

11 August 2025

India | Equity Research | Results Update

## Grasim Industries

Cement

### New business segments – beaming with confidence

Grasim Industries (Grasim) has kicked-off FY26 on a strong footing. Its standalone entity's (SA) Q1FY26 EBITDA has not only beat our estimate (at INR 3.85bn, up 18% YoY; I-Sec: INR 2.55bn), revenues of the new business segments (paints/B2B e-commerce) too have pleasantly surprised; also, EBITDA losses are in check. New segments' revenue rose 13% QoQ (12% ahead of our estimate) while EBITDA loss (of INR 3bn vs. INR 3.15bn in Q4FY25) stood in-line. Q1FY26's performance now presents a potential upward bias – 1) for FY26E SA EBITDA; and 2) to our revenues estimate for the new segments. Being conservative, we keep our earnings estimates intact and maintain **BUY**. Incorporating the increase in our fair value estimate for Grasim's key holding – UltraTech Cement (61% of SoTP) – the revised TP stands at INR 3,480 (INR 3,363 earlier).

### Chemical segment drives Q1FY26 EBITDA beat

EBITDA beat for Q1FY26 was almost entirely driven by the ~500bps QoQ margin jump in the **chemicals segment**, wherein EBITDA, at INR 4.22bn, surged 36% YoY/43% QoQ (vs. our ~INR 3bn estimate). While volumes grew 7% YoY and blended realisation stood flattish QoQ; the blended cost/t eased 6% QoQ, driving the outperformance. Segment margins stood 17.6% vs. our full-year forecast of 14.6% for FY26 (implying potential upward risk to FY26E EBITDA for SA entity). **CSF segment:** EBITDA, at INR 3.22bn, slipped 20% YoY but rose 10% QoQ (vs. our ~INR 2.9bn estimate). Volumes stood broadly flat (both YoY/QoQ, at 219kt) and so did blended realisations on a QoQ basis. The ~1% QoQ decline in cost/t drove the marginal EBITDA beat. EBITDA/kg stood INR 14.7 (down 20% YoY/up 9% QoQ) vs. our full-year FY26E of INR 15.2.

### Revenue ramp-up in new business segments surprise

New segments' revenue, at INR 24.6bn, rose 13% QoQ driven by repeat orders and expansion of its distribution network. The segments' EBITDA losses eased 5% QoQ; maintaining the trend of sustained decline in EBITDA loss margins since the past few quarters (**Exhibit 4**). The QoQ ramp-up displayed in Q1FY26 and a confident management commentary betoken upward risk to our existing revenue forecast for the new segments (INR 102bn/INR 141bn for FY26E/FY27E). Being conservative, we maintain our current earnings forecast. Retain **BUY** with a revised TP of INR 3,480 (**Exhibit 5** for SoTP working).

### Financial Summary

Y/E March (Rs mn)	FY24A	FY25A	FY26E	FY27E
Net Revenue	2,58,473	3,15,632	3,83,095	4,39,445
EBITDA	23,160	11,415	18,182	27,277
EBITDA (%)	9.0	3.6	4.7	6.2
Net Profit	16,610	3,761	5,726	11,228
EPS (INR)	14.2	3.1	8.4	16.5
EPS % Chg YoY	(55.9)	(78.1)	170.0	96.1
P/E (x)	189.0	863.6	319.9	163.1
EV/EBITDA (x)	19.3	43.8	27.7	18.5
RoCE (%)	1.7	(0.6)	(0.3)	0.7
RoE (%)	3.4	0.7	1.1	2.1

#### Navin Sahadeo

navin.sahadeo@icicisecurities.com  
+91 22 6807 7622

#### Amit Gupta

amit.g@icicisecurities.com

#### Market Data

Market Cap (INR)	1,832bn
Market Cap (USD)	20,900mn
Bloomberg Code	GRASIM IN
Reuters Code	GRAS.BO
52-week Range (INR)	2,898 /2,276
Free Float (%)	56.0
ADTV-3M (mn) (USD)	23.5

Price Performance (%)	3m	6m	12m
Absolute	(0.3)	8.2	5.8
Relative to Sensex	0.3	5.6	4.5

ESG Score	2023	2024	Change
ESG score	67.4	67.1	(0.3)
Environment	43.1	50.6	7.5
Social	73.8	69.7	(4.1)
Governance	80.4	80.7	0.3

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.

