Cellulosic Fibres

Grasim is India's largest and one of the world's most prominent producers of Cellulosic Staple Fibres (CSF), commanding a leadership position in the domestic market and exporting to over 50 countries. The business draws its resilience from an integrated model, captive dissolving-grade pulp from Harihar, scale advantages across four manufacturing sites, and continuously expanding a specialty portfolio that spans across Lyocell, dyed fibres, modal, micro-modal, and other value-added grades.

The Cellulosic Fashion Yarn (CFY) business, operated through the Veraval and Kalyan facilities with a combined capacity of 51K TPA, serves the premium textiles segment with a range of specialty yarns like Pot-spun Yarn, Continuous-Spun Yarn, Spool Spun Yarn and Tyre Cord.

~1 Million TPA

CSF capacity by 2028 with higher share of specialty fibres

"Amid rising climate and supply chain challenges, we are sharpening our focus on building a responsible and future-ready cellulosic fibres business. The expansion at Harihar would position as one of the largest manufacturers of Lyocell, globally. Guided by our pillars of sustainability, namely responsible sourcing, responsible manufacturing, sustainable products, valuable partnerships, and social responsibility, we are at forefront of driving Circular Fashion, while delivering long-term value."

Vadiraj Kulkarni
Business Head

LEFT TO RIGHT

Suresh Kodali, Chief Operating Officer • **Manmohan Singh**, Chief Marketing Officer • **Saurabh Singh**, Chief Technology Officer
Ajit Rajagopalan, Chief Executive Officer, CFY • **Ashok Machher**, Chief Financial Officer* • **Anupama Mohan**, Chief Human Resources Officer

* Effective 4th April 2026

Industry Structure and Developments

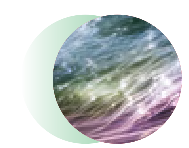
Global Cellulosic Fibre consumption is expected to grow 3-4% YoY, led primarily by robust expansion in Lyocell demand of about 28% YoY, even as cellulosic fibres demand remained broadly flat. China accounts for 65-70% of global CSF consumption and production, making its operating rates and inventory levels key drivers of CSF pricing. Despite US tariff pressures and broader global uncertainty, CY 2025 demand of cellulosic fibres in China remained resilient supported by high operating rates, rapid expansion in value chain, and an ongoing shift towards blended products. In the rest of the world, including Turkey, Pakistan, Bangladesh, and Indonesia, conditions remain stressed, because of the combined impact of high interest rates, weakened foreign exchange conditions, elevated inflation, and pressure on exports arising from the US tariffs. In India, cellulosic fibre consumption is expected to increase faster. GST harmonisation at 5% across the value chain from fibre to garments priced below ₹ 2,500 would support the textiles industry.

Global cotton production faces structural constraints from water scarcity, volatile output , and rising land costs, leading to price instability and a growing need for scalable, sustainable alternatives. Polyester, while abundant, is increasingly challenged due to its fossil-fuel origin and microplastic concerns. In the context, cellulosic fibres, particularly Lyocell fibre, is positioned to bridge the gap, offering cotton-like properties, a bio-based origin, and a closed-loop production process that aligns with evolving consumer, brand, and regulatory demands, underpinning strong long-term growth potential.

Opportunities

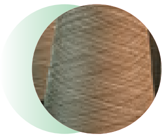
Level Playing Field in a Strict Policy Environment Policy Environment

The domestic cellulosic fibre industry operates under stringent ESG standards, traceability requirements, and regulatory compliance costs not uniformly borne by global competitors. Additionally, ASEAN FTA duty structures provide certain overseas suppliers with cost advantages, while some imports face lower sustainability and social compliance obligations. Grasim continues to engage with policymakers to advocate for fair, parity-based trade policies. Despite the QCO rescission, the business maintained stable domestic pricing, reflecting strong demand-supply fundamentals and the premium positioning of our Cellulosic Fibres brand.



Expansion in High-growth Specialty Fibres Segment

Among cellulosic fibres, Lyocell has emerged as one of the most promising categories, benefitting from its unique combination of softness, breathability, strength, and moisture-management properties. As consumers and brands increasingly prioritise environmentally responsible materials, Lyocell's biodegradable nature and environmentally efficient manufacturing process enhances its sustainability considerations. Reflecting confidence in the long-term demand outlook for Lyocell, the business is expanding its capacity at its Harihar, Karnataka facility by 165K TPA. This expansion will take the total capacity of Lyocell to 210K TPA by 2030.



