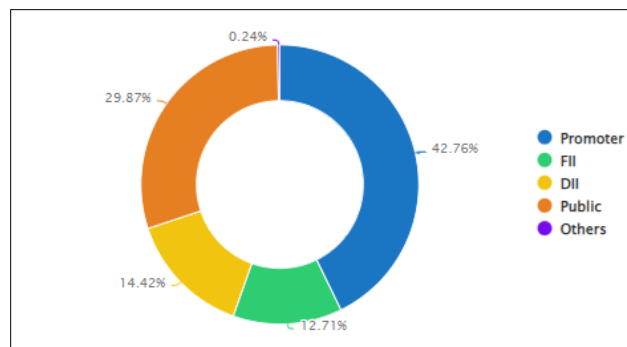


June 2022

**VALUE PARAMETERS**

Face Value (Rs.)	2.00
Mrk.Cap (Rs. in Cr)	89,910
52-Week High/Low	1939/1340
EPS (TTM)	115
P/E Ratio (TTM)	11.9
Book Value per share (Rs)	1150
Industry P/E	7.6
P/B Ratio (calc at CMP)	1.23
Dividend Yield (%)	0.35
Enterprise value (Rs in Cr)	161,218

**SHAREHOLDING PATTERN**



**FINANCIAL PERFORMANCE**

Consolidated	FY22	FY23E	FY24E
Sales (Rs. Cr)	95,701	105,700	115,900
Growth (%)	36	10.4	9.6
EBITDA	20,431	22,500	25,400
EBITDA margin	21%	21.2%	22%
Net Profit (Rs. Cr)	7,550	10,200	12,400
EPS (Rs)	114.68	119	121
RoE	10	13	13
RoCE	12.3	15	14.6
P/E (x)	12.6	16	15
EV/EBITDA	7.5	9	11

**Our Recommendation:** Grasim's capacity expansion in VSF/Caustic soda and venturing into paints business will provide impetus to high growth in near term. The company could also benefit from changing dynamics in cotton industry because of US ban on cotton imports from China's Xinxiang region. With capex of more than Rs 10,000 Cr in paint segment, Grasim could get big market share in paint segment. Thus, we recommend BUY in price range Rs. 1250-1350 with target price Rs 1590 (upside 22%).

**Investment Rationale:**

**About Company:** Grasim industries Ltd. is a flagship company of the global conglomerate, Aditya Birla Group. The company which started only as a textiles manufacturer in India is now a leading global producer of viscose staple fibre, the largest Chlor-Alkali, Linen and Insulators player in India. The company is the largest cement producer and a leading diversified financial services player because of its subsidiaries, UltraTech Cement and Aditya Birla Capital.

**Q4FY22 Results:** GRASIM reported strong Q4FY22 results.

- Net Sales increased by 27.77% to Rs 2,012 crore in March 2022 from Rs. 1,575.08 crore in March 2021.
- Quarterly Net Profit increased by 146.89% to Rs 279.70 crore in March 2022 from Rs. 113.29 crore in March 2021.
- EBITDA increased by 83.51% to Rs 511.65 crore in March 2022 from Rs. 278.81 crore in March 2021.
- EPS has increased to Rs. 23.19 in March 2022 from Rs. 11.03 in March 2021.

**Key Highlights**

- Demand of VSF which is the core product of the company continues to be the fastest growing textile fiber globally.
- The company has a strong balance sheet to support existing and future projects.
- Chemical segment's OPM should improve to 19% in FY23E from 13% in FY21.
- The capacity expansion of 19.5 MTPA through a mix of greenfield and brownfield expansion is on track and is expected to get completed by the end of FY23
- Renewable power share in Chlor-Alkali business increased to ~7% with new 8 Mwh capacity which is expected to touch to 11% by end of FY23.
- Grasim doubles capex to ₹10,000 crore to set up paints business by FY25.
- The company is aggressively growing its business and expanding its overall presence, which will add synergy to its paints business.

