

Recommendation

Grasim Industries Ltd.		BUY
Current Market Price (CMP) ₹ 1958	Target Price ₹ 2400	

Our price target of ₹ 2400 offers upside of approximately 23% from current levels over the medium to long term.

Rationale

- Grasim Industries is a highly diversified company with presence in chemicals, textiles, financial services, paints and cement. It is the largest exporter of Viscose Rayon Fiber in the country, with exports to over 50 countries. It is also the largest cement producer and a prominent diversified financial services player in India through its subsidiaries UltraTech Cement and Aditya Birla Capital.
- Grasim has performed robustly in Q1FY24 both on a standalone as well as on consolidated basis in the Cement and Financial Services businesses. Grasim's standalone businesses is expected to face near-term muted demand and pressure on OPMs, especially in the chemical business. However, its efforts on increasing productivity of assets and focus on increasing value-added products are expected to yield results as the demand environment recovers.
- The company is on track to launch its paints business under the brand name 'Birla Opus' in Q4FY24 and offer a full suite of high-quality products in the decorative paints segment. The market, estimated at ₹70,000cr, with a consistent double-digit growth year-on-year due rising consumer demand, and the Centre's push for "Housing for All". Foraying into decorative paints is a strategic portfolio choice aimed at tapping into a high-growth market and expanding presence in the vibrant Indian consumer landscape, leveraging the Aditya Birla brand. In the last 2 years the company has built a strong foundation to enable a successful business launch. Grasim had previously committed an investment of ₹10,000cr towards setting up the paints business. Its manufacturing plants located in Haryana, Punjab, Tamil Nadu, Karnataka, Maharashtra, and West Bengal, will have a total capacity of 1,332 million litres per annum (MLPA), and serve demand centres across India.
- Promoters held 42.75% stake in the company as of 30-Jun-2023, while FIIs owned 12.29%, DIIs 14.96%.

Company Profile

- Grasim Industries Ltd, the flagship company of the US\$ 60bn Aditya Birla Group, was established in 1947 as a textiles manufacturer. It is now a leading global player in VSF and a prominent producer of Chlor-Alkali, Advanced Material, Linen Yarn and Fabrics. Recently it ventured into paints business. It is present in cement and financial services through its subsidiaries UltraTech Cement & Aditya Birla Capital and in the viscose filament yarn through Century Rayon.

Negatives

- Temporary closure of the Carbon Di Sulphide (CS₂) refining section of its Century Rayon plant following orders from the Department of Industrial Safety & Health. The section witnessed explosion that resulted in loss of life.



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