

GRASIM INDS

RESULT UPDATE

KEY DATA

Rating	HOLD
Sector relative	Neutral
Price (INR)	2,692
12 month price target (INR)	2,971
52 Week High/Low	2,898/2,276
Market cap (INR bn/USD bn)	1,832/20.9
Free float (%)	55.9
Avg. daily value traded (INR mn)	2,055.5

SHAREHOLDING PATTERN

	Jun-25	Mar-25	Dec-24
Promoter	43.11%	43.11%	43.11%
FII	13.79%	13.45%	13.50%
DII	17.91%	18.24%	17.90%
Pledge	0%	0%	0%

FINANCIALS

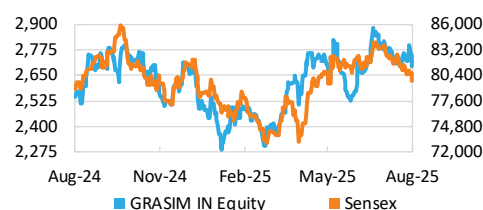
(INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Revenue	3,15,632	3,80,311	4,18,855	4,71,968
EBITDA	11,415	18,007	26,114	30,155
Adjusted profit	3,761	916	5,649	7,224
Diluted EPS (INR)	5.5	1.3	8.3	10.6
EPS growth (%)	(77.9)	(75.6)	516.8	27.9
RoAE (%)	0.8	0.2	1.1	1.3
P/E (x)	81.2	359.8	58.3	45.7
EV/EBITDA (x)	35.2	22.7	15.9	14.1
Dividend yield (%)	0.4	0.4	0.4	0.4

CHANGE IN ESTIMATES

Year to March	FY26E	FY27E	FY26E	FY27E
Revenue	3,80,311	4,18,855	3%	3%
EBITDA	18,007	26,114	20%	0%
Adjusted profit	916	5,649	-14%	-21%
Diluted EPS (INR)	1	8	-14%	-21%

PRICE PERFORMANCE



Margins improve QoQ; bright outlook

Grasim Industries (Grasim) reported standalone Q1FY26 EBITDA at ~INR3.8bn, expanding 18% YoY/74% QoQ. While performance of the chemical segment and CSF division improved, losses in new segments (B2B and paints) hurt the overall performance. Trial production has started at the sixth plant in Kharagpur and commercial launch is on track by Q2FY26. Capex for FY26E is estimated at ~INR23bn.

We are raising FY26E EBITDA by ~20% given the Q1FY26 beat. We feel Grasim is a value play given the global VSF cycle is at a near-bottom and potential long-term value for the paint segment. Retain 'HOLD' with a revised TP of INR2,971 (INR2,698 earlier) as we roll forward the valuation to Q1FY28E (8x EV/EBITDA).

Weak CSF environment negates chemical EBITDA improvement

Q1FY26 EBITDA margins for Grasim were ~4.2% (up 170bp QoQ/down 50bp YoY). CSF volumes at 0.209mt fell ~1% YoY due to lower exports while CFY volumes rose 6% YoY; however, realisations remained under pressure due to cheaper imports from China. Higher input costs, which were passed on partially, led to EBITDA plunging 20% YoY. For the chemicals business, volumes were up 8% YoY. Continued negative chlorine realisations due to oversupply hurt ECU realisations. Utilisation rates of the new specialty chemicals plant are steadily ramping up. The segment's EBITDA improved ~36% YoY led by higher volumes, improved realisations in caustic soda and better profitability in chlorine derivatives.

Paints and B2B e-commerce businesses scaling up well

The company commenced trial production at the sixth plant in Kharagpur and it is on track to be commercialised by Q2FY26 taking total installed capacity to 1,332MLPA. Post-commissioning, the company would have 24% capacity share of the organised decorative paints industry. Utilisation levels are ramping up at the existing five operational plants. As per management, revenue market share (including putty) continues to be in double digits in the organised decorative paints market. Birla Opus registered a double-digit sequential revenue growth. For "Birla Pivot", revenue grew in high single-digit sequentially and it is on track to achieve a revenue target of INR85bn by FY27E.

Capex update

The company has incurred a capex of INR95.5bn on the paints business (~95% of the proposed ~INR100bn outlay). Capex for FY26 is estimated at ~INR23bn. Despite huge capex, we reckon net debt/EBITDA would stay in a comfort zone of less than 3.5x once revenue stabilises.

