

# Grasim Industries Ltd.

February 12, 2025 | CMP 2,492 | Target Price: INR 2,910

**BUY**

Expected Share Price Return: 16.7% | Dividend Yield: 0.4% | Expected Total Return: 17.1%

Change in Estimates	✓
Change in Target Price	✓
Change in Recommendation	✓

## Company Info

BB Code	GRASIM IN EQUITY
Face Value (INR)	2.0
52 W High/Low (INR)	2,875/2,029
Mkt Cap (Bn)	INR 1,702.3 / \$19.6
Shares o/s (Mn)	680.6
3M Avg. Daily Volume	6,02,118

## Change in CEBPL Estimates

INR Bn	FY26E			FY27E		
	New	Old	Dev. (%)	New	Old	Dev. (%)
Revenue	348.8	346.3	0.7	369.1	362.2	1.9
EBITDA	28.1	26.7	5.0	30.9	27.1	14.0
EBITDAM %	8.1	7.7	35bps	8.4	7.5	88bps
PAT	14.7	13.3	11.0	15.6	13.9	12.2
EPS	22.0	19.5	12.9	23.3	20.4	14.2

## Actual vs Consensus

INR Bn	Q3FY25A	Consensus Est.	Dev. %
Revenue	81.2	80.1	1.4
EBITDA	2.7	4.0	(31.6)
EBITDAM %	3.3	4.9	(160)bps
PAT	(1.7)	(1.3)	NA

## Key Financials

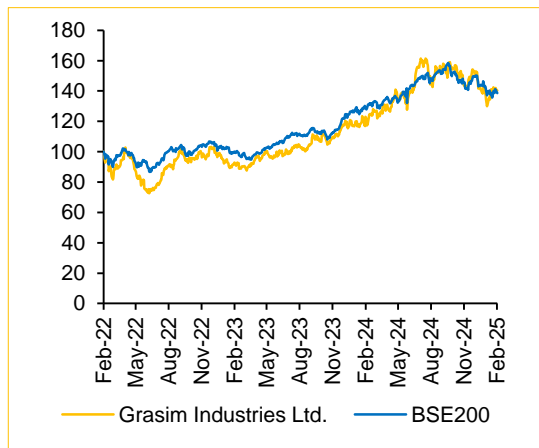
INR Bn	FY23	FY24	FY25E	FY26E	FY27E
Revenue	268.4	258.5	310.9	348.8	369.1
YoY (%)	28.7	(3.7)	20.3	12.2	5.8
EBITDA	31.8	23.2	13.1	28.1	30.9
EBITDAM %	11.8	9.0	4.2	8.1	8.4
PAT	21.2	9.5	6.4	14.7	15.6
EPS	32.3	14.4	9.0	22.0	23.3
ROE %	4.5	1.8	1.2	2.7	2.8
ROCE %	3.2	1.4	(0.2)	1.5	1.4
EV/EBITDA	53.3	75.0	138.2	65.0	59.6

## Shareholding Pattern (%)

	Dec-24	Sep-24	Jun-24
Promoters	43.11	43.11	43.05
FIIIs	13.50	13.78	13.69
DIIIs	17.90	17.75	16.66
Public	25.49	25.36	26.60

## Relative Performance (%)

YTD	3Y	2Y	1Y
BSE 200	38.6	38.9	7.2
Grasim Industries Ltd.	40.2	51.6	13.9



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## Revenue in line with expectations; Elevated Q3 costs impacted EBITDA, but expenses started normalizing signal margin recovery in the near term

- Q3FY25 revenues came at INR81,203 Mn, (vs Consensus est. INR80,120 Mn), up 26.9% YoY and up 6.5% QoQ.
- EBITDA for Q3FY25 was reported at INR2,706 Mn, (vs Consensus est. INR3,956 Mn) down 48.2% YoY and down 16.8% QoQ, impacted due to higher operating expenses. EBITDA Margin for the quarter was 3.3% (vs Consensus est. 4.9%), down 483bps YoY and down 93bps QoQ.
- Company reported a loss of INR1,686 Mn in Q3FY25, (vs Consensus est. of loss of INR1,308 Mn) vs INR2,364 Mn profit in Q3FY24. EPS for Q3FY25 came at INR(2.5).

