

Grasim Industries

BSE SENSEX
81,820

S&P CNX
25,057



Stock Info

Bloomberg	GRASIM IN
Equity Shares (m)	681
M.Cap.(INRb)/(USDb)	1841.5 / 21.9
52-Week Range (INR)	2878 / 1821
1, 6, 12 Rel. Per (%)	-1/10/12
12M Avg Val (INR M)	2050
Free float (%)	56.9

Financials Snapshot (INR b)

Y/E MARCH	FY25E	FY26E	FY27E
Sales	315.4	355.3	398.1
EBITDA	19.6	30.1	38.8
Adj. PAT	12.0	16.5	23.4
EBITDA Margin (%)	6.2	8.5	9.7
S/A Adj. EPS (INR)	18.1	24.3	34.4
S/A EPS Gr. (%)	(25.6)	34.1	41.9
Consol EPS (INR)	89.4	104.9	122.9
BV/Sh. (INR)	814.6	847.0	891.6

Ratios

Net D:E	0.1	0.1	0.1
RoE (%)	0.8	2.5	4.7
RoCE (%)	3.5	5.3	6.9

Valuations

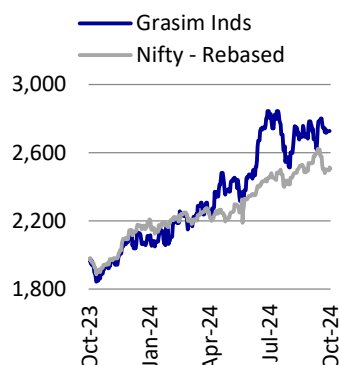
P/E (x)	39.0	29.1	20.5
P/BV (x)	3.5	2.6	1.9
EV/EBITDA (x)	0.2	0.2	0.3
Div. Yield (%)	(1.8)	(0.5)	0.2
FCF Yield (%)	315.4	355.3	398.1

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)



CMP: INR2,736

TP: INR3,270 (+20%)

Buy

Core businesses seeing recovery; Paints on track

Price increase in VSF and caustic soda to drive margin improvement

- Grasim Industries (GRASIM) should benefit from the price increases in the VSF and Chemical segments. The average VSF price in China was up ~4% QoQ in 2QFY25, while the spot price is now further up ~3% vs. 2QFY25 average. Though the caustic soda average price in 2QFY25 was flat QoQ, the spot price is now up ~2% vs. the 2QFY25 average.
- The company's VSF capacity utilization reached ~96% in FY24. Currently, it is exploring debottlenecking opportunities to drive volume growth in the VSF segment. Further, the company is expanding its caustic soda capacity by ~13% to 1.5mtpa by FY26 to maximize the scale advantages and gain market share. We estimate the company's core businesses (largely VSF and Chemical) to clock a ~14% EBITDA CAGR over FY24-27E vs. a decline of ~6% p.a. over FY22-24.
- Our interaction suggests that Birla Opus has seen a pickup in inquires of its products across the portfolio. Its marketing strategies, e.g., 15% more coverage area, 10% free paint offers, etc., are driving initial demand, and it is considered a cost-effective option. A few dealers have noted that its project segment is performing well, while retail growth has been relatively modest. The company aims to increase its paint business revenue to INR100b and break even within the first three years of full-scale operation.
- We raised our EBITDA estimates by ~2% for FY26/FY27 each, led by an expected recovery in core businesses. Further, management targets for the paint business are more aggressive, and if achieved, will lead to upgrades in our estimates for the paint business. **We maintain our BUY** rating with a TP of INR3,270 as we value its: 1) holdings in listed subsidiary companies by assigning a discount of 35%, 2) standalone business at 7x Sep'26E EV/EBITDA, 3) paint business at 2.0x of investments, and 4) renewable business at 12x Sep'26E EV/EBITDA.

