June 02, 2025

Grasim Industries Limited: Ratings reaffirmed for existing bank loans, commercial papers and non-convertible debentures; rating assigned for non-convertible debentures

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Non-Convertible Debenture Programme	5,250.0	5,250.0	[ICRA]AAA (Stable); reaffirmed
Non-Convertible Debenture Programme (Proposed)	2,000.0	2,000.0	[ICRA]AAA (Stable); reaffirmed
Non-Convertible Debenture Programme (Proposed)	-	1,000.0	[ICRA]AAA (Stable); assigned
Long-term/Short term non-fund based (Letter of Credit)	4,000.0	4,000.0	[ICRA]AAA (Stable) /[ICRA]A1+; reaffirmed
Commercial Paper	3,000.0	3,000.0	[ICRA]A1+; reaffirmed
Total	**14,250.0**	**15,250.0**	

**Instrument details are provided in Annexure I*

Rationale

The ratings reflect Grasim Industries Limited's (Grasim) strong business profile, evident from its established brand, large-scale integrated operations, and a diversified presence with leadership position in the domestic cellulosic staple fibre (CSF), cellulosic filament yarn (CFY) and Chlor Alkali industries. The ratings continue to favourably factor in its healthy liquidity and comfortable financial risk profile. In addition, the ratings take comfort from the considerable financial flexibility enjoyed by Grasim, arising from the significant market value of its investments in Ultratech Cements Limited (~56.11% stake in UCL, rated [ICRA]AAA(Stable)/A1+).

The company witnessed a healthy growth of 24% in its standalone revenues in FY2025 as per ICRA calculations. However, the operating profit margin declined owing to subdued demand in the cellulosic fibres segment amid cheaper imports and associated fall in realisations. Besides, rise in input cost, as well as investments being undertaken for ramp-up of paints and the B2B ecommerce segment impacted the OPM. Even though its standalone operating performance moderated, the dividend income received from UCL, and robust working capital management continued to support the company's cash flow.

Grasim's (standalone) net debt rose over the past two years on account of increased capital expenditure (capex) allocation towards the paint division (around Rs. 9,352 crore incurred till March 31, 2025). ICRA notes that five plants (with a capacity of 1,096 MPLA out of the total capacity of 1,332 MLA) have been commercialised in FY2025, and a trial run for production in the sixth plant is expected commence in Q1 FY2026 with expected commercialisation in H1 FY2026. Apart from the paint business, the company's other new venture, B2B e-commerce for construction materials, is also being ramped up. In the existing businesses, the company completed a capex of Rs. 1,153 crore towards capacity enhancement, (including de-bottlenecking) and improving backward integration in the chemical segment (viz. increasing chlorine usage in value-added products) and maintenance capex towards the cellulosic fibre and chemicals segment. All these investments are expected to drive Grasim's revenues and profitability over the medium term, though the gestation period for the ramp-up of paints business would constrain the company's overall debt coverage metrices in the near term.

To keep the leverage under check, Grasim successfully raised Rs. 4,000 crore of equity through rights issue, which was used for repaying its existing borrowings and general corporate purpose. This timely fund raise provided comfort regarding the management's plans to keep the leverage at manageable levels.

The investment outlay towards its investee companies is likely to remain low and largely limited to the renewables business in the near term. ICRA continues to draw comfort from the management's guidance of prioritising investments towards capex requirements of its standalone business, followed by funding support to majority-owned subsidiaries (primarily ABCL and renewable energy business). However, any higher-than-envisaged investment outlay will continue to be a key rating sensitivity.

ICRA notes that Grasim's performance remains exposed to the inherent cyclicality in the CSF and caustic soda businesses. Further, the company's return indicators (return on capital employed, RoCE, of 1.7% in FY2025) remain subdued, as a large part of the assets is deployed in strategic investments, yielding minimal returns. However, Grasim's ability to rationalise cost and its multi-pronged strategies to enhance presence in return-accretive segments, provide comfort. The company's focus on increasing the share of value-added products in its core businesses, and large-scale foray into the decorative paints segment are proactive steps in this regard. While the demand outlook for the paints segment is robust, Grasim's ability to profitably expand its operations in this segment remains to be seen.