**Paint venture nears completion: 90% capex done, set to drive long-term growth:** Birla Opus is ramping up fast. Commercial production kicked off at Chamarajanagar in Nov '24, with Mahad set to go live this quarter. Kharagpur trial run is lined up for Q1FY26. The product portfolio has expanded to 170+ products and 1,000+ SKUs, now flowing through 131 depots, reaching 5,500+ towns. With momentum building, the Paints business is on track and we estimate ~INR90 Bn in revenue by FY27, which accounts for 24.4% of revenue.

**Chemical business is expected to grow at a CAGR of 9.0% over FY24-27, supported by capacity expansion and positive momentum in realizations:** GRASIM is scaling up big in chemicals. Specialty chemicals capacity doubled to 246ktpa in FY24, while caustic soda is set to expand to 1.5mtpa by FY26E (from 1.4mtpa). The company is also boosting chlorine derivatives, adding an ECH plant (50ktpa) and CPVC resin (Phase I: 50ktpa) at Vilayat, taking chlorine integration to 70% post-expansion. Chemical business realizations are improving, and we expect prices to hit ~INR81/kg by FY27. With strong expansion plans, we expect GRASIM's Chemical business on track to hit ~INR103bn revenue by FY27, growing at a 9% CAGR.

**View & Valuation:** We revise our FY26/27 EPS estimates by 12.9%/14.2% and upgrade our rating to 'BUY' with a revised TP of INR2,910, valuing on SOTP with a holding company discount of 35% and EV/EBITDA multiple of 8x on CSF, 9x on Chemical, and 12x on Renewable business on FY27 EV/EBITDA. However, we haven't assigned any multiple to GRASIM Paints business because EBITDA will remain negative for the next ~2-3 years.

Result Snapshot (INR Mn)	Q3FY25	Q3FY24	YoY (%)	Q2FY25	QoQ (%)
Revenues (INR Mn)	81,203	64,003	26.9	76,233	6.5
Material consumed	47,128	33,367	41.2	42,299	11.4
Power & Fuel Cost	10,211	9,983	2.3	10,175	0.4
Op. & Manufacturing Exp.	14,261	9,557	49.2	13,980	2.0
Employee Cost	6,897	5,869	17.5	6,527	5.7
EBITDA (INR Mn)	2,706	5,226	(48.2)	3,252	(16.8)
EBITDA Margins (%)	3.3	8.2	(483)bps	4.3	(93)bps
Depreciation	4,211	2,965	42.0	4,058	3.8
EBIT (INR Mn)	(1,505)	2,261	NA	(805)	NA
EBIT Margins (%)	(1.9)	3.5	NA	(1.1)	NA
Interest Cost	1,814	1,071	69.3	1,615	12.3
Other Income	1,015	1,202	(15.5)	12,936	(92.2)
PBT	(2,304)	2,391	(196.3)	10,016	NA
Tax	(618)	28	(2,337.7)	2807	NA
PAT (INR Mn)	(1,686)	2,364	(171.3)	7,209	NA
EPS	(2.5)	3.6	(170.2)	10.8	NA

## Management Call - Highlights

### Paints-

- Birla Opus is expected to become the second largest player by installed capacity in the Indian decorative paints market, which is expected to grow in double digits over the next decade.
- Birla Pivot, Grasim's B2B e-commerce business, continues to grow revenue and enhance its user experience.
- The company is aiming for a high single-digit market share exit for the paint business by the end of the current fiscal year.
- Operating losses for the paint division are as planned and the company is aiming to break even within three years of full-scale operations.
- Capital expenditure for 9MFY25 stood at INR27,850 Mn of which 71% i.e. INR19,660 Mn is spent on new growth businesses Paints and B2B E-commerce.

### Cellulosic Fiber-

- The company's core businesses, cellulosic fiber and chemicals, provide stability to the overall earnings profile.
- The global demand for cellulosic fiber remains stable with improving price trends.
- Lyocell, a specialty cellulosic fiber, is the fastest-growing specialty fiber.
- The board has approved the setting up of 110 KTPA Lyocell fiber capacity at Cheyyar Karnataka in two phases.
- The first phase of 55 KTPA is expected to be executed by mid-2027.
- Improved demand conditions in China have led to higher operating rates and low inventory in the cellulosic fiber business.

