

Retail Equity Research

Grasim Industries Limited

Construction Materials

BSE CODE: 500300

NSE CODE: GRASIM

Bloomberg CODE: GRASIM:IN

SENSEX: 75,075

BUY

12 Months Investment Period Rating as per Large Cap

CMP Rs. 2,334 TARGET Rs. 2,687 RETURN 15% ↑
(Closing: 06-06-24)

KEY CHANGES:

TARGET ↑

RATING ↔

EARNINGS ↑

Resilient performance, outlook positive

Grasim Industries Ltd, a subsidiary of Aditya Birla Group, is a diversified company with interests in cement, textiles, retail and chemicals. It is also the world's largest producer and exporter of viscose rayon fibre.

- Consolidated revenue in Q4FY24 increased 12.7% YoY to Rs. 37,727cr, aided by steady growth in the cement and financial services businesses.
- EBITDA rose 27.2% YoY and margin 180bps YoY to 16.4%, aided by moderation in input costs. PAT rose 15.5% YoY to Rs. 2,722cr, aided by higher other income but moderated by a one-off exceptional loss.
- Robust housing and infrastructure demand, strong growth momentum in financial services business, capacity expansion in the cement business, higher traction in Birla Pivot and robust expansion of the growing decorative paints market bode well for the company. We are optimistic about its long-term growth and reiterate our BUY rating with a revised target price of Rs. 2,687 on SOTP valuation.

Topline growth led by cements and financial services

In Q4FY24, consolidated revenue grew 12.7% YoY to Rs. 37,727cr, driven by robust growth in cement and financial services businesses. The cement business grew 11.3% YoY to Rs. 20,919cr, aided by higher sales volume, partly offset by lower realisation. Financial services business grew 29.5% YoY to Rs. 10,484cr, primarily led by growth in NBFC and life insurance business. Despite the company achieving its highest ever caustic soda sales volume of 308 KT (up 7.7% YoY), its chemical business revenue fell 13.1% YoY to Rs. 2,083cr owing to lower electrochemical unit realisation (down 27.8% YoY). Revenue from the cellulosic fibre segment was flat YoY at Rs. 3,762cr owing to subdued domestic downstream demand on account of new regulations around the MSME segment. The others segment (which mainly includes textiles, renewables and insulators businesses) grew 6.0% YoY to Rs. 790cr.

Margin widens on lower input costs

EBITDA rose 27.2% YoY to Rs. 6,196cr while EBITDA margin widened 180bps YoY to 16.4%, aided by lower cost of materials (down 220bps to 15.5% of revenue) and power and fuel costs (down 370bps YoY). Other income grew 93.9% YoY to Rs. 427cr. Profit after tax (PAT) came in at Rs. 2,722cr (up 15.5% YoY), partly impacted by a one-off exceptional loss of Rs. 569cr.

Key concall highlights

- Aditya Birla Capital, the financial services business, reported a 31.5% YoY growth in total lending book to Rs. 124,059cr. Its total assets under management rose 21% YoY to Rs. 436,442cr.
- Birla Opus (decorative paints business) started production at three plants in April 2024.
- Birla Pivot, the B2B e-commerce business, surpassed Rs. 1,000cr revenue in its first year of operations. Monthly revenue run rate stood at ~Rs. 200cr, with healthy repeat orders.

Valuation

We expect robust growth in the cement business on the back of high infrastructure and housing demand. Also, capacity expansion in cement, higher traction in Birla Pivot, robust growth momentum in financial services business, diversified chemicals portfolio and the continued efforts in cost optimisation augur well for Grasim. The company aims to expand the distribution of its paints business to over 6,000 towns by end-FY25. We see the stock as a proxy play on India's growth prospects and hence, reiterate our BUY rating with a revised target price of Rs. 2,687 based on our SOTP valuation methodology.