The Stable outlook reflects ICRA's expectations that Grasim will continue to maintain a healthy credit profile, aided by its significant financial flexibility and expectations of healthy cash flows, despite a transient increase in leverage due to the ongoing capex plans towards the paints business.

Key rating drivers and their description

Credit strengths

Leadership position in CSF and chemicals industries; significant presence in other manufacturing businesses – Grasim is the largest producer of CSF in the country (879KTPA[1] capacity) and among the leading players in the global man-made fibre (MMF) market. Its operations are highly integrated, with pulp (raw material) and captive caustic soda capacity in India, two global dissolving pulp joint ventures and captive thermal power plants, providing strong control over production. Grasim is also the largest caustic soda manufacturer in the country, with a capacity of 1,505 KTPA[1] as on March 31, 2025. Besides CSF and chemicals, Grasim enjoys a leading market position in CFY, linen yarn/fabric and insulator production in the country.

Significant financial flexibility arising from market value of investment portfolio – Grasim is the flagship company of the Aditya Birla Group, with a diversified revenue profile and enjoys strong financial flexibility on a standalone basis. Additionally, it holds the Group's strategic investments in cement (56.11% stake in UTCL as on March 31.2025) and financial services businesses (grouped under ABCL; 52.54% stake as on March 31, 2025). The total debt vis-à-vis the market value of investments (as on May 25, 2025) for Grasim stood at less than 0.05 times as per ICRA calculations, allowing the company to enjoy significant financial flexibility. While incremental investments in subsidiaries and JVs are expected to be largely limited to the planned investments in the renewables business over the near term, any higher-than-envisaged investment outlay remains monitorable.

Healthy financial risk profile – The company has a robust capital structure, characterised by a large net worth. During FY2024 and FY2025, the company has raised another Rs. 4,000 crore to keep the leverage under check. Additionally, steady cash accruals over the past several years have aided Grasim in maintaining a healthy financial profile, though some moderation has been noticed in the recent years. The ongoing capex programme and pressure on margins have led to some moderation in the interest coverage ratio, which stood at 3.4 times in FY2025 against 6.8 times in FY2024 as per ICRA calculations. The net debt (excluding lease liability) stood at Rs. 6,892 crore as on March 31, 2025, vis-à-vis Rs. 5,981 crore as on March 31, 2024, with Grasim reporting a net leverage position (net debt(including lease liabilities) vis-a-vis OPBDITA[2] of ~3.4 times as on March 31,

[1] KTPA: Thousand tonne per annum

[2] Including dividend income from UCL and excluding other income

2025 as per ICRA calculations), the same is expected to improve gradually, going forward, as the company ramps up the paints segment.

Credit challenges

Exposure to cyclicality associated with CSF and chemicals businesses – The demand for CSF and chemicals is cyclical and vulnerable to any economic slowdown. The profitability in these segments also remains exposed to inter-fibre price dynamics, input costs, industry capacity additions and foreign exchange movements. Nevertheless, the company's highly integrated operations and strong market position are expected to help it effectively manage any cyclical downturns in the industry.

Significant investments for new business venture – Grasim executed a significant capex, with the capital outlay of ~Rs. 10,000 crore into the decorative paints over FY2023-FY2025. Out of this, ~Rs. 9,352 crore has been incurred till March 31, 2025, accounting for 94% of the planned capex. The capex was funded through a mix of debt, accruals and proceeds from the rights issue. Given the significant capital employed, the company's ability to commercialise the remaining paints facilities in a timely manner and achieve a healthy ramp-up in revenues remain monitorable. Nonetheless, the Group's track record of successfully incubating new businesses provides comfort.

