

Grasim Industries

BSE SENSEX 83,878
S&P CNX 25,790



Stock Info

Bloomberg	GRASIM IN
Equity Shares (m)	681
M.Cap.(INRb)/(USDb)	1910 / 21.2
52-Week Range (INR)	2979 / 2276
1, 6, 12 Rel. Per (%)	0/-1/9
12M Avg Val (INR M)	1726
Free Float (%)	56.9

Financials Snapshot (INR b)

Y/E MARCH	FY26E	FY27E	FY28E
Sales	386.7	442.0	497.1
EBITDA	15.9	25.7	34.2
Adj. PAT	5.0	13.4	22.1
EBITDA Margin (%)	4.1	5.8	6.9
S/A Adj. EPS (INR)	7.3	19.6	32.5
S/A EPS Gr. (%)	52.2	168.4	65.8
Consol EPS (INR)	81.9	102.2	123.4
BV/Sh. (INR)	834.5	864.3	889.8

Ratios

Net D:E	0.1	0.1	0.1
RoE (%)	-4.3	-1.2	1.3
RoCE (%)	0.5	2.8	5.0

Valuations

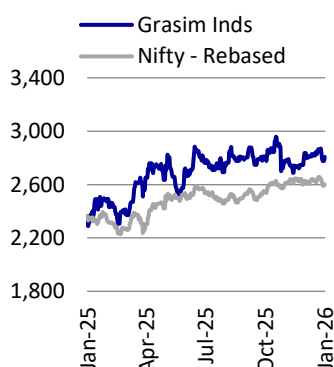
P/E (x)	88.8	33.1	19.9
P/BV (x)	-1.7	-1.7	-2.1
EV/EBITDA (x)	0.2	0.2	0.2
Div. Yield (%)	(1.0)	(0.5)	0.5
FCF Yield (%)	386.7	442.0	497.1

Shareholding pattern (%)

As On	Sep-25	Jun-25	Sep-24
Promoter	43.1	43.1	43.1
DII	17.5	17.9	17.8
FII	16.9	16.2	16.1
Others	22.5	22.7	23.0

FII Includes depository receipts

Stock's performance (one-year)



CMP: INR2,807 TP: INR3,600 (+28%) Buy
Multiple growth engines at play; structurally positive VSF revival positive in the near term; Paint bolsters long-term growth

We believe GRASIM has a compelling structural long-term investment case underpinned by an improving VSF earnings cycle, a stable margin in the chemicals business due to the company's focus on specialty chemicals, and a long-term growth opportunity in decorative paints. The VSF business is entering a margin recovery phase in 2HFY26, supported by a modest rebound in China pricing, stable pulp costs, and consistently high utilization levels (>90%). These should drive an expansion in EBITDA/kg and margins over FY27–28E. In chemicals, GRASIM's leadership in chlor-alkali and epoxy resins, coupled with ongoing investments to raise chlorine integration to ~70%, underpins steady revenue and EBITDA growth despite a correction in caustic soda price due to overcapacity. The paints business (Birla Opus), while currently in an investment-led phase, provides a scalable growth optionality in a large and under-penetrated market, with rapid distribution expansion and brand investments positioning the business for medium-term operating leverage once scale is achieved. We reiterate our BUY rating with a TP of INR3,600 based on an SoTP valuation.

VSF margin poised to improve in 2HFY26

- GRASIM is among the leading producers of VSF globally, with an installed capacity of ~880ktpa across its Vilayat and Kharach plants in Gujarat and Nagda in Madhya Pradesh. In addition, a new facility at Harihar, Karnataka, with a total capacity of 110ktpa (Phase 1: 55ktpa), is expected to commence operations by mid-FY27. The company offers a diversified portfolio of regular and specialty fibers, including Modal, Excel (Iyocell), and Birla Reviva (recycled CSF). Specialty fibers contribute ~24% of VSF volume in 2QFY26.
- VSF prices have been range-bound over the past two years, primarily due to weak pricing in China, which reflects sluggish textile demand. This also led to an increase in inventories to ~17 days in China in 1HFY26 from 10 days in 1HFY25. However, in 3QFY26, the VSF average price in China increased ~4% QoQ to RMB12,913. In contrast, the pulp prices broadly remained flat QoQ at USD807. With that, we estimate the VSF profit to improve in 2HFY26. We estimate the VSF average EBITDA/kg to increase to INR18.3 in 2HFY26 vs. INR14.4/INR15.3 in 2HFY25/1HFY26. Further, we estimate the average EBITDA/kg of INR20.0/INR21.7 in FY27/FY28 vs. INR16.8 in FY26 (average INR20.1 over FY21-25).
- We estimate GRASIM's VSF capacity utilization to remain high (+90%) and estimate ~3% volume CAGR over FY26-28E. VSF revenue/EBITDA CAGR is estimated at ~5%/17% over FY26-28E, and EBITDA margin is anticipated to improve to ~11% by FY28 from ~9% in FY26.

