VSF realization witnessed a sharp reversal from start with the demand revival in China. The VSF plant inventory in China fell to 16 days in October from the highs of 45 days in April. The capacity utilization for Chinese VSF plant improved to mid-70s in September from around mid-60s in April. The VFY capacity utilization averaged around 39% for quarter 2 from the low double-digit number in quarter 1, with some demand revival from textile hubs in India. The VFY business generated a revenue of Rs. 228 crore and EBITDA of Rs. 14 crore in quarter 2, out of the Viscose total EBITDA that you see in the presentation.

The fixed cost savings in Viscose has sustained. The fixed cost optimization measures led to savings of almost Rs. 116 crore in quarter 2 in comparison to FY 2020 quarterly average. Caustic soda operational performance was better in quarter 2. The financial performance was driven by better utilization levels, easing of input costs and strong VAP performance. However, in realization front, overseas markets have been overwhelmed by excess caustic supply, driven by chlorine demand in PVC and other derivatives. Caustic soda price, CFR in Asia dipped below $250 level, with domestic prices mirroring the weakness. The Chemicals business reported an EBITDA of Rs. 187 crore in quarter 2, a significant increase from previous quarter. The caustic soda demand picked up on account of pickup in demand in Textiles and Paper segment. The chlorine value-added products demand remained upbeat during the quarter, driven by demand from health and hygiene, drinking water and other industrial segment with EBITDA witnessing a double-digit sequential growth. The chlorine realization remained positive during quarter 2 and cushioned the fall in the ECU realization on back of easing caustic prices.

On Page 22, Fertilizer business reported an EBITDA of Rs. 60 crore, driven by lower fixed cost and better Purak, which is non-urea sales. Purak business contributed around 31% of overall fertilizer EBITDA in the quarter. Our efforts on the sustainability fronts are actually paying off. Grasim was ranked 9th in the list of "ET Futurescape 7th Responsible Business Ranking" on Sustainability and CSR. In a very significant outcome in sustainability, VSF business received the #1 ranking and has been accorded with dark green shirt in Canopy's Hot Button Report 2020. Our inherent financial strength, our operational excellence and diverse product portfolio with cement, financial services, Viscose and chemicals, we are well poised to sustain leadership across our businesses with rebound in the economic activity. I would now like to hand over to the operator for Q&A. And I've got Dilip, Kalyan, Jayant and others on the call to answer your questions. Thank you.

Moderator: Thank you very much, sir. Ladies and gentlemen, we will now begin the question-and-answer session. We have a first question from the line of Sumangal Nevatia from Kotak Securities. Please go ahead.

Sumangal Nevatia: Congratulations on a good recovery and also the divestment. First question is on the divestment. So, we are expecting 9 months to complete that. What are the other noncore assets, can we expect to divest the insulator, the Textile business also on cards to move further away from noncore and focus VSF chemicals?

Ashish Adukia: So, there is no current plan to divest any other business. I think it's fair to say that from time to time, based on our strategic plans, we will evaluate both purchasing and sale of businesses. So currently, for insulator, there is no such plan.

Sumangal Nevatia: Understand. Ashish, with respect to Lubrizol, is it possible to share some more color? Because it looks like it's more a transaction where we are locking in customer for long term, because in the plant you shared that we are not going to invest anything from the Grasim book. So, is it possible to share how exactly will we benefit in terms of some financial aspects?

Ashish Adukia: Yes. So, let me give you a brief overview, again, which I kind of covered in the speech. But for the sake of repetition, it's important that I clarify this point. And then I will request Kalyan to add anything if required. So, see, our whole objective is that, a) chlorine should not become a bottleneck for overall Caustic business. So the evacuation of chlorine is extremely important; and b) we need to make sure that while the objective of chlorine evacuation is met, at the same time, we make money, out of the chlorine derivatives that either we produce on our own or we produce along with a partner, so we make adequate return on the chlorine that we are trying to evacuate through chlorine derivatives. So, with that objective, we had a discussion with Lubrizol, who's the leader in CPVC. And within the premise of Vilayat, okay, we will set up a facility, the Capex of which will be met by Lubrizol. And through the pipeline, we can supply chlorine to this facility, and we will also be able to supply hydrogen to this facility, which is also a requirement. And we will basically earn a fixed annual compensation for running the plant, and the cost will be passed through. So that's the broad economics on the basis of which it will work. It will be included in the financials of the Chemicals business appropriately as per the accounting standards. Kalyan, is there something that you would like to add?

Kalyan Ram: Yes. So, Jayant will add a bit more. All I can say, in terms of our overall Chlor-Alkali strategy. Globally, it's always chlorine-driven and caustic is more like a byproduct. And in India, it has been so far very caustic-driven, and chlorine was there to evacuate. But at some stage, we believe that India will also be something very similar to international way of chlor driving with caustic. And hence, we had very clear strategy of segmenting chlorine movement into 3 parts; one is our own derivatives production; second is to have enough pipeline customers so that the tonners won't move; and three is bring alliances in technologies or to enable that there is a lot of we cater to avoid import substitution that could help substitute imports. So those were the 3 we were looking at, and this is part of that alliance. Jayant, you want to add a bit more.

Jayant Dua: No, I think Kalyan is all covered. The only thing which I will probably reemphasize is that one of our objectives is, over time, to get a much larger chlorine integration, so that particularly in India, we will see that both caustic and chlorine will run together, and you produce literally 0.9 per every tonne of caustic produced. So, we have to look at as co-products and plan accordingly. And the way you have described the three of them, I think, this is the first step on the collaboration one.

Moderator: Thank you. We have next question from the line of Gunjan Prithyani from JPMorgan. Please go ahead.

