MIRAE ASSET Sharekhan

Stock Update

Result Update

# Grasim Industries Ltd

## Paints biz in focus; long-term outlook robust

| Diversified | Sharekhan code: GRASIM |
|---|---|

| Reco/View: Buy | ⇔ | CMP: **Rs. 2,702** | Price Target: **Rs. 3,097** | ↑ |
|---|---|---|---|---|

| 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 | | ⇔ | |

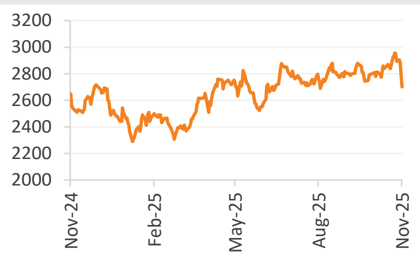
**Company details**

| | |
|---|---|
| Market cap: | Rs. 1,83,868 cr |
| 52-week high/low: | Rs. 2979/2276 |
| NSE volume: (No of shares) | 6.5 lakh |
| BSE code: | 500300 |
| NSE code: | GRASIM |
| Free float: (No of shares) | 38.7 cr |

**Shareholding (%)**

| | |
|---|---|
| Promoters | 43.1 |
| FII | 14.4 |
| DII | 17.3 |
| Others | 25.3 |

**Price chart**




*Source: NSE India, Mirae Asset Sharekhan Research*

**Price performance**

| (%) | 1m | 3m | 6m | 12m |
|---|---|---|---|---|
| Absolute | -2.8 | -2.4 | 0.1 | 2.1 |
| Relative to Sensex | -4.7 | -5.8 | -3.0 | -1.6 |

*Source: Mirae Asset Sharekhan Research, Bloomberg*


**Summary**

- Standalone revenue rose 26.1% y-o-y to Rs. 9,610 crore (4.5% above estimates), while EBITDA rose 12.6% y-o-y to Rs. 366 crore (22% ahead of expectations), driven by robust traction in Paints, B2B e-commerce and chemicals business.
- Commissioning of sixth paint plant at Kharagpur raised total capacity to 1,332 MLPA, forming ~24% of organised industry capacity.
- Birla Pivot (B2B e-commerce) delivered strong 15% q-o-q revenue growth despite monsoon-led softness in construction demand; on track to achieve Rs. 8,500 crore revenue by FY27.
- We retain a Buy rating with a revised PT of Rs. 3,097, as Grasim continues to capitalise on growth opportunities, particularly in paints business.


**Standalone revenue grew 26.1% y-o-y to Rs. 9,610 crore, with EBITDA rising 12.6% y-o-y to Rs. 366 crore. Growth was primarily driven by strong momentum in the paints, B2B e-commerce & Chemical businesses. Cellulosic fibre (CSF) revenues stood at Rs. 4,149 crore, EBITDA declined 29% y-o-y to Rs. 350 crore, reflecting input cost pressure. CSF sales volumes however fell 5% y-o-y to 209 kilotonnes on temporary logistics issues at Vilayat. Specialty fibre volumes' share stood at 24% (versus 21% in Q2FY25) led by higher exports, while CFY volumes grew 3% y-o-y on festive demand. Realizations stayed stressed on aggressive Chinese pricing. Chemicals business' revenues rose strongly by 16.8% y-o-y to Rs. 2,399 crore and EBITDA up 33.7% y-o-y to Rs. 365 crore, supported by higher volumes in Chlorine Derivatives and better ECU realisations. Specialty chemicals contributed 30% of segment revenue (vs. 26% y-o-y). Renewable power's share has reached 25%, with a medium-term target to expand it to 40% in three years. Building Materials segment (Paints & B2B E-commerce) reported a 152.5% y-o-y growth in revenue to Rs. 2,646 crore. Cumulative paint capex stands at Rs. 9,727 crore. With the capex cycle now complete, margins are expected to improve from FY27 onwards. Management also stated that the overall decorative paint industry de-grew y-o-y (ex- Birla Opus). It guided for double-digit q-o-q and strong y-o-y growth for Birla Opus in the upcoming quarters. Birla Pivot (B2B E-commerce) registered 15% q-o-q revenue growth, supported by new customer additions, healthy repeat orders, and a rising share from new categories such as Non-ferrous metals, Bitumen, Chemicals, and Tiles & Ply. The business remains on track to achieve Rs. 8,500 crore ($1 billion) in revenue by FY27, with potential to achieve the target ahead of schedule.**

**Key positives**

- Birla Opus' distribution crossed 10,000 towns exceeding guidance of 8.5k towns.

**Key negatives**

- Cellulosic fibre EBITDA declined 29.1% y-o-y due to higher input costs.

