

May 29, 2025

## Analyst Meet Update

☒ Change in Estimates | ☒ Target | ☒ Reco

### Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
<b>Rating</b>	<b>HOLD</b>		<b>ACCUMULATE</b>	
<b>Target Price</b>	<b>1,739</b>		<b>1,716</b>	
Sales (Rs. m)	30,594	34,180	31,570	35,876
% Chng.	(3.1)	(4.7)		
EBITDA (Rs. m)	5,660	6,487	5,983	7,025
% Chng.	(5.4)	(7.6)		
EPS (Rs.)	37.4	43.5	39.3	46.5
% Chng.	(4.7)	(6.4)		

### Key Financials - Consolidated

Y/e Mar	FY24	FY25	FY26E	FY27E
Sales (Rs. m)	27,049	28,242	30,594	34,180
EBITDA (Rs. m)	5,376	5,258	5,660	6,487
Margin (%)	19.9	18.6	18.5	19.0
PAT (Rs. m)	4,020	3,814	4,146	4,814
EPS (Rs.)	36.3	34.4	37.4	43.5
Gr. (%)	11.1	(5.1)	8.7	16.1
DPS (Rs.)	17.0	17.0	19.0	22.1
Yield (%)	1.0	1.0	1.1	1.2
RoE (%)	20.8	17.7	17.5	18.4
RoCE (%)	23.4	19.3	19.1	20.2
EV/Sales (x)	7.0	6.7	6.1	5.5
EV/EBITDA (x)	35.4	35.8	33.1	28.8
PE (x)	48.8	51.5	47.3	40.8
P/BV (x)	9.6	8.7	7.9	7.1

### Key Data

GRNN.BO | GWN IN

52-W High / Low	Rs.2,960 / Rs.1,356
Sensex / Nifty	81,633 / 24,834
Market Cap	Rs.196bn / \$ 2,296m
Shares Outstanding	111m
3M Avg. Daily Value	Rs.126.26m

### Shareholding Pattern (%)

Promoter's	58.04
Foreign	6.75
Domestic Institution	18.33
Public & Others	16.88
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	2.4	(15.7)	(31.6)
Relative	0.7	(17.5)	(37.5)

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## Persistent headwinds temper near-term outlook

We attended the annual investor call of Grindwell Norton (GWN) in which the management highlighted the financial performance of the company for FY25 and their strategic focus on the domestic market amid export uncertainties. Significant front-end investments in Abrasives capacity position the company to cater to a broader customer base, while the Ceramics & Plastics segment continues to benefit from healthy domestic demand across precision grinding, glass grinding, defence, and industrial applications. Management's focus on application engineering, technical servicing, & innovation will position GWN favorably among competitors. However, persistent Chinese dumping in Abrasives and subdued export demand in the C&P segment remain key near-term headwinds.

Chinese alternative products dumping, global tariff wars and change in mix of consumable demand will be key monitorable, however we remain positive on GWN due to its 1) focus on technologically advanced niche/high performance products in performance plastics, 2) penetration in newer high growth markets, 3) attention on tapping new verticals in Ceramics & Refractories, and 4) capacity expansion in coated abrasives, engineered ceramics and performance plastics. We revise our FY26/27E eps estimates by -4.7%/-6.4% given the continued threat from Chinese competition and subdued export outlook. The stock is trading at P/E of 47.3x/40.8x on FY26/27E earnings. We roll forward to Mar'27E and downgrade the rating from 'Accumulate' to 'Hold' with a revised TP of Rs1,739 (Rs1,716 earlier) valuing the stock at a PE of 40x Mar'27E (40x Sep'26E earlier). Downgrade to 'Hold'.

**Growth in Abrasives and fending off Chinese competition:** Strategic capex in coated and non-woven lines has created ample capacity to meet domestic demand. The company is effectively countering Chinese competition—particularly in coated, non-woven, and thin wheel products—through innovation and enhanced customer engagement, while bonded abrasives remain competitive against European peers. Additionally, GWN's growing presence in super abrasives positions it well to tap into high-growth sectors like semiconductors and electronics, supported by its strong focus on application engineering and technical services.