### Chemical-

- The chemical business saw a 25% YoY increase in EBITDA in Q3 FY25, mainly due to higher caustic soda prices.

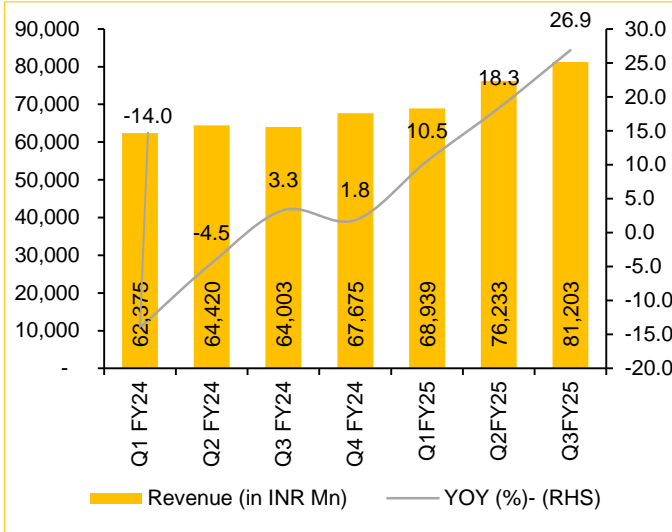
### Financial Services-

- The financial services business under Aditya Birla Capital reported all-round growth across different businesses.

### Others-

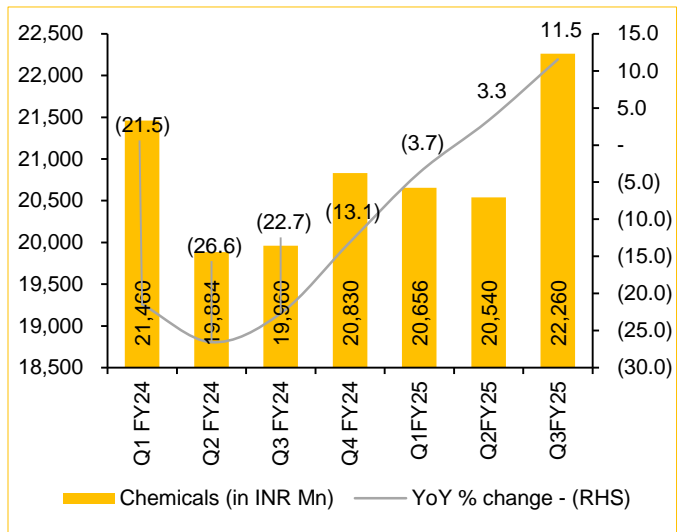
- The company's renewable energy installed capacity is at 1.2 GW, with another 0.8 GW under advanced stages of commissioning, expected to reach nearly 2 GW by the end of the current financial year.

