

# ADITYA BIRLA



# GRASIM

Grasim Industries Limited

- Fundamental Analysis
- Date: 22 June 2024
- Stock price: ₹ 2,466

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(Junior Analyst)

ADITYA BIRLA

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GRASIM

# Introduction to the company

Grasim Industries Limited is the flagship company of the Aditya Birla group, it ranks amongst India's largest private sector companies. On standalone basis, GIL's core businesses comprise of viscose Staple fibre (VSF), caustic soda, speciality chemicals, rayon-grade wood pulp (RGWP) with plants at multiple locations. It also has certain other businesses such as fertiliser, textile, etc.

# Company Overview: History

- **Founded:** August 25, 1947
- **Founding Purpose:** Initially a textile manufacturer specializing in rayon textiles.
- **Transformation and Diversification:**
  - **1950s-1960s:** Expanded into viscose staple fiber (VSF) production with the Nagda plant in Madhya Pradesh.
  - **1970s:** Entered the cement sector, leading to the formation of UltraTech Cement, now India's largest producer.
  - **Expansion Strategy:** Acquired existing cement plants and established new ones to bolster market presence.



# Diversification into New Sectors

- **1990s-2000s:** Continued diversification:
  - **Chemicals:** Acquired Tanfac Industries in 1989, marking entry into the chemicals sector.
  - **Financial Services:** Established Aditya Birla Capital Limited, offering a broad spectrum of financial services.
- **Current Operations:**
  - **Industry Presence:** Engaged in diverse sectors including cement, textiles, chemicals, and financial services.
  - **Strategic Vision:** Adaptive approach to evolving market dynamics, reflecting resilience and growth in various industries.

An aerial photograph of a city grid, showing a central green park area. The grid is composed of red and yellow blocks, with green spaces interspersed. The word "Management" is overlaid in white text in the center of the image.

# Management

**Mr. H K Agarwal**  
***Managing Director, Grasim Industries Limited***

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- H.K. Agarwal, a decorated leader with an impressive 40 year career at Aditya Birla Group, currently heads Grasim Industries and its global Pulp & Fibre business. He has steered various segments like Cement and Chemicals, and played a key role in setting up significant facilities like Thailand's first hydrogen peroxide plant and the world's largest viscose plant.
- He is chartered accountant with a distinguished academic background (including an Executive MBA and Harvard AMP) is a testament to lifelong learning and excellence.



## **Mr. Jayant V Dhobley Business Head and CEO Global Chemicals, Fashion Yarn, & Insulators**

•Mr. Jayant V Dhobley serves as the Business Head and CEO of Global Chemicals, Fashion Yarn, & Insulators at the Aditya Birla Group since January 2021. With nearly three decades of experience in Specialty Materials, Polymers, Packaging & Chemical Industries, he notably contributed to the Asia Pacific strategy and operations at Amcor Limited before joining ABG. Jayant spent significant periods in Shanghai and Singapore, gaining extensive insights into these markets. He holds a B.E. in Polymer Technology from the University of Pune and is a Life Member of the Indian Institute of Chemical Engineers. He further honed his leadership skills at Wharton School of Business and Duke CE USA.





**Mr. Pavan K Jain**  
***Grasim Industries Limited***  
***Chief Financial Officer***

•Mr. Pavan K Jain has a stellar career track record spanning over three decades in the Aditya Birla Group, and in different stints including Birla White, Grey Cement and Grasim CFD. He is a Fellow Member of the Institute of Chartered Accountants of India and an Associate Member of the Institute of Company Secretaries of India. He has also completed the Executive Development Program of The Wharton School, University of Pennsylvania, USA



# Business Segments

Cement Production: Ultratech Cement

Viscose Staple Fiber (VSF)

