

Business Overview

Headquartered in Mumbai, Grasim is the flagship company of the Aditya Birla Group, and is one of the largest private sector companies in India. Incorporated in 1947, it commenced operations in 1948 as a textile manufacturer. Over the years, it has become a diversified conglomerate with presence in four business segments—VSF, cement, chemicals, and textiles. VSF and cement are the main segments, contributing ~90% to the company's revenue and operating profit. Post the de-merger of its cement business, Grasim holds 57.3% in UltraTech, which is the largest cement company in India.

Key highlights

- UltraTech Cement (UTCL), its 57% subsidiary, has a robust long term growth potential. We remain upbeat on the cement sector owing to our expectation of high cement prices and low costs, whose prime beneficiary would be UTCL.
- While VSF margins have slipped to 13% in FY20; the average for past 18 years is 24%. Expect the margins to recover from FY22 onwards.
- Its chemicals business will benefit from Grasim's leadership and steady volume growth visibility given 27% capacity addition by FY21.
- The fertiliser segment of the company saw an Increase in EBITDA (from INR300mn in Q3FY20 to INR680mn in Q4FY20) on account of notification of retrospective fixed cost reimbursement to the tune of INR230mn. However, this is not just for Q4FY20 but is for FY20 and will continue going ahead as well.
- Total gross debt is INR50.68bn – which includes INR3.2bn interest free Govt. backed loan against fertilizer subsidy. While current Net debt/ EBITDA is 1.05x; the adjusted ratio is 0.94x - implying a healthy balance sheet.
- Grasim is a value play (57% stake in UltraTech Cement alone, excluding holdco, is nearly 80% higher than the current market cap)

Risks

- Sharp decrease in cement and VSF prices.
- Sharp increase in input cost for VSF and also international and domestic energy cost.
- Decline in growth prospects of financial services segment.

QUICK DATA

Face Value (Rs.)	2.0
Div. Yield (%)	0.66
No of shares ('cr)	65.8
52-week High/Low (Rs.)	949 / 385
NSE Symbol	GRASIM
BSE Code	500300
Market cap (Rs. bn)	399

SHAREHOLDING PATTERN (%)

Promoters	40.3
MFs, FIs & Banks	22.9
FII	13.5
Others	23.4

EDELWEISS CLASSIFICATION

Market Cap	Large Cap
Relative Risk	Medium
Relative Reco	Performer
Sector Rating	Underweight

Edelweiss Ratios

Company	
1 Wk Price performance (%)	-3%
3 M Price performance (%)	37%
PE (x)	26.8x
EV to EBITDA (x)	8.4x
Return on Capital Employed (%)	8%

Financial Snapshot

Year to March (₹ cr.)	FY19	FY20E	FY21E	FY22E
Net Revenue	20,550	18,609	13,712	20,029
Revenue Growth (%)	30%	-9%	-26%	46%
EBITDA	4,071	2,310	1,121	2,949
Adjusted PAT	1,446	1,508	232	1,435
Adjusted diluted EPS (INR)	22.0	22.9	3.5	21.8
ROAE (%)	3.3	3.6	0.5	3.3

Technical View

	S1	S2	R1	R2
Grasim	598	590	621	635

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