

Grasim Industries

BSE SENSEX 81,160 S&P CNX 24,891



Stock Info

Bloomberg	GRASIM IN
Equity Shares (m)	681
M.Cap.(INRb)/(USDb)	1890.9 / 21.3
52-Week Range (INR)	2911 / 2276
1, 6, 12 Rel. Per (%)	-1/3/9
12M Avg Val (INR M)	1759
Free float (%)	56.9

Financials Snapshot (INR b)

Y/E MARCH	2026E	2027E	2028E
Sales	372.4	422.9	478.4
EBITDA	16.5	25.8	34.6
Adj. PAT	6.0	14.5	24.0
EBITDA Margin (%)	4.4	6.1	7.2
S/A Adj. EPS (INR)	8.8	21.3	35.2
S/A EPS Gr. (%)	83.3	141.6	65.5
Consol EPS (INR)	86.0	106.9	129.6
BV/Sh. (INR)	836.0	867.4	895.6

Ratios

Net D:E	0.1	0.1	0.1
RoE (%)	-3.7	-0.7	2.1
RoCE (%)	0.8	3.0	5.2

Valuations

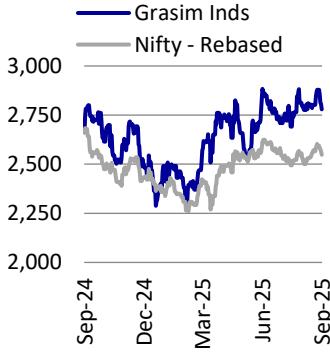
P/E (x)	85.0	35.2	21.3
P/BV (x)	3.3	3.2	3.1
EV/EBITDA (x)	9.3	7.5	6.3
Div. Yield (%)	0.2	0.3	0.3
FCF Yield (%)	-0.9	-0.3	0.6

Shareholding pattern (%)

As On	Jun-25	Mar-25	Jun-24
Promoter	43.1	43.1	43.1
DII	17.9	18.5	16.7
FII	16.2	15.9	17.0
Others	22.7	22.6	23.3

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR2,779

TP: INR3,550 (+28%)

Buy

Market share gain in paints a key near-term priority

Digital certificate and financing scheme now offered for paints

Grasim Industries (GRASIM) organized an interaction with senior management, who shared their perspectives on the Paints business and highlighted new initiatives being implemented in this segment. Management emphasized that gaining market share is a near-term priority, supported by unique industry offerings in product warranties and financing schemes. It believes that offering financing schemes and digital certificates will attract more customers. Further, it remains committed to achieving INR100b in revenue by FY28E (third year of full-scale operations), along with profitability at the operating level.

Introduction of digital certificates: 'Opus Assurance'

- GRASIM has launched an initiative called 'Opus Assurance', aimed at providing improved warranty terms to consumers. Under this initiative, the company will allot a digital certificate to consumers who avail painting services for a paintable area of 2,000 sq. ft. (roughly the size of a 1BHK house in cities like Mumbai).
- Other companies, including GRASIM, have offered warranties on paints; however, these were never registered. Additionally, warranties often came with restrictive terms (e.g., a minimum usage requirement of 40 litres of exterior paint at a particular site), which were frequently difficult to fulfill.
- This scheme will cover the entire painting cost (including labor cost) in the event of paint failure within the covered areas during a certain time period.
- Contractors are required to scan the paint boxes and upload the details on the website; only then will the Opus Assurance certificate be issued.

Financing scheme introduced for painting services

- Birla Opus has introduced financing schemes similar to the models adopted by white goods companies. The company will offer a tax compliance certificate for painting services, which customers can use to avail financing options.
- The company has initially launched financing schemes in its franchisee stores (approximately 350, but will grow to 1,000 in the near future), spread across 500-600 towns. It plans to extend the scheme to contractors later.
- This financing will cover either the complete painting services or just the product. The base interest rate will be 8-9%, and the company has arranged subvention schemes with two banks, allowing customers to pay zero interest when using these schemes. Customers can choose to make payments at the shop or through a payment link.
- In the industry, painting charges are typically ad hoc. Management believes its pricing will remain competitive even after factoring in the GST charges on services (60% of the total painting cost is typically directed towards labor). Management also indicated that it is receiving a large number of leads, with strong conversion rates for customers using the financing schemes.

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

- The company conducted in-depth studies of painting services even prior to its entry into the paints business. This enabled it to offer competitive rates compared to its peers.