**Q3 revenues in-line market expectations**



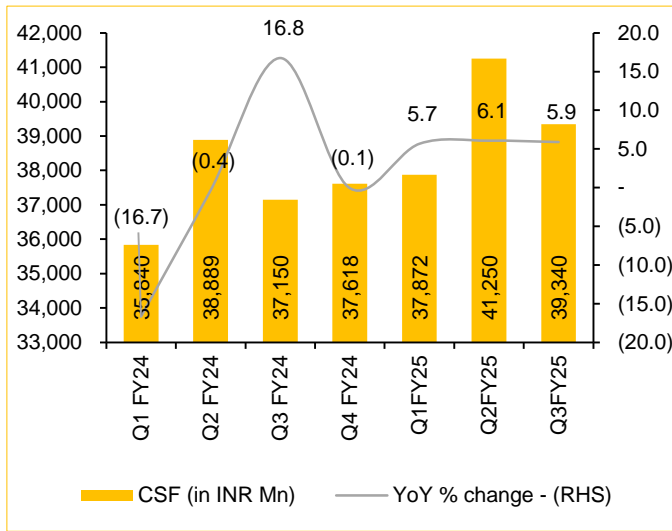
Source: Company, CEBPL

**Chemical revenue rose 11.5% YoY, driven by better realization**



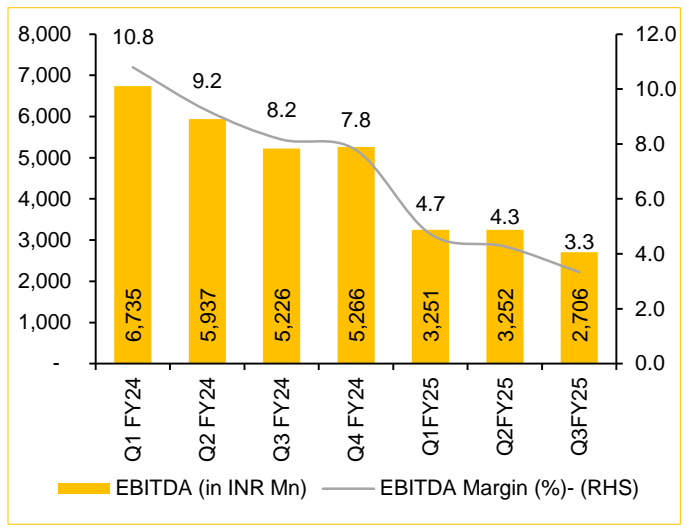
Source: Company, CEBPL

**CSF revenue increased by 5.9% YoY basis**



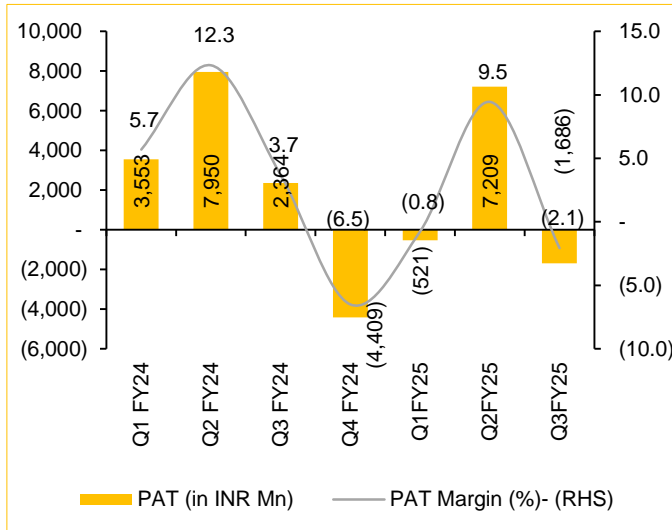
Source: Company, CEBPL

**EBITDA remained in pain due to higher expenses**



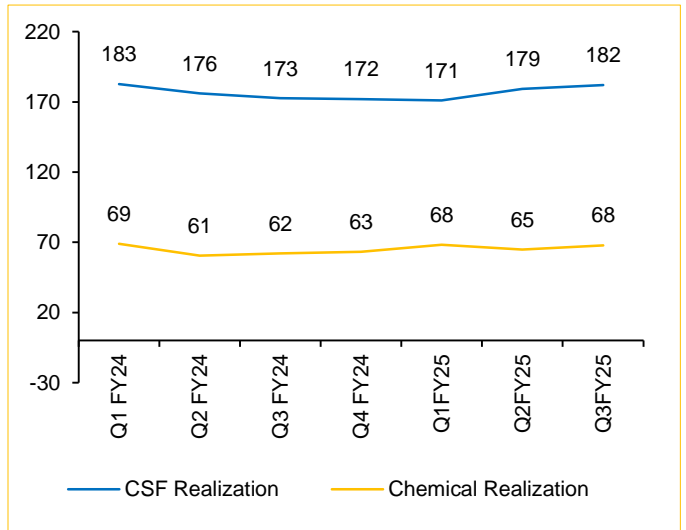
Source: Company, CEBPL

**Reported loss in Q3**



Source: Company, CEBPL

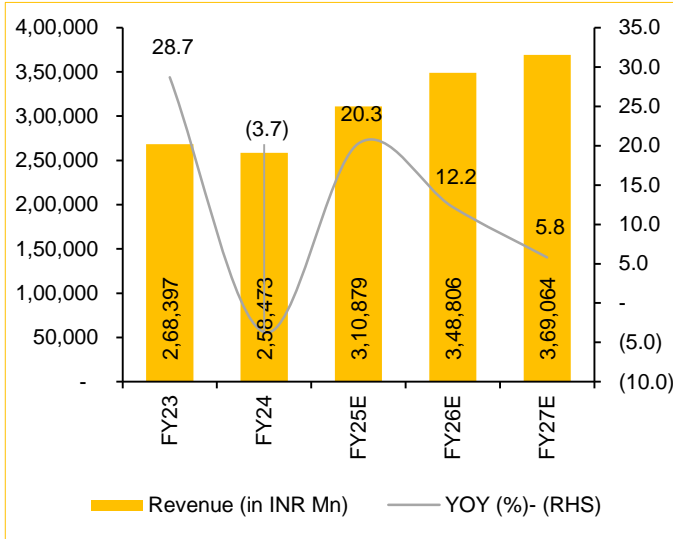
**Realization showed improvement**



Source: Company, CEBPL

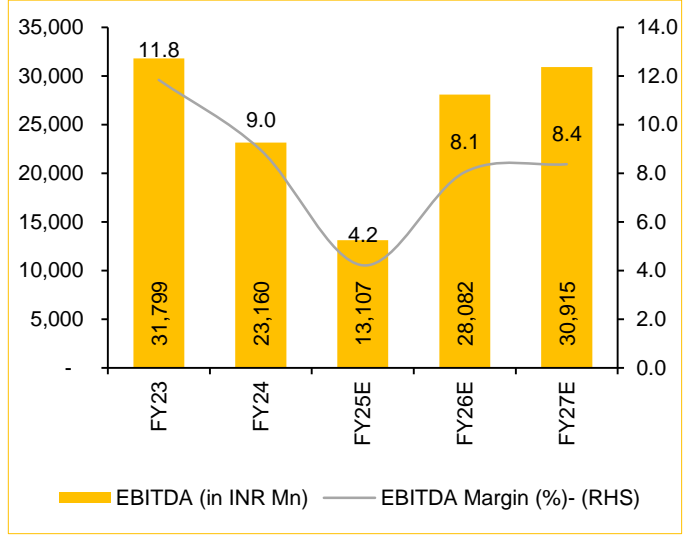
\*All figures are in INR Million

**Revenue expected to grow at CAGR of 12.6% over FY24-27**



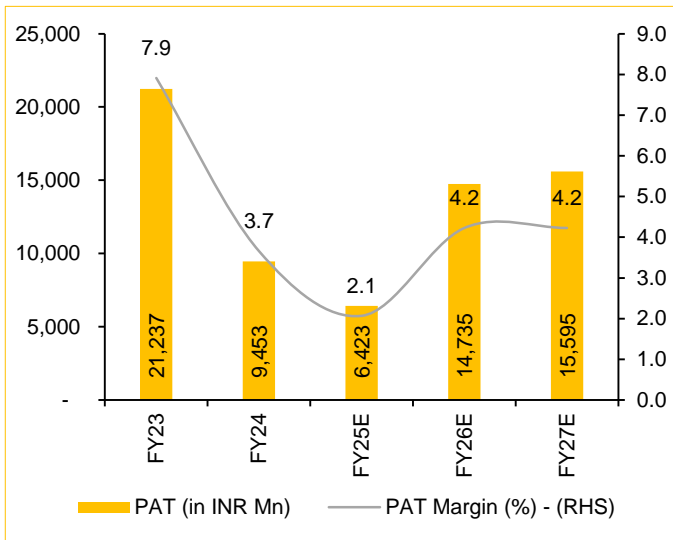
Source: Company, CEBPL

**EBITDA growth is supported by Paint Business**



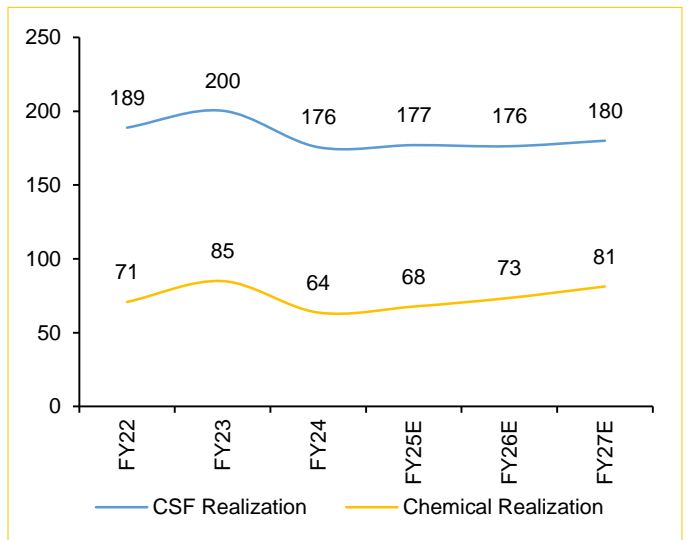