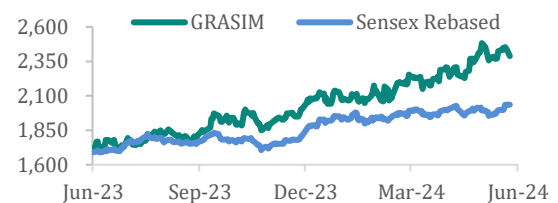
Company Data

Market Cap (cr)	Rs. 158,857
Enterprise Value (cr)	Rs. 360,493
Outstanding Shares (cr)	66.3
Free Float	56.0%
Dividend Yield	0.4%
52 week high	Rs. 2,535
52 week low	Rs. 1,691
6m average volume (lacs)	8.6
Beta	1.0
Face value	Rs. 2

Shareholding (%)	Q2FY24	Q3FY24	Q4FY24
Promoters	42.8	42.8	43.1
FII's	16.1	16.4	16.5
MFs/Insti	17.3	17.0	17.0
Public	21.2	21.1	20.8
Others	2.7	2.7	2.6
Total	100.0	100.0	100.0
Promoters' pledge	0.0	0.0	0.0

Price Performance	3 Month	6 Month	1 Year
Absolute Return	9.5%	19.8%	40.0%
Absolute Sensex	2.8%	11.4%	18.5%
Relative Return*	6.7%	8.4%	21.4%

*over or under performance to benchmark index



Consolidated (cr)	FY24A	FY25E	FY26E
Sales	130,978	147,286	164,151
Growth (%)	11.4	12.5	11.5
EBITDA	20,837	24,803	28,354
EBITDA Margin (%)	15.9	16.8	17.3
Adj. PAT	6,194	7,302	8,253
Growth (%)	(14.0)	23.6	13.0
Adj. EPS	93.8	110.1	124.4
Growth (%)	(6.1)	22.3	13.0
P/E	24.4	21.8	19.3
P/B	1.7	1.8	1.8
EV/EBITDA	16.1	14.5	13.3
ROE (%)	11.2	14.4	16.1
D/E	1.0	1.0	1.0

Quarterly Financials (Consolidated)

Profit & Loss Account

Rs. cr	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Revenue	37,727	33,462	12.7	31,965	18.0	130,978	117,627	11.4
EBITDA	6,196	4,873	27.2	5,150	20.3	20,837	20,478	1.8
EBITDA margins	16.4	14.6	180bps	16.1	30bps	15.9	17.4	(150bps)
Depreciation	1,329	1,207	10.1	1,244	6.8	5,001	4,552	9.9
EBIT	4,867	3,666	32.8	3,905	24.6	15,835	15,926	(0.6)
Interest	463	338	37.1	433	7.1	1,655	1,320	25.3
Other Income	-	-	-	-	-	-	-	-
Exceptional Items	(569)	-	n.m.	-	n.m.	(569)	(88)	(546.8)
Share of profit from Associate	94	87	7.7	(1)	n.m.	89	209	(57.6)
PBT	3,928	3,415	15.0	3,472	13.2	13,700	14,727	(7.0)
Tax	1,207	1,059	13.9	868	39.0	3,774	3,649	3.4
Reported PAT	2,722	2,356	15.5	2,603	4.5	9,926	11,078	(10.4)
Minority Interest	1,352	987	37.0	1,089	24.2	4,301	4,251	1.2
PAT att. to shareholders	1,370	1,369	0.1	1,514	(9.5)	5,624	6,827	(17.6)
Adjustments	569	-	n.m.	-	n.m.	569	88	546.8
Adj. PAT	1,939	1,369	41.7	1,514	28.0	6,194	6,915	(10.4)
No. of shares	66.3	65.8	0.7	65.6	1.1	66.1	66.0	0.1
Adj. EPS (Rs.)	29.2	20.8	40.6	23.1	26.7	93.8	104.8	(10.5)

Segment revenue

	Q4FY24	Q4FY23	YoY Growth (%)	Q3FY24	QoQ Growth (%)	FY24	FY23	YoY Growth (%)
Cellulosic Fibres	3,762	3,764	(0.1)	3,715	1.3	14,949	15,149	(1.3)
Cement	20,919	18,803	11.3	17,011	23.0	71,953	63,381	13.5
Chemicals	2,083	2,397	(13.1)	1,996	4.3	8,213	10,422	(21.2)
Financial Services	10,484	8,095	29.5	8,786	19.3	34,008	27,365	24.3
Others	790	745	6.0	782	1.0	3,087	3,092	(0.2)
Inter Segment Revenue	(310)	(342)	(9.5)	(325)	(4.6)	(1,231)	(1,781)	(30.8)
Gross Revenue	37,727	33,462	12.7	31,965	18.0	130,978	117,627	11.4