**Management Commentary**

- Birla Opus' CEO Rakshit Hattangadi will step down effective December 6, 2025. Management clarified that operations remain stable, with a strong leadership bench already in place. Until a successor is appointed, MD Himanshu Kapania will step in. The company reiterated that there will be no change in growth strategy, maintaining its commitment to achieving the No. 2 revenue market share and profitability within three years of full-scale operations.
- Management highlighted that despite a monsoon-led slowdown, Birla Opus continued to gain market share, emerging as the #3 decorative brand with double-digit market share (including putty). The premium and luxury category contributes 65% of paint revenues.
- Revenue from other businesses rose 28% y-o-y to Rs. 996 crore, led by strong performance in Renewables and Textiles. The Renewables business doubled capacity y-o-y to 1.93 GWP, while Textiles revenue grew 6% y-o-y to Rs. 586 crore, supported by festive demand for premium fabrics. Textiles' EBITDA improved to Rs. 24 crore, reversing a loss in Q2FY25 due to normalization of input costs in the linen segment.

**Our Call**

**Valuation – Retain Buy with a revised PT of Rs. 3,097:** Grasim's diversified business model continues to deliver, with strong performance across its Chemicals and Building Materials segments. Chemicals division reported healthy growth, supported by higher volumes, improved caustic soda realisations, and better profitability in chlorine derivatives. Building materials segment, led by Birla Opus, maintained strong momentum with market share crossing 10% and an increasing contribution from premium and luxury products, while the Birla Pivot continues to scale up rapidly and is tracking ahead of guidance. Although the Cellulosic Fibre segment faced margin pressure from elevated input costs and soft export demand, the company remains focused on cost optimisation and specialty mix enhancement. With UltraTech Cement's robust outlook further strengthening consolidated earnings visibility, we retain our BUY rating and revise our price target to Rs. 3,097, reflecting strong long-term growth prospects across both established and emerging businesses.

**Key Risks**

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

**Valuation (Standalone)** Rs cr

| Particulars | FY25 | FY26E | FY27E | FY28E |
|---|---|---|---|---|
| Revenue | 31,563 | 39,031 | 44,585 | 48,906 |
| OPM (%) | 3.6 | 4.5 | 6.0 | 7.0 |
| Adjusted PAT | 376 | 525 | 924 | 1,289 |
| y-o-y growth (%) | NA | 39.7 | 76.0 | 39.4 |
| Adjusted EPS (Rs.) | 5.7 | 8.0 | 14.1 | 19.6 |
| RoNW (%) | 0.7 | 1.0 | 1.7 | 2.3 |
| RoCE (%) | 0.6 | 0.8 | 1.3 | 1.8 |

*Source: Company; Mirae Asset Sharekhan estimates*

**Results (Standalone)** **Rs cr**

| Particulars | Q2FY26 | Q2FY25 | yoy % | Q1FY26 | QoQ % |
|---|---|---|---|---|---|
| **Net sales** | **9,610.3** | **7,623.3** | **26.1** | **9,223.1** | **4.2** |
| Total expenditure | 9,244.1 | 7,298.1 | 26.7 | 8,838.5 | 4.6 |
| **Operating profit** | **366.2** | **325.2** | **12.6** | **384.6** | **(4.8)** |
| Other Income | 1,419.4 | 1,293.6 | 9.7 | 143.7 | 887.8 |
| Interest | 203.1 | 161.5 | 25.8 | 206.1 | (1.5) |
| PBDT | 1,582.5 | 1,457.3 | 8.6 | 322.2 | 391.2 |
| Depreciation | 501.7 | 405.8 | 23.6 | 478.5 | 4.8 |
| Extra-ordinary item | - | 50.0 | NA | - | NA |
| **PBT** | **1,080.9** | **1,001.6** | **7.9** | **(156.3)** | **NA** |
| Tax | 276.3 | 280.7 | (1.6) | (38.2) | NA |
| Net Profit/(loss) from discontinued operations | - | - | NA | - | NA |
| **Reported PAT** | **804.6** | **720.9** | **11.6** | **(118.2)** | **NA** |
| Extra-ordinary item | - | 50.0 | NA | - | NA |
| **Adjusted PAT** | **804.6** | **770.8** | **4.4** | **(118.2)** | **NA** |
| EPS (Rs) | 11.8 | 10.6 | 11.6 | (1.7) | NA |
| | | | **BPS** | | **BPS** |
| Operating margin | 3.8 | 4.3 | -46 | 4.2 | -36 |
| Net Margin | 8.4 | 10.1 | -174 | -1.3 | NA |
| Tax rate | 25.6 | 28.0 | -246 | 24.4 | 115 |

*Source: Company; Mirae Asset Sharekhan Research*

## Outlook and Valuation

### ■ Sector Outlook – Better prospects for 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 72,000 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.