**Strong domestic demand to drive the C&P segment growth:** The segment is unlikely to reclaim the ~20%+ EBIT margins seen in FY23—driven by post-Covid export tailwinds—growth remains supported by domestic demand and capacity expansions at the Halol plant. PRS Permacel faced temporary setbacks due to design-related issues in the EV segment but is poised for recovery with new product introductions in thermal management and insulation. Additionally, GWN is positioned to benefit from emerging opportunities in defence armor ceramics, where approvals are progressing and geopolitical tailwinds strengthen the long-term outlook.

## Segments Update

### Abrasive: capacity expanded; competition intensified

Abrasives revenue grew by 3.3% YoY to Rs14.0bn while its EBIT declined 4.3% YoY to Rs1.8bn. EBIT margin declined 101bps YoY to 12.9% primarily due to higher depreciation costs and related fixed costs.

### Significant front-end capex in Abrasives provide for ample capacity

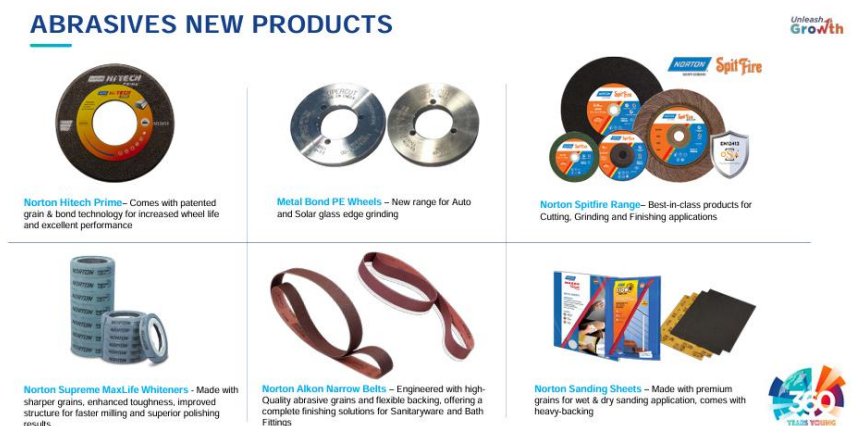
- GWN heavily invested in its Coated paper maker to reduce reliance on imports while it added a new non-woven line which became operational in 2024.
- The capacity added in coated and non-woven abrasives are continuous manufacturing lines while the capacity in bonded abrasives and thin wheels is modular in nature and much smaller.
- Investments made over the past few years have rendered GWN with ample capacity to cater to demand from all end markets including exports.

### Paving a path for growth despite Chinese competition

- GWN Abrasives primarily face Chinese competition in coated abrasives, non-woven products and thin wheels. GWN has been able to fend off Chinese competition with new product developments, innovation and better customer reach. GWN's 1/3<sup>rd</sup> product portfolio faces Chinese competition in the domestic market.
- Meanwhile, the bonded abrasives, which are focused on steel, auto components and precision manufacturing sees competition from European players.