Sanjeev Kumar Singh - Research analyst (Sanjeev.Singh@MotilalOswal.com)

Research analyst: Mudit Agarwal (Mudit.Agarwal@MotilalOswal.com) | Abhishek Sheth (Abhishek.Sheth@MotilalOswal.com)

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

Motilal Oswal research is available on www.motilaloswal.com/Institutional-Equities, Bloomberg, Thomson Reuters, Factset and S&P Capital.

Specialty chemicals anchor growth

- GRASIM is India's largest chlor-alkali producer with 1,505ktpa capacity for caustic soda and 1,029ktpa for chlorine derivatives. The company also has ~246ktpa of specialty chemicals capacity, making it the largest producer of epoxy polymers. The company focuses on high-potential specialty chemicals (mainly epoxy resins and curing agents). It targets to increase chlorine integration to 70% through a combination of investments and strategic partnerships. In the core Caustic Soda business, the strategy remains centered on sustainability and operating efficiency, targeting over 25% renewable energy usage, lower water consumption, and improved cost competitiveness to support long-term profitability.
- GRASIM 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. These initiatives will help the company to achieve its chlorine integration target of ~70% vs. ~64% currently.
- Caustic soda price broadly remained flat QoQ in 3QFY26. We estimate the price will hover around that range in the near term due to overcapacity. In the chemicals segment, we estimate revenue/EBITDA CAGR of ~12%/13% over FY26-28. We estimate the EBITDA margin will be range-bound at ~15% over FY27-28.

Birla Opus reshapes the paint landscape; focuses on scale before profitability

- After the entry of Birla Opus, growth momentum across established players has moderated. Asian Paints has posted multiple quarters of YoY decline in revenue and EBITDA decline, marking a sharp deviation from its historically stable growth trajectory. Berger Paints has also experienced a slowdown, with revenue growth moderating to low single digits across most quarters. This reflected the impact of heightened competition in the decorative paints market (Exhibits 2 & 3).
- Historically, Asian Paints has dominated the Indian decorative paints industry, supported by superior distribution density, strong dealer loyalty, brand equity, and a highly efficient supply chain, which enabled consistent growth and steady market share gains over several decades. Berger Paints has traditionally operated as a strong challenger, leveraging regional strengths and focused execution to sustain above-industry growth. The recent moderation in growth for both established players highlights the extent of disruption following Birla Opus' entry.
- Birla Opus continues to operate in an investment-led phase, focusing on scale and market share gains over near-term profitability. Following the commissioning of its 1,332 MLPA Kharagpur plant, Birla Opus has rapidly scaled up operations and is now among the leading players in India's decorative paints industry in terms of brand visibility. Operating in an industry estimated at ~INR720b, Birla Opus accounts for ~24% of organized industry capacity, providing a solid platform to support scale-led growth over the medium term. The long-term demand outlook remains favorable, driven by rising disposable incomes, increasing urbanization, and sustained government focus on housing and infrastructure.
- To accelerate penetration in a dealer-led market characterized by strong brand loyalty, it has adopted an aggressive strategy, including free tinting machines and extended credit terms. This has enabled rapid expansion of its distribution footprint to over 10,000 towns and ~50,000 dealers, with increasing depth across Tier-2 and Tier-3 markets.

