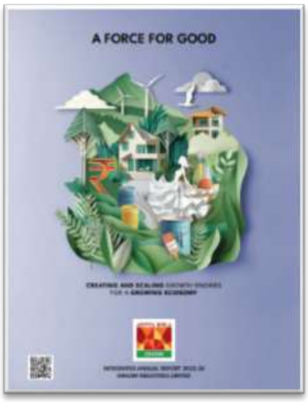
Grasim

BSE SENSEX	S&P CNX
82,560	25,279



Stock Info

Bloomberg	GRASIM IN
Equity Shares (m)	681
M.Cap.(INRb)/(USDb)	1811.5 / 21.6
52-Week Range (INR)	2878 / 1808
1, 6, 12 Rel. Per (%)	-3/7/19
12M Avg Val (INR M)	2009

Financials Snapshot (INR b)

Y/E March	FY25E	FY26E	FY27E
Sales	319.3	342.2	372.7
EBITDA	21.9	32.3	38.5
Adj. PAT	13.1	16.7	21.7
EBITDA Margin (%)	6.9	9.4	10.3
S/A Adj. EPS (INR)	19.8	24.5	31.9
S/A EPS Gr. (%)	(18.6)	23.7	30.1
Consol EPS (INR)	91.2	105.1	120.3
BV/Sh. (INR)	816.3	848.8	890.9
Ratios			
Net D:E	0.1	0.1	0.1
RoE (%)	1.5	3.0	4.6
RoCE (%)	4.0	5.7	6.8
Valuations			
P/E (x)	33.5	27.0	20.8
EV/EBITDA(x)	3.2	2.2	1.7
Div. Yield (%)	0.2	0.2	0.3
FCF Yield (%)	(1.9)	(0.2)	0.2

CMP: INR2,691 TP: INR3,160 (+17%) BUY

Balancing growth and sustainability

Brand launches accelerating momentum in high-growth businesses

Following are GRASIM's FY24 Annual Report key highlights: 1) the company commissioned three paint plants in FY24 and started commercial production in Apr'24. It targets to reach INR100b revenue in paints and break even within the first three years of full-scale operations; 2) B2B e-commerce business surpassed INR10b revenue in FY24 and aims to achieve an annual revenue of USD1b in three years; 3) chlorine integration is expected to increase to 70% going forward vs. 62% in FY24; and 4) Renewable Energy (RE) share is expected to increase to 25% in FY25 vs. 13% achieved in FY24 in chemical business. We reiterate our BUY rating on the stock with a TP of INR3,160.

Pioneering in sustainable fibers

- GRASIM is a prominent producer of VSF and VFY, globally and in India. Its VSF volumes grew 14% YoY to 810KT in FY24, recording the highest volume to date. VSF capacity utilization stood at 96% in FY24 vs. 88% in FY23.
- Despite robust volume growth, the VSF segment revenue declined ~1% YoY to INR149.5b due to lower realization (down 13% YoY). However, EBITDA jumped ~67% YoY to INR17.2b, led by improvement in capacity utilization and lower input costs (pulp, caustic, and coal). EBITDA margin surged 4.7pp YoY to 11.5%.
- The demand for apparel in the domestic market is expected to grow on account of an expanding consumer base, which is attributed to changes in demographics and increased urbanization. Moreover, consumer preference for sustainable products is reshaping the textile industry, with VSF emerging as a favored choice due to its eco-friendly attributes and sustainable sourcing.

A diversified portfolio in the chemical segment

- GRASIM's caustic soda volumes grew ~5% YoY to 1.2mt in FY24. Specialty chemicals recorded the highest volume of 95 KT with ~26% share of the total chemical segment revenue vs. 23% in FY23, aided by capacity addition during the year. Chlor-Alkali capacity utilization stood at ~88% in FY24, similar to FY23.
- Net revenue for the chemical business declined 21% YoY to INR82b. Lower caustic prices coupled with subdued demand for chlorine derivatives from end-user industries resulted in a lower ECU of INR32,109/ton in FY24 vs. INR47,951/ton in FY23. EBITDA declined 54% YoY to INR10.5b and EBITDA margin contracted 10pp YoY to 12.8%.
- Chlorine integration stood at 62% in FY24. The construction of its ECH plant is slated for completion in FY25. Further, the Lubrizol CPVC plant for Phase I of 50 KTPA at Vilayat is progressing according to the plan. After the completion of these projects, chlorine integration is expected to reach 70%.

Launched high-growth business brands (Paints and B2B E-commerce)

- GRASIM launched its decorative paints business under the brand name **'Birla Opus'.** It started commercial production at three plants in Apr'24, whereas the construction of the remaining three plants is progressing well and is likely to be commissioned in phases in FY25.

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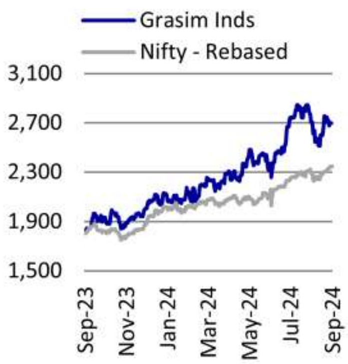
Shareholding Pattern (%)

As On	Jun-24	Mar-24	Jun-23
Promoter	43.1	43.1	42.8
DII	16.7	17.0	16.8
FII	17.0	16.8	16.5
Others	23.3	23.2	23.9

FII includes depository receipts

Stock's performance (one year)



- Birla Opus aims to offer a wide range of decorative paints, with 145+ products (launched 80% of the product range) and 1,200+ SKUs across product categories. The company targets to reach a revenue of INR100b and break even in the paints business within the first three years of full-scale operations.
- GRASIM launched its B2B e-commerce business under the brand name **'Birla Pivot'** to provide a one-stop digital solution for construction materials requirements. Birla Pivot offers a wide range of products, with more than 35 product categories and over 18,000 SKUs sourced from 150+ Indian and international brands.
- Birla Pivot surpassed the INR10b revenue milestone in FY24, which was the first year of its operation. Its quarterly run-rate reached over INR5.5b, led by continued revenue scale-up across categories, geographies, and new customers. The company targets to achieve an annual revenue of USD1b in the next three years, leveraging technology to create smarter and more efficient solutions across the value chain.

Subdued performance in FY24; net debt surged due to higher capex

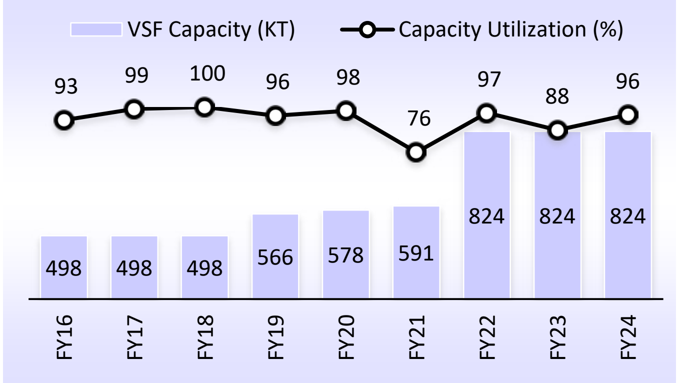
- Standalone revenue declined ~4% YoY to INR258b, whereas EBITDA declined 27% YoY to INR23.2b. EBITDA margin contracted 2.9pp YoY to 9%. Though the VSF and caustic soda business achieved the highest-ever sales volume, the volatility in global commodity prices and reduction from exceptionally high levels resulted in lower realizations and profitability.
- The finance cost rose 20% YoY to INR4.4b due to higher interest rates (average cost of borrowing increased to 7.50% in FY24 from 7.07% in FY23) and an increase in gross debt. Earnings before tax and exceptional items declined 30% YoY to INR19.2b. Adjusted PAT (adj. for tax write-back and INR7.2b write-offs toward the subsidiary, AV Terrace Bay Inc., Canada) dipped 23% YoY to INR16b.
- GRASIM's standalone net debt rose to INR59.8b in FY24 from INR17.8b in FY23 due to lower profitability in the VSF and chemical segment, which led to lower operating cash flow (OCF) generation and higher capex toward its high-growth business (paints). The net debt-to-EBITDA ratio stood at 2.6x in FY24 vs. 0.6x in FY23. We expect its net debt to further increase in FY25 due to higher capex in the paints business.

Valuation and view

- In FY24, GRASIM's core operating businesses (VSF and Chemical) were under pressure due to lower realizations. We estimate a gradual improvement in VSF margin with an improvement in VSF prices. Moreover, we anticipate improvement in the chemical segment margin led by higher caustic soda realization and improved margin of chlorine derivatives.
- In the paints business, the company has successfully launched its initial product campaigning, and its 'Make Life Beautiful' advertisement received a positive response from the customers. Furthermore, its B2B e-commerce business recorded a quarterly revenue run-rate of INR5.5b with gradual scale-up across categories, geographies, and new customers. As the company's high-growth businesses commence operations, it would be crucial to monitor revenue traction in both businesses.
- We **reiterate our BUY rating** with a TP of INR3,160 as we value its: 1) holding in subsidiary companies by assigning a discount of 35%; 2) standalone business at 7x Sep'26E EV/EBITDA, and 3) Paints business at 1.5x of investments.