Other key points from the discussion

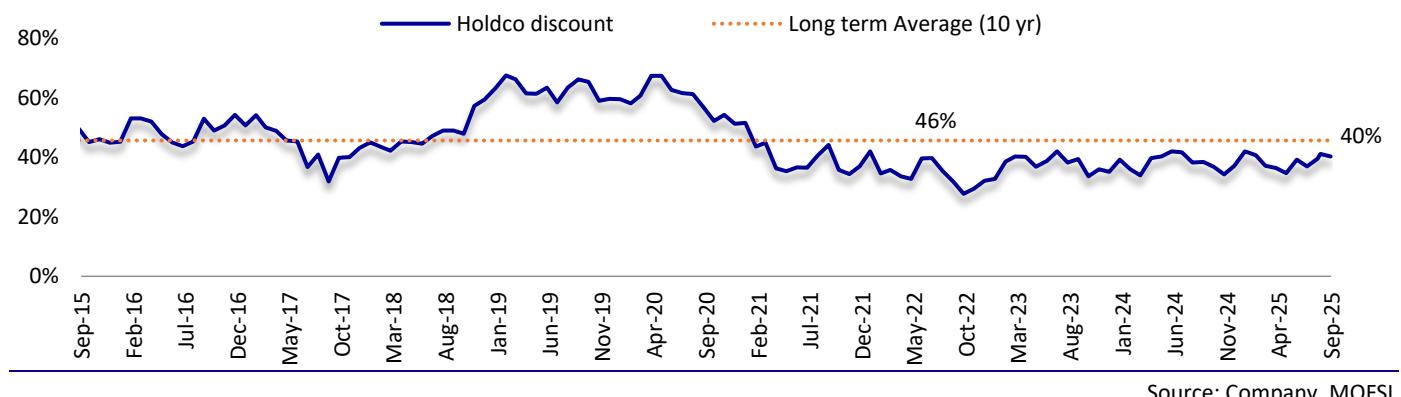
- The organized decorative paints industry is sized at INR560-570b. The unorganized segment's share has declined from ~30% a few years ago to ~25% currently. A large number of industry players hold 1-5% market share, indicating significant scope for industry consolidation. Additionally, many capacities were commissioned long ago, making it challenging to sustain operations at these plants in the long run. Favorable commodity prices over the past year have benefited unorganized players.
- There has been no escalation in the paints business project cost of INR100b. The company maintains its guidance to achieve INR100b in revenue by FY28, and at that scale, the business is expected to be profitable at the operating level. Reaching this scale will position the company as the No. 2 player in the decorative paints segment. The short- to medium-term focus will remain on gaining market share.
- The Opus team is training contractors to improve efficiencies and optimize their time. A new laser measurement is being used, which provides a higher accuracy (94-95%) in area measurement.
- Premium products (including the total product portfolio) contribute 65% to the company's revenue. The company continues to offer 10% extra paint in each box, with no changes to this promotion.
- The company's footprint has expanded to over 8,000 towns, reaching around 50,000 dealers. Going forward, the pace of dealer additions will be slow, with a greater focus on increasing revenue per outlet.
- Birla Opus is available in 2,300 color shades with 216 iconic exclusive colors. These exclusive colors carry the essence of different cities.

Valuation and view

- Traction in the paints and B2B e-commerce businesses has exceeded our expectations, with steady revenues and market share growth over the past few quarters. Although losses in these new business verticals seem to have peaked, the key monitorable for us will be the reduction of losses over the next few quarters.
- We expect the combined EBITDA of the VSF and chemical business segments to clock a CAGR of ~8% over FY25-28. We have projected the chemical segment's OPM at 13.7%/13.2%/13.8% in FY26/27/28E vs 14.7% in FY25. We have estimated EBITDA/kg of VSF at INR12.7/INR15.9/INR17.7 in FY26/27/28E vs INR14.7 in FY25.
- **We reiterate our BUY rating on the stock with a TP of INR3,550, as we value its:** 1) holdings in listed subsidiary companies by assigning a discount of 35%, 2) standalone business at 6x Sep'27E EV/EBITDA, 3) paints business at 2.0x of investments, 4) renewables business at 10x EV/EBITDA, and 5) B2B e-commerce at 1.5x of Sep'27E revenue.