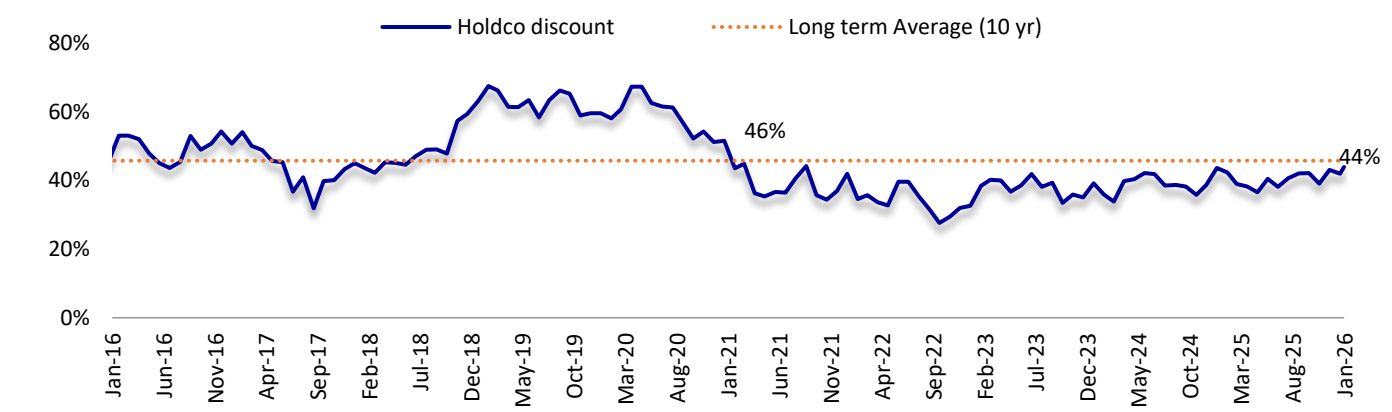
- The company has further expanded its product portfolio to 190+ products and 1,750+ SKUs across six decorative paint categories, supported by multiple new launches. Beyond the dealer channel, Birla Opus has built a strong application ecosystem, with over 600,000 contractors and painters now associated with the brand, increasingly positioning it as a preferred choice.
- On the brand-building front, the company launched a new brand film aligned with its core philosophy of 'Duniya Ko Rang Do', continuing the "Opus Boy" narrative. This follows the earlier 'Naye Zamane ka Naya Paint' campaign featuring Vicky Kaushal and Rashmika Mandanna, which played a key role in driving initial brand awareness. Continued investments in brand communication underscore Grasim's long-term focus on building a differentiated and scalable decorative paints segment.

Valuation and view

- GRASIM has commissioned all six plants in the Paint business. It is also receiving a healthy customer response. The overall traction in the Paint business is better than our expectations. GRASIM has seen a steady improvement in revenue and market share over the last few quarters. Though the losses in new business verticals appear to have peaked now, a reduction in losses over the next few quarters will be a critical monitorable.
- We expect the combined EBITDA of VSF and chemical business segments to post a CAGR of ~13% over FY26-28. We estimate the chemical segment's OPM at ~15% in FY27/FY28, similar to the FY26 level. We further estimate an EBITDA/kg of INR20.0/INR21.7 in FY27/FY28 vs. INR16.8 in FY26.
- **We reiterate our BUY rating with a TP of INR3,600**, as we value its: 1) holdings in listed subsidiary companies by assigning a discount of 35%, 2) standalone business at 6x FY28E EV/EBITDA, 3) paint business at 2.0x of investments, 4) B2B e-commerce at 1.5x of FY28E revenue, and 5) renewable business at 10x EV/EBITDA.