R&D Engine of Differentiation and Future-readiness

R&D is one of our engines of differentiation, and we treat sustained R&D investments across opex and capex as a strategic priority. Our focus areas span pioneering fibre platforms such as Lyocell, specialty, and circular fibres, driving premiumisation, advancing process innovation for cost reduction, reliability and sustainability. To accelerate this impact, we are strengthening our in-house engineering capabilities for faster lab-to-plant scale-up. This is supported by dedicated investments in pilot facilities, specialised hardware, advanced modelling, and testing. By actively partnering with global technology providers, brands, and value chain partners, our R&D is tightly aligned with customer applications, regulatory trends and sustainability goals. Ultimately, this comprehensive approach enables us to defend our leadership in India while positioning the business for robust global growth.

Sustainability Driving Customer Choiced Future-readiness

Growing consumer awareness of environmental and social issues is accelerating the demand for sustainable products across industries. Customers are increasingly favouring brands that demonstrate responsible sourcing, transparency, lower environmental impact and circularity throughout their value chains. At the same time, brands are integrating sustainability into their product portfolios to meet evolving consumer preferences, strengthen brand loyalty and comply with emerging regulatory requirements. This structural shift presents a significant opportunity for companies that invest in sustainable materials, eco-efficient manufacturing, traceable supply chains and product innovation, enabling them to differentiate their offerings, access premium markets and drive long-term growth while creating positive environmental and social impact.

Segment Performance

Cellulosic Staple Fibres (CSF)

For FY 2025-26, the CSF business navigated persistent input cost pressures, a volatile global fibre pricing environment, the rescission of the Quality Control Order (QCO) on CSF in November 2025 and the overhang of competitively priced Chinese-origin fibre. The business reflects a U-shaped performance, margin compression in H1 due to cost pressures and import competition, followed by a strong H2 recovery driven by volume growth, improved product mix (higher specialty share), and easing input costs. Structurally, the business continues to benefit from disciplined global supply, a stable pricing environment, and strategic shift towards specialty fibres, although Chinese competition and downstream demand softness (especially in yarn) remain key monitorable.

~890K TPA
Total CSF Capacity

Cellulosic Fashion Yarn (CFY)

The CFY business witnessed a challenging operating environment in FY 2025-26, marked by weak downstream demand and persistent pricing pressure. Competitively priced Chinese yarn, benefitting from structural cost advantages and excess production capacity at home created a persistent pricing ceiling in the Indian market.

51K TPA
Total CFY Capacity

Livaeco™ Lyocell

Trace the Source

Livaeco™ Lyocell has a unique molecular tracer in its fibre, this tracer helps in source verification across the value chain. A complete information on the journey of the fibre from forest to fashion is available through a unique QR Code which can be made available to the consumers conveniently.

Key Performance Charts

Revenue (crore)
₹ 17,104 ↑ 8%

FY26	17,104
FY25	15,897

EBITDA (crore)
₹ 1,751 ↑ 15%

FY26	1,751
FY25	1,524

CSF Volumes (KT)
869 ↑ 3%

FY26	869
FY25	844

CFY Volumes (KT)
43.9 ↑ 2%

FY26	43.9
FY25	43

Outlook

The cellulosic fibre business in India is likely to average a 9.76% annual growth rate to reach US$ 3 billion by 2033. The industry expects a gradual normalisation of inventory cycles, which should support a steady recovery in demand. While near-term margin volatility may persist due to import alternatives, the fundamental consumer shift towards eco-friendly fashion provides a strong baseline for future volume growth. In FY 2026-27, our priorities are simple: optimise product mix, drive operational efficiencies, and execute capacity expansions. By maintaining sharp cost discipline and continuously elevating our value-added product portfolio through R&D, we are well-equipped to navigate cyclical volatility and sustain profitable growth.

Navyāsa

A new-age contemporary saree brand crafted from Liva Fabrics that come from nature and are inherently sustainable. Liva fabrics are biodegradable and are made using significantly lesser resources, allowing us to contribute to a greener environment.