Gunjan Prithyani: Congratulations on the divestment. Clearly, this is something which we have been looking forward to, to come clearly as a pleasant surprise. On the core business, now VSF, I mean there's a significant shift in the commentary that I'm reading from what you said in the introductory comments and even what Lenzing seems to be suggesting. So, is it fair to say that from a cycle perspective, you're feeling much better now? And directionally, we should continue to see the pricing improvement sustain? Or this is like you're coming after the recovery in China is coming after a gap, so there is an inventory reduction, which happened from 45 days to 15 days, and hence, the pricing move is more shortage led? And when the production normalizes, you may see the prices going sideways? So, if you can share how you're feeling about the cycle on the VSF?

Dilip Gaur: Gunjan, the good thing about this recovery is while the inventory has come down, the OR has gone up. So, the plant capacity utilization has gone up. So that itself tells you that there is a very healthy demand. So, it is basically a demand-driven recovery. It is not supply-side recovery. So, the China OR, it was around 66%, 67%, has gone to almost 80%. And despite that, the inventory has come down from 45 days to now 12 days as you speak. And every day it is kind of unfolding there. So, I think it's not a flash in the pan. And why we are saying it is a structural recovery? 2 things. The cotton Viscose, delta which I spoke to last time, became even higher because I think what world was expecting that the cotton prices may go down. But the cotton production has been a little less in U.S., and China is again buying a lot of cotton. Lot of speculative activity has come into cotton for various reasons. So, while the season has started, the cotton prices have gone up by almost RMB 2,000. So, the differences between cotton and Viscose became more than RMB 4,000 per tonne. So that is something an all-time high. And whenever that happens, the shift from cotton to viscose starts. So, what we understand is there a lot of cotton spindles has converted to Viscose. So that has led to this demand surge. India, also the same thing is happening. India will be exporting one of the largest volumes of cotton this year. They might do a million tonne of cotton export. And the NSP also, government is enforcing to make sure that they get better realization. So, cotton prices in India also are likely to hold. And they were roughly because of late rains, some cotton crops damage has been reported from Gujarat and other places. So, we believe that, yes, on the ground, there is a shift because of the interfiber dynamics. The second big driver has been the China domestic demand. Good thing about this whole recovery has come because of the Chinese domestic demand recovery, not the export recovery, the China exports are still low. So, to my mind, that makes me feel that the China might sustain because the government is very keen to make sure that the domestic demand sustains. The de-railer could be if the second round of COVID happens in Europe and U.S., then the export demand gets impacted. So, in India, recovery happened on the 2 grounds; the domestic demand, where this may continue. And I think the government is doing the right thing. And the textile has also come under the 10-champion sector. So, I think the Indian demand should sustain. But the export demand might get impacted if the COVID catches on. That's the only thing which I can think about. So, we believe, at least for next couple of months, things should sustain. And then the next discounting will come in Jan-Feb, then we know how the COVID is taking shape, how the vaccine is developing, what happens to China after the New Year. So, we'll have to look at that. That's what we look at.

Gunjan Prithyani: And there is no worry on the supply side, right? I mean on the VSF...

Dilip Gaur: No, there is enough capacity. India, we are stressed for capacity.

Gunjan Prithyani: Not from the capacity. I meant from the addition's perspective because that's intermittently an issue that you see Chinese adding. So, is there any big capacity within the pipeline?

Dilip Gaur: No. Right now, there is no big capacity. The biggest one in the pipeline is our capacity. That will be only India for India. So that is not going to impact the world as much as we think about it. Otherwise, there is a very minor 300,000, 400,000 tonnes of capacity increase during the year, hopefully.

Gunjan Prithyani: And the second question would be on the caustic side. Now here, of course, the chlorine initiatives are really commendable and that's reflective also in the value-added products that you're talking about. But on the caustic prices, the pressure is still fairly high, right? I mean how should we think about any normalization there. How significant is the supply overhang? And this supply overhang, if you can just clarify, is this just global or is there a domestic issue as well? I mean do we see too much overcapacity in domestic market also.

Jayant Dua: So Gunjan, this is Jayant, let me take that question more from a domestic perspective, and then we'll go to the international one. From a domestic perspective, I think the capacity utilization like in Viscose for all the manufacturers of caustic has been good, from the lows of 40s of Q1 or 50s of Q1, I think, largely every player has now come to around 80%-81% or 82-odd percent. So clearly, there is a demand uptake in India side. Particularly, I think the gap which was there in the textile sector in Q1 has got covered up in Q2, and also the paper demand has also ramped up substantially. So, I think from a capacity overhang, while new capacities have come in India over the last 1, 1.5 year. But at the rate at which the capacity utilization is growing for everybody and it sustains at 80% to 85%, I think that is not going to be the overhang in the prices stabilization in India. I think India is predominantly impacted today on the East and the West Coast of supplies coming from Southeast Asia, Northeast Asia and Middle East. And these are the largest markets of caustic consumption. In East, predominantly the alumina side and West is predominantly when you have Maharashtra and Gujarat, on some of the textiles side. So currently, the Indian prices are subdued and are actually in line with the global prices literally. We expect that this will continue for some time. However, if the textile demand comes up in China, like Dilip was talking about, and some of the other parts. When the caustic demand will go up over there, you could see stabilization on the Indian front also. But I think it's a little too early to comment on that. Overall, the caustic summary is demand is increasing. It got healthy in India. There is pressure on the international prices, both from Northeast Asia, Southeast Asia and Middle East. Now we have to wait and watch how the demand picks up in some of these countries on the caustic side to see the normalization.

Moderator: Thank you. We have next question from the line of Amit Murarka from Motilal Oswal Financial Services. Please go ahead.

Amit Murarka: Just first question on the fertilizer sale. So, you say that the working capital adjustments will be done when the transaction is closing. So, let's say, there is a release of working capital either due to government receipts or all that, so does that mean that the cash received to you will be higher rather than the 2,600-odd crores that you have disclosed now?