Source: SES ESG, I-sec research

Earnings Revisions (%)	FY26E	FY27E
Revenue	0.9	1.1
EBITDA	(0.0)	(0.3)
EPS	11.8	(4.8)

#### Previous Reports

25-05-2025: [Q4FY25 results review](#)

19-03-2025: [Company Update](#)

### Meek performance from other small segments

The performance of other small segments (textiles and insulators) remained meek with combined EBITDA loss of INR 70mn vs. a positive EBITDA of INR 110mn in Q4FY25 and INR 210mn in Q1FY25.

### High depreciation and interest cost drag PAT into red

Depreciation eased 4% QoQ (up 37% YoY, due to commissioning of new business capacities) while interest cost increased 3% QoQ (up 47% YoY). Grasim reported a loss of INR 1.18bn vs. a loss of INR 2.88bn in Q4FY25 and a loss of INR 521mn in Q1FY25.

## Q1FY26: Conference call takeaways

### Paints

- In Q1FY26, organised decorative paints industry grew by ~5% on a YoY basis, but excluding Birla Opus, growth was ~flat YoY.
- Birla Opus reported double-digit revenue growth on a QoQ basis and is India's third-largest player (as per Q1FY26 Investor PPT) in the decorative paints industry (including Birla White Putty business).
- Birla Opus has crossed 10% market share (of revenue) in decorative paints (including Birla White Putty revenues).
- Trial production at its sixth plant, in Kharagpur, has begun – with commercial launch expected by end-Q2FY26. Post the commissioning, overall capacity shall rise to 1,332 MLPA (representing ~24% share of organised paints sector in India).
- The company has introduced new product packaging and expanded its portfolio to 179 products with 1,460+ SKUs across its entire six decorative paints product categories.
- For enhancing customer experience, it has expanded 'Paint Craft', a dealer-operated franchise painting service, in ~100 towns.
- 'Birla Opus' has risen to be the second most visible paint brand (as per Q1FY26 Investor PPT); and it has recently launched part 2 of the 'duniya ko rang do' campaign, bringing back the adorable 'Opus Boy, in the animation form.
- In Q1FY26, premium and luxury product revenue contribution was ~65% of revenue (flat QoQ).
- It has expanded reach to ~8,000+ towns in a short span of less than 12 months (from 6,600+ towns reported in Q4FY25).
- Unlike some competitors, who focus on particular states/regions, it aims to maintain a pan-India presence with balanced performance across regions.
- It continues to offer the 10% extra volume promotion on 20L and 10L emulsion packs.
- As per management, competitive intensity remains high in the paints industry; particularly, in the economy segment, with increased discounting by several top players.
- Management also clarified that dealer attrition is quite minimal and majority of the dealers continue to grow with Birla Opus.

### **B2B e-commerce business (Birla Pivot)**

- Birla Pivot delivered high single-digit sequential revenue growth, driven by new customer additions and repeat orders.
- The business' annualised revenue run-rate (ARR) continues to rise and remains on track to achieve ~INR 85bn (USD 1bn) by FY27.
- Birla Pivot platform hosts a catalogue of more than 40,000 SKUs across 300+ brands and OEMs in 35 product categories.
- The company is strengthening revenue mix by adding high-potential categories such as non-ferrous, bitumen, chemicals and tiles & plywood, reinforcing Birla Pivot's position as a one-stop destination for all construction material needs.

### **Cellulosic fibre (CSF & CFY)**

- In Q1FY26, domestic CSF volumes grew ~2% YoY though overall CSF volume declined ~1% YoY at 209kt due to lower exports.
- China operating rates stood flat YoY at ~82% in Q1FY26; though, were lower vs. ~87% in Q4FY25, due to seasonality and subdued demand conditions.
- Average inventory holding increased to a two-year high of 20 days compared to an average of 11 days in FY25. This led to a correction in CSF prices to an average of ~USD 1.52/kg in Q1FY26, down 7% YoY.
- CFY business recorded volume growth of 6% YoY; however, realisations remained under pressure due to low priced imports from China.
- The phase-1 of the cellulosic fibres business, Lyocell project of 55K TPA (total capacity 110K TPA) is tracking as planned; commissioning targeted by mid-2027.

### **Chemicals**

- Caustic soda international average spot prices for Q1FY26 stood flattish YoY at ~USD 468/t. ECU realisations rose 10% YoY to ~INR 35,911/t, though flattish QoQ.
- In Q1FY26, EBITDA expanded ~36% YoY to ~INR 4.2bn driven by higher volume, better realisation in caustic soda and stronger profitability of chlorine derivatives.
- Chlorine integration level in Q1FY26 was ~63%; ~30-40% for internal consumption.
- As per management, epoxy margins are currently under pressure due to hardening of raw material prices, anti-dumping duties and duty-free imports. Company aims to make the right balance between retaining margins and market share.