Environmental and social risks

Environmental considerations – Grasim, being a commodity and speciality chemicals manufacturer, is exposed to regulations pertaining to water and soil emissions, which can have a potential bearing on the cost structure or may lead to higher capital outlay (for effluent treatment). The company's exposure to hazardous substances and waste materials, along with greenhouse gas emissions (from thermal power generation) and the generation, storage, treatment and disposal of hazardous substances and waste add to its environmental risk. ICRA believes that Grasim has expertise in complying with the norms and has incorporated procedures to address the said risks in its operational planning and business models. Further, it has been focusing on increasing renewable power usage in its various plants to reduce carbon emissions.

Social considerations – Entities operating in the chemicals sector, including Grasim, remain exposed to significant on-site health/safety-related risks. Grasim has an established track record of being responsible and continues to mitigate these issues by adhering to the stipulated health and safety regulations/protocols. Nonetheless, operational incidents leading to injuries continue to be a reputational risk factor. Grasim, like most chemical manufacturers, has a high dependence on human capital and knowledge. Thus, retaining human capital and maintaining healthy relationships with employees remain essential for the entity's disruption-free operations.

Liquidity position: Strong

The liquidity profile of Grasim is expected to remain strong, backed by healthy cash accruals in addition to the unencumbered cash and bank balance and liquid investments of ~Rs. 4,229 crore as on March 31, 2025. Grasim is expected to incur a capex of Rs. 1,000-1,500 crore each in FY2026 and FY2027 as per ICRA estimates, towards setting up the remaining plants in the paints business, in addition to the capex for existing businesses and maintenance capex. The company's repayments stand low at ~Rs. 32.46 crore in FY2026. Any incremental investment requirements in subsidiaries/JVs are expected to be low over the next 12-15 months as per ICRA estimates. The company's credit profile also remains supported by significant financial flexibility arising from the market value of its investments in UCL (viz., over Rs. 1.9 lakh crore as on May 25, 2025).

Rating sensitivities

Positive factors – NA.

Negative factors – The ratings may be downgraded, if there is a significant decline in the market value of its investments, adversely impacting Grasim's financial flexibility. Any significant and sustained weakening in the company's profitability and/or significantly more-than-expected increase in debt-funded capex or investment outlay, leading to weakening of its credit metrics, could also be a negative factor.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Chemicals
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone assessment of Grasim has been considered while factoring in the ordinary and extraordinary support that Grasim is expected to extend to its select material subsidiaries, which are enlisted in Annexure-II. ICRA has not factored in any support to UTCL, Vodafone Idea Limited and Hindalco Industries Ltd., as they operate in different businesses that have no significant operational linkages, and Grasim is not expected to provide unconstrained financial support to them. ICRA, however, continues to factor in the dividend inflows and financial flexibility arising from significant market value of its quoted investments in Group entities.

About the company

Incorporated in 1947, Grasim Industries Limited (Grasim), the flagship company of the Aditya Birla Group, is a ~ $19.3-billion conglomerate. On a standalone basis, its core businesses include cellulosic, chemical, paints, textile manufacturing and insulators. It is a leading global player in CSF (with an installed capacity of ~879 KTPA as of March 31, 2025) and is the largest chlor-alkali producer in India (1,505 KTPA). The cellulosic and chemicals segments together contributed ~75% to its standalone revenues in FY2025. In January 2021, Grasim announced its foray into the decorative paints business, with planned capital expenditure of Rs. 10,000 crore to be spent over FY2023-FY2025. The company incurred 94% of the total project cost till March 31, 2025. In July 2022, Grasim announced its foray into the B2B e-commerce platform for building materials segment, with an investment outlay of Rs. 2,000 crore (including working capital) over the next 5 years. However, the actual outflow has been much less at around Rs. 50 crore. On a consolidated basis, Grasim also has a strong presence in cement, financial services, fashion retail, telecommunications, and solar power generation industries. Its 56.11% subsidiary, Ultratech Cements, is the largest cement producer in India. In financial services, Grasim has presence through its 52.54% subsidiary, Aditya Birla Capital Limited, as on March 31,2025.