VSF capacity utilization remains high; margin will also improve

- Over the last one year, VSF prices were under pressure due to subdued demand in China and cheaper imports. However, the VSF price in China has increased to RMB13,710 currently from its low of RMB12,400 at the beginning of Aug'23. The average VSF price in China was up ~4% QoQ in 2QFY25, while the spot price is now further up ~3% vs. 2QFY25 average.
- We expect VSF profit to improve in 2HFY25, aided by price increases and the company's focus on speciality products. In VSF, we estimate EBITDA/kg of INR24 in 2HFY25 vs. INR20 in 1HFY25. Further, we estimate average EBITDA/kg of INR25/INR28 in FY26/FY27 vs. INR22 in FY25E (an average of INR21/kg during FY20-24).
- The company is yet to announce capacity expansion in the VSF segment. Though it is currently exploring debottlenecking opportunities to drive growth. We estimate its VSF capacity utilization to remain high and report

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~3% volume CAGR over FY24-27. We estimate VSF revenue/EBITDA CAGR of ~5%/15% over FY24-27 and EBITDA margin to improve to ~15% by FY27E vs. ~12% in FY24.

Chemical segment capacity expansion to aid growth

- GRASIM doubled its specialty chemicals capacity to 246ktpa in FY24. It is expanding its caustic soda capacity to 1.5mtpa by FY26E from 1.4mtpa currently to maximize the scale advantages and gain market share. Further, the company is setting up an ECH plant (50ktpa) and a CPVC resin plant (phase I of 50ktpa) at Vilayat to increase its chlorine derivatives capacity to 1.2mtpa by FY28E from 1.0mtpa currently.
- It is focusing on ramping up the utilization of expanded capacity of speciality chemicals, increasing the chlorine integration to 70% (vs. 62%/65% achieved in FY24/1QFY25) after the commissioning of ongoing projects, and increasing the renewable power share to +25% from ~13% in FY24.
- The caustic soda price increased to INR41/kg in Sep'24 (19-month high level) from its low of INR30/kg in Jul'23, which will help to increase margins. In the chemical segment, we estimate a CAGR of ~8%/18% in revenue/EBITDA over FY24-27E, driven by volume/realization growth of ~4% (each). We estimate EBITDA margin to improve to ~17% by FY27E vs. ~13% in FY24.

Paint business on track; initial response is positive

- Our interaction suggests that Birla Opus has seen a pickup in inquiries of its products across the portfolio. Distribution was delayed by inventory issues three to four months ago, which has now stabilized. A few dealers have indicated Birla Opus exterior paints are fully stocked, while primers and wood coatings are unavailable, limiting their product range in certain categories.
- Birla Opus's pricing is ~4-5% lower than peers', over and above the 10% free paint. Further, it offers painters an incentive of ~5-7%, which is higher than ~2-3% offered by peers. It gives dealers/distributors flexibility to carry forward point-based incentives, whereas its peers only allow these points to be used in the same year or they lapse. Birla Opus is working to enhance its service efficiency by setting up local depots, enabling faster delivery, and offering competitive pricing.
- The company recently launched a new campaign titled '**Naye Zamane ka Naya Paint**' or '**New Paint for the New Era**' with prominent celebrities Vicky Kaushal and Rashmika Mandanna as brand ambassadors.
- We estimate the company's paint business revenue to reach INR60b and the business to be EBITDA positive in FY28. The company's internal target (INR100b by FY28) is more aggressive and, if achieved, will lead to upgrades in our estimates for the paint business.

Expanding renewable power capacity to 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 and external entities.
- Its renewable power cumulative installed capacity stood at 946MW (43% is with group companies). It targets to increase renewable power capacity to 2GW by

CY24-end. The company aims to add more renewable power capacity beyond 2GW in the next two-three years; however, details have not been communicated so far.

- We value the renewable business at 12x Sep'26E EV/EBITDA (considering 2GW capacity) to arrive at a valuation of INR40/share in our SOTP.

