

### 3R MATRIX

	+	=	-
Right Sector (RS)	✓	✗	✗
Right Quality (RQ)	✓	✗	✗
Right Valuation (RV)	✓	✗	✗

+ Positive = Neutral - Negative

### What has changed in 3R MATRIX

	Old		New
RS	✓	↔	✓
RQ	✓	↔	✓
RV	✓	↔	✓

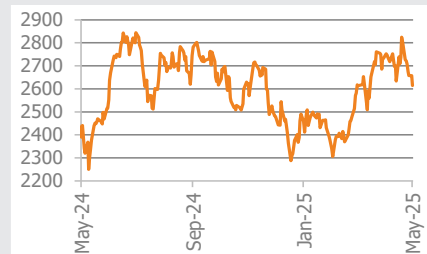
### Company details

Market cap:	Rs. 1,77,926 cr
52-week high/low:	Rs. 2,875/2,175
NSE volume: (No of shares)	6.1 lakh
BSE code:	500300
NSE code:	GRASIM
Free float: (No of shares)	38.7 cr

### Shareholding (%)

Promoters	43.1
FII	13.5
DII	18.2
Others	25.2

### Price chart



Source: NSE India, Mirae Asset Sharekhan Research

### Price performance

(%)	1m	3m	6m	12m
Absolute	-5.0	9.3	-0.6	9.4
Relative to Sensex	-6.7	-0.3	-2.4	1.2

Source: Mirae Asset Sharekhan Research, Bloomberg

## Grasim Industries Ltd

### Paints segment shines; Retain Buy

Diversified	Sharekhan code: GRASIM		
Reco/View: Buy	↔	CMP: Rs. 2,614	Price Target: Rs. 2,950 ↑
↑ Upgrade	↔ Maintain	↓ Downgrade	

#### Summary

- We retain a Buy rating with a revised PT of Rs. 2,950, as the company continues to capitalise on growth opportunities, particularly in its paints business.
- Standalone revenues stood at Rs. 8,926 crore up 32% y-o-y while EBITDA fell 58% to Rs. 221 crore.
- Five out of six planned factories are operational, adding 1,096 MLPA capacity in FY25, representing 21% of India's organised decorative paints capacity. The final plant at Kharagpur will open in H1FY26, bringing the total capacity to 1,332 MLPA.
- Birla Pivot has reached an ARR of Rs. 5,000 crore in less than two years, with revenue growing 3.3x compared to FY24. If the current growth rate continues, the goal of hitting Rs. 8,500 crore may be achieved even sooner.

Standalone revenue grew by 32% y-o-y to Rs. 8,926 crore while EBITDA was at Rs. 221 crore fell 58% y-o-y. In Q4 Cellulosic Fibre revenue grew by 8% y-o-y While EBITDA de-grew by 36% y-o-y due to increased key input costs. The CSF sales volume stayed flat y-o-y to 207 kt, while CFY volume grew 3% to 11.1 kt, realization continue to remain impacted by low price dumping from China. Chemicals business' operating profit increased 52% y-o-y driven by improved realization of caustic soda and better profitability in chlorine derivatives. The standalone building materials segment's revenue rose ~36% q-o-q with good traction in the paints business as well. Revenue from other businesses was up 14% y-o-y to Rs. 898 crore, EBITDA up by 33% to 139 crore y-o-y led by capacity increase in renewable business. The cumulative installed capacity increased to 1.5 GW, of which 38% is with group companies.

#### Key positives

- Birla Opus (Opus + White putty) has crossed a market share of 10%.
- Birla Pivot has achieved an ARR of Rs. 5,000 crore. Its revenue grew 3.3x compared to the FY24

#### Key negatives

- Cellulosic fibre EBITDA declined by 36% y-o-y in Q4FY24 and 12% for full year because company absorbed some of the higher prices for key raw materials (like pulp) rather than passing all of it on to customers.
- Caustic soda sales volumes de-grew by 6% y-o-y in Q4FY25 owing to lower production due to Karwar facility shutdown and power constraints at the Vilayat plant. Profits were also impacted by lower chlorine prices, caused by market oversupply and reduced demand.