### **Others**

- Q1FY26 capex was ~INR 4.8bn; for FY26, board approved capex of ~INR 22.6bn.
- In Q1FY26, revenues of financial services business (Aditya Birla Capital) grew ~8% YoY to ~INR 94.88bn. Total AUM grew by ~20% YoY to ~INR 5.5trn.
- In Q1FY26, revenue from other businesses (textiles, renewables and insulators) grew ~8% YoY to ~INR 8.65bn; EBITDA grew ~41% YoY to ~INR 1.54bn driven by higher capacities in the renewables business.

### Exhibit 1: Q1FY26 standalone result review

(INR mn)	Q1FY26	Q1FY25	YoY (%)	Q4FY25	QoQ (%)	Q1FY26E	% var
<b>Net Sales</b>	<b>92,231</b>	<b>68,939</b>	<b>33.8</b>	<b>89,258</b>	<b>3.3</b>	<b>89,646</b>	<b>2.9</b>
Raw Materials	56,856	38,395	48.1	53,988	5.3	-	
Personnel Cost	7,002	5,896	18.8	7,210	(2.9)	-	
Power & Fuel	9,999	9,861	1.4	10,395	(3.8)	-	
Other Expenses	14,528	11,536	25.9	15,459	(6.0)	-	
<b>Total Expenses</b>	<b>88,385</b>	<b>65,688</b>	<b>34.6</b>	<b>87,052</b>	<b>1.5</b>	<b>87,099</b>	<b>1.5</b>
<b>EBITDA</b>	<b>3,846</b>	<b>3,251</b>	<b>18.3</b>	<b>2,206</b>	<b>74.4</b>	<b>2,548</b>	<b>51.0</b>
Interest	2,061	1,399	47.4	2,009	2.6	2,015	2.3
Depreciation	4,785	3,486	37.3	5,008	(4.4)	5,108	(6.3)
Other Income + Other operating income	1,437	931	54.3	2,269	(36.7)	1,911	(24.8)
<b>Recurring pre-tax income</b>	<b>(1,563)</b>	<b>(702)</b>	<b>122.6</b>	<b>(2,542)</b>	<b>(38.5)</b>	<b>(2,664)</b>	<b>(41.3)</b>
Taxation	(382)	(181)	110.8	(803)	(52.4)	(679)	(43.8)
<b>Recurring Net Income</b>	<b>(1,182)</b>	<b>(521)</b>	<b>126.7</b>	<b>(1,740)</b>	<b>(32.1)</b>	<b>(1,985)</b>	<b>(40.5)</b>
Extraordinary income/(expense)	-	-	NA	(1,140)	NA	-	NA
<b>Reported Net Income</b>	<b>(1,182)</b>	<b>(521)</b>	<b>126.7</b>	<b>(2,880)</b>	<b>(59.0)</b>	<b>(1,985)</b>	<b>(40.5)</b>
<b>% Margins</b>							
EBITDA	4.2	4.7		2.5		2.8	
PAT	(1.3)	(0.8)		(1.9)		(2.2)	

Source: I-Sec research, Company data

### Exhibit 2: Segment-wise result – standalone

(INR mn)	Q1FY26	Q1FY25	% change	Q4FY25	% change
<b>Cellulosic fibres</b>					
Revenue (INR mn)	40,430	37,870	6.8	40,510	(0.2)
Volume ('000 tonnes)	219.0	221.5	(1.1)	218.1	0.4
Net realisation (INR/tonne)	1,84,612	1,70,971	8.0	1,85,740	(0.6)
PBIDTA (INR mn)	3,220	4,050	(20.5)	2,930	9.9
PBIDTA margin (%)	8.0	10.7	(25.5)	7.2	10.1
PBIDTA / tonne (INR/tonne)	14,703	18,284	(19.6)	13,434	9.4
<b>Chemicals</b>					
Revenue (INR mn)	23,910	20,660	15.7	23,020	3.9
Volume ('000 tonnes)	303.0	282.0	7.4	290.0	4.5
Net realisation (INR/tonne)	78,911	73,262	7.7	79,379	(0.6)
PBIDTA (INR mn)	4,220	3,100	36.1	2,960	42.6
PBIDTA margin (%)	17.6	15.0	17.6	12.9	37.3
PBIDTA / tonne (INR/tonne)	13,927	10,993	26.7	10,207	36.5