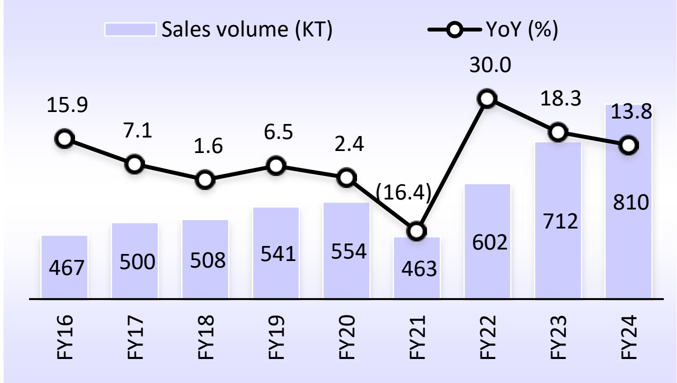
Story in charts

Exhibit 1: VSF capacity operating at optimum levels



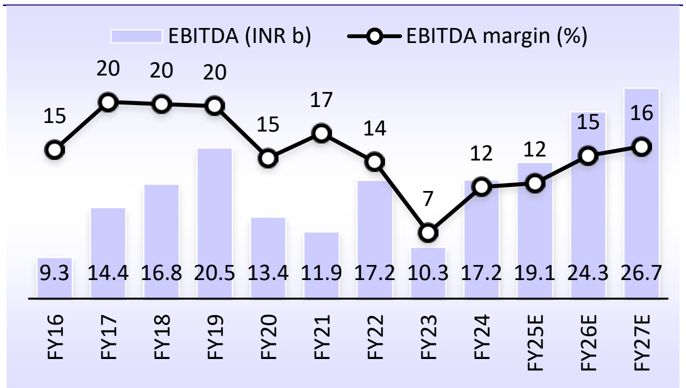
Source: MOFSL, Company

Exhibit 2: Sales volume grew 14% YoY in FY24



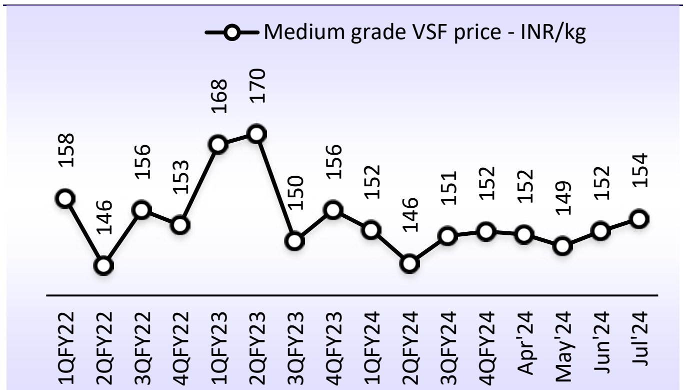
Source: MOFSL, Company

Exhibit 3: VSF EBITDA margin improves from historic low



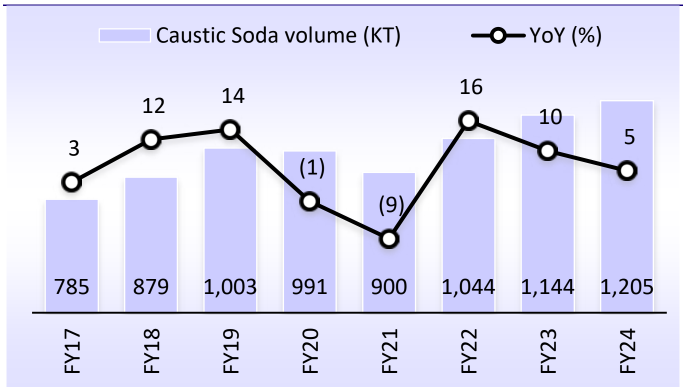
Source: MOFSL, Company

Exhibit 4: VSF price trend, improves in the last two months



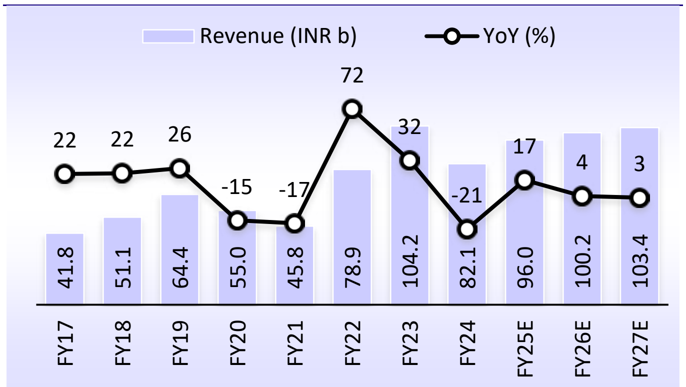
Source: MOFSL, Industry

Exhibit 5: Caustic soda volume and growth



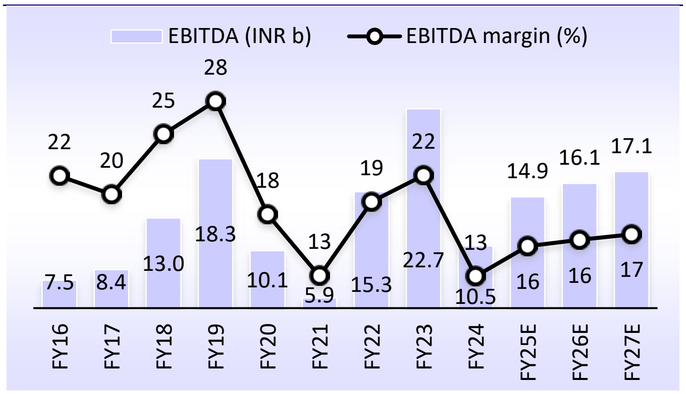
Source: MOFSL, Company

Exhibit 6: Chemical segment revenue and growth



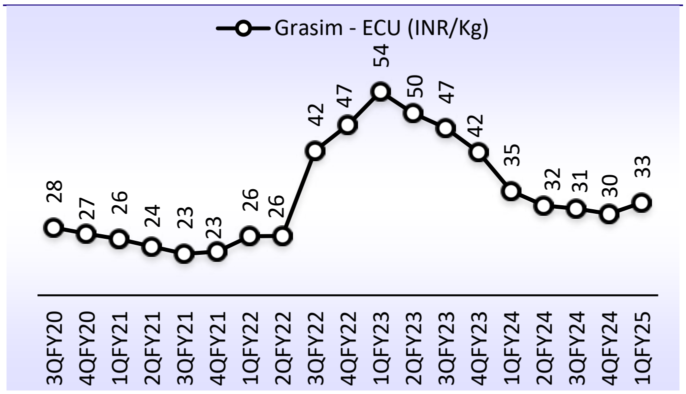
Source: MOFSL, Company

Exhibit 7: EBITDA and EBITDA margin



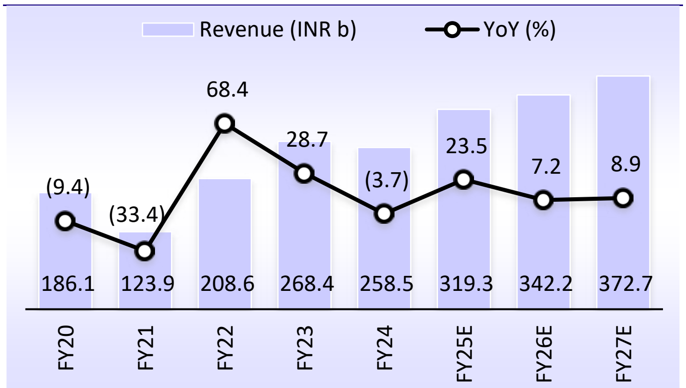
Source: MOFSL, Company

Exhibit 8: ECU declined 33% YoY in FY24



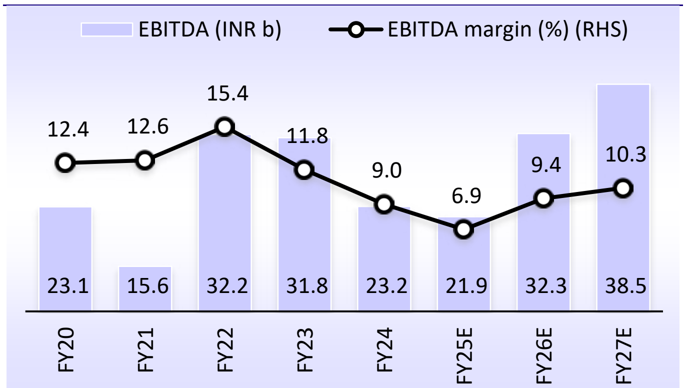
Source: MOFSL, Company

Exhibit 9: Standalone revenue declined 4% YoY in FY24



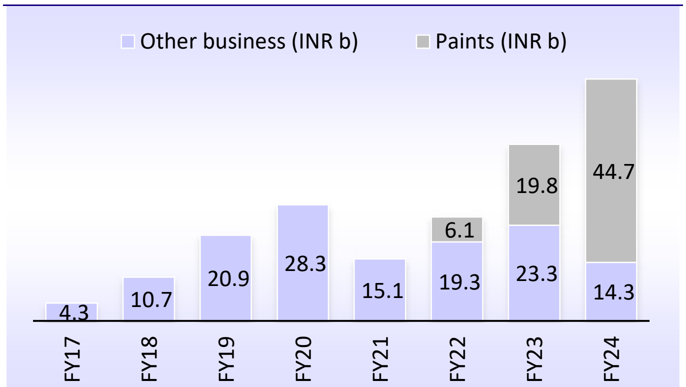
Source: MOFSL, Company; Note: FY25-27E include Paints revenue

Exhibit 10: EBITDA margin down 2.9pp YoY to 9.0% in FY24



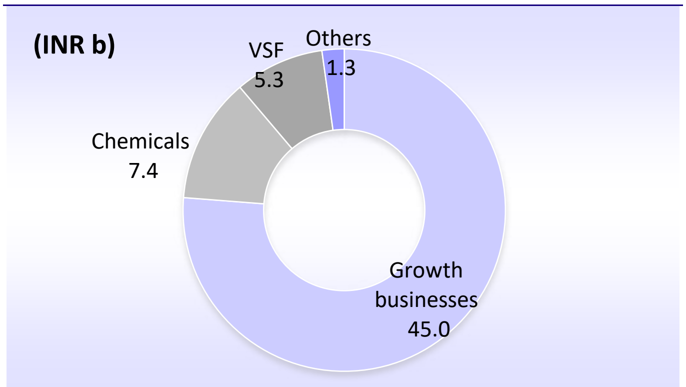
Source: MOFSL, Company; Note: FY25-27E include Paints business

Exhibit 11: Standalone capex trend



Source: MOFSL, Company

Exhibit 12: Business-wise capex in FY24



Source: MOFSL, Company; Note: Growth businesses include Paints and B2B e-commerce and others include textiles, insulators, and others

Exhibit 13: DuPont analysis

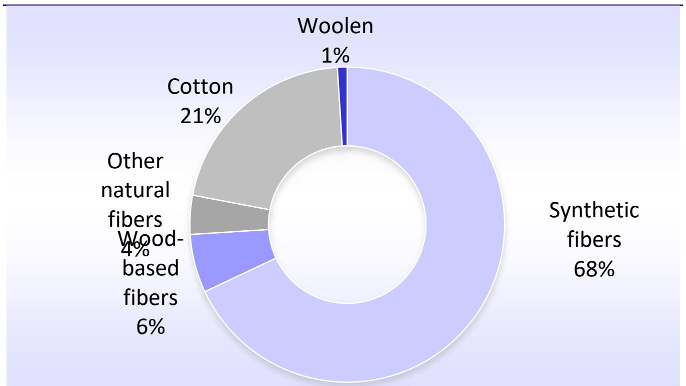
(%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PAT/PBT ratio	92	82	68	68	75	45	60	68
PBT/EBIT ratio	83	76	90	85	73	48	53	67
EBIT/sales ratio	10	8	12	9	6	4	5	6
Asset turnover ratio (x)	1.0	0.7	1.1	1.2	1.0	1.1	1.1	1.1
Assets/equity ratio (x)	1.5	1.5	1.4	1.4	1.6	1.7	1.6	1.5
RoE	**10.4**	**4.9**	**11.5**	**9.0**	**5.7**	**1.5**	**3.0**	**4.6**

Source: MOFSL, Company; Note: RoE is adjusted for investment in subsidiaries and their related income

Pioneering in sustainable fibers

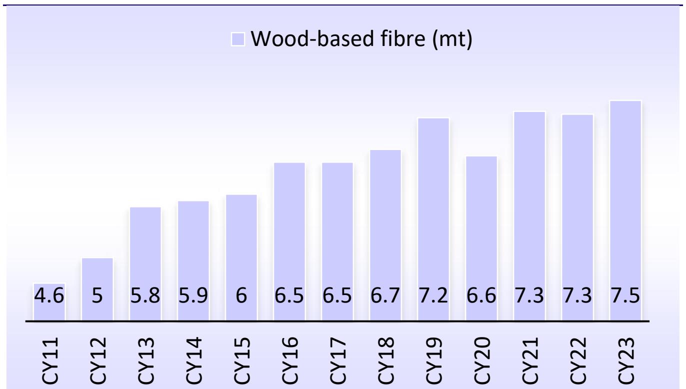
- Globally, the production of regenerated cellulosic fibers increased ~3% YoY to 7.5mt in CY23, driven by a sharp rise in lyocell fibers (source: Lenzing AR23). In the past two years, the global demand for textiles was affected by slow economic growth, high inflation, and geopolitical turmoil, compelling several brands to close their stores. Subdued demand and reduction in input costs triggered volatility in fiber prices, resulting in a decline from their record highs.
- The share of VSF in global fiber production stood at ~6% in CY23. Global VSF prices were range-bound between USD1.51/kg and 1.67/kg and averaged USD1.58/kg in FY24, down 10% YoY. Cotton prices were in the range of USD2.01-2.11/kg and averaged USD2.08/kg in FY24, down 20% YoY. The difference between cotton and VSF prices was at USD0.83/kg (averaged) in FY23 and reduced to USD0.5/kg (averaged) in FY24.
- The Chinese VSF industry maintained high operating rates of ~90% despite lower domestic demand, which led to low value exports. China inventory (average) declined to 13 days in FY24 vs. 22 days in FY23, and currently at 12 days 1QFY25.
- Globally, VFY consumption continues to be dominated by India, China, Pakistan, and Turkey, which together constitute ~85% of the total volume. Domestic VFY consumption was 98KTPA in FY24 vs. 58KTPA in FY19, reporting a CAGR of ~11%.