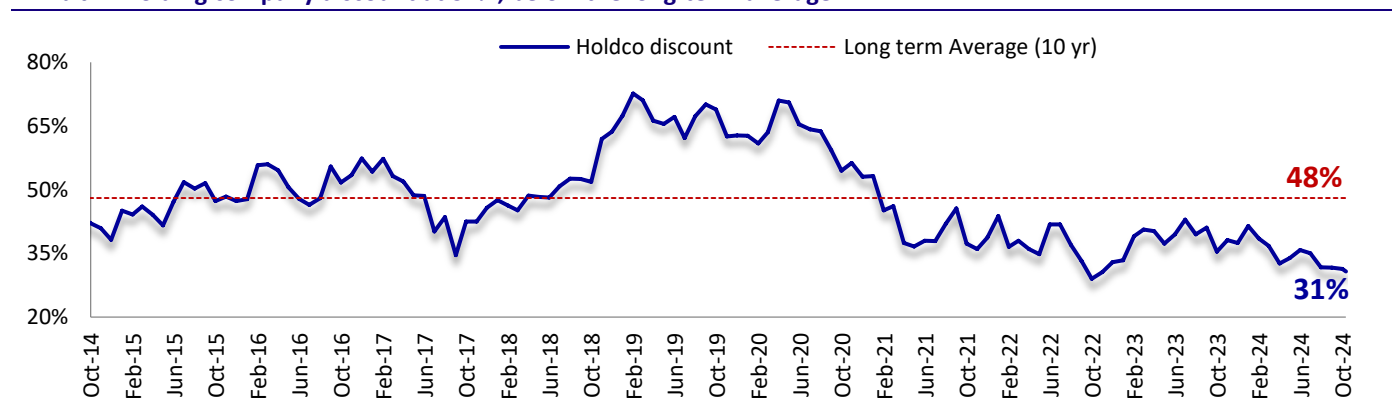
Valuation and view

- We raised our EBITDA estimates by ~2% for FY26/27 each, led by a recovery in core businesses. We estimate the company's core businesses (largely VSF and Chemical) to report a ~14% EBITDA CAGR over FY24-27E vs. a decline of ~6% p.a. over FY22-24. We estimate the company's net debt to peak out in FY25 as the core businesses start to recover in 2HFY25 and its initial capex commitment of INR100b in paint business ends by FY25-end.
- **We reiterate our BUY** rating with a TP of INR3,270, as we value its: 1) holdings in listed subsidiary companies by assigning a discount of 35%, 2) standalone business at 7x Sep'26E EV/EBITDA, 3) paint business at 2.0x of investments, and 4) renewable business at 12x Sep'26E EV/EBITDA.

Exhibit 1: SoTP-based 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	298	
Value/share	7x for the standalone business			440
Value of listed investments		INR b	119	
Holding company discount		%	35	
Assigned value to listed investments		INR b	77	
Value/share	35% HoldCo discount on the CMP	INR		113
Standalone net debt		INR b	(57)	
Value/share		INR		(84)
ABCAP		INR b	620	
Holding company discount		%	35	
GRASIM's stake		%	53	
Value of ABCAP's stake in GRASIM		INR b	212	
Value/share	35% HoldCo discount on the CMP	INR		312
Paint Business		INR b	200	
Value/share	2x of invested capital	INR		295
Renewable Business		INR b	30	
Value/share	12x EV/EBITDA	INR		44
SoTP-based TP		INR		3,270

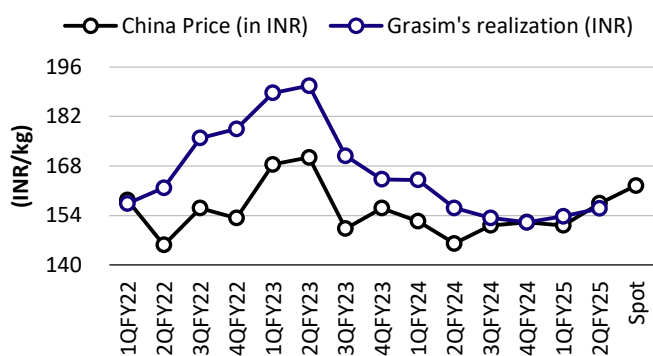
Exhibit 2: Holding company discount at 31%; below the long-term average



