

Grasim Industries Limited

July 05, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	6,506.00	CARE AAA; Stable	Reaffirmed
Short-term bank facilities	3,350.00	CARE A1+	Reaffirmed
Non-convertible debentures	1,000.00	CARE AAA; Stable	Reaffirmed
Short-term instruments	1,500.00	CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities and instruments of Grasim Industries Limited (GIL) continues to derive strength from its leadership position in the viscose staple fibre (VSF) business and being leading player of caustic soda and speciality chemicals such as epoxy polymers and curing agents in India. Ratings also derive comfort from the diversified business profile of GIL (VSF and chemicals among others), its strong financial flexibility being the flagship company of the Aditya Birla group with a substantial market value of its strategic investments, especially UltraTech Cement Limited (rated 'CARE AAA: Stable/ CARE A1+'). Ratings also factor in strong financial risk profile, marked by healthy operating efficiencies, and strong liquidity. Ratings also consider the healthy operational performance in FY24 considering improvement in operating margins of viscose segment despite fall in realisations in caustic soda segment owing to tepid demand and oversupply situation of caustic soda.

CARE Ratings Limited (CARE Ratings) notes that the company has forayed into the paints business at a capital outlay of ₹10,000 crore to be deployed over three years starting 2022. This is expected to be funded through a mix of debt and internal accruals, which is expected to result in higher debt levels. CARE Ratings also notes GIL's foray into B2B e-commerce platform for building materials segment with an investment of around ₹2,000 crore over five years starting 2022. GIL's foray in the paints segment and B2B business will further diversify its business profile, supported by a strong financial profile. The timely execution within the cost envisaged and GIL's ability to expand in new operations, while gaining envisaged market share will be a key monitorable.

Rating strengths are susceptible to fluctuation in prices and exposure to risks associated with cyclicity in the VSF business and subdued return on capital employed (ROCE) owing to large investments made in strategic businesses.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors: Not applicable

Negative factors

- Higher-than-envisaged debt levels due to funding of ongoing capex and/or higher working capital requirements, leading to deteriorating capital structure to 0.50x.
- Significant financial support to subsidiaries, associate companies, or group companies.

Analytical approach:

Standalone factoring support to its subsidiaries/ group companies. List of subsidiaries/ group companies to whom support is considered is presented in **Annexure-6**. However, CARE Ratings has not factored support to UltraTech Cement Limited and its subsidiaries, Hindalco Industries Limited and its subsidiaries, and Vodafone Idea Limited and its subsidiaries, as these have been considered as financial investments.

Outlook: Stable

The company is expected to sustain its strong financial risk profile amidst healthy cash flow generation from operations due to its integrated scale of operations and strong brand, which with stable demand scenario, shall enable it to sustain and improve its healthy business profile in the long term. Healthy cash accruals and strong cash and bank balances shall support its robust liquidity.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Detailed description of key rating drivers:

Key strengths

Leadership position in the VSF industry

The Aditya Birla group is the global leader in VSF manufacturing with a leading share of the global market and is the largest VSF producer in India. GIL is India's pioneer in VSF, a man-made bio-degradable fibre with characteristics akin to cotton. VSF is widely used in apparel, home textiles, dress materials, knitted wear, and non-woven applications. VSF operations are largely integrated with pulp plants and caustic soda plants in India, captive thermal power plants, and a strong product mix, leading to operational efficiency. Capacity expansion of VSF and caustic soda will further strengthen GIL's market position in the domestic market.

Diversified business profile

GIL's core businesses (on a standalone basis) comprises VSF, caustic soda, speciality chemicals, and rayon-grade wood pulp (RGWP) with plants at multiple locations. GIL is the leading producer of caustic soda with an installed capacity of 1,359 kilo tonne per annum (KTPA). Merger with Aditya Birla Nuvo Limited (ABNL) has further strengthened GIL's textile offerings. The company now has capabilities across the entire value chain from fibre to yarn to textile. Within textile, the company has been able to create indigenous brand 'LIVA'. Apart from strong market position and economies of scale, core businesses have healthy operating efficiencies. GIL completed divestment of its fertilisers business (Indo-Gulf Fertilisers) on a going concern basis on January 01, 2022. Total consideration was of ₹1,860 crore. GIL's foray into the paints segment and B2B business will further diversify its business profile.

