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## **Grasim Industries Ltd— BUY—2645—INR**

Sector — Diversified  
Regd.Off.— Birlagram, Nagda, Madhya Pradesh-456 331  
Listed — NSE, BSE.

### **Company overview—**

Grasim Industries Limited is among India's ten largest companies in the private sector. Grasim Industries Ltd, the Aditya Birla group, company (AV Birla group), was set up in 1947. The group is well diversified with major interests in viscose staple fiber (VSF), cement. Other businesses of the group include textiles and sponge iron. In textiles segment, Grasim has tied up with Scabal to market the latter's premium range of suiting materials. Grasim and two other A V Birla Group companies acquired a 1,10,000-tpa pulp plant in Canada, to consolidate in VSF business. Grasim is the third largest producer of gray cement in India (installed capacity of 11.33 million mtpa) and is also South Asia's largest producer of white cement (installed capacity of 0.36 million mtpa). Grasim acquired Reliance Industries 10.05 per cent stake in Larsen & Tubro (L&T) in December 2001 at Rs 306.60 per share. The Aditya Birla Group today operates on a global scale, with manufacturing operations in nine countries and product sales in over 100. It's a world leader in viscose staple fiber, the world's ninth largest producer of cement, the fifth largest producer of carbon black, Asia's largest integrated aluminium producer, and also its fastest growing copper company.

### **Products & services—**

Grasim Industries Limited, Starting as a textiles manufacturer in 1948, today includes Viscose Staple Fiber (VSF), cement, sponge iron, chemicals and textiles. The Company holds a dominant position in its businesses:

**Viscose staple fibre:** The Aditya Birla Group is the world's largest producer of VSF, commanding a 24 percent global market share. The Company meets over 98 per cent of India's domestic VSF requirements.

**Cement:** The Aditya Birla Group is the world's eighth largest cement producer and the largest in a single location. In cement, Grasim along with its subsidiary UltraTech Cement Ltd. has a capacity of 41.6 million tpa and is a leading cement player in India. In July 2004, Grasim acquired a majority stake and management control in UltraTech Cement Limited. One of the largest of its kind in the cement sector, this acquisition catapulted the Aditya Birla Group to the top of the league in India.

**Sponge iron:** It is the largest merchant producer of sponge iron in India.

**Chemicals:** Grasim has India's second largest caustic soda unit. The Company has plans to convert its remaining mercury cell based capacity into membrane cell involving a total capital outlay of Rs.148 crores. This will improve productivity and reduce power consumption.

**Textiles:** Its premium brands, the 'Grasim' and 'Graviera' range of fabrics, have distinctively positioned themselves as 'the power of fashion'. All of Grasim's units have earned ISO 9002 and 14001 certifications. Product quality, innovation and eco-friendliness are a hallmark of the company.

**Capacities :**

<b>Division</b>	<b>Capacity</b>
Viscose Staple Fibre (VSF)	333,975 tpa
<b>Joint venture</b>	
Birla Jingwei Fibres Company Limited	35,000 tpa
<b>Cement</b>	
Grey cement	16.75 million tpa
Ready-mix concrete	5.6 million cubic metres
White cement	475,000 tpa
Chemicals	258,000 tpa
<b>Textiles</b>	
Yarn	8832 spindles
<b>Subsidiaries</b>	
<b>Grasim Bhiwani Textiles Ltd.</b>	
Fabric	148 looms
Yarn	35,808 spindles

**Financials—**

Quarterly results for apr-jun2009

Description	Amount(Rs. in lakhs)
Net Sales/Income from Operations	508030.00
Other Operating Income	4249.00
Increase/Decrease in Stock in trade and work in progress	5683.00
Consumption of Raw Materials	179356.00
Purchase of traded goods	2997.00
Employees Cost	25822.00
Depreciation	23999.00
Other Expenditure	136014.00
Total Expenditure	373871.00
Profit from Operations before Other Income, Interest & Exceptional Items	138408.00
Other Income	5662.00
Profit before Interest & Exceptional Items	144070.00
Interest	8232.00
Profit after Interest but before Exceptional Items	135838.00
Profit(+)/Loss(-) from Ordinary Activities before tax	135838.00

Tax Expense	44087.00
Net Profit(+)/Loss(-) from Ordinary Activities after tax	91751.00
Extraordinary Items	-33607.00
Net Profit (+) / Loss (-) for the period	125358.00
Minority Interest	19015.00
Shares of Associates	-1660.00
Consolidated Net Profit (+) / Loss (-) for the period	108003.00
Face Value (in Rs.)	10.00
Paid-up Equity Share Capital	9169.00
Basic EPS before Extraordinary items (in Rs.)	81.14
Diluted EPS before Extraordinary items (in Rs.)	81.14
Basic EPS after Extraordinary items (in Rs.)	117.79
Diluted EPS after Extraordinary items (in Rs.)	117.79

### Valuation—

Company planned Rs 13 billion capital expenditure (capex) for cement division in FY10 for the completion of the existing projects and modernization. Last year, the company spent a total of Rs 14.67 billion as capex. The company's major projects are nearing completion. At Shambhupura, Rajasthan, one of the two cement mills was commissioned in the fourth quarter. The second cement mill at Shambhupura and split grinding unit Aligarh, Uttar Pradesh are expected to be commenced soon. Thermal power plants with a total capacity of 144 MW were commissioned at four locations, including a unit of 23 MW at Kotputli which was commissioned in April 2009. With this, the total thermal power generation capacity stands enhanced at 268 MW. This will meet around 80% of the its total power requirement.

At current market price, stock is trading at 11.2 P/E multiple of its FY2010 estimated earnings. We recommend investors to buy "Grasim Industries Limited" with medium to long term investment horizon.

**We invite Readers to send Valuable feedback, stock and subscription queries at E-mail Id- [investment\\_guru1@yahoo.com](mailto:investment_guru1@yahoo.com)**

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