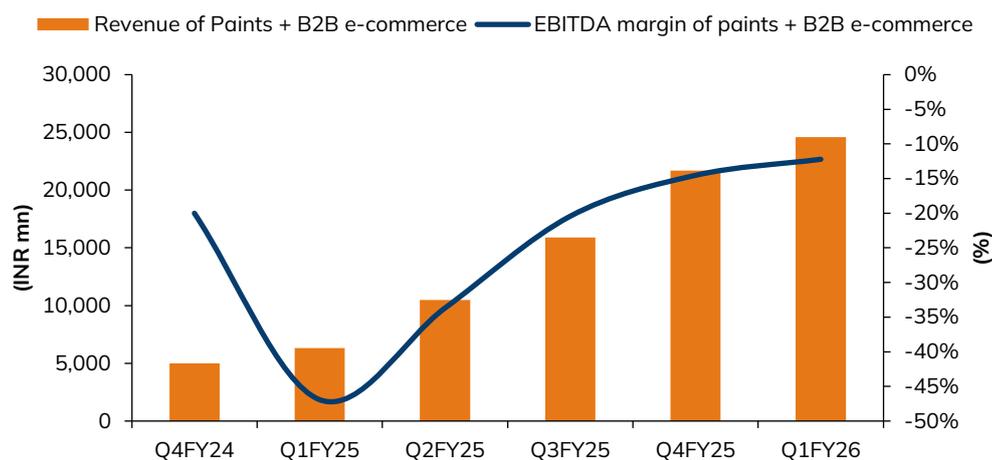
Source: I-Sec research, Company data

### Exhibit 3: Building materials – segment analysis

(INR mn)	Q4FY24	Q1FY25	Q2FY25	Q3FY25	Q4FY25	Q1FY26
<b>REVENUE</b>						
Segment revenue (as reported) A	2,09,190	1,87,010	1,66,830	1,87,840	2,52,320	2,37,330
of which -						
UltraTech Cement (as reported) B	2,04,190	1,80,700	1,56,350	1,71,930	2,30,630	2,12,750
Paints + B2B e-commerce, combined (A – B) = (C)	5,000	6,310	10,480	15,910	21,690	24,580
<b>EBITDA</b>						
Segment EBITDA as reported (D)	41,500	29,090	18,860	28,060	44,060	42,910
of which -						
UltraTech Cement (as reported) (E)	42,500	32,050	22,390	31,310	47,210	45,910
Paints + B2B e-commerce, combined (D – E) = F	(1,000)	(2,960)	(3,530)	(3,250)	(3,150)	(3,000)
EBITDA margins of paints + B2B e-commerce (F/C)	-20%	-47%	-34%	-20%	-15%	-12%

Source: I-Sec research, Company data

#### Exhibit 4: New business segment (revenue and EBITDA margins)



Source: I-Sec research, Company data

#### Exhibit 5: SoTP-based valuation for Mar'27E

Particulars	INR mn	% of TP
<b>Valuation of standalone business:</b>		
Fair value for VSF & Chemicals (@ 8x FY27E EV/EBITDA)	2,14,285	9
Fair value for Paints business (@ 5x FY27E Price/Sales)	3,05,000	13
Fair value for B2B e-commerce business (@ 1x FY27E Price/Sales)	1,20,300	3
<b>Investment holdings - at 40% holdco. discount to I-Sec fair value est.</b>		
<b>Holdings</b>	<b>% Stake</b>	<b>Value</b>
Vodafone Idea	3.1	12,930
Hindalco Industries	3.9	40,698
UltraTech Cement	56.1	14,48,347
Aditya Birla Capital	52.5	2,21,895
Aditya Birla Fashion & Retail	8.0	5,154
<b>Total investment holdings</b>		<b>17,29,024</b>
<b>Market cap. - Consolidated</b>		<b>23,68,609</b>
Total shares outstanding (mn)		680.6
<b>Target price (INR)</b>		<b>3,480</b>

Source: I-Sec research, Company data

#### Key risks

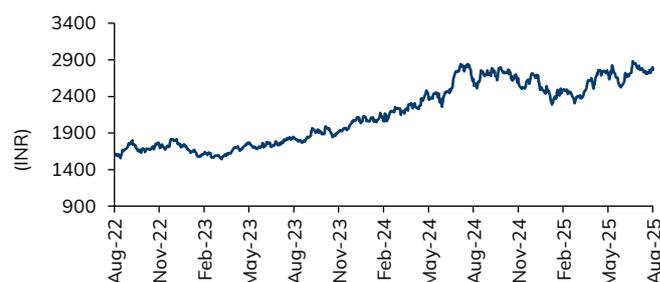
- Sharp fall in cellulosic fibres or chemical prices is key downside earnings risk.
- Material reduction in the target price of key holdings (mainly UltraTech Cement and AB Capital) may impact Grasim's TP.
- Delay in commissioning of paint capacities and/or delay in ramp-up of sales may impact our TP for Grasim.

