

February 15, 2021

ADITYA BIRLA



**Current Price:** ₹ 1242.35

## STOCK DATA

BSE Code	500300
NSE Symbol	GRASIM
Reuters	GRAS.BO
Bloomberg	GRASIM IN

## VALUE PARAMETERS

52 W H/L(Rs)	1255.00/380.00
Mkt. Cap.(Rs Cr)	81740.54
Latest Equity(Subscribed)	131.59
Latest Reserve (cons.)	60120.39
Latest EPS (cons.) -Unit Curr.	56.41
Latest P/E Ratio -cons	22.02
Latest Bookvalue (cons.) -Unit Curr.	915.75
Latest P/BV - cons	1.36
Dividend Yield -%	0.32
Face Value	2

## SHARE HOLDING PATTERN (%)

Description as on	% of Holding 31/12/2020
Foreign	17.69
Institutions	18.42
Non Promoter Corp. Hold.	9.13
Promoters	41.42
Public & Others	13.34

## Financial Results

In Cr.

	Qtr Ended Dec. 20	Qtr Ended Dec. 19	VAR %
Total Income	20986.35	18616.76	13
OPM (%)	24.20	20.56	
OP	5079.53	3826.93	33
Other income	422.21	281.92	50
PBIDT	5501.74	4108.85	34
Net Finance Charges	1364.78	1669.72	-18
PBDT	4136.96	2439.13	70
Depreciation	1007.15	993.57	1
PBT	3129.81	1445.56	117
Tax expense	977.48	405.74	141
PAT	2152.33	1047.16	106
Minority Interest	768.37	359.61	114
Profit after Minority Interest and Share of profit of Associates	1383.96	680.24	103
EPS (Rs)	21.03	10.45	

### Grasim Q3 profit jumps 95% to Rs 359.4 crore, revenue misses estimates

Grasim Industries reported an over two-fold jump in its consolidated net profit to Rs 2,152.33 crore for the third quarter ended December 31. The company had posted a net profit of Rs 1,039.82 crore during the corresponding quarter of the previous fiscal.

Revenue from operations during October-December 2020 rose 12.72 per cent to Rs 20,986.35 crore from Rs 18,616.76 crore a year ago. The firm's total expenses were at Rs 18,278.75 crore in the third quarter of 2020-21, up 4.81 per cent against Rs 17,439.19 crore a year ago.

The Government's far sightedness in providing timely stimulus in the aftermath of COVID-19 has provided support to multiple sectors leading to a broad-based economic recovery. The recovery in the demand has been accelerated by greater consumer confidence on the back of the launch of the vaccination program across the world.

### Viscose Business

VSF demand in India and overseas markets recovered from the sharp decline caused by the deceleration in the economic activity witnessed during the earlier part of FY21. The VSF demand in India recovered to pre-COVID-19 levels leading to 28% revenue growth sequentially. Consequently the share of domestic sales in the sales mix grew from 82% in Q2FY21 to 91% in Q3FY21 and the share of value added product in the overall sales mix improved to 22% in Q3FY21 from 15% in Q2FY21.

The Viscose business performance has steadily improved since Q1FY21 on the back of robust demand growth led by consumer spending picking up with the onset of festive & wedding season. The capacity utilisation of the VSF business reached 100% through Q3FY21 and the capacity utilisation of the VFY business also increased to 76% in Q3FY21 from a low of 12% in Q1FY21.

The VSF prices in China bounced back from their historic lows driven by a strong revival in domestic demand and favourable inter fibre dynamics with widening gap between cotton and VSF prices. This led to a dramatic reduction in VSF inventories in China even as the operating rates went up.

The Net Revenue for the Viscose segment (including VFY) stood at Rs. 2,145 Cr., EBITDA at Rs. 482 Cr. improved substantially on the back of higher sales volumes, better product mix and lower cost even though the YoY realisations were lower. Like all commodities, pulp prices have also firmed up and are likely to increase further going forward.

### **Chemical Business**

The domestic caustic soda business witnessed an upsurge in demand during the quarter, driven by higher usage from textile, alumina and paper industry, recording capacity utilisation levels of 89% in Q3FY21, an improvement of 9% on a sequential basis. While Caustic soda prices (CFR) in Asia recovered from the lows of \$239/MT to hit the \$270/MT level towards the end of the quarter on the back of lower operating rates caused by unplanned outages, the ECU realization continues to be muted, though volume has picked up.

The demand for Advanced Material (Epoxy) business improved led by demand from Auto and Consumer durables. The capacity utilisation of the business witnessed a significant improvement sequentially.

The Net Revenue for Q3FY21 stood at Rs. 1,281 Cr. and EBITDA stood at Rs. 177 Cr. close to pre-COVID levels.

### **Entry into the Paints Sector**

The Board of Directors of Grasim has approved a foray into the paints business. The Board has also approved initial capital expenditure of ~ Rs. 5,000 Cr. over the next 3 years.

The entry of Grasim in the paints sector will offer a wide choice to Indian consumers as the Company plans to introduce the latest range of paint products in line with global mega-trends. The Company's entry into this high growth sector will help painters/ applicators and all traditional and emerging channel partners across India to expand their existing business and grow. This move will also provide an impetus to the Government's vision of 'Atmanirbhar Bharat' and supports the supplier ecosystem of MSMEs by helping them expand their existing raw material manufacturing capacities.

The Company believes that this sector is likely to be value accretive to its stakeholders.

### **Capex Plan**

Capex spend on VSF & Chemicals capacity expansion was revived post lockdown and is progressing as per the revised plan, besides the ongoing modernisation capex at various plants. The total capex spend for 9MFY21 stood at Rs. 799 Cr.

### **Sustainability**

The Pulp & Fibre Business has been declared the Winner of 'Golden Peacock Global Award for Sustainability' for the year 2020.

The Company was ranked No.11 in the S&P Dow Jones Sustainability Indices (DJSI) of the global list of participating companies in its sector in 2020, and improvement of 6 positions.

Grasim released its maiden integrated report in Dec'20. The purpose of embracing integrated reporting is to make our stakeholders aware of how six capitals come together at Grasim to create greater value.

In the latest WBCSD report, Grasim Industries featured at the top among the list of Companies procuring renewable power through corporate renewable PPAs in India.

E-mail: [smc.care@smcindiaonline.com](mailto:smc.care@smcindiaonline.com)



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**Corporate Office:**

11/6B, Shanti Chamber,  
Pusa Road, New Delhi - 110005  
Tel: +91-11-30111000  
[www.smcindiaonline.com](http://www.smcindiaonline.com)

**Mumbai Office:**

Lotus Corporate Park, A Wing 401 / 402, 4th Floor,  
Graham Firth Steel Compound, Off Western  
Express Highway, Jay Coach Signal, Goreaon  
(East) Mumbai - 400063  
Tel: 91-22-67341600, Fax: 91-22-67341697

**Kolkata Office:**

18, Rabindra Sarani, Poddar Court, Gate No-4,  
5th Floor, Kolkata - 700001  
Tel.: 033 6612 7000/033 4058 7000  
Fax: 033 6612 7004/033 4058 7004

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