Exhibit 1: SoTP-based valuation

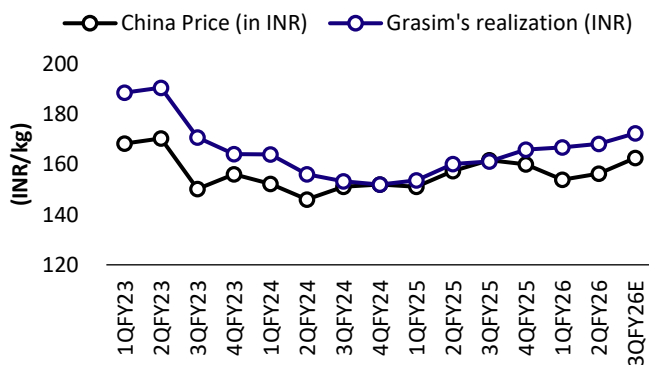
Particulars	Valuation method	Unit	FY28E	INR/share
UTCEM's m-cap based on TP		INR b	3,941	
Holding company discount		%	35	
GRASIM's stake		%	57.27	
Value of its cement stake		INR b	1,467	
Value/share	35% HoldCo discount to our TP	INR		2,155
Value of standalone business (ex-Paint)		INR b	235	
Value/share	6x for the standalone business			345
Value of listed investments		INR b	104	
Holding company discount		%	35	
Assigned value to listed investments		INR b	67	
Value/share	35% HoldCo discount on the CMP	INR		100
Standalone net debt		INR b	42	
Value/share		INR		60
ABCAP		INR b	945	
Holding company discount		%	35	
GRASIM's stake		%	52.5	
Value of ABCAP's stake in GRASIM		INR b	322	
Value/share	35% HoldCo discount on the CMP	INR		475
Paint Business		INR b	207	
Value/share	2.0x of invested capital	INR		305
B2B e-commerce		INR b	160	
Value/share	1.5x of Revenue	INR		235
Renewable Business		INR b	30	
Value/share	10x EV/EBITDA			45
SoTP-based TP		INR		3,600

Exhibit 2: Holding company discount at 44% vs. the last 10-year average of 46% and the 5-year average of 38%