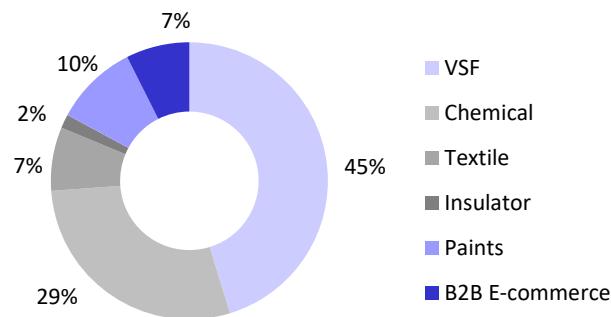
Exhibit 1: SoTP-based valuation

Particulars	Valuation method	Unit	Sept'27E	INR/share
UTCEM's m-cap based on TP		INR b	4,388	
Holding company discount		%	35	
GRASIM's stake		%	56.1	
Value of its cement stake		INR b	1,600	
Value/share	35% HoldCo discount to our TP	INR	2,352	
Value of standalone business (excluding-Paint)		INR b	197	
Value/share	6x for the standalone business			290
Value of listed investments		INR b	108	
Holding company discount		%	35	
Assigned value to listed investments		INR b	70	
Value/share	35% HoldCo discount on the CMP	INR	103	
Standalone net debt		INR b	48	
Value/share		INR	71	
ABCAP		INR b	709	
Holding company discount		%	35	
GRASIM's stake		%	52.5	
Value of ABCAP's stake in GRASIM		INR b	242	
Value/share	35% HoldCo discount on the CMP	INR	356	
Paint Business	2.0x of invested capital	INR b	206	
Value/share		INR	303	
B2B e-commerce	1.5x of Revenue	INR b	121	
Value/share		INR	177	
Renewable Business	10x EV/EBITDA	INR b	30	
Value/share				44
SoTP-based TP		INR	3,550	

Exhibit 2: Holding company discount at 40% vs 10-year average of 46% and 5-year average of 38%


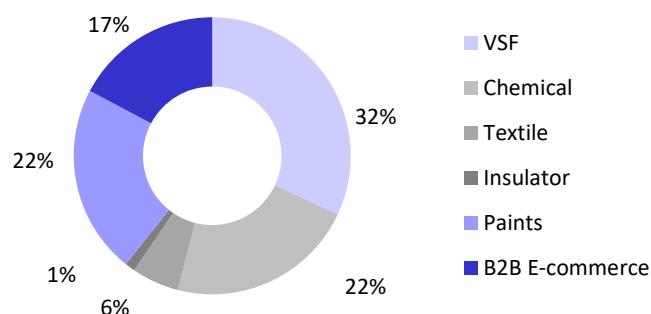
Story in charts

Exhibit 3: Revenue composition in FY25



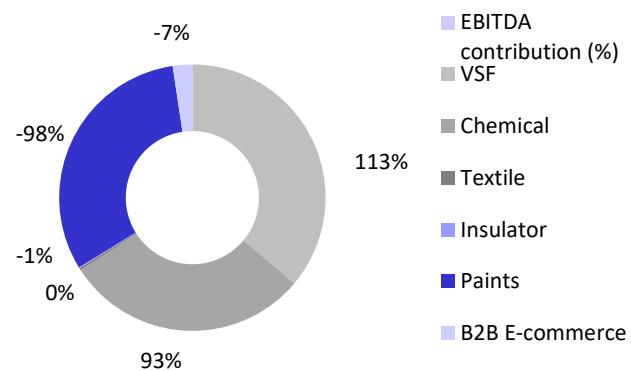
Source: MOFSL, Company

Exhibit 4: Revenue composition in FY28E



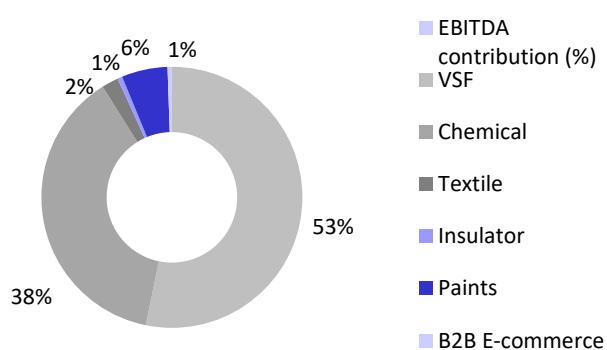
Source: MOFSL, Company

Exhibit 5: FY25 operating performance impacted by losses in new business segments