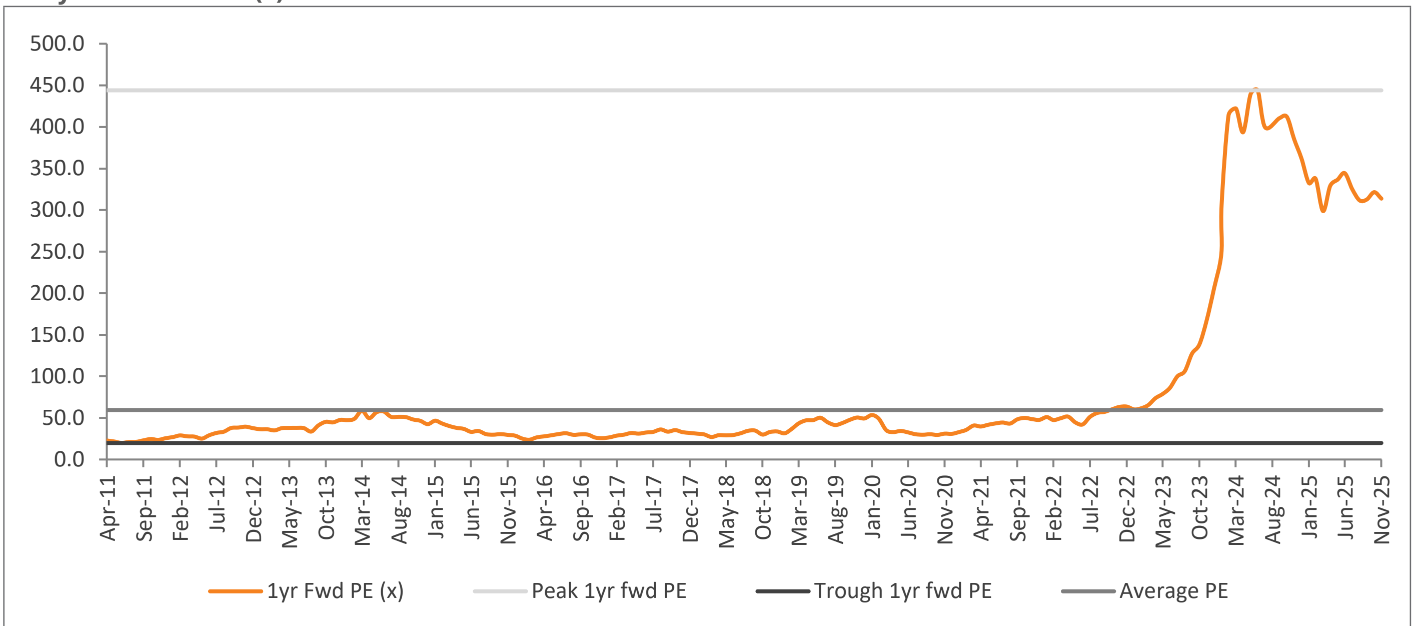
### ■ Company Outlook – Healthy times ahead for key subsidiary and paints venture

Grasim is benefiting from a 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. Foray into paints business will provide scale and growth and reduce the cyclicality of the standalone business. Grasim is venturing into 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. 3,097

Grasim's diversified business model continues to deliver, with strong performance across its Chemicals and Building Materials segments. Chemicals division reported healthy growth, supported by higher volumes, improved caustic soda realisations, and better profitability in chlorine derivatives. Building materials segment, led by Birla Opus, maintained strong momentum with market share crossing 10% and an increasing contribution from premium and luxury products, while the Birla Pivot continues to scale up rapidly and is tracking ahead of guidance. Although the Cellulosic Fibre segment faced margin pressure from elevated input costs and soft export demand, the company remains focused on cost optimisation and specialty mix enhancement. With UltraTech Cement's robust outlook further strengthening consolidated earnings visibility, we retain our Buy rating and revise our price target to Rs. 3,097, reflecting strong long-term growth prospects across both established and emerging businesses.

**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 cyclicality of the standalone business.

## 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.K. Jain | Chief Financial Officer |

*Source: Company Website*

**Top 10 shareholders**

| Sr. No. | Holder Name | Holding (%) |
|---|---|---|
| 1 | Life Insurance Corp of India | 7.4 |
| 2 | Vanguard Group Inc/The | 2.19 |
| 3 | SBI Funds Management Ltd | 1.59 |
| 4 | Blackrock Inc | 1.43 |
| 5 | Gagandeep Credit Capital Pvt Ltd | 1.41 |
| 6 | THELEME MASTER FUND LTD | 1.4 |
| 7 | Shamyak Investment Pvt Ltd | 1.4 |
| 8 | Norges Bank | 1.22 |
| 9 | SAMYAKTVA CONS LLP | 1.08 |
| 10 | Nippon Life India Asset Management | 0.79 |

*Source: Bloomberg*



SOMIL RAMESH MEHTA

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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 detoriating 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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