Exhibit 14: Global fiber production was at 120mt in CY23



Source: MOFSL, Lenzing

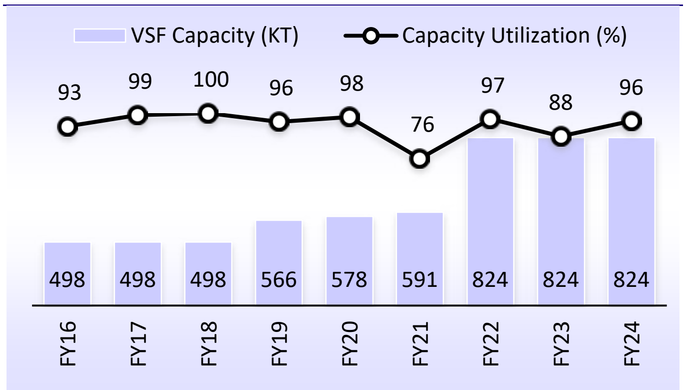
Exhibit 15: Consumption trend of wood-based fiber



Source: MOFSL, Lenzing

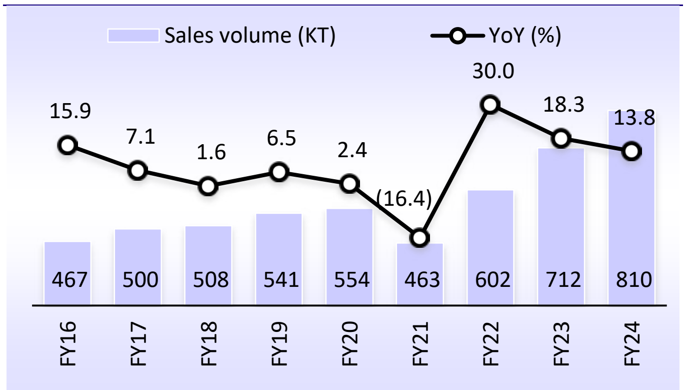
- GRASIM is a prominent producer of VSF and VFY, globally and in India. Its VSF volumes grew 14% YoY to 810KT in FY24, recording the highest volume to date. VSF capacity utilization stood at 96% in FY24 vs. 88% in FY23.
- Despite robust volume growth, the VSF segment revenue declined ~1% YoY to INR149.5b due to lower realization (down 13% YoY). However, EBITDA grew ~67% YoY to INR17.2b, led by improvement in capacity utilization and lower input costs (pulp, caustic, and coal). EBITDA margin surged 4.7pp YoY to 11.5%.
- **Outlook:** The demand for apparel in the domestic market is expected to grow on account of an expanding consumer base, which is attributed to changes in demographics and increased urbanization. Moreover, consumer preference for sustainable products is reshaping the textile industry, with VSF emerging as a favored choice due to its eco-friendly attributes and sustainable sourcing. As sustainability continues to drive purchasing decisions, the demand for VSF is expected to increase.

Exhibit 16: VSF capacity operating at optimum levels



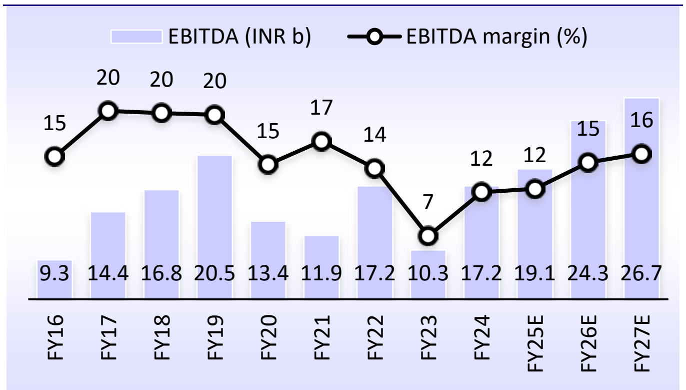
Source: MOFSL, Company

Exhibit 17: Sales volume grew 14% YoY in FY24



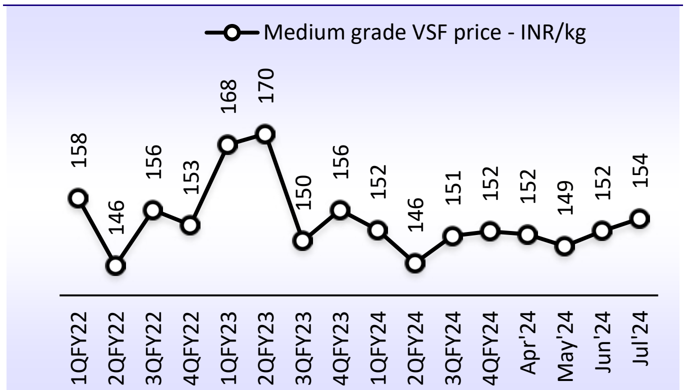
Source: MOFSL, Company

Exhibit 18: VSF EBITDA margin improves from historic low



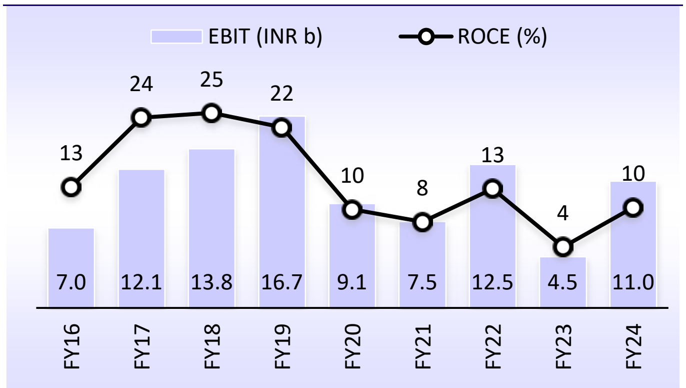
Source: MOFSL, Company

Exhibit 19: VSF prices have improved in the last two months



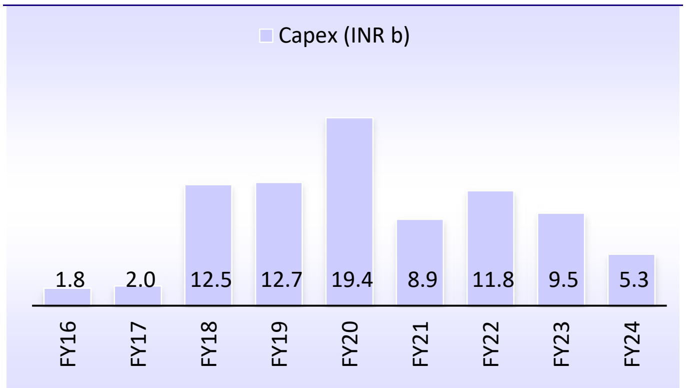
Source: MOFSL, Industry

Exhibit 20: VSF segment EBIT and ROCE trends



Source: MOFSL, Company

Exhibit 21: Capex in the VSF segment



Source: MOFSL, Company

Other key highlights of the VSF segment

- As an industry pioneer, the company partners with various start-ups to develop innovative solutions pertaining to circularity and improved sustainability of fibers. Circular product Liva Reviva, which uses pre-consumer waste, is now made with 30% waste, offering added sustainability advantages. Its sustainable flame-retardant fibers (SaFR) have secured certification from the Defense Research and Development Organization (DRDO) and the Indian Navy. Its collaboration with the Australian biotech company Nanollose to create a 'tree-free' lyocell from bacterial cellulose is currently in the pilot stage.
- GRASIM actively participates in the development of circular fashion through the Circular Fashion Partnership and Sorting for Circularity India Project. In FY24, its

Kharach plant has deployed EU Best Available Technology (EU BAT), benchmarking its operations to European norms that use closed-loop technologies to recycle and reuse key raw materials in the process. Its VSF business has been awarded the ‘Dark Green Shirt’ ranking in Canopy’s Hot Button Report for the fourth consecutive year for its commitment to conserving ancient and endangered forests and promoting circular solutions.

- GRASIM has been consistently developing new product variants according to the needs of the consumer. In FY24, it introduced three such innovative products - Birla Viscose Intellicolor, Birla Viscose EcoSoft, and Birla SaFR (Flame Retardant Fibers).

Exhibit 22: VSF value chain

Source: MOFSL, Company

Exhibit 23: GRASIM’s different brands in VSF

Source: MOFSL, Company

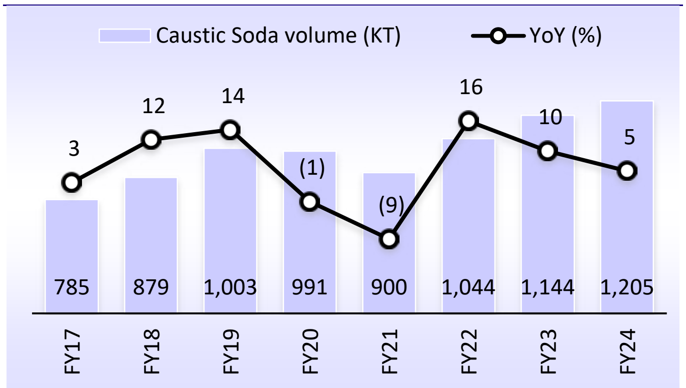
A diversified portfolio in the chemical segment

- After a challenging CY22, the chemical industry was expected to witness a modest rebound in CY23. However, by mid-CY23, the industry witnessed a sluggish demand for chemicals globally, particularly due to the recession in Europe, inflation in the U.S., and a slower-than-expected recovery in demand from China. Additionally, high inventories built over CY21-22 were destocked in CY23, resulting in a sluggish chemical output with segments such as agrochemicals showing declining growth rates.
- India is one of the largest global chemical markets, ranking sixth in the world and third in Asia in terms of global sales of chemicals. According to a McKinsey report, India is likely to become a USD850-1,000b chemicals market by 2040, with its share tripling to 10-12% (vs. currently at 3.0-3.5%) in the global chemicals market. Globally, India is the third-largest consumer of polymers, the fourth-largest producer of agrochemicals and the sixth-largest producer of chemicals. The demand for chemicals in the country remains resilient, and the domestic performance of Indian companies is robust despite challenges such as dumping from China.
- GRASIM’s Chlor-Alkali segment includes Caustic Soda as the main product and a portfolio of Chlorine Derivatives that have applications in water treatment, plastics and polymers, agro-chemicals, dyes and pigments, pharmaceuticals, food, and cosmetics, among others. The company is the largest Chlor-Alkali manufacturer in India, with a capacity of 1,359 KTPA and Chlorine Derivative

capacity of 957 KTPA. It also commands a leadership position in Specialty Chemical - Epoxy Polymers and Curing Agent.