Source: Company, MOFSL

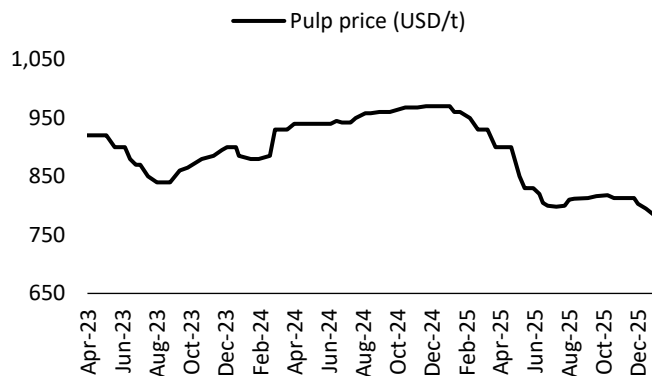
Story in charts

Exhibit 3: China's VSF price vs. GRASIM's VSF realization



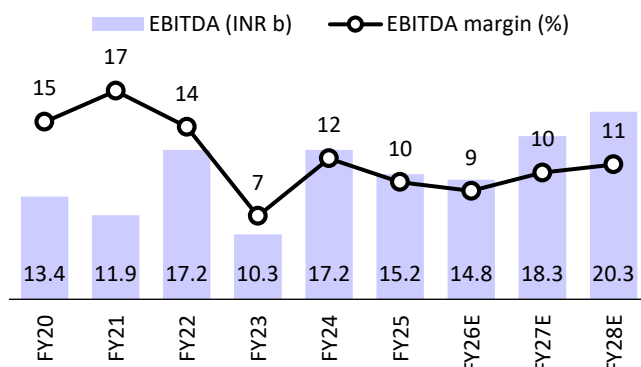
Source: MOFSL estimate

Exhibit 4: Pulp price softened in the last few quarters



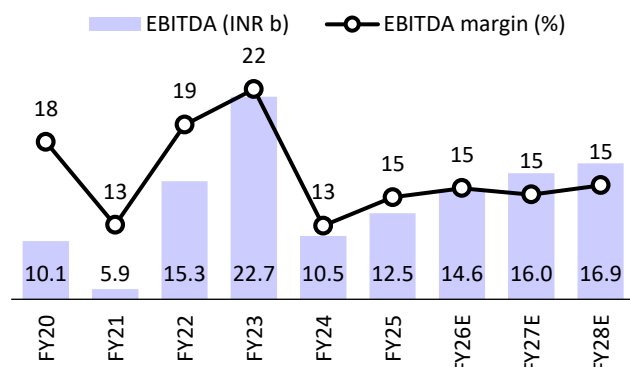
Source: MOFSL estimate

Exhibit 5: VSF segment – EBITDA and margin estimates



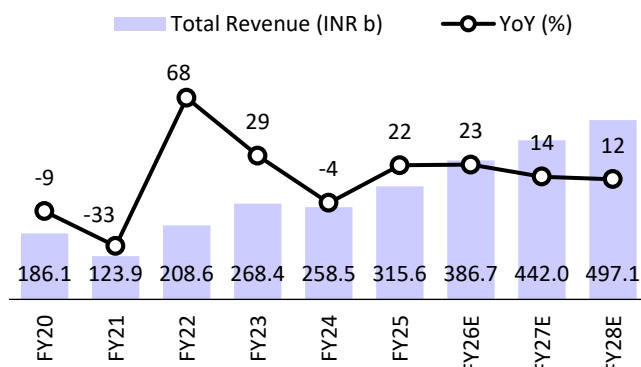
Source: MOFSL, Company

Exhibit 6: Chemical segment – EBITDA and margin estimates



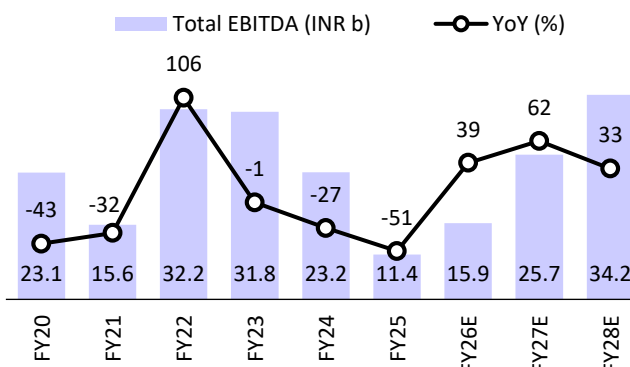
Source: MOFSL, Company

Exhibit 7: Estimate total revenue CAGR at ~13% over FY26-28



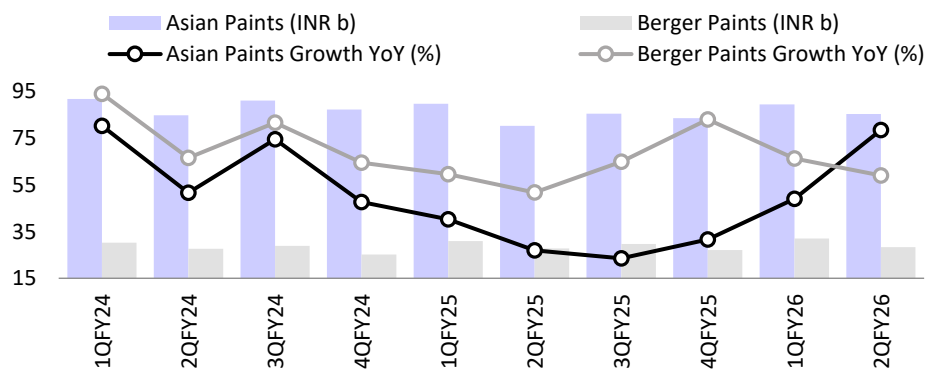
Source: MOFSL, Company

Exhibit 8: Total EBITDA to improve from FY26E



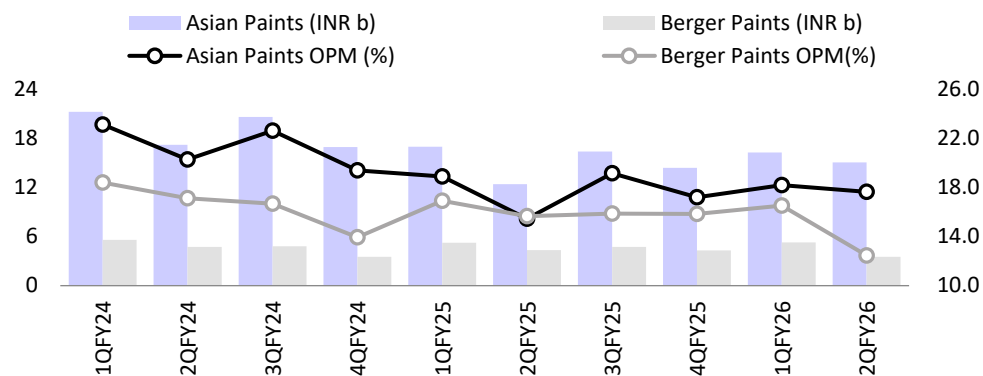
Source: MOFSL, Company

Exhibit 9: Revenue trend of peers after the Birla Opus entry



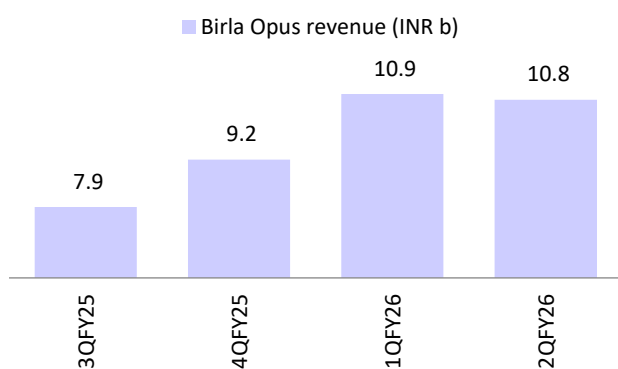
Source: MOFSL, Company

Exhibit 10: EBITDA trend of peers after the Birla Opus entry



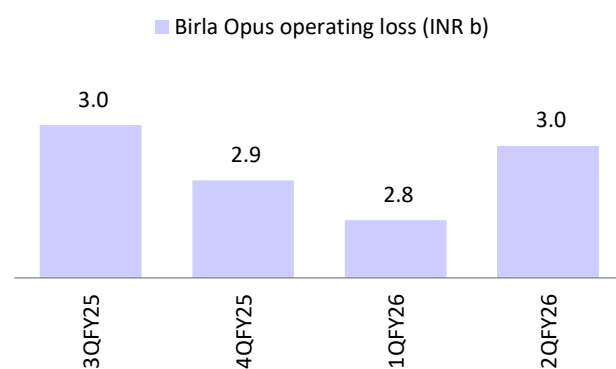
Source: MOFSL, Company

Exhibit 11: Birla Opus – revenue trend



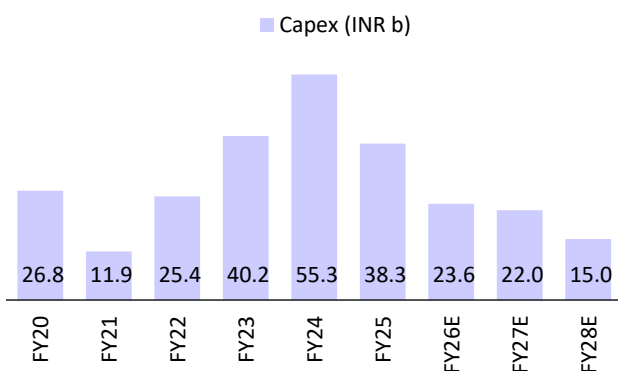
Source: MOFSL estimate

Exhibit 12: Birla Opus – operating losses



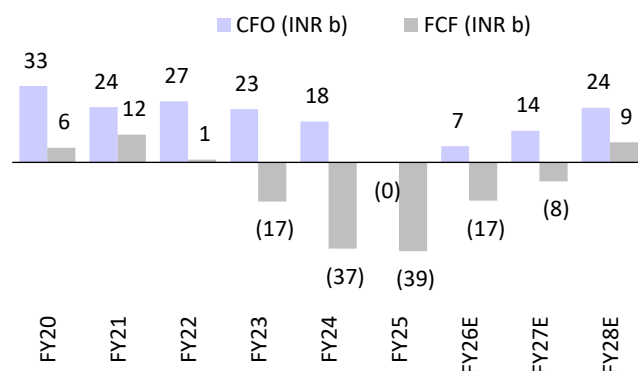
Source: MOFSL estimate

Exhibit 13: Standalone capex trend



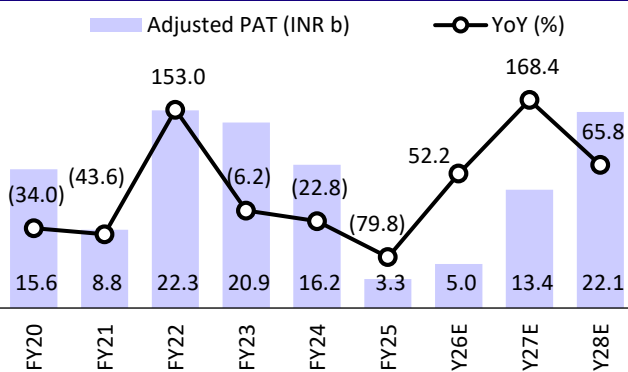
Source: MOFSL, Company