Financials

Year to March	Q1FY26	Q1FY25	% Change	Q4FY25	% Change
Net Revenue	92,231	68,939	33.8	89,258	3.3
EBITDA	3,846	3,251	18.3	2,206	74.4
Adjusted Profit	(1,182)	(521)	126.7	(1,740)	(32.1)
Diluted EPS (INR)	(1.8)	(0.8)	126.7	(3.0)	(32.1)

Financial Statements

Income Statement (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Total operating income	3,15,632	3,80,311	4,18,855	4,71,968
Gross profit	93,180	1,02,684	1,17,279	1,36,870
Employee costs	26,531	28,388	30,375	32,501
Other expenses	55,235	56,290	60,791	74,215
EBITDA	11,415	18,007	26,114	30,155
Depreciation	16,762	20,435	22,075	24,025
Less: Interest expense	6,837	8,245	8,430	8,430
Add: Other income	17,151	11,914	11,943	11,957
Profit before tax	6,607	1,241	7,552	9,657
Prov for tax	1,206	325	1,903	2,434
Less: Other adjustment	0	0	0	0
Reported profit	5,401	916	5,649	7,224
Less: Excp.item (net)	1,340	0	0	0
Adjusted profit	4,060	916	5,649	7,224
Diluted shares o/s	680	680	680	680
Adjusted diluted EPS	6	1	8	10
DPS (INR)	10.0	10.0	10.0	10.0
Tax rate (%)	18.3	26.2	25.2	25.2

Important Ratios (%)

Year to March	FY25A	FY26E	FY27E	FY28E
Net Debt/EBITDA	6.3	4.4	3.3	3.6
Oper. Exp. as a % of Rev.	96.4	95.3	93.8	93.6
VSF Capacity ('000 t)	874.0	974.0	974.0	974.0
EBITDA margin (%)	3.6	4.7	6.2	6.4
Net profit margin (%)	1.3	0.2	1.3	1.5
Rev. Growth (% YoY)	22.1	20.5	10.1	12.7
EBITDA growth (% YoY)	(50.7)	57.7	45.0	15.5
Adj. profit growth (%)	(77.9)	(75.6)	516.8	27.9

Assumptions (%)

Year to March	FY25A	FY26E	FY27E	FY28E
GDP (YoY %)	7.2	7.0	6.8	6.8
10 year yield (%)	6.0	5.3	5.3	5.3
USD/INR (average)	84.4	86.5	85.0	85.0
Capacity Utilisation (%)	101	91	91	91
Effective tax rate (%)	36.2	26.2	25.2	25.2
VSF volumes ('000 t)	886.0	883.5	884.7	885.7
VSF realisations (INR/t)	1,79,427.0	1,86,246.4	1,93,059.6	2,00,643.6
VSF EBITDA/t (INR)	13,974.1	15,700.1	19,116.3	13,809.5
VSF cost/t	1,65,452.6	1,70,546.3	1,73,943.3	1,86,834.1

Valuation Metrics

Year to March	FY25A	FY26E	FY27E	FY28E
Diluted P/E (x)	81.2	359.8	58.3	45.7
Price/BV (x)	3.4	3.4	3.4	3.4
EV/EBITDA (x)	35.2	22.7	15.9	14.1
Dividend yield (%)	0.4	0.4	0.4	0.4

Source: Company and Nuvama estimates

Balance Sheet (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Share capital	1,361	1,361	1,361	1,361
Reserves	5,42,615	5,36,727	5,35,572	5,31,390
Shareholders funds	5,43,976	5,38,088	5,36,933	5,32,751
Minority interest	0	0	0	0
Borrowings	1,19,884	1,24,384	1,28,884	1,33,384
Trade payables	48,313	66,301	64,519	82,890
Other liab & prov	44,642	44,642	44,642	44,642
Total liabilities	7,79,808	7,96,407	7,97,970	8,16,659
Net block	2,16,261	2,25,826	2,33,751	2,39,726
Intangible assets	21,125	21,125	21,125	21,125
Capital WIP	27,764	32,764	37,764	42,764
Total fixed assets	2,65,150	2,79,715	2,92,640	3,03,615
Non current inv	3,61,614	3,57,614	3,53,614	3,49,614
Cash/cash equivalent	39,403	36,649	34,328	28,054
Sundry debtors	25,539	28,227	26,856	35,211
Loans & advances	7,187	7,199	7,211	7,223
Other assets	20,400	20,400	21,400	22,400
Total assets	7,79,808	7,96,407	7,97,970	8,16,659

Free Cash Flow (INR mn)