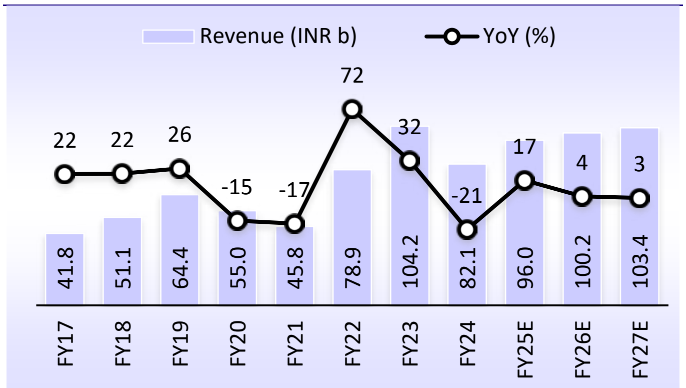
- The caustic soda volumes grew ~5% YoY to 1.2mt in FY24. Specialty chemicals achieved the highest volume of 95 KT with ~26% share of total chemical segment revenue vs. 23% in FY23, supported by capacity addition during the year. Chlor-Alkali capacity utilization stood at ~88% in FY24, similar to FY23.
- Net revenue for the chemical business declined 21% YoY to INR82b. The impact from lower caustic prices coupled with subdued demand for chlorine derivatives from end-user industries resulted in a lower ECU of INR32,109/ton in FY24 vs. INR47,951/ton in FY23. EBITDA declined 54% YoY to INR10.5b and EBITDA margin contracted 10pp YoY to 12.8% during the period.
- Chlorine integration stood at 62% in FY24. The construction of its ECH plant is slated for completion in FY25. Furthermore, the Lubrizol CPVC plant for Phase I of 50 KTPA at Vilayat is progressing as per plan. After the completion of these projects, Chlorine integration is expected to reach 70%.
- The company is increasing its Chlor-Alkali capacity to 1.5mtpa by FY25 from 1.36mtpa currently. Its key focus areas are – 1) ramping up capacity utilization of specialty chemicals, and 2) increasing renewable power share to over 25% from the current level of 13%.

Exhibit 24: Caustic soda volume and growth



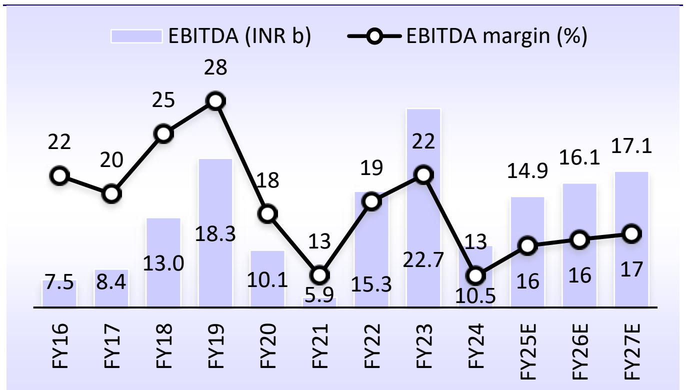
Source: MOFSL, Company

Exhibit 25: Chemical segment revenue and growth



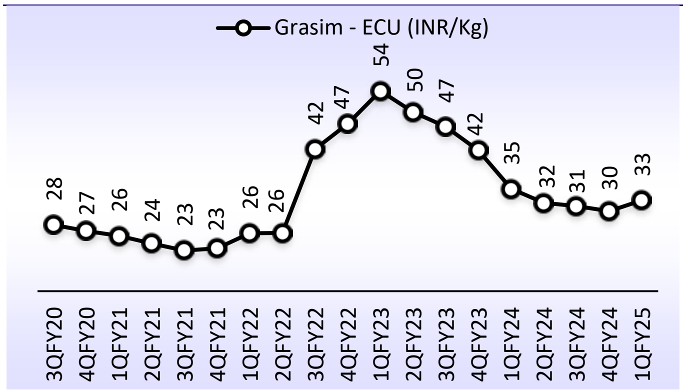
Source: MOFSL, Company

Exhibit 26: EBITDA and EBITDA margin



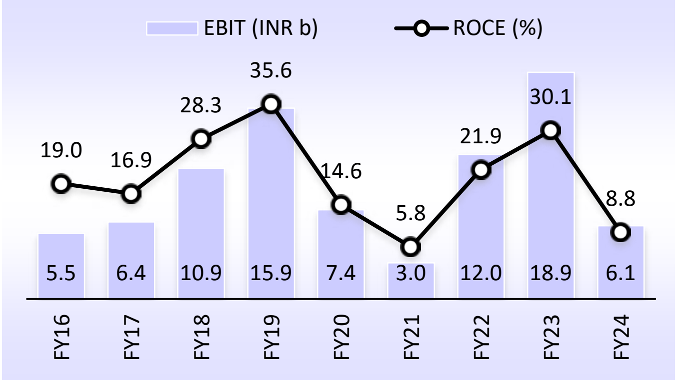
Source: MOFSL, Company

Exhibit 27: ECU declined 33% YoY in FY24



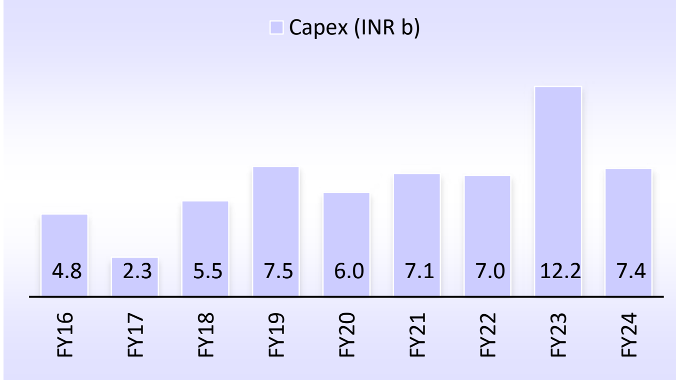
Source: MOFSL, Company

Exhibit 28: Chemical business EBIT and ROCE trends



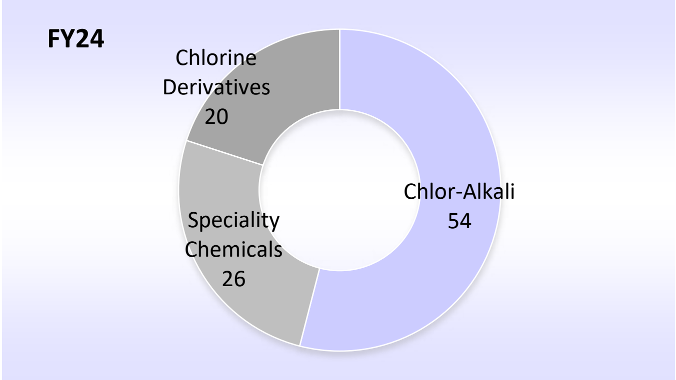
Source: MOFSL, Company

Exhibit 29: Capex trend in the chemical segment



Source: MOFSL, Company

Exhibit 30: Chemical business revenue mix (%)



Source: MOFSL, Company

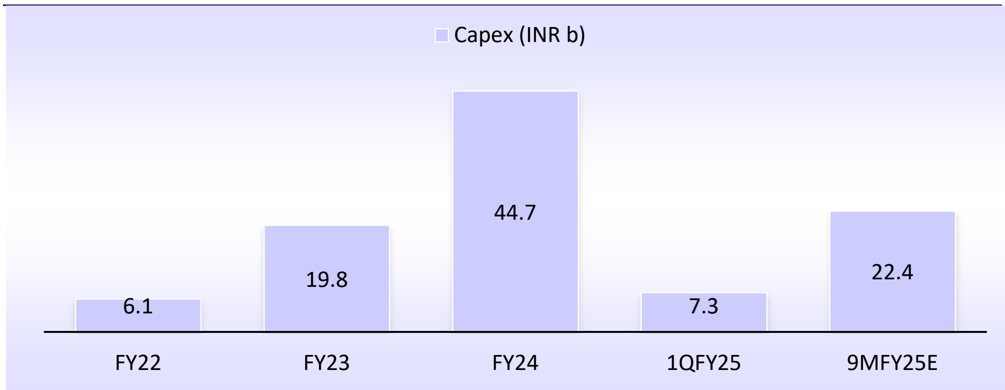
Exhibit 31: GRASIM's brand in the chemical segment

Source: MOFSL, Company

Launched the paints business under the brand 'Birla Opus'

- The Indian paints industry, which is the seventh-largest industry globally, is valued at INR740b with ~25% of the market being unorganized. The industry has gained significant traction over the past two decades and become the second-largest industry in Asia, registering a CAGR of >10% compared to the global market CAGR of ~2%. Despite strong growth, India's per capita paint consumption is only 3.5kg vs. the global average of 10kg, which provides great potential for growth opportunities.
- The Indian decorative paints industry is expected to witness healthy growth in the coming years and reach a market size of INR1t by FY27, driven by the increasing disposable income and rapid urbanization, which are driving the demand for home renovations and new constructions.
- GRASIM forayed into the decorative paints business under the **brand name 'Birla Opus'** with a capex of INR101b (cumulative capex stood at INR77.95b as of 30th Jun'24). The company is setting up six integrated plants pan-India. In FY24, it commenced trial production across three plants in Ludhiana, Panipat, and Cheyyar with a capacity of 636MLPA (47% of the planned capacity). It began commercial production in these three plants in Apr'24. Meanwhile, work on the remaining three plants at Mahad, Kharagpur, and Chamarajanagar is progressing well and will be commissioned in phases in FY25.

Exhibit 32: Capex in the paints business over the years



Source: MOFSL, Company

- Birla Opus aims to offer a wide range of decorative paints, with 145+ products (launched 80% of the product range) and 1,200+ SKUs across product categories. The company targets to reach a revenue of INR100b and break even in the paints business within the first three years of full-scale operations. Moreover, it aims to expand its distribution to over 6,000 towns through a network of 150 depots (established 108 depots by mid of Aug'24) integrated with warehousing systems by FY25-end. It also targets to reach 50,000 dealers in FY25-end (reached over half of the target as it is adding new dealers every day).
- It launched the painting services brand 'PaintCraft' in eight cities, completing more than 310 sites during the year. The initial customer response has been positive.