### Exhibit 1: New Abrasives products developed by GWN

#### ABRASIVES NEW PRODUCTS

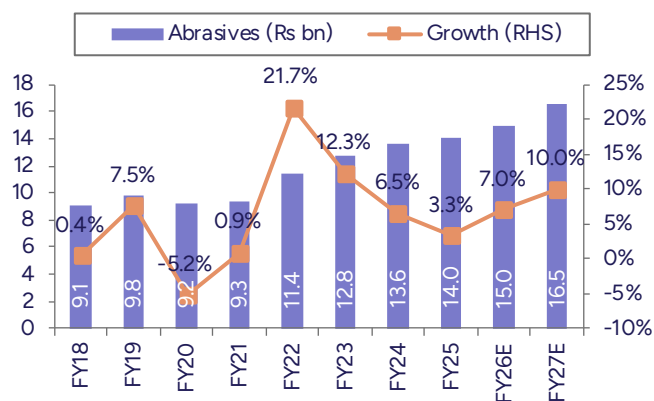


Source: Company, PL

### Super Abrasives: Opportunities in the new age fast growing sectors

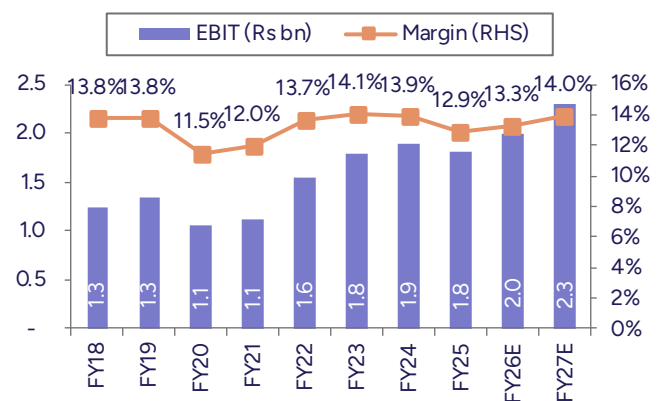
- Super abrasives are primarily applicable in precision grinding (mainly in the automotive industry), building tool maintenance, glass grinding applications etc.
- Super abrasives are also applicable in the new age fast-growing sectors such as Semiconductors and Electronics, opening further avenues for growth.
- GWN's focus on application engineering, technical servicing and innovation is helping it maintain and even gain market share.

**Exhibit 2: Abrasives sales to clock 8.5% CAGR over FY25-27E**



Source: Company, PL

**Exhibit 3: Abrasives margin estimated to reach ~14% by FY27**



Source: Company, PL

## Ceramics & Plastics: Domestic focus amid export weakness

The ceramics & plastics revenue grew by 7.2% YoY to Rs10.0bn in FY25 while EBIT declined by 3.9% YoY to Rs1.8bn. EBIT margins also fell 203bps YoY to 17.6% due to higher depreciation.

### C&P may not achieve the previous high of ~20%+ EBIT margins

- In FY23, C&P benefitted from the high export volume from the pharma industry of the USA post Covid-19 which resulted in the segment EBIT margins of ~20%+.
- Absence of such export opportunities will limit the margin accretion for the C&P segment going forward.

### PRS Permacel: Challenges in EV may impact performance

- The change in configuration and design-related challenges led to drop of sales and some products in PRS Permacel.
- The new products introduced in PRS include pack seals, compression and thermal pads and electrical insulation which are expected to drive the next leg of growth for the segment.

### Exhibit 4: New product launches in C&P segment including products for PRS

#### C&P NEW PRODUCTS



Source: Company, PL

### The capacity expansions to primarily cater domestic market

- The first phase of capacity expansion of the Halol plant for performance ceramics and refractories is complete while the phase 2 is currently under progress.
- This capacity will primarily cater to the strong domestic demand from different end-user industries. However, a certain capacity may be utilized for potential exports in the C&P segment.

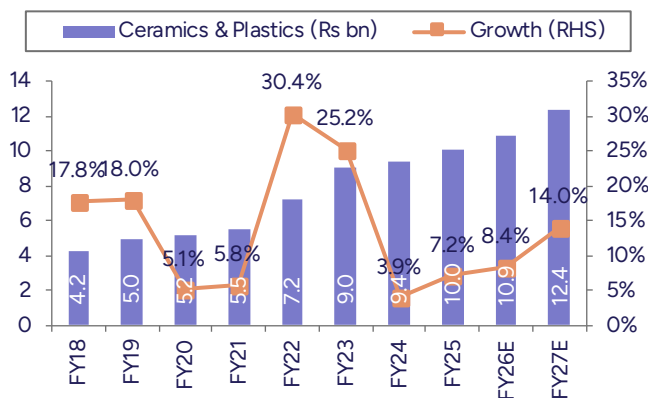
### The materializing opportunities in the defence armor ceramics

- The defence armor ceramics capability and capacity building are concluded in the Halol plant. However, the products are approval bound, and the approval process is currently on track.
- Recent geopolitical incidents have further bolstered the outlook for the defence ceramics which may contribute materially to the C&P segment going forward.