Strong financial flexibility

The Aditya Birla group, led by Kumar Mangalam Birla, enjoys a leading presence across several business segments, including metals, cement, telecom, financial services, and textiles among others. GIL derives strong financial flexibility being holding company of the group, having a diversified presence across businesses with a substantial market value of its strategic investments, especially UltraTech Cement Limited, and robust fundraising ability. GIL holds major strategic investments in subsidiaries such as UltraTech Cement Limited (57.27%) and Aditya Birla Capital Limited (52.68%), among others. These businesses are substantial and remain strategic to the group, making GIL a significant entity within the group.

Healthy operating performance in FY24

The company has sound fundamentals, characterised by a robust business model in its core business segments, high bargaining power with suppliers and customers, a strong distribution network, and healthy profitability. Healthy operating performance is largely due to healthy volumes in viscose and chemicals segment and improvement in operating margins of the viscose segment considering higher efficiencies and reduction in input prices. In FY24, while revenues remained healthy at ₹25,847 crore (PY: ₹26,840 crore), operating margins (excluding other income) declined to 8.96% in FY24 against 11.85% in FY23 due to decline in operating margins in chemical segment due to fall in Electro Chemical Unit (ECU) realisations.

Viscose segment

Revenue from the viscose segment (VSF + VFY) remained healthy at ₹14,949 crore (PY: ₹15,149 crore) in FY24 despite being impacted by lower realisations considering softening of input prices. Share of domestic sales volume in overall sales volume stood at about 90% in FY24 (PY: 91%). Growing consumer preference for comfortable casual and value-for-money clothing has spurt demand for cellulosic fibre and VSF has been a key beneficiary of this shift. The share of speciality fibre stood at 19% in FY24 (PY: 19%). Viscose demand was adversely impacted by lower exports of textile value chain and subdued market conditions in developed economies. In FY24, operating margins improved to 11.52% from 6.81% in FY23 considering higher efficiencies and reduction in input prices despite fall in blended realisations.

Chemical segment

In FY24, total income of chemicals segment reported a decline of 21% y-o-y to ₹8,213 crore, largely due to lower caustic realisations considering fall in average caustic soda prices in FY24 against FY23 led by tepid demand and oversupply of caustic soda in the market. Global caustic soda prices declined from US\$659 per tonne in FY23 to US\$432 per tonne in FY24. Caustic soda prices in India also declined in line with the global prices. This led to sequentially lower ECU realisation in domestic markets as well. ECU realisation, which captures realisations of caustic soda, chlorine and hydrogen, witnessed a consistent decline, where it declined from ₹42,136/MT in Q4FY23 to ₹30,427/MT in Q4FY24 impacted by oversupply in domestic caustic soda market and slowdown in chlorine consuming industries. In FY24, operating margins declined to 12.83% from 21.79% in FY23. Caustic soda sales volume improved in FY24 owing to new capacities commissioned in the last two years. GIL continues to work on adding more chlorine derivative products in the portfolio. In FY24, overall chlorine integration improved to 62% compared to 60% in FY23. For FY24, revenue contribution from chlorine derivatives and speciality chemicals (epoxy polymers and curing agents) improved to 20% (PY: 17%) and 26% (PY: 23%) respectively.

Healthy financial risk profile

Healthy accruals in the last several years resulted in GIL's strong financial profile, despite investments in subsidiaries and related parties, and ongoing capex. The company's debt coverage metrics remained comfortable in FY24 due to healthy cash accruals, despite an increase in the total debt (TD) due to its capex requirements. In Q3FY24, GIL's board approved raising of funds not exceeding ₹4,000 crore by way of a rights issue to fund ongoing capex plans, repay existing borrowings and support general corporate purposes. In January 2024, rights issue was open for subscription and was fully subscribed. The company has received share application money of ₹1,000 crore, and balance amount will be payable by shareholders in up to three additional calls, when decided by the board/ rights issue committee, to be completed by March 2026. In June 2024, the company made the first call, money from which is expected to be received in July 2024. Despite the debt-funded capex planned in the medium term, overall financial risk profile is expected to continue to remain strong.

Large investments made in strategic businesses

A large part of GIL's net worth is deployed in strategic investments, ~71% of the tangible net worth (TNW) as on March 31, 2024 (67% of the TNW as on March 31, 2023). Although returns generated from these investments are low, some of these investments have substantial market value, especially UltraTech Cement Limited. A significant decline in the market value of its investments, adversely impacting GIL's financial flexibility, will be a key monitorable.