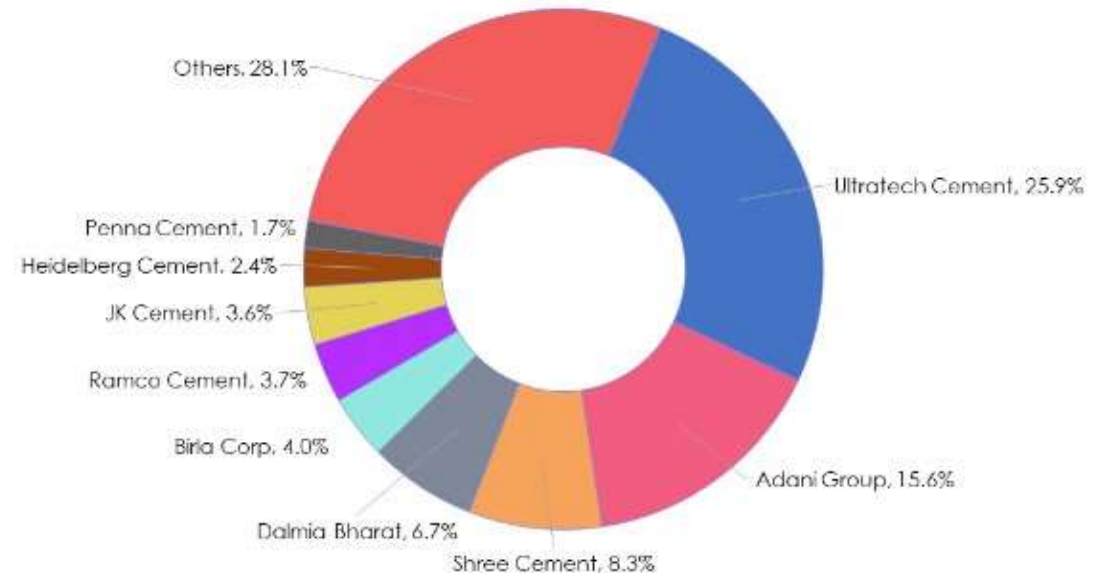
Chemicals

Financial Services: Aditya Birla Capital

# Cement Production

**Cement:** Operating under UltraTech Cement, India's largest cement producer with nearly 26% market share, Grasim's cement division manufactures a wide range of products, including ordinary Portland cement, Portland blast furnace slag cement, Portland Pozzolana cement, and white cement. UltraTech's extensive distribution network and manufacturing facilities have enabled it to maintain a strong market position.

Market share of cement manufacturers in March 2023



# Viscose Staple Fiber (VSF)

Grasim is a prominent global producer of Viscose Staple Fiber (VSF), holding a significant market share of 79% man made cellulose fibers and renowned for its commitment to sustainable practices and innovative production techniques, thereby solidifying its leadership in the global textile sector, encompassing a substantial portion of all man-made cellulose fibers.

A photograph of various laboratory glassware on a shelf. From left to right: a beaker with red liquid, a graduated cylinder with green liquid, an Erlenmeyer flask with yellow liquid, and another Erlenmeyer flask with green liquid. The background is slightly blurred, showing more glassware.

# Chemicals

Grasim's chemicals business includes the production of caustic soda, chlorine derivatives, and other specialty chemicals. These products are used in various industries, including textiles, paper, and water treatment. The chemical division emphasizes sustainable and environmentally friendly production processes.

A grayscale background image featuring a calculator on the left, a compass on the right, and various financial charts including a pie chart, a bar chart, and a line graph. A pen is also visible in the lower-left quadrant.

# Financial Services

Aditya Birla Capital Limited provides a comprehensive range of financial products and services, including asset management, insurance, lending, and advisory services, aiming to meet the diverse financial needs of individuals and businesses.

125,058	154,568	95,054	124,500
125,487	56,845	97,511	125,000
124,000	110,000	99,011	154,000
150	150,000	99,216	95,000
	35,000	101,090	154,200
		101,684	110,000
		101,962	89,000
			50,000
			2,700

**ADITYA BIRLA**



**GRASIM**

Industry  
Analysis:

# Industry Overview

Grasim Industries operates in multiple sectors, each with distinct industry characteristics:

**Viscose Staple Fiber (VSF):** This sector includes textile fibers, yarn, and fabrics. The global demand for sustainable and biodegradable fibers is driving growth in the VSF market.

**Cement:** Segments include retail, institutional, and infrastructure. The cement industry is influenced by construction activities, infrastructure development, and urbanization trends.