Exhibit 14: Estimate OCF/FCF to improve from FY26



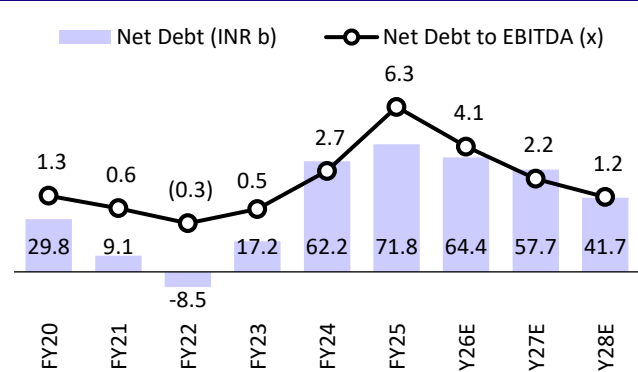
Source: MOFSL, Company

Exhibit 15: Expect improvement in profits going forward



Source: MOFSL, Company

Exhibit 16: Net debt peaked in FY25



Source: MOFSL, Company

Financials and Valuation

	(INR m)							
Y/E March	2021	2022	2023	2024	2025	2026E	2027E	2028E
Net Sales	1,23,864	2,08,568	2,68,397	2,58,473	3,15,632	3,86,678	4,42,011	4,97,104
Change (%)	(33.4)	68.4	28.7	(3.7)	22.1	22.5	14.3	12.5
Total Expenditure	1,08,220	1,76,407	2,36,598	2,35,313	3,04,218	3,70,794	4,16,348	4,62,875
EBITDA	15,643	32,162	31,799	23,160	11,415	15,884	25,663	34,229
Change (%)	(32.3)	105.6	(1.1)	(27.2)	(50.7)	39.2	61.6	33.4
Margin (%)	12.6	15.4	11.8	9.0	3.6	4.1	5.8	6.9
Depreciation	8,282	9,140	10,973	12,151	16,762	20,261	22,263	23,433
EBIT	7,362	23,022	20,826	11,010	-5,347	-4,378	3,399	10,796
Int. and Finance Charges	2,360	2,472	3,677	4,404	6,837	8,278	7,882	6,947
Other Income - Rec.	5,137	8,953	10,183	12,566	17,151	19,340	22,049	25,270
PBT & EO Items	10,139	29,503	27,333	19,172	4,967	6,685	17,567	29,119
Change (%)	(39.8)	191.0	(7.4)	(29.9)	(74.1)	34.6	162.8	65.8
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	6,685	17,567	29,119
Tax	1,224	1,857	5,215	2,562	1,206	1,711	4,216	6,989
Tax Rate (%)	12.1	6.3	19.1	13.4	24.3	25.6	24.0	24.0
Reported PAT	8,105	26,955	21,237	9,454	2,121	4,974	13,351	22,131
PAT Adj for EO items	8,817	22,306	20,933	16,157	3,267	4,974	13,351	22,131