#### Management Commentary

- Birla Opus is nearing its dealer target, with a reach of over 6,000 towns and nearly 50,000 dealers. The penetration rate is high, with almost 80% of retail outlets featuring their tinting machines. The company noted that 65% of revenue comes from premium and luxury products, which spans across all categories, including waterproofing, wood finishes, and emulsions.
- Birla Opus aims to achieve Rs. 10,000 crore in revenue within three years of full-scale operations and reach EBITDA breakeven around the same time.
- In the paints industry, the company stated that, excluding Birla Opus, the paint market in FY25 was actually negative. With Birla Opus included, the market saw low single-digit growth. For FY26, the market is expected to remain slow, and while it's hard to predict, it could experience another year of low single-digit growth.
- Grasim has begun the first phase of its Lyocell fiber project in Harihar, Karnataka, which will add 55,000 tons per year to capacity. The plant is expected to be operational by mid-2027, with a total planned capacity of 110,000 tons.

#### Our Call

**Valuation - Retain Buy with a revised PT of Rs. 2,950:** Standalone businesses in the cellulosic fibers and chemicals segments faced pressure due to volatility in input costs. For chemicals segment, the company is expanding capacity, focusing on higher-value products, and addressing chlorine pricing challenges. Growth is expected in both caustic and specialty chemicals. Birla Opus, including Birla White Putty, has already exceeded a 10% market share, and the company expects that its paint business (Birla Opus) alone will to achieve single-digit market share. In less than two years, Birla Pivot has achieved an ARR of Rs. 5,000 crore. Furthermore, the outlook for its key subsidiary, UltraTech, has improved. We maintain a 'Buy' rating with a revised price target (PT) of Rs. 2,950, as the company continues to capitalise on growth opportunities.

#### Key Risks

The funding requirement of its group companies and weakness in the standalone business are key risks.

#### Valuation (Standalone)

Particulars	FY24	FY25	FY26E	FY27E
Revenue	25,847	31,563	37,126	43,426
OPM (%)	9.0	3.6	6.6	7.8
Adjusted PAT	1,661	376	1,310	1,832
y-o-y growth (%)	(24.9)	(77.4)	248.3	39.8
Adjusted EPS (Rs.)	25.3	5.7	19.9	27.8
RoNW (%)	3.2	0.7	2.4	3.3
RoCE (%)	2.8	0.6	1.9	2.6