Year to March	FY25A	FY26E	FY27E	FY28E
Reported profit	5,401	916	5,649	7,224
Add: Depreciation	16,762	20,435	22,075	24,025
Interest (net of tax)	(10,314)	(3,669)	(3,513)	(3,528)
Others	1,223	3,994	5,416	5,961
Less: Changes in WC	(16,692)	9,200	3,259	(4,218)
Operating cash flow	(254)	30,550	30,983	27,030
Less: Capex	(33,636)	(35,000)	(35,000)	(35,000)
Free cash flow	(33,891)	(4,450)	(4,017)	(7,970)

Key Ratios

Year to March	FY25A	FY26E	FY27E	FY28E
RoE (%)	0.8	0.2	1.1	1.3
RoCE (%)	1.9	1.4	2.4	2.7
Inventory days	65	61	56	53
Receivable days	25	25	24	24
Payable days	60	55	57	57
Working cap (% sales)	6.6	3.0	2.0	4.3
Gross debt/equity (x)	0.2	0.2	0.2	0.2
Net debt/equity (x)	0.1	0.1	0.2	0.2
Interest coverage (x)	(0.8)	(0.3)	0.5	0.7

Valuation Drivers

Year to March	FY25A	FY26E	FY27E	FY28E
EPS growth (%)	(77.9)	(75.6)	516.8	27.9
RoE (%)	0.8	0.2	1.1	1.3
EBITDA growth (%)	(50.7)	57.7	45.0	15.5
Payout ratio (%)	126.0	742.9	120.4	259.5

Exhibit 1: Quarterly financial snapshot (INR mn)

Year to March	Q1FY26	Q1FY25	% change	Q4FY25	% change	FY26E	FY27E
Net Revenue	92,231	68,939	33.8	89,258	3.3	3,80,311	4,18,855
Raw material expense	56,856	38,395	48.1	53,988	5.3		
Staff costs	7,002	5,896	18.8	7,210	(2.9)		
Power & fuel	9,999	9,861	1.4	10,395	(3.8)		
Other expenditure	14,528	11,536	25.9	15,459	(6.0)		
Total expenditure	88,385	65,688	34.6	87,052	1.5	3,62,305	3,92,741
EBITDA	3,846	3,251	18.3	2,206	74.4	18,007	26,114
Depreciation	4,785	3,486	37.3	5,008	(4.4)	20,435	22,075
EBIT	(939)	(235)	300.1	(2,802)	(66.5)	(2,428)	4,039
Less: Interest	2,061	1,399	47.4	2,009	2.6	8,245	8,430
Add: Other income	1,437	931	54.3	2,269	(36.7)	11,914	11,943
Add: Exceptional Items	-	-	NA	(1,140)	NA	-	-
Profit/ (loss) before taxation	(1,563)	(702)	122.6	(3,682)	(57.5)	1,241	7,552
Taxation	(382)	(181)	110.8	(803)	(52.4)	325	1,903
Reported Profit	(1,182)	(521)	126.7	(2,880)	(59.0)	916	5,649
Adjusted Profit	(1,182)	(521)	126.7	(1,740)	(32.1)	916	5,649
Equity capital (FV INR 10)	-	-		-		1,361	1,361
No. of shares (mn)	664.0	664.0		664.0		680.4	680.4
EPS (INR)	(1.8)	(0.8)	126.7	(4.3)	(59.0)	1.3	8.3
as % of net revenues							
Raw material	61.6	55.7		60.5			
Staff expenses	7.6	8.6		8.1			
Power & fuel	10.8	14.3		11.6			
Freight outward	-	-		-			
Other expenses	15.8	16.7		17.3			
EBITDA	4.2	4.7		2.5		4.7	6.2
Adjusted net profit	(1.3)	(0.8)		(1.9)		0.2	1.3