#### Exhibit 6: Shareholding pattern

%	Dec'24	Mar'25	Jun'25
Promoters	43.1	43.1	43.1
Institutional investors	33.5	33.6	33.9
MFs and others	7.1	7.2	7.1
FIs/Banks	2.2	2.2	2.2
Insurance	8.4	8.6	8.4
FIIIs	15.8	15.6	16.2
Others	23.4	23.3	23.0

Source: Bloomberg, I-Sec research

#### Exhibit 7: Price chart



Source: Bloomberg, I-Sec research

## Financial Summary

### Exhibit 8: Profit & Loss

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Net Sales</b>	<b>2,58,473</b>	<b>3,15,632</b>	<b>3,83,095</b>	<b>4,39,445</b>
Operating Expenses	2,35,313	3,04,218	3,64,913	4,12,168
<b>EBITDA</b>	<b>23,160</b>	<b>11,415</b>	<b>18,182</b>	<b>27,277</b>
EBITDA Margin (%)	9.0	3.6	4.7	6.2
Depreciation & Amortization	12,151	16,762	20,660	21,472
EBIT	11,010	(5,347)	(2,478)	5,806
Interest expenditure	4,404	6,837	8,245	8,211
Other Non-operating Income	12,566	17,151	18,562	17,476
<b>Recurring PBT</b>	<b>19,172</b>	<b>4,967</b>	<b>7,839</b>	<b>15,071</b>
<b>Profit / (Loss) from Associates</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Less: Taxes	2,562	1,206	2,113	3,843
PAT	16,610	3,761	5,726	11,228
Less: Minority Interest	-	-	-	-
Extraordinaries (Net)	7,156	1,640	-	-
<b>Net Income (Reported)</b>	<b>9,454</b>	<b>2,121</b>	<b>5,726</b>	<b>11,228</b>
<b>Net Income (Adjusted)</b>	<b>16,610</b>	<b>3,761</b>	<b>5,726</b>	<b>11,228</b>

Source Company data, I-Sec research

### Exhibit 9: Balance sheet

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
Total Current Assets	1,33,905	1,55,935	1,71,044	1,80,465
of which cash & cash eqv.	34,719	42,294	41,637	36,059
Total Current Liabilities & Provisions	1,00,237	93,757	1,06,286	1,09,813
<b>Net Current Assets</b>	<b>33,668</b>	<b>62,177</b>	<b>64,758</b>	<b>70,652</b>
Investments	3,65,112	3,58,723	3,58,723	3,58,723
Net Fixed Assets	1,71,205	2,37,386	2,41,725	2,38,254
ROU Assets	-	-	-	-
Capital Work-in-Progress	71,156	27,764	22,764	19,764
Total Intangible Assets	-	-	-	-
Other assets	-	-	-	-
Deferred Tax assets	-	-	-	-
<b>Total Assets</b>	<b>6,41,141</b>	<b>6,86,051</b>	<b>6,87,971</b>	<b>6,87,393</b>
<b>Liabilities</b>				
<b>Borrowings</b>	<b>94,529</b>	<b>1,11,214</b>	<b>1,14,214</b>	<b>1,09,214</b>
<b>Deferred Tax Liability</b>	<b>25,466</b>	<b>30,860</b>	<b>30,860</b>	<b>30,860</b>
provisions	-	-	-	-
other Liabilities	-	-	-	-
Equity Share Capital	1,328	1,361	1,361	1,361
Reserves & Surplus	5,19,818	5,42,615	5,41,536	5,45,958
<b>Total Net Worth</b>	<b>5,21,146</b>	<b>5,43,976</b>	<b>5,42,897</b>	<b>5,47,319</b>
Minority Interest	-	-	-	-
<b>Total Liabilities</b>	<b>6,41,141</b>	<b>6,86,051</b>	<b>6,87,971</b>	<b>6,87,393</b>