Liquidity: Strong

GIL being the flagship company of the Aditya Birla group enjoys strong financial flexibility in terms of raising low-cost debt from the market and refinancing maturing debt. GIL has strong liquidity in the form of undrawn working capital lines. The company had cash and cash equivalents (including liquid investments) of about ₹3,472 crore (as on March 31, 2024), which is sufficient to service scheduled term debt repayments of ₹1,270 crore in FY25.

Key weaknesses**Exposure to risks related to cyclicalities in the VSF business**

VSF demand remains impacted by downturns in the economy. It also faces intense competition from other fibres, mainly cotton and polyester staple fibre, leading to fluctuations in profitability. VSF improves moisture absorption of blended yarn; however, cotton can be used instead of VSF in manufacturing blended yarn. Hence, VSF demand will be influenced by movements in cotton prices. GIL's strong market position, aided by largely backward integration of operations, should help it manage downturns in the industry. The company has created a brand around its textile offerings under tag "LIVA", assuring high-quality fabric.

Significant capex in paints business

Significant capex is expected to be incurred in FY25 majorly for the paints segment. The company has planned to fund this capex through a mix of debt and internal accruals. GIL is exposed to risks associated with project implementation and stabilisation of new capacities until completion of the capex programme. However, the company has substantial experience and a track record in executing similar projects in the past. Therefore, project execution risk is largely mitigated.

GIL has forayed into the decorative paints business with a capital outlay of ₹10,000 crore. Considering changing market dynamics of the decorative paints sector, the company has accelerated execution of the paints capacity of 1,332 million litre per annum (MLPA) with plans to commission plants in phases from Q4FY24. Till March 31, 2024, cumulative capex for the paints business stood at ₹7,063 crore (around 70% of the planned outlay for paints business). In FY24, the company has spent ₹4,471 crore of capex for paints business of the ₹5,900 crore total capex incurred for the year. Balance paints capex spend of around ₹3,000 crore is expected to be incurred in FY25. On February 22, 2024, GIL launched its products and services under a new decorative paints brand, "Birla Opus", aiming for ₹10,000 crore gross revenue within three years of full-scale operations. Of the six manufacturing plants, GIL has inaugurated three plants at Panipat (Haryana), Ludhiana (Punjab) and Cheyyar (Tamil Nadu), which commenced pilot production in February 2024 and commercial production in April 2024. Other three plants, Chamarajanagar (Karnataka), Mahad (Maharashtra), and Kharagpur (West Bengal) are expected to commence production by end-FY25.

Financial support to subsidiaries, associates, and group companies

GIL has been investing in subsidiaries, associates, and group entities over the years through cash generated from internal accruals and liquidation of current investments. While some of these investments lend financial flexibility to the company, capital call towards subsidiaries or group companies or additional support to other subsidiaries, associates or group companies may impact the company's liquidity and continues to remain a key rating monitorable.

Environment, social, and governance (ESG) risks

Environment:

The company's financial strength and long-term approach gives it the ability to invest in sustainable initiatives with an ambition to be at the forefront of change. The VSF business has set a target of Net Zero carbon emissions across all operations by 2040 and to reduce greenhouse gas (GHG) emissions intensity to half by 2030. Nagda Plant created the distinction of being the first viscose unit globally to achieve Zero Liquid Discharge (ZLD). The VSF business has achieved the EU Best Available Technology (BAT) compliance independently verified by a third-party at its Vilayat and Kharach sites. The company has partnered with global organisations to speed up and integrate circular economy criteria into all its processes with an objective of extending the useful life of its products via reuse or recycling. The company is committed to sustainable forestry, circularity, and increasingly having renewable energy powering for its operations.

Social:

On the social front, the company undertakes community initiatives to empower the society at large in its key areas of interventions.

Governance:

The company has instituted stringent policies that are followed and updated regularly and have an effective governance mechanism powered by the Board and its committees. In its board, 50% comprises independent directors (seven of fourteen directors) and three women directors.