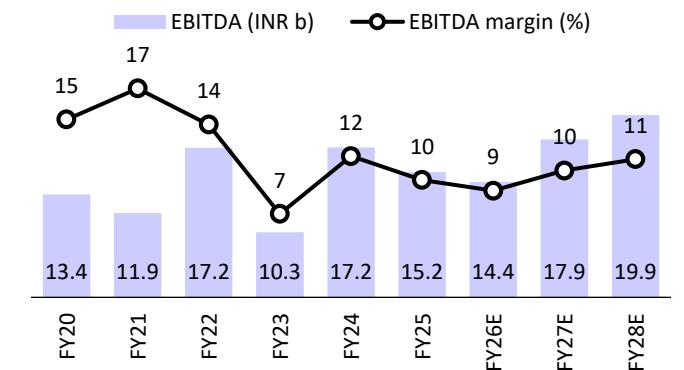
Source: MOFSL, Company

Exhibit 6: Estimate new business segments to turn profitable in FY28



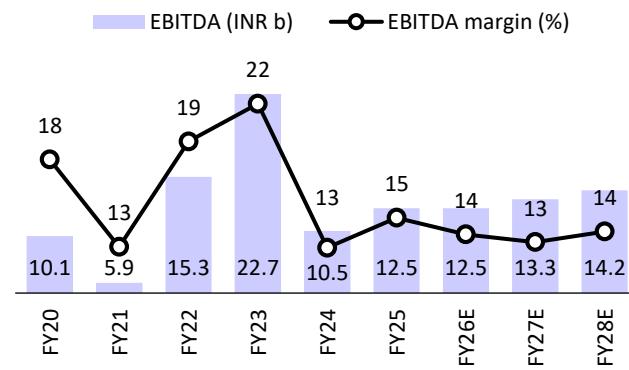
Source: MOFSL, Company

Exhibit 7: VSF segment's EBITDA and margin estimates



Source: MOFSL, Company

Exhibit 8: Chemical segment's EBITDA and margin estimates



Source: MOFSL, Company

Exhibit 9: Estimate core business's EBITDA CAGR at ~8%