Source: Company, CEBPL

**PAT expected to grow at CAGR of 18.2% over FY24-27**



Source: Company, CEBPL

**Consistent improvement in realization expected**



Source: Company, CEBPL

\*All figures are in INR Million

## Income Statement (Standalone in INR Mn.)

Particular	FY23	FY24	FY25E	FY26E	FY27E
Revenue	2,68,397	2,58,473	3,10,879	3,48,806	3,69,064
Gross profit	1,39,403	1,23,200	1,34,045	1,53,644	1,69,886
EBITDA	31,799	23,160	13,107	28,082	30,915
Depreciation	10,973	12,151	14,546	15,809	18,559
EBIT	20,826	11,009	(1,438)	12,273	12,357
Other Income	10,183	12,565	16,572	13,252	14,537
Interest Expenses	3,677	4,404	5,940	7,106	7,400
Exceptional Item	(880)	(7,156)	(500)	-	-
PAT	21,237	9,453	6,423	14,735	15,595
EPS (INR)	32.3	14.4	9.0	22.0	23.3

Source: Company, CEBPL

## Balance Sheet (Standalone in INR Mn.)

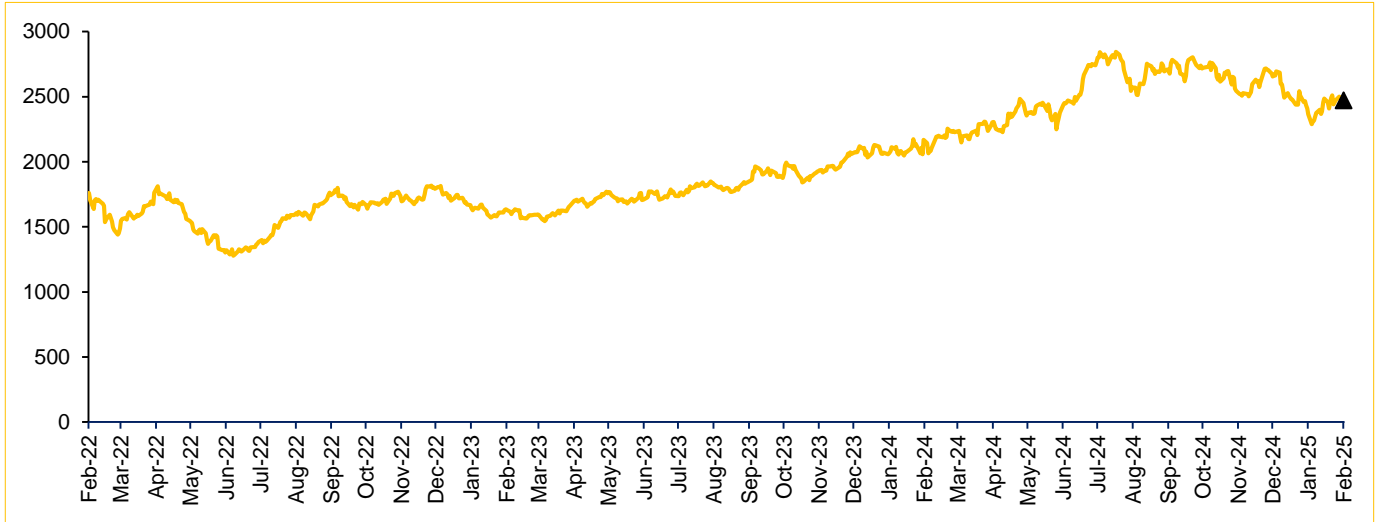
Balance Sheet (Rs. Mn.)	FY23	FY24	FY25E	FY26E	FY27E