Exhibit 33: GRASIM's paints product offering and brand portfolio

Source: MOFSL, Company

- The company's key focus areas in the paints business are:
  - **Design** – To provide a comprehensive product selection with over 2,300 tintable color options, including a set of 216 iconic Indian colors
  - **Develop** – To offer differentiated and superior quality of paints from full backward integrated plants, which enable the production of core adhesive ingredients in-house
  - **Distribute** – To launch products across 0.1m population towns by Jul'24 and expand presence to over 6,000 towns, thus establishing the second-largest pan-

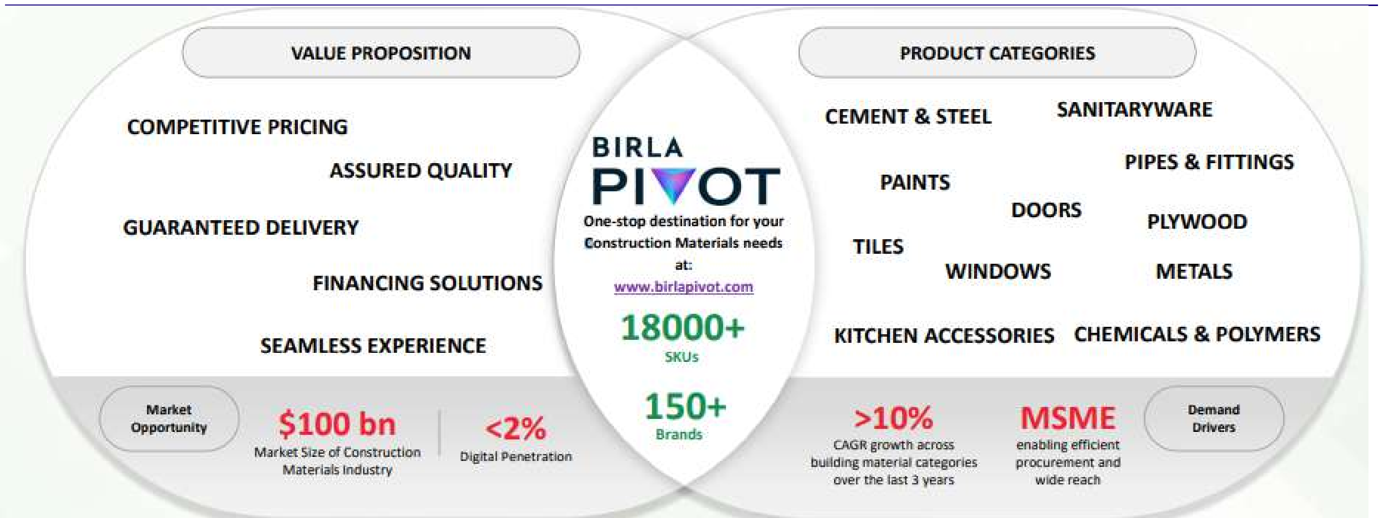
India network of dealers; servicing markets through a network of depots to ensure servicing with four hours of delivery time across local markets

- **Disrupt** – To equip maximum dealers with ‘Tinting Machine’, which requires 40% less space and epitomizes efficiency with technology; elevate channel interactions through the implementation of its proprietary dealer management systems
- **Delight** – To open Birla Opus experience centers “Paint Studio” in 11 large cities to showcase its products to customers and provide a one-year additional warranty on all its products as a testament to product quality; to offer an additional 10% volume on water-based products to customers and loyalty benefits across most of its products to contractors as part of the inaugural offer.

B2B e-commerce business gaining traction

- GRASIM launched its B2B E-commerce business under the brand name ‘Birla Pivot’ to provide a one-stop digital solution for construction material requirements. Birla Pivot offers a wide range of products, with more than 35 product categories and over 18,000 SKUs sourced from 150+ Indian and international brands. These categories include essential construction materials such as cement, steel, plywood, sanitaryware, and tiles, among others. Moreover, in response to the increasing demand for superior yet cost-effective products, the company has introduced its private label for plywood and tiles.
- Birla Pivot's customer base spans top-tier EPC companies, civil contractors, real estate developers, OEMs, fabricators, dealers, and retailers. With successful deliveries to over 200 cities across 25 states, the company has established a robust network of suppliers and logistics providers, facilitating seamless operations and ensuring a pan-India reach. The company's intelligent Transport Management System (TMS) digitizes processes, providing real-time updates on orders and enhancing operational efficiency across the supply chain.

Exhibit 34: GRASIM’s paints product offering and brand portfolio



Source: MOFSL, Company

- Birla Pivot exceeded INR10b revenue milestone in FY24, which was the first year of its operation. Its quarterly run-rate reached over INR5.5b, led by continued revenue scale-up across categories, geographies, and new customers. The company targets to achieve an annual revenue of USD1b in three years, leveraging technology to create smarter and more efficient solutions across the value chain.

- The company's key focus areas in the B2B E-commerce business are:
  - **Building supply** – To build deep sourcing expertise and develop strategic partnerships with brands to become the one-stop destination for all building material needs
  - **Frontline sales** – To create customized solutions that address customer needs across procurement and financing
  - **Private labels** – To expand private label offerings in tiles and ply across multiple sales channels; increase brand visibility for private labels by increasing distributor onboarding and store branding
  - **Financial credit** – To scale up its financial credit program by onboarding more financial institutions and building custom solutions with them for buyers and sellers
  - **Unassisted journeys** – To prioritize simplicity and convenience at every step of the purchasing journey by providing a user-friendly platform that offers seamless navigation and end-to-end visibility.

Performance of GRASIM's other operating businesses

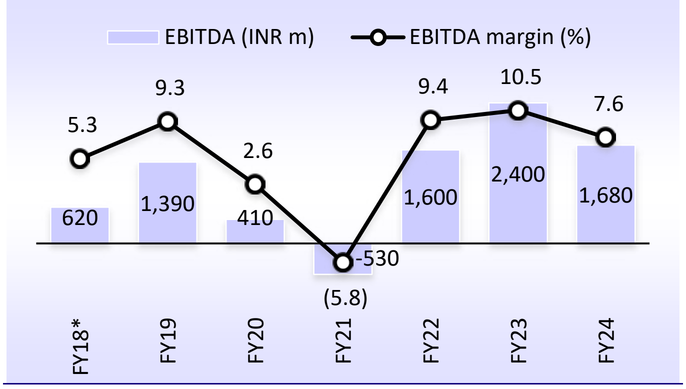
Textiles – demand slowdown and high flex prices hurt performance

- In FY24, the business reported a net revenue of INR22b (down 3% YoY) and an EBITDA of INR1.7b (down 30% YoY). Linen performance was hit by demand slowdown and exceptionally high flex prices. However, the company's business strategy to shift from pure manufacturing to establishing iconic brands in some of these categories resulted in revenue growth in B2C by 13% YoY. It has increased its retail presence by adding 21 Exclusive Brand Outlets (EBOs) to 230 and 500+ Multi-Brand Outlets (MBOs) to 9,000+ in FY24.
- The overall sentiment for premium clothing remains weak, with dealers across various brands holding significant inventory levels. The company's linen business maintained its leadership position in the linen market with a 40% market share in over-the-counter linen fabric (pure linen category) and 39% in pure linen yarn.

Insulators – low utilization and higher input costs led to muted performance

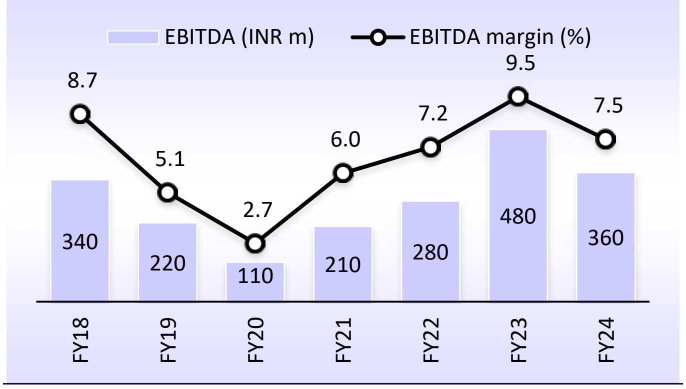
- The company specializes in both ceramic and composite insulators, with an installed capacity of 56,400 TPA. The company offers a wide range of insulators in India and neighboring export markets, catering to applications such as transmission lines, substations (up to 1,200 kV voltage level), equipment, and railways.
- In FY24, the business reported a net revenue/EBITDA of INR4.8b/INR360m (down 5%/25% YoY). Higher input prices and delay in product approvals from customers resulted in lower utilization at ~52%.
- In FY24, export share stood at ~20% of the segment revenue. The company has developed new products for high-voltage direct current transmission as per the challenging requirements of the global end-user market. It has also completed 5,000 hours of multiple stress tests on its insulators at STRI Sweden, which is a critical requirement for key global OEMs. These initiatives are expected to improve its export prospects.

Exhibit 35: Textile business – operating performance



Source: MOFSL, Company; Note: *FY18 numbers are for nine months

Exhibit 36: Insulator business – operating performance

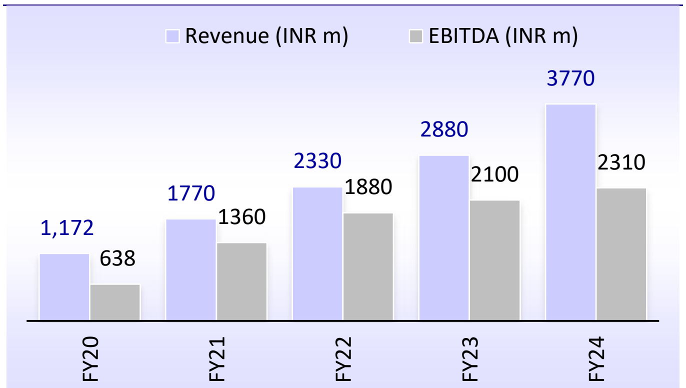


Source: MOFSL, Company

Renewables – Targeted capacity at 2GW by CY24-end

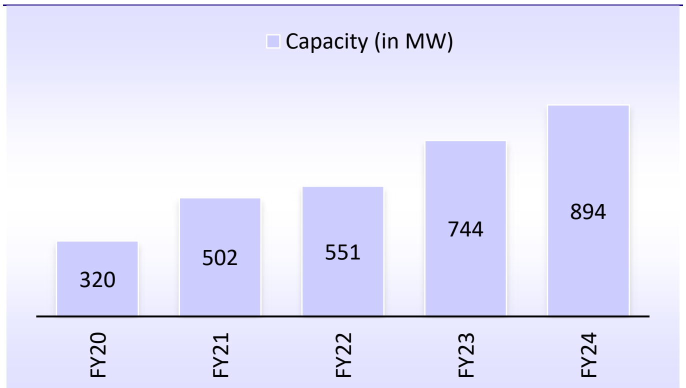
- The company generates clean energy through solar panels, wind turbines, solar-wind hybrids, and floating solar systems. Its primary consumers are state discoms and central utilities; however, it is also exploring captive commercial and industrial consumers that include group companies as well as external entities. In FY24, its renewable portfolio increased by 150MW to reach a capacity of 894MW (RE capacity stood at 964MW as of 1QFY25). It targets to increase RE capacity to 2GW by CY24-end.
- In FY24, the business reported revenue growth of ~31% YoY to INR3.8b, led by the commissioning of additional operating capacity during the year. EBITDA grew 10% YoY to INR2.3b during the period.
- The company is focused on solar-wind hybrid projects to enable the supply of renewable energy round the clock, thus benefitting from the higher capacity utilization factor compared to a standalone solar or wind plant.

Exhibit 37: Renewables' business revenue and EBITDA trend



Source: MOFSL, Company

Exhibit 38: GRASIM's renewable capacity



Source: MOFSL, Company; Note: Capacity includes capacity with group companies

Standalone financial performance

- Standalone revenue declined ~4% YoY to INR258b, while EBITDA declined 27% YoY to INR23.2b. EBITDA margin contracted 2.9pp YoY to 9%. Though the VSF and caustic soda business reached the highest-ever sales volume, the volatility in global commodity prices and reduction from exceptionally high levels resulted in lower realizations and profitability.

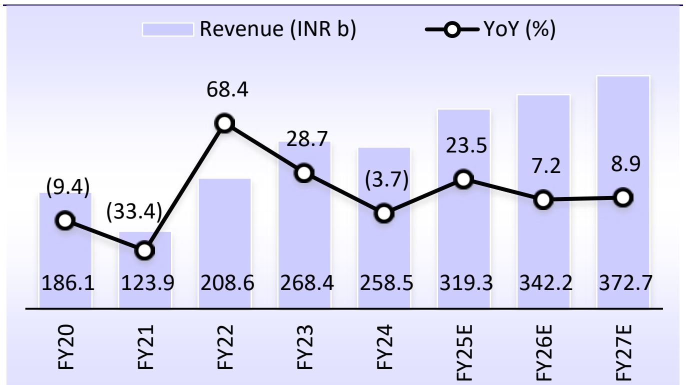
- The finance cost increased 20% YoY to INR4.4b due to higher interest rates (average cost of borrowing increased to 7.50% in FY24 vs. 7.07% in FY23) and an increase in gross debt. Adjusted PAT (adj. for tax write-back and INR7.2b write-offs toward the subsidiary) dipped 23% YoY to INR16b.