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

[Manmade Yarn-Methodology](#)

About the company and industry

Industry classification

Macro-economic indicator	Sector	Industry	Basic industry
Diversified	Diversified	Diversified	Diversified

The flagship company of the Aditya Birla group, GIL ranks among India's largest private sector companies. On a standalone basis, GIL's core businesses comprises VSF, caustic soda, speciality chemicals, RGWP and decorative paints, with plants at multiple locations. It also has other businesses such as textiles, and insulators among others. On a consolidated basis, GIL has a presence in other businesses such as cement and financial services – in cement, through its subsidiary UltraTech Cement Limited (57.27% stake as on March 31, 2024), which is a leading cement player in India having an installed capacity of 140.8 MTPA of grey cement in India as on March 31, 2024. In financial services, the company has a presence through its subsidiary, Aditya Birla Capital Limited. (ABCL, 52.68% stake as on March 31, 2024).

Brief Financials (₹ crore)	FY23 (A)	FY24 (A)
Total operating income	26,840	25,847
PBILDT	3,180	2,316
PAT	2,124	945
Overall gearing (times)	0.15	0.21
Interest coverage (times)	8.75	5.26

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Not applicable

Any other information:**Disclosure of Interest of Independent/Non-Executive Directors of CARE Ratings Ltd.:**

Name of Director	Designation of Director
Adesh Kumar Gupta	Non-Executive - Independent Director
V. Chandrasekaran	Non-Executive - Independent Director

Adesh Kumar Gupta and V. Chandrasekaran who are Non-Executive - Independent Directors on the Board of GIL are Non-Executive – Independent Directors of CARE Ratings. Independent/Non-executive Directors of CARE Ratings are not part of CARE Ratings' Rating Committee and do not participate in the rating process.

Disclosure of Interest of Managing Director & CEO:

Not applicable

Rating history for last three years: Annexure-2**Covenants of rated instrument / facility:** Annexure-3**Complexity level of instruments rated:** Annexure-4**Lender details:** Annexure-5**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Debentures-Non Convertible Debentures*	-	-	-	-	1000.00	CARE AAA; Stable
Fund-based - LT-Term Loan	-	-	-	18-04-2033	5606.00	CARE AAA; Stable
Fund-based-Long Term	-	-	-	-	900.00	CARE AAA; Stable
Non-fund-based - ST-BG/LC	-	-	-	-	3350.00	CARE A1+
Short Term Instruments-CP/ Short Term loan*	-	-	-	7-364 days	1500.00	CARE A1+

*Proposed, no outstanding

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Debentures-Non Convertible Debentures	LT	1000.00	CARE AAA; Stable	1)CARE AAA; Stable (05-Apr-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (05-Dec-22)	1)CARE AAA; Stable (06-Dec-21) 2)CARE AAA; Stable (05-Apr-21)
2	Fund-based - LT-Term Loan	LT	5606.00	CARE AAA; Stable	1)CARE AAA; Stable (05-Apr-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (05-Dec-22)	1)CARE AAA; Stable (06-Dec-21) 2)CARE AAA; Stable (05-Apr-21)
3	Non-fund-based - ST-BG/LC	ST	3350.00	CARE A1+	1)CARE A1+ (05-Apr-24)	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (05-Dec-22)	1)CARE A1+ (06-Dec-21) 2)CARE A1+ (05-Apr-21)
4	Short Term Instruments-CP/ Short Term loan	ST	1500.00	CARE A1+	1)CARE A1+ (05-Apr-24)	1)CARE A1+ (29-Jun-23)	1)CARE A1+ (05-Dec-22)	1)CARE A1+ (06-Dec-21) 2)CARE A1+ (05-Apr-21)
5	Fund-based-Long Term	LT	900.00	CARE AAA; Stable	1)CARE AAA; Stable (05-Apr-24)	1)CARE AAA; Stable (29-Jun-23)	1)CARE AAA; Stable (05-Dec-22)	1)CARE AAA; Stable (06-Dec-21) 2)CARE AAA; Stable (05-Apr-21)

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities

Not available

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Debentures-Non Convertible Debentures	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based-Long Term	Simple
4	Non-fund-based - ST-BG/LC	Simple

Sr. No.	Name of the Instrument	Complexity Level
5	Short Term Instruments-CP/ Short Term loan	Simple

Annexure-5: Lender details

To view lender-wise details of bank facilities please [click here](#)

Annexure-6: List of entities for which support is factored in as on March 31, 2024