Ashish Adukia: Sure. No, that's not correct. So suppose there is a release from government while the business is in our hand, and the working capital, because as a result of that release comes down, so because we've already got cash against that receivable from the government, therefore, the buyer will not pay that much cash. So, suppose, hypothetically, if working capital is lower by, say, Rs. 50 crore, okay, because that has been paid by the government to us. So therefore, the realization which come down by Rs. 50 crore. So, we are going to be, in that sense, cash neutral from the purchase consideration point of view.

Amit Murarka: So, in what scenario will the purchase concentration then change for the working capital?

Ashish Adukia: If they don't pay us and the outstanding subsidy goes up by Rs. 50 crore, right? So, if the government doesn't pay us, and we show in the books that working capital has gone up by Rs. 50 crore because of outstanding receivable, then the buyer will pay us that Rs. 50 crore. And the purchase consideration goes up by Rs. 50 crore.

Amit Murarka: Okay, understood. Sure. And so, you expect it to close in 8 to 9 months, right? And with this, like, the entire fertilizer business is outright, even the trading business and the NPK fertilizers that you have?

Ashish Adukia: Absolutely. So, the existing fertilizer business will entirely be sold to them, the brands, distribution, all the products that we have right now. And we have customized fertilizer capacity of about 100. That will also go along with.

Amit Murarka: Sure. And second question is on the Lubrizol JV. So, you see that it's a cost-plus margin model. So, given that there is no Capex involved from your end, so that margin will be a fixed production-based margin? Or will there be some annual agreed amount that they will pay you?

Ashish Adukia: It's a latter. It's an annual agreed amount.

Amit Murarka: Okay. And any sense about, like the quantum that could come from there then?

Ashish Adukia: No, I think we are not disclosing the amount. Whenever it completes, it will be part of the VAP EBITDA.

Amit Murarka: And the working capital of running the business will be on you, right?

Ashish Adukia: So that's true, but it's a minor detail in the transaction.

Amit Murarka: Sure. And also, on the VSF outlook that you're sharing, I mean it seems like things have turned around very well now. So, could you, like, help us understand where are we right now on, let's say, on a spot basis, on the margin front versus like what has been disclosed in the Q2 results? I guess it should have been improved substantially because of Q2, there was only a gradual recovery, which would have now stabilized.

Dilip Gaur: Just to give you a broad trend, as you rightly said, the bulk of the Q2 was a demand recovery story. So, the volumes went up. Towards the end of the quarter, from mid-September to now, the Chinese prices, which used to be around RMB 8,800 have gone to 10,700, they've gone up 25%. So, the full impact of this price recovery will come in subsequent quarter. That's what. So, it happened toward the end of the quarter. That has been holding our prices, broadly factoring around this level. They were $1.4 / kg kind of thing, in China, which has one caveat, that is also is getting accompanied with the rising input prices. The pulp prices have started going up, not by the same level, but some firming up is there. The paper sales are going up. So, one has to, but overall, there is a positive trend on price increase.

Moderator: Thank you. We have next question from the line of Chirag Surekha from DSP Mutual Funds. Please go ahead.

Chirag Sureka: My questions are around the Net Debt. Amazing job done on working capital, and you've really squeezed out the cycle and generated cash flows. So, I just want to know, is it more one-off or sustainable? And in the second half, given the enhanced Capex and the fact that the working capital cycle has already come down a lot, would you expect the Net Debt to increase somewhat? Are those the overall, I must say the number still looks really strong.

Ashish Adukia: Yes, so see I think it all depends on the EBITDA that you generate. So, let me just address the Capex bit first before I go to working capital. So, it depends on the EBITDA that you generate in the second half. And if you are able to meet the Capex requirement substantially out of the EBITDA, then there is unlikely for debt to go up. So, we will have to wait and see what happens to EBITDA. On the working capital front, I think working capital, if there is readjustment in the cycle, then obviously the new cycle takes over, and therefore, there will be no further big sums that you will be seeing from working capital coming in. So, I don't think we should assume that this kind of a release of cash flow from working capital will continue. It's tough to say, but this is more likely to be one-off because of the readjustments of the cycle. Also due to COVID, there is some volatility, right? So, if we go back to earlier payment terms etc., all those kind of things, that's also a possibility when things normalize. So, it's very difficult to give guidance on working capital.

Moderator: Thank you. We have next question from the line of Nirav Jimudia from Anvil Research. Please go ahead.

Nirav Jimudia: Sir, I have a 2-part question. Sir, in the last presentation, Q1 presentation, you have mentioned that our VAP EBITDA has improved by 82% on a quarter-on-quarter basis. So, if you can just indicate the same or quantify the same for Q2 that would be helpful.

Ashish Adukia: So, in case of VAP improvement, we have mentioned in our presentation that the chlorine consumption in VAP increased to 30%. So, it is up 3% sequential. So, I think in quarter 1, of course, there was a significant improvement because quarter 1 was characterized with improvement in chlorine VAP.

Nirav Jimudia: Correct. But sir, you mentioned in your opening remarks that the growth on a quarter-on-quarter basis for VAP EBITDA was in double digits. So, if you can just give us some sense in terms of what can be that figure? So, like last quarter, you mentioned about 82%. So, some sense in terms of what was the improvement from Q1 to Q2?

Jayant Dua: So, let me take that question in a different way.

Ashish Adukia: Yes, sure.

Jayant Dua: See, the Q1 EBITDA was largely driven in the business by 3 VAPs, because that is when the entire focus of the entire country was on hygiene and sanitation. So, you saw a significant ramp-up on the chlorine VAP side. Now if you look at Q2, it is a far more harmonized business because of caustic, which was subdued EBITDA in Q1 is actually now substantially up. So, while there is a delta of chlorine consumption, but your VAP EBITDA per se will not show an 82% jump because it has already reached a very high level in Q1. It has sequentially gone up by around 5% or 7% up and it's maintaining itself. So, you're not going to get quarter-on-quarter ramp-up of that jump because it's come to a sustained level. And now the larger part of the EBITDA is coming from the caustic side.

Pavan Jain: See, Jayant. When we are seeing double-digit increase on quarter-on-quarter basis, this is actually more than 20% increase...