Source Company data, I-Sec research

### Exhibit 10: Quarterly trend

(INR mn, year ending March)

	Sep-24	Dec-24	Mar-25	Jun-25
Net Sales	76,233	81,203	89,258	92,231
% growth (YOY)	18.3	26.9	31.9	33.8
EBITDA	3,252	2,706	2,206	3,846
Margin %	4.3	3.3	2.5	4.2
Other Income	12,936	1,015	2,269	1,437
Extraordinaries	(500)	-	(1,140)	-
Adjusted Net Profit	7,708	(1,687)	(1,740)	(1,182)

Source Company data, I-Sec research

### Exhibit 11: Cashflow statement

(INR mn, year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Operating Cashflow</b>	<b>24,314</b>	<b>13,071</b>	<b>7,839</b>	<b>15,071</b>
Working Capital Changes	(5,965)	(16,692)	(3,237)	(11,472)
Capital Commitments	(55,052)	(38,268)	(20,000)	(15,000)
<b>Free Cashflow</b>	<b>(37,276)</b>	<b>(38,522)</b>	<b>3,149</b>	<b>6,228</b>
<b>Other investing cashflow</b>	<b>(811)</b>	<b>9,434</b>	<b>357</b>	<b>5,000</b>
Cashflow from Investing Activities	(55,863)	(28,834)	(19,643)	(10,000)
Issue of Share Capital	-	-	-	-
Interest Cost	-	-	-	-
Inc (Dec) in Borrowings	42,023	16,693	3,000	(5,000)
Dividend paid	(6,577)	(6,682)	(6,806)	(6,806)
Others	2,957	18,948	-	-
Cash flow from Financing Activities	38,404	28,959	(3,806)	(11,806)
<b>Chg. in Cash &amp; Bank balance</b>	<b>317</b>	<b>(129)</b>	<b>(300)</b>	<b>(578)</b>
Closing cash & balance	5,061	2,967	1,637	1,059

Source Company data, I-Sec research

### Exhibit 12: Key ratios

(Year ending March)

	FY24A	FY25A	FY26E	FY27E
<b>Per Share Data (INR)</b>				
Reported EPS	14.2	3.1	8.4	16.5
Adjusted EPS (Diluted)	14.2	3.1	8.4	16.5
Cash EPS	43.3	30.2	38.8	48.0
Dividend per share (DPS)	10.0	10.0	10.0	10.0
Book Value per share (BV)	784.9	799.3	797.7	804.2
Dividend Payout (%)	70.2	320.9	118.9	60.6
<b>Growth (%)</b>				
Net Sales	(3.7)	22.1	21.4	14.7
EBITDA	(27.2)	(50.7)	59.3	50.0
EPS (INR)	(55.9)	(78.1)	170.0	96.1
<b>Valuation Ratios (x)</b>				
P/E	189.0	863.6	319.9	163.1
P/CEPS	62.1	89.3	69.4	56.0
P/BV	3.4	3.4	3.4	3.3
EV / EBITDA	19.3	43.8	27.7	18.5
EV / te (USD)	-	-	-	-
Dividend Yield (%)	0.4	0.4	0.4	0.4
<b>Operating Ratios</b>				
Gross Profit Margins (%)	-	-	-	-
EBITDA Margins (%)	9.0	3.6	4.7	6.2
Effective Tax Rate (%)	13.4	24.3	27.0	25.5
Net Profit Margins (%)	3.7	0.7	1.5	2.6
NWC / Total Assets (%)	-	-	-	-
Net Debt / Equity (x)	0.1	0.1	0.1	0.1
Net Debt / EBITDA (x)	2.6	6.0	4.0	2.7
<b>Profitability Ratios</b>				
RoCE (%) (Post Tax)	1.7	(0.6)	(0.3)	0.7
RoE (%)	3.4	0.7	1.1	2.1
RoC (%)	3.6	1.4	1.8	2.6
Fixed Asset Turnover (x)	1.6	1.5	1.6	1.8
Inventory Turnover Days	75	68	66	68
Receivables Days	25	26	27	27
Payables Days	79	62	55	55

Source Company data, I-Sec research

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal, Contact number: 022-40701000, E-mail Address : [complianceofficer@icicisecurities.com](mailto:complianceofficer@icicisecurities.com)

For any queries or grievances: [Mr. Bhavesh Soni](#) Email address: [headservicequality@icicidirect.com](mailto:headservicequality@icicidirect.com) Contact Number: 18601231122

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