Source: Company; Mirae Asset Sharekhan estimates

## Key Conference Call Takeaway

### ♦ Birla Opus

- ♦ **Capacity plan:** Five out of their six planned factories are already operational, adding 1,096 MLPA capacity in the FY25. This represents 21% of India's organised decorative paints capacity. Their final plant at Kharagpur will open in the H1 26, increasing their total capacity to 1,332 MLPA, which will be 24% of the sector's capacity.
- ♦ **Market share:** The Company has crossed 10% market share (Opus + Putty) by Q4FY25. Regarding Pricing they are able to charge same price as market leaders. Their target is achieve double the market share for Birla Opus alone in FY26.
- ♦ **Dealer target:** Regarding dealers, the company is fairly close to achieving target reach over 6,000 towns and close to 50,000 dealers. penetration rate is nearly 80% of the retail outlets that Birla Opus has opened have their tinting machines The company mentioned that 65% comes from premium and luxury, it applies across all their product categories(waterproofing, wood finishes, emulsions).
- ♦ **Revenue target:** The company has their ambition is to reach Rs. 10,000 crore revenue within three years of full-scale operation and be EBITDA breakeven around that point.
- ♦ **Mahad plant:** The company mentioned that primary benefit is providing great geographical presence and allowing for more economical distribution. It produces both solvent-based and emulsion-based paints. The main advantage of having strategically located plants like Mahad is in reducing freight and logistics costs.
- ♦ **Birla Pivot (B2B):** In less than two years, Birla Pivot has achieved an ARR of Rs. 5,000 crores. Its revenue grew 3.3 times compared to the FY24. The goal of hitting Rs 8,500 crore might be achieved even faster if they continue their current growth rate. Birla Pivot is still a very new business (started only two years ago) and is "still in the investment phase".
- ♦ **Cellulosic fiber:** FY25 revenue Rs. 15,987 crore, a 6% up y-o-y, mainly due to selling more products (4% volume growth). EBITDA was 12% lower than the FY24. This was because the company absorbed some of the higher prices for key raw materials (like pulp) rather than passing all of it on to customers. The company mention that pulp prices (a key raw material) have also started to soften.
- ♦ **Lyocell fiber project:** Grasim has started work on the first phase of its new Lyocell fiber project in Harihar, Karnataka. This phase will add 55,000 tonnes per year to their capacity, with the plant expected to be ready by mid-2027. The total planned capacity for this project is 110,000 tonnes. Also, working on debottlenecking existing "bulk capacity" at their Harihar plant, and similar projects are happening at their Vilayat and Nagda plants. they expect a slight increase in viscose fiber capacity by the end of the H1 of FY26.
- ♦ **Chemical business:** Caustic soda sales volumes fell 6 % due to temporary shutdowns at the Karwar and BB Puram plants. Profits were also impacted by lower chlorine prices, caused by market oversupply and reduced demand. The company is starting FY26 with full caustic and specialty chemicals capacity, and projects for ECH and CPVC plants at Vilayat are expected to begin in Q2 FY26.
- ♦ **Paints:** The company noted that excluding Birla Opus, the paints market in FY25 was actually negative. With Birla Opus included, the market saw low single-digit growth. For FY26, the market is expected to remain slow.

## Results (Standalone)

Particulars	Q4FY25	Q4FY24	y-o-y (%)	Q3FY25	Rs cr q-o-q (%)
<b>Net sales</b>	<b>8,925.8</b>	<b>6,767.5</b>	<b>31.9</b>	<b>8,120.3</b>	<b>9.9</b>
Total expenditure	8,705.2	6,240.9	39.5	7,849.7	10.9
<b>Operating profit</b>	<b>220.5</b>	<b>526.6</b>	<b>(58.1)</b>	<b>270.6</b>	<b>(18.5)</b>
Other Income	226.9	260.3	(12.8)	101.5	123.6
Interest	200.9	120.7	66.5	181.4	10.8
PBDT	246.5	666.1	(63.0)	190.7	29.3
Depreciation	500.8	339.0	47.7	421.1	18.9
Extraordinary item	114.0	715.6	-	-	-
<b>PBT</b>	<b>(368.2)</b>	<b>(388.5)</b>	<b>(5.2)</b>	<b>(230.4)</b>	<b>59.8</b>
Tax	(80.3)	52.5	(253.0)	(61.8)	29.9
<b>Reported PAT</b>	<b>(288.0)</b>	<b>(440.9)</b>	<b>(34.7)</b>	<b>(168.7)</b>	<b>70.8</b>
<b>Adjusted PAT</b>	<b>(174.0)</b>	<b>274.7</b>	<b>(163.3)</b>	<b>(168.7)</b>	<b>3.2</b>
EPS (Rs.)	(4.2)	(6.5)	(34.7)	(2.5)	70.8
<b>Margin (%)</b>			<b>BPS</b>		<b>BPS</b>
Operating margin	2.5%	7.8%	-531	3.3%	-86
Net Margin	-1.9%	4.1%	-601	-2.1%	13
Tax rate	21.8%	-13.5%	3530	26.8%	-501

Source: Company; Mirae Asset Sharekhan Research

## Outlook and Valuation

### ■ Sector Outlook – Positive outlook for new high growth segments

Grasim is facing subdued demand in its standalone businesses, led by global oversupply and volatility in the pricing environment. However, the viscose demand environment is expected to remain stable with a gradual improvement in OPM. The decorative paints segments is a huge 76,000 crore market in India with 25% unorganised share. The outlook for its key subsidiary, UltraTech, remains healthy, with expected demand from government-led infrastructure investments and sustained market from rural and individual homebuilders.