Jayant Dua: Yes. That's what, Pavan. It won't jump to 80%. It will be now like normal regular business.

Nirav Jimudia: And sir, the second question is in VSF, on what parameters do we consider our products to be specialty. So, like are there only 1 or 2 competitors only for that particular product? Or the emphasis is more on the product innovation through our R&D? So, what are the parameters do we generally consider when we consider our products to be specialty?

Dilip Gaur: There are 2 or 3 factors. One is that we are trying to increase better realization. So, when I say specialty, each one of them has a much higher premium over Grey fiber. In fact, we categorize based on the premiums. Ex. you take Modal, it has a premium of almost $0.80 to $1 over a normal response. And you're right. When such a good product has a premium, they have to be less producers. So not everyone can make Modal. So, in the world, only 3 people can make

Modal. So right out of the 25 or 26 players, only 3 can make Modal. Same way, it applies to Excel. So, one is the price. Second is, the technology has to be very specific and very improved. So, I know how, because it is important. So Modal or Excel some experienced specialty people, only 4 or 5 people in the world can make it. Technology is a bit different status. So, when I say I do X percentage of specialty, I have got a knowhow which not everyone can make. Even specialty on a specialty. We're now going to that level. So like nonwoven is a specialty, and we are developing nonwoven for specific applications like fire retardant. Now they are the premium doubles. So, from a $0.5 premium we will be able to produce the product we have made a premium it can go to $4. Now, these are niche products. They can't be lesser volume. So, there are base products, inflation products, such as specialty and on them there are niche products, where premiums are very high, but the consumptions are not so big, or fire-retardant product, like, we have this antimicrobial. So those are the kind of products we're making. So, I think our focus is to grow more and more on these specialties and fiber products.

Nirav Jimudia: Correct. And sir, a related question to this is, like, if you can just also explain along with this that how has been our process innovation developed over a period of time? So, if we consider, let's say, 2015 and 2020, so how the process innovation has really helped us in terms of reduction in per tonne consumption of finished goods or power consumption per tonne of finished goods? So, if you can just explain something on that, that would be very helpful.

Dilip Gaur: So, there are 2 then there are innovation are 2 types, process and product, right? Product innovation are for these VAPs. I told you, I'll briefly cover. The process ones are the both core viscose products. Now the biggest innovation we have done, it has been a real value accretive. Not many people in the world can do. Like, caustic consumption is the second biggest cost for making viscose of pulp. And historically, the caustic consumption used to be earlier it was 100, as I remember. We have been able to bring down significantly through a process innovation, where we have gone to a basic chemistry. Why I am requiring so much of caustic? If you go by the sheer chemistry, you require much less caustic. But then there are physical considerations. The caustic consumption has been our major focus and what we call it a low caustic process. The second is pulp consumption. There is a significant improvement in the pulp consumption per tonne of viscose to again better efficiency management, conversion efficiency and those kinds of things. So then there are like we have optimized various additives and chemicals which are required. So, there is a lot of work which has happened. As a business, we have unlocked lot of cost in terms of 5 years on the innovation. The second part of innovation is developing the value-added products and we have gone into micro viscose. It can give you better quality product and consumer will pay more price. The same product we will give you a value creation. And third, is part of new application, antimicrobial, there is environment platform Liva-Eco. the lowest greenhouse emission per tonne of product. I think there is a huge premium on that product. It was zero-tonne product about a year back. Today, we are selling 100 tonnes per day of that product. The same viscose made with more environment friendly processes and inputs and you get a premium for that. So that is how the whole has been. So, product innovation, process innovation and technical innovation. These are the three legs for our R&D efforts.

Moderator: Thank you. We have next question from the line of Abhinav Bhandari from Nippon India Asset Management. Please go ahead.

Abhinav Bhandari: I just had 2 short questions. One is on this Lubrizol collaboration. What is the timeline for this 100 KTPA capacity to be starting commercial operation?

Ashish Adukia: So, like I mentioned, it will come in 2 phases, and that will complete by H2 of FY 2023. Jayant, any specific on which phase that...

Jayant Dua: I think you're right, Ashish. The Phase 1 will come up by the second half of FY 2023. And once the Phase 1 stabilizes, then the discussions for this way forward and the Phase 2 will start.

Abhinav Bhandari: Sure. And the Phase 1 would be what, half, 50 KTPA?

Jayant Dua: Yes.

Abhinav Bhandari: And second question was on the fixed cost saving that we have seen specifically in the second quarter. And as you highlighted versus the average quarterly run rate on the VSF side, there's almost 116-odd crores; and on the caustic side, 50-plus-odd crores. So, this is expected to continue in the second half also?

Ashish Adukia: I think fixed cost, like I've maintained, you have to see from point of view of 2 elements out there. One is large would be employee and there is repair-maintainance here, and then there are others as well, like admin etc. So, if you look at the 2 big categories, employees. So, employees is likely to sustain till you reset and give further increments etc. But we've also taken action on the number of employees etc. as well. So, definitely, the table has come down from pre-COVID levels. And that will certainly sustain. When it comes to repair and maintenance, so that can also be divided into what is definitely required for the upkeep maintainance of the plant. And then there is also improvement in plants and spares etc. that you postpone the decision where replacement is not so imperative, okay, those may come back. So, repair and maintenance is something that may come back into the cost.

Abhinav Bhandari: Got it. On the Capex side, the earlier big expansion program that we had, so you guided on the chemicals projects, which would start now on the Capex front. On the other part, I mean given that the VSF prices are also better now, what are the pointers or what are the catalysts post which we'll be taking that decision?

Ashish Adukia: VSF, in the last quarter itself, I think, so amongst all the strategic projects, Capex projects that we had planned, which were ongoing till FY 2020 right, we had paused all the projects in quarter 1 due to COVID. And in quarter 1, towards the end, then we decided that all the projects will remain paused other than VSF. So, amongst the strategic projects, that was, what was cleared by the Board. So VSF project continues being executed and will be executed by quarter towards probably end of Q2 FY 2022.