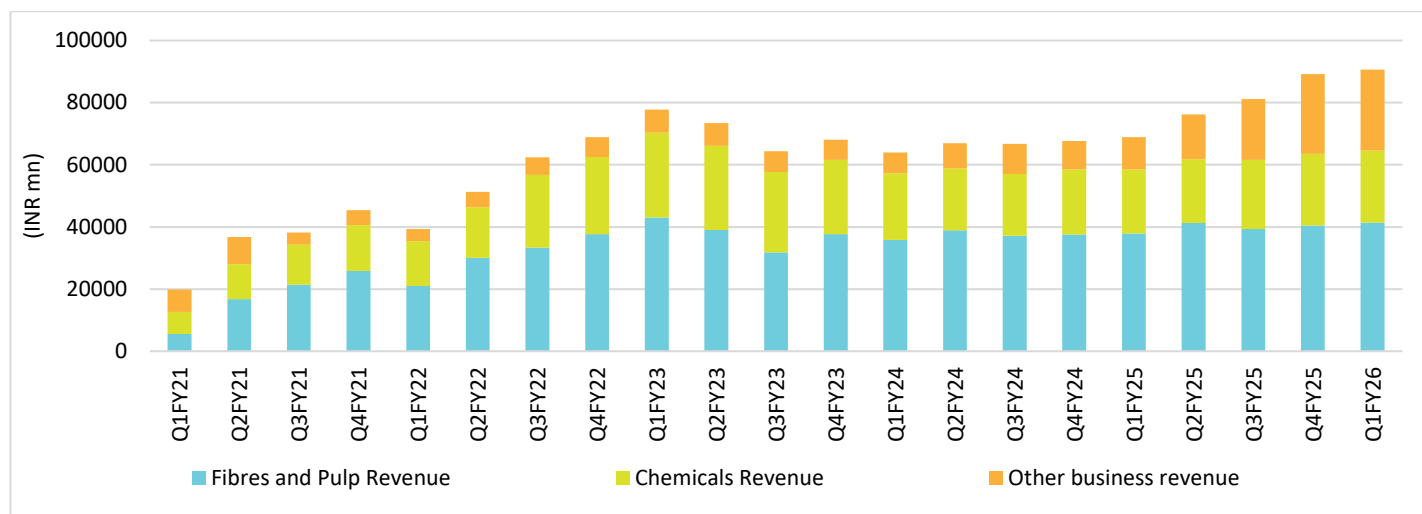
Source: Company, Nuvama Research

Exhibit 2: Segment results

Segment	Q1FY26	Q1FY25	% change	Q4FY25	% change
Viscose staple fibre					
Revenue (INR mn)	40,433	37,870	6.8	40,509	(0.2)
Volume ('000 tonnes)	219.0	221.5	(1.1)	218.1	0.4
Net realisation (INR/tonne)	1,84,624	1,70,971	8.0	1,85,737	(0.6)
Chemicals					
Revenue (INR mn)	23,906	20,660	15.7	23,015	3.9
Volume ('000 tonnes)	303	282	7.4	290	4.5
Net realisation (INR/tonne)	78,897	73,262	7.7	79,362	(0.6)

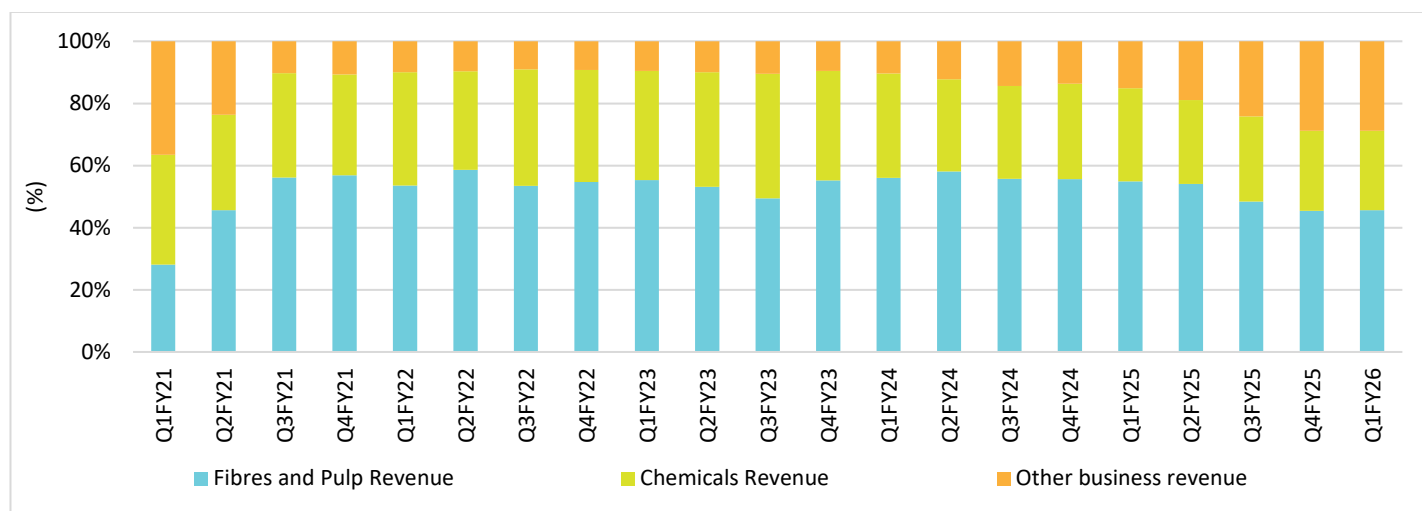
Source: Company, Nuvama Research

Exhibit 3: Revenue split (absolute terms)