**Chemicals:** This sector covers caustic soda, chlorine derivatives, and other allied chemicals. The chemical industry is critical for various industrial applications, including textiles, paper, and water treatment.

**Financial Services:** This sector includes asset management, insurance, and lending. The financial services industry is driven by economic growth, regulatory changes, and technological advancements.



# Market Size and Growth Trends

The VSF market is expected to grow due to increasing demand for eco-friendly and biodegradable fibers. The global cement market is projected to expand with rising construction and infrastructure development activities. The chemicals industry is anticipated to witness growth driven by demand from various industrial applications. The financial services sector is likely to grow with economic development, increasing financial literacy, and digitalization of financial services .



# Competitive Landscape

Grasim Industries faces competition from various players in its business segments. In the cement sector, UltraTech Cement competes with other major cement producers. In the VSF market, Grasim's competitors include global fiber producers. The chemicals division competes with both domestic and international chemical manufacturers. In the financial services sector, Aditya Birla Capital faces competition from other financial institutions and fintech companies.

The background of the slide is a close-up, blue-tinted photograph of a financial chart. A silver pen is positioned in the upper right corner, with its tip pointing towards a data point on the chart. The chart features a jagged line graph and various numerical values, including '2.5' and '2.47'.

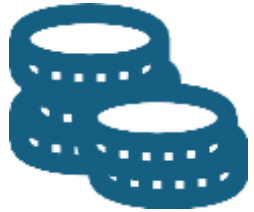
# Industry Analysis and Economic Analysis

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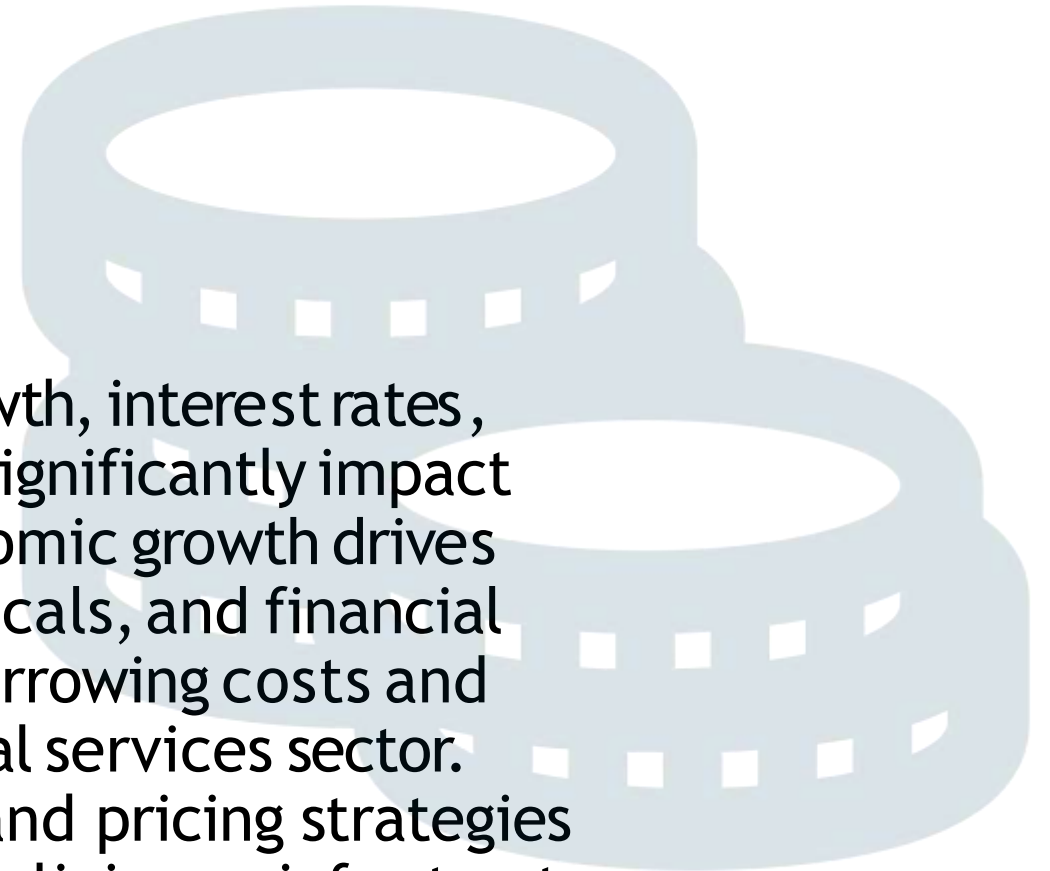
Financial services market trends