**Key Risks:**

- Supply chains disruption due to ongoing COVID-19 pandemic.
- The company is dependent on imported raw materials like Ammonia, Phosphoric Acid and Natural Gas.
- The business is quite capital intensive with reliance on government for subsidy.

## Financials and Valuations

### Q4FY22 Financial Summary, consolidated (Rs. Cr)

Y/E March	Q4FY22	Q4FY21	YoY (%)	Q3FY22	QoQ (%)
Net Revenues	28,811	24,401	18.07%	24,402	18.07%
EBITDA	5,341	5,901	-9.49%	4,863	9.82%
PAT	3,599.8	2,516.2	43.07%	2,546.1	41.39%
Adjusted EPS (INR)	42.18	26.07	61.80%	26.53	58.99%

### Income Statement, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
<b>Net Revenues</b>	<b>57,033.67</b>	<b>77,200.25</b>	<b>75,140.71</b>	<b>76,404.29</b>	<b>95,701.13</b>
Expenditure	44,711.77	60,573.73	57,879.61	57,768.95	75,269.76
<b>EBIDTA</b>	<b>12,322</b>	<b>16,627</b>	<b>17,261</b>	<b>18,635</b>	<b>20,431</b>
<i>EBITDA Margin (%)</i>	<i>22%</i>	<i>22%</i>	<i>23%</i>	<i>24%</i>	<i>21%</i>
Depreciation	2,724	3,571	4,004	4,033	4,161
<b>EBIT</b>	<b>9,598</b>	<b>13,055</b>	<b>13,257</b>	<b>14,602</b>	<b>16,270</b>
Other Income	860.66	827.69	968.81	1045.48	821.34
Interest	3,663.17	6,060.03	6,890.31	5,723.48	4,776.00
Exceptional items	-432.85	-2,688.40	-1,406.05	-341.73	-69.11
<b>PBT</b>	<b>6,362.18</b>	<b>5,134.40</b>	<b>5,929.32</b>	<b>9,582.21</b>	<b>12,246.53</b>
Tax	1947.12	2418.72	-84.32	3022.19	1936.31
<b>PAT</b>	<b>4,415.06</b>	<b>2,715.68</b>	<b>6,013.64</b>	<b>6,560.02</b>	<b>10,310.22</b>
<b>Net Profit</b>	<b>4,415.06</b>	<b>2,715.68</b>	<b>6,076.36</b>	<b>6,797.48</b>	<b>10,825.96</b>
Min Int.	-1,009.04	-1,051.75	-2,226.84	-2,681.88	-3,656.51
Shares associates	-727.44	29.06	562.22	189.22	380.33
<b>Consolidated Net Profit</b>	<b>2,678.58</b>	<b>1,692.99</b>	<b>4,411.74</b>	<b>4,304.82</b>	<b>7,549.78</b>
<b>EPS</b>	<b>40.75</b>	<b>25.74</b>	<b>67.06</b>	<b>65.41</b>	<b>114.68</b>

### Cash Flow Statement, consolidated (Rs. Cr)

Y/E March	FY17	FY18	FY19	FY20	FY21
PBT	5823	6362	5134	5929	9582
Adj. for Exp.	1611	4094	9149	8694	9717
Other Adj.	819	-12897	-14068	3737	-2755
<b>CF after WC</b>	<b>8253</b>	<b>-2440</b>	<b>215</b>	<b>18360</b>	<b>16545</b>
Tax	-965	-1700	-1874	-1740	-1844
<b>CF from Op. Activity</b>	<b>7288</b>	<b>-4140</b>	<b>-1659</b>	<b>16803</b>	<b>16784</b>
<b>CF from Inv. Activity</b>	<b>-3488</b>	<b>510</b>	<b>-2271</b>	<b>-11548</b>	<b>-9217</b>
<b>CF from Fin. Activity</b>	<b>-3799</b>	<b>3449</b>	<b>4158</b>	<b>-3418</b>	<b>-8014</b>
<b>Net Change</b>	<b>2</b>	<b>-181</b>	<b>228</b>	<b>1838</b>	<b>-447</b>
Cash & Cash Eqvt	94	949	1224	3063	2617