Exhibit 39: Common-size analysis (standalone) – EBITDA margin declined due to lower realization

Particulars (INR b)	FY18	%	FY19	%	FY20	%	FY21	%	FY22	%
Net Revenue	**186.1**	**100**	**123.9**	**100**	**208.6**	**100**	**268.4**	**100**	**258.5**	**100**
Raw materials (incl. a change-in-inventory)	91.9	49	55.5	45	94.1	45	129.0	48	135.3	52
Power and fuel	29.9	16	20.8	17	34.3	16	47.5	18	40.2	16
Freight and forwarding	3.3	2	3.4	3	8.7	4	11.2	4	10.8	4
Other expenses	21.6	12	14.7	12	21.5	10	28.7	11	27.6	11
Personnel cost	16.2	9	13.9	11	17.7	9	20.2	8	21.5	8
EBITDA	**23.1**	**12**	**15.6**	**13**	**32.2**	**15**	**31.8**	**12**	**23.2**	**9**
Depreciation	8.5	5	8.3	7	9.1	4	11.0	4	12.2	5
Other income	5.3	3	5.1	4	9.0	4	10.2	4	12.6	5
EBIT	**19.9**	**11**	**12.5**	**10**	**32.0**	**15**	**31.0**	**12**	**23.6**	**9**
Financial charges	3.0	2	2.4	2	2.5	1	3.7	1	4.4	2
PBT (before exceptional items)	**16.9**	**9**	**10.1**	**8**	**29.5**	**14**	**27.3**	**10**	**19.2**	**7**
Exceptional items	2.9	2	0.8	1	0.7	0	0.9	0	7.2	3
PBT	**13.9**	**7**	**9.3**	**8**	**28.8**	**14**	**26.5**	**10**	**12.0**	**5**
Tax	1.2	1	1.2	1	1.9	1	5.2	2	2.6	1
PAT	**12.7**	**7**	**8.1**	**7**	**27.0**	**13**	**21.2**	**8**	**9.5**	**4**
Adjusted PAT	**15.4**	**8**	**8.8**	**7**	**22.3**	**11**	**20.9**	**8**	**16.2**	**6**

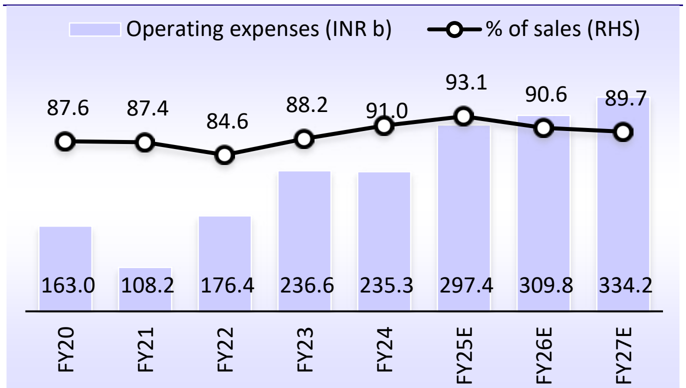
Source: MOFSL, Company

Exhibit 40: Standalone revenue declined 4% YoY in FY24



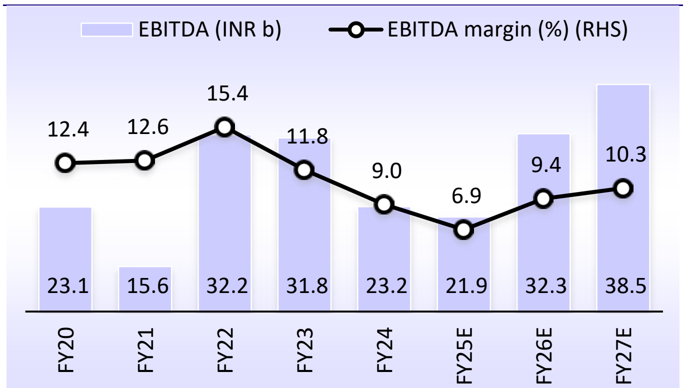
Source: MOFSL, Company; Note FY25-27E included Paints revenue

Exhibit 41: Operating expenses as a percentage of sales



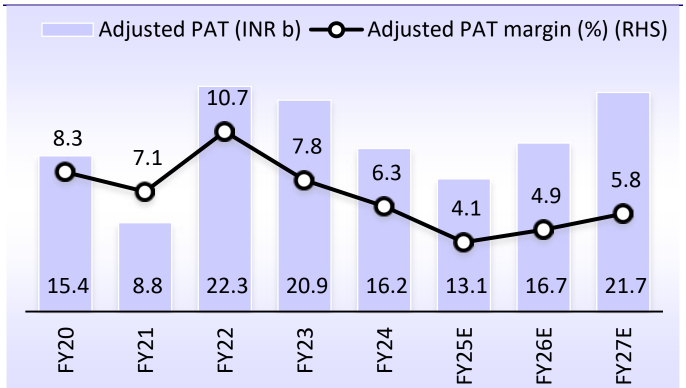
Source: MOFSL, Company

Exhibit 42: EBITDA margin down 2.9pp YoY to 9.0% in FY24



Source: MOFSL, Company; Note FY25-27E include Paints business

Exhibit 43: PAT margin down 1.5pp YoY to 6.3% in FY24



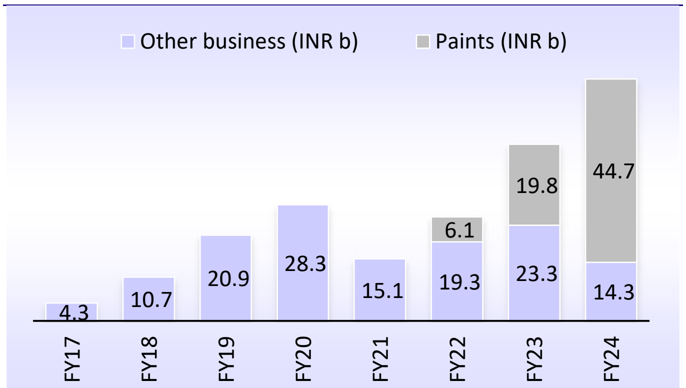
Source: MOFSL, Company; Note FY25-27E include Paints business

Capex, ratios, cash flows, and debt position

Standalone capex stood at INR59.0b in FY24 vs. INR43.1b in FY23, whereas its capex toward growth plans stood at INR50.7b, representing ~86% of its total capex. Budgeted capex toward expansion and modernization stands at INR45.5b for FY25, including capex of INR30.0b for paints.

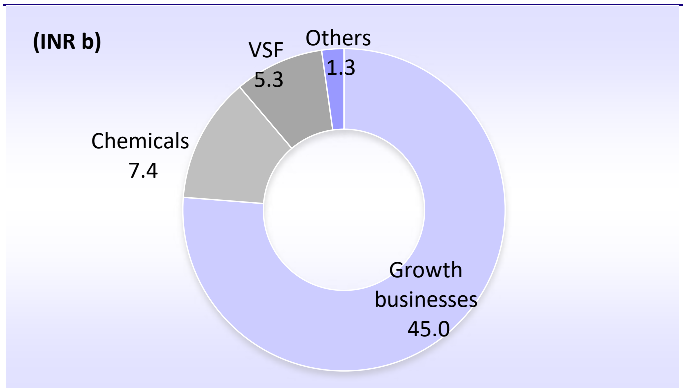
Depreciation stood at INR12.2b in FY24 vs. INR11.0b in FY23 due to an increase in gross block, mainly in the chemical business.

Exhibit 44: Standalone capex trend



Source: MOFSL, Company

Exhibit 45: Business-wise capex in FY24



Source: MOFSL, Company; Note: Growth businesses include Paints and B2B e-commerce and others include textiles, insulators, and others

Standalone RoE contracted 3.2pp YoY to 5.7% in FY24 due to: 1) a 2.5pp contraction in EBIT margin to ~6% on lower realization; 2) increase in finance cost due to higher interest rate and increase in gross debt; and 3) a lower asset turnover ratio on account of a higher growth capex pending for commissioning. The RoE is estimated to remain low due to losses estimated in the paints business in the initial period of operation.

Exhibit 46: DuPont analysis

(%)	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
PAT/PBT ratio	92	82	68	68	75	45	60	68
PBT/EBIT ratio	83	76	90	85	73	48	53	67
EBIT/sales ratio	10	8	12	9	6	4	5	6
Asset turnover ratio (x)	1.0	0.7	1.1	1.2	1.0	1.1	1.1	1.1
Assets/equity ratio (x)	1.5	1.5	1.4	1.4	1.6	1.7	1.6	1.5
RoE	**10.4**	**4.9**	**11.5**	**9.0**	**5.7**	**1.5**	**3.0**	**4.6**

Source: MOFSL, Company; Note: RoE is adjusted for investment in subsidiaries and their related income

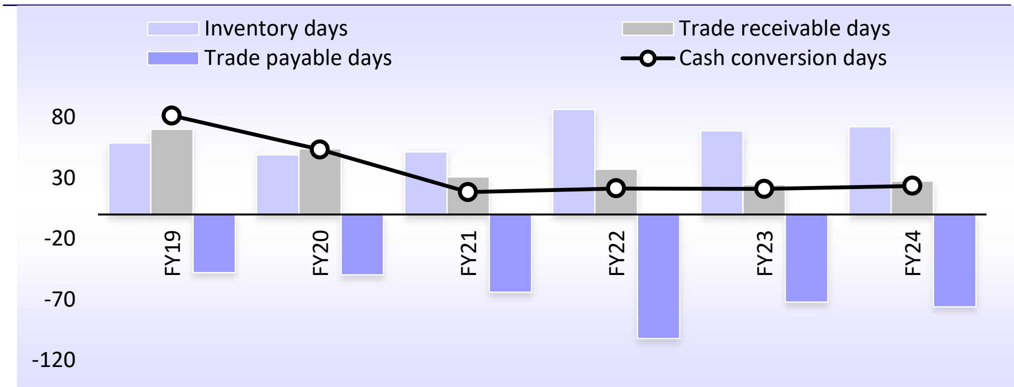
- Receivable days stood at 27 in FY24 vs. 24 in FY23. Inventory days stood at 72 in FY24 vs. 69 in FY23.
- Trade payable days stood at 76 in FY24 vs. 72 in FY23 and its last five-year average of 67.
- GRASIM's working capital days stood at 24 in FY24 vs. 21 in FY23 (vs. average of 52 days over FY18-22).