Source: Company, MOFSL

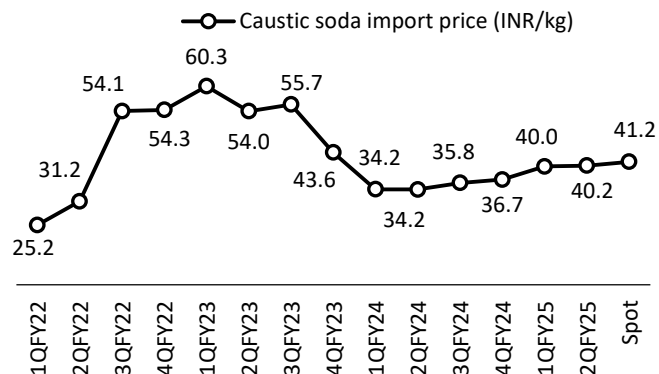
Story in charts

Exhibit 3: VSF price improves in 2QFY25



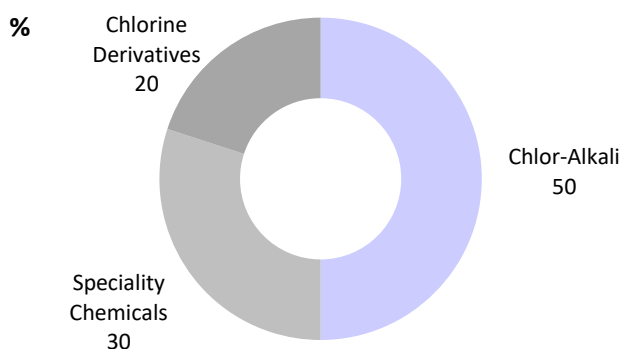
Source: MOFSL, Industry

Exhibit 4: Caustic soda price also improves



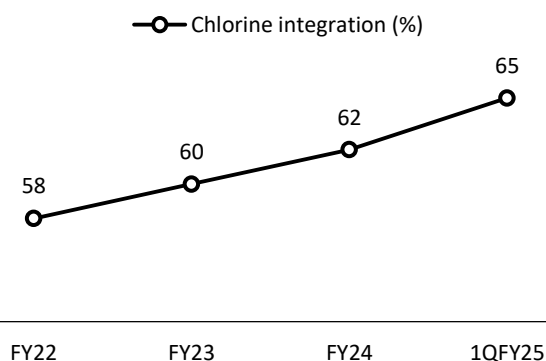
Source: Bloomberg, MOFSL

Exhibit 5: Chemical business revenue mix (%) in 1QFY25



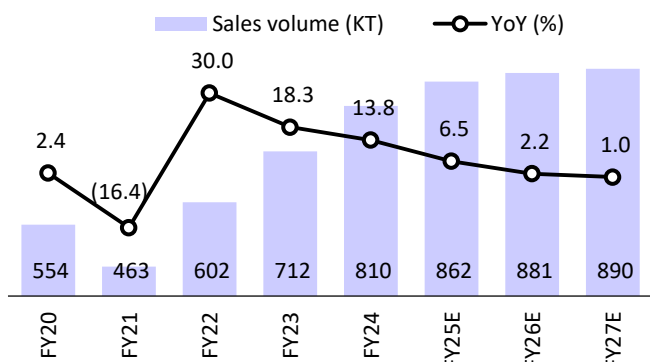
Source: MOFSL, Company

Exhibit 6: Chlorine integration increases



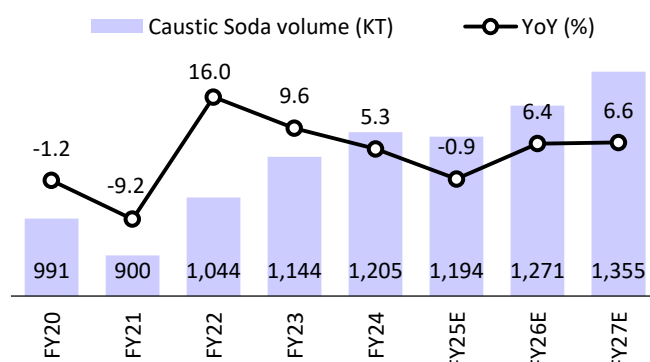
Source: MOFSL, Company

Exhibit 7: Estimate VSF volume CAGR at ~3% over FY24-27



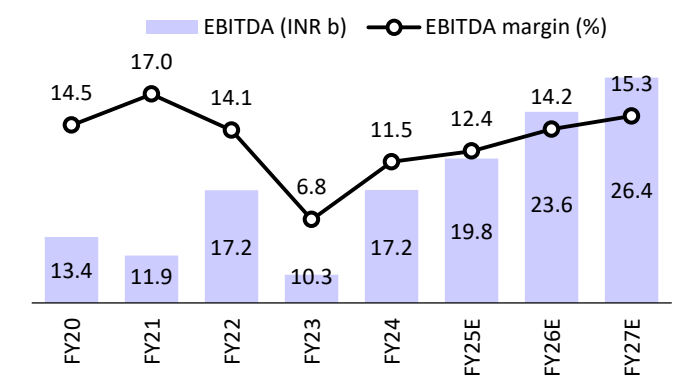
Source: MOFSL, Company

Exhibit 8: Chemicals volume CAGR at ~4% over FY24-27E



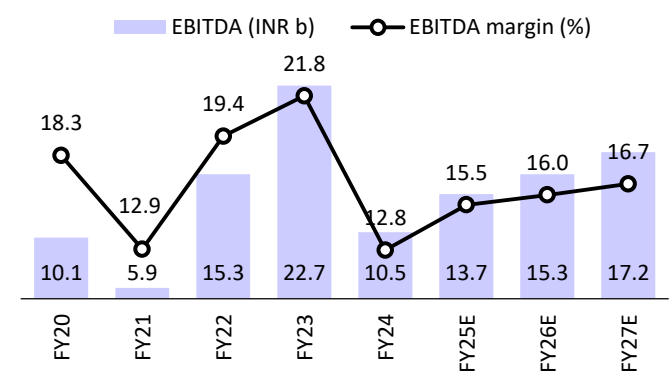
Source: MOFSL, Company