## Balance Sheet, consolidated (Rs. Cr)

Y/E March	FY18	FY19	FY20	FY21	FY22
Equity Share Capital	131	132	132	132	132
Share Warrants	125	228	263	275	0
Reserves & Surplus	57,106	57,660	56,237	65,088	75,567
<b>Total Shareholder's Fund</b>	<b>57,237</b>	<b>57,792</b>	<b>56,632</b>	<b>65,495</b>	<b>75,699</b>
L.T. Borrowings	40,793	56,686	58,738	52,488	46,546
Deffered tax liability	5,596	8,796	6,841	8,251	8,281
L.T. Trade pay	24	0	0	0	0
Other long term LIAB.	35,031	38,105	40,734	51,115	59,530
L.T. Provisions	233	252	312	425	733
<b>Non-Current Liabilities</b>	<b>81,677</b>	<b>1,03,839</b>	<b>1,06,625</b>	<b>1,12,279</b>	<b>1,15,090</b>
S.T. Borrowings	20,520	18,379	12,109	10,037	26,457
S.T Trade pay	5,030	6,084	6,583	8,123	11,393
Other S.T. Liab.	15,066	22,168	25,489	31,527	19,218
S.T. Provisions	1,907	2,135	2,438	2,323	816
<b>Current Liabilities</b>	<b>42,523</b>	<b>48,766</b>	<b>46,619</b>	<b>52,010</b>	<b>57,884</b>
Minority Interest	26,337	30,503	34,305	37,068	40,476
<b>Total Equity &amp; Liability</b>	<b>2,07,899</b>	<b>2,41,127</b>	<b>2,44,181</b>	<b>2,66,851</b>	<b>2,89,149</b>
Fixed assets	71,547	89,879	91,625	90,776	93,718
L.T. Investments	33,033	30,653	32,030	42,492	51,899
L.T. Loans & Adv.	40,744	49,722	49,799	49,259	80,549
Other L.T. Assets	22,266	20,992	18,676	24,546	6,215
<b>Non-Current Assets</b>	<b>1,67,590</b>	<b>1,91,246</b>	<b>1,92,130</b>	<b>2,07,073</b>	<b>2,32,381</b>
S.T. Investments	8,253	6,944	11,494	17,571	14,722
Inventories	5,860	7,059	6,841	6,197	9,536
Sundry Debtors	5,203	6,690	5,793	4,342	5,429
Cash & Bank	1,316	1,908	3,804	4,966	3,253
Others	19,677	27,279	24,121	26,702	23,827
<b>Current Assets</b>	<b>40,309</b>	<b>49,880</b>	<b>52,053</b>	<b>59,778</b>	<b>56,767</b>
Misc. Exp. not W/O	0	0	0	0	0
<b>Total Assets</b>	<b>2,07,899</b>	<b>2,41,127</b>	<b>2,44,181</b>	<b>2,66,851</b>	<b>2,89,149</b>

## Key Ratios

Y/E March	FY2018	FY2019	FY2020	FY2021	FY2022
<b>Per Share Data (Rs)</b>					
EPS	40.75	25.75	67.07	66.35	115
BV/Share	870.73	878.83	856.93	991.1	1150
DPS	6.2	7	4	9	5
Dividend Payout (%)	15.22	27.19	5.96	13.57	4.36
<b>Valuation Ratios</b>					
P/E	25.87	33.33	7.09	21.89	12.6
P/BV	1.21	0.98	0.55	1.47	1.23
EV/EBITDA	10.59	9.4	6.53	8.48	7.5
<b>Return Ratios (%)</b>					
ROE	9.97%	4.72%	10.65%	11.18%	10.00%
ROCE	12.15%	8.40%	9.17%	11.09%	12.3%
<b>Leverage Ratio (x)</b>					
Current Ratio	0.95	1.02	1.12	1.15	0.98
Interest Cover Ratio	2.74	1.85	1.88	2.73	3.77
Net Debt/Equity	1.17	1.46	1.48	1.17	0.98

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