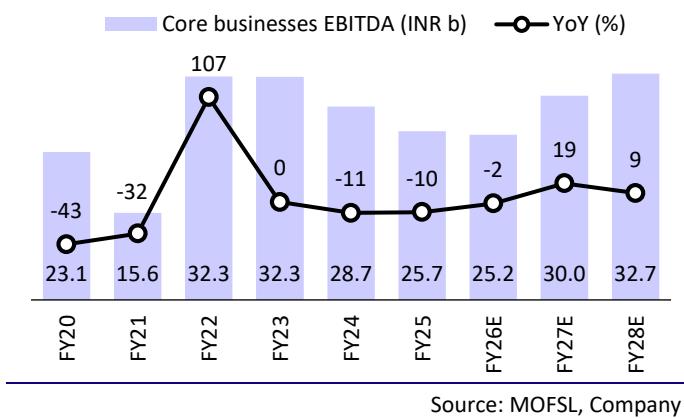


Exhibit 10: Total EBITDA to improve from FY26E

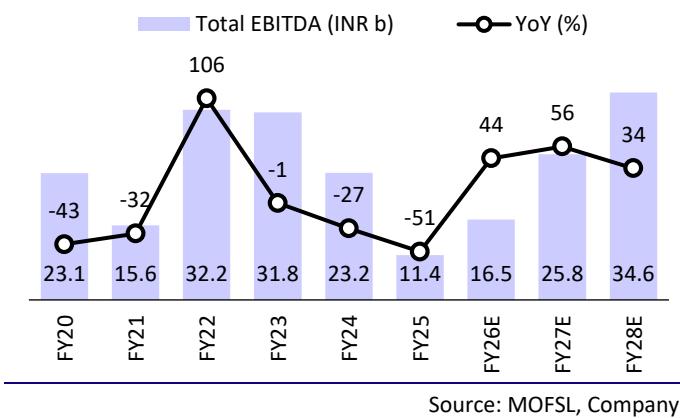


Exhibit 11: Standalone capex trend

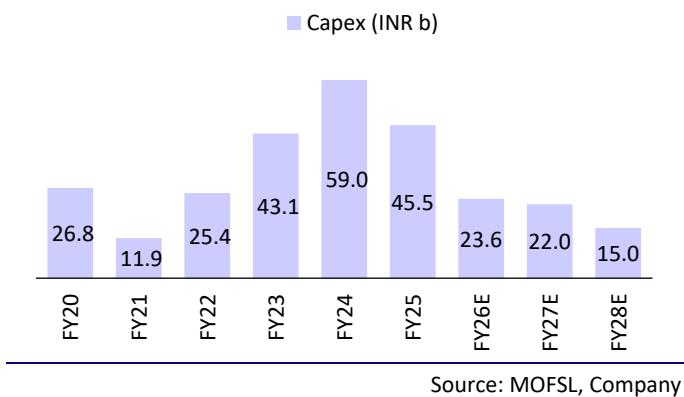


Exhibit 12: Estimate OCF/FCF to improve from FY26

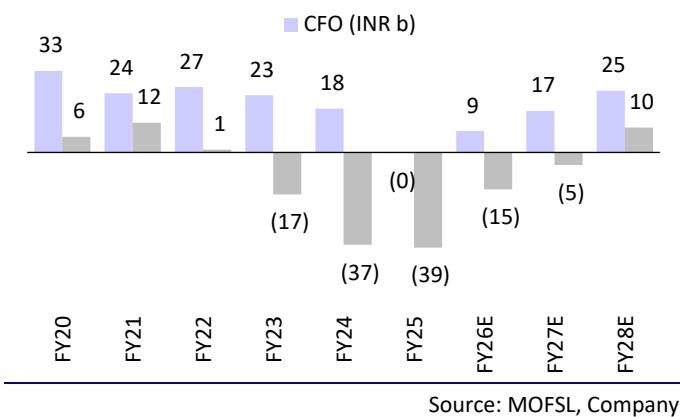


Exhibit 13: Expect improvement in profits going ahead

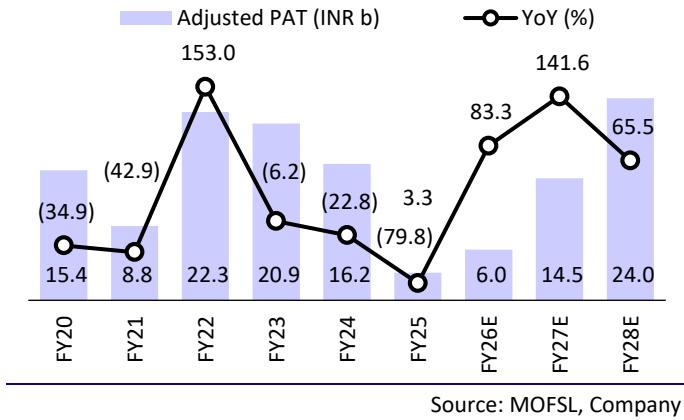
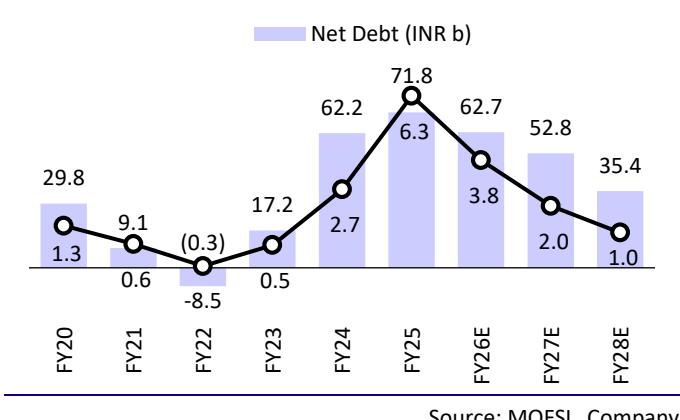