Key drivers of demand in financial products

# Economic Factors



Economic factors such as GDP growth, interest rates, inflation, and government policies significantly impact Grasim's business segments. Economic growth drives demand for cement, textiles, chemicals, and financial services. Interest rates influence borrowing costs and investment decisions in the financial services sector. Inflation affects production costs and pricing strategies across all segments. Government policies on infrastructure development, environmental regulations, and industry-specific incentives also play a crucial role in shaping market dynamics





# GDP Growth:

Economic expansion fuels construction activities, boosting demand for cement. Similarly, growth in the textile and industrial sectors enhances demand for VSF and chemicals. Economic prosperity also leads to higher disposable incomes, supporting the growth of financial services.

# Inflation:

Inflation affects the cost of raw materials, energy, and labor, impacting production costs and pricing strategies across all segments. Grasim must manage cost pressures while maintaining competitive pricing



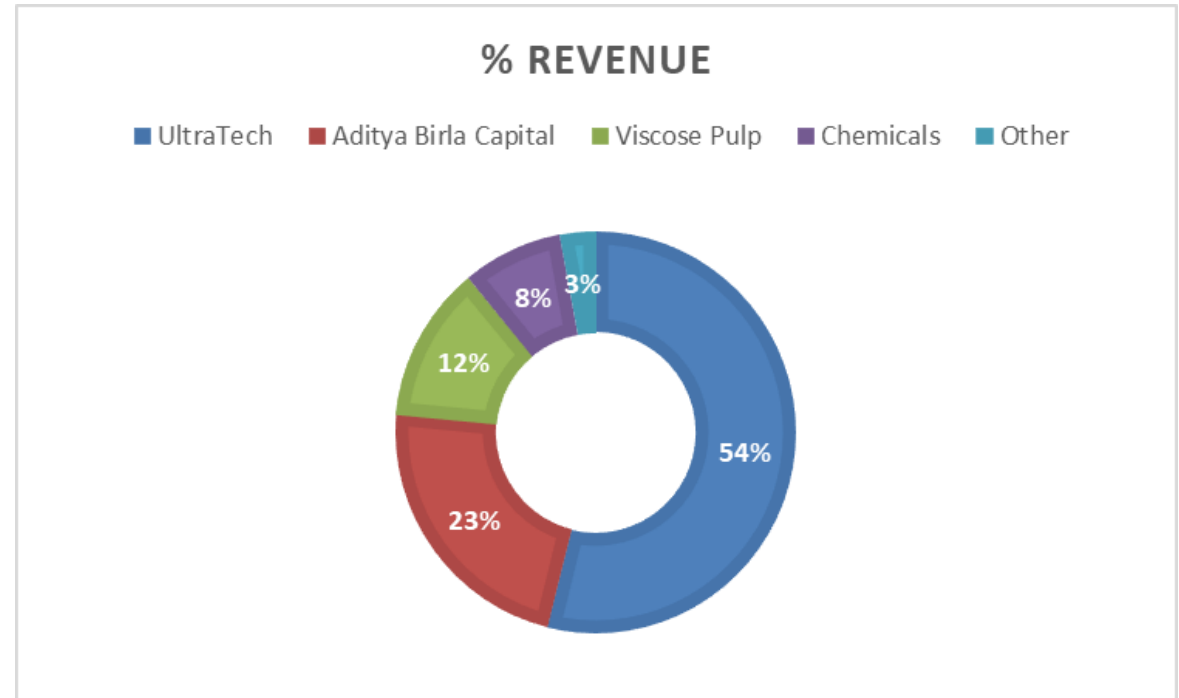


# Government Policies

: Infrastructure development initiatives and incentives for sustainable practices positively impact the cement and VSF segments. Environmental regulations influence production processes in the chemicals segment, necessitating investments in eco-friendly technologies. Financial regulations and policies affect the operations and growth prospects of Aditya Birla Capital.

