



Grindwell Norton LTD

NSE:GRINDWELL BSE:506076

CMP - 1716

Grindwell Norton Limited (GNL) is a subsidiary of Saint-Gobain Compagnie (Saint-Gobain), a multinational corporation headquartered in Paris. Saint-Gobain has divided its operations into two broad categories: construction or building-related businesses serving regional markets and businesses serving global markets. Saint-Gobain's Performance Solutions sector includes businesses that serve global markets. GNO's businesses are in the High Performance Solutions industry. GNO's operations are divided into two major segments: abrasives and ceramics and plastics. Grindwell Norton (GNL) holds a 26 percent market share in the India abrasive market. Abrasives (57 percent), ceramics and plastics (33 percent), and IT services and others make up the segments (10 percent).

Other Business: Brands: some of the Company's brands include Norton, Orient Abrasives, Chemfab, Omniseal, Norseal, Rulon etc.

Industries Catered: Bonded Abrasives are used by Industries like Steel, Bearings, Auto Ancillaries, Auto OEMs, Cutting Tools, Needle, Razor, Food Processing, Aerospace and General Engineering etc.





Products		
Abrasives	Ceramics Material	Other Business
<p>The Company's Abrasives business markets and manufactures a full range of Bonded Abrasives, <i>Coated Abrasives (including Non-woven Abrasives)</i>, <i>Thin Wheels</i> and Super abrasives.</p> <p>Abrasives Revenues: 56% in FY21 vs 62% in FY18.</p>	<p>This includes the Company's Performance Ceramics & Refractories business, ADFORS business, the Performance Plastic business and the Silicon Carbide business under its subsidiary Saint-Gobain Ceramic Materials Bhutan Pvt Ltd in Bhutan.</p> <p>Ceramics & Plastics: 33% in FY21 vs 29% in FY18.</p>	<p>The Company's other businesses include CertainTeed (subsidiary of Saint-Gobain) which offers world-class exterior building products and INDEC, the IT Development Center which provides various IT services to the Saint Gobain group globally.</p> <p>Others - 11% in FY21 – vs 9% in 2018</p>

Pros	&	cons
<ul style="list-style-type: none"> ○ Company is almost debt free. 		<ul style="list-style-type: none"> ○ Stock is trading at 12.19 times its book value
<ul style="list-style-type: none"> ○ Company has delivered good profit growth of 19.72% CAGR over last 5 years 		<ul style="list-style-type: none"> ○ The company has delivered a poor sales growth of 9.76% over past five years.
<ul style="list-style-type: none"> ○ Company has been maintaining a healthy dividend payout of 44.80% 		<ul style="list-style-type: none"> ○ The company is trading at a high EV/EBITDA of 41.48.
<ul style="list-style-type: none"> ○ The company has shown a good profit growth of 18.05% for the Past 3 years. 		<ul style="list-style-type: none"> ○ The company is trading at a high PE of 64.15.
<ul style="list-style-type: none"> ○ Company has a healthy Interest coverage ratio of 99.58. 		<ul style="list-style-type: none"> ○ Mutual funds decreased their shareholding last quarter



Key Financials

Key Financials(As Published)	FY 19-20	FY 20-21	FY 21-22	Growth 21-22 vs 20-21
Revenue from Operations	1580	1638	2013	22.9%
Operating Profit (PBIT)	247	321	400	24.7% ^c
Profit Before Tax	243	317	396	24.8%
Net Profit for the period	184	238	295	24.1%

Revenue from Operations	1580	1638	2013	22.9%
OP Margin (on Net Revenue from Operations)	15.6%	19.6%	19.9%	
Return on Capital Employed (ROCE)	20.6%	23.3%	25.3%	
Business OP Margin	14.1%	17.5%	18.7%	
Business Assets Turnover Ratio	2.54	2.78	2.61	
Return on Business Assets (ROI on business OP)	35.9%	48.7%	48.6%	

Key ratios

Current Ratio	1.84
Debt to equity ratio	0.01
PE ratio	64.12
P/Bv	12.09
EV/EBIT	52.79
EV/EBITDA	45.76
EV/Sales	9.12
PEG Ratio	2.72
Dividend Yield	0.55%
ROCE	25.70%
ROE	19.20%



Valuations

Ratings and Outlook: Grindwell Norton reported good performance in the fourth quarter of 2022. Revenues for the quarter increased by **9.8%** based on growth. The overall performance of the abrasives business from 2021-22 was Impressive. The Indian abrasives industry currently has two major players offering all kinds of abrasive products, **one of which is GNO**. With improved pricing, market share and ongoing cost control, the company increased sales and operating margin by 22% and 39%, respectively. **Performance Refractory sales** increased 35% in 2020-21 and **Ceramics & Plastics sales** and operating margins increased 31% and 36%, respectively.

The recovery of market share through research and development of their products and their efforts to expand the market of their products are expected to be reflected in future profits. If the economy stabilizes and private investors continue to invest / save, Grindwell will continue to grow. Fuel prices remain high. Inflation continues to rise in India and around the world. This will encourage central banks to consider raising interest rates and withdrawing from broader monetary policy. **This is expected to affect credit availability and aggregate demand**. Given GNO's high brand value, premium ratings are expected to continue. GNO shares are currently trading at a P / E of 67.0 times based on the earnings of 2022. Applying a 31x EV / EBIT multiple of FY23E, it will reach the price range of **1281 (L) to 1943 (H)** sides and an intermediate range of comes out **1464-1717** per share.