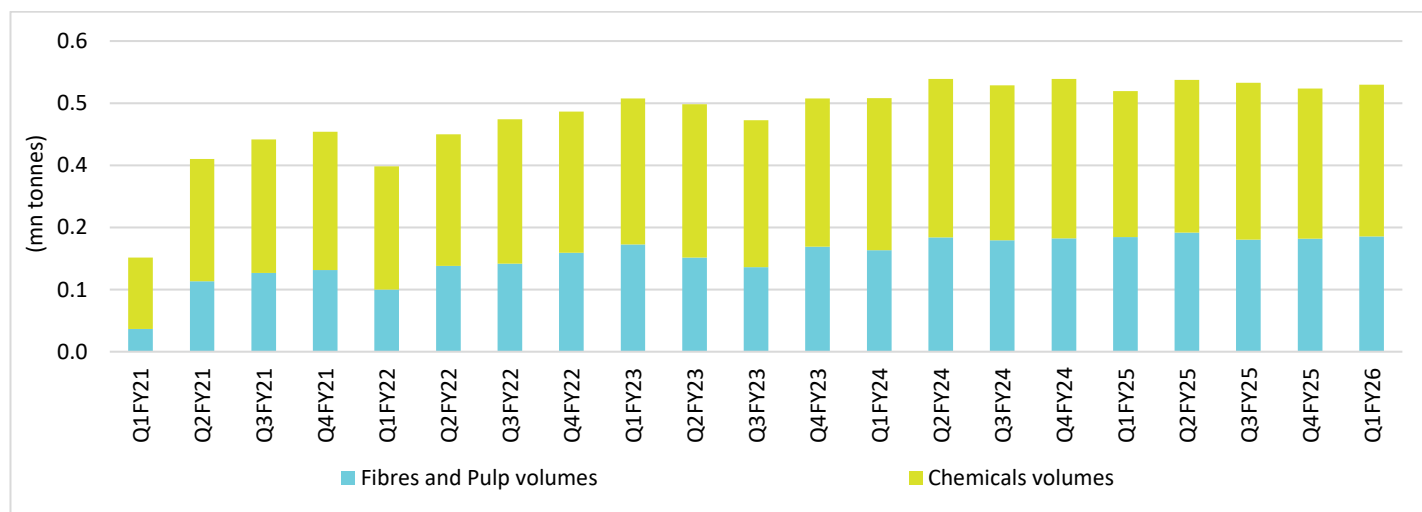
Source: Company, Nuvama Research

Exhibit 4: Revenue split (% terms)