Exhibit 9: VSF segment EBITDA and margin estimates



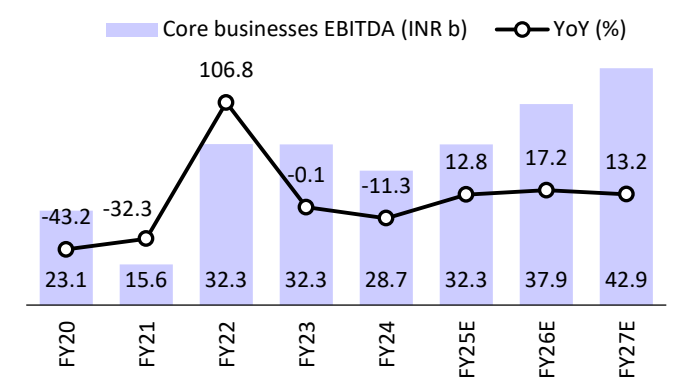
Source: MOFSL, Company

Exhibit 10: Chemical segment EBITDA and margin estimates



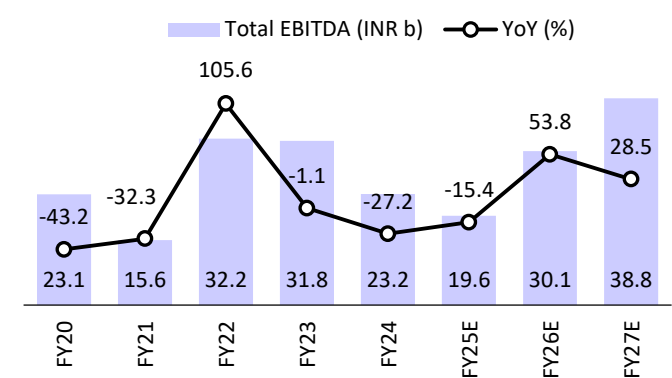
Source: MOFSL, Company

Exhibit 11: Estimate core business EBITDA CAGR at ~14%



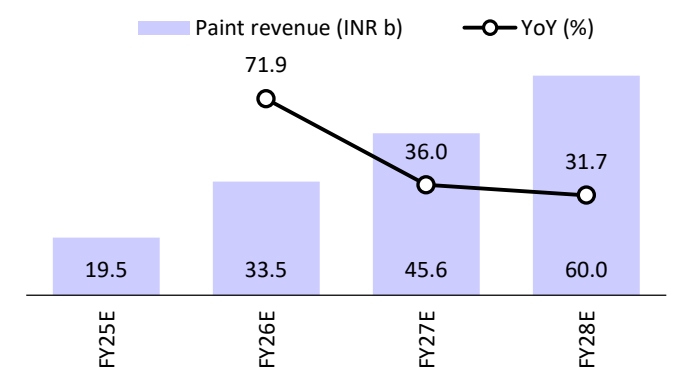
Source: MOFSL, Company

Exhibit 12: Total EBITDA to improve from FY26E



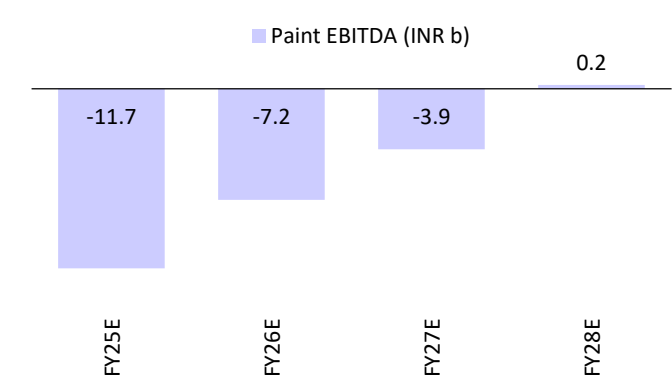
Source: MOFSL, Company

Exhibit 13: Paint business revenue estimates



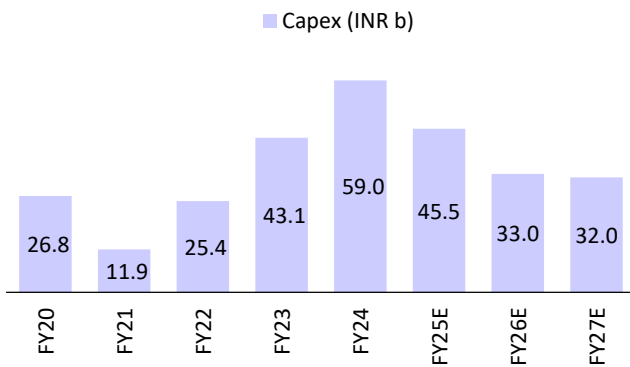
Source: MOFSL, Company

Exhibit 14: Estimate Paint business EBITDA positive in FY28



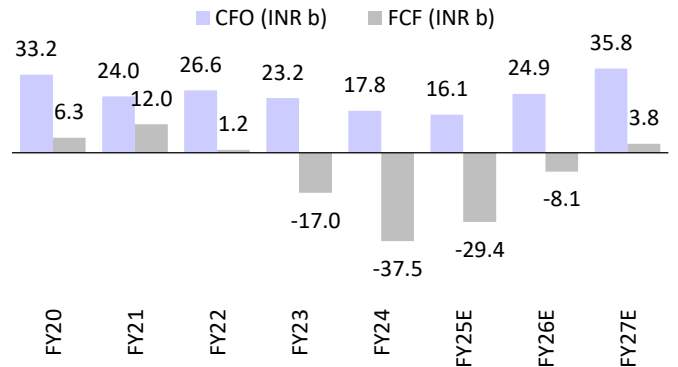
Source: MOFSL, Company

Exhibit 15: Standalone capex trend