### Life Science business: Export revival unlikely

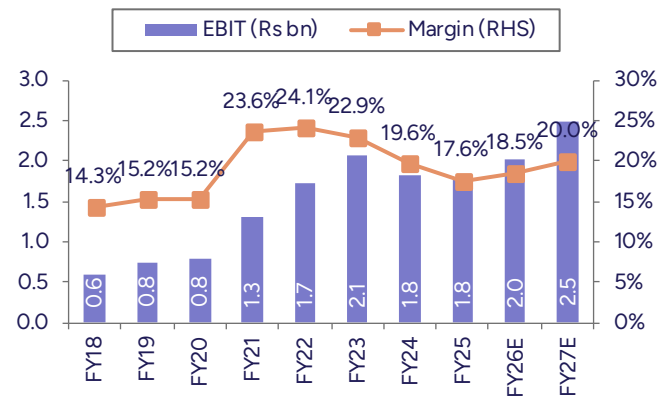
The life science business focused on growing the domestic market in the past couple of years. The management has made good progress with many domestic bio-pharma players. However, the exports of the pharma products are unlikely to recover soon.

**Exhibit 5: C&P sales to clock CAGR of 11.2% over FY25-27E**



Source: Company, PL

**Exhibit 6: C&P margin to expand 240bps over FY25-27E**



Source: Company, PL

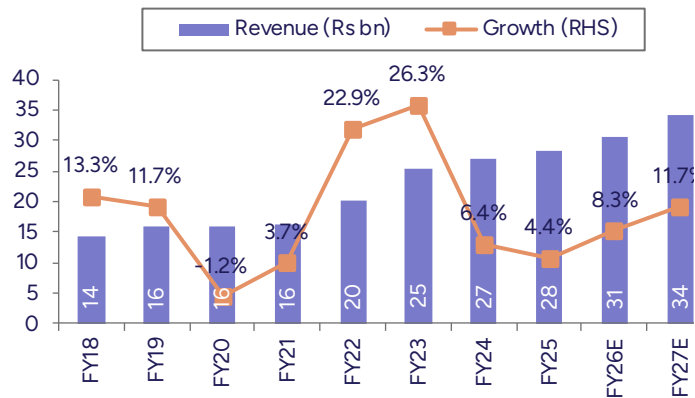
**Exhibit 7: Annual segmental performance.**

Segmental Performance	FY25	FY24	YoY
<b>Revenue (Rs mn)</b>			
Abrasives	14,025	13,583	3.3%
Ceramics & Plastics	10,019	9,351	7.2%
Digital Services	1,841	1,889	-2.6%
Others	541	541	0.0%
<b>EBIT (Rs mn)</b>			
Abrasives	1,814	1,894	-4.3%
Ceramics & Plastics	1,764	1,836	-3.9%
Digital Services	490	614	-20.2%
Others	94	100	-6.4%
<b>EBIT Margin (%)</b>			
<b>bps</b>			
Abrasives	12.9	13.9	(101)
Ceramics & Plastics	17.6	19.6	(203)
Digital Services	26.6	32.5	(590)
Others	17.3	18.5	(118)