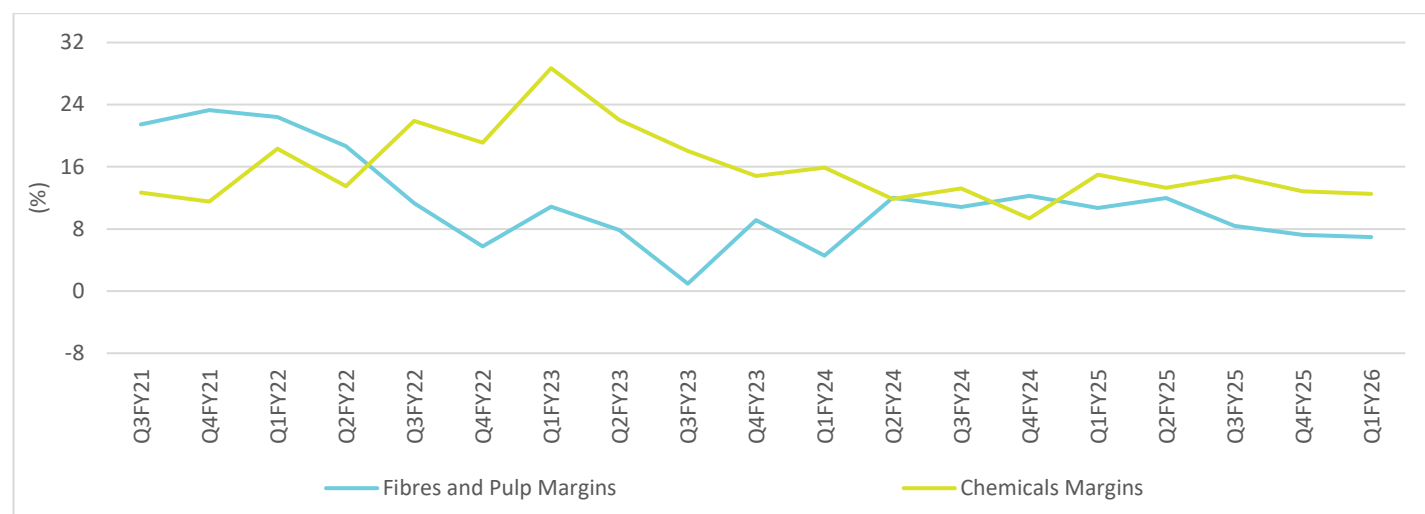
Source: Company, Nuvama Research

Exhibit 5: CSF and chemical volumes



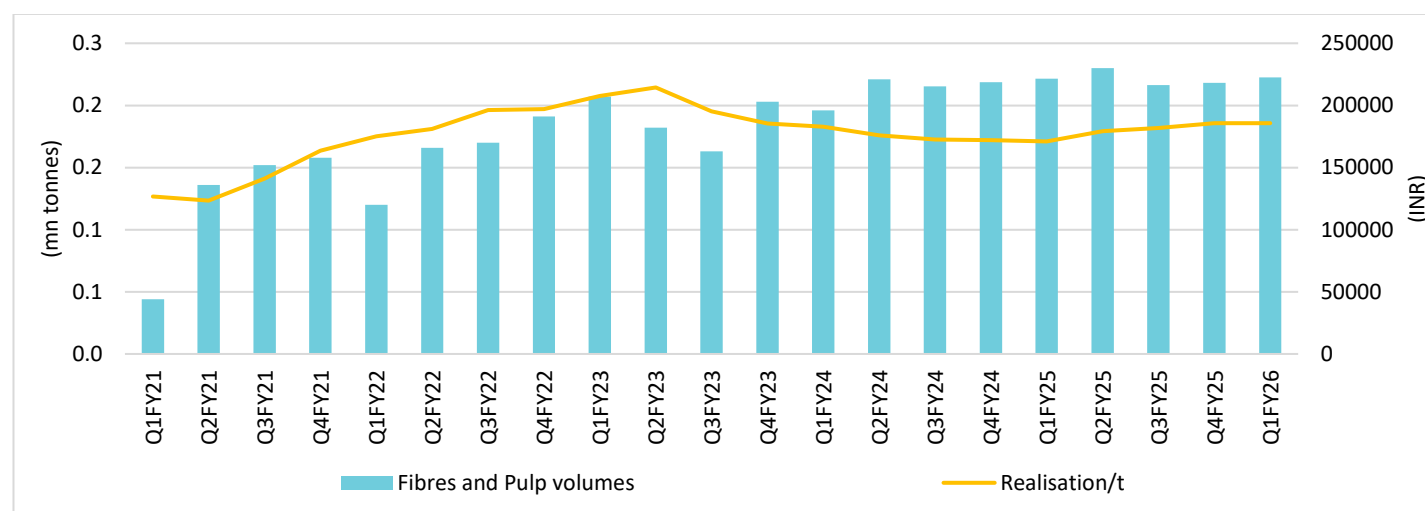
Source: Company, Nuvama Research

Exhibit 6: CSF and chemical EBITDA margins



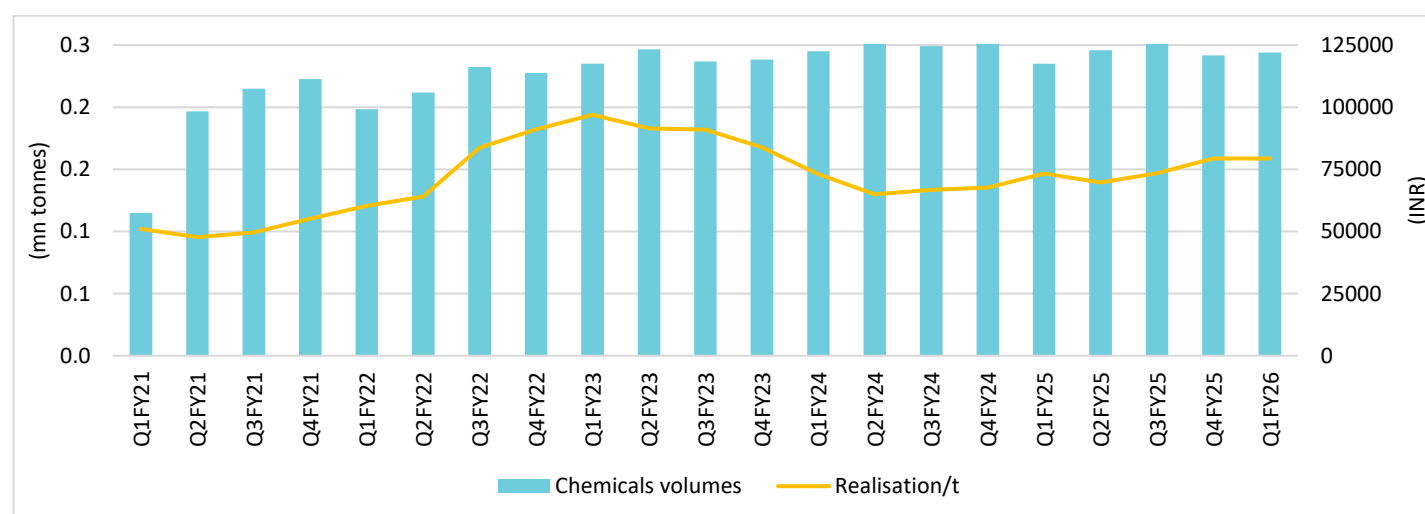
Source: Company, Nuvama Research

Exhibit 7: VSF volumes and realisation/t



Source: Company, Nuvama Research

Exhibit 8: Chemical volumes and realisation/t



Source: Company, Nuvama Research

Q1FY26 conference call: Key takeaways

Paints segment

Trial production of water based paints and emulsions commenced at the sixth Birla Opus plant in Kharagpur and commercial launch is on track by end-Q2FY26. After this, the company's capacity in the organised paints industry would reach ~24% with an installed capacity of 1,332 MLPA.

As per management, 10% grammage scheme continues to operate and there is no rollback of the same. Furthermore, most dealers continue to stay with them and are expanding portfolio from the product categories offered by the company.

Birla Opus, by itself, has become India's number three decorative paints brand (management estimates) based on Q1FY26 revenue run-rate. Management indicated the revenue market share (including putty revenue) continues to be in double-digit in the organised decorative paints market – this reporting is in-line with how the peers report.

As per internal estimates, the organised decorative paints industry has grown by over 5% YoY (but excluding Birla Opus's revenue, the industry has slightly decreased – around 1% fall).

The total capex incurred on the paint business till Q1FY26 was INR95.5bn.

Birla Opus now has a pan-India presence (covered 8000-plus towns and launched 179 products with 1460-plus SKUs across all six decorative paint categories).

The focus has shifted to improve revenue per dealer by increasing penetration of each category and wider range of products/categories.

According to management, competitive intensity is continuing and it is reported to be more in value/economy segment with competitors resorting to more discounts.

B2B e-commerce business