Moderator: Thank you. We have next question from the line of Bhavin Chheda from Enam Holdings. Please go ahead.

Bhavin Chheda: Very good set of numbers and good to see the noncore fertilizer being divested. So, first question on this fertilizer dividend. If I understand correctly, the subsidy receivable from government would be close to Rs. 1,100 - 1,200 crores, which is the part of that working capital adjustment as on June 30?

Ashish Adukia: No. So, for June numbers, we don't give guidance of working capital breakup, etc. right? But if you look at the subsidy numbers, to give you some guidance, overall, for the year, the average outstanding is somewhere around Rs. 1,200 crore for the year. So, it actually depends on when the closing happens, right, so where would its land, okay? The trend of subsidy is always that typically March and June quarter, it's the peak; and September and December quarter, they are at the lowest, okay? So that trend we've always seen. March and June quarter to be the highs, and September and December quarters to be the lows. So, June quarter, by that logic, would be on a higher side, and September and December quarter would be on a lower side.

Bhavin Chheda: Just to understand, sir, EV on these deal subsidy is as good as cash if you stop doing the business, so that number has to be received some day, maybe over 12 to 15 months. So, if I net out that number, roughly, we are getting Rs. 1,300 - 1,400 crores on divesting the Fertilizer business. Is that understanding correct?

Ashish Adukia: It's the business sale. So, I think we should look at it from the point of view of what number has been ascribed for the business, which includes the working capital. So that's how we would look at this number.

Bhavin Chheda: My next question is on the VSF business, just to get clarity on this. Specialty, if my understanding of the capacity is correct, out of this 5,87,000 TPA, currently, 26%-27% is the specialty, including the Kharach line and including the Modal capacity?

Dilip Gaur: Yes, that's the rough number, but we can go up to…See, these are flexible lines for some specialties. So, we have made multipurpose lines, which can do not in all cases, in some cases, which can do a specialty and commodity products also. So, the best case, I can go is about 35%.

Bhavin Chheda: Best case on current capacity would be 35%. And what would be on the expanded number, which should be ready by next year? Any incremental expansion is also happening?

Dilip Gaur: Yes, because the expansion also has the flexibility to make some specialties. So, we will maintain the ratio. Specialty, one is a product specialty, one is pricing specialty. Sometimes, what you call a commodity maybe a specialty, which gives you a good price. So, we have to look at that way, how we are planning. So, we design lines in such a way that they can do both, in some cases.

Bhavin Chheda: Sir, I mean you're saying, yes, 30% odd would be the number in terms of flexibility...

Dilip Gaur: Should sustain, yes.

Bhavin Chheda: And as of now, you are doing 15%. So, we have a long way to grow in the VAP side of that.

Dilip Gaur: Look, last quarter was much higher. See what happened in this quarter, the demand surge has been so high for the Grey fiber in India, which is a very high value. That's what I was telling you. It is far more attractive for me to sell in India than to export specialty to China. So, a lot of my capacity on exports has been diverted to the Grey. That's why. It is not that I don't have market. Right now, we are committed at Grasim to supply and feed the local market 100%, commitment to this country. So, we are deliberately cutting on some of those specialties and exports to feed the local market through my new capacity comes in the stream. And has there been no COVID, my new capacity would have been streamed by now, and I would have been home.

Bhavin Chheda: Right. And if I see your Capex chart and the capacity chart, which is coming in, majority of the expansions are getting over by next year quarter 2, right?

Dilip Gaur: Yes.

Bhavin Chheda: Because you're saying FY 2022 and beyond also. But if I see the completion dates, most of the completion dates is around quarter 2 FY 2022. It will be a 1.5 chlorine and 0.8. So, is there anything previous projects would be pending beyond that date?

Ashish Adukia: Yes. So, I think BB'Puram Phase 2, that will be pending, Balabhadrapuram Phase 2.

Bhavin Chheda: How much is that capacity?

Jayant Dua: That's again, 50% is coming now, 50% later.

Ashish Adukia: Yes, so equally divided.

Bhavin Chheda: Okay. And my last one, sir, on the Modal premium, which you gave, you said roughly around $0.8 to $1.

Dilip Gaur: See, that was the indicative number. Don't hold me for it. That keeps changing with the market.

Bhavin Chheda: Yes. It keeps changing. But just to get if my understanding is correct, the entire specialty portfolio normally gets between $0.8 or $0.7, and then Modal is over and above that?

Dilip Gaur: No. Different, over Grey. Premium, we always talk about over Grey.

Bhavin Chheda: Over Grey only, sir.

Dilip Gaur: So, Modal has a different premium, Lyocell has a different premium, Livaeco has a different premium, Dope Dyed has a different premium. So, it varies, depending on what are the…see, nothing comes streamlined. So, this delta comes under cost also. So, the premium depends upon the cost as well. But these are the highest premium products in my portfolio, are Lyocell and Modal, and those niche specialties they were selling you.

Bhavin Chheda: And that you're saying is roughly around $1 over Grey.

Dilip Gaur: That will depend overall. They can vary much more also. But they are very small quantity, yes.

Moderator: Thank you. We have next question from the line of Navin Sahadeo from Edelweiss Securities. Please go ahead.

Navin Sahadeo: Just one question, only on your Capex. Q4 presentation had mentioned the total Capex outlay of beyond FY 2020, the total Capex plan was a little under Rs. 5,000-odd crore. And of course, there were some revisions for FY 2021. I think the latest number, if I see it correctly, it's around Rs. 1,800 - 1,850 crore is what we plan to spend in FY 2021. Now given the Capex timeline for VSF is around Q2 for the bulk of the capacity to get commissioned. What kind of amount should we benefit in or would you guide as total Capex outflow in FY 2022?

Ashish Adukia: Sorry, FY 2022, you're saying?