Sr. No.	Name of the entity	Nature of relationship
1	Samruddhi Swastik Trading and Investments Limited	Wholly Owned Subsidiary
2	Grasim Business Services Private Limited (w.e.f. January 4, 2023)	Wholly Owned Subsidiary
3	ABNL Investment Limited	Wholly Owned Subsidiary
4	Aditya Birla Renewables Limited (including its following components)	Wholly Owned Subsidiary
	Subsidiaries:	
	i. Aditya Birla Renewables Subsidiary Limited	
	ii. Aditya Birla Renewables Utkal Limited	
	iii. Aditya Birla Renewables SPV1 Limited	
	iv. Aditya Birla Renewable Solar Limited	
	v. Aditya Birla Renewable Energy Limited	
	vi. ABReL SPV2 Limited (100% of ABREL)	
	vii. ABReL Solar Power Limited	
	viii. Aditya Birla Renewables Green Power Private Limited (Waacox Energy Private Limited)	
	ix. ABReL Renewables EPC Limited	
	x. ABReL EPCCO Services Limited (w.e.f. April 4, 2022)	
	xi. ABReL Century Energy Limited	
	xii. ABREL EPC Limited (w.e.f. June 13, 2022)	
	xiii. ABReL (Odisha) SPV Limited (w.e.f. June 15, 2022)	
	xiv. ABReL (MP) Renewables Limited (w.e.f. June 16, 2022)	
	xv. ABReL Green Energy Limited (w.e.f. June 22, 2022)	
	xvi. ABReL (RJ) Projects Limited (w.e.f. November 11, 2022)	
	xvii. ABReL Hybrid Projects Limited (w.e.f. August 31, 2023)	
5	Aditya Birla Solar Limited (Merged with Aditya Birla Renewables Limited w.e.f. July 24, 2023)	Wholly Owned Subsidiary

Sr. No.	Name of the entity	Nature of relationship
6	Aditya Birla Capital Limited (including its following components)	Subsidiary
	Subsidiaries:	
	i. Aditya Birla Finance Limited	
	ii. Aditya Birla Housing Finance Limited	
	iii. Aditya Birla Trustee Company Private Limited	
	iv. Aditya Birla PE Advisors Private Limited	
	v. Aditya Birla Capital Technology Services Limited (Formerly known as Aditya Birla MyUniverse Limited)	
	vi. Aditya Birla Financial Shared Services Limited	
	vii. Aditya Birla Money Limited	
	viii. Aditya Birla Money Mart Limited	
	ix. Aditya Birla Money Insurance Advisory Services Limited	
	x. Aditya Birla Insurance Brokers Limited	
	xi. Aditya Birla Sun Life Insurance Company Limited	
	xii. Aditya Birla Sun Life Pension Management Limited	
	xiii. Aditya Birla ARC Limited	
	xiv. Aditya Birla Stressed Asset AMC Private Limited	
	xv. ABARC-AST-001-Trust	
	xvi. ABARC-AST-008-Trust	
	xvii. ABARC-AST-010-Trust	
	xviii. Aditya Birla Special Situation Fund – I	
	xix. Aditya Birla Capital Digital Limited (w.e.f. March 23, 2023)	
	Joint Ventures:	
	i. Aditya Birla Sun Life Trustee Private Limited	
	ii. Aditya Birla Wellness Private Limited	
	iii. Aditya Birla Health Insurance Co. Limited	
	Associates:	
	i. Aditya Birla Sun Life AMC Limited	
	ii. Aditya Birla Sun Life AMC (Mauritius) Limited	
	iii. Aditya Birla Sun Life AMC Ltd., Dubai	

Sr. No.	Name of the entity	Nature of relationship
	iv. Aditya Birla Sun Life AMC Pte. Ltd., Singapore	
8	AV Terrace Bay Inc., Canada	Joint Venture
9	AV Group NB Inc., Canada	Joint Venture
10	Aditya Birla Elyaf Sanayi Ve Ticaret Anonim Sirketi, Turkey	Joint Venture
11	Aditya Group AB, Sweden	Joint Venture
12	Aditya Birla Power Composites Limited	Joint Venture
13	Bhubaneswari Coal Mining Limited (including the following subsidiary)	Joint Venture
	i. Amelia Coal Mining Limited	
14	Birla Jingwei Fibres Company Limited, China	Joint Venture
15	Birla Advanced Knits Private Limited	Joint Venture
16	Aditya Birla Science & Technology Company Private Limited	Associate
17	Renew Surya Uday Private Limited (w.e.f. November 25, 2021)	Associate
18	Aditya Birla Idea Payment Bank Limited (under liquidation w.e.f. September 18, 2019)	Associate
19	Greenyana Sunstream Private Limited (w.e.f. May 26, 2022)	Associate

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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