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# Revenue Distribution





# Share holding patterns

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Mar-24



- BIRLA GROUP HOLDINGS PRIVATE LIMITED
- HINDALCO INDUSTRIES LIMITED
- IGH HOLDINGS PRIVATE LIMITED
- P.T. Indo Bharat Rayon
- PILANI INVESTMENT AND INDUSTRIES CORPORATION LTD.
- UMANG COMMERCIAL COMPANY PRIVATE LIMITED

# Financial Analysis

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# Financial Analysis: Income Statement

- Revenue Growth

- Grasim Industries has demonstrated consistent revenue growth over the past few years. Key revenue figures are as follows:

- 2021 Revenue: ₹76,397 crores
- 2022 Revenue: ₹81,247 crores
- 2023 Revenue: ₹90,201 crores
- 2024 Revenue: ₹97,312 crores

- The growth in revenue is driven by increased demand in the cement and VSF segments, expansion in the chemicals business, and growth in the financial services sector. Strategic acquisitions, capacity expansions, and product innovations have also contributed to revenue growth.



# Net Income

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- Grasim's net income has shown fluctuations due to varying profitability across its segments and economic conditions:
  - **2021 Net Income:** ₹5,398 crores
  - **2022 Net Income:** ₹6,457 crores
  - **2023 Net Income:** ₹5,342 crores
  - **2024 Net Income:** ₹5,217 crores
- The decline in net income in 2023 and 2024 is attributed to increased costs, investments in capacity expansion, and market challenges. However, the company's diversified portfolio helps mitigate the impact of segment-specific fluctuations.

# Balance Sheet

## Total Assets

Grasim's total assets have grown over the years, reflecting its investments in capacity expansion and acquisitions:

- **2021 Total Assets:** ₹110,341 crores
- **2022 Total Assets:** ₹116,795 crores
- **2023 Total Assets:** ₹123,650 crores
- **2024 Total Assets:** ₹129,800 crores

The increase in total assets is driven by investments in new manufacturing facilities, modernization of existing plants, and acquisitions in the chemicals and financial services sectors.

## Total Liabilities

Grasim's total liabilities have also increased, primarily due to debt financing for expansion projects:

- **2021 Total Liabilities:** ₹65,398 crores
- **2022 Total Liabilities:** ₹68,657 crores
- **2023 Total Liabilities:** ₹72,123 crores
- **2024 Total Liabilities:** ₹75,430 crores

While the increase in liabilities reflects the company's growth investments, it also highlights the need for effective debt management strategies to maintain financial stability.

# Cash Flow Statement

## Operating Cash Flow

Grasim has generated positive operating cash flow, demonstrating its ability to generate cash from core operations. However, cash flow figures show some volatility:

- **2021 Operating Cash Flow:** ₹12,398 crores
- **2022 Operating Cash Flow:** ₹14,657 crores
- **2023 Operating Cash Flow:** ₹13,123 crores
- **2024 Operating Cash Flow:** ₹12,430 crores

The volatility in operating cash flow is influenced by changes in working capital requirements, cost pressures, and market conditions.

## Investing Cash Flow

Grasim's investing cash flow has been negative due to significant capital expenditures on expansion and modernization projects:

- **2021 Investing Cash Flow:** ₹(10,398) crores
- **2022 Investing Cash Flow:** ₹(12,657) crores
- **2023 Investing Cash Flow:** ₹(13,723) crores
- **2024 Investing Cash Flow:** ₹(14,230) crores

The company's substantial investments in capacity expansion and new facilities underscore its commitment to growth and innovation.

# Key Takeaways



**Strong Revenue Growth:** Grasim has achieved robust revenue growth driven by expansion in key segments and strategic acquisitions.