Exhibit 14: Net debt peaked in FY25



Financials and Valuation

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E	(INR m)
Net Sales	1,23,864	2,08,568	2,68,397	2,58,473	3,15,632	3,72,412	4,22,913	4,78,387	
Change (%)	(33.4)	68.4	28.7	(3.7)	22.1	18.0	13.6	13.1	
Total Expenditure	1,08,220	1,76,407	2,36,598	2,35,313	3,04,218	3,55,928	3,97,124	4,43,757	
EBITDA	15,643	32,162	31,799	23,160	11,415	16,484	25,789	34,631	
Change (%)	(32.3)	105.6	(1.1)	(27.2)	(50.7)	44.4	56.4	34.3	
Margin (%)	12.6	15.4	11.8	9.0	3.6	4.4	6.1	7.2	
Depreciation	8,282	9,140	10,973	12,151	16,762	19,742	21,693	22,833	
EBIT	7,362	23,022	20,826	11,010	-5,347	-3,257	4,096	11,798	
Int. and Finance Charges	2,360	2,472	3,677	4,404	6,837	8,341	7,797	6,862	
Other Income - Rec.	5,137	8,953	10,183	12,566	17,151	19,085	21,789	25,005	
PBT & EO Items	10,139	29,503	27,333	19,172	4,967	7,486	18,088	29,941	
Change (%)	(39.8)	191.0	(7.4)	(29.9)	(74.1)	50.7	141.6	65.5	
Extra Ordinary (income)/expense	810	691	880	7,156	1,640	0	0	0	
PBT but after EO Items	9,329	28,812	26,452	12,016	3,327	7,486	18,088	29,941	
Tax	1,224	1,857	5,215	2,562	1,206	1,497	3,618	5,988	
Tax Rate (%)	12.1	6.3	19.1	13.4	24.3	20.0	20.0	20.0	
Reported PAT	8,105	26,955	21,237	9,454	2,121	5,989	14,470	23,953	
PAT Adj for EO items	8,817	22,306	20,933	16,157	3,267	5,989	14,470	23,953	
Change (%)	(43.6)	153.0	(6.2)	(22.8)	(79.8)	83.3	141.6	65.5	
Margin (%)	7.1	10.7	7.8	6.3	1.0	1.6	3.4	5.0	

Standalone balance sheet	2021	2022	2023	2024	2025	2026E	2027E	2028E	(INR m)
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E	
Equity Share Capital	1,316	1,317	1,317	1,328	1,361	1,361	1,361	1,361	
Employee Stock options outstanding	567	708	708	708	708	708	708	708	
Reserves	4,27,595	4,84,133	4,67,524	5,19,110	5,41,907	5,66,852	5,88,249	6,07,438	
Net Worth	4,29,479	4,86,158	4,69,549	5,21,146	5,43,976	5,68,922	5,90,318	6,09,507	
Loans	41,634	41,208	52,542	94,529	1,11,214	94,729	88,729	72,729	
Deferred liabilities	17,339	18,414	15,348	22,971	22,992	22,992	22,992	22,992	
Capital Employed	4,88,452	5,45,779	5,37,440	6,38,646	6,78,182	6,86,643	7,02,039	7,05,228	
Gross Block	1,48,940	1,95,985	2,20,577	2,41,611	3,24,623	3,68,071	3,93,071	4,08,071	
Less: Accum. Deprn.	39,302	47,435	58,408	70,559	87,321	1,07,063	1,28,755	1,51,588	
Net Fixed Assets	1,09,637	1,48,549	1,62,169	1,71,052	2,37,302	2,61,008	2,64,316	2,56,483	
Capital WIP	40,334	17,428	29,257	71,310	27,848	8,000	5,000	5,000	
Non Current Investments /Strategic	3,05,230	3,39,418	3,08,412	3,62,918	3,58,887	3,58,887	3,58,887	3,58,887	
Current - Financial	41,553	47,490	30,556	29,204	37,466	31,466	31,466	31,466	
Curr. Assets	46,827	73,477	91,378	1,06,895	1,18,305	1,34,838	1,57,832	1,79,638	
Inventory	21,790	39,408	44,928	52,150	60,514	68,804	78,443	88,895	
Account Receivables	13,120	16,904	15,973	19,743	25,539	28,276	32,685	37,040	
Cash and Bank Balance	1,327	2,253	4,744	3,096	1,937	517	4,413	5,864	
Others	10,590	14,912	25,734	31,905	30,314	37,241	42,291	47,839	
Curr. Liability & Prov.	55,130	80,583	84,332	1,02,732	1,01,626	1,07,557	1,15,461	1,26,245	
Account Payables	27,069	46,507	47,112	54,826	48,313	54,667	59,922	67,906	
Provisions	3,250	3,419	3,866	8,385	7,837	5,586	6,344	7,176	
Other Liabilities	24,811	30,656	33,353	39,521	45,475	47,304	49,196	51,163	
Net Current Assets	-8,303	-7,105	7,046	4,163	16,680	27,282	42,371	53,392	
Appl. of Funds	4,88,452	5,45,779	5,37,440	6,38,646	6,78,182	6,86,643	7,02,039	7,05,228	

