

Grasim Industries Limited

March 22, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Non-Convertible Debenture Programme	2,000.0	2,000.0	[ICRA]AAA (Stable); outstanding
Commercial Paper Programme	1,750.0	1,750.0	[ICRA]A1+; outstanding
Total	3,750.0	3,750.0	

*Instrument details are provided in Annexure-1

Material Event

On March 16, 2019, Grasim Industries Limited (Grasim) informed the Bombay Stock Exchange about receipt of an order from the Deputy Commissioner of Income Tax (DCIT), raising a demand of Rs. 5,872.3 crore on account of dividend distribution tax (DDT, including interest), pursuant to the composite Scheme of Arrangement between Grasim, Aditya Birla Nuvo Limited (ABNL) and Aditya Birla Financial Services Limited (now known as Aditya Birla Capital Limited, ABCL). DCIT has held that the demerger of the financial service undertaking of the company with effect from July 4, 2017 is not in compliance with Section 2(19 AA) of the Income Tax Act, 1961. The value of shares allotted by ABCL to the shareholders of the company, in consideration of the transfer and vesting of the demerged undertaking into ABCL, amounted to dividend, within the meaning of the Act.

Impact of the Material Event

As per the management, the demand is not tenable in law and the company is taking necessary action(s) against the order. ICRA would continue to monitor the developments in this regard and take a rating action, if required, in the future.

The ratings reflect Grasim's diversified and leading presence across manufacturing businesses such as viscose staple fibre (VSF), chemicals (chlor-alkali and other value added), viscose filament yarn (VFY), textiles (linen and woollen fabric), fertilisers (urea) and insulators (porcelain). The ratings also derive strength from the robust financial risk profile of Grasim as characterised by strong cash flows and healthy capital structure, debt coverage indicators and liquidity position. While debt levels have increased following the merger of ABNL with the company, effective July 01, 2017, the financial risk profile continues to remain robust, with Grasim being a net cash surplus company as of September 30, 2018. Any large investment outlay (including capital expenditure) or acquisitions resulting in increased leverage is a rating sensitivity. Being the flagship company of the Aditya Birla Group (the Group), Grasim enjoys considerable financial flexibility, further enhanced by the sizeable market value buffer on its investment holdings, especially in UltraTech Cement Limited (UTCL; a 60.2% subsidiary).

The previous detailed rating rationale is available on the following link: [Click here](#)

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