**Profitability Challenges:** While revenue has grown, profitability has faced challenges due to increased costs and market conditions.



**Investment in Expansion:** Significant capital expenditures highlight Grasim's focus on capacity expansion and modernization.



**Debt Management:** Increased liabilities necessitate effective debt management strategies to ensure financial stability.

# Key Ratios

1. Market Capitalization: ₹ 1,65,627 Cr.

Insight: This indicates the total market value of the company's outstanding shares. A market cap of ₹ 1,65,627 Cr. places the company in the large-cap category, suggesting it is well-established and likely to have stable earnings compared to small-cap companies.

2. Current Price: ₹ 2,515

Insight: The current trading price of the company's stock. To evaluate if it is overvalued or undervalued, we need to compare it with intrinsic value and peer companies.

3. High / Low: ₹ 2,535 / ₹ 1,706

Insight: The stock's 52-week high and low indicate its price volatility and the range within which it has traded over the past year. The stock is trading close to its 52-week high, which may suggest positive market sentiment or possibly overvaluation.

4. Stock P/E (Price to Earnings Ratio): 28.3

Insight:

This ratio indicates how much investors are willing to pay per rupee of earnings. A P/E of 28.3 means investors are paying ₹ 28.3 for every ₹ 1 of earnings.

Comparison to Industry P/E: To assess whether this P/E is reasonable, compare it to the industry average P/E. A higher P/E could indicate higher growth expectations, while a lower P/E might suggest undervaluation or lower growth prospects.



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# Key ratios

## 5. Book Value: ₹ 1,346

### Insight:

The book value per share is the net asset value of the company per share. A higher book value can indicate a solid financial base.

Price to Book Ratio (P/B):  $\text{Current Price} / \text{Book Value} = ₹2,515 / ₹1,346 \approx 1.87$ .

A P/B ratio of 1.87 suggests that the market price is 1.87 times the book value. This can be compared with the industry average to determine if the stock is over or undervalued.

## 6. Dividend Yield: 0.40%

### Insight:

This ratio indicates the return on investment through dividends alone. A 0.40% yield is relatively low, suggesting the company retains most of its earnings for growth rather than paying out dividends.

Comparison: Compare this yield with the industry average and risk-free rate (e.g., government bonds) to understand its attractiveness to income-focused investors.

## 7. ROCE (Return on Capital Employed): 9.38%

### Insight:

ROCE measures the company's efficiency at generating profits from its capital. A 9.38% ROCE indicates the company generates ₹ 9.38 for every ₹ 100 of capital employed.

Comparison: Compare this with the company's historical ROCE and the industry average to evaluate operational efficiency.

## 8. ROE (Return on Equity): 7.00%

### Insight:

ROE measures the company's ability to generate profits from shareholders' equity. An ROE of 7.00% means the company earns ₹ 7 for every ₹ 100 of equity.