Sum of the parts (SOTP) valuation

Particulars	Basis	Base	Multiple	% holding	Value (Rs. cr.)	Value/share (Rs.)
Standalone	FY26E P/E	1,598	12.0x	100%	22,372	289
UltraTech (holding company discount at 35%)	Geojit TP	10,670		57%	114,249	1,723
ABCL (holding company discount at 35%)	FY24 P/BV	37,478	1.8x	54%	23,679	357
Others (holding company discount at 55%)	FY26E P/BV	23,425	2.0x	100%	21,083	318
Total					181,383	2,687

Change in Estimates

Year / Rs. cr	Old estimates		New estimates		Change (%)	
	FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
Revenue	136,909	-	147,286	164,151	7.6	-
EBITDA	21,844	-	24,803	28,354	13.5	-
Margins (%)	16.0	-	16.8	17.3	80bps	-
Adj. PAT	6,963	-	7,302	8,253	4.9	-
Adj. EPS	106.0	-	110.1	124.4	3.9	-



PROFIT & LOSS

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Revenue	95,701	117,627	130,978	147,286	164,151
% change	25.3	22.9	11.4	12.5	11.5
EBITDA	17,772	20,478	20,837	24,803	28,354
% change	12.7	15.2	1.8	19.0	14.3
Depreciation	4,161	4,552	5,001	5,625	6,584
EBIT	13,611	15,926	15,835	19,178	21,770
Interest	1,296	1,320	1,655	2,055	2,415
Other Income	311	121	(481)	98	107
PBT	12,627	14,727	13,700	17,220	19,462
% change	29.2	16.6	(7.0)	25.7	13.0
Tax	1,936	3,649	3,774	4,334	4,899
Tax Rate (%)	15.3	24.8	27.5	25.2	25.2
Reported PAT	11,206	11,078	9,926	12,886	14,563
PAT att. to common shareholders	7,550	6,827	5,624	7,302	8,253
Adj*	69	88	569	-	-
Adj PAT	7,619	6,915	6,194	7,302	8,253
% change	69.5	(9.4)	(14.0)	23.6	13.0
No. of shares (cr)	65.8	66.0	66.1	66.3	66.3
Adj EPS (Rs.)	115.9	104.8	93.8	110.1	124.4
% change	53.7	(1.3)	(6.1)	22.3	13.0
DPS (Rs.)	10.0	10.0	10.0	10.0	10.0

CASH FLOW

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Net inc. + Depn.	15,367	15,630	14,927	18,511	21,147
Non-cash adj.	3,075	7,440	10,730	2,055	2,415
Changes in W.C	(11,405)	(35,755)	(36,376)	(4,016)	(6,277)
C.F. Operation	7,038	(12,685)	(10,719)	16,550	17,286
Capital exp.	(8,505)	(11,925)	(19,322)	(20,948)	(22,593)
Change in inv.	3,454	(1,588)	(3,455)	(3,608)	(3,118)
Other invest.CF	1,508	(174)	(336)	0	(0)
C.F - Investment	(3,543)	(13,687)	(23,113)	(24,555)	(25,711)
Issue of equity	253	(138)	3,524	-	-
Issue/repay debt	(4,341)	29,152	33,728	11,247	12,249
Dividends paid	(1,066)	(1,151)	(1,126)	(664)	(664)
Other finance.CF	(1,580)	(1,394)	(2,219)	(2,055)	(2,415)
C.F - Finance	(6,733)	26,469	33,908	8,528	9,169
Chg. in cash	(3,239)	97	76	523	744
Closing cash	2,241	2,313	2,388	2,911	3,654