Source: Company, PL

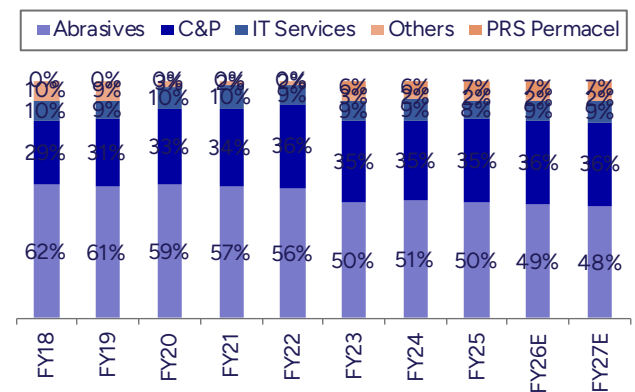
## Story in charts

**Exhibit 8: Revenue to register CAGR of 10.3% over FY25-27E**



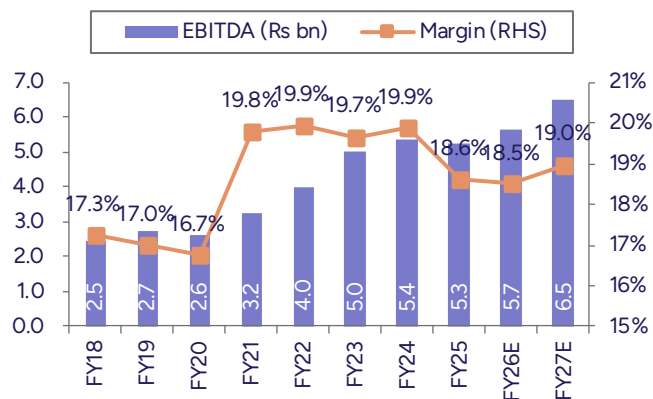
Source: Company, PL

**Exhibit 9: Growing share of C&P in the revenue mix**



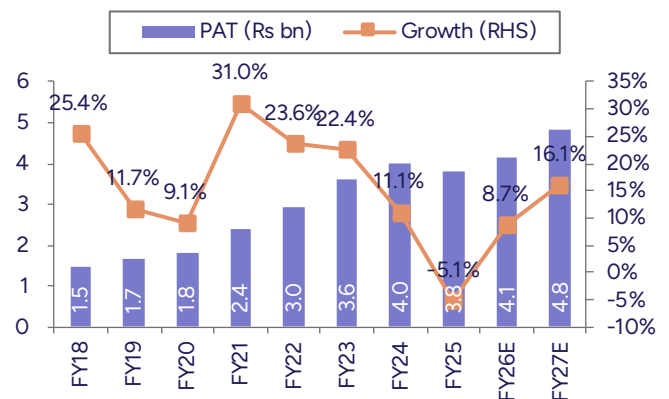
Source: Company, PL

**Exhibit 10: EBITDA margin to reach ~19% by FY27E**



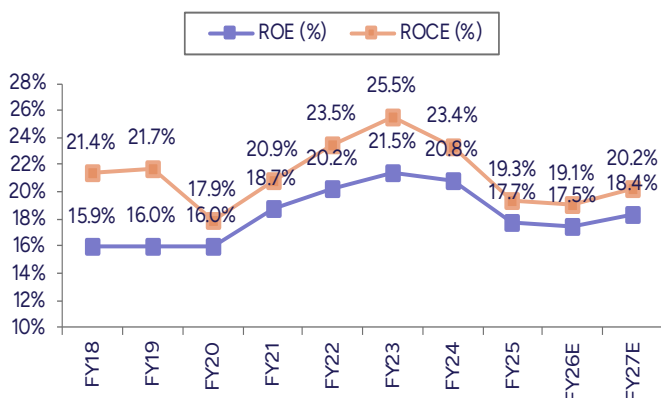
Source: Company, PL

**Exhibit 11: PAT to clock CAGR of 14.3% over FY25-27E**



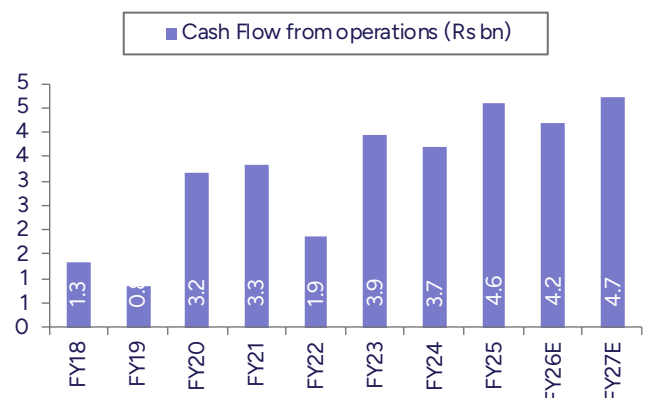
Source: Company, PL

**Exhibit 12: Return ratios to be maintained over FY25-27E**



Source: Company, PL

**Exhibit 13: Consistent healthy operating cash generation**



Source: Company, PL

## Financials

### Income Statement (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Net Revenues</b>	<b>27,049</b>	<b>28,242</b>	<b>30,594</b>	<b>34,180</b>
YoY gr. (%)	6.4	4.4	8.3	11.7
Cost of Goods Sold	12,066	12,760	13,859	15,415
Gross Profit	14,983	15,482	16,735	18,765
Margin (%)	55.4	54.8	54.7	54.9
Employee Cost	3,258	3,370	3,518	3,828
Other Expenses	6,349	6,854	7,557	8,449
<b>EBITDA</b>	<b>5,376</b>	<b>5,258</b>	<b>5,660</b>	<b>6,487</b>
YoY gr. (%)	7.6	(2.2)	7.6	14.6
Margin (%)	19.9	18.6	18.5	19.0
Depreciation and Amortization	709	926	978	1,027
<b>EBIT</b>	<b>4,667</b>	<b>4,331</b>	<b>4,681</b>	<b>5,460</b>
Margin (%)	17.3	15.3	15.3	16.0
Net Interest	78	93	34	34
Other Income	683	799	902	1,035
<b>Profit Before Tax</b>	<b>5,269</b>	<b>5,037</b>	<b>5,550</b>	<b>6,461</b>
Margin (%)	19.5	17.8	18.1	18.9
Total Tax	1,244	1,207	1,388	1,628
Effective tax rate (%)	23.6	24.0	25.0	25.2
<b>Profit after tax</b>	<b>4,025</b>	<b>3,830</b>	<b>4,163</b>	<b>4,833</b>
Minority interest	3	25	(4)	(5)
Share Profit from Associate	(4)	9	(21)	(24)
<b>Adjusted PAT</b>	<b>4,020</b>	<b>3,814</b>	<b>4,146</b>	<b>4,814</b>
YoY gr. (%)	11.1	(5.1)	8.7	16.1