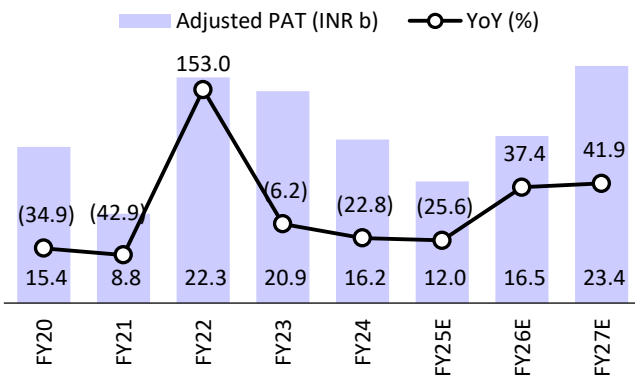
Source: MOFSL, Company

Exhibit 16: Estimate OCF/FCF to improve from FY26



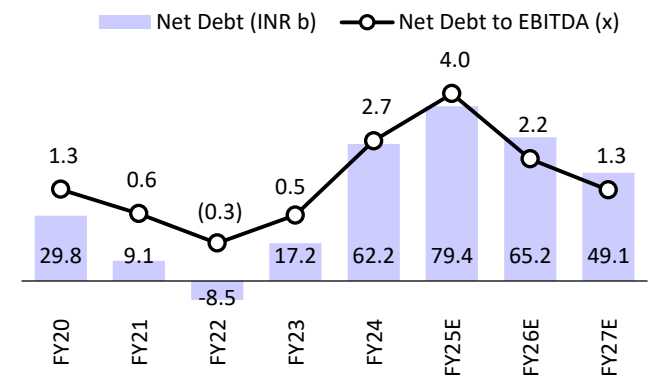
Source: MOFSL, Company

Exhibit 17: Estimates adj. PAT CAGR of ~13% over FY24-27



Source: MOFSL, Company

Exhibit 18: Net debt is estimated to peak out in FY25



Source: MOFSL, Company

Financials and Valuation

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	3,15,352	3,55,318	3,98,065
Change (%)	(9.4)	(33.4)	68.4	28.7	(3.7)	22.0	12.7	12.0
Total Expenditure	1,62,989	1,08,220	1,76,407	2,36,598	2,35,313	2,95,752	3,25,170	3,59,313
EBITDA	23,105	15,643	32,162	31,799	23,160	19,599	30,148	38,752
Change (%)	(43.2)	(32.3)	105.6	(1.1)	(27.2)	(15.4)	53.8	28.5
Margin (%)	12.4	12.6	15.4	11.8	9.0	6.2	8.5	9.7
Depreciation	8,468	8,282	9,140	10,973	12,151	14,751	18,663	21,171
EBIT	14,638	7,362	23,022	20,826	11,010	4,848	11,484	17,581
Int. and Finance Charges	3,039	2,360	2,472	3,677	4,404	6,050	8,398	7,318
Other Income - Rec.	5,255	5,137	8,953	10,183	12,566	16,039	17,306	18,679
PBT & EO Items	16,854	10,139	29,503	27,333	19,172	14,836	20,392	28,941
Change (%)	(54.2)	(39.8)	191.0	(7.4)	(29.9)	(22.6)	37.4	41.9
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	14,836	20,392	28,941
Tax	1,214	1,224	1,857	5,215	2,562	2,819	3,874	5,499
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	12,017	16,517	23,443
PAT Adj for EO items	15,640	8,817	22,306	20,933	16,157	12,017	16,517	23,443
Change (%)	(34.0)	(43.6)	153.0	(6.2)	(22.8)	(25.6)	37.4	41.9
Margin (%)	8.4	7.1	10.7	7.8	6.3	3.8	4.6	5.9