Navin Sahadeo: Yes, FY 2021, you've already said it's 1,850. So, I'm just referring to your Q4 FY 2020 presentation when the total Capex was Rs. 5,000 crore?

Ashish Adukia: Yes. So, I understand the question. This number of Rs. 5,000 crore that is there in Q4, I think, okay, we always look at from the point of view of what has been sanctioned by the Board over a period of time and what is outstanding sanction that is there from the Board, right? And from that outstanding sanction, what we give in the right side of the table is what has been spent and what is expected to be spent. And therefore, from the sanction whatever is the balance amount, is always beyond that year. So, suppose in your example, out of 5,000 that is yet balanced sanction that is there, if I'm talking about 1,850 to be spent this year, then the balance will be spent over next 2 years, roughly, okay? However, we may decide that out of that sanctioned amount, some of the spend will not happen at all, okay? So therefore, that's why this time, last 2 quarters, we've stuck to what we believe will be the spend for this year rather than trying to give you figures for FY 2022 and FY 2023 as well. And because of this whole situation of COVID, we had decided that any which ways we will look at the Capex plans very closely and keep reviewing it. So once there is more clarity, if we can provide FY 2022 and FY 2023, we will try and give that and provide that. As of now, we would like to stick with the guidance that we have given for FY 2021.

Navin Sahadeo: Sure. No. Because out of that total 5,000-odd crore Capex, a significant amount was towards modernization and maintenance. So given the stressed situation, I'm saying that kind of Capex can wait. Is that directional intent I wanted to get a sense?

Ashish Adukia: Yes, absolutely. That can wait. That could be dropped. Both can happen. So yes, so that is what the plan would be. But I think the point is to focus on the strategic Capex, right? The capacity enhancing Capex. Those capacity enhancing Capex, we have given a full clarity on. And the balance modernization Capex etc. is something that is more under our control, so we will decide accordingly.

Navin Sahadeo: And just one question. I'm sorry if it's a repeat. But in VSF volumes or either in value, how much were exports contribution in this quarter?

Ashish Adukia: Yes. So, exports from the previous quarter, as you have noticed, has come down. So, in Viscose, it's 18% of sales, that is in volume terms. 18% of sales in the volume terms that is there for in exports now.

Navin Sahadeo: In the current quarter, in Q2, right?

Ashish Adukia: Yes, in Q2.

Navin Sahadeo: And that's like a normalized stable number? Or how should we look at it from a coming ensuing quarters point of view?

Ashish Adukia: Yes. So, quarter 1, like I said, that in quarter 1 commentary that because the domestic markets were closed, so therefore we resorted to the export market, and that went as high as 35%-38%, if I recall. And this quarter, it has come back to the more normal levels of what we should expect going forward.

Moderator: Thank you. We have next question from the line of Sagar Parekh from One Up Finance. Please go ahead.

Sagar Parekh: Most of my questions are answered. I just wanted to ask you one more thing. So basically, by end of FY 2022, bulk of our Capex would be over, and you would be showing blue moons of free cash by FY 2023 onwards. So, any kind of thoughts on capital allocation in terms of how will we be spending in the free cash?

Ashish Adukia: So tough to say at this stage. I don't think we have any apart from the current Capex program, we really don't have large Capex other than modernization etc. that will continue. But we keep evaluating various projects, various partnerships to invest capital, and which is likely to give us good ROCE. Apart from that, if you're referring to dividend/buybacks, that will continue to be as per the policy. We'll have to take into account the profitability, any Capex requirement or fund requirement that may be there before we decide to step that up.

Sagar Parekh: And last question from my side. How much was the volumes of nonwoven this quarter? Because I believe that nonwoven demand would be pretty good which goes into masks, and covers etc. So out of the 15% VAP contribution in VSF, how much would be nonwoven? On an annual basis, can we expect like 10%, 15% of our volumes to come from nonwoven segment?

Ashish Adukia: So specific numbers will be tough for us to give. I think 15% is VAP, which includes nonwoven. Dilip, do you want to add any?

Dilip Gaur: No, I think, if you understand this. Nonwoven is one of the specialties we have. And right now, we were running short on the Grey fiber capacity. That's why the nonwoven volumes came down. Going forward, as I told you, we have flexibility to make nonwoven as required. And nonwoven in India is not a large demand. It's a global demand. So, you can service that from wherever you want. So, I think the Indian market, we are fully feeding from the local production. It is only the export part of the nonwoven, which we will be selecting depending upon the supply/demand situation because right now we are short on capacity.

Sagar Parekh: Right. So, the premium on nonwoven would be lower, right?

Dilip Gaur: Much lower. Nonwoven is not that premium. It went a little high because of COVID, but now it is back to a very nominal premium. So that's why I differentiate, there's VAP and there's specialty. Nonwoven is a specialty, but it's not a real VAP in that respect.

Sagar Parekh: Fair enough. And on the pulp prices, it's gone up in tandem with VSF. So VSF is about $15.60-$15.70. So, pulp prices will be about at about 10%, 15% higher than $600? Or how much will be the pulp price right now?

Dilip Gaur: Pulp prices have gone up by about, yes, around 10% is what you can say, broadly, 5%-10%. Saket is that right?

Saket Sah: Less than that, actually.

Ashish Adukia: Two points I would like to just clarify out here. One is the pulp price that we are seeing is a spot price, whereas we continue to get the advantage because of the 90-day period that I talked about, right, 90 or less than 90 days, whatever. And the second point, I want to clarify that in the chart, what we gave from VAP, okay, that includes both VAP and specialty, 15%. So, it's basically other than Grey.

Sagar Parekh: Yes. That I understood.

Dilip Gaur: So just to explain to you. In the pulp case, last year, in a rising market, it helps you. In the falling market, it hurts you. So, it depends how. That's why we are saying, so spot prices may go up, but our consumption price may not go up.

Sagar Parekh: Right. So how much will be procuring on a long-term basis then, about more than 15%, 16%?