Change (%)	(43.6)	153.0	(6.2)	(22.8)	(79.8)	52.2	168.4	65.8
Margin (%)	7.1	10.7	7.8	6.3	1.0	1.3	3.0	4.5

	(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	5,65,837	5,86,114	6,03,481
Net Worth	4,29,479	4,86,158	4,69,549	5,21,146	5,43,976	5,67,906	5,88,183	6,05,550
Loans	41,634	41,208	52,542	94,529	1,11,214	95,729	89,729	73,729
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	6,86,627	7,00,904	7,02,271
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	1,07,582	1,29,846	1,53,279
Net Fixed Assets	1,09,637	1,48,549	1,62,169	1,71,052	2,37,302	2,60,489	2,63,225	2,54,792
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	29,466	29,466	29,466
Curr. Assets	46,827	73,477	91,378	1,06,895	1,18,305	1,38,690	1,62,587	1,83,501
Inventory	21,790	39,408	44,928	52,150	60,514	69,269	81,734	92,625
Account Receivables	13,120	16,904	15,973	19,743	25,539	28,862	34,056	38,594
Cash and Bank Balance	1,327	2,253	4,744	3,096	1,937	1,891	2,597	2,572
Others	10,590	14,912	25,734	31,905	30,314	38,668	44,201	49,710
Curr. Liability & Prov.	55,130	80,583	84,332	1,02,732	1,01,626	1,08,904	1,18,261	1,29,375
Account Payables	27,069	46,507	47,112	54,826	48,313	55,800	62,435	70,755
Provisions	3,250	3,419	3,866	8,385	7,837	5,800	6,630	7,457
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	29,786	44,326	54,126
Appl. of Funds	4,88,452	5,45,779	5,37,440	6,38,646	6,78,182	6,86,627	7,00,904	7,02,271

