

August 18, 2020

ADITYA BIRLA



Current Price: ₹ 624.6

STOCK DATA

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

VALUE PARAMETERS

52 W H/L(Rs)	836.55/380.00
Mkt. Cap.(Rs Cr)	41086.59
Latest Equity(Subscribed)	131.56
Latest Reserve (cons.)	56520.76
Latest EPS (cons.) -Unit Curr.	56.1
Latest P/E Ratio -cons	11.13
Latest Bookvalue (cons.) -Unit Curr.	861.23
Latest P/BV - cons	0.73
Dividend Yield -%	0.64
Face Value	2

SHARE HOLDING PATTERN (%)

Description as on	% of Holding 30/06/2020
Foreign	17.63
Institutions	21.37
Non Promoter Corp. Hold.	8.94
Promoters	40.26
Public & Others	11.79

Financial Results

	Qtr Ended Jun. 20	Qtr Ended Jun. 19	In Cr. VAR %
Total Income	13621.10	20103.04	-32
OPM (%)	22.66	26.29	
OP	3086.05	5284.41	-42
Other income	399.37	282.60	41
PBIDT	3485.42	5567.01	-37
Net Finance Charges	1555.11	1760.06	-12
PBDT	1930.31	3806.95	-49
Depreciation	985.72	1008.80	-2
PBT before EO	944.59	2798.15	-66
EO	-137.76	-72.66	90
PBT after EO	1082.35	2870.81	-62
Tax expense	323.85	938.54	-65
PAT	758.5	1932.27	-61
Minority Interest	384.18	622.23	-38
Profit after Minority Interest and Share of profit of Associates	237.08	1237.66	-81
EPS (Rs)	5.69	19.92	-71

Grasim Inds Q1 PAT tumbles 61% YoY, Misses Estimates

Consolidated total income has reported de-growth by 32.24% to Rs 13261.10 crore in Q1 June 2020 as against Rs 20103.40 crore in Q1 June 2019. Profit before exceptional items and tax tumbled 60.11% to Rs 1,159.69 crore in Q1 June 2020 as against Rs 2,907.48 crore in Q1 June 2019. During the quarter, the company reported an exceptional loss of Rs 215.10 crore.

Consolidated EBITDA fell 41.42% to Rs 2613 crore in Q1 FY21 over Rs 4461 crore in Q1 FY20. Profit after tax tumbled 61% to Rs 758.50 crore in Q1 June 2020 as against Rs 1932.27 crore in Q1 June 2019. The results have been severely impacted due to the unprecedented disruption in economic activities on account of COVID-19 induced lockdown in all the major markets during the quarter and the resultant demand & supply chain disruptions.

The net revenue for the viscose business segment stood at Rs 558 crore with a drop in the sales volume for both viscose staple fibre (VSF) and viscose filament yarn (VFY). The share of value-added products in the overall sales volume improved to 30% in Q1FY21, up by 6% on a sequential basis. The global prices of VSF continued to remain weak during the quarter, exerting pressure on the domestic grey VSF prices.

For the current year, the company's board has approved capex plan for Rs 1,615 crore keeping in mind the temporary disruption in the company's earnings. The capex includes raising capacities in VSF in FY22, apart from ongoing modernisation capex at various plants.

Viscose business

In this quarter, the health and hygiene concerns have assumed primacy in light of the current pandemic. Grasim's Liva brand has launched antimicrobial fibre. The fabric produced using this special fibre inherently possesses antimicrobial properties, which inhibits the growth of microbes (bacteria and viruses) on apparels and home textiles and kills them to the extent of

99%+. This makes apparels and home textiles safe, without compromising on performance and fashion quotient. We have further responded to the emerging opportunity in the hygiene segment by commencing non-woven production on existing lines.

The operational and financial performance of the viscose business was subdued for the months of April and May 2020 due to lockdown, but witnessed steady improvement in the month of June 2020 and thereafter, with a rise in the capacity utilisation across the plants to approximately 79 per cent currently. The domestic textile industry was severely impacted by the extension of lockdown in key manufacturing hubs and reduced labour availability, which is expected to ease with Government relaxing the norms.

The Net Revenue for the viscose segment (including VFY) stood at Rs.558 crore with a drop in the sales volume for both VSF and VFY. The share of value-added products in the overall sales volume improved to 30 per cent in Q1FY21, up by 6 per cent on a sequential basis. Exports share of portfolio has grown by 26 per cent to leverage relatively faster demand recovery in international markets. The adverse impact on the EBITDA was partly cushioned by significant cost reduction initiatives taken by the business which included fixed costs savings which reduced by Rs.186 crore during the quarter in comparison to average quarterly cost for FY20

The global prices of VSF continued to remain weak during the quarter, exerting pressure on the domestic grey VSF prices.

Chemical business

In the Chemical business, the chlorine derivatives products demand remained strong driven by demand from disinfectant and hygiene products.

The Caustic Soda production staged a strong recovery in volumes during the quarter, the capacity utilisation improved to 70 per cent in the month of June after a low of 23 per cent utilisation witnessed in April. For the quarter, the production and sales volume were impacted on account of the COVID-19 related lockdown.

The global caustic soda prices have been on a weakening trend and dipped below \$300 level, the lowest in last four years. The Net Revenue for Q1FY21 stood at Rs.704 crore and EBITDA stood at Rs.41 crore. The EBITDA performance was supported by strong chlorine derivatives sales.

Fertilizer

The industry demand for urea improved during the quarter with increased farming activities across the country. The Net Revenue for Q1FY21 stood at Rs.605 crore and EBITDA stood at Rs.72 crore. The y-o-y improvement in the EBITDA was driven by lower fixed costs, higher sales of soil health products and release of old freight cost reimbursement by the Government of India.

Outlook

The company said that with the easing of lockdown conditions and the gradual resumption of economic activities, demand for its products is expected to rise in the coming quarters. The company has initiated various measures to optimize operations across plants, reduce its fixed costs and conserve cash as part of its comprehensive business continuity plan. The company continues to maintain a very comfortable level of liquidity to navigate an uncertain business environment. The company with its inherent financial strength, operational excellence, and diverse product portfolio (cement, financial services, viscose and chemicals) is well poised to withstand temporary disruptions and sustain leadership across its businesses.

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