Margin (%)	14.9	13.5	13.6	14.1
Extra Ord. Income / (Exp)	(3)	-	-	-
<b>Reported PAT</b>	<b>4,018</b>	<b>3,814</b>	<b>4,146</b>	<b>4,814</b>
YoY gr. (%)	11.0	(5.1)	8.7	16.1
Margin (%)	14.9	13.5	13.6	14.1
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	4,018	3,814	4,146	4,814
<b>Equity Shares O/s (m)</b>	<b>111</b>	<b>111</b>	<b>111</b>	<b>111</b>
<b>EPS (Rs)</b>	<b>36.3</b>	<b>34.4</b>	<b>37.4</b>	<b>43.5</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>10,554</b>	<b>12,781</b>	<b>13,781</b>	<b>14,781</b>
Tangibles	10,554	12,781	13,781	14,781
Intangibles	-	-	-	-
<b>Acc: Dep / Amortization</b>	<b>3,932</b>	<b>4,858</b>	<b>5,837</b>	<b>6,864</b>
Tangibles	3,932	4,858	5,837	6,864
Intangibles	-	-	-	-
<b>Net fixed assets</b>	<b>6,622</b>	<b>7,922</b>	<b>7,944</b>	<b>7,917</b>
Tangibles	6,622	7,922	7,944	7,917
Intangibles	-	-	-	-
Capital Work In Progress	2,213	1,195	1,639	1,676
Goodwill	-	-	-	-
Non-Current Investments	2,790	3,095	3,116	3,806
Net Deferred tax assets	(221)	(364)	(364)	(364)
Other Non-Current Assets	338	336	581	649
<b>Current Assets</b>				
Investments	4,473	6,159	6,425	7,178
Inventories	4,876	4,899	5,113	5,993
Trade receivables	3,575	3,624	3,916	4,659
Cash & Bank Balance	2,130	2,646	3,206	3,356
Other Current Assets	449	412	581	649
<b>Total Assets</b>	<b>27,696</b>	<b>30,568</b>	<b>32,778</b>	<b>36,171</b>
<b>Equity</b>				
Equity Share Capital	554	554	554	554
Other Equity	19,999	22,001	24,265	26,972
<b>Total Networth</b>	<b>20,553</b>	<b>22,555</b>	<b>24,819</b>	<b>27,525</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	605	607	607	607
Provisions	-	-	-	-
Other non current liabilities	-	-	-	-
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	221	229	229	229
Trade payables	3,624	4,253	4,023	4,495
Other current liabilities	2,358	2,420	2,601	2,820
<b>Total Equity &amp; Liabilities</b>	<b>27,696</b>	<b>30,568</b>	<b>32,778</b>	<b>36,171</b>

