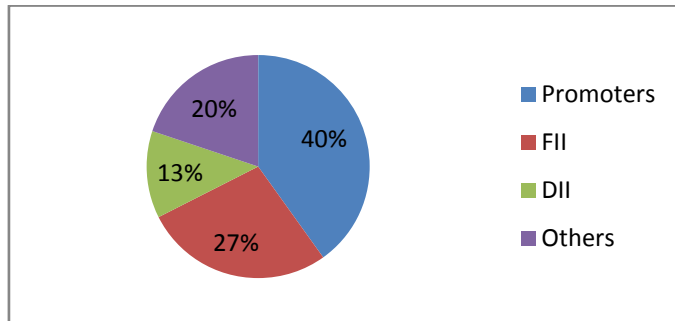


Grasim Industries Ltd
Buy
Target Price: Rs 1280
Time frame: 10-12 months
Value Parameters -

BSE Code	500300
NSE Symbol	GRASIM
CMP (As on 2 nd Jul 2018)	Rs 985
Face Value	Rs 2
52 Week High/Low	1331/981
Market Cap (Rs cr)	64,817
EPS (TTM)	40.73
PE Ratio (x)	24.20

Shareholding Pattern % (Mar-18)

Company Overview

Grasim Industries Ltd started as a textiles manufacturer and later diversified into viscose staple fibre (VSF), cement and chemicals. The products and services of the company include Viscose staple fibre (VSF), viscose filament yarns (VFY), grey cement, white cement, fertilizers. The company also in the business segment of Chemicals, Fibre and Pulp.

UltraTech, Grasim's 60.22% subsidiary, is the largest cement producer in India.

Strong growth outlook for both VSF and chemicals: Capacity additions, assured dividend payout, century textile business transfer, driving domestic growth through LIVA, high backward integration in VSF (80%), Competitive edge by having Chlorine integration and growing in East India all this steps to boost its leadership position further and given 25%+ ROCE in these core businesses.

Viscose:

The domestic viscose staple fiber (VSF) market demand increased and VSF sales volume up by 9% YoY.

With expansion, capacity will be increased by 58% to 788 KTPA over FY17-21 from current 498KTPA tones.

Chemicals:

The uptrend in domestic caustic soda prices continued in the current quarter, driven by supply related issues in China and Europe and robust demand from major consuming segments (alumina and textile).

Caustic Soda sales volume up 6% yoy on likes to like basis, EBITDA up by 93% YoY and utilization increased to 94% above from industry average of 84%.

GRASIM is going to increase capacity in the chemicals (by 37% to 1148KT over FY17-19) at a cost of Rs 646 Cr.

Outlook & Valuation

Combined standalone estimated EBITDA for FY21 is 4,731 cr and if we value standalone business at EV/EBITDA multiple of 6x then we arrive at EV of Rs 28,386 Cr, on standalone basis debt is Rs 1,857 Cr. By subtracting debt we arrive at market cap of Rs 26,529 Cr from standalone business and estimated consolidated market cap after adjusting Holding Company discount 35% is Rs 84,140 Cr and target price is Rs 1280.

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