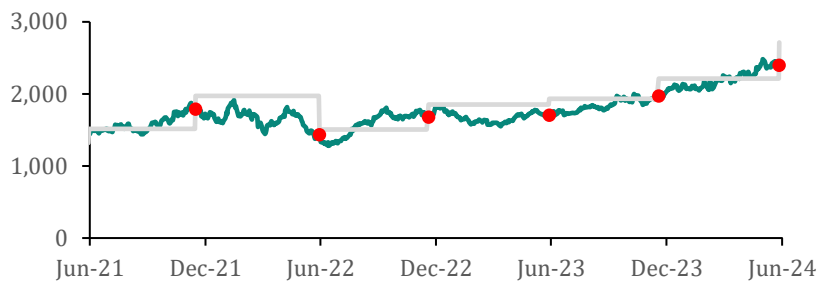
BALANCE SHEET

Y.E March (Rs. cr)	FY22A	FY23A	FY24A	FY25E	FY26E
Cash	2,241	2,313	2,388	2,911	3,654
Accounts Receivable	5,429	5,915	6,979	7,512	8,125
Inventories	9,536	11,159	13,545	14,368	15,826
Other Cur. Assets	39,561	48,136	63,476	62,140	66,261
Investments	51,899	60,058	75,038	78,645	81,763
Gross Fixed Assets	78,595	88,405	107,728	128,675	151,269
Net Fixed Assets	60,027	66,153	72,024	85,932	100,324
CWIP	6,572	7,730	18,229	20,052	22,057
Intangible Assets	28,997	28,777	28,585	28,176	27,789
Def. Tax (Net)	246	382	423	485	548
Other Assets	84,886	106,583	131,853	133,230	136,023
Total Assets	289,395	337,205	412,539	433,450	462,372
Current Liabilities	31,006	34,618	43,067	43,363	45,225
Provisions	733	766	869	929	994
Debt Funds	74,744	103,039	137,155	148,402	160,651
Other Liabilities	66,737	75,870	92,510	89,595	90,442
Equity Capital	132	132	133	133	133
Reserves & Surplus	75,567	78,610	88,520	89,406	90,302
Shareholder's Fund	75,698	78,742	88,652	89,539	90,434
Minority Interest	40,476	44,171	50,286	55,870	62,181
Total Liabilities	289,395	337,205	412,539	433,450	462,372
BVPS (Rs.)	1,151	1,193	1,342	1,350	1,363

RATIOS

Y.E March	FY22A	FY23A	FY24A	FY25E	FY26E
Profitab. & Return					
EBITDA margin (%)	18.6	17.4	15.9	16.8	17.3
EBIT margin (%)	14.2	13.5	12.1	13.0	13.3
Net profit mgn.(%)	11.7	9.4	7.6	8.7	8.9
ROE (%)	14.8	14.1	11.2	14.4	16.1
ROCE (%)	7.1	7.0	5.7	6.5	6.9
W.C & Liquidity					
Receivables (days)	20.7	18.4	19.4	18.6	18.1
Inventory (days)	105.8	89.0	103.8	100.4	100.2
Payables (days)	126.4	106.5	117.7	114.6	109.2
Current ratio (x)	1.0	1.0	0.9	0.9	0.9
Quick ratio (x)	0.4	0.3	0.3	0.3	0.3
Turnover & Leverage					
Gross asset T.O (x)	1.3	1.4	1.3	1.2	1.2
Total asset T.O (x)	0.3	0.4	0.3	0.3	0.4
Int. coverage ratio (x)	10.5	12.1	9.6	9.3	9.0
Adj. debt/equity (x)	0.6	0.8	1.0	1.0	1.0
Valuation					
EV/Sales (x)	2.3	2.1	2.6	2.4	2.3
EV/EBITDA (x)	12.5	12.3	16.1	14.5	13.3
P/E (x)	14.4	15.6	24.4	21.8	19.3
P/BV (x)	1.4	1.4	1.7	1.8	1.8

Recommendation Summary (Last 3 Years)



Source: Bloomberg, Geojit research

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note; **Reduce:** Reduce your exposure to the stock due to limited upside; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

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Not rated/Neutral- The analyst has no investment opinion on the stock under review

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