Birla Pivot—the full-scale B2B e-commerce platform for building materials—posted revenue that continues to grow in line with the plan and it remains on track to achieve revenue of USD1bn (INR85bn) by FY27E.

It has a presence across 35 diverse product categories and an expansive portfolio of over 40,000 SKUs sourced from 300-plus leading Indian and international brands.

The revenue mix is steadily strengthening, led by the addition of high-potential categories such as non-ferrous, bitumen, chemicals and tiles and plywood.

Capex

Capital expenditure for Q1FY26 was INR 4.8bn (FY26 budgeted capex at INR22.63bn). Furthermore, phase 1 of the Lyocell project of 55KTPA (total capacity 110KTPA) is progressing as per plan, with commissioning targeted by mid-2027.

Other highlights

Textiles business revenue stood at ~INR5.5bn with EBITDA of INR90mn.

Renewables business revenue surged 54% YoY to INR1.92bn; EBITDA grew 66% YoY to INR1.46bn. The cumulative installed capacity increased to 1.9GW, of which 43% is with group companies.

International caustic soda prices were flat YoY.

CFY business realisation remains hurt by low-priced imports from China.

Exhibit 9: Target price revised upwards to INR2,971

Particulars	INR mn	% of TP
Valuation of standalone business:		
Standalone market cap. (@ 8x Q4FY27E EV/EBITDA)	2,61,224	13
Investment holdings - at 35% holdco. discount to Nuvama fair value est.		
Holdings	% Stake	Value
Idea Cellular	3.1	16,162
Hindalco	3.9	44,433
UltraTech Cement	56.1	14,43,078
ABCL	52.6	2,44,484
ABFRL	8.0	12,150
Total investment holdings		17,60,308
Market cap. - Consolidated	20,21,531	100
Total shares outstanding (mn)	680.4	
Target price (INR)	2,971	100

Source: Company, Nuvama Research

Company Description

Headquartered in Mumbai, Grasim is the flagship company of the Aditya Birla Group. Incorporated in 1947, it commenced operations in 1948 as a textile manufacturer. Over the years, it has become a diversified conglomerate with presence in four business segments—VSF, cement, chemicals, and textiles. VSF and cement are the main segments. Post the demerger of its cement business, Grasim holds 56.11% in UltraTech, which is the largest cement company in India. Grasim has also announced foray into the Paints sector as well as into the B2Be-commerce segment.