Exhibit 47: Inventory days increased in FY24 due to higher RM prices

Break-up of inventory days	FY19	FY20	FY21	FY22	FY23	FY24
Raw Materials (RM)	35	24	28	49	36	40
Work-in-progress	4	4	4	5	4	4
Finished goods	11	14	11	20	18	18
Stock-in-trade	1	1	1	1	1	1
Stores and spare parts	8	7	8	11	11	9
Total inventory days	**59**	**50**	**51**	**87**	**69**	**72**

Source: MOFSL, Company

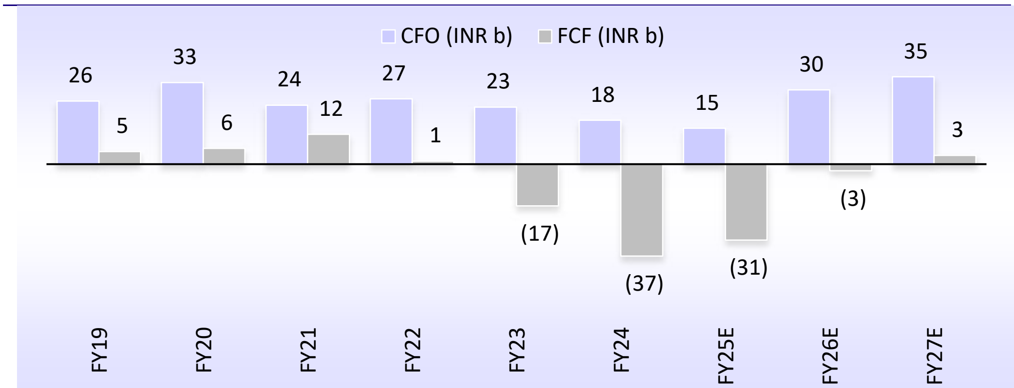
Exhibit 48: WC days stood at 24 in FY24; were range bound in the past few years



Source: MOFSL, Company

GRASIM's OCF witnessed a sharp decline in FY24, mainly due to weak profitability in its existing businesses (VSF and Chemical). Its OCF stood at INR18b in FY24 vs. INR23b in FY23, recording an average OCF of INR26b p.a. over FY19-23. Free cash outflow stood at INR37b vs. INR17b in FY23 owing to a higher capex in growth businesses. We expect cash flows to improve from FY26 onward, aided by improved traction in high-growth businesses.

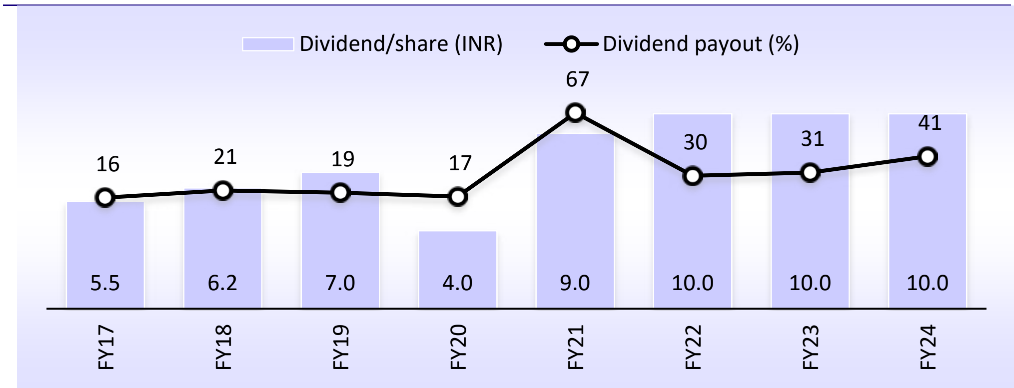
Exhibit 49: OCF declined due to lower profitability; higher capex led to free cash outflow



Source: MOFSL, Company

GRASIM is a regular dividend-paying company. As a percentage of standalone adjusted net profit, dividend payout stood at 41% in FY24 vs. 31% in FY23. The management scaled up its dividend payout from FY21 compared to 16-21% over FY17-20. Further, the company's dividend policy stated a target dividend payout in the range of 25-45% of the standalone PAT.

Exhibit 50: Dividend per share and payout ratio

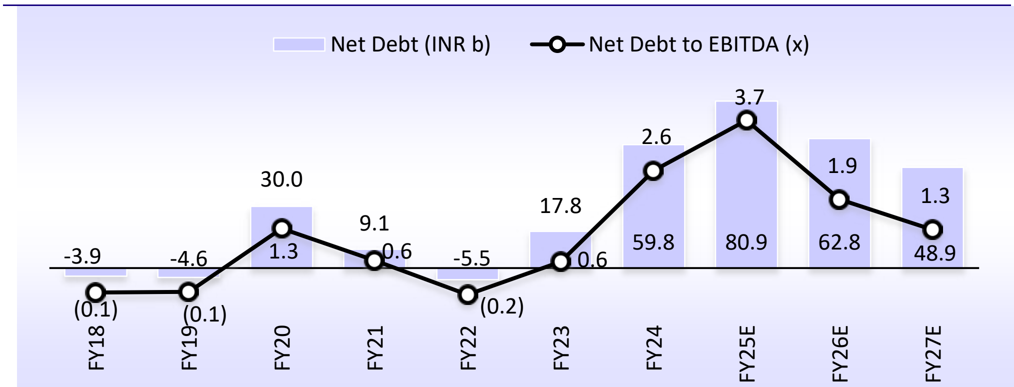


Source: MOFSL, Company; Note: Dividend payout is on adjusted profit from continuing operations

Special event: During the year, GRASIM successfully completed its rights issue of INR40b with an oversubscription of nearly two times. During the year, INR10b was raised as application money, and the balance would be called upon as decided by the Board. The funds raised by this issue are largely used to support the growth capex and repay existing borrowings.

GRASIM's standalone net debt increased to INR59.8b in FY24 vs. INR17.8b in FY23. This is attributed to lower profitability in the VSF and chemical segment, which led to lower OCF generation and higher capex toward its high-growth business (Paints). The net debt-to-EBITDA ratio stood at 2.6x in FY24 vs. 0.6x in FY23. We expect its net debt to further increase in FY25 due to higher capex in the Paints business and gradual recovery in the profitability of VSF and Chemical segments.

Exhibit 51: GRASIM net debt increased; expects net debt to peak in FY25

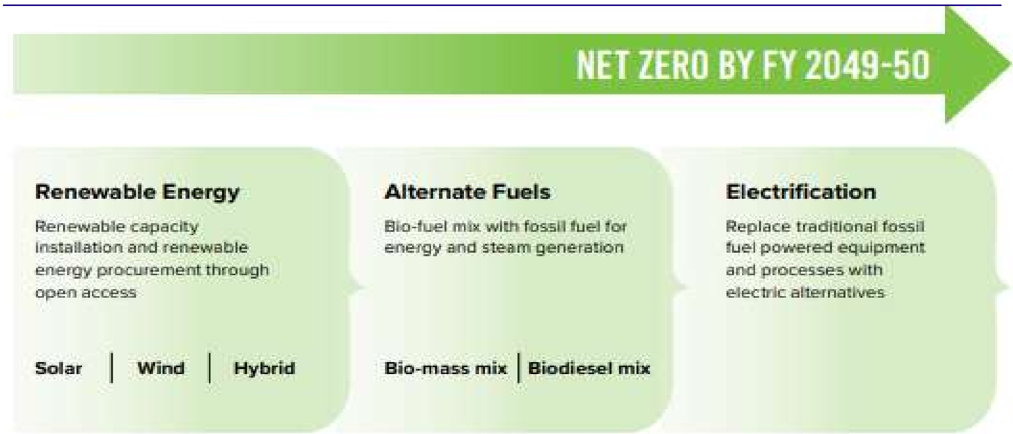


Source: MOFSL, Company

Key sustainability developments and initiatives

- Its key sustainability strategies are: 1) achieving the net zero carbon emissions target by 2050; 2) improving renewable power share in the overall power mix; and 3) decreasing the share of freshwater withdrawal in the total water consumption.
- In an attempt to reduce GHG emissions in its operations, the company has developed a roadmap that incorporates decarburization levers, such as:
  - Expansion of its installed renewable energy capacity (solar, wind, and hybrid renewable power capacity) and exploring partnerships with renewable energy developers, thus reducing reliance on grid and coal-generated power
  - Diversifying its fuel sources by integrating sustainable biomass-derived fuels, such as biofuels, synthetic fuels, and hydrogen, into its production processes; GRASIM Premium Fabric unit uses 100% bio-briquette in its boiler operations
  - Electrification of operational infrastructure, including the use of electric boilers and heat pumps in its chemical and VSF businesses in an effort to replace traditional coal-burning processes; integration of renewable sources and advanced technologies, such as battery storage systems and smart grids, to enhance the reliability and flexibility of operations, thereby accelerating low-carbon transition
- **VSF business:** The business has reduced GHG emission intensity by 17% in FY24 and targets to reach 50% by FY30 over the baseline of FY17. Moreover, it aims to reduce water consumption in the manufacturing process by ~74% YoY by FY24-end. It also targets to reduce water consumption by 50% in its VSF manufacturing process by FY25 over the baseline of FY15.
- **Chemical business:** The business achieved an 18% reduction in Scope 1 & 2 GHG emissions in FY24. It targets a 30% reduction of GHG emissions of the main product (Scope 1 & 2) by FY30 over the base of FY17. It has achieved RE power share of 13% in FY24 and aims to further increase the share to 25% by FY25E. Moreover, the business achieved a 16% reduction in freshwater consumption by FY24-end. It targets to reduce freshwater consumption of its key products by 30% by FY25 over the baseline of FY17.

Exhibit 52: Path to net zero carbon company



Source: MOFSL, Company

High-growth businesses gaining traction; reiterate BUY

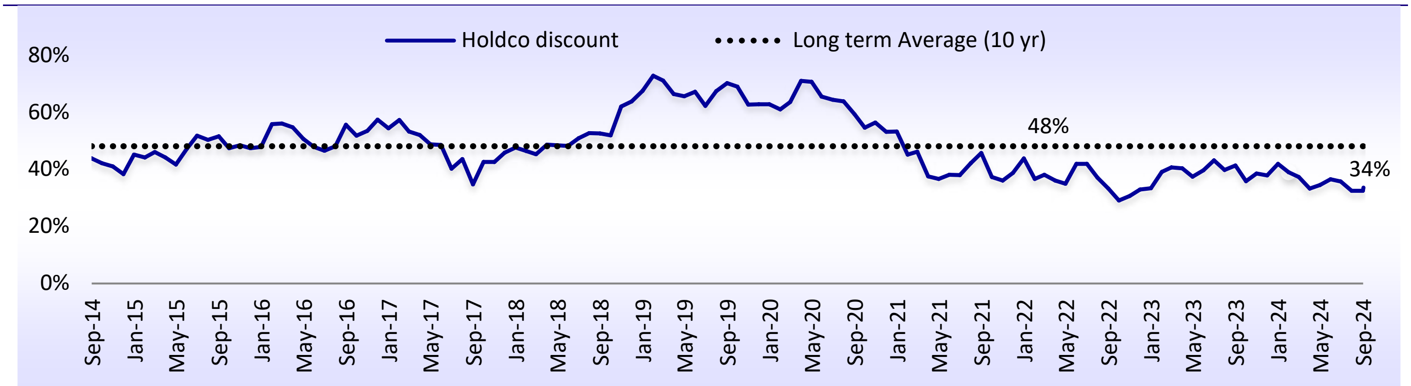
- In FY24, GRASIM's core operating businesses (VSF and Chemical) were under pressure due to lower realizations. We estimate a gradual improvement in VSF margins with an improvement in VSF prices. Moreover, we estimate an improvement in the chemical segment margin, driven by higher caustic soda realization and improved margins of chlorine derivatives.
- In the paints business, the company has successfully launched its initial product campaigning, and its 'Make Life Beautiful' advertisement received a positive response from the customers. Furthermore, its B2B e-commerce business recorded a quarterly revenue run-rate of INR5.5b with a gradual scale-up across categories, geographies, and new customers. As the company's high-growth businesses commence operations, it would be notable to monitor revenue traction in both businesses.
- We **reiterate our BUY rating** with a TP of INR3,160 as we value its: 1) holding in subsidiary companies by assigning a discount of 35%; 2) standalone business at 7x Sep'26E EV/EBITDA, and 3) Paints business at 1.5x of investments.