Source: Company Data, PL Research




**Cash Flow (Rs m)**

Y/e Mar	FY24	FY25	FY26E	FY27E
PBT	5,083	4,920	5,550	6,461
Add. Depreciation	709	926	978	1,027
Add. Interest	11	16	-	-
Less Financial Other Income	683	799	902	1,035
Add. Other	(426)	(505)	13	10
Op. profit before WC changes	5,378	5,357	6,541	7,499
Net Changes-WC	(324)	372	(978)	(1,142)
Direct tax	(1,374)	(1,144)	(1,388)	(1,628)
<b>Net cash from Op. activities</b>	<b>3,679</b>	<b>4,585</b>	<b>4,176</b>	<b>4,729</b>
Capital expenditures	(1,724)	(941)	(1,444)	(1,037)
Interest / Dividend Income	(432)	(158)	(257)	(1,400)
Others	339	(1,029)	-	-
<b>Net Cash from Invst. activities</b>	<b>(1,817)</b>	<b>(2,127)</b>	<b>(1,701)</b>	<b>(2,436)</b>
Issue of share cap. / premium	-	-	-	-
Debt changes	80	17	-	-
Dividend paid	(1,605)	(1,882)	(1,882)	(2,107)
Interest paid	(78)	(93)	(34)	(34)
Others	(146)	(254)	-	-
<b>Net cash from Fin. activities</b>	<b>(1,749)</b>	<b>(2,213)</b>	<b>(1,916)</b>	<b>(2,141)</b>
<b>Net change in cash</b>	<b>114</b>	<b>245</b>	<b>559</b>	<b>151</b>
Free Cash Flow	1,956	3,644	2,732	3,692

Source: Company Data, PL Research

**Key Financial Metrics**

Y/e Mar	FY24	FY25	FY26E	FY27E
<b>Per Share(Rs)</b>				
EPS	36.3	34.4	37.4	43.5
CEPS	42.7	42.8	46.3	52.8
BVPS	185.6	203.7	224.2	248.6
FCF	17.7	32.9	24.7	33.3
DPS	17.0	17.0	19.0	22.1
<b>Return Ratio(%)</b>				
RoCE	23.4	19.3	19.1	20.2
ROIC	26.7	24.3	23.6	24.8
RoE	20.8	17.7	17.5	18.4
<b>Balance Sheet</b>				
Net Debt : Equity (x)	(0.3)	(0.4)	(0.4)	(0.4)
Net Working Capital (Days)	65	55	60	66
<b>Valuation(x)</b>				
PER	48.8	51.5	47.3	40.8
P/B	9.6	8.7	7.9	7.1
P/CEPS	41.5	41.4	38.3	33.6
EV/EBITDA	35.4	35.8	33.1	28.8
EV/Sales	7.0	6.7	6.1	5.5
Dividend Yield (%)	1.0	1.0	1.1	1.2