Financials and valuations

Standalone ratios

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
(INR)								
EPS	13.4	33.9	31.8	24.3	4.8	8.8	21.3	35.2
Cash EPS	26.0	47.8	48.5	42.6	29.4	37.8	53.1	68.7
BV/Share	652.6	738.4	713.1	784.9	799.3	836.0	867.4	895.6
DPS	9.0	10.0	10.0	10.0	10.0	6.5	7.0	7.0
Valuation*								
P/E	60.7	18.3	23.2	52.5	240.0	85.0	35.2	21.3
Cash P/E	28.8	15.7	15.4	17.5	25.4	19.8	14.1	10.9
P/BV	4.3	3.8	3.9	3.6	3.5	3.3	3.2	3.1
EV/Sales	1.0	1.3	1.7	1.0	0.8	1.0	0.9	0.7
EV/EBITDA	5.1	10.2	13.1	6.0	6.9	8.7	9.6	9.3
Dividend Yield (%)	0.2	0.3	0.3	0.4	0.4	0.4	0.4	0.2
Return Ratios (%)								
RoE	4.9	11.5	9.0	5.7	-4.3	-3.7	-0.7	2.1
RoCE	5.3	12.9	11.0	6.6	0.4	0.8	3.0	5.2
Working Capital Ratios								
Debtor (Days)	31	37	24	27	32	30	30	30
Asset Turnover (x)	0.3	0.4	0.5	0.4	0.5	0.5	0.6	0.7
Leverage Ratio								
Debt/Equity	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.1

Standalone cash flow statement

Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
OP/(Loss) before Tax	9,329	28,812	26,452	12,016	3,327	7,486	18,088	29,941
Depreciation	8,282	9,140	10,973	12,151	16,762	19,742	21,693	22,833
Interest & Finance Charges	(421)	(4,552)	(4,184)	(5,260)	(7,271)	(5,040)	(8,121)	(12,099)
Direct Taxes Paid	(1,786)	(6,502)	(4,071)	(573)	3,366	(1,497)	(3,618)	(5,988)
(Inc)/Dec in WC	9,350	132	(5,426)	(5,965)	(16,692)	(12,022)	(11,193)	(9,571)
CF from Operations	24,754	27,029	23,744	12,368	(507)	8,669	16,849	25,115
Others	(780)	(467)	(556)	5,408	253	-	-	-
CF from Operating incl EO	23,974	26,562	23,188	17,776	(254)	8,669	16,849	25,115
(Inc)/Dec in FA	(11,932)	(25,382)	(40,225)	(55,260)	(38,350)	(23,600)	(22,000)	(15,000)
Free Cash Flow	12,041	1,181	(17,036)	(37,484)	(38,604)	(14,931)	(5,151)	10,115
(Pur)/Sale of Investments	102	66	111	271	4,714	-	-	-
Others	(10,249)	(9,541)	18,211	(874)	4,802	19,381	15,918	18,961
CF from Investments	(22,079)	(34,857)	(21,902)	(55,863)	(28,834)	(4,219)	(6,082)	3,961
Issue of Shares	126	(425)	(902)	9,376	29,464	23,380	11,690	-
Inc/(Dec) in Debt	(9,384)	(583)	11,306	42,023	16,693	(16,485)	(6,000)	(16,000)
Interest Paid	(3,241)	(843)	(5,478)	(6,419)	(10,512)	(8,341)	(7,797)	(6,862)
Dividend Paid	(2,622)	(5,915)	(6,574)	(6,577)	(6,686)	(4,423)	(4,764)	(4,764)
Others	-	-	-	-	-	-	-	-
CF from Fin. Activity	(15,120)	(7,766)	(1,648)	38,404	28,959	(5,869)	(6,871)	(27,626)
Inc/Dec of Cash	(13,226)	(16,061)	(362)	317	(130)	(1,420)	3,896	1,451
Opening Balance	510	692	5,106	2,779	2,067	1,937	517	4,413
Add: Cash on amalgamation	13,408	15,895	-	-	-	-	-	-
Closing Balance	692	527	4,744	3,096	1,937	517	4,413	5,864

*Calculated for standalone business

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

NOTES

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

Disclosures

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