Investment Theme

Investment arguments like: a) SA margins bottoming out (given global VSF prices have bottomed out and should see recovery going ahead); b) net debt/EBITDA is likely to be <3.5x despite huge capex and c) potential value unlocking for paints (which will – make Grasim a value play. Maintain 'HOLD' with TP of INR2,971 valuing SA entity at Q1FY28E 8x EV/EBITDA and stake across key holdings at 35% holdco discount to our fair value estimate)

Key Risks

Sharp decrease in cement and VSF prices

Sharp increase in input cost for VSF and also international and domestic energy cost

Additional Data

Management

Chairman	Mr. Kumar Mangalam Birla
MD	Mr. H.K Agarwal
CEO	Mr. Jayant V Dhobley
CFO	Mr. Pavan K Jain
Auditor	KKC & Associates

Holdings – Top 10*

	% Holding		% Holding
Life insurance	8.13	Nippon Life AMC	0.74
Vanguard	2.18	Quant Money Man	0.69
SBI Funds Mgmt	1.56	Franklin Resour	0.62
Blackrock	1.44	ICICI Pru AMC	0.60
Norges Bank	1.34	UTI AMC	0.57

*Latest public data

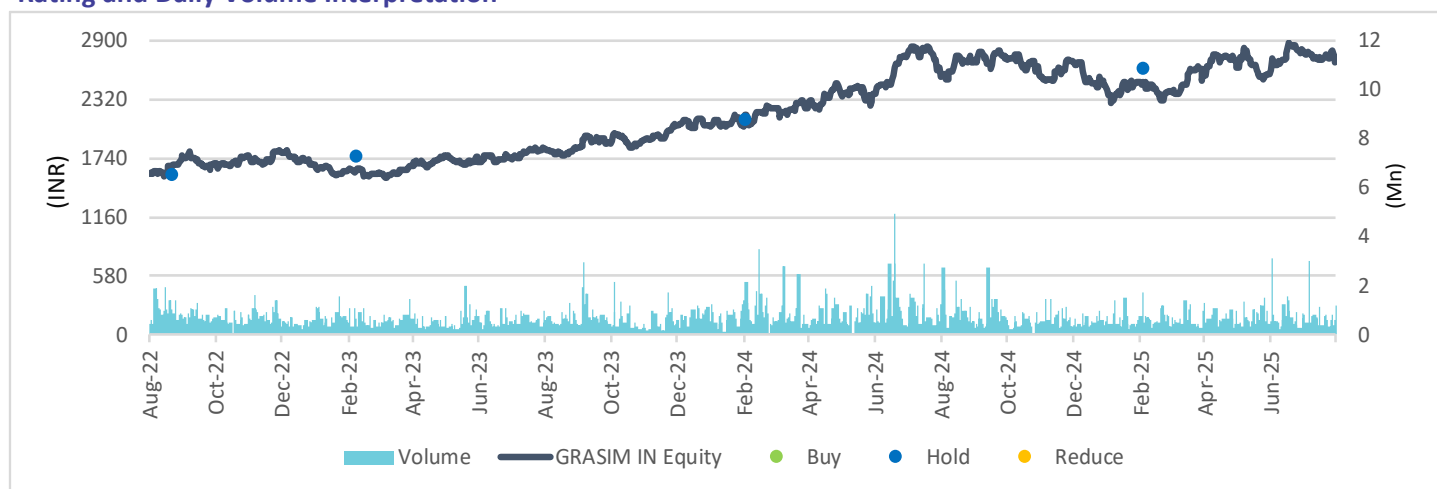
Recent Company Research

Date	Title	Price	Reco
23-May-25	Tepid performance; bright outlook; <i>Result Update</i>	2,656	Hold
11-Feb-25	Soft quarter; promising outlook; <i>Result Update</i>	2,492	Hold
15-Nov-24	Positive outlook; <i>Result Update</i>	2,523	Hold

Recent Sector Research

Date	Name of Co./Sector	Title
07-Aug-25	Cement	Pricing momentum eases; <i>Sector Update</i>
04-Aug-25	Shree Cement	Focus on value over volumes ; <i>Result Update</i>
31-Jul-25	ACC Ltd	Efficiency focus intact; <i>Result Update</i>

Rating and Daily Volume Interpretation



Source: Bloomberg, Nuvama research

Rating Rationale & Distribution: Nuvama Research

Rating	Expected absolute returns over 12 months	Rating Distribution
Buy	15%	202
Hold	<15% and >-5%	66
Reduce	<-5%	36

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