Dilip Gaur: All.

Sagar Parekh: So, then our EBITDA per kg on VSF would be even on Grey, it would be right now about more than Rs. 30 – Rs. 35 per kilo, right?

Dilip Gaur: I don't think we can comment a number on that.

Ashish Adukia: Yes. We can't comment on that number. So, we have long-term contracts. And anyways, part of our procurement is from our JVs itself. So, volume contracts are there. The price is determined on the basis of spot plus certain formula that is there.

Moderator: Thank you. We have next question from the line of Prateek Kumar from Antique Stockbroking. Please go ahead.

Prateek Kumar: I have few short questions. So firstly, on this increase in domestic mix during this quarter in VSF, is primarily a reflection of our constant focus on domestic demand and not because of fall in export demand, right?

Dilip Gaur: No, the domestic demand has picked up significantly, much ahead of export demand. See, export is a large market. So, it can be serviced by various people. Domestic is our core market. So, we are working on the market to grow the demand, and demand has grown significantly. Just to tell you, the domestic market has grown at about, in last 2 years, at 14% to 15% CAGR compared to global of 5% to 7%.

Prateek Kumar: And has that domestic demand recovery, which will probably be the best in September versus the whole quarter? Has that accelerated further?

Dilip Gaur: No. It has been month-on-month growing steadily, if you look at it.

Prateek Kumar: Right. So, would that have accelerated further into October, November, right?

Dilip Gaur: Now, it has come to pre-COVID levels now. So now I think it will plateau because the demand has recovered to the old levels.

Prateek Kumar: And your cost optimization, you suggested that there's this large contribution of repairs and maintenance. Out of this 120 plus 50 crores, 170 crores. So maybe 50% would be repairs and maintenance, something which we delayed to next quarter?

Dilip Gaur: No, I think there are 2 types of repairs and maintenance, routine repairs and replacement repairs, specified repairs. The routine repairs have not been delayed. Anything which will hurt the plant health, or the safety and environment is not deferred at all, so that has been spent. It is the replacement expenditure, which depends upon the life of the equipment. That every 5 year I want to change, every 6 year I want to change, where we do a condition with monitoring. And if the equipment is in a good condition, we can defer by a couple of quarters. So it is that part. So that makes about 30% to 40% of the total R&M budget where we can take a discretionary view.

Ashish Adukia: Absolutely. And I think nowhere near 50%, it will be lower than that out of the total fixed cost. So maybe about 25%...

Dilip Gaur: That's right. That's the kind of number, yes.

Ashish Adukia: Yes, would be the number.

Prateek Kumar: So that could come back, remaining could remain with the company in terms of savings?

Dilip Gaur: Yes.

Ashish Adukia: And I think, I want to reiterate the point that there are cost initiatives that have been taken by the company across, both fixed cost and variable cost, consumption norms etc. like Dilip talked about caustic use, the pulp use and all those things. So, a lot of these cost savings will be sustainable, both on the fixed as well as the variable side. Repair and maintenance is probably the only one where, of course, to make sure that the plant has kept maintained, and that cost may go up. Meaning, go back to what used to be the earlier case.

Prateek Kumar: And chlorine evacuation from that Lubrizol project is expected to have like more captive integration. So, what is the current captive integration? And we are talking about this 5% increase on expanded capacity, which we are also adding like in chemical?

Jayant Dua: Yes, this 5% increase is on the expanded capacity. Current, I think in the presentation, we are saying that we've got about 30% captive.

Ashish Adukia: That's right.

Jayant Dua: Yes. So, this would be on the expanded capacity.

Ashish Adukia: Yes. So, 5% will be on the total 100 KTPA.

Prateek Kumar: And of this fertilizer sale, is there a tax impact on our earnings? I mean would we have a tax impact on cash flows out of this 2,680 crores, which we get?

Ashish Adukia: No, absolutely. I think if we make money, we have to obviously pay taxes. So, it's a slum sale of undertaking. So, based on income tax provisions etc., we will be paying taxes on this unless we can partly be able to set it off against any long-term loss etc. So, it'll all be calculated on the basis of taxation, and then we'll arrive at the amount at closing because the closing will be in FY 2022, so it will depend on what we have as carry forward losses etc. In the capital gains category, if any, we may not have also. So, I think all those calculations will go into determining what the tax would be.

Moderator: We have next question from the line of Gaurav Rateria from Morgan Stanley. Please go ahead.

Gaurav Rateria: So firstly, question related on capital allocation topic. Ashish, just want to understand what would be an ideal capital structure you would like to have in the medium term? And this is in context of the divestment of the Fertilizer business, which will make us almost net debt-free. So, what should be the ideal capital structure? Would there be a thought of returning excess cash to the shareholders?

Ashish Adukia: So, see, I think if you go back to history and look at FY 2019 end, okay, and before that, FY 2019 end and before that, Grasim used to be net debt zero to in fact a net cash company. Before we decide to invest in any project or anything of that sort, leaving that aside, right now, the plan is for it to see if we can find high ROCE opportunities within the core business. But assuming that it takes time, it will obviously go and reduce your net debt. And then in that case, we will be back to net debt zero situation. So, I think Grasim has a very strong balance sheet. It's AAA. It has always enjoyed that. It lends its strength to its subsidiaries as well due to which they are also AAA. So therefore, I think we would like to continue with that situation. And if we are taking, we will never use or cannot say never, but we will never require equity infusion to fund any of the projects. So therefore, if we need to raise debt to fund any project in the future, we will always follow a very conservative approach of how much debt you take up. And that is reflected from our actions in the last 2 years where the debt has always been in a controlled way. And I want to also take the opportunity to make the point extremely clear that this sale has nothing to do with the debt that we have on Grasim. I think debt is at a very comfortable level in comparison to the EBITDA, in comparison to the overall consolidated investments etc. that we have. So, we are not at all concerned about that. And this has been done totally as a strategic call on the portfolio. And that's the reason behind doing that.