Key financial indicators (audited)

Company name (Standalone)	FY2024	FY2025*
Operating income	26,476	32,752
PAT	945	212
OPBDIT/OI	11.4%	7.1%
PAT/OI	3.6%	0.6%
Total outside liabilities/Tangible net worth (times)	0.4	0.4
Total debt/OPBDIT (times)	3.2	5.1
Interest coverage (times)	6.8	3.4

*Source: Company, ICRA Research; *As per reported numbers, where dividend income from UCL has been classified as part of EBITDA; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation.*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current rating (FY2026)				Chronology of rating history for the past 3 years					
				FY2025		FY2024		FY2023	
Instrument	Type	Amount rated (Rs. crore)	June 02, 2025	Date	Rating	Date	Rating	Date	Rating
Long term / short term-letter of credit-non fund based	**Long Term/Short Term**	4,000.00	[ICRA]AAA (Stable)/ [ICRA]A1+	09-Dec-2024	[ICRA]AAA (Stable)/ [ICRA]A1+	17-May-2023	[ICRA]AAA (Stable)/ [ICRA]A1+	19-May-2022	[ICRA]AAA (Stable)/ [ICRA]A1+
				15-May -2024	[ICRA]AAA (Stable)/ [ICRA]A1+	-	-	-	-
Commercial paper	**Short Term**	3,000.00	[ICRA]A1+	09-Dec-2024	[ICRA]A1+	17-May-2023	[ICRA]A1+	19-May-2022	[ICRA]A1+
				15-May-2024	[ICRA]A1+	-	-	-	-
NCD (Proposed)	**Long Term**	2,000.00	[ICRA]AAA (Stable)	09-Dec-2024	[ICRA]AAA (Stable)	-	-	-	-
NCD	**Long Term**	2,000.00	[ICRA]AAA (Stable)	09-Dec-2024	[ICRA]AAA (Stable)	17-May-2023	[ICRA]AAA (Stable)	19-May-2022	[ICRA]AAA (Stable)
			-	15-May-2024	[ICRA]AAA (Stable)	17-May-2023	[ICRA]AAA (Stable)	19-May-2022	[ICRA]AAA (Stable)
NCD	**Long Term**	2,000.00	[ICRA]AAA (Stable)	09-Dec-2024	[ICRA]AAA (Stable)	17-May-2023	[ICRA]AAA (Stable)	19-May-2022	[ICRA]AAA (Stable)
			-	15-May-2024	[ICRA]AAA (Stable)	17-May-2023	[ICRA]AAA (Stable)	19-May-2022	[ICRA]AAA (Stable)
NCD	**Long Term**	1250.00	[ICRA]AAA (Stable)	09-Dec-2024	[ICRA]AAA (Stable)	17-May-2023	[ICRA]AAA (Stable)	19-May-2022	[ICRA]AAA (Stable)
			-	15-May-2024	[ICRA]AAA (Stable)	17-May-2023	[ICRA]AAA (Stable)	19-May-2022	[ICRA]AAA (Stable)
NCD (Proposed)	**Long Term**	1000.00	[ICRA]AAA (Stable)	-	-	-		-	-

Complexity level of the rated instruments

Instrument	Complexity indicator
Non-convertible debentures	Simple
Commercial paper	Very simple
Long-term/ Short -term – non-fund-based facilities	Very simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
INE047A08182	Non-convertible debentures	April 05, 2021	6.99%	Apr 04, 2031	1,000.0	[ICRA]AAA (Stable)
INE047A08190	Non-convertible debentures	June 10, 2022	7.5%	Jun 10, 2027	1,000.0	[ICRA]AAA (Stable)
INE047A08208	Non-convertible debentures	December 1, 2022	7.63%	Dec 1, 2027	1,000.0	[ICRA]AAA (Stable)
INE047A08216	Non-convertible debentures	August 1, 2023	7.35%	July 31,2026	1,000.0	[ICRA]AAA (Stable)
INE047A08224	Non-convertible debentures	March 22, 2024	7.25%	March 22, 2034	1,250.0	[ICRA]AAA (Stable)
INE047A08232	Non-convertible debentures	December 19, 2024	7.21%	December 19, 2034	2000.0	[ICRA]AAA (Stable)
Proposed	Non-convertible debentures	NA	NA	NA	1,000	[ICRA]AAA (Stable)
INE047A14AG3	Commercial paper	April 09,2025	6.65%	June 16, 2025	500.0	[ICRA]A1+
INE047A14AH1	Commercial paper	April 15,2025	6.55%	July 15,2025	500.0	[ICRA]A1+
INE047A14AI9	Commercial paper	April 24,2025	6.52%	July 15,2025	500.0	[ICRA]A1+
NA	Commercial paper	Yet to be placed			1,500.0	[ICRA]A1+
NA	Letter of Credit	-	-	-	4,000.0	[ICRA]AAA (Stable)/ [ICRA]A1+