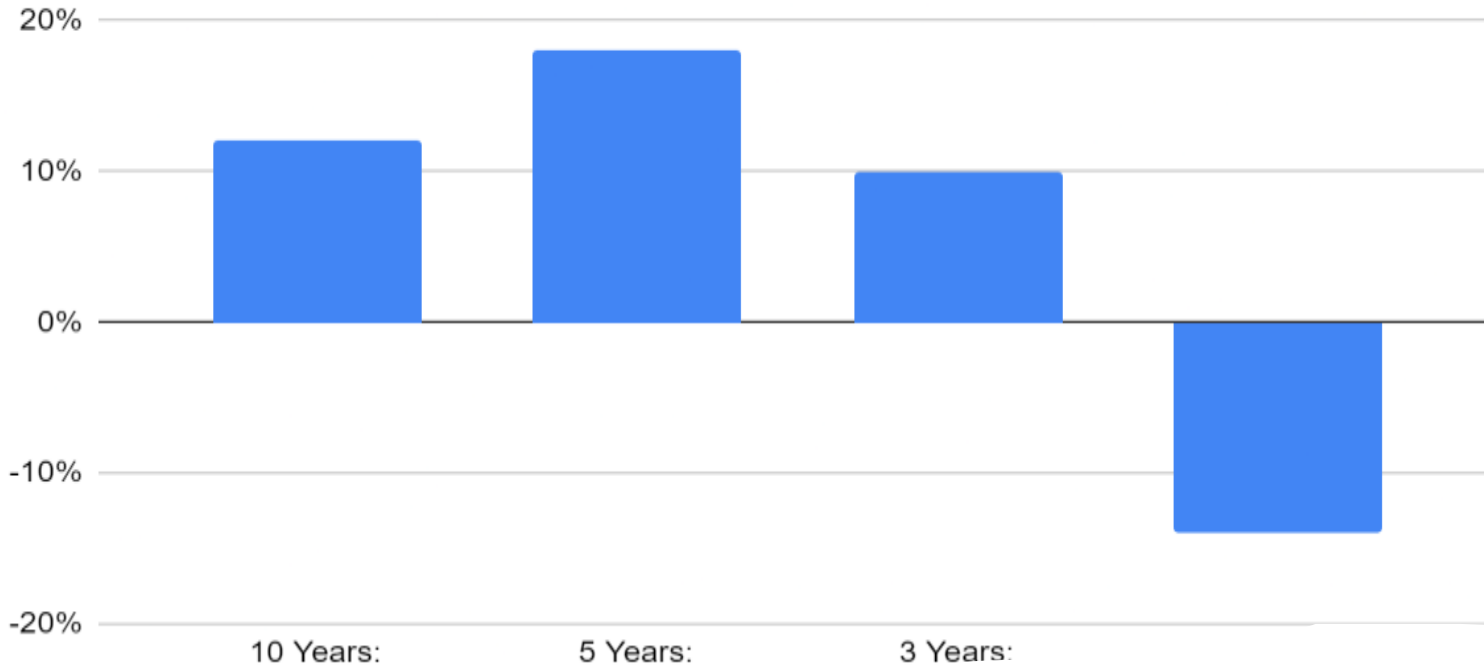
Comparison: A lower ROE compared to the industry average might indicate less efficient use of equity capital.

## 9. Face Value: ₹ 2.00

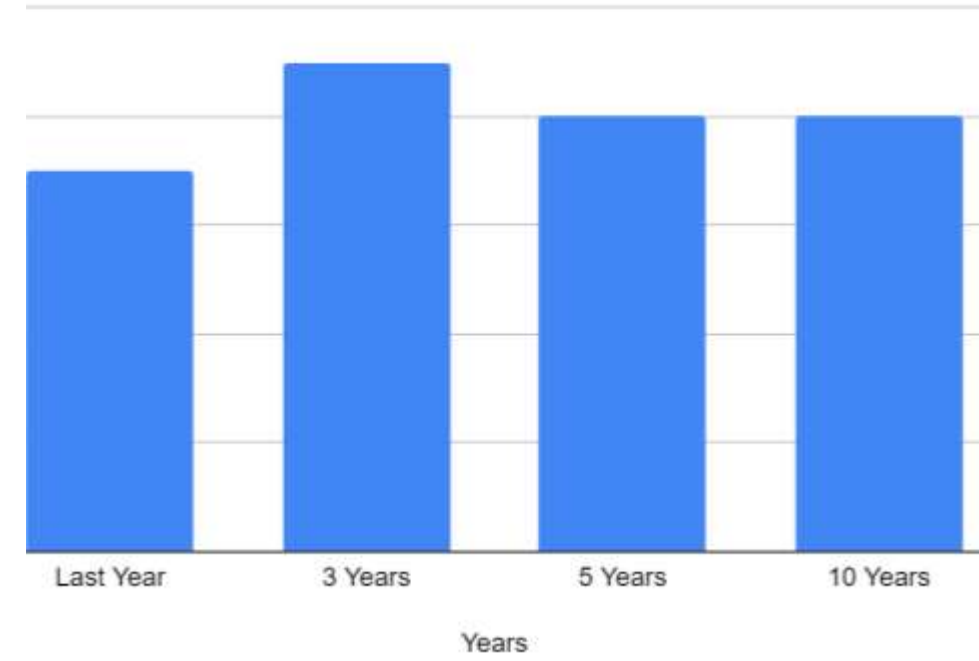
### Insight:

The face value is the nominal or par value of a stock. It is used in the calculation of dividends and stock splits but is less significant for valuation purposes.