Tangible Fixed Assets	1,62,196	1,71,052	2,01,506	2,35,697	2,67,139
Capital Work in Progress	29,191	71,156	53,367	34,689	26,017
Investments	3,38,967	3,92,122	4,19,095	4,36,410	4,56,492
Cash & Cash Equivalents	4,744	3,096	2,029	2,576	3,052
Loans & Advances and Other Assets	25,772	32,058	30,455	32,920	34,237
Net Working Capital	13,788	17,067	19,072	19,499	11,844
<b>Total Assets</b>	<b>5,74,658</b>	<b>6,86,551</b>	<b>7,25,525</b>	<b>7,61,792</b>	<b>7,98,781</b>
Shareholder's Funds	4,69,549	5,21,146	5,26,094	5,40,829	5,56,424
Borrowings	52,542	94,529	1,10,300	1,26,562	1,42,521
Deferred Tax	15,348	22,971	22,971	22,971	22,971
Other Liabilities & Provisions	37,219	47,905	66,161	71,430	76,865
<b>Total Equity &amp; Liabilities</b>	<b>5,74,658</b>	<b>6,86,551</b>	<b>7,25,525</b>	<b>7,61,792</b>	<b>7,98,781</b>
Capital Employed	5,29,192	6,21,275	6,46,223	6,75,958	7,06,553
Invested Capital	5,17,348	6,12,579	6,34,364	6,64,815	6,95,893