Source: Company Data, PL Research

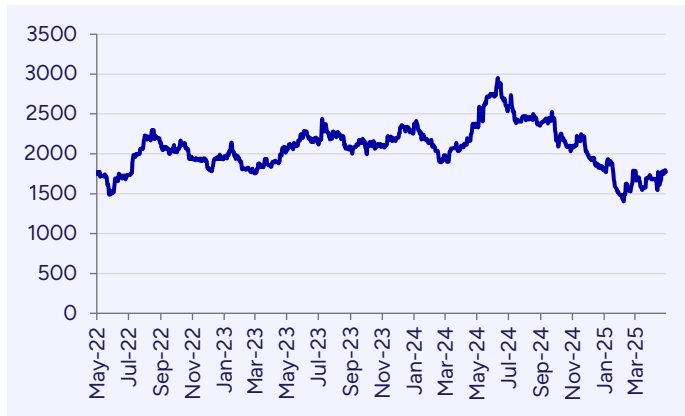
**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY25	Q2FY25	Q3FY25	Q4FY25
<b>Net Revenue</b>	<b>7,056</b>	<b>6,939</b>	<b>7,026</b>	<b>7,095</b>
YoY gr. (%)	5.6	4.0	6.5	2.7
Raw Material Expenses	3,204	3,071	3,225	3,261
Gross Profit	3,852	3,868	3,801	3,834
Margin (%)	54.6	55.7	54.1	54.0
<b>EBITDA</b>	<b>1,331</b>	<b>1,292</b>	<b>1,234</b>	<b>1,273</b>
YoY gr. (%)	(1.5)	(1.7)	(3.4)	1.9
Margin (%)	18.9	18.6	17.6	17.9
Depreciation / Depletion	214	228	235	249
<b>EBIT</b>	<b>1,117</b>	<b>1,064</b>	<b>1,000</b>	<b>1,024</b>
Margin (%)	15.8	15.3	14.2	14.4
Net Interest	25	23	21	25
Other Income	158	234	180	227
<b>Profit before Tax</b>	<b>1,250</b>	<b>1,275</b>	<b>1,158</b>	<b>1,227</b>
Margin (%)	17.7	18.4	16.5	17.3
Total Tax	320	304	282	301
Effective tax rate (%)	25.6	23.9	24.3	24.5
<b>Profit after Tax</b>	<b>930</b>	<b>971</b>	<b>876</b>	<b>926</b>
Minority interest	2	9	11	3
Share Profit from Associates	4	-	3	2
<b>Adjusted PAT</b>	<b>932</b>	<b>962</b>	<b>868</b>	<b>925</b>
YoY gr. (%)	(3.9)	(5.6)	(6.1)	(0.1)
Margin (%)	13.2	13.9	12.4	13.0
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>932</b>	<b>962</b>	<b>868</b>	<b>925</b>
YoY gr. (%)	(3.9)	(5.6)	(6.1)	(0.1)
Margin (%)	13.2	13.9	12.4	13.0
Other Comprehensive Income	-	-	-	-
<b>Total Comprehensive Income</b>	<b>932</b>	<b>962</b>	<b>868</b>	<b>925</b>
Avg. Shares O/s (m)	111	111	111	111
<b>EPS (Rs)</b>	<b>8.4</b>	<b>8.7</b>	<b>7.8</b>	<b>8.4</b>

Source: Company Data, PL Research



**Price Chart**



**Recommendation History**

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	10-May-25	Accumulate	1,716	1,612
2	09-Apr-25	Accumulate	1,716	1,548
3	14-Feb-25	Accumulate	1,890	1,651
4	09-Jan-25	BUY	2,511	1,850
5	31-Oct-24	BUY	2,528	2,151
6	07-Oct-24	Accumulate	2,749	2,441
7	18-Jul-24	Accumulate	2,749	2,650
8	08-Jul-24	Accumulate	2,737	2,850
9	03-Jun-24	Accumulate	2,749	2,576

**Analyst Coverage Universe**

Sr. No.	CompanyName	Rating	TP (Rs)	Share Price (Rs)
1	ABB India	BUY	6,851	5,587
2	Apar Industries	Accumulate	7,825	6,928
3	BEML	Hold	4,142	4,280
4	Bharat Electronics	Hold	374	364
5	BHEL	Hold	237	244
6	Carborundum Universal	Hold	1,028	985
7	Cummins India	BUY	3,309	2,746
8	Elgi Equipments	BUY	517	418
9	Engineers India	BUY	242	164
10	GE Vernova T&D India	Accumulate	2,005	1,880
11	Grindwell Norton	Accumulate	1,716	1,612
12	Harsha Engineers International	Accumulate	398	374
13	Hindustan Aeronautics	Accumulate	5,500	5,128
14	Ingersoll-Rand (India)	BUY	4,540	3,376
15	Kalpataru Projects International	Accumulate	1,268	1,116
16	KEC International	Accumulate	911	862
17	Kirloskar Pneumatic Company	BUY	1,636	1,230
18	Larsen & Toubro	BUY	4,004	3,324
19	Praj Industries	BUY	545	461
20	Siemens	Accumulate	3,497	3,135
21	Thermax	Accumulate	3,629	3,297
22	Triveni Turbine	BUY	772	560
23	Voltamp Transformers	BUY	10,285	8,195

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly

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