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	5,38,833	5,74,307	6,04,675
Net Worth	3,76,740	4,29,479	4,86,158	4,69,549	5,21,146	5,40,869	5,76,376	6,06,745
Loans	50,681	41,634	41,208	52,542	94,529	1,11,229	98,729	84,229
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	6,75,069	6,98,076	7,13,945
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	85,310	1,03,974	1,25,144
Net Fixed Assets	1,20,832	1,09,637	1,48,549	1,62,169	1,71,052	2,63,137	2,79,473	2,90,303
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	1,06,510	1,26,127	1,40,646
Inventory	26,262	21,790	39,408	44,928	52,150	51,880	60,636	68,114
Account Receivables	29,053	13,120	16,904	15,973	19,743	20,438	23,887	26,833
Cash and Bank Balance	789	1,327	2,253	4,744	3,096	2,657	4,296	5,892
Others	12,965	10,590	14,912	25,734	31,905	31,535	37,308	39,806
Curr. Liability & Prov.	53,499	55,130	80,583	84,332	1,02,732	96,699	1,07,646	1,17,125
Account Payables	26,648	27,069	46,507	47,112	54,826	61,313	71,661	80,498
Provisions	5,514	3,250	3,419	3,866	8,385	4,730	5,330	5,971
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	9,811	18,481	23,520
Appl. of Funds	4,41,447	4,88,452	5,45,779	5,37,440	6,38,646	6,75,069	6,98,076	7,13,945

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	18.1	24.3	34.4
Cash EPS	36.6	26.0	47.8	48.5	42.6	40.3	51.7	65.6
BV/Share	572.7	652.6	738.4	713.1	784.9	814.6	847.0	891.6
DPS	7.0	9.0	10.0	10.0	10.0	6.0	6.5	7.0
Valuation								
P/E	36.6	57.3	17.2	21.9	49.6	39.0	29.1	20.5
Cash P/E	19.4	27.2	14.8	14.6	16.6	17.5	13.7	10.8
P/BV	4.8	4.2	3.7	3.8	3.5	3.3	3.2	3.1
EV/Sales*	0.4	0.4	0.2	0.3	0.4	0.4	0.3	0.2
EV/EBITDA*	3.4	3.1	1.2	1.9	3.5	3.5	2.6	1.9
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	0.8	2.5	4.7
RoCE*	9.4	5.3	12.9	11.0	6.6	3.5	5.3	6.9
Working Capital Ratios								
Debtor (Days)	54	31	37	24	27	26	26	26
Asset Turnover (x)	0.4	0.3	0.4	0.5	0.4	0.5	0.5	0.6
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	14,836	20,392	28,941
Depreciation	8,135	8,282	9,140	10,973	12,151	14,751	18,663	21,171
Interest & Finance Charges	(249)	(421)	(4,552)	(4,184)	(5,260)	(4,556)	(3,203)	(5,378)
Direct Taxes Paid	(2,183)	(1,786)	(6,502)	(4,071)	(573)	(2,819)	(3,874)	(5,499)
(Inc)/Dec in WC	12,611	9,350	132	(5,426)	(5,965)	(6,087)	(7,031)	(3,443)
CF from Operations	31,231	24,754	27,029	23,744	12,368	16,126	24,946	35,792
Others	1,919	(780)	(467)	(556)	5,408	-	-	-
CF from Operating incl EO	33,150	23,974	26,562	23,188	17,776	16,126	24,946	35,792
(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)	(29,401)	(8,054)	3,792
(Pur)/Sale of Investments	127	102	66	111	271	-	-	-
Others	(17,904)	(10,249)	(9,541)	18,211	(874)	10,606	11,602	12,696
CF from Investments	(44,600)	(22,079)	(34,857)	(21,902)	(55,863)	(34,921)	(21,398)	(19,304)
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	(12,500)	(14,500)
Interest Paid	(2,130)	(3,241)	(843)	(5,478)	(6,419)	(6,050)	(8,398)	(7,318)
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	(1,909)	(14,892)
Inc/Dec of Cash	(1,517)	(13,226)	(16,061)	(362)	317	(439)	1,639	1,596
Opening Balance	195	510	692	5,106	2,779	3,096	2,657	4,296
Add: Cash on amalgamation	1,832	13,408	15,895	-	-	-	-	-
Closing Balance	510	692	527	4,744	3,096	2,657	4,296	5,892

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
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SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
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