### Compounded Profit Growth



### Equity (%) over the last 10 years



# Historical Performance

# SWOT Analysis Overview

## • Strengths

- **Diversified Portfolio:** Revenue from UltraTech (cement), Aditya Birla Capital (financial services), Viscose Pulp, Chemicals, and others reduces risk exposure.
- **Market Leadership:** UltraTech, a cement industry leader, provides substantial revenue and market influence.
- **Strong Financial Position:** Robust operating profit and net income reflect efficient management.
- **Strategic Investments:** Investments in technology and capacity enhance growth potential.
- **Brand Reputation:** Benefits from the strong Aditya Birla Group brand enhance credibility.
- .

## • Weaknesses

- **High Dependency on Cement:** Revenue reliance on UltraTech makes Grasim vulnerable to construction industry fluctuations.
- **Operational Complexity:** Managing diverse sectors may lead to inefficiencies.
- **High Debt Levels:** Borrowings for expansions may impact profitability.
- **Cyclical Businesses:** Revenue volatility in cement and textiles affects stability.

# Opportunities and Threats

## Opportunities

- **Emerging Markets Expansion:** Utilize financial strength to grow in developing economies.
- **Sustainability Initiatives:** Green technologies can drive market expansion.
- **Digital Transformation:** Enhance efficiency and innovation through technology.
- **Strategic Acquisitions:** Mergers to diversify and gain market share.
- **Financial Services Growth:** Expand Aditya Birla Capital offerings for profitability.

## Threats

- **Economic Slowdown:** Global or Indian economic downturns affect construction and financial sectors.
- **Regulatory Changes:** Environmental and labor regulations increase compliance costs.
- **Intense Competition:** Pricing pressures in cement and financial services.
- **Raw Material Price Volatility:** Costs fluctuate for cement and chemical production.
- **Technological Disruptions:** Industry advancements challenge traditional models.

# Opportunities and Threats

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# Strategic Initiatives and Future Outlook

## Sustainability and Innovation

**Commitment to Sustainability:**  
Integrating eco-friendly practices across operations.

**Green Technologies :**  
Investments in sustainable production processes.

## Capacity Expansion

**Enhancing Production:**  
Expanding cement, VSF, and chemicals capacities.

**Modernization:**  
Upgrading facilities for improved efficiency.

## Digital Transformation

**Operational Efficiency:**  
Implementing advanced analytics and automation.

**Customer Engagement:**  
Enhancing service through digital tools.

## Diversification and Expansion

**Strategic Acquisitions:**  
Growing product portfolio and market presence.

**Partnerships:**  
Collaborating for market expansion.

## Talent Development

**Investing in Workforce:**  
Developing leadership and skills.

**High-Performance Culture:** Promoting innovation and continuous learning.

# Conclusion

**Strong Diversification:** Grasim Industries has a diversified business portfolio, which reduces risk by spreading it across different sectors. This includes cement, VSF, chemicals, and financial services.

**Market Leadership:** The company holds a strong market position in its core sectors, particularly in cement and VSF, which can provide a competitive advantage and stable revenue streams.

**Growth Potential:** Grasim's investments in digital transformation, sustainability, and expansion into emerging markets suggest a focus on long-term growth. This aligns with Peter Lynch's strategy of investing in companies with growth potential.

**Financial Health:** Despite high debt levels, the company has shown robust revenue growth and operational efficiency. Strategic debt management could improve financial stability.

**Innovation and Sustainability:** Grasim's commitment to green technologies and eco-friendly practices can enhance its market appeal and align with global sustainability trends.





# Recommendation

- Grasim Industries could be an attractive investment due to its diversified portfolio, strong market position, and growth initiatives. However, you should carefully consider your personal financial situation, investment goals, and risk tolerance before making a decision. Consulting with a financial advisor might also be beneficial to tailor your investment strategy to your specific needs

*Buy the stock  
and hold for Long  
term.*