Exhibit 1: SoTP valuation

Particulars	Valuation method	Unit	Sep'26E	INR/share
UTCEM's m-cap based on TP		INR b	3,926	
Holding company discount		%	35	
GRASIM's stake		%	57	
Value of its cement stake		**INR b**	**1,462**	
Value/share	**35% HoldCo discount to our TP**	**INR**		**2,150**
Value of standalone business (excluding-Paint)		INR b	316	
Value/share	**7x for the standalone business**			**460**
Value of listed investments		INR b	126	
Holding company discount		%	35	
Assigned value to listed investments		**INR b**	**82**	
Value/share	**35% HoldCo discount on the CMP**	**INR**		**120**
Standalone net debt		INR b	(56)	
Value/share		**INR**		**(82)**
ABCAP		INR b	590	
Holding company discount		%	35	
GRASIM's stake		%	53	
Value of ABCAP's stake in GRASIM		**INR b**	**202**	
Value/share	**35% HoldCo discount on the CMP**	**INR**		**295**
Paint Business	**1.5x of invested capital**	INR b	147	
Value/share		**INR**		**217**
SoTP-based TP		**INR**		**3,160**

Source: MOFSL, Company

Exhibit 53: Holding company discount at 34%; below the long-term average



Source: Company, MOFSL

Financials and valuations

Standalone Income Statement (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Net Sales	**1,86,094**	**1,23,864**	**2,08,568**	**2,68,397**	**2,58,473**	**3,19,258**	**3,42,151**	**3,72,652**
Change (%)	*(9.4)*	*(33.4)*	*68.4*	*28.7*	*(3.7)*	*23.5*	*7.2*	*8.9*
Total Expenditure	1,62,989	1,08,220	1,76,407	2,36,598	2,35,313	2,97,379	3,09,850	3,34,192
EBITDA	**23,105**	**15,643**	**32,162**	**31,799**	**23,160**	**21,879**	**32,302**	**38,460**
Change (%)	*(43.2)*	*(32.3)*	*105.6*	*(1.1)*	*(27.2)*	*(5.5)*	*47.6*	*19.1*
Margin (%)	*12.4*	*12.6*	*15.4*	*11.8*	*9.0*	*6.9*	*9.4*	*10.3*
Depreciation	8,468	8,282	9,140	10,973	12,151	15,637	19,395	21,171
EBIT	**14,638**	**7,362**	**23,022**	**20,826**	**11,010**	**6,243**	**12,906**	**17,290**
Int. and Finance Charges	3,039	2,360	2,472	3,677	4,404	6,050	8,838	7,606
Other Income - Rec.	5,255	5,137	8,953	10,183	12,566	16,039	16,515	17,104
PBT & EO Items	**16,854**	**10,139**	**29,503**	**27,333**	**19,172**	**16,231**	**20,583**	**26,787**
Change (%)	*(54.2)*	*(39.8)*	*191.0*	*(7.4)*	*(29.9)*	*(15.3)*	*26.8*	*30.1*
Extra Ordinary (income)/expense	2,941	810	691	880	7,156	0	0	0
PBT but after EO Items	**13,913**	**9,329**	**28,812**	**26,452**	**12,016**	**16,231**	**20,583**	**26,787**
Tax	1,214	1,224	1,857	5,215	2,562	3,084	3,911	5,090
Tax Rate (%)	*7.2*	*12.1*	*6.3*	*19.1*	*13.4*	*19.0*	*19.0*	*19.0*
Reported PAT	**12,700**	**8,105**	**26,955**	**21,237**	**9,454**	**13,147**	**16,672**	**21,698**
PAT Adj for EO items	**15,640**	**8,817**	**22,306**	**20,933**	**16,157**	**13,147**	**16,672**	**21,698**
Change (%)	*(34.0)*	*(43.6)*	*153.0*	*(6.2)*	*(22.8)*	*(18.6)*	*26.8*	*30.1*
Margin (%)	*8.4*	*7.1*	*10.7*	*7.8*	*6.3*	*4.1*	*4.9*	*5.8*

Standalone Balance Sheet (INR m)

Y/E March	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
Equity Share Capital	1,316	1,316	1,317	1,317	1,328	1,328	1,361	1,361
Employee Stock options outstanding	527	567	708	708	708	708	708	708
Reserves	3,74,898	4,27,595	4,84,133	4,67,524	5,19,110	5,39,963	5,75,591	6,04,215
Net Worth	**3,76,740**	**4,29,479**	**4,86,158**	**4,69,549**	**5,21,146**	**5,41,999**	**5,77,661**	**6,06,285**
Loans	50,681	41,634	41,208	52,542	94,529	1,11,229	96,729	82,229
Deferred liabilities	14,025	17,339	18,414	15,348	22,971	22,971	22,971	22,971
Capital Employed	**4,41,447**	**4,88,452**	**5,45,779**	**5,37,440**	**6,38,646**	**6,76,199**	**6,97,361**	**7,11,485**
Gross Block	1,54,142	1,48,940	1,95,985	2,20,577	2,41,611	3,48,447	3,83,447	4,15,447
Less: Accum. Deprn.	33,310	39,302	47,435	58,408	70,559	86,195	1,05,591	1,26,761
Net Fixed Assets	**1,20,832**	**1,09,637**	**1,48,549**	**1,62,169**	**1,71,052**	**2,62,252**	**2,77,856**	**2,88,686**
Capital WIP	27,919	40,334	17,428	29,257	71,310	10,000	8,000	8,000
Non-Current Investments /Strategic	2,56,621	3,05,230	3,39,418	3,08,412	3,62,918	3,62,918	3,62,918	3,62,918
Current - Financial	20,504	41,553	47,490	30,556	29,204	29,204	29,204	29,204
Curr. Assets	**69,070**	**46,827**	**73,477**	**91,378**	**1,06,895**	**1,01,878**	**1,15,876**	**1,24,528**
Inventory	26,262	21,790	39,408	44,928	52,150	49,068	54,362	58,751
Account Receivables	29,053	13,120	16,904	15,973	19,743	18,203	20,839	22,521
Cash and Bank Balance	789	1,327	2,253	4,744	3,096	1,086	4,748	4,128
Others	12,965	10,590	14,912	25,734	31,905	33,522	35,926	39,128
Curr. Liability & Prov.	**53,499**	**55,130**	**80,583**	**84,332**	**1,02,732**	**90,052**	**96,493**	**1,01,851**
Account Payables	26,648	27,069	46,507	47,112	54,826	54,608	60,705	65,605
Provisions	5,514	3,250	3,419	3,866	8,385	4,789	5,132	5,590
Other Liabilities	21,337	24,811	30,656	33,353	39,521	30,656	30,656	30,656
Net Current Assets	**15,571**	**-8,303**	**-7,105**	**7,046**	**4,163**	**11,825**	**19,383**	**22,677**
Appl. of Funds	**4,41,447**	**4,88,452**	**5,45,779**	**5,37,440**	**6,38,646**	**6,76,199**	**6,97,361**	**7,11,485**

Financials and valuations

Standalone Ratios								
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
Share price								
EPS	**23.8**	**13.4**	**33.9**	**31.8**	**24.3**	**19.8**	**24.5**	**31.9**
Cash EPS	36.6	26.0	47.8	48.5	42.6	43.3	53.0	63.0
BV/Share	572.7	652.6	738.4	713.1	784.9	816.3	848.8	890.9
DPS	7.0	9.0	10.0	10.0	10.0	6.0	6.5	7.0
Valuation								
P/E	34.3	53.8	16.2	20.5	46.5	33.5	27.0	20.8
Cash P/E	18.2	25.5	13.9	13.7	15.5	15.3	12.5	10.5
P/BV	4.7	4.1	3.6	3.8	3.4	3.3	3.2	3.0
EV/Sales*	0.4	0.4	0.2	0.2	0.4	0.4	0.3	0.2
EV/EBITDA*	3.2	2.8	1.0	1.8	3.3	3.2	2.2	1.7
Dividend Yield (%)	0.3	0.3	0.4	0.4	0.4	0.2	0.2	0.3
Return Ratios (%)								
RoE*	10.3	4.9	11.5	9.0	5.7	1.5	3.0	4.6
RoCE*	9.4	5.3	12.9	11.0	6.6	4.0	5.7	6.8
Working Capital Ratios								
Debtor (Days)	54	31	37	24	27	23	23	23
Asset Turnover (x)	0.4	0.3	0.4	0.5	0.4	0.5	0.5	0.5
Leverage Ratio								
Debt/Equity	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.1

*calculated for standalone business

Standalone Cash Flow Statement								(INR m)
Y/E March	**FY20**	**FY21**	**FY22**	**FY23**	**FY24**	**FY25E**	**FY26E**	**FY27E**
OP/(Loss) Before Tax	12,916	9,329	28,812	26,452	12,016	16,231	20,583	26,787
Depreciation	8,135	8,282	9,140	10,973	12,151	15,637	19,395	21,171
Interest & Finance Charges	(249)	(421)	(4,552)	(4,184)	(5,260)	(4,556)	(1,973)	(3,515)
Direct Taxes Paid	(2,183)	(1,786)	(6,502)	(4,071)	(573)	(3,084)	(3,911)	(5,090)
(Inc)/Dec in WC	12,611	9,350	132	(5,426)	(5,965)	(9,673)	(3,894)	(3,915)
CF from Operations	**31,231**	**24,754**	**27,029**	**23,744**	**12,368**	**14,555**	**30,200**	**35,438**
Others	1,919	(780)	(467)	(556)	5,408	-	-	-
CF from Operating incl EO	**33,150**	**23,974**	**26,562**	**23,188**	**17,776**	**14,555**	**30,200**	**35,438**
(Inc)/Dec in FA	(26,823)	(11,932)	(25,382)	(40,225)	(55,260)	(45,527)	(33,000)	(32,000)
Free Cash Flow	**6,328**	**12,041**	**1,181**	**(17,036)**	**(37,484)**	**(30,972)**	**(2,800)**	**3,438**
(Pur)/Sale of Investments	127	102	66	111	271	-	-	-
Others	(17,904)	(10,249)	(9,541)	18,211	(874)	10,606	10,811	11,121
CF from Investments	**(44,600)**	**(22,079)**	**(34,857)**	**(21,902)**	**(55,863)**	**(34,921)**	**(22,189)**	**(20,879)**
Issue of Shares	90	126	(425)	(902)	9,376	11,690	23,413	11,690
Inc/(Dec) in Debt	17,127	(9,384)	(583)	11,306	42,023	16,700	(14,500)	(14,500)
Interest Paid	(2,130)	(3,241)	(843)	(5,478)	(6,419)	(6,050)	(8,838)	(7,606)
Dividend Paid	(5,155)	(2,622)	(5,915)	(6,574)	(6,577)	(3,984)	(4,423)	(4,764)
Others	-	-	-	-	-	-	-	-
CF from Fin. Activity	**9,932**	**(15,120)**	**(7,766)**	**(1,648)**	**38,404**	**18,356**	**(4,349)**	**(15,180)**
Inc/Dec of Cash	**(1,517)**	**(13,226)**	**(16,061)**	**(362)**	**317**	**(2,010)**	**3,663**	**(621)**
Opening Balance	195	510	692	5,106	2,779	3,096	1,086	4,748
Add: Cash on amalgamation	1,832	13,408	15,895	-	-	-	-	-
Closing Balance	**510**	**692**	**527**	**4,744**	**3,096**	**1,086**	**4,748**	**4,128**

NOTES

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Investment Rating	**Expected return (over 12 months)**
BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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