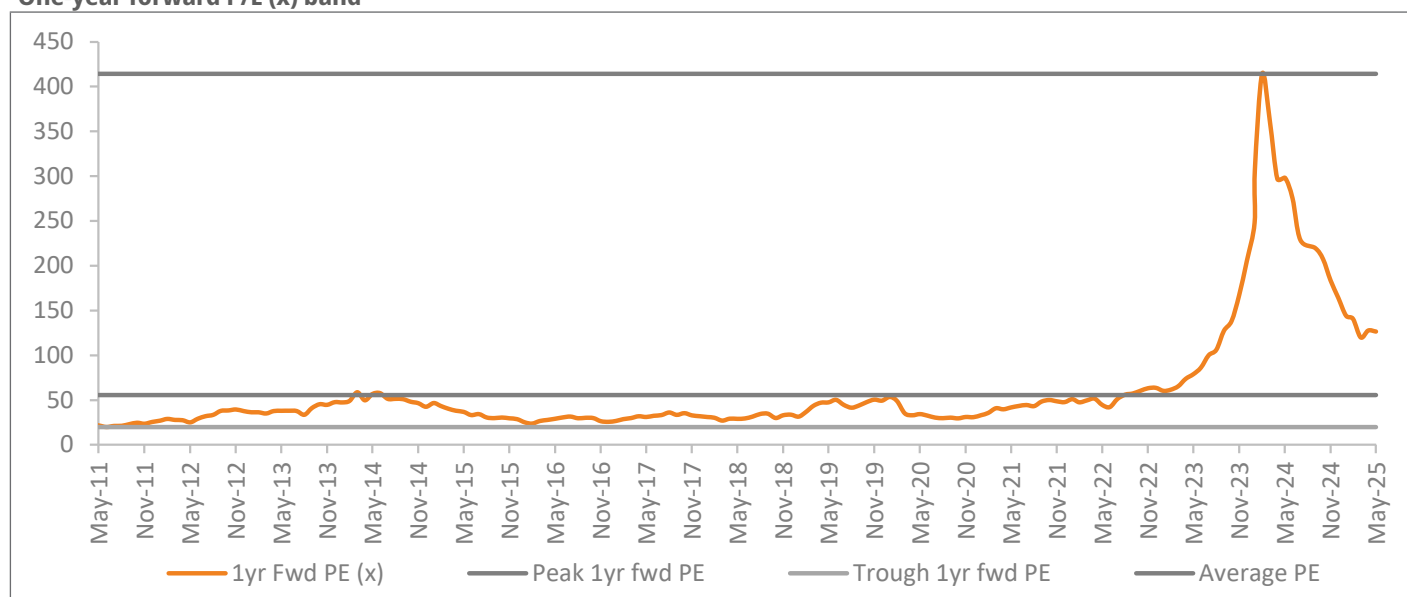
### ■ Company Outlook – Healthy times ahead for key subsidiary and paints venture

Grasim is benefiting from the healthy growth outlook in its key subsidiary, UltraTech, while its standalone businesses is facing subdued demand and volatility. The company would focus on increasing asset productivity and the share of value-added products to improve OPM in the viscose and chemical divisions. The company's venture into the paints business will provide scale and growth and reduce the cyclicity of the standalone business. Grasim is venturing into the decorative paints and aims is to reach Rs.10,000 crore revenue within three years of full-scale operations. Hence, a healthy growth outlook in UltraTech and a venture into paints are likely to drive valuation.

### ■ Valuation – Retain Buy with a revised PT of Rs. 2,950

Standalone businesses in the cellulosic fibers and chemicals segments faced pressure due to volatility in input costs. For chemicals segment, the company is expanding capacity, focusing on higher-value products, and addressing chlorine pricing challenges. Growth is expected in both caustic and specialty chemicals. Birla Opus, including Birla White Putty, has already exceeded a 10% market share, and the company expects that its paint business (Birla Opus) alone will to achieve single-digit market share. In less than two years, Birla Pivot has achieved an ARR of Rs. 5,000 crore. Furthermore, the outlook for its key subsidiary, UltraTech, has improved. We maintain a 'Buy' rating with a revised price target (PT) of Rs. 2,950, as the company continues to capitalise on growth opportunities.