Financials and valuations

STANDALONE RATIOS

Y/E March (INR)	2021	2022	2023	2024	2025	2026E	2027E	2028E
EPS	13.4	33.9	31.8	24.3	4.8	7.3	19.6	32.5
Cash EPS	26.0	47.8	48.5	42.6	29.4	37.1	52.3	67.0
BV/Share	652.6	738.4	713.1	784.9	799.3	834.5	864.3	889.8
DPS	9.0	10.0	10.0	10.0	10.0	6.5	7.0	7.0
Valuation*								
P/E	52.4	15.8	20.0	45.4	207.2	88.4	32.9	19.9
Cash P/E	24.9	13.5	13.3	15.1	21.9	17.4	12.3	9.6
P/BV	4.3	3.8	3.9	3.6	3.5	3.4	3.2	3.2
EV/Sales	-0.8	-0.5	-0.3	-0.1	-0.1	(0.1)	(0.1)	(0.1)
EV/EBITDA	-6.6	-3.5	-2.8	-1.6	-1.5	(1.7)	(1.7)	(2.1)
Dividend Yield (%)	0.3	0.4	0.4	0.4	0.4	0.2	0.2	0.2
Return Ratios (%)								
RoE	4.9	11.5	9.0	5.7	-4.3	-4.3	-1.2	1.3
RoCE	5.3	12.9	11.0	6.6	0.4	0.5	2.8	5.0
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	0.6	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	6,685	17,567	29,119
Depreciation	8,282	9,140	10,973	12,151	16,762	20,261	22,263	23,433
Interest & Finance Charges	(421)	(4,552)	(4,184)	(5,260)	(7,271)	(5,103)	(8,036)	(12,014)
Direct Taxes Paid	(1,786)	(6,502)	(4,071)	(573)	3,366	(1,711)	(4,216)	(6,989)
(Inc)/Dec in WC	9,350	132	(5,426)	(5,965)	(16,692)	(13,152)	(13,834)	(9,825)
CF from Operations	24,754	27,029	23,744	12,368	(507)	6,980	13,744	23,725
Others	(780)	(467)	(556)	5,408	253	-	-	-
CF from Operating incl EO	23,974	26,562	23,188	17,776	(254)	6,980	13,744	23,725
(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)	(16,620)	(8,256)	8,725
(Pur)/Sale of Investments	102	66	111	271	4,714	-	-	-
Others	(10,249)	(9,541)	18,211	(874)	4,802	21,381	15,918	18,961
CF from Investments	(22,079)	(34,857)	(21,902)	(55,863)	(28,834)	(2,219)	(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	(15,485)	(6,000)	(16,000)
Interest Paid	(3,241)	(843)	(5,478)	(6,419)	(10,512)	(8,278)	(7,882)	(6,947)
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	(4,806)	(6,956)	(27,711)
Inc/Dec of Cash	(13,226)	(16,061)	(362)	317	(130)	(46)	706	(25)
Opening Balance	510	692	5,106	2,779	2,067	1,937	1,891	2,597
Add: Cash on amalgamation	13,408	15,895	-	-	-	-	-	-
Closing Balance	692	527	4,744	3,096	1,937	1,891	2,597	2,572

*Calculated for standalone business

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	$\geq 15\%$
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

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Nainesh

Rajani

Email: nainesh.rajani@motilaloswal.com

Contact: (+65) 8328 0276

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Grievance Redressal Cell:

Contact Person	Contact No.	Email ID
Ms. Hemangi Date	022 40548000 / 022 67490600	query@motilaloswal.com
Ms. Kumud Upadhyay	022 40548082	servicehead@motilaloswal.com
Mr. Ajay Menon	022 40548083	am@motilaloswal.com
Mr. Neeraj Agarwal	022 40548085	na@motilaloswal.com
Mr. Siddhartha Khemka	022 50362452	po.research@motilaloswal.com

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