Source: Company, CEBPL

Cash Flows (INR Mn.)	FY23	FY24	FY25E	FY26E	FY27E
CFO	23,189	17,776	20,089	23,968	35,353
CFI	(21,903)	(55,863)	(29,511)	(32,578)	(43,435)
CFF	(1,649)	38,404	8,355	9,157	8,559
Ratio Analysis	FY23	FY24	FY25E	FY26E	FY27E
<b>Growth Ratios (%)</b>					
Revenue	28.7	(3.7)	20.3	12.2	5.8
EBITDA	(0.8)	(27.2)	(43.4)	114.2	10.1
<b>Margin Ratios (%)</b>					
EBITDA	11.8	9.0	4.2	8.1	8.4
PAT	7.9	3.7	2.1	4.2	4.2
<b>Performance Ratios (%)</b>					
OCF/EBITDA (x)	0.7	0.8	1.5	0.9	1.1
OCF/IC (%)	4.5	2.9	3.2	3.6	5.1
ROE (%)	4.5	1.8	1.2	2.7	2.8
ROCE (%)	3.2	1.4	(0.2)	1.5	1.4
<b>Turnover Ratios (Days)</b>					
Inventory	75	75	80	72	68
Debtor	22	25	28	27	25
Payables	72	79	75	75	80
Cash Conversion Cycle	25	21	33	24	13
<b>Financial Stability Ratios (x)</b>					
Net Debt to Equity	0.1	0.2	0.2	0.2	0.3
Net Debt to EBITDA	1.5	3.9	8.3	4.4	4.5
Interest Cover	5.7	2.5	-0.2	1.7	1.7
<b>Valuation Metrics</b>					
Fully Diluted Shares (Mn)	658	658	681	681	681
Price (INR)	2,492	2,492	2,492	2,492	2,492
Market Cap (INR Mn)	16,47,067	16,46,566	17,02,611	17,02,611	17,02,611
EV (INR Mn)	16,94,866	17,37,999	18,10,882	18,26,597	18,42,080
EV/EBITDA (x)	53.3	75.0	138.2	65.0	59.6
EV/IC (x)	327.6	283.7	285.5	274.8	264.7

Source: Company, CEBPL

## Historical Price Chart: Grasim Industries Limited



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