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis

Company name	Grasim ownership	Consolidation approach
Aditya Birla Capital Limited	52.68%	Full consolidation
Aditya Birla Renewables Limited (ABReL)	100.00%	Full consolidation
Aditya Birla Solar Limited (ABSL)	100.00%	Full consolidation

Source: Annual report ; Note: ABSL was subsequently merged with ABReL in July 2023

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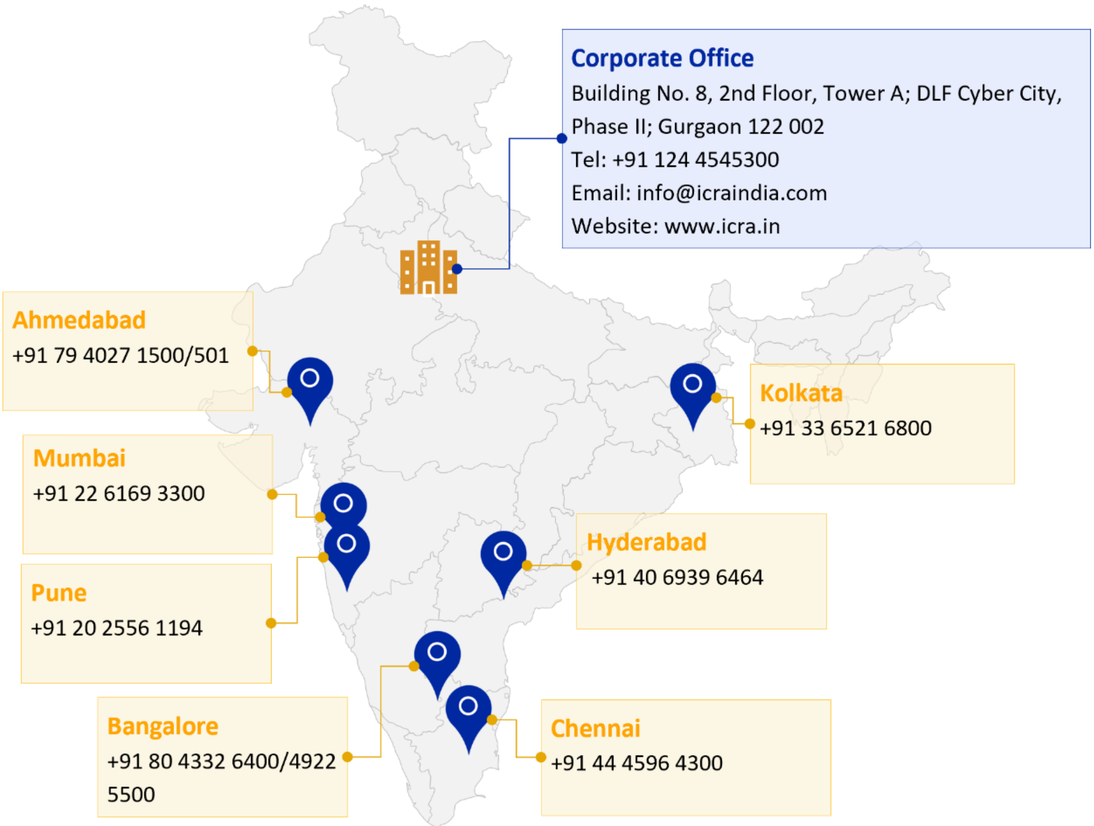

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