Gaurav Rateria: Great, Ashish. If you can reiterate your priorities with respect to allocation of capital to group companies that will always take a second or third approach before you look at the organic Capex, right?

Ashish Adukia: Absolutely. That continues that organic Capex, which we have planned for the next 2-3 years will always take precedence. Second would be in financial services, it always requires equity infusion. If we don't want to get diluted there because we want to maintain consolidation status, we may decide at right price levels to put money there. Right now, there is absolutely no requirement out there. And there is no intent to put money in other group companies. Just to be technically right, we are building for solar business as a subsidiary. So, there is fund requirement there. We put our equity portion. And of course, the ongoing calls that may come on ABFRL rights issue that they have already done. So, wait for first call or a couple of more calls that may come. We'll put that committed money out there.

Gaurav Rateria: Last question from me. On the chlorine VAP, do you have any target in mind of what percentage you want to take it up to over the next 2 years on your expanded capacity? Any such similar deals in the walls right now? This is right now 30%, do you think this can potentially go up to 40%, 50% over the next 2 years?

Jayant Dua: I think we'll continuously keep exploring the options on collaborations which will come up. In the Capex plan, clearly there are some derivatives, which have been given over there, particularly on the Vilayat side. So overall, I think we will be gradually inching up. I don't expect it to reach 40%, 50% in the next 2 years. But clearly, I think in the next 2-odd years, we will inch it up by a couple of maybe 400 or 500 basis points or say 34%, 35%.

Kalyan Ram: Yes. Just to add. The long-term plan remains. We don't want chlorine to be sold as chlorine in the long run over the next many years, so over the 5 to 10 years' timeframe. So, all that we are doing is, as I said earlier, either we invest in value-added products or we have customers close by next to us and creating pipeline supplies, or we will have alliances like we announced on Lubrizol. And our interest is to, in the next 5 years, to get closer to 40%-50% and thereafter much closer to 70%-80% thereafter, beyond 2025. So that is the strategy. We will be working on several projects. We've had several projects that are being discussed. So, we'll continue to pursue that strategy.

Moderator: Thank you. We have the next question from the line of Saket Kapoor from Kapoor & Company. Please go ahead.

Saket Kapoor: Sir, although there has been an uptick in the utilization levels. Sir, I'm talking about the Chlor-Alkali segment, sir, but the EU realizations have remained depressed sir. So, sir, what are the factors that are creating hindrance and any uptick in the prices sir? And any ADD has been imposed from any of the nation? What is the update on that, sir?

Jayant Dua: So, I think we took that question a little earlier, where I'll just repeat it again. That there is a globally, this is not an Indian phenomenon of the prices of caustic means depressed at this moment. This is kind of a global phenomenon, running across all over the place. The more impacted is the Northeast Asia and Southeast Asia, particularly Northeast Asia because it's a higher benign demand, which makes the chlorine pricing attractive, and that has been a primary product over there. So, there is a large expensive caustic capacity, which is flowing out of that place. And similarly, where you have Middle East also, which is impacting the West Coast. So, it's a global phenomenon. There is global oversupply at the moment. I think it's fair enough to say that we expect the situation to continue for some time over there. In terms of the ECU, I think if you look at from our ECU perspective, there are a couple of things which have gone positive. One is the chlorine, which was earlier negative, has now been trending for the last 6 months in the positive territory. The second is in the cost savings, particularly for us power is a very critical part. That has helped us maintain our ECU which we currently have. Going forward, in terms of ADD, your last point was, there was just a sunset review, which happened on Korea and China, which was reported there because I think now in the final stages of going from the DGTR office to the Finance Ministry. We're waiting for the final outcome of that. So that verdict has gone back, and suspension has been given by DGTR. And then there is work in progress, data simulation happening all over the place to see what, we're discussing with Government of India, with a couple of other people, but that we won't talk about until we reach the stage of the execution. I hope that takes care of your 3 parts of the question.

Saket Kapoor: Sir, I missed the last part, was of the DGTR, you were explaining that. I mean the 4 months have been the imposition for a provisional duty has been done.

Jayant Dua: So, the sunset review on Korea and China by the DGTR has been accepted. Now the paper has moved to Finance Ministry for ultimate approval, which is the government process, which hasn't got. So, from a DGTR perspective, it has been approved and there, sunset in the ADD on China and Korea will continue. The other is work in progress. And as we move forward, we will discuss it later.

Moderator: We take the last question from the line of Sanjay Parekh from Nippon India Asset Management. Please go ahead.

Sanjay Parekh: So, the point I was making is that we're going to have reasonable, I mean the debt is not going to spike up if we take 12 months from now. And if you take a reasonably stable market next year, we look at a very good handsome EBITDA. So, if you take the today's listed value, we are broadly at 65% to 70% discount. Now in this scenario, when the cost of borrowing is so low, would you consider even at the cost of borrowing to do buyback and align the misalignment in such a large holding company discount? That's a suggestion I have.

Ashish Adukia: No. Sure. I think we have noted your suggestion. Like I said earlier that it will depend on various factors on the basis of which Board can decide. But certainly, we have noted your suggestion on this one.

Sanjay Parekh: I congratulate you for really selling off the fertilizer unit and giving a very clear stance on capital allocation. That will really help long-term investors.

Moderator: Thank you very much, sir. Ladies and gentlemen, that was the last question. I'd now like to hand the conference over to Mr. Ashish Adukia, CFO, for closing comments. Over to you, sir.

Ashish Adukia: Thanks. Thanks, everyone, for joining. And we generally have the call immediately after results. As you know, we have many things to do yesterday. So, we thought that instead of eating up into your evening, we do a call today. So, thanks for joining and wish you guys a great festive season ahead of us, and happy Diwali.

Moderator: Thank you very much, sir. Ladies and gentlemen, on behalf of Grasim Industries Limited, that concludes this conference call. Thank you for joining with us, and you may now disconnect your lines.