One-year forward P/E (x) band



Source: Company; Mirae Asset Sharekhan Research

## About company

Grasim is the flagship company of Aditya Birla Group. It's one of India's largest private sector companies and a diversified conglomerate. The company started as a textiles manufacturer in India in 1947. The cement business started in 1985 with a capacity of 0.5 MTPA. Originally focused on textiles, Grasim has evolved into a powerhouse across multiple sectors. The company is a global leader in viscose staple fiber (VSF) production and is India's largest cement manufacturer through its subsidiary UltraTech Cement. Grasim has expanded its portfolio to include chemicals, pulp, insulators, and more recently, paints. With operations across 36+ countries and employing thousands, the company maintains a strong commitment to sustainability while delivering consistent financial performance and shareholder value.

## Investment theme

Grasim is benefiting from the healthy growth outlook in its key subsidiary, UltraTech, while its standalone businesses is facing subdued demand and volatility. The company would focus on increasing asset productivity and the share of value-added products to improve OPM in the viscose and chemical divisions. The company's venture into the paints business will provide scale and growth and reduce the cyclical nature of the standalone business. Further, UltraTech's growth outlook remains buoyant, which comprises over 70% of Grasim's SOTP valuation.

## Key Risks

- ♦ Funding requirements of its other listed entities.
- ♦ Weakness in the standalone business

## Additional Data

### Key management personnel

Name	Designation
Kumar Mangalam Birla	Chairman
Himanshu Kapania	Managing Director
Pavan Kumar Jain	Chief Financial Officer

Source: Company Website

### Top 10 shareholders

Sr. No.	Holder Name	Holding (%)
1	Life Insurance Corp of India	8.20
2	Vanguard Group Inc/The	2.23
3	SBI Funds Management Ltd	1.56
4	THELEME MASTER FUND LTD	1.47
5	Gagandeep Credit Capital Pvt Ltd	1.41
6	SHAMYAK INVESTMENT PRIVA	1.40
7	Blackrock Inc	1.38
8	Norges Bank	1.34
9	SAMYAKTVA CONS LLP	1.22
10	Nippon Life India Asset Management	0.71

Source: Bloomberg

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## Understanding the Mirae Asset Sharekhan 3R Matrix

Right Sector	
Positive	Strong industry fundamentals (favorable demand-supply scenario, consistent industry growth), increasing investments, higher entry barrier, and favorable government policies
Neutral	Stagnancy in the industry growth due to macro factors and lower incremental investments by Government/private companies
Negative	Unable to recover from low in the stable economic environment, adverse government policies affecting the business fundamentals and global challenges (currency headwinds and unfavorable policies implemented by global industrial institutions) and any significant increase in commodity prices affecting profitability.
Right Quality	
Positive	Sector leader, Strong management bandwidth, Strong financial track-record, Healthy Balance sheet/cash flows, differentiated product/service portfolio and Good corporate governance.
Neutral	Macro slowdown affecting near term growth profile, Untoward events such as natural calamities resulting in near term uncertainty, Company specific events such as factory shutdown, lack of positive triggers/events in near term, raw material price movement turning unfavourable
Negative	Weakening growth trend led by led by external/internal factors, reshuffling of key management personal, questionable corporate governance, high commodity prices/ weak realisation environment resulting in margin pressure and deteriorating balance sheet
Right Valuation	
Positive	Strong earnings growth expectation and improving return ratios but valuations are trading at discount to industry leaders/historical average multiples, Expansion in valuation multiple due to expected outperformance amongst its peers and Industry up-cycle with conducive business environment.
Neutral	Trading at par to historical valuations and having limited scope of expansion in valuation multiples.
Negative	Trading at premium valuations but earnings outlook are weak; Emergence of roadblocks such as corporate governance issue, adverse government policies and bleak global macro environment etc warranting for lower than historical valuation multiple